

Consolidated Financial Statements and
Supplementary Information Together with
Report of Independent Certified Public Accountants

ALFRED P. SLOAN FOUNDATION

December 31, 2012 and 2011

ALFRED P. SLOAN FOUNDATION

TABLE OF CONTENTS

	Page
Report of Independent Certified Public Accountants	1 - 2
Consolidated Financial Statements:	
Consolidated Statements of Financial Position as of December 31, 2012 and 2011	3
Consolidated Statements of Activities for the years ended December 31, 2012 and 2011	4
Consolidated Statements of Cash Flows for the years ended December 31, 2012 and 2011	5
Notes to Consolidated Financial Statements	6 - 16
Supplementary Information:	
Schedule of Management and Investment Expenses for the years ended December 31, 2012 and 2011	18
Schedule of Grants and Appropriations for the year ended December 31, 2012	19 - 23

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees of
Alfred P. Sloan Foundation:

We have audited the accompanying consolidated financial statements of the Alfred P. Sloan Foundation (the “Foundation”), which comprise the consolidated statements of financial position as of December 31, 2012 and 2011, and the related consolidated statements of activities and cash flows, for the years then ended, and the related notes to the consolidated financial statements.

Management’s responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Alfred P. Sloan Foundation as of December 31, 2012 and 2011, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the basic 2012 consolidated financial statements as a whole. The schedule of management and investment expenses for the years ended December 31, 2012 and 2011 on page 18 and the schedule of grants and appropriations for the year ended December 31, 2012 on pages 19 through 23 are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole



New York, New York
June 27, 2013

ALFRED P. SLOAN FOUNDATION
Consolidated Statements of Financial Position
As of December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash	\$ 878,760	\$ 1,488,222
Investments (Note 3):		
Direct investments – equities	94,458,538	65,626,154
Direct investments – fixed income	163,264,399	163,356,824
Direct investments – mutual & exchange traded funds	158,863,478	115,526,119
Alternative investments	<u>1,316,773,203</u>	<u>1,307,515,493</u>
Total investments	<u>1,733,359,618</u>	<u>1,652,024,590</u>
Total assets	<u>\$ 1,734,238,378</u>	<u>\$ 1,653,512,812</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Grants payable (Note 8)	\$ 57,991,294	\$ 65,041,133
Federal and state excise tax payable (Note 5)	8,779,379	9,739,652
Deferred compensation arrangements	1,093,388	885,368
Accrued postretirement health benefit obligation (Note 7)	4,882,853	3,537,474
Other liabilities	<u>137,581</u>	<u>144,095</u>
Total liabilities	<u>72,884,495</u>	<u>79,347,722</u>
Commitments (Notes 3, 4, and 9)		
NET ASSETS – unrestricted	<u>1,661,353,883</u>	<u>1,574,165,090</u>
Total liabilities and net assets	<u>\$ 1,734,238,378</u>	<u>\$ 1,653,512,812</u>

The accompanying notes are an integral part of these consolidated financial statements.

ALFRED P. SLOAN FOUNDATION
Consolidated Statements of Activities
For the years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
INVESTMENT INCOME		
Interest and dividends	\$ 19,225,496	\$ 13,302,009
Less:		
Investment expenses	(11,902,589)	(8,028,994)
Provision for taxes (Note 5)	<u>(2,000,000)</u>	<u>(1,000,000)</u>
	<u>(13,902,589)</u>	<u>(9,028,994)</u>
Net investment income	<u>5,322,907</u>	<u>4,273,015</u>
EXPENSES		
Grants (net of refunds of \$374,129 in 2012 and \$398,254 in 2011)	69,352,644	81,400,234
Management expenses	<u>8,959,800</u>	<u>9,688,500</u>
	<u>78,312,444</u>	<u>91,088,734</u>
Excess of expenses over net investment income	<u>(72,989,537)</u>	<u>(86,815,719)</u>
INVESTMENT GAINS		
Net realized gain on disposal of investments	114,771,505	36,089,998
Unrealized gain (loss) on investments, net of deferred federal and state excise tax expense of \$9,125,712 and \$8,183,368 in 2012 and 2011, respectively	<u>46,174,865</u>	<u>(8,473,089)</u>
	<u>160,946,370</u>	<u>27,616,909</u>
Increase (decrease) in net assets before postretirement benefit adjustments	87,956,833	(59,198,810)
Amounts not yet recognized as a component of net periodic benefit cost	<u>(768,040)</u>	<u>6,119,270</u>
Increase (decrease) in net assets	87,188,793	(53,079,540)
Net assets at beginning of year	<u>1,574,165,090</u>	<u>1,627,244,630</u>
Net assets at end of year	<u>\$ 1,661,353,883</u>	<u>\$ 1,574,165,090</u>

The accompanying notes are an integral part of these consolidated financial statements.

ALFRED P. SLOAN FOUNDATION
Consolidated Statements of Cash Flows
For the years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 87,188,793	\$ (53,079,540)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Net realized gain on disposal of investments	(114,771,505)	(36,089,998)
Unrealized (gain) loss on investments	(47,117,209)	8,638,288
(Decrease) increase in federal and state excise tax payable	(960,273)	819,840
(Decrease) increase in grants payable	(7,049,839)	6,442,632
Decrease (increase) in accrued postretirement health benefit obligation	1,345,379	(4,904,063)
Increase in deferred compensation arrangements	208,020	319,072
(Decrease) increase in other liabilities	<u>(6,514)</u>	<u>94,475</u>
Net cash used in operating activities	<u>(81,163,148)</u>	<u>(77,759,294)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	100,727,942	91,854,668
Purchases of investments	<u>(20,174,256)</u>	<u>(13,400,219)</u>
Net cash provided by investing activities	<u>80,553,686</u>	<u>78,454,449</u>
Net (decrease) increase in cash	(609,462)	695,155
Cash at beginning of year	<u>1,488,222</u>	<u>793,067</u>
Cash at end of year	<u>\$ 878,760</u>	<u>\$ 1,488,222</u>

The accompanying notes are an integral part of these consolidated financial statements.

ALFRED P. SLOAN FOUNDATION
Notes to Consolidated Financial Statements
December 31, 2012 and 2011

1. ORGANIZATION

Alfred P. Sloan Foundation makes grants primarily to support original research and broad-based education related to science, technology, economic performance, and the quality of American life. Alfred P. Sloan Foundation is unique in its focus on science, technology, and economic institutions-and the scholars and practitioners who work in these fields-as chief drivers of the nation's health and prosperity. Alfred P. Sloan Foundation has a deep-rooted belief that carefully reasoned systematic understanding of the forces of nature and society, when applied inventively and wisely, can lead to a better world for all. Alfred P. Sloan Foundation's investment portfolio provides the financial resources to support its activities. The investment strategy for the investment portfolio is to invest prudently in a diversified portfolio of assets with the goal of achieving superior returns.

In June 2009, Sloan Projects LLC was established under the Delaware Limited Liability Company Act. Alfred P. Sloan Foundation and Sloan Projects LLC share the common charitable and educational purpose of supporting, among other projects, film, theatrical, and television projects that promote education about science and technology themes and characters and challenge existing stereotypes about scientists and engineers. Sloan Projects LLC is a single member limited liability company ("LLC") with the sole member being Alfred P. Sloan Foundation. Sloan Projects LLC is consolidated with Alfred P. Sloan Foundation for financial statement and tax purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and include the assets, liabilities, net assets, and financial activities of Alfred P. Sloan Foundation and Sloan Projects LLC (collectively, the "Foundation"). All significant inter-organization balances and transactions have been eliminated in consolidation.

Income Taxes

Alfred P. Sloan Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code") and is a private foundation as defined in Section 509(a) of the Code. Sloan Projects LLC is a single member LLC and is a disregarded entity for tax purposes. The Foundation recognizes the effect of income tax positions only if those positions are more likely than not of being sustained.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. The Foundation discloses fair value measurements by level within that hierarchy. The fair value hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Foundation as of the reporting date. Unobservable inputs reflect the Foundation's assumptions about the inputs market participants would use in pricing the asset or liability developed based

ALFRED P. SLOAN FOUNDATION
Notes to Consolidated Financial Statements
December 31, 2012 and 2011

on the best information available in the circumstances. The fair value is categorized into three levels based on the inputs as follows:

- Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. A quoted price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available. Since valuations are based on quoted prices that are readily available and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.
- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly. Also included in Level 2 are investments measured using a net asset value (“NAV”) per share, or its equivalent, that may be redeemed at that NAV as of the date of the statement of financial position or in the near term, which the Foundation has generally considered to be within one-year.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Also included in Level 3 are investments measured using a NAV per share, or its equivalent, that can never be redeemed at NAV or for which redemption at NAV is uncertain due to lockup periods or other investment restrictions.

The categorization of a financial instrument within the fair value hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Foundation’s perceived risk of that instrument.

Investments

Investments in equity securities with readily determinable fair values are reported at fair value based on quoted market prices. Investments in debt securities are measured using quoted market prices where available. If quoted market prices for debt securities are not available, the fair value is determined using an income approach valuation technique that considers, among other things, rates currently observed in publicly traded markets for debt with similar terms to companies with comparable credit risk, the issuer’s credit spread, and illiquidity by sector and maturity.

The Foundation follows the accounting standards of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (“ASC”) Subtopic, 820-10-35-59, *Fair Value Measurement and Disclosures – Fair Value Measurements of Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*. This allows 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, as provided by the investment managers. The Foundation reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the net asset values of these investments as of the measurement date. These estimated

ALFRED P. SLOAN FOUNDATION
Notes to Consolidated Financial Statements
December 31, 2012 and 2011

fair values may differ significantly from the values that would have been used had a ready market for these securities existed.

Most investments classified in Levels 2 and 3 consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. Because the net asset value reported by each fund is used as a practical expedient to estimate fair value of the Foundation's interest therein, its classification in Level 2 or 3 is based on the Foundation's ability to redeem its interest at or near December 31st. If the interest can be redeemed in the near term, which the Foundation has determined to be within one-year, the investment is classified as Level 2.

Gains and losses on disposal of investments are determined on the first-in, first-out basis on a trade date basis.

Grants

Grants are recorded as an expense of the Foundation when authorized by the Board of Trustees and the grantee has been selected and notified. In certain instances, grants are recorded as an expense and liability when the Board of Trustees appropriates amounts for selected projects. Refunded grants are recorded as a reduction to grant expense. Conditional grants are not recorded until the conditions are substantially met.

Use of Estimates

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Subsequent Events

The Foundation evaluated its December 31, 2012 consolidated financial statements for subsequent events through June 27, 2013, the date the consolidated financial statements were available to be issued.

ALFRED P. SLOAN FOUNDATION
Notes to Consolidated Financial Statements
December 31, 2012 and 2011

3. INVESTMENTS

The following tables present the fair value hierarchy of investments, the only financial instruments of the Foundation that are measured at fair value on a recurring basis, at December 31, 2012 and 2011:

	Fair value measurements at December 31, 2012			
	Total	Level 1	Level 2	Level 3
Direct investments:				
Equities:				
Domestic	\$ 72,002,729	\$ 72,002,729	\$ -	\$ -
International	<u>22,455,809</u>	<u>22,455,809</u>	<u>-</u>	<u>-</u>
	<u>94,458,538</u>	<u>94,458,538</u>	<u>-</u>	<u>-</u>
Fixed income:				
U.S. government	<u>163,264,399</u>	<u>163,264,399</u>	<u>-</u>	<u>-</u>
Mutual & exchange-traded funds:				
Equities	65,887,339	65,887,339	-	-
Fixed income	<u>92,976,139</u>	<u>92,976,139</u>	<u>-</u>	<u>-</u>
	<u>158,863,478</u>	<u>158,863,478</u>	<u>-</u>	<u>-</u>
Alternative investments:				
Equities:				
Domestic	98,384,780	-	-	98,384,780
Long/short	127,576,451	-	59,968,535	67,607,916
International	200,738,282	-	179,673,995	21,064,287
Fixed income:				
Global sovereign bonds	60,310,179	-	60,310,179	-
Independent return	479,178,450	15,146,614	202,035,448	261,996,388
Real estate	64,605,245	-	-	64,605,245
Private equity	<u>285,979,816</u>	<u>-</u>	<u>-</u>	<u>285,979,816</u>
	<u>1,316,773,203</u>	<u>15,146,614</u>	<u>501,988,157</u>	<u>799,638,432</u>
	<u>\$ 1,733,359,618</u>	<u>\$ 431,733,029</u>	<u>\$ 501,988,157</u>	<u>\$ 799,638,432</u>

ALFRED P. SLOAN FOUNDATION
Notes to Consolidated Financial Statements
December 31, 2012 and 2011

Fair value measurements at December 31, 2011				
	Total	Level 1	Level 2	Level 3
Direct investments:				
Equities:				
Domestic	\$ 65,626,154	\$ 65,626,154	\$ -	\$ -
Fixed income:				
U.S. government	163,356,824	163,356,824	-	-
Mutual & exchange-traded funds:				
Equities	40,148,912	40,148,912	-	-
Fixed income	75,377,207	75,377,207	-	-
	<u>115,526,119</u>	<u>115,526,119</u>	<u>-</u>	<u>-</u>
Alternative investments:				
Equities:				
Domestic	101,392,252	-	24,147,646	77,244,606
Long/short	151,279,366	-	92,723,631	58,555,735
International	212,190,415	-	209,834,794	2,355,621
Fixed income:				
Global sovereign bonds	55,379,915	-	55,379,915	-
Independent return	430,543,739	-	173,448,502	257,095,237
Real estate	60,050,751	-	-	60,050,751
Private equity	296,679,055	-	-	296,679,055
	<u>1,307,515,493</u>	<u>-</u>	<u>555,534,488</u>	<u>751,981,005</u>
	<u>\$ 1,652,024,590</u>	<u>\$ 344,509,097</u>	<u>\$ 555,534,488</u>	<u>\$ 751,981,005</u>

The following table presents a reconciliation for all Level 3 assets measured at fair value at December 31, 2012:

	Beginning Balance	Purchases	Settlements/ redemptions	Total net realized and unrealized gains (losses)	Transfers In/Out *	Ending Balance
Alternative Investments:						
Equities:						
Domestic	\$ 77,244,606	\$ -	\$ -	\$ 21,140,174	\$ -	\$ 98,384,780
Long/short	58,555,735	-	-	(18,497,862)	27,550,043	67,607,916
International	2,355,621	20,000,000	-	(1,289,881)	(1,453)	21,064,287
Independent return	257,095,237	33,450,000	(82,762,649)	90,448,938	(36,235,138)	261,996,388
Real estate	60,050,751	3,702,538	(4,994,174)	5,846,130	-	64,605,245
Private equity	296,679,055	17,507,277	(150,873,530)	109,755,036	12,911,978	285,979,816
	<u>\$ 751,981,005</u>	<u>\$ 74,659,815</u>	<u>\$ (238,630,353)</u>	<u>\$ 207,402,535</u>	<u>\$ 4,225,430</u>	<u>\$ 799,638,432</u>

ALFRED P. SLOAN FOUNDATION
Notes to Consolidated Financial Statements
December 31, 2012 and 2011

* Certain alternative investments classified as Level 3 during 2011 were reclassified to Level 2 during 2012 due to the expiration of lock-up periods. One alternative investment was reclassified from Level 2 to Level 3 as the Foundation entered into a share class with a 2-year lock-up period.

The following table presents a reconciliation for all Level 3 assets measured at fair value at December 31, 2011:

	Beginning Balance	Purchases	Settlements/ redemptions	Total net realized and unrealized gains (losses)	Transfers In/Out *	Ending Balance
Alternative Investments:						
Equities:						
Domestic	\$ 1,271,746	\$ -	\$ -	\$ (1,046,673)	\$ 77,019,533	\$ 77,244,606
Long/short	49,764,084	-	-	(3,353,962)	12,145,613	58,555,735
International	33,442,258	-	(20,000,000)	5,934,490	(17,021,127)	2,355,621
Independent return	342,246,869	24,800,000	(19,913,423)	11,353,988	(101,392,197)	257,095,237
Real estate	46,146,661	7,791,958	(2,128,125)	8,240,257	-	60,050,751
Private equity	326,518,143	28,899,660	(61,473,961)	2,735,213	-	296,679,055
	<u>\$ 799,389,761</u>	<u>\$ 61,491,618</u>	<u>\$ (103,515,509)</u>	<u>\$ 23,863,313</u>	<u>\$ (29,248,178)</u>	<u>\$ 751,981,005</u>

The following table lists the redemption terms and unfunded commitments for the alternative investments as of December 31, 2012 and 2011:

	2012					
	# of Funds	Fair value	Unfunded commitments (\$ in millions)	Redemption frequency	Redemption notice period	Lock-up period
Alternative investments:						
Equities:						
Domestic	2	\$ 98,384,780	\$ -	quarterly, other quarterly, semi-annually,	30 days	None, 3-year
Long/short	5	127,576,451	-	other	30 - 90 days	None, Rolling 3-year
International	4	200,738,282	-	monthly, quarterly, other	6 - 60 days	None, 2-year
Fixed income:						
Global sovereign bonds	1	60,310,179	-	monthly	10 days	None
Independent return	21	479,178,450	12	monthly, quarterly, annually, other	30 - 180 days	None, 1-3 years
Real estate	9	64,605,245	6	None	N/A	N/A
Private equity	49	285,979,816	93	None	N/A	N/A
Total		<u>\$ 1,316,773,203</u>	<u>\$ 111</u>			

ALFRED P. SLOAN FOUNDATION
Notes to Consolidated Financial Statements
December 31, 2012 and 2011

2011						
	# of Funds	Fair value	Unfunded commitments (\$ in millions)	Redemption frequency	Redemption notice period	Lock-up period
Alternative investments:						
Equities:						
Domestic	3	\$ 101,392,252	\$ -	monthly, annually	30 days	None
Long/short	6	151,279,366	-	quarterly, annually, other	30 - 90 days	None, Rolling 3-year
International	7	212,190,415	-	monthly, quarterly, other	6 - 60 days	None, 1-year
Fixed income:						
Global sovereign bonds	1	55,379,915	-	monthly	10 days	None
Independent return	19	430,543,739	6	monthly, annually, quarterly, other	30 - 180 days	None, 1-3 years
Real estate	10	60,050,751	10	None	N/A	N/A
Private equity	44	296,679,055	58	None	N/A	N/A
Total		<u>\$ 1,307,515,493</u>	<u>\$ 74</u>			

Equities: Alternative investments in this category invest predominantly in equity securities including U.S., international developed and emerging markets, benchmarked against MSCI All Country World Index. Equity funds range from no lock-up provisions to no more than 3 years.

Fixed Income: Alternative investments in this category invest in domestic and international fixed income securities, benchmarked against Citigroup Salomon Broad index.

Independent Return: Independent return funds include investments such as low net exposure equity hedge funds, distressed credit, and merger arbitrage. Such strategies are expected to have equity-like long-term returns but with less correlation to the equity markets. \$51.1 million is invested in drawdown structures with no predetermined redemption date.

Real Estate: Includes funds that invest primarily in commercial real estate, all of which are illiquid investments.

Private Equity: Includes private equity and venture capital, all of which are illiquid investments.

Private foundations are required by the Internal Revenue Service to distribute 5% of average assets during the year. In order to plan and budget in an orderly manner, the Foundation implements the 5% rule by using a 12-quarter rolling average of the fair value of its investment portfolio to determine the distribution level for the year. The last quarter on the 12-quarter rolling average is September 30th.

4. FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET CREDIT OR MARKET RISK

The Foundation's investment strategy has the ability to incorporate certain financial instruments that involve, to varying degrees, elements of market risk and credit risk in excess of the amounts recorded on the consolidated financial statements.

During 2012, the Foundation sold options contracts. S&P 500 Index put options sold were valued at approximately \$15.1 million at December 31, 2012. The Foundation did not enter into such contracts in 2011.

ALFRED P. SLOAN FOUNDATION
Notes to Consolidated Financial Statements
December 31, 2012 and 2011

The Foundation does not anticipate that losses, if any, resulting from its market or credit risks would materially affect its consolidated financial statements.

5. TAXES

The Foundation is liable for a federal excise tax of 2% of its net investment income, which includes realized capital gains. However, this tax is reduced to 1% if certain conditions are met. The Foundation met the requirements for the 1% tax for the years ended December 31, 2012 and 2011. Therefore, current taxes are estimated at 1% of net investment income for 2012 and 2011. Additionally, certain of the Foundation's investments give rise to unrelated business income tax liabilities. Such tax liabilities for 2012 and 2011 are not material to the accompanying consolidated financial statements; however, the provision for taxes, as of December 31, 2012 and 2011, includes an estimate of tax liabilities for unrelated business income.

Deferred taxes principally arise from differences between the cost value and fair value of investments. Since the qualification for the 1% tax is not determinable until the fiscal year in which net gains are realized, deferred taxes represent 2% of unrealized gains at December 31, 2012 and 2011.

6. RETIREMENT PLAN

The Foundation has a defined contribution retirement plan covering substantially all employees under arrangements with Teachers Insurance and Annuity Association of America and College Retirement Equities Fund and Fidelity Investments. Retirement plan expense was \$801,710 and \$743,678 in 2012 and 2011, respectively.

7. POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

The Foundation provides healthcare benefits for qualified retirees. The Foundation records annual amounts relating to the plan based on calculations that incorporate various actuarial and other assumptions, including discount rates, mortality, turnover rates, and healthcare cost trend rates.

The Foundation reviews its assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends as appropriate. The effect of modifications to those assumptions is recorded as a charge to net assets and amortized to net periodic cost over future periods using the corridor method. The net periodic costs are recognized as employees render the services necessary to earn the postretirement benefits.

ALFRED P. SLOAN FOUNDATION
Notes to Consolidated Financial Statements
December 31, 2012 and 2011

The following table sets forth the financial information for the plan for 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Change in accrued postretirement benefit obligation:		
Benefit obligation at beginning of year	\$ 3,537,474	\$ 8,441,537
Service cost	150,403	388,208
Interest cost	149,956	478,635
Actuarial loss	1,244,101	(5,643,209)
Benefits paid	(199,081)	(127,697)
Benefit obligation at end of year	<u>\$ 4,882,853</u>	<u>\$ 3,537,474</u>
Components of net periodic postretirement benefit cost reported:		
Service cost	\$ 150,403	\$ 388,208
Interest cost	149,956	478,635
Amortization of transition obligation	476,061	476,061
Amortization of gain	(317,241)	-
Net periodic postretirement benefit cost	<u>\$ 459,179</u>	<u>\$ 1,342,904</u>
Benefit obligation weighted average assumptions at December 31, 2012 and 2011:		
Discount rate	3.91 %	4.33 %
Periodic benefit cost weighted average assumptions for the years ended December 31, 2012 and 2011:		
Discount rate	4.33 %	5.67 %

The medical trend and inflation rate is 9% in 2013 grading down to 6% in 2016 and 5.5% ultimately.

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the postretirement health benefit plan. The effects of a 1% increase (decrease) in trend rates on total service and interest cost and the postretirement health benefit obligation are as follows:

	<u>2012</u>		<u>2011</u>	
	<u>1% Increase</u>	<u>1% Decrease</u>	<u>1% Increase</u>	<u>1% Decrease</u>
Effect on total service and interest cost	\$ 70,737	\$ (71,385)	\$ 71,336	\$ (52,932)
Effect on postretirement benefit obligation	710,751	(570,586)	556,472	(441,180)

ALFRED P. SLOAN FOUNDATION
Notes to Consolidated Financial Statements
December 31, 2012 and 2011

Projected premium payments for each of the next five fiscal years and thereafter are as follows:

Year ending December 31:

2013	\$ 219,675
2014	238,999
2015	224,265
2016	247,225
2017	250,311
Thereafter through 2022	<u>1,610,295</u>
	<u>\$ 2,790,770</u>

The accumulated amount not yet recognized as a component of net periodic benefit cost was \$(1,365,357) and \$(2,133,396) at December 31, 2012 and 2011, respectively. The components are as follows:

	<u>2012</u>	<u>2011</u>
Transition obligation	\$ 3,415,345	\$ 3,891,406
Net actuarial gain	<u>(4,780,702)</u>	<u>(6,024,802)</u>
	<u>\$ (1,365,357)</u>	<u>\$ (2,133,396)</u>

The transition obligation and actuarial gain that will be amortized into net periodic benefit cost in 2013 will be \$476,061 and \$(359,198), respectively.

8. GRANTS PAYABLE

The Foundation estimates that the grants payable balance as of December 31, 2012 will be paid as follows:

Year:

2013	\$ 40,739,456
2014	13,191,688
2015	3,187,760
2016	<u>872,390</u>
	<u>\$ 57,991,294</u>

The Foundation awards multi-year grants for certain programs with continued annual funding contingent upon the respective grantee satisfying certain performance criteria as outlined in the executed grant agreement; accordingly, the Foundation has not recorded a liability for these conditional awards which are subject to annual renewal. Such conditional grant commitments total approximately \$11 million at December 31, 2012.

ALFRED P. SLOAN FOUNDATION
Notes to Consolidated Financial Statements
December 31, 2012 and 2011

9. LEASE

The Foundation entered into a ten-year lease effective January 1, 1999. The lease contains an escalation clause that provides for rental increases resulting from increases in real estate taxes and certain operating expenses. On January 11, 2007, the Foundation renegotiated its lease for the period commencing on January 1, 2009 and expiring on December 31, 2016. As a result of the renegotiation, the fixed rent payable under the lease is an amount equal to (a) \$1,270,335 per annum for the period commencing on January 1, 2007 and ending on December 31, 2011 and (b) \$1,379,926 per annum for the period commencing on January 1, 2012 and ending on December 31, 2016. Effective November 1, 2008, the Foundation acquired additional space at an annual rent of \$386,250. The lease on the additional space expires on December 31, 2016. Rent expense for 2012 and 2011, including escalations, was \$1,842,768 and \$1,682,983, respectively.

10. LINE OF CREDIT

The Foundation established a \$40,000,000 line of credit with Bank of New York Mellon to provide bridge funding of grants and to finance short-term working capital needs of the Foundation. To date, the Foundation has not yet used the line of credit. The interest rate is calculated using the Mellon Monthly LIBOR plus 75 basis points, with a fallback rate of Wall Street Journal Prime minus 125 basis points. The interest rate at December 31, 2012 and 2011 was 2% and 2%, respectively. If the line is used, interest will be payable monthly on the 15th of each month and principal will be due on demand. If payment is not made within 15 days following the payment date, a \$25 late fee will be assessed.

SUPPLEMENTARY INFORMATION

ALFRED P. SLOAN FOUNDATION
Schedule of Management and Investment Expenses
For the years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Management expenses:		
Salaries and employees' benefits:		
Salaries	\$ 6,725,657	\$ 6,176,460
Employees' retirement plan and other benefits	<u>2,670,134</u>	<u>3,266,981</u>
Total	9,395,791	9,443,441
Rent	1,842,768	1,682,983
Program expenses	1,209,920	1,467,252
Office expenses	894,785	1,180,472
Website and publications	65,508	25,365
Professional fees	<u>822,857</u>	<u>641,308</u>
Total management expenses	14,231,629	14,440,821
Less: direct investment and other management expenses allocated to investments	<u>(5,271,829)</u>	<u>(4,752,321)</u>
Management expenses	<u>\$ 8,959,800</u>	<u>\$ 9,688,500</u>
Investment expenses:		
Investment management fees	\$ 6,630,760	\$ 3,276,673
Direct investment and other management expenses allocated to investments	<u>5,271,829</u>	<u>4,752,321</u>
Investment expenses	<u>\$ 11,902,589</u>	<u>\$ 8,028,994</u>

This schedule should be read in conjunction with the accompanying consolidated financial statements and notes thereto.

Alfred P. Sloan Foundation
Schedule of Grants and Appropriations
For the year ended December 31, 2012

Grantee	Unpaid	2012		Unpaid
	December 31, 2011	Authorized	Payments	December 31, 2012
Aczel, Amir D.	\$ -	\$ 15,408	\$ 15,408	\$ -
Adler Planetarium	374,983	-	374,983	-
Alaska, University of, Anchorage	80,000	-	48,000	32,000
Albright College	-	100,000	100,000	-
Algebra Project, Inc.	-	120,324	120,324	-
American Academy of Arts and Sciences	-	250,000	125,000	125,000
American Association for the Advancement of Science	-	124,996	124,996	-
American Chemical Society	12,500	-	-	12,500
American Film Institute	90,000	288,000	186,000	192,000
American Indian College Fund	200,000	-	100,000	100,000
American Institutes for Research	-	795,553	359,241	436,312
American Museum of Natural History	200,000	-	200,000	-
American Museum of the Moving Image	76,536	-	76,536	-
American Physical Society	12,000	-	6,000	6,000
American Society for Engineering Education	168,835	-	168,835	-
American Society for Microbiology	-	81,905	81,905	-
American Sociological Association	-	5,000	5,000	-
American University	-	189,802	173,140	16,662
Arius Association	75,000	-	75,000	-
Arizona, University of	32,120	20,000	52,120	-
Association of American Colleges and Universities	-	93,150	93,150	-
Association for Computing Machinery	-	19,920	19,920	-
Azavea, Inc.	-	49,976	49,976	-
Baltimore, University of	-	100,000	100,000	-
Benbough Operating Foundation	-	20,000	20,000	-
Bentley University	-	100,000	100,000	-
Boston College	1,743,388	200,000	1,094,054	849,334
Boston University	-	400,000	400,000	-
British Columbia, University of	-	923,943	397,070	526,873
Brooklyn Academy of Music	300,000	-	-	300,000
Brown University	-	80,000	80,000	-
Bryn Mawr College	-	50,000	50,000	-
Business-Higher Education Forum	-	397,858	161,179	236,679
California Institute of Technology	-	300,000	300,000	-
California, University of, Berkeley	871,744	2,962,389	1,875,675	1,958,458
California, University of, Davis	1,989,586	225,000	1,826,930	387,656
California, University of, Los Angeles	945,595	609,600	844,532	710,663
California, University of, Office of the President	-	591,611	591,611	-
California, University of, San Diego	-	503,660	389,720	113,940
California, University of, Santa Barbara	-	50,000	50,000	-
California, University of, Riverside	254,347	-	254,347	-
Carleton College	-	100,000	100,000	-
Carnegie Endowment for International Peace	-	448,000	348,000	100,000
Carnegie Institution of Washington	599,995	3,500,000	2,299,995	1,800,000
Carnegie Mellon University	417,830	1,150,039	594,620	973,249
Catticus Corporation	-	1,559,600	1,059,600	500,000
Cell Motion Laboratories, Inc.	-	20,000	20,000	-
Center for a New American Security, Inc.	-	124,838	124,838	-
Center For Independent Documentary	100,000	-	100,000	-
Clean Air Task Force, Inc.	98,832	-	98,832	-
Chicago, University of	1,007,983	1,124,200	1,443,393	688,790
Chrinon Limited	-	116,048	116,048	-
Cold Spring Harbor Laboratory	150,000	40,000	170,000	20,000
College, University of, London	-	80,000	-	80,000
Colorado, University of, at Boulder	940,421	1,296,190	1,072,837	1,163,774
Colorado, University of, Denver	-	325,900	133,394	192,506
Columbia University	222,891	706,543	855,489	73,945
Connecticut Public Broadcasting, Inc.	596,390	-	596,390	-

Alfred P. Sloan Foundation
Schedule of Grants and Appropriations
For the year ended December 31, 2012

Grantee	Unpaid		2012		Unpaid	
	December 31, 2011		Authorized	Payments	December 31, 2012	
Coolidge Corner Theater Foundation	\$ 231,713	\$	20,000	\$ 251,713	\$	-
Cornell University	-		350,000	300,000		50,000
Corporation for National Research Initiatives	-		497,103	302,956		194,147
Council of Graduate Schools	192,635		430,000	362,635		260,000
Council on Foreign Relations	450,327		117,692	568,019		-
Council on Library and Information Resources	-		672,697	672,697		-
CUNY Graduate Center Foundation, Inc.	50,000		-	50,000		-
Dartmouth College	-		1,435,429	535,614		899,815
DC Foundation, University of	22,250		-	22,250		-
Delaware, University of	-		50,000	50,000		-
Digital Public Library of America, Inc.	-		1,200,000	-		1,200,000
Drexel University	-		572,082	108,961		463,121
Duke University	-		336,365	336,365		-
East Carolina University	699,989		50,000	749,989		-
Edinburgh, University of	-		14,824	14,824		-
Emory University	-		50,000	50,000		-
Ensemble Studio Theatre, Inc.	567,000		-	567,000		-
Ezus Lyon	-		50,000	50,000		-
Families and Work Institute, Inc.	734,141		-	300,000		434,141
Film Independent, Inc.	220,000		-	110,000		110,000
Florida, University of	-		33,123	33,123		-
Foundation Center	130,000		140,000	205,000		65,000
Fred Hutchinson Cancer Research Center	-		50,000	50,000		-
Fund for the City of New York	903,750		731,554	856,756		778,548
Fund for Public Health in New York, Inc.	457,814		-	457,814		-
Georgia Institute of Technology	-		250,000	250,000		-
George Mason University	246,028		100,000	100,000		246,028
George Washington University	-		34,972	34,972		-
Greater Washington Educational Telecommunications Assn., Inc.	750,000		125,000	875,000		-
GuideStar USA, Inc.	-		7,500	7,500		-
Hamptons International Film Festival	153,763		-	153,763		-
Harvard Medical School	-		100,000	100,000		-
Harvard University	1,184,278		2,029,644	1,920,609		1,293,313
Hastings Center	250,000		-	250,000		-
Hunter College of the City University of New York	-		57,708	57,708		-
ICPO-INTERPOL	900,000		-	550,000		350,000
iGEM Foundation	-		60,000	60,000		-
Illinois, University of, at Chicago	-		26,838	26,838		-
Illinois, University of, Urbana-Champaign	-		150,000	150,000		-
Independent Sector	-		17,500	17,500		-
Indiana, University of	376,807		250,000	423,148		203,659
Industrial Organizational Society, Inc.	-		20,000	20,000		-
International Association for Research in Income and Wealth	-		140,000	140,000		-
International Council for the Life Sciences	-		65,000	65,000		-
Institute of International Education Inc.	500,000		-	250,000		250,000
Institute for New Economic Thinking	-		24,300	24,300		-
Integrated Ocean Drilling Program Management International	100,000		-	100,000		-
Johns Hopkins University	-		525,000	342,542		182,458
Kansas, University of	-		6,500	-		6,500
Keck Graduate Institute	-		250,000	75,000		175,000
L.A. Theatre Works	-		450,848	97,907		352,941
Library Foundation of Los Angeles	-		100,000	100,000		-
Library of Congress	38,750		-	38,750		-
Long Island University	-		19,600	19,600		-
Loughborough University (UK)	-		104,212	-		104,212
Lyrasis	250,000		-	250,000		-
Manhattan Theatre Club	200,000		600,000	380,184		419,816
Marine Biological Laboratory	157,466		-	-		157,466

Alfred P. Sloan Foundation
Schedule of Grants and Appropriations
For the year ended December 31, 2012

Grantee	Unpaid	2012		Unpaid
	December 31, 2011	Authorized	Payments	December 31, 2012
Maryland, University of, College Park	\$ 165,272	\$ 48,731	\$ 151,158	\$ 62,845
Massachusetts Institute of Technology	292,322	985,186	750,347	527,161
Massachusetts, University of, Amherst	-	50,000	50,000	-
Massachusetts, University of, Medical School	-	250,000	250,000	-
Michigan State University	212,586	50,000	262,586	-
Michigan, University of	3,601,574	1,475,804	1,954,108	3,123,270
Middlebury College	151,984	-	-	151,984
Minnesota, University of	-	69,500	69,500	-
Montana Tech. of the University of Montana	24,065	-	-	24,065
Montana, University of	48,500	-	29,100	19,400
Mount Holyoke College	-	100,000	100,000	-
Mozilla Foundation	-	810,575	373,875	436,700
Museum of Mathematics	201,461	-	100,000	101,461
National Academy of Sciences	440,925	1,880,744	1,398,563	923,106
National Action Council for Minorities in Engineering, Inc.	4,804,458	3,118,781	2,846,061	5,077,178
National Bureau of Economic Research, Inc.	2,553,760	-	1,713,391	840,369
National Geographic Society	1,000,000	625,000	1,125,000	500,000
National Opinion Research Center	-	1,148,415	774,731	373,684
National Public Radio, Inc.	-	890,000	390,000	500,000
New York Academy of Medicine	-	594,898	494,898	100,000
New York Botanical Garden	200,000	-	200,000	-
New York County District Attorney	60,000	-	-	60,000
New York Genome Center, Inc.	-	3,000,000	1,000,000	2,000,000
New York Hall of Science	-	320,514	187,514	133,000
New York University	713,703	2,007,196	1,185,600	1,535,299
Northern Arizona University	-	249,877	149,877	100,000
Northwestern University	-	100,000	100,000	-
North Carolina Agricultural and Technical State University	25,000	-	25,000	-
North Carolina State University	20,000	-	20,000	-
Ohio State University	500,000	50,000	550,000	-
Oklahoma, University of	-	13,162	13,162	-
Open Knowledge Foundation	-	79,350	-	79,350
Oregon State University	-	50,000	50,000	-
Oregon, University of	800,000	50,000	550,000	300,000
Ottawa, University of	299,150	-	299,150	-
Oxford University	1,021,583	479,241	787,988	712,836
Pennsylvania State University	-	193,252	193,252	-
Pennsylvania, University of	334,873	481,029	574,308	241,594
Petroski, Henry	-	50,000	50,000	-
Philanthropy New York	-	56,000	28,000	28,000
Pittsburgh, University of	-	117,185	117,185	-
Planetnetwork NGO, Inc.	-	525,800	525,800	-
Polytechnic Institute of New York University	-	94,398	74,398	20,000
Princeton University	-	323,410	286,699	36,711
PRX Incorporated	-	172,328	172,328	-
Puerto Rico, University of	-	600,000	325,000	275,000
Purdue University	104,227	50,000	105,271	48,956
RAND Corporation	384,206	1,042,697	845,863	581,040
Rensselaer Polytechnic Institute	-	750,000	300,000	450,000
Research Foundation of the City University of New York	575,968	124,923	700,891	-
Research Foundation of State University of New York	-	124,391	124,391	-
Rhode Island, University of	-	851,257	401,876	449,381
Rhodes, Richard	-	125,000	125,000	-
Rochester, University of	-	50,000	50,000	-
Rockefeller University	-	1,050,000	370,000	680,000
Rutgers, The State University of New Jersey	-	449,448	173,541	275,907
Shachtman, Tom	-	30,000	30,000	-
San Jose State University	-	100,000	100,000	-

Alfred P. Sloan Foundation
Schedule of Grants and Appropriations
For the year ended December 31, 2012

Grantee	Unpaid	2012		Unpaid
	December 31, 2011	Authorized	Payments	December 31, 2012
Sage Bionetworks	\$ -	\$ 124,959	\$ 124,959	\$ -
Science Festival Foundation	650,000	-	650,000	-
Science Friday Initiative, Inc.	210,000	-	210,000	-
Simon Fraser University	-	50,000	50,000	-
Skidmore College	-	100,000	100,000	-
Sloan Consortium, Sloan-C	1,100,000	-	600,000	500,000
Smithsonian Institution	218,000	1,000,000	968,000	250,000
Society for Human Resources Management Foundation	300,000	-	300,000	-
SoundVision Productions	-	1,098,883	625,486	473,397
Southern California, University of	-	493,772	254,872	238,900
Southern Regional Education Board	-	860,000	305,000	555,000
St. Olaf College	19,500	-	19,500	-
Stanford University	642,404	1,186,781	1,254,831	574,354
Stevens Institute of Technology	-	390,584	390,584	-
Stony Brook University	-	50,000	50,000	-
Sundance Institute	250,000	-	250,000	-
Swarthmore College	66,107	-	66,107	-
Technology Affinity Group	-	5,000	5,000	-
Tennessee, University of	-	273,130	273,130	-
Texas AgriLife Research	63,587	-	63,587	-
Texas A&M University	-	166,201	166,201	-
Texas, University of, Austin	726,502	3,450,145	3,193,944	982,703
The Brookings Institution	451,336	225,000	225,000	451,336
The New School Center for NY City Affairs	150,000	-	150,000	-
Thurgood Marshall College Fund	157,808	-	157,808	-
Tribeca Film Institute	-	216,689	108,689	108,000
Tides Foundation	-	55,000	55,000	-
Toronto, University of	691,225	400,000	714,967	376,258
Toyota Technological Institute	-	50,000	50,000	-
Tribeca Film Institute, Inc.	378,995	-	378,995	-
Tufts University	-	124,906	124,906	-
Tulane University	-	17,250	17,250	-
United Jewish Appeal - Federation of Jewish Philanthropies of NY, Inc.	-	10,000	10,000	-
Upjohn Institute for Employment Research	323,910	-	152,250	171,660
Upstate Medical University	-	25,000	25,000	-
Urban Institute	-	693,824	328,940	364,884
Vanderbilt University	-	50,000	50,000	-
Victoria, University of	-	50,000	50,000	-
Virginia Polytechnic Institute and State University	-	250,000	150,000	100,000
Waldman, Jonny	-	50,000	50,000	-
Warwick, University of	190,173	-	190,173	-
Washington, University in St. Louis	-	424,999	424,999	-
Washington, University of	453,945	474,290	567,108	361,127
Wellesley College	222,041	100,000	209,310	112,731
WGBH Educational Foundation	2,300,000	1,000,000	1,800,000	1,500,000
Wikimedia Foundation	2,000,000	-	1,000,000	1,000,000
Wisconsin, University of, Madison	-	733,044	243,811	489,233

Alfred P. Sloan Foundation
Schedule of Grants and Appropriations
For the year ended December 31, 2012

Grantee	Unpaid	2012		Unpaid
	December 31, 2011	Authorized	Payments	December 31, 2012
WNYC Public Radio	\$ 512,385	\$ -	\$ 262,385	\$ 250,000
Wolfram Foundation	-	123,453	123,453	-
Woodrow Wilson International Center for Scholars	1,744,850	-	900,000	844,850
Xavier, University of, Louisiana	-	100,000	100,000	-
Yale University	124,190	320,000	444,190	-
TOTAL	53,810,262	73,175,948	76,720,974	50,265,236
Sloan Research Fellowships to be Granted in Ensuring Year	6,300,000	-	-	6,300,000
Other Appropriations Authorized but not committed	4,930,871	(2,882,366)	622,447	1,426,058
	65,041,133	70,293,582	77,343,421	57,991,294
Reduction for Grant Transfers	-	(566,809)	(566,809)	-
	<u>\$ 65,041,133</u>	<u>\$ 69,726,773</u>	<u>\$ 76,776,612</u>	<u>\$ 57,991,294</u>

This schedule should be read in conjunction with the accompanying consolidated financial statements and notes thereto.