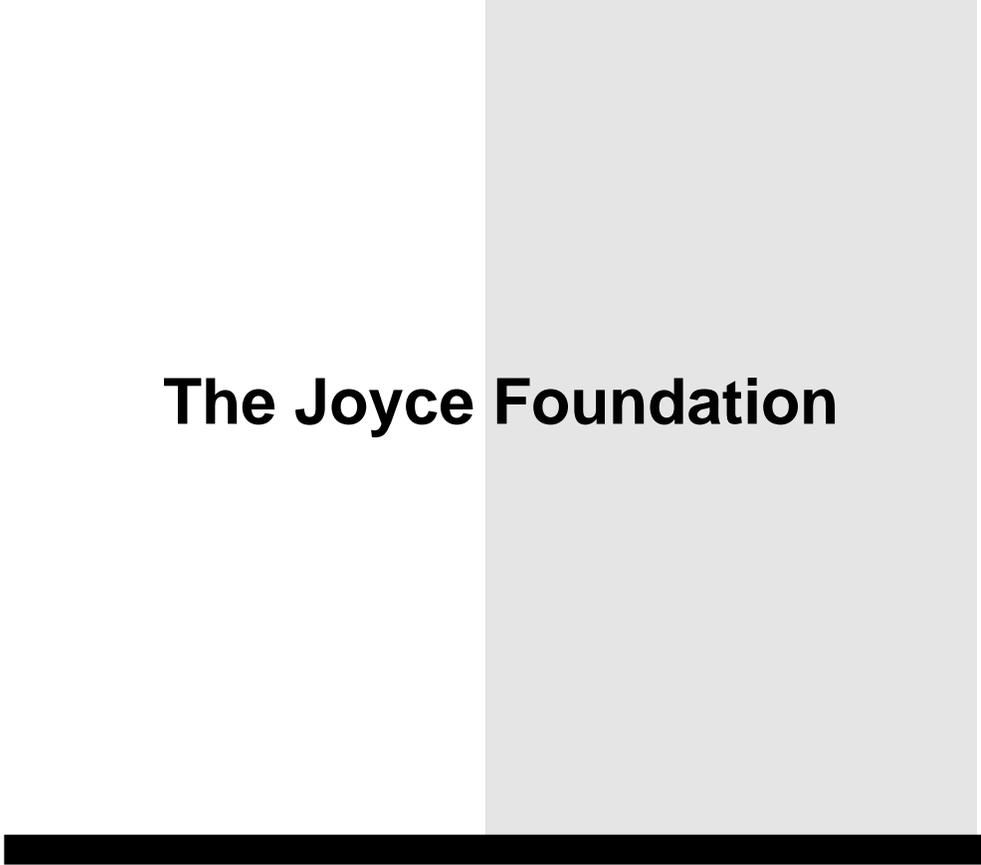


The Joyce Foundation

Financial Statements

Years Ended December 31, 2007 and 2006



The Joyce Foundation

Financial Statements
Years Ended December 31, 2007 and 2006

The Joyce Foundation

Contents

Independent Auditors' Report	3
Financial Statements	
Statements of Financial Position	4
Statements of Activities	5
Statements of Cash Flows	6
Notes to Financial Statements	7-11



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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, 2007 and 2006 and the related statements of activities and cash flows for the years 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 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 audits 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 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 Joyce Foundation as of December 31, 2007 and 2006 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

BDO Seidman, LLP

Chicago, Illinois
April 30, 2008

Financial Statements



The Joyce Foundation

Statements of Financial Position

<i>December 31,</i>	2007	2006
Assets		
Current Assets		
Cash	\$ 200,912	\$ 197,875
Collateral received under securities lending program (Note 1)	52,583,610	70,406,523
Due from brokers for sales of securities	339,450	898,781
Investments (Note 2)	931,643,665	903,772,336
Contribution receivable	1,000,000	-
Other assets	405,138	72
Total Assets	\$ 986,172,775	\$ 975,275,587
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 89,092	\$ 47,578
Due to brokers for purchases of securities	564,856	2,637,750
Grants payable	20,694,987	26,030,009
Payable under securities lending program (Note 1)	52,583,610	70,406,523
Current federal excise tax payable	21,399	27,945
Deferred federal excise tax payable	1,935,449	2,284,449
	75,889,393	101,434,254
Net Assets		
Unrestricted	908,169,270	873,841,333
Temporarily restricted	2,114,112	-
Total Net Assets	910,283,382	873,841,333
Total Liabilities and Net Assets	\$ 986,172,775	\$ 975,275,587

See accompanying notes to financial statements.

The Joyce Foundation

Statements of Activities

<i>Year ended December 31,</i>	2007			2006 Total
	Unrestricted	Temporarily Restricted	Total	
Revenue				
Contributions	\$ -	\$ 2,114,112	\$ 2,114,112	\$ -
Investment revenue				
Net realized gains on investment transactions	70,558,206	-	70,558,206	69,481,969
(Decrease) increase in net unrealized appreciation on assets	(19,039,722)	-	(19,039,722)	29,192,313
Interest income	1,515,970	-	1,515,970	1,623,881
Dividend income	21,137,999	-	21,137,999	19,415,957
Other income	538,478	-	538,478	291,284
	74,710,931	-	74,710,931	120,005,404
Investment expenses	3,356,456	-	3,356,456	2,803,394
Net investment revenue	71,354,475	-	71,354,475	117,202,010
Total revenue	71,354,475	2,114,112	73,468,587	117,202,010
Expenses				
Grants awarded, net of grants returned (grant payments made of \$35,667,053 in 2007 and \$34,440,454 in 2006)	30,332,027	-	30,332,027	49,284,174
General and administrative expenses	5,284,256	-	5,284,256	4,981,470
Federal excise tax	1,759,255	-	1,759,255	1,602,272
Deferred federal excise tax	(349,000)	-	(349,000)	533,688
Total expenses	37,026,538	-	37,026,538	56,401,604
Increase in Net Assets	34,327,937	2,114,112	36,442,049	60,800,406
Net Assets, at beginning of year	873,841,333	-	873,841,333	813,040,927
Net Assets, at end of year	\$ 908,169,270	\$ 2,114,112	\$ 910,283,382	\$ 873,841,333

See accompanying notes to financial statements.

The Joyce Foundation

Statements of Cash Flows

<i>Year ended December 31,</i>	2007	2006
Cash Flows From Operating Activities		
Increase in net assets	\$ 36,442,049	\$ 60,800,406
Adjustments to reconcile change in net assets to net cash used in operating activities		
Realized gain on investment transactions	(70,558,206)	(69,481,969)
Decrease (increase) in net unrealized appreciation on assets	19,039,722	(29,192,313)
Write-off of program related investments	-	75,000
Deferred federal excise tax	(349,000)	533,689
Changes in		
Contribution receivable	(1,000,000)	-
Other assets	(405,066)	32
Federal excise tax	(6,546)	(62,975)
Grants payable	(5,335,022)	14,843,720
Accounts payable and other accruals	(2,031,380)	1,144,706
Net cash used in operating activities	(24,203,449)	(21,339,704)
Cash Flows From Investing Activities		
Proceeds from investments	310,779,796	277,686,301
Purchases of investments	(286,573,310)	(256,381,655)
Change in payable under securities lending program	17,822,913	5,523,829
Change in collateral received under securities lending program	(17,822,913)	(5,523,829)
Net cash provided by investing activities	24,206,486	21,304,646
Increase (Decrease) in Cash	3,037	(35,058)
Cash, at beginning of year	197,875	232,933
Cash, at end of year	\$ 200,912	\$ 197,875

See accompanying notes to financial statements.

The Joyce Foundation

Notes to Financial Statements

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%. The Foundation is subject to income tax at corporate rates on certain income that is considered unrelated business income under the Internal Revenue Code.

Investments

Marketable securities are reflected at market values based on quoted prices. Realized and unrealized gains and losses from changes in market values are reflected in the statements of activities.

Limited liquidity investments (categorized as “private equities” and “marketable alternatives” – see Note 2) are stated at estimated fair value. Limited liquidity investments are primarily made under agreements to participate in limited partnerships and are generally subject to certain withdrawal restrictions. These investments are valued on the basis of the Foundation’s equity in the net assets of such partnerships. Values for these partnerships, which may include investments in both nonmarketable and market-traded securities, are provided by the general partner and may be based on appraisals, market values discounted for

The Joyce Foundation

Notes to Financial Statements

concentration of ownership, or other estimates. Because of inherent uncertainty of valuing the investments in such partnerships and certain of the underlying investments held by the partnerships, the Foundation's estimate of fair value may differ significantly from the values that would have been used had a ready market for the investments existed. The financial statements of the limited liquidity investments are audited annually by independent public accounting firms.

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

Until 2007, the Foundation expensed fixed assets the year in which the asset was acquired rather than capitalizing the fixed asset, as the amounts were deemed to be immaterial. Beginning in 2007, the Foundation began capitalizing the cost of leasehold improvements, furniture and equipment, and depreciating/amortizing the assets using the straight-line method. Leasehold improvements are amortized over the lesser of the estimated useful life or the term of the lease and furniture and equipment are depreciated over five years, the estimated useful life. Fixed assets are included in other assets on the 2007 Statement of Financial Position.

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.

The Joyce Foundation

Notes to Financial Statements

Net Assets Temporarily restricted net assets are limited by donors to a specific time period or purpose. Unrestricted net assets are not subject to any stipulations. During 2007, the Foundation received a commitment of \$2,100,000 restricted to specific grant-making. \$1,100,000 of this amount was received during 2007 and the remaining \$1,000,000 is classified as a contribution receivable on the 2007 Statement of Financial Position.

Reclassifications Certain reclassifications have been made to the 2006 financial statements to conform to the 2007 presentation.

2. Investments Foundation investments consist of the following:

	2007		2006	
	Cost	Market Value	Cost	Market Value
Short-term money markets	\$ 17,863,111	\$ 17,863,111	\$ 20,281,126	\$ 20,281,126
U.S. government and corporate bonds	181,534,752	181,843,422	168,456,304	162,612,594
Public equities	584,263,098	680,285,395	540,328,159	683,679,505
Private equities	24,453,320	35,983,976	21,801,526	36,531,350
Marketable alternatives	15,000,000	15,000,000	-	-
Program related investment	225,000	225,000	225,000	225,000
Real estate and mineral rights	442,761	442,761	442,761	442,761
Total	\$ 823,782,042	\$ 931,643,665	\$ 751,534,876	\$ 903,772,336

Fair Value of Financial Instruments The estimated fair values of financial instruments have been determined by the Foundation as follows:

Cash, securities transactions receivable, and obligations are carried at cost which approximates fair value because of the short maturity of these instruments.

Investments are carried at estimated fair value, which is generally based on year-end published quotations, except as discussed below. These prices are only used for financial reporting purposes and do not necessarily represent the ultimate realizable values of such securities.

Some of the Foundation's assets are held in various limited partnerships that invest in the securities of companies that may not be immediately liquid. The partnerships' general partners, who must follow the valuation

The Joyce Foundation

Notes to Financial Statements

guidelines stipulated in their respective limited partnership agreements, determine the value of such investments. Given the inherent risks associated with this type of investment, there can be no guarantee that there will not be widely varying gains or losses on these limited partnership investments in future periods.

Investment Partnerships

The Foundation had open commitments to make additional partnership investments of \$39,615,642 and \$36,724,604 at December 31, 2007 and 2006, 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.

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 Joyce Foundation

Notes to Financial Statements

The Foundation's net losses from futures contracts were \$36,168 in 2007 and \$138,691 in 2006.

Program-Related Investments

The Foundation had one program-related investment at December 31, 2007 and 2006 which is a \$225,000 investment in Series E preferred stock of the Shorebank Corporation, Chicago, Illinois. The purpose of this investment is 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 this asset is not readily determinable, this investment is recorded at cost.

3. 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 \$45,000 per employee. Pension expense was \$317,705 for 2007 and \$310,376 for 2006.

4. Commitments

The Foundation leases office space under a noncancelable operating lease that provides for minimum monthly payments through January 31, 2013, plus additional amounts to cover the proportionate share of the cost of operating the property. Rent expense including related operating expenses totaled \$382,898 in 2007 and \$362,274 in 2006. At December 31, 2007, minimum payments under this lease are as follows:

	Amount
2008	\$ 198,484
2009	227,794
2010	233,965
2011	240,135
2012	246,306
Thereafter	20,568
Total	\$ 1,167,252