

**HELLMAN FELLOWS FUND**  
**(A Nonprofit Organization)**

**Financial Statements**  
**as of December 31, 2012 and 2011,**  
**for the years then ended,**  
**and Independent Auditors' Report**

Audited by:  
***Comyns, Smith, McCleary & Deaver, LLP***  
***Certified Public Accountants***  
***3470 Mt. Diablo Boulevard***  
***Suite A110***  
***Lafayette, CA 94549-3958***  
***Telephone 925-299-1040***

**HELLMAN FELLOWS FUND**

**TABLE OF CONTENTS**

---

	<b>Page</b>
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012 AND 2011, AND FOR THE YEARS THEN ENDED:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 12

---

# ***Comyns, Smith, McCleary & Deaver, LLP***

*Certified Public Accountants*

*John R. Comyns, Partner  
Steven P. Smith, Partner  
Dan K. Deaver, Partner  
Gerard S. Clancy, Partner  
Mark E. Eitelgeorge, Partner  
James B. Wolf, Partner  
Brent Baxter, Partner  
Andrew M. Porter, Partner  
David B. McCleary (1954-1996)*

## **INDEPENDENT AUDITORS' REPORT**

To the Audit Committee and Directors of  
Hellman Fellows Fund

We have audited the accompanying financial statements of Hellman Fellows Fund (a nonprofit organization) (the "Fund"), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these 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.

### ***Auditors' Responsibility***

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 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.

**INDEPENDENT AUDITORS' REPORT (continued)**

***Opinion***

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

*Comyns, Smith, McCleary & Deamer, LLP*

June 13, 2013

# *Financial Statements*

**HELLMAN FELLOWS FUND**  
**(A Nonprofit Organization)**

**STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2012 AND 2011**

---

	<u>2012</u>	<u>2011</u>
<b><u>ASSETS:</u></b>		
Cash	\$ 6,686,605	\$ 19,589
Contributions receivable	-	60,000,000
Investments pending settlement	9,000,000	-
Endowment investments	45,367,882	-
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 61,054,487</u>	<u>\$ 60,019,589</u>
 <b><u>LIABILITIES AND NET ASSETS:</u></b>		
<b>LIABILITIES:</b>		
Accounts payable	\$ 41,186	\$ 11,872
Grants payable, net of discount	6,795,614	9,068,113
Total liabilities	<hr/> 6,836,800	<hr/> 9,079,985
	<hr/>	<hr/>
NET ASSETS - Unrestricted	<u>54,217,687</u>	<u>50,939,604</u>
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 61,054,487</u>	<u>\$ 60,019,589</u>

---

See accompanying notes to financial statements.

---

**HELLMAN FELLOWS FUND**  
**(A Nonprofit Organization)**

**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

---

	<u>2012</u>	<u>2011</u>
SUPPORT:		
Contributions	\$ -	\$ 62,402,645
EXPENSES:		
Program services - discount on long-term grants	(25,199)	460,489
General and administrative expenses	116,498	127,469
Total expenses	<u>91,299</u>	<u>587,958</u>
CHANGE IN NET ASSETS FROM OPERATIONS	(91,299)	61,814,687
NON-OPERATING ACTIVITY:		
Endowment investment income - net	<u>3,369,382</u>	<u>-</u>
CHANGE IN NET ASSETS	3,278,083	61,814,687
NET ASSETS (DEFICIT) beginning of year	<u>50,939,604</u>	<u>(10,875,083)</u>
NET ASSETS end of year	<u>\$ 54,217,687</u>	<u>\$ 50,939,604</u>

---

See accompanying notes to financial statements.

**HELLMAN FELLOWS FUND**  
**(A Nonprofit Organization)**

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 3,278,083	\$ 61,814,687
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized gains on investments	(3,394,382)	-
Discount on grants payable	(25,199)	460,489
Changes in:		
Contributions receivable	18,026,500	(60,000,000)
Accounts payable	29,314	(12,935)
Grants payable	(2,247,300)	(2,245,000)
Net cash provided by operating activities	<u>15,667,016</u>	<u>17,241</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	<u>(9,000,000)</u>	-
Net cash used in investing activities	<u>(9,000,000)</u>	-
Net increase in cash	6,667,016	17,241
CASH, beginning of year	<u>19,589</u>	<u>2,348</u>
CASH, end of year	<u>\$ 6,686,605</u>	<u>\$ 19,589</u>
<b>Supplemental disclosure:</b>		
Non-cash contribution of investments	<u>\$ 41,973,500</u>	<u>\$ -</u>

See accompanying notes to financial statements.

**HELLMAN FELLOWS FUND**  
**(A Nonprofit Organization)**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**

---

**1. DESCRIPTION OF FUND**

Hellman Fellows Fund (the “Fund”) was formed and commenced operations in April 2010. The Fund is a private foundation that supports education programs, specifically Arts, Humanities & Social Sciences and Sciences & Engineering. The source of contributions to the Fund is Mr. and Mrs. F. Warren Hellman and the Hellman Family Revocable Trust.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Method of Accounting* - The accounts of the Fund are maintained on the accrual basis of accounting as determined using accounting principles generally accepted in the United States of America.

*Basis of Presentation* – The Fund’s financial statement presentation follows the recommendations of accounting principles generally accepted in the United States of America, whereby the Fund is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of December 31, 2012 and 2011, the Fund had no temporarily or permanently restricted net assets. Unrestricted balances consist of funds undesignated and currently available for all Fund activities.

*Cash and Cash Equivalents* – The Fund considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

*Investments Pending Settlement* – Investments pending settlement represents amounts transferred out of the Fund’s cash account as of the balance sheet date, but settled subsequent to the balance sheet date.

*Endowment Investments* – Endowment investments may consist of equity securities, mutual fund investments, alternative investments, and cash and cash equivalent balances designated by the Fund’s Board of Directors for long-term investment. Investment income on such investments is intended to provide a significant source of support for the Fund’s future operations. Investments in equity securities and mutual funds are stated at estimated fair value. Fair value is the amount that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. Other investments, such as alternative investments, are also recorded using estimated fair value. The fair values of alternative investments have been estimated using the net asset value per share of the investment. Gains or losses that result from market fluctuations are recognized in the period such fluctuations occur. Dividend and interest income are recognized when earned.

**HELLMAN FELLOWS FUND**  
**(A Nonprofit Organization)**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**

---

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Revenue Recognition* – Contributions are recognized as revenue when received or unconditionally promised. No contributions were received in 2012 and no future contributions are expected. The Fund recorded contributions of \$60,000,000 during the year ended December 31, 2011, based on an unconditional promise by the Hellman Family Revocable Trust. The Fund recorded contributions in the form of cash from Mr. and Mrs. Hellman totaling \$2,402,645 during the year ended December 31, 2011.

*Grant Expense* – Grant expense is recognized when the unconditional promise to give is approved by the Board of Directors and communicated to the grantee through a grant award letter. Conditional promises to give are recognized as grant expense in the period that the recipient meets the terms of the condition. There were no conditional promises to give at December 31, 2012 or 2011.

*Income Taxes* - The Fund is recognized for federal and state purposes as a tax-exempt private foundation under Internal Revenue Code Section 501(c)(3). In accordance with the applicable provisions of the Tax Reform Act of 1969, the Fund is only subject to federal excise taxes based on net investment income, including realized gains as defined in the Act.

*Use of Estimates* - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Subsequent Events* - For the purposes of the accompanying financial statements, subsequent events have been evaluated through June 13, 2013, which represents the date the financial statements were available to be issued.

**3. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value and require enhanced disclosures about fair value measurements. This guidance also 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 or its equivalent.

**HELLMAN FELLOWS FUND**  
**(A Nonprofit Organization)**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**

---

**3. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

A fair value hierarchy has been established which prioritizes the level of market price observability used to measure fair value. Market price observability is impacted by a number of factors, including the type of instrument, the characteristics specific to the instrument, and the state of the marketplace (including the existence and transparency of transactions between market participants). Instruments with readily available actively quoted prices or for which fair value can be measured from actively quoted prices in an orderly market will generally have a higher degree of market price observability and a lesser degree of judgment used to measure fair value.

The three levels of the fair value hierarchy are described below:

Level one: Quoted prices are available in active markets for identical instruments as of the reporting date. The types of investments which would generally be included in Level one include listed equity securities and fixed income mutual funds.

Level two: Inputs to the valuation methodology include quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in inactive markets; and observable inputs other than quoted prices. Fair value is determined through observable trading activity reported as net asset value or through the use of other models or other valuation methodologies. The types of investments which would generally be included in this category include alternative investments for which an exit price has been observed.

Level three: Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The types of instruments which would generally be included in this category include limited partnerships with designated investments or lock up periods extending more than three months beyond the balance sheet date.

The instruments' fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

**HELLMAN FELLOWS FUND**  
**(A Nonprofit Organization)**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**

**3. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

The Fund's method of valuing investments may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Fund's management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Fund's financial instruments may include cash, cash equivalents, and investments. For cash and equivalents, the carrying amounts approximate fair value because of the short maturity of these items.

The following table sets forth, within the fair value hierarchy of accounting principles generally accepted in the United States of America, the Fund's assets at fair value as of December 31, 2012 (in thousands):

	Level One	Level Two	Level Three	Total
Endowment investments:				
Alternative investments:				
Equity long/short hedge funds	\$ -	\$ 6,743	\$ 1,624	\$ 8,367
Multi-strategy hedge fund	-	37,001	-	37,001
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total endowment investments	<u>\$ -</u>	<u>\$ 43,744</u>	<u>\$ 1,624</u>	<u>\$ 45,368</u>

For the year ended December 31, 2012, the changes in investments classified as level three are as follows (in thousands):

	Equity Long/Short	Multi- Strategy	Total
Balance, beginning of year	\$ -	\$ -	\$ -
Realized and unrealized gain	176	-	176
Pledge payments	<u>1,448</u>	<u>-</u>	<u>1,448</u>
Balance, end of year	<u>\$ 1,624</u>	<u>\$ -</u>	<u>\$ 1,624</u>

**HELLMAN FELLOWS FUND**  
**(A Nonprofit Organization)**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**

---

**3. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

All of the Equity Long/Short and Multi-Strategy investments were bequeathed to the Fund in the current year and had previously been recorded as a contribution receivable. The investments were recorded at fair value on the date of transfer, as determined based on the underlying net asset value, less an estimated discount to account for lack of marketability on the transfer date.

The following schedule discusses the nature and risks of alternative investments which calculate net asset value per share or its equivalent and whether those investments are probable of being sold at amounts different from net asset value per share:

		<b>Fair Value (in thousands)</b>	<b>Redemption Period</b>	<b>Redemption Notice Period</b>
Equity long/short	(a)	\$ 2,054	After 3 year lock-up period ending 12/31/12	30 days
Equity long/short	(a)	1,624	After 3 year lock-up period ending 12/31/13	30 days
Equity long/short	(a)	4,689	Quarterly	30 days
Multi-strategy	(b)	37,001	Annually	45 days
		<u>\$ 45,368</u>		

(a) This class represents investments in hedge funds that invests in global equity markets. The funds employ a risk-averse investment strategy that endeavors to limit downside risk as much as to generate upside returns using a balanced long/short strategy that attempts to produce solid results in up market and superior results in down market, and above average results over long periods of time. The fair value of these investments has been estimated using the Fund's interest in partners' capital to which a proportionate share of net assets is attributed.

(b) This class represents an investment in a hedge fund that seeks to generate superior risk-adjusted returns with an absolute return orientation without limiting itself to a pre-defined strategy. The fund's focus is on public equity securities, distressed debt, bank loans, high yield bonds, and turnaround equities. The fair value of this investment has been estimated using the Fund's interest in partners' capital to which a proportionate share of net assets is attributed. The redemption notice was provided in a timely manner to allow for a December 31, 2012, redemption. As of April 30, 2013, approximately 95% of the distribution has been received.

**HELLMAN FELLOWS FUND**  
**(A Nonprofit Organization)**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**

---

**4. ENDOWMENT INVESTMENTS**

Changes in endowment investments for the year ended December 31, 2012 are as follows:

Endowment unrestricted net assets - December 31, 2011	\$ -
Investment return, net	3,394,382
Additions to endowment funds from pledge payments	<u>41,973,500</u>
Endowment unrestricted net assets - December 31, 2012	<u>\$ 45,367,882</u>

**5. GRANTS PAYABLE**

Grants awarded, but unpaid, are payable as of December 31, 2012, as follows:

2013	\$ 1,957,641
2014	2,425,000
2015	2,425,000
2016	<u>645,059</u>
	7,452,700
Less discount	<u>(657,086)</u>
Grants payable	<u>\$ 6,795,614</u>

**HELLMAN FELLOWS FUND**  
**(A Nonprofit Organization)**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**

---

**6. FEDERAL EXCISE TAXES**

The Fund is subject to federal excise taxes on net investment income, as defined by federal law, at 2% or 1% if certain conditions are met. Federal excise tax for the year ended December 31, 2012 was approximately \$25,000. No excise tax was incurred during the year ended December 31, 2011.

**7. CONCENTRATIONS OF CREDIT RISK**

Cash and Investments

Financial instruments, which potentially subject the Fund to concentrations of credit risk, consist of cash and investments. The Fund maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. At December 31, 2012, there was unlimited federal insurance (FDIC) coverage on the cash balance of approximately \$6,700,000. On January 1, 2013, the insured limit was reduced to \$250,000. The investments are well diversified and the issuers of the underlying securities are dispersed throughout many industries and geographies.

Contributions

For the year ended December 31, 2011, 100% of contributions received by the Fund were made by Mr. and Mrs. Hellman and the Hellman Family Revocable Trust. At December 31, 2011, 100% of contributions receivable were due from the Hellman Family Revocable Trust.

The Fund's management does not expect any adverse financial consequences as a result of the aforementioned concentrations of credit risk.

**8. RELATED PARTY TRANSACTIONS**

The Fund's Secretary is also the principal in a consulting firm that provides services to the Fund. The Fund recognized expenses of approximately \$85,000 and \$93,000 related to services provided by this consulting firm during the years ended December 31, 2012 and 2011, respectively, of which approximately \$16,000 remained unpaid at December 31, 2012.

\* \* \* \* \*