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DONALD F. SCHERER

Independent Auditors' Report

Board of Directors
The Teagle Foundation, Incorporated
10 Rockefeller Center
New York, NY

We have audited the statements of financial position of The Teagle Foundation, Incorporated ("Teagle") as of June 30, 2009 and 2008 and the related statements of activities and cash flows for the years ended June 30, 2009 and 2008. These financial statements are the responsibility of Teagle'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 The Teagle Foundation as of June 30, 2009 and 2008, and its changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Owen J. Flanagan & Co.

October 28, 2009

THE TEAGLE FOUNDATION, INCORPORATEDSTATEMENTS OF FINANCIAL POSITIONJUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
<u>ASSETS</u>		
Investments, at fair value		
Cash and short-term investments	\$ 14,592,438	\$ 10,898,067
Fixed income	24,057,675	31,016,343
Equity securities	27,495,929	65,168,168
Real estate funds	4,626,706	6,791,381
Alternative investments	<u>58,153,456</u>	<u>59,742,652</u>
<u>Total Investments</u>	<u>128,926,204</u>	<u>173,616,611</u>
Operating cash	192,895	1,534,074
Interest and dividends receivable	34,661	43,332
Prepaid expenses and other assets	43,673	43,341
Prepaid federal excise tax	45,000	50,000
Leasehold improvements, furniture and equipment, net	<u>47,918</u>	<u>77,595</u>
<u>Total Assets</u>	<u>\$129,290,351</u>	<u>\$175,364,953</u>
<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable and accrued expense	\$ 52,849	\$ 16,038
Deferred federal excise tax	100,015	619,495
Security deposit	<u>67,441</u>	<u>73,889</u>
<u>Total Liabilities</u>	220,305	709,422
Net Assets	<u>129,070,046</u>	<u>174,655,531</u>
<u>Total Liabilities and Net Assets</u>	<u>\$129,290,351</u>	<u>\$175,364,953</u>

See accompanying notes to financial statements.

Exhibit BTHE TEAGLE FOUNDATION, INCORPORATEDSTATEMENTS OF ACTIVITIESYEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Revenue		
Investment income		
Dividends, interest and partnership earnings	\$ 1,899,073	\$ 2,055,868
Realized gain (loss) on sale of investments	(12,821,603)	12,776,136
Unrealized appreciation of investments	<u>(25,974,030)</u>	<u>(17,703,237)</u>
	(36,896,560)	(2,871,233)
Less: Directly reported investment fees	(973,425)	(1,542,237)
Federal excise tax recovery	<u>514,480</u>	<u>118,065</u>
<u>Net Investment Income (Loss)</u>	<u>(37,355,505)</u>	<u>(4,295,405)</u>
Expenses		
Grants	5,817,529	5,713,818
Program administration, management and general	<u>2,412,451</u>	<u>1,895,040</u>
<u>Total Expenses</u>	<u>8,229,980</u>	<u>7,608,858</u>
Change in net assets	(45,585,485)	(11,904,263)
Net Assets		
Beginning of year	<u>174,655,531</u>	<u>186,559,794</u>
End of year	<u>\$129,070,046</u>	<u>\$174,655,531</u>

See accompanying notes to financial statements.

THE TEAGLE FOUNDATION, INCORPORATED

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Change in net assets for year	\$ (45,585,485)	\$ (11,904,263)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	29,677	67,709
Net realized and unrealized loss on investments	38,795,633	4,927,101
Decrease (increase) in assets:		
Interest and dividends receivable	8,671	(3,727)
Prepaid expenses and other assets	(332)	(5,395)
Prepaid federal excise tax	5,000	(50,000)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	36,811	(118,493)
Deferred federal excise tax	(519,480)	(354,065)
Federal excise tax	-	(18,300)
Security deposit	<u>(6,448)</u>	<u>-</u>
Net cash used in operating activities	<u>(7,235,953)</u>	<u>(7,459,433)</u>
Cash flows from investing activities		
Purchases of investments	(75,139,389)	(101,002,675)
Proceeds from sales of investments	84,728,534	115,815,568
Net change in short-term investments	<u>(3,694,371)</u>	<u>(5,964,448)</u>
Net cash provided by investing activities	<u>5,894,774</u>	<u>8,848,445</u>
Change in operating cash	(1,341,179)	1,389,012
Operating cash		
Beginning of year	<u>1,534,074</u>	<u>145,062</u>
End of Year	<u>\$ 192,895</u>	<u>\$ 1,534,074</u>
Supplemental Disclosure:		
Federal Excise Tax Paid	<u>\$ -</u>	<u>\$ 304,300</u>

See accompanying notes to financial statements.

THE TEAGLE FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

1. Organization and Tax Status

The Teagle Foundation, Incorporated (the "Foundation") was established in 1944 by Walter C. Teagle, longtime President and later Chairman of the Board of Standard Oil Company (New Jersey), now Exxon Mobil Corporation. Its assets are derived from bequests from Mr. Teagle, his wife, Rowena Lee Teagle and their son, Walter C. Teagle, Jr. The Foundation is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code. It has been classified as a private foundation as defined in Section 509(a) of the Internal Revenue Code.

The Teagle Foundation aims to strengthen liberal education by providing the intellectual and financial resources necessary to ensure that today's students have access to challenging, wide-ranging, and enriching college educations, and that they succeed at the highest possible level.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Foundation have been prepared on the accrual method of accounting.

The Foundation reports information regarding its financial position and activities based upon the existence or absence of donor restrictions on its net assets. The Foundation's net assets are neither permanently nor temporarily restricted by donor-imposed restrictions and are all classified as unrestricted. Contributions received with donor restrictions that are expended within the same fiscal year are classified as unrestricted.

Investments

Investments are presented in the financial statements at fair value which is determined as follows:

Marketable securities at quoted market price.

Short-term investments at cost, which approximates fair value.

Investment funds at the fair value as determined by the issuer and includes some of the underlying securities at cost due to the absence of readily ascertainable market values. These values may be based on unaudited numbers or estimated and may change at a later date. The Foundation does not expect to have to restate previously reported values to reflect any change that might occur.

The Foundation's portfolio of investments is diversified. Investments purchased by the Foundation are recorded at cost. Purchases and sales of marketable securities are recorded on trade-date basis. Realized gains and losses are computed on the first-in, first out basis.

THE TEAGLE FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND JUNE 30, 2008

2. Summary of Significant Accounting Policies (continued)

The proceeds from the sale of covered option contracts are recorded as realized gain when the contract is written.

Fair Value of Investments

The Foundation adopted FASB Statement No. 157, *Fair Value Measurements*, ("SFAS 157") as of July 1, 2008. SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

Fair value of an investment is the amount that would be received to sell the investment in an orderly transaction between market participants at the measurement date.

SFAS 157 establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgement used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories.

Level 1 Inputs

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. SFAS 157 requires entities to measure fair value using quoted market prices whenever available, unless the active market is not readily available to the entity (for example the entity holds a large block), in which case a Level 2 or Level 3 valuation methodology may be appropriate.

Level 2 Inputs

Level 2 inputs are inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly with fair value being determined through the use of models or other valuation methodologies. The types of investments which may be included in this category include less liquid and restricted equity securities and certain over-the-counter derivatives.

THE TEAGLE FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

2. Summary of Significant Accounting Policies (continued)

Level 3 Inputs

Level 3 inputs are unobservable inputs for the asset or liability and are used to the extent that observable inputs do not exist. Level 3 inputs require significant management judgment and estimation. The types of investments which would generally be included in this category are equity and debt securities issued by private entities.

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.

Leasehold Improvements, Furniture and Equipment

Leasehold improvements, furniture and equipment are stated at cost. Depreciation of furniture and equipment is computed using the straight-line method over the estimated useful lives of the assets which range from three to seven years. Leasehold improvements are amortized over the life of the lease.

Grants

Unconditional grants are recognized as expense upon approval by the Board of Directors. Conditional grants are recognized as expense when the conditions have been satisfied by the grantees.

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 the reported amounts of assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

THE TEAGLE FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

3. Investments

Investments as of June 30, 2009 and 2008 consist of the following:

	<u>2009</u>		<u>2008</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and short-term investments	\$ 14,592,438	\$ 14,592,438	\$ 10,898,067	\$ 10,898,067
Fixed income	24,434,299	24,057,675	31,808,551	31,016,343
Equity securities	13,405,162	27,495,929	42,304,647	65,168,168
Real estate	4,722,210	4,626,706	3,845,998	6,791,381
Alternative investments	<u>66,771,380</u>	<u>58,153,456</u>	<u>53,784,603</u>	<u>59,742,652</u>
	<u>\$123,925,489</u>	<u>\$128,926,204</u>	<u>\$142,641,866</u>	<u>\$173,616,611</u>

Fixed income investments includes notes and funds investing in various fixed income strategies including international investing, hedging, private placement and distressed debt.

Equity securities includes mutual funds, both domestic and global, and funds which employ hedging techniques.

Alternative investments include partnerships and other vehicles which tend to be less liquid in nature.

Equity securities include an investment in Exxon Mobil Corporation common stock. Such investment's fair value was \$18,158,948 and \$22,010,293 as of June 30, 2009 and 2008, respectively, which represents approximately fourteen and thirteen percent of the total assets of the Foundation, respectively.

The following are major categories of investments measured at estimated fair value as of June 30:

Description:	<u>2009</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Cash and short-term investments	\$14,592,438	\$ -	\$ -	\$ 14,592,438
Fixed income	11,140,600	12,917,075	-	24,057,675
Equity securities	27,495,929	-	-	27,495,929
Real estate	-	-	4,626,706	4,626,706
Alternative investments	<u>-</u>	<u>17,230,750</u>	<u>40,922,706</u>	<u>58,153,456</u>
	<u>\$53,228,967</u>	<u>\$30,147,825</u>	<u>\$45,549,412</u>	<u>\$128,926,204</u>

THE TEAGLE FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

3. Investments (Continued)

Description:	2008			Total
	Level 1	Level 2	Level 3	
Cash and short-term investments	\$10,898,067	\$ -	\$ -	\$ 10,898,067
Fixed income	14,851,483	16,164,860	-	31,016,343
Equity securities	64,318,352	-	849,815	65,168,167
Real estate	-	-	6,791,381	6,791,381
Alternative investments	-	-	59,742,652	59,742,652
	<u>\$90,067,902</u>	<u>\$16,164,860</u>	<u>\$67,383,848</u>	<u>\$173,616,610</u>

The following is a reconciliation of the beginning and ending balances for assets and liabilities measured at fair value using level 3 inputs:

	Equity Securities	Real Estate	Alternative Investments	Total
Beginning balance	\$ 849,815	\$6,791,381	\$59,742,652	\$67,383,848
Total gains and losses (realized/unrealized) included in earnings	150,185	(2,941,000)	(14,868,469)	(17,659,284)
Purchases, issuance and settlements	<u>(1,000,000)</u>	<u>776,325</u>	<u>(3,951,477)</u>	<u>(4,175,152)</u>
Ending balance	<u>\$ -</u>	<u>\$4,626,706</u>	<u>\$40,922,706</u>	<u>\$45,549,412</u>

4. Leasehold Improvements, Furniture and Equipment

Leasehold improvements, furniture and equipment as of June 30, 2009 and 2008 are comprised of the following:

	2009	2008
Leasehold improvements	\$372,370	\$372,370
Furniture	260,694	260,694
Paintings	27,980	27,980
Equipment	<u>132,780</u>	<u>132,780</u>
	793,824	793,824
Less: accumulated depreciation and amortization	<u>745,906</u>	<u>716,229</u>
	<u>\$ 47,918</u>	<u>\$ 77,595</u>

THE TEAGLE FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

5. Federal Excise Tax

In accordance with the applicable provisions of the Internal Revenue Code (the "Code"), the Foundation is subject to a Federal excise tax of two percent on its net investment income as defined by the Code. A reduction of the tax rate to one percent can be achieved by meeting qualifications under Code Section 4940(c). For the year ended June 30, 2009, excise tax expense is \$5,000. The comparable amount for 2008 was \$236,000. The Foundation's excise tax rate was 1% and 2% respectively.

Deferred Federal excise tax on unrealized appreciation of investments is calculated at the two percent tax rate since the qualification for the one percent tax is not determinable until the year in which gains are realized. Changes to the liability for deferred tax on the unrealized appreciation amounted to a decrease of \$519,480 and \$354,065 for the years ended June 30, 2009 and 2008, respectively.

6. Retirement Plans

The Foundation maintains three retirement plans. The first plan is a noncontributory defined benefit pension plan pursuant to Code Section 412(i) covering substantially all of the Foundation's employees hired prior to January 1, 2004. The total pension expense under this plan was approximately \$540,822 and \$144,562 for the years ended June 30, 2009 and 2008. The expense under this plan is the amount funded during the year to insure that the plan is fully funded when employees covered by this plan begin receiving benefits. This plan was also amended to provide additional benefits to the President upon retirement in return for a reduction in current salary.

The second plan, a defined contribution profit sharing plan, was established effective September 1, 2004 and covers all full time employees with the exception of the President and Treasurer, who are covered under the defined benefit plan. The plan provides for a contribution of 10% of compensation and is fully vested. The cost of this plan for the years ended June 30, 2009 and 2008 was \$43,597 and \$37,909.

The Foundation also maintains a 403(b) plan for all employees covered under the profit sharing plan. The Foundation will match employee contributions to the plan up to 5% of each employee's salary. The cost of this plan for the years ended June 30, 2009 and 2008 was \$21,352 and \$18,406.

7. Grants Payable

The Directors of the Foundation had approved certain conditional grants for future payment. The conditional commitments outstanding at June 30, 2009, which have not been recognized as expense, amount to \$8,838,668 and are scheduled to be paid over the next four years.

THE TEAGLE FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

7. Grants Payable (Continued)

Such additional grants are contingent upon satisfactory progress of specific projects and receipt of documentary evidence of such progress. Written reports are the primary method used to determine if conditions have been satisfied. The terms and conditions of multi-year grants are contained in a letter of understanding with each grantee.

The Foundation's Scholarship Program provides grants to the children of employees of Exxon Mobil Corporation and its affiliates. Awards based on financial need are renewable to the completion of the degree up to a maximum of \$10,000 a year for undergraduate study. Conditional commitments to scholarship recipients, which have not been recognized as expense, totaled approximately \$669,000 as of June 30, 2009.

8. Commitments and Contingencies

Leases

The Foundation has leases for three office spaces, two in New York City (expiring May 31, 2010) and one in North Carolina. The North Carolina lease expired May 31, 2008, however the Foundation continues to rent the space under a month to month agreement for \$1,272 per month. A summary of the minimum lease payments under the NY leases, excluding additional charges for operating expenses and real estate taxes in excess of the base year amount, are as follows:

<u>Year</u>	<u>NY Office</u>	<u>Additional NY</u>
2010	<u>\$ 128,380</u>	<u>\$ 59,220</u>

Rent expense including operating expenses and real estate taxes under the New York office leases was \$264,851 and \$255,955 for the years ended June 30, 2009 and 2008. Rent under the North Carolina lease was \$15,246 and \$15,361 for the years ended June 30, 2009 and 2008, respectively.

The additional NY office space has been sublet since 2004. A new sublease commenced in March 2007 and expires May 31, 2010. Rent income from the sub-lease was \$77,519 and \$74,278 for the years ended June 30, 2009 and 2008. A summary of the minimum rental income is as follows:

<u>Year</u>	
2010	<u>\$ 67,740</u>

THE TEAGLE FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

8. Commitments and Contingencies (Continued)

Limited Partnership Investments

As of June 30, 2009, pursuant to its limited partnership investment agreements, the Foundation is committed to contribute approximately \$16.5 million in additional capital over the next several years at the sole discretion of the partnerships. Some of these partnership commitments are denominated in foreign currencies and are subject to foreign exchange fluctuations.

9. Concentration of Risk

During the fiscal year, the Foundation had cash in banks exceeding federally insured limits. The Foundation manages this risk by only using large well established banks.