THE J. PAUL GETTY TRUST

Financial Statements

June 30, 2011 and 2010

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 2000
355 South Grand Avenue
Los Angeles, CA 90071-1568

Independent Auditors' Report

The Board of Trustees
The J. Paul Getty Trust:

We have audited the accompanying statements of financial position of The J. Paul Getty Trust (the Trust) (a tax-exempt, private operating foundation) as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The J. Paul Getty Trust as of June 30, 2011 and 2010, and the changes in net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

November 10, 2011

THE J. PAUL GETTY TRUST

Statements of Financial Position

June 30, 2011 and 2010

(Amounts in thousands)

Assets		**2011**	**2010**
Cash	$	1,015	275
Receivables:			
Investments		106,058	48,267
Interest and dividends		3,658	1,967
Other		6,322	4,943
Investments		5,580,226	4,839,187
Investments whose use is limited		5,393	2,771
Property and equipment, net		1,209,180	1,260,959
Collections and other assets		2,001,921	1,935,235
	$	8,913,773	8,093,604
Liabilities and Net Assets			
Liabilities:			
Accounts payable	$	12,314	10,183
Payables on investment purchases		128,351	58,339
Accrued and other liabilities		149,788	171,347
Interest rate swaps		90,313	110,190
Bonds payable		618,320	622,555
		999,086	972,614
Net assets:			
Unrestricted		7,909,332	7,118,780
Temporarily restricted		4,385	1,445
Permanently restricted		970	765
		7,914,687	7,120,990
	$	8,913,773	8,093,604

See accompanying notes to financial statements.

THE J. PAUL GETTY TRUST

Statements of Activities

Years ended June 30, 2011 and 2010

(Amounts in thousands)

		2011	2010
Change in unrestricted net assets:			
Revenues and other support:			
Sales and other income	$	24,547	26,173
Contributions		6,779	4,137
Investment income:			
Interest and dividend income, net		61,511	37,531
Net realized and unrealized gain on investments		930,158	563,979
Net investment income		991,669	601,510
Net realized and unrealized gain (loss) on interest rate swap agreements		19,877	(36,307)
Net assets released from restriction		326	469
Total revenues, other support, and investment income		1,043,198	595,982
Expenses:			
Program services:			
Museum		156,910	162,774
Research Institute		46,368	44,057
Conservation Institute		26,344	26,915
Foundation and Grants		29,145	37,208
Total program services		258,767	270,954
Supporting services:			
General and administrative		11,048	10,458
Total expenses		269,815	281,412
Pension and other postretirement plans		17,169	(36,013)
Change in unrestricted net assets		790,552	278,557
Change in temporarily restricted net assets:			
Contributions		3,266	897
Net assets released from restriction		(326)	(469)
Change in temporarily restricted net assets		2,940	428
Change in permanently restricted net assets:			
Contributions		205	205
Change in net assets		793,697	279,190
Net assets, beginning of year		7,120,990	6,841,800
Net assets, end of year	$	7,914,687	7,120,990

See accompanying notes to financial statements.

THE J. PAUL GETTY TRUST

Statements of Cash Flows

Years ended June 30, 2011 and 2010

(Amounts in thousands)

		2011	2010
Cash flows from operating activities:			
Change in net assets	$	793,697	279,190
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Depreciation and amortization		46,812	47,345
Net realized and unrealized gain on investments		(930,158)	(563,979)
Unrealized (gain) loss on interest rate swap agreements		(19,877)	36,307
Noncash contributions of art		(4,992)	(3,850)
Unrealized loss on property and equipment		—	1,294
Loss on disposition of property and equipment		3,459	161
Gain on disposition of collection items		(2,696)	(97)
Pension-related changes		(17,169)	36,013
Contributions restricted for long-term investment		(205)	(205)
Changes in operating assets and liabilities:			
Interest and dividends receivable		(1,691)	723
Other receivables		(1,379)	(3,300)
Other assets		306	(1,203)
Accounts payable		2,131	(4,830)
Accrued and other liabilities		(4,390)	4,344
Net cash used in operating activities		(136,152)	(172,087)
Cash flows from investing activities:			
Proceeds from sales of investments		9,168,099	8,052,506
Purchases of investments		(8,969,381)	(7,856,320)
Purchases of collection items		(61,971)	(15,682)
Proceeds from the sale of collection items		2,696	97
Purchases of property and equipment		(7,262)	(4,659)
Proceeds from sale of property and equipment		8,741	37
Net cash provided by investing activities		140,922	175,979
Cash flows from financing activities:			
Proceeds from bonds payable		54,100	161,125
Payments on bonds payable		(58,335)	(165,200)
Contributions restricted for long-term investment		205	205
Net cash used in financing activities		(4,030)	(3,870)
Net increase in cash		740	22
Cash, beginning of year		275	253
Cash, end of year	$	1,015	275
Supplemental disclosure of cash flow information:			
Cash paid during the year for interest	$	22,836	23,428

See accompanying notes to financial statements.

(1) Organization

The J. Paul Getty Trust (the Trust) is a tax-exempt, private operating foundation whose mission serves both general audiences and specialized professionals. The Trust is a cultural and educational institution that focuses on the visual arts in all of their dimensions and their capacity to strengthen and to inspire aesthetic and humanistic values. It is dedicated to the presentation, enjoyment, study, and conservation of the visual arts and humanities in order to offer the public opportunities to more fully understand, experience, value, and preserve the world's art and cultural heritage.

(2) Summary of Significant Accounting Policies

(a) Basis of Financial Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

The Trust recognizes contributions, including unconditional promises to give, as revenue in the period received. Contributions and net assets are classified based on the existence or absence of donor-imposed restrictions. As such, the net assets of the Trust and changes therein are classified and reported as follows:

- Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in carrying out the Trust's mission.
- Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Trust and/or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions. Donor-restricted contributions received and expended in the same reporting period are recorded as unrestricted support.
- Permanently restricted net assets – Net assets subject to donor-imposed stipulations that resources be maintained in perpetuity. Investment income generated from these funds is available for general support of the Trust's programs and operations unless otherwise stipulated by the donor.

(b) Fair Value of Financial Instruments

The Trust follows the provisions of Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*, included in FASB Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. In accordance with ASC Topic 820, fair value is defined as the price that the Trust would receive upon selling an investment in an orderly transaction to a market participant in the principal or most advantageous market of the investment. ASC Topic 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

ASC Topic 820 also prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information. SFAS No. 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level I measurements) and the lowest priority to measurements involving significant unobservable inputs (Level III measurements). The three levels of the fair value hierarchy are as follows:

- Level I inputs are quoted prices (unadjusted) in active markets for identical assets that the entity has the ability to access at the measurement date.
- Level II inputs are inputs other than quoted prices included within Level I that are observable for the assets, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other observable inputs that can be corroborated by observable market data.
- Level III inputs are unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

In conjunction with the adoption of ASC Topic 820, the Trust adopted the measurement provisions of Accounting Standards Update No. 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, to certain investments in funds that do not have readily determinable fair values including private equity, venture capital, hedge funds, distressed debt, real assets, and other funds. This guidance amends ASC Topic 820 and allows, as a practical expedient, for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent. Under this approach, certain attributes of the investment such as restrictions on redemption and transaction prices from principal-to-principal or brokered transactions are not considered in measuring the fair value of an investment.

(c) Investments

Investments are stated at fair value at June 30, 2011 and 2010. The fair value of investments in securities traded on national securities exchanges is valued at the closing price on the last business day of the fiscal year. The estimated fair value for alternative investments is based on net asset values provided by the external investment managers. The net asset values for the alternative investments necessarily involve estimates, appraisals, assumptions, and methods, which are reviewed by the Trust's Investment Office.

Realized and unrealized gains or losses on investments are recorded in the statements of activities. Investment purchases and sales are recorded on a trade-date basis. Dividend income is recorded based upon the ex-dividend date, and interest income is recorded as earned on an accrual basis.

Futures, forwards, and options contracts are marked-to-market with the change reflected in net realized and unrealized gains on investments in the accompanying statements of activities.

(d) Property and Equipment

Property and equipment are recorded at cost and depreciated on a straight-line basis over the estimated useful lives of the respective assets or amortized over the terms of the respective leases, whichever is shorter, as follows:

Buildings	25 to 50 years
Building improvements	Up to 25 years
Leasehold improvements	Lesser of life of asset or lease term
Furniture, equipment, and exhibits	4 to 25 years

The Trust reviews for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. During the years ended June 30, 2011 and 2010, no impairment loss was recognized in the accompanying statements of activities.

(e) Collections and Other Assets

Included in collections and other assets are the Trust's collections, which comprise art objects, artifacts of historical significance, and the research and photographic libraries that are held for exhibition and educational, research, and curatorial purposes. Collection items are recorded at cost if purchased or, if contributed, at appraised value at the date of contribution. As of June 30, 2011 and 2010, the Trust's collection totaled $1,990,029,000 and $1,923,292,000, respectively.

The publication inventory, also carried as a component of collections and other assets, is carried at the lower of cost or estimated net realizable value, totaling $5,076,000 and $5,042,000 at June 30, 2011 and 2010, respectively.

Objects in the Trust's collection may be subject to decreases in value due to changes in attribution. In addition, objects in the Trust's collection may be subject to forfeiture or other claims made by individuals, for example, objects appropriated during the Nazi era, or by countries related to the return of cultural property. The Trust closely monitors these risks, and when it is determined that the value of an item may be impaired and the loss can be estimated, the Trust adjusts the value of the assets by establishing a reserve. As of June 30, 2011 and 2010, the Trust's reserve totaled $3,976,000.

(f) Grant Expenditures

Grant expenditures are recognized as expense in the period the grant is approved, provided the grant is not subject to future conditions, including grants that are expected to be paid in future years.

(g) Contributed Services

Contributed services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Trust receives a significant amount of contributed time from unpaid volunteers that does not meet the two recognition criteria described

(Continued)

above. Accordingly, the value of this contributed time is not reflected in the accompanying financial statements.

(h) Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Certain costs have been allocated among the programs and supporting services benefited based on management's estimates.

(i) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(j) Income Taxes

The Trust has been classified as a tax-exempt, private operating foundation under Sections 501(c)(3) and 4942(j)(3) of the Internal Revenue Code (IRC) and Section 23701d of the California Revenue and Taxation Code. The Trust also qualifies as an exempt operating foundation as described in IRC 4940(d)(2) and, as such, is not subject to federal excise taxes on its net investment income under IRC Section 4940. However, the Trust is subject to income taxes on any net income that is derived from trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded as the net income, if any from unrelated trade or business, in the opinion of management, is not material to the basic financial statements taken as a whole.

The Trust has adopted the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Subtopic 740, *Income Taxes*, related to accounting for uncertainty in income taxes, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The interpretation requires that the entity account for and disclose in the financial statements the impact of a tax position if that position would more likely than not be sustained upon examination, including resolution of any related appeals or litigation processes, based on technical merits of the position. The Trust has evaluated the financial statement impact of tax positions taken or expected to be taken and determined it has no uncertain tax positions that would require tax assets or liabilities to be recorded in accordance with accounting guidance.

(k) Reclassifications

Certain reclassifications have been made to the 2010 financial data to conform to the 2011 presentation.

(3) Investments

At June 30, 2011 and 2010, the Trust's investments, at fair value, consist of the following:

		2011	2010
		(Amounts in thousands)	
Cash and cash equivalents	$	349,444	296,400
U.S. Treasury and agency securities		67,353	68,578
Corporate bonds		198,396	188,805
Alternative investments:			
Venture capital		289,566	204,305
Buyout funds		656,361	522,398
Hedge funds:			
Equity long short		543,522	493,227
Relative value		516,297	541,474
Distressed debt		625,360	638,191
Real assets		1,052,212	840,562
Common stocks		330,181	301,877
Commingled funds:			
Domestic equity		344,323	196,878
International equity		612,604	549,263
	$	5,585,619	4,841,958
Investments	$	5,580,226	4,839,187
Investments whose use is limited		5,393	2,771
	$	5,585,619	4,841,958

(4) Fair Values of Financial Instruments

The following tables present assets and liabilities that are measured at fair value on a recurring basis at June 30, 2011 and 2010:

	June 30, 2011			
	Level I	Level II	Level III	Total
	(Amounts in thousands)			
Assets:				
Cash and cash equivalents	$ 10,168	339,276	—	349,444
U.S. Treasury and agency securities	—	67,353	—	67,353
Corporate bonds	—	195,077	3,319	198,396
Alternative investments:				
Venture capital	—	—	289,566	289,566
Buyout funds	—	—	656,361	656,361
Hedge funds:				
Equity long short	—	—	543,522	543,522
Relative value	—	—	516,297	516,297
Distressed debt	—	—	625,360	625,360
Real assets	—	—	1,052,212	1,052,212
Common stocks	328,603	273	1,305	330,181
Commingled funds:				
Domestic equity	—	259,042	85,281	344,323
International equity	—	506,367	106,237	612,604
Total assets	$ 338,771	1,367,388	3,879,460	5,585,619
Liabilities:				
Interest rate swaps	$ —	(90,313)	—	(90,313)
Total liabilities	$ —	(90,313)	—	(90,313)

		June 30, 2010			
		Level I	Level II	Level III	Total
		(Amounts in thousands)			
Assets:					
Cash and cash equivalents	$	7,671	288,729	—	296,400
U.S. Treasury and agency securities		—	68,578	—	68,578
Corporate bonds		—	186,428	2,377	188,805
Alternative investments:					
Venture capital		—	—	204,305	204,305
Buyout funds		—	—	522,398	522,398
Hedge funds		—	—	1,034,701	1,034,701
Distressed debt		—	—	638,191	638,191
Real assets		—	—	840,562	840,562
Common stocks		293,835	141	7,901	301,877
Commingled funds:					
Domestic equity		—	134,152	62,726	196,878
International equity		—	476,712	72,551	549,263
Total assets	$	301,506	1,154,740	3,385,712	4,841,958
Liabilities:					
Interest rate swaps	$	—	(110,190)	—	(110,190)
Total liabilities	$	—	(110,190)	—	(110,190)

At June 30, 2011 and 2010, approximately 62% and 56% of alternative investments are invested in limited partnerships where capital is committed then called and funded over time, and there are no provisions for redemptions. These funds may have terms of up to ten years. The future commitments to fund these partnerships totaled approximately $775,859,000 and $948,631,000 as of June 30, 2011 and 2010, respectively. The balance of the alternative investments is invested in funds that permit redemptions periodically. These redemption periods range from 1 month to 5 years and require 30- to 90-day notice periods. Approximately 80% of these assets are redeemable within 1 year or less.

There were no transfers between Level I and Level II of the fair value hierarchy for the year ended June 30, 2011.

The following table is a reconciliation of the change in investments for which Level III inputs were used to determine fair value as of June 30, 2011 and 2010:

		June 30	
		2011	**2010**
		(Amounts in thousands)	
Beginning balance, July 1	$	3,385,712	3,098,965
Net purchases		—	83,823
Net sales		(144,549)	—
Total realized and unrealized gains, net		638,297	331,144
Transfers out		—	(128,220)
Ending balance, June 30	$	3,879,460	3,385,712
Total gains and losses, net for the years ended June 30, 2011 and 2010, included in income attributable to the change in unrealized gains and losses relating to assets and liabilities held at June 30, 2011 and 2010.	$	496,320	288,705

Investments Whose Use Is Limited

Investments whose use is limited consist of amounts that are temporarily restricted by donors as well as those restricted by donors for investment in perpetuity and amounts related to interest due to bondholders. As of June 30, 2011 and 2010, investments whose use is limited totaled $5,393,000 and $2,771,000, respectively.

(5) Derivative Financial Instruments

In the normal course of business, the Trust uses various financial instruments, including derivative financial instruments, in an effort to manage the Trust's exposure to certain risks.

The Trust primarily uses a combination of forward contracts and futures to manage price, currency, and interest rate exposures associated with specific activities. Under these instruments, the Trust agrees to the future delivery of a currency or security on an agreed-upon date and at an agreed-upon price. These contracts are entered into with the intention to minimize the Trust's economic exposure to adverse fluctuations in financial or currency markets and to reduce interest rate risk.

The Trust also enters into derivative instruments as an alternative to ownership of the underlying asset. Specifically, forward contracts are used as an alternative to ownership.

All of the Trust's derivative positions are marked to fair value as a component of investment income. These amounts are included in investments in U.S. Treasury and agency securities and alternative investments as presented in note 3.

The notional units and fair values of forward contracts and futures as of June 30, 2011 and 2010 are as follows (amounts in thousands):

	2011		2010	
	Notional units	Fair value	Notional units	Fair value
Net forward contracts to sell (purchase)	(18,381)	$ 33	(7,122)	$ 336
Futures	293,750	695	37,450	185
		$ 728		$ 521

The Trust's derivative instruments involve varying degrees of risk of loss in excess of the amount recognized in the statements of financial position, arising from either potential changes in market prices or the possible inability of counterparties to meet the terms of their contracts. The Trust's investment advisors and management closely monitor the financial condition of the firms used for these contracts in order to minimize the risk of loss. Management believes the Trust's use of derivatives does not result in credit or market risk that would materially affect the Trust's financial position.

(6) Property and Equipment

At June 30, property and equipment consist of the following:

	2011	2010
	(Amounts in thousands)	
Land and improvements	$ 71,340	80,761
Buildings	1,602,763	1,600,615
Leasehold improvements	1,030	825
Furniture and equipment	66,435	65,342
Work in progress	6,030	6,158
	1,747,598	1,753,701
Less accumulated depreciation and amortization	(538,418)	(492,742)
	$ 1,209,180	1,260,959

(7) Bonds Payable

As of June 30, bonds payable and the associated interest rates, and maturities are as follows:

Reference number (see below)	Series	2011 Interest rate *	Maturity dates		2011 Principal	2010 Principal
1	2003A	3.90%	4/1/2033	$	85,000,000	85,000,000
2	2003B	0.02	4/1/2033		80,000,000	80,000,000
3	2003C	3.90	4/1/2033		55,000,000	55,000,000
4	2003D	0.02	4/1/2033		55,000,000	55,000,000
5	2004A	4.00	10/1/2023		36,425,000	38,545,000
6	2004B	0.02	10/1/2023		36,420,000	38,535,000
7	2007A-1	2.50	10/1/2047		81,150,000	81,150,000
8	2007A-2	0.02	10/1/2047		81,125,000	81,125,000
9	2007A-3	2.25	10/1/2047		54,100,000	54,100,000
10	2007A-4	0.02	10/1/2047		54,100,000	54,100,000
				$	618,320,000	622,555,000

* Interest rates are not fixed to the maturity date and adjust at various frequencies or dates as noted below.

(a) 2003 Variable Rate Revenue Bonds

On May 12, 2003, the Trust issued $275,000,000 (#1 – #4) in variable rate revenue bonds issued by the California Infrastructure and Economic Development Bank, which mature on April 1, 2033. Proceeds were used to finance a portion of the Getty Villa renovation and the bond issuance costs. Interest rates are adjusted when the bonds are remarketed. The first tranche of $140,000,000 (#1 and #3) was remarketed on August 2, 2006 at an interest rate of 3.90% for a term through December 1, 2011. The second tranche of $135,000,000 (#2 and #4) was remarketed on February 2, 2007 with interest rates adjusted daily based on the rates available to investors in the tax-exempt municipal bond market, which averaged 0.02% and 0.09% at June 30, 2011 and 2010, respectively.

The redemption period for the bonds begins April 1, 2012 and ends April 1, 2033. Accrued interest on the bonds as of June 30, 2011 and 2010 was $1,564,000 and $1,383,000, respectively.

(b) 2003 Taxable Bonds and 2007A Bonds

On October 1, 2003, the Trust issued $250,000,000 Series 2003 Taxable Bonds maturing on October 1, 2033. The proceeds were used to finance or refinance capital projects of the Trust, including but not limited to the acquisition of objects of art.

On October 3, 2007, the Trust issued $270,475,000 Series 2007A Bonds issued by the California Infrastructure and Economic Development Bank that mature on October 1, 2047. The funds were used to repurchase the 2003 Taxable Bonds tendered by the owners and to contribute any funds required to complete the legal defeasance of such 2003 Taxable Bonds not tendered. An amount of $669,000 and $678,000 at June 30, 2011 and 2010, respectively, consisting of U.S. government securities, is held in trust solely for satisfying the interest and principal payments of these untendered bonds. The amount held in trust and the related bonds have been removed from the accompanying financial statements.

In March 2009, the Series 2007A Bonds were remarketed in four tranches with four put dates: Series 2007A-1 $81,150,000 (#7) and a put date of April 1, 2013 at an interest rate fixed at 2.50%, Series 2007A-2 $81,125,000 (#8) and a put date of April 1, 2010 at an interest rate fixed at 0.50%, Series 2007A-3 $54,100,000 (#9) and a put date of April 1, 2012 at an interest rate fixed at 2.25%, and Series 2007A-4 $54,100,000 (#10) and a put date of April 1, 2011 at an interest rate fixed at 1.65%. On April 1, 2010, the Series 2007A-2 bonds (#8) were remarketed to convert to daily interest rate mode, which was 0.02% and 0.10% at June 30, 2011 and 2010, respectively. On April 1, 2011, the 2007A-4 bonds (#10) were remarketed to convert to daily interest rate mode, which was 0.02% at June 30, 2011. Accrued interest on the bonds as of June 30, 2011 and 2010 was $813,000 and $1,045,000, respectively.

(c) 2004A and 2004B Variable Rate Revenue Bonds

On September 1, 2004, the Trust issued $96,000,000 in variable rate revenue bonds (#5 – #6). The bonds mature on October 1, 2023. The bonds were remarketed in two tranches on February 2, 2006. The first tranche of $46,255,000 (#5) was remarketed on August 2, 2006 at an interest rate of 4.00% for a term through December 1, 2011. The second tranche of $46,250,000 (#6) was remarketed on February 2, 2007 with interest rates adjusted daily based on the rates available to investors in the tax-exempt municipal bond market, which was 0.02% and 0.08% at June 30, 2011 and 2010, respectively. The Trust remitted a principal pay down of $4,235,000, resulting in an outstanding balance of $72,845,000 (#5 and #6) as of June 30, 2011. Accrued interest on the bonds as of June 30, 2011 and 2010 was $947,000 and $998,000, respectively.

The following is a schedule by year of future maturities for the outstanding bond obligations as of June 30 (amounts in thousands):

		Principal amount
Year ending June 30:		
2012	$	8,730
2013		9,090
2014		9,125
2015		9,220
2016		9,335
Thereafter		572,820
	$	618,320

(8) Interest Rate Swap Agreements

In conjunction with the issuance of variable rate bonds, as discussed in note 7 above, the Trust has entered into interest rate swap agreements with the following two counterparties: Morgan Stanley and JPMorgan Chase Bank. The swap agreements hedge the Trust’s floating rate exposure through the exchange of floating rates for fixed rates. The fixed rates paid by the Trust range from 3.4265% to 3.8440%. The Trust expects that the floating rates it receives under the swap agreements will closely correlate with the floating rates on its variable rate bonds. The floating rates received on the swaps are based on percentages of three-month LIBOR designed to approximate the anticipated floating rate payments of the Trust's tax-exempt bonds, though there is no guarantee that the two rates will not diverge. Management believes that such potential divergence does not create a financial risk that would materially affect the Trust's financial position. In addition, in connection with certain bonds that have been remarketed in short-term fixed put mode as described in note 7 above, the Trust has entered into swap agreements that convert the short-term fixed rate on the bonds to a floating rate. These swaps match the corresponding put bonds in size and maturity.

(9) Retirement Plans and Postretirement Medical Benefits

The Trust has a defined benefit retirement plan covering substantially all of its employees. The benefits are based on years of service and the employee's highest consecutive 5 years of compensation during the last 10 years of employment. In addition, the Trust provides supplemental retirement defined benefits for certain former executives as outlined in their respective employment contracts. Employees hired on or after January 1, 2009 participate in a revised retirement program in which the Trust contributes 6% of the employee's base salary up to the Social Security Taxable Wage Base, and 10% of an employee's salary above this level. The Trust employees hired prior to January 1, 2009 continue to participate in the existing defined benefit retirement plan.

The Trust also provides postretirement healthcare benefits to eligible employees. The cost of providing these benefits is substantially borne by the Trust. Employees hired on or after January 1, 2009 participate in a revised plan that provides a $100 monthly contribution upon retirement towards a group healthcare plan upon reaching age 55, with 10 years of service.

(a) Funded Status

The following table sets forth the plans' projected benefit obligation (a measure of a pension plan's liability at the calculation date assuming that the plan is ongoing and will not terminate in the foreseeable future), fair value of plan assets, and funded status as of June 30, 2011 and 2010:

		Defined benefit plans		Postretirement medical	
		2011	2010	2011	2010
		(Amounts in thousands)			
Benefit obligation	$	(170,278)	(166,120)	(80,425)	(79,047)
Fair value of plan assets		120,385	97,681	—	—
Funded status	$	(49,893)	(68,439)	(80,425)	(79,047)

The accrued benefit costs are included as a component of accrued and other liabilities in the accompanying statements of financial position. The net periodic pension costs in the amount of $10,383,000 and $6,660,000 for the year ended June 30, 2011 and 2010, respectively, are included as a component of pension and other postretirement plans in the accompanying statements of activities. The accumulated benefit obligation (a measure of a pension plan's liability in the event of a termination at the date the calculation is performed) for the pension plans was $153,820,000 and $143,731,000 as of June 30, 2011 and 2010, respectively.

(b) Assumptions

The weighted average assumptions used to determine the net pension cost and pension obligations at June 30, 2011 and 2010 are as follows:

	Defined benefit plans	
	2011	**2010**
Discount rate used to determine:		
Net periodic pension cost	5.55%	6.90%
Benefit obligations	5.60	5.55
Expected long-term rate of return on plan assets	8.00	8.00
Rate of compensation increase	3.50	4.00
Measurement date	June 30, 2011	June 30, 2010

The following are the assumed healthcare trend rates and discount rates related to the postretirement healthcare benefits:

	Postretirement medical	
	2011	**2010**
Healthcare cost trend assumed for the next year	8.30%	8.30%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.80	4.50
Year that the rate reaches the ultimate trend rate	2036	2027
Discount rate	5.60%	5.55%
Measurement date	June 30, 2011	June 30, 2010

(c) Pension Plan Investments

The asset allocations for the pension plans as of June 30, 2011 and 2010 are as follows:

	Defined benefit plans			
	2011		**2010**	
	Actual	**Target**	**Actual**	**Target**
Asset allocations:				
Equity securities	66.00%	64.00%	48.00%	64.00%
Debt securities	21.00	20.00	37.00	20.00
Hedge funds	13.00	16.00	15.00	16.00
	100.00%	100.00%	100.00%	100.00%

The investment policy of the defined benefit plans is intended to maximize total return consistent with the income needs and risk tolerance for the plans. The plans have a long-term investment horizon consistent with the long-term nature of the retirement obligations. The policy and risk tolerance for the plans are reflected in the asset allocation target approved by the Investment Committee. The asset allocation targets are reviewed periodically by the Investment Committee of the Board of Trustees to ensure that the targets are consistent with the plan policy and strategic objectives. The actual asset allocation is rebalanced as appropriate to match the target weights. Domestic equity assets are invested in an index fund that replicates the Wilshire 5000 index, and international equity assets are invested in an index fund that replicates the MSCI EAFE index. Fixed-income assets are invested in an intermediate bond fund account that is actively managed by PIMCO and is benchmarked against the Barclays Aggregate index.

The plans have an expected long-term rate of return assumption of 8%. This assumption reflects the asset allocation targets and both the historical and projected long-term return assumptions for each asset class in the portfolio.

(d) Benefit Payments and Contributions

	Defined benefit plans		Postretirement medical	
	2011	**2010**	**2011**	**2010**
	(Amounts in thousands)			
Employer contributions	$ 8,467	9,967	496	515
Benefits paid	(4,680)	(4,158)	(496)	(515)

The following is a schedule based on actuarial calculations of expected future benefit payments over the next 10 fiscal years:

	Defined benefit plans	Postretirement medical
	(Amounts in thousands)	
Fiscal year ending June 30:		
2012	$ 6,049	1,845
2013	6,521	2,280
2014	7,077	2,786
2015	7,609	3,236
2016	8,215	3,706
2017 – 2021	50,324	25,172
	$ 85,795	39,025

Expected contributions to be made to the defined benefit plan and the supplemental retirement plan during the fiscal year ending June 30, 2012 total $8,467,000. Expected contributions to be made toward supplemental healthcare benefits during the fiscal year ending June 30, 2012 total $1,845,000.

(e) Employee Investment Plan

The Trust maintains a qualified 403(b) Employee Investment Plan, which permits eligible employees to make voluntary contributions on a pretax basis. This plan allows participants to invest in a variety of investments. This plan was enhanced in 1995 to include an employer match to employees contributing to the plan. The match is held in a 401(a) plan. The 401(a) plan provides for uniform employer contributions of one dollar for every dollar contributed by a participant up to 4% of the participant's compensation. Contributions to the plan totaled $2,197,000 and $2,141,000 in 2011 and 2010, respectively.

(f) Supplemental Savings Plan

On January 1, 2009, the Trust established a nonqualified 457(b) Supplemental Savings Plan, which permits eligible employees to make voluntary contributions on a pretax basis. This plan allows participants to invest in a variety of investments. Contributions to the plan totaled $101,923 and $116,105 in 2011 and 2010, respectively.

(10) Endowment

The Trust's endowment consists of three individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net asset composition by type of fund as of June 30, 2011:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
		(Amounts in thousands)		
Donor-restricted endowments	$ —	325	970	1,295
Board-designated endowments	5,556,652	—	—	5,556,652
Total	$ 5,556,652	325	970	5,557,947

Changes in endowment net assets for the fiscal year ended June 30, 2011:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
		(Amounts in thousands)		
Endowment net assets, beginning of the year	$ 4,827,443	152	765	4,828,360
Investment return:				
Investment income	61,511	—	—	61,511
Net appreciation	930,158	173	—	930,331
Total investment return	991,669	173	—	991,842
Contributions	—	—	205	205
Appropriation of endowment assets for expenditure	(262,460)	—	—	(262,460)
Endowment net assets, end of the year	$ 5,556,652	325	970	5,557,947

Endowment net asset composition by type of fund as of June 30, 2010:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
		(Amounts in thousands)		
Donor-restricted endowments	$ —	152	765	917
Board-designated endowments	4,827,443	—	—	4,827,443
Total	$ 4,827,443	152	765	4,828,360

(Continued)

Changes in endowment net assets for the fiscal year ended June 30, 2010:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
		(Amounts in thousands)		
Endowment net assets, beginning of the year	$ 4,452,649	86	560	4,453,295
Investment return:				
Investment income	37,531	—	—	37,531
Net appreciation	563,979	66	—	564,045
Total investment return	601,510	66	—	601,576
Contributions	—	—	205	205
Appropriation of endowment assets for expenditure	(226,716)	—	—	(226,716)
Endowment net assets, end of the year	$ 4,827,443	152	765	4,828,360

(a) Return Objectives and Risk Parameters

The Trust has adopted investment and prudent spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. This policy shall provide for safety of principal through diversification in a portfolio of common stocks, bonds, mutual funds, cash equivalents, and other investments, including international equities and alternative investments, which may reflect varying rates of return. The overall rate of return objective for the portfolio (net of fees) is 8.5%, which is consistent with the risk levels established by the Board of Trustees. This is consistent with the Trust's objective to maintain purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment returns.

(b) Investment Strategy

Consistent with the investment and prudent spending policies stated above, the investment strategy is as follows:

1. Preservation of Capital: to seek to minimize the probability of loss of principal over the investment horizon of the portfolio relative to the market.

2. Long-Term Growth of Capital: to seek long-term growth of principal.

3. Preservation of Purchasing Power: to seek returns in excess of the rate of inflation over the long-term investment horizon of the portfolio relative to the market.

(c) Spending Policy

The Trust, with the approval of the Board of Trustees, currently appropriates for distribution (on a cash basis) each year 5% of its endowment fund's value determined either by (1) averaging the fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned or (2) using the fair value of the endowment at calendar year-end preceding the fiscal year in which the distribution is planned. In establishing these appropriations, the Trust considers the long-term expected return on its endowment. Accordingly, over the long term, the Trust expects the current spending policy to allow its endowment to grow at an average of 3.5% annually. This is consistent with the Trust's objective to maintain the purchasing power of the endowment assets held in perpetuity.

(11) Lines of Credit

The Trust has three bank lines of credit. Two of the lines are three-year contracts with two banks: JPMorgan Chase (up to $270 million) and Bank of America (up to $100 million). The amounts available under these lines ramp up to the maximum over the next three years as the Trust converts its put bonds to variable rate demand bonds that reset daily. These lines, in combination with the $200 million of daily liquidity provided by the Trust's Investment Office, meet the liquidity requirements for the Trust's debt strategy. The lines expire March 25, 2013. There were no amounts outstanding at June 30, 2011 or 2010 under these agreements.

The third bank line of credit is with Bank of America that expires June 1, 2012. The credit facilitates the issuance of commercial and standby letters of credit with maximum maturities of 180 and 365 days, respectively. The bank line totaled $2,032,043 as of June 30, 2010 and then decreased by $2,000,000 to $32,043 as of June 30, 2011 with no amounts drawn on the line.

(12) Commitments and Contingencies

Legal Matters

In the ordinary course of business, the Trust is subject to certain lawsuits and other potential legal actions. In the opinion of management, such matters will not have a material effect on the financial position of the Trust.

(13) Subsequent Events

Subsequent events have been evaluated through November 10, 2011, which is the date the financial statements were issued.