

Morris Goldseker Foundation Of Maryland, Inc.

Financial Report
December 31, 2008

McGladrey & Pullen
Certified Public Accountants

Contents

Independent Auditor's Report On The Financial Statements	1
Financial Statements	
Statements Of Financial Position	2
Statements Of Activities	3
Statements Of Cash Flows	4
Notes To Financial Statements	5 – 13
<hr/>	
Independent Auditor's Report On The Supplementary Information	14
Supplementary Information	
Schedules Of Balance Sheets – Tax Accounting	15
Schedules Of Revenue, Expenses, And Changes In Fund Balance – Tax Accounting	16
Schedules Of Payout Required By Internal Revenue Code (IRC) §4942	17

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Morris Goldseker Foundation of Maryland, Inc.
Baltimore, Maryland

We have audited the accompanying statements of financial position of Morris Goldseker Foundation of Maryland, Inc. (the Foundation) as of December 31, 2008 and 2007, 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 Morris Goldseker Foundation of Maryland, Inc. as of December 31, 2008 and 2007, 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.

As explained in Note 7, the financial statements include investments valued at \$27,719,533 (37% of net assets), whose fair values have been estimated by management in the absence of readily determined fair values.

McGladrey & Pullen, LLP

Timonium, Maryland
November 13, 2009

Morris Goldseker Foundation Of Maryland, Inc.

Statements Of Financial Position
December 31, 2008 And 2007

Assets	2008	2007
Cash	\$ 50,718	\$ 147,175
Investments, At Market (Notes 3, 4, and 7)	75,163,402	110,229,590
Federal Excise Tax Recoverable	240,276	101,128
Deferred Federal Excise Tax Receivable	2,974	-
Other Assets	-	53,962
Total assets	\$ 75,457,370	\$ 110,531,855
Liabilities And Net Assets		
Liabilities		
Accrued expenses	\$ 107,480	\$ 48,468
Deferred federal excise tax payable	-	299,102
Total liabilities	107,480	347,570
Commitments (Notes 2, 4, and 5)		
Net Assets, Unrestricted	75,349,890	110,184,285
Total liabilities and net assets	\$ 75,457,370	\$ 110,531,855

See Notes To Financial Statements.

Morris Goldseker Foundation Of Maryland, Inc.

Statements Of Activities

Years Ended December 31, 2008 And 2007

	2008	2007
Unrestricted net assets		
Revenue and gains (losses):		
Investment income	\$ 1,018,191	\$ 2,485,474
Net (losses) gain on investments (Note 3)	(30,420,413)	10,464,371
Total revenue and gains (losses)	<u>(29,402,222)</u>	<u>12,949,845</u>
Expenses:		
Program services:		
Grants	4,115,008	4,001,664
Foundation administrative expenses related to grant-making (Note 5)	1,047,631	814,020
Total program services	<u>5,162,639</u>	<u>4,815,684</u>
Supporting services, management, and general:		
General and administrative expenses related to revenue activity (Note 5)	560,758	534,599
Provision (benefit) for federal excise tax (Note 6)	(291,224)	196,914
Total management and general	<u>269,534</u>	<u>731,513</u>
Total expenses	<u>5,432,173</u>	<u>5,547,197</u>
(Decrease) increase in unrestricted net assets	(34,834,395)	7,402,648
Net assets:		
Beginning of year (unrestricted)	<u>110,184,285</u>	<u>102,781,637</u>
End of year (unrestricted)	<u>\$ 75,349,890</u>	<u>\$ 110,184,285</u>

See Notes To Financial Statements.

Morris Goldseker Foundation Of Maryland, Inc.

Statements Of Cash Flows
Years Ended December 31, 2008 And 2007

	2008	2007
Cash Flows From Operating Activities		
(Decrease) increase in unrestricted net assets	\$ (34,834,395)	\$ 7,402,648
Adjustments to reconcile (decrease) increase in unrestricted net assets to net cash used in operating activities:		
Net loss (gain) on investments	30,420,413	(10,464,371)
Deferred federal excise tax	(302,076)	13,042
Changes in assets and liabilities:		
(Increase) decrease in:		
Federal excise tax receivable	(139,148)	(101,128)
Other assets	53,962	(53,335)
Increase (decrease) in:		
Accrued expenses	59,012	(19,050)
Net cash used in operating activities	<u>(4,742,232)</u>	<u>(3,222,194)</u>
Cash Flows From Investing Activities		
Proceeds from sales and distributions from investments	40,514,088	57,916,333
Purchases of investments	<u>(35,868,313)</u>	<u>(54,607,771)</u>
Net cash provided by investing activities	<u>4,645,775</u>	<u>3,308,562</u>
Net (decrease) increase in cash	(96,457)	86,368
Cash		
Beginning of year	<u>147,175</u>	<u>60,807</u>
End of year	<u>\$ 50,718</u>	<u>\$ 147,175</u>
Supplemental Disclosure Of Cash Flow Information		
Cash paid during the year for federal excise tax	<u>\$ 150,000</u>	<u>\$ 285,000</u>

See Notes To Financial Statements.

Morris Goldseker Foundation Of Maryland, Inc.

Notes To Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies

Nature of activity: Morris Goldseker Foundation of Maryland, Inc. (the Foundation) was organized and incorporated on May 8, 1973, for the purpose of promoting charitable undertakings.

A summary of the Foundation's significant accounting policies follows:

Basis of accounting: The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

Cash and concentrations of credit risk: The Foundation maintains its cash in bank deposit accounts which, at times due to pay out obligations, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to significant risk on cash.

Investments:

Marketable securities: Marketable securities, consisting predominantly of stocks, bonds, U.S. Treasury obligations, and other short-term investments, are stated at market value. Cost is calculated as the price paid to acquire investment securities. Market value is based on published quoted market prices. Realized and unrealized gains and losses are recognized during the period in which they occur.

Alternative investments: Alternative investments, consisting predominantly of investments in certain managed hedge funds and real estate partnerships, are valued at fair value as determined in good faith by the managers of the respective investment.

Investments in investment partnerships are valued at fair value based on the applicable percentage ownership of the underlying partnerships' net assets as of the measurement date, as determined by the general partner. In determining fair value, the general partner utilizes valuations provided by the fund manager of the underlying investment partnerships. The underlying investment partnerships value securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the underlying investment partnerships, which may include private placements and other securities for which prices are not readily available, are determined by the general partner of the respective other investment partnership and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The fair value of the Foundation's investments in other investment partnerships generally represents the amount the Foundation would expect to receive if it were to liquidate its investment in the investment partnerships excluding any redemption charges that may apply. The Foundation may adjust the respective manager's valuation when circumstances support such an adjustment.

Morris Goldseker Foundation Of Maryland, Inc.

Notes To Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

The Foundation invests in professionally managed portfolios that may contain common shares and bonds of publicly-traded companies, U.S. Government obligations, mutual funds, money market funds, and various alternative investments. Such investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

Furniture and equipment: Furniture and equipment are recorded at cost. The Foundation capitalizes all items over \$1,000 that have a useful life greater than one year. Depreciation is computed utilizing the straight-line method over the estimated useful lives of five to ten years. All of the Foundation's furniture and equipment are fully depreciated. Accumulated depreciation was \$19,058 as of December 31, 2008 and 2007.

Grants: An unconditional promise to give (grant commitment) is recognized as a payable and corresponding grant expense in the year the promise or commitment is made. A conditional promise to give, which depends on the occurrence of a specified future and uncertain event, is not recognized until the condition has been met.

Federal income tax: The Foundation has been recognized by the Internal Revenue Service (IRS) as a private foundation exempt from federal income taxes under §501(c)(3) of the Internal Revenue Code (IRC). Accordingly, no provision for income taxes is reflected in these financial statements.

Federal excise tax: Generally, private foundations are subject to a 2% (reduced to 1% if certain requirements are met) excise tax on investment income, as defined by the IRC.

Deferred federal excise taxes: Deferred federal excise taxes are determined based upon the estimated future excise tax effects of differences between the financial statement and excise tax bases of assets and liabilities, as measured by the current enacted excise tax rates. Deferred excise tax expense is the result of changes in the deferred excise tax assets and liabilities. Temporary differences which give rise to the deferred excise tax liability consist primarily of the recognition of unrealized gains which are not recognized for excise tax purposes.

Use of estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Recent accounting pronouncements: In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement 109* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return. FIN 48 also provides guidance on derecognition of tax benefits, classification on the balance sheet, interest and penalties, accounting in interim periods, disclosure, and transition.

Morris Goldseker Foundation Of Maryland, Inc.

Notes To Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

In December 2008, the FASB provided for a deferral of the effective date of FIN 48 for certain nonpublic enterprises to annual financial statements for fiscal years beginning after December 15, 2008. The Foundation has elected this deferral and accordingly will be required to adopt FIN 48 in its 2009 annual financial statements. Prior to adoption of FIN 48, the Foundation will continue to evaluate its uncertain tax positions and related income tax contingencies under Statement of Financial Accounting Standards No. 5, *Accounting for Contingencies* (SFAS 5). SFAS 5 requires the Foundation to accrue for losses it believes are probable and can be reasonably estimated. While management has not yet completed its analysis, it does not anticipate that the adoption of FIN 48 will have a material impact on its financial position or results of activities.

Note 2. Distribution Requirement

The Foundation is required to distribute its minimum investment return in order to avoid an excise tax for failure to distribute income. The minimum investment return is an income equivalent which is essentially determined by multiplying the aggregate average fair market value of a private foundation's assets by 5%. The distribution requirement can be met by making qualifying distributions (grants and expenses for exempt purposes), incurring the current year's excise tax and utilizing any excess distribution carryovers.

The following is an analysis of the distribution requirements and distributions made during the years ended December 31, 2008 and 2007:

	2008	2007
Distribution requirement		
Current year's distribution requirement	\$ 4,825,100	\$ 5,387,352
Prior year's remaining distribution requirement	4,876,091	4,529,702
	<u>9,701,191</u>	<u>9,917,054</u>
Qualifying distributions		
Current year's qualifying distributions	5,040,599	4,895,329
Current year's excise tax	10,852	145,634
	<u>5,051,451</u>	<u>5,040,963</u>
 Remaining distribution requirement (must be distributed by December 31, 2009 and 2008, respectively).	 <u>\$ 4,649,740</u>	 <u>\$ 4,876,091</u>

Morris Goldseker Foundation Of Maryland, Inc.

Notes To Financial Statements

Note 3. Investments

Investments consisted of the following at December 31, 2008 and 2007:

	2008		2007	
	Fair Value	Cost	Fair Value	Cost
Common stocks	\$ 23,506,131	\$ 25,525,299	\$ 57,930,663	\$ 36,124,961
Money market funds	12,149,809	12,149,809	3,829,483	3,829,483
Bonds and treasury notes	11,787,929	12,408,992	12,441,831	12,351,990
Alternative investments	27,719,533	25,915,576	36,027,613	27,693,283
	<u>\$ 75,163,402</u>	<u>\$ 75,999,676</u>	<u>\$ 110,229,590</u>	<u>\$ 79,999,717</u>

Net (losses) gains on investments consisted of the following for the years ended December 31, 2008 and 2007:

	2008	2007
Unrealized (loss) gain on marketable securities	\$ (31,065,144)	\$ 5,133,532
Realized gain on marketable securities	644,731	5,330,839
Net (loss) gain on investments	<u>\$ (30,420,413)</u>	<u>\$ 10,464,371</u>

Note 4. Commitments

Office space: The Foundation has a five-year lease agreement for office space that currently expires on April 30, 2012. The Foundation is responsible for its proportionate share of real estate taxes and operating expenses. Rent expense was \$57,793 and \$52,487 for 2008 and 2007, respectively. Future minimum rents due under the lease are as follows:

Years Ending December 31,	
2009	\$ 55,684
2010	57,354
2011	59,075
2012	19,885
	<u>\$ 191,998</u>

Morris Goldseker Foundation Of Maryland, Inc.

Notes To Financial Statements

Note 4. Commitments (Continued)

Grants: In addition to the grants paid during the current period, the Foundation has conditional grant commitments scheduled for payment to specific organizations in the following years:

Years Ending December 31,

2009	\$ 1,613,500
2010	1,005,000
2011	210,000
2012	200,000
	<u>\$ 3,028,500</u>

The Baltimore Fund, LLC: As part of its socially responsible investment portfolio, the Foundation has committed \$400,000 to The Baltimore Fund, LLC (Baltimore Fund). Baltimore Fund was organized to purchase, hold, and exercise the rights of ownership with respect to an investment in TRF Urban Growth Partners, L.P. (TRF). TRF provides loans to, or invests in, expanding businesses that provide quality opportunities for low- and middle-income urban workers in the Mid-Atlantic region, while seeking a positive return on its investments. As of December 31, 2008 and 2007, the Foundation has funded \$278,500 and \$270,000, respectively, of its \$400,000 commitment.

Loan guarantee: Healthy Neighborhoods, Inc. created a \$40,000,000 privately-financed loan pool in 2005, whose purpose is to provide mortgage assistance to homeowners in selected Baltimore City neighborhoods (Healthy Neighborhoods). The Foundation and several other foundations have agreed to guarantee, over a ten-year period, the first 10% of losses on any loan that goes into default. The Foundation's \$400,000 guarantee represents 10% of the guarantee pool. The \$40,000,000 loan pool will be fully committed by September, 2010. Healthy Neighborhoods, Inc. has begun raising loan commitments and guarantees for an additional \$20,000,000 loan pool. The Foundation has agreed to guarantee \$200,000 toward this loan pool, bringing its total commitment to \$600,000.

Capital Commitments: The Foundation has committed capital in the amount of \$39,000,000. As of December 31, 2008, the Foundation has an unfunded balance of \$19,129,370.

Employment agreement: The Foundation has an employment agreement with the President and Chief Executive Officer. The agreement provides for annual payable compensation and terms of service through June 30, 2012.

Note 5. Employee Pension Plans

The Foundation has an annuity retirement plan under IRC §403(b) that covers employees who meet certain eligibility requirements. Under the terms of the plan, employees may contribute pretax dollars toward the purchase of the annuity. The Foundation does not make matching contributions.

The Foundation established a defined benefit pension plan (the Plan) which covers all employees who have completed one year of service, as defined in the plan documents, and who have attained the age of 21. The Plan's policy is to fund accrued pension costs, including past service costs, under the aggregate cost method of valuation. This method establishes a normal cost which spreads the total unfunded cost of the plan as a level percentage of the future payroll of covered employees. The normal cost is adjusted each year to reflect the experience under the Plan, automatically spreading gains or losses over future years. The determination of the normal cost and plan liabilities is made independently for each individual participant. An annual net allocation of the trust fund assets is made by accounting for each participant's employer contributions and benefits paid. The investment earnings are allocated in proportion to each participant's share of the total fund. The Plan's funding standard account meets the minimum funding requirements under the Employee Retirement Income Security Act of 1974 (ERISA).

Morris Goldseker Foundation Of Maryland, Inc.

Notes To Financial Statements

Note 5. Employee Pension Plans (Continued)

As of January 1, 2006, the Foundation adopted SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, which requires that employers with defined benefit plans recognize the overfunded or underfunded status of a benefit plan as an asset or a liability in the statements of financial position. The cumulative effect of the change on prior years was insignificant.

The Foundation contributed \$0 and \$75,000 to the Plan for the years ended December 31, 2008 and 2007, respectively. The Foundation had pension (expense) income of \$(130,540) and \$8,405 for the years ended December 31, 2008 and 2007, respectively. The Foundation has an accrued pension liability of \$76,578 for the year ended December 31, 2008, which is included in accrued expenses on the statements of financial position. The Foundation had an accrued pension benefit of \$53,962 for the year ended December 31, 2007, which is included in other assets on the statements of financial position.

The following table sets forth the pertinent information related to the Foundation's defined benefit plan:

	2008	2007
Employer contributions	\$ -	\$ 75,000
Benefits paid	\$ -	\$ -
Fair value of plan assets at end of year	\$ 568,982	\$ 678,169
Projected benefit obligation	645,560	624,207
Funded status (plan assets less then benefit obligations)	\$ (76,578)	\$ 53,962
Accumulated benefit obligation	\$ 645,458	\$ 623,652
Net periodic benefit cost	\$ (924)	\$ 52,022
Weighted-average assumptions used to determine benefit obligations as of December 31		
Discount rate	6.00%	6.00%
Average increase in future compensation levels	Excluded	Excluded
Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31		
Discount rate	6.00%	6.00%
Expected long-term return on plan assets	6.00%	6.00%
Average increase in future compensation levels	Excluded	Excluded

The Foundation considers various factors in estimating the expected long-term rate of return on Plan assets. Among the factors considered include the historical long-term returns on Plan assets, the current and expected allocation of Plan assets, input from actuaries and investment consultants, and long-term inflation assumptions.

Morris Goldseker Foundation Of Maryland, Inc.

Notes To Financial Statements

Note 5. Employee Pension Plans (Continued)

The Foundation's defined benefit Plan weighted-average asset allocations at December 31, 2008 and 2007, are as follows:

	2008	2007
Asset category		
Cash and money market	21%	9%
Equity securities	17%	44%
Fixed income	62%	47%
	<u>100%</u>	<u>100%</u>

The Foundation's investment policy for its defined benefit plan is to balance risk and return using a diversified portfolio consisting primarily of high quality equity and fixed income securities. To accomplish this goal, the Plan's assets are actively managed by an outside investment manager with the objective of optimizing long-term return while maintaining a high standard of portfolio quality and proper diversification. The maturities of fixed income securities are monitored so there is sufficient liquidity to meet current benefit payment obligations. The Foundation's management provides oversight of the Plan investments and the performance of the investment manager.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

Years Ending December 31,	Amount
2009	\$ 44,004
2010	41,531
2011	39,180
2012	36,963
2013	34,870
2014 to 2017	146,887

Note 6. Provision For Federal Excise Tax (Benefit)

The provision for federal excise tax (benefit) was composed of the following for the years ended December 31, 2008 and 2007:

	2008	2007
Current federal excise tax	\$ 10,852	\$ 145,634
Deferred federal excise tax (benefit)	(302,076)	51,280
Provision for federal excise tax (benefit)	<u>\$ (291,224)</u>	<u>\$ 196,914</u>

Morris Goldseker Foundation Of Maryland, Inc.

Notes To Financial Statements

Note 7. Fair Value Of Financial Instruments

Effective January 1, 2008, the Foundation adopted SFAS No. 157, *Fair Value Measurements* (SFAS 157) issued by the FASB. SFAS 157 defines fair value as the price 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 and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under SFAS 157 as assumptions that market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy under SFAS 157 are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The types of investments included in Level 1 include listed equities and holdings in certain corporate bonds funds. As required by SFAS No. 157, the Foundation does not adjust the quoted price for these investments, even in situations where the Foundation holds a large position and a sale could reasonably impact the quoted price.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3: Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation as described below.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. The following section describes the valuation techniques used by the Foundation:

Level 1: Investments in securities traded on a national securities exchange, or reported on the NASDAQ national market, are stated at the last reported sales price on the day of valuation. These financial instruments are classified as Level 1 in the fair value hierarchy.

Level 2: Investments in corporate bonds and government obligations are stated at the last reported sales price on the day of valuation.

Level 3: Level 3 investments are not readily marketable and include investment in managed hedge funds, and partnership investments in real estate.

The hedge fund and partnership investments' market value is determined by the general partners or managers and changes in value are reported in unrealized gains and losses on investments. The partnership unrealized gains and losses are adjusted for allocation to income, expenses and realized gains and losses, which are reported separately, as such information becomes available.

Morris Goldseker Foundation Of Maryland, Inc.

Notes To Financial Statements

Note 7. Fair Value Of Financial Instruments (Continued)

The following table presents the Foundation's fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2008:

Description	Total	Fair Value Measurements Using		
		Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 12,149,809	\$ 12,149,809	\$ -	\$ -
Common and preferred stock	23,506,131	23,506,131	-	-
Debt securities	11,787,929	-	11,787,929	-
Other investment partnerships	27,719,533	-	-	27,719,533
	<u>\$ 75,163,402</u>	<u>\$ 35,655,940</u>	<u>\$ 11,787,929</u>	<u>\$ 27,719,533</u>

Financial instruments classified as Level 3 in the fair value hierarchy represent the Foundation's investments in financial instruments in which management has used at least one significant unobservable input in the valuation model. The following table presents a reconciliation of activity for the Level 3 financial instruments:

Description	Amount
Balance, January 1, 2008	\$ 36,027,613
Net realized gains on investments	(183,943)
Net unrealized losses on investments	(6,528,366)
Purchases of investments	6,028,329
Distributions of investments	(7,624,100)
Balance, December 31, 2008	<u><u>\$ 27,719,533</u></u>

The amount of total losses for the year ended included in net loss attributable to the change in unrealized losses relating to assets still held at December 31, 2008, was \$6,528,366.

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report On The Supplementary Information

To the Board of Directors
Morris Goldseker Foundation of Maryland, Inc.
Baltimore, Maryland

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary income tax basis financial statement presentation is presented for purposes of additional analysis and is not a required part of the basic financial statements. It provides relevant information that is not provided by the financial statements, and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America or a complete presentation in accordance with the accounting basis used for income tax purposes. Under the income tax basis, certain revenue and related assets are recognized when received rather than earned, and certain expenses are recognized when paid rather than when the obligation is incurred. Such supplemental income tax basis financial statement presentation has been subjected to auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in relation to the basic financial statements taken as a whole.

McGladrey & Pullen, LLP

Timonium, Maryland
November 13, 2009

Morris Goldseker Foundation Of Maryland, Inc.

Schedules Of Balance Sheets – Tax Accounting
December 31, 2008 And 2007

	2008		2007	
	Income Tax Basis	Market Value	Income Tax Basis	Market Value
Assets				
Investments				
Marketable securities	\$ 75,999,676	\$ 75,163,402	\$ 79,999,717	\$ 110,229,590
Other Assets				
Cash	50,718		147,175	
Federal excise tax recoverable	240,276		101,128	
Total other assets	290,994	293,968	248,303	302,265
Total assets	\$ 76,290,670	\$ 75,457,370	\$ 80,248,020	\$ 110,531,855
Liabilities And Fund Balance				
Liabilities				
Accrued expenses	\$ 30,902	\$ 107,480	\$ 48,468	\$ 48,468
Deferred federal excise tax payable	-	-	-	299,102
	30,902	107,480	48,468	347,570
Fund Balance				
Restricted to cover grant requirement	4,649,740		4,876,091	
Unrestricted	71,610,028		75,323,461	
Total fund balance	76,259,768	75,349,890	80,199,552	110,184,285
Total liabilities and fund balance	\$ 76,290,670	\$ 75,457,370	\$ 80,248,020	\$ 110,531,855

Morris Goldseker Foundation Of Maryland, Inc.

Schedules Of Revenue, Expenses, And Changes In Fund Balance – Tax Accounting
Years Ended December 31, 2008 And 2007

	2008	2007
Revenue:		
Investment income	\$ 1,018,191	\$ 2,485,474
Net realized capital gains from sale of investments	644,731	5,330,839
Total revenue	1,662,922	7,816,313
Expenses		
General and administrative expenses related to revenue activity	559,755	534,599
Income before federal excise tax	1,103,167	7,281,714
Federal excise tax	10,852	147,935
Net income	1,092,315	7,133,779
Fund balance, beginning of year	80,199,552	77,968,977
Less:		
Foundation administrative expenses related to grant-making	917,091	901,540
Grants paid and qualifying distributions	4,115,008	4,001,664
	5,032,099	4,903,204
Fund balance, end of year	\$ 76,259,768	\$ 80,199,552

Morris Goldseker Foundation Of Maryland, Inc.

Schedules Of Payout Required By Internal Revenue Code (IRC) §4942
Years Ended December 31, 2008 And 2007

	2008	2007
Minimum investment return		
Market value of net assets (average during the year)	\$ 97,971,573	\$ 109,387,854
Cash held for charitable activities (1.5% allowance)	(1,469,574)	(1,640,818)
Adjusted aggregate market value of net assets	96,501,999	107,747,036
Minimum annual rate of return	5.0%	5.0%
 Minimum investment return	 \$ 4,825,100	 \$ 5,387,352
 Payout requirement		
Minimum investment return	\$ 4,825,100	\$ 5,387,352
Less federal excise tax	(10,852)	(145,634)
	4,814,248	5,241,718
 Add prior year's grants and qualifying foundation expenses required to be paid out during the year	 4,876,091	 4,529,702
Less grants paid	(4,115,008)	(4,001,664)
Less qualifying foundation expenses	(917,091)	(901,540)
Less program related investments	(8,500)	(7,500)
Add recoveries of amounts treated as qualifying distributions	-	15,375
 Grants and qualifying foundation expenses required during the next year	 \$ 4,649,740	 \$ 4,876,091