Financial Statements 2005

Independent Auditors' Report

To the Board of Directors, The Joyce Foundation

We have audited the accompanying statements of financial position of The Joyce Foundation as of December 31, 2005 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements as of and for the year ended December 31, 2004 were audited by other auditors whose report dated March 24, 2005 expressed an unqualified opinion on those statements.

We conducted our audit 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 Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit 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 audit provides 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 Joyce Foundation as of December 31, 2005 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

BDO Seidman, LLP

Chicago, Illinois

March 16, 2006

Statements of Financial Position

December 31,	2005	2004
Assets		
Current Assets		
Cash	$ 232,933	$ 331,574
Collateral received under securities lending program (Note 1)	64,882,694	51,420,080
Due from brokers for sales of securities	521,104	538,615
Investments (Note 3)		
Short-term money market investments	11,939,032	34,951,006
U.S. Government and corporate bonds	152,247,057	133,871,380
Stocks	502,240,987	483,405,619
Investment partnerships	159,662,540	153,689,309
Program-related investments	323,000	346,000
Real estate and mineral rights	442,761	442,761
Prepaid federal excise tax	-	151,518
Other assets	104	1,174
Total Assets	**$ 892,492,212**	**$ 859,149,036**
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expense	$ 135,088	$ 24,810
Due to brokers for purchases of securities	1,405,534	1,675,281
Grants payable	11,186,289	16,068,980
Payable under securities lending program	64,882,694	51,420,080
Current federal excise tax payable	90,920	-
Deferred federal excise tax payable	1,750,760	1,616,000
	79,451,285	70,805,151
Net assets – unrestricted	813,040,927	788,343,885
Total Liabilities and Net Assets	**$ 892,492,212**	**$ 859,149,036**

See accompanying notes to financial statements.

Statements of Activities

Year ended December 31,	2005	2004
Revenue		
Gain on marketable investments		
Net realized	$ 15,969,255	$ 36,619,008
Net unrealized	13,594,249	24,234,457
Partnership income	12,791,225	18,271,662
Interest income	1,079,390	1,169,793
Dividend income	15,872,137	13,357,073
Other income	490,094	745,160
	59,796,350	94,397,153
Investment expenses	2,220,995	1,914,163
Net investment revenue	**57,575,355**	**92,482,990**
Expenditures		
Grants awarded (grant payments made, net of grants returned, of $30,571,102 in 2005 and $34,417,665 in 2004)	26,562,335	41,787,664
General and administrative expenses	4,697,940	4,422,577
Federal excise tax	1,483,278	739,000
Deferred federal excise tax	134,760	528,000
Total expenditures	**32,878,313**	**47,477,241**
Increase in Unrestricted Net Assets	24,697,042	45,005,749
Unrestricted Net Assets, at beginning of year	788,343,885	743,338,136
Unrestricted Net Assets, at end of year	**$ 813,040,927**	**$ 788,343,885**

See accompanying notes to financial statements.

Statements of Cash Flows

Year ended December 31,	2005	2004
Cash Flows From Operating Activities		
Increase in unrestricted net assets	$ 24,697,042	$ 45,005,749
Realized gain on sales of investments	(15,969,255)	(36,619,008)
Increase in market value of investments	(13,594,249)	(24,234,457)
Partnership income	(12,791,225)	(18,271,662)
Contribution of securities	-	(487,500)
Changes in		
Other assets	1,070	55,444
Federal excise tax	242,438	524,000
Grants payable	(4,882,691)	7,369,999
Accounts payable and other accruals	110,278	24,810
Deferred federal excise tax payable	134,760	528,000
Net cash used in operating activities	**(22,051,832)**	**(26,104,625)**
Cash Flows From Investing Activities		
Proceeds from sales of stocks and bonds	259,855,797	332,702,717
Purchases of stocks and bonds	(267,755,574)	(325,061,443)
Investments in partnerships	(6,297,836)	(6,819,000)
Distributions from partnerships	13,115,830	51,139,360
Net sales and purchases of short-term money market investments	23,011,974	(25,789,061)
Sales of program-related investments	23,000	23,000
Change in payable under securities lending program	13,462,614	19,212,566
Change in collateral received under securities lending program	(13,462,614)	(19,212,566)
Net cash provided by investing activities	**21,953,191**	**26,195,573**
(Decrease) Increase in Cash	(98,641)	90,948
Cash, at beginning of year	331,574	240,626
Cash, at end of year	**$ 232,933**	**$ 331,574**

See accompanying notes to financial statements.

Notes to Financial Statements

Note 1

Nature of Activities and Significant Accounting Policies

Nature of Activities

The Joyce Foundation (the "Foundation") is a nonprofit organization that focuses on a limited number of carefully defined program areas, primarily education, employment, environment, gun violence, money and politics, and culture.

The financial statements have been prepared in conformity with accounting policies applicable to nonprofit organizations.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions affecting the amounts reported in the financial statements and accompanying notes. Actual results could differ from the estimates.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. However, as a private charitable foundation, it is subject to a federal excise tax based on net investment income. Deferred federal excise tax represents taxes provided on the net unrealized appreciation on investments, using a rate of 2%.

Investments

Marketable securities and exchange-traded futures contracts are reflected at market value based on quoted prices. Investment partnerships and real estate and mineral rights are reflected at approximate fair value. Realized and unrealized gains and losses from changes in market values are reflected in the statements of activities.

Securities Lending

The Foundation participates in a securities lending program administered by the Foundation's custodian. Under this program, securities are periodically loaned to selected brokers, banks or other institutional borrowers of securities, for which collateral in the form of cash, letters of credit, or government securities may not be less than 102% of the market value of the loaned securities plus accrued but unpaid interest or dividends. The Foundation invests this collateral received in equity securities. The Foundation bears the risk that it may experience delays in the recovery or even loss of rights in the collateral should the borrower of the securities fail to meet its obligations.

Fixed Assets

The cost of leasehold improvements, furniture and equipment is charged to expense in the year they are acquired rather than being capitalized, as the amounts involved are deemed to be immaterial.

Grants

Grants specifically committed to designated grantees, but not yet paid, are accrued as grants payable.

Translation of Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated at year-end exchange rates. Revenue and expense items are translated at average rates of exchange for the year. Translation gains and losses are included in income.

Concentration of Credit Risk

The Foundation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. Management believes that the Foundation is not exposed to any significant credit risk on cash.

Reclassifications

Certain 2004 amounts have been reclassified to conform with the current year presentation without affecting previously reported net assets or changes in net assets.

Note 2

Fair Value of Financial Instruments

Substantially all of the Foundation's assets and liabilities are considered financial instruments and are either already reflected at fair value or are short-term or replaceable on demand. Therefore, their carrying amounts approximate their fair values.

Note 3
Investments

Foundation investments, other than investment partnerships and program-related investments described below, consist of the following:

2005

Short-Term Money Markets Investments			
Cost	$11,939,032	*Market Value*	$11,939,032
U.S. Government and Corporate Bonds			
Cost	156,295,611	*Market Value*	152,247,057
Stocks			
Cost	410,304,434	*Market Value*	502,240,987
Total			
Cost	$578,539,077	*Market Value*	$666,427,076

2004

Short-Term Money Markets Investments			
Cost	$34,951,006	*Market Value*	$34,951,006
U.S. Government and Corporate Bonds			
Cost	136,214,465	*Market Value*	133,871,380
Stocks			
Cost	406,768,783	*Market Value*	483,405,619
Total			
Cost	$577,934,254	*Market Value*	$652,228,005

Investment Partnerships

The Foundation holds limited partnership interest in various venture capital partnerships, all of which invest in and trade marketable securities. The Foundation holds another limited partnership interest that invests in and trades marketable securities and futures contracts. The partnerships reflect these investments at market value. The Foundation's share of its net assets and income or losses is reflected in the financial statements using the equity method of accounting.

Partnership investment income includes interest, dividends, and realized gains or losses, net of partnership expense. The Foundation had open commitments to make additional partnership investments of $30,106,557 and $26,404,393 at December 31, 2005 and 2004, respectively. Returned unused capital contributions may be recalled and all distributions are subject to repayment to cover liabilities of the partnerships. The amount of this contingency cannot be determined.

Program-Related Investments

The Foundation had three program-related investments at December 31, 2005 and 2004.

$23,000 ($46,000 at December 31, 2004) promissory notes due on July 1, 2006 from Shorebank Corporation, Chicago, Illinois. Interest is earned at 2/3 of prime per year (4.67% at 12/31/05).

Purpose To encourage the revitalization of the Austin community of Chicago.

$75,000 callable loan to the Women's Self-Employment Project, Inc., Chicago, Illinois. Interest is earned at 3% per year.

Purpose To capitalize revolving loan fund to assist low-income women in establishing businesses to increase their self-sufficiency based on the Bangladesh Grameen Bank model.

$225,000 investment in Series E preferred stock of the Shorebank Corporation, Chicago, Illinois.

Purpose To support rural economic development involving expert technical assistance, venture investing, and small business lending to expand economic opportunities of low-income people in the Upper Peninsula of Michigan.

As the market value of these assets is not readily available, these investments are recorded at cost.

Note 4
Pension Plan

The Foundation maintains a defined contribution pension plan for eligible employees. Employer contributions are discretionary and are calculated as a percentage of salaries as determined by the Board of Directors. Total employer and employee contributions may not exceed the lesser of 100% of salaries or $42,000 per employee. Pension expense was $286,075 for 2005 and $279,966 for 2004.

Note 5

Commitments

The Foundation leases office space under a noncancelable operating lease that provides for minimum monthly payments through January 31, 2008, plus additional amounts to cover the proportionate share of the cost of operating the property. Rent expense totaled $375,467 in 2005 and $347,155 in 2004. At December 31, 2005, minimum payments under this lease are as follows:

Amount	
2006	$ 153,748
2007	159,919
2008	13,369
Total	**$ 327,036**

Note 6

Derivative Financial Instruments

In connection with its investing activities, the Foundation enters into transactions involving a variety of derivative financial instruments, primarily exchange-traded financial futures contracts. These contracts provide for the delayed delivery or purchase of financial instruments at a specified future date at a specified price or yield.

Derivative financial instruments involve varying degrees of off-balance-sheet market risk, whereby changes in the market values of the underlying financial instruments may result in changes in the value of the financial instruments in excess of the amounts reflected in the statements of financial position. Exposure to market risk is influenced by a number of factors, including the relationships between financial instruments and the Foundation's investment holdings and the volatility and liquidity in the markets in which the financial instruments are traded. In many cases, the use of financial instruments serves to modify or offset market risk associated with other transactions and, accordingly, serves to decrease the Foundation's overall exposure to market risk.

Derivative financial instruments can also be subject to credit risk, which arises from the potential inability of counterparties to perform in accordance with the terms of the contract. The Foundation's exposure to credit risk associated with counterparty nonperformance is limited to the current cost to replace all contracts in which the Foundation has a gain. Exchange-traded derivative financial instruments, such as financial futures contracts, generally do not give rise to significant counterparty exposure due to the cash settlement procedures for daily market movements and the margin requirements of the individual exchanges.

The Foundation's net (losses) gains from futures contracts were ($306,851) in 2005 and $632,579 in 2004.