

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	December 31,	
	<u>2008</u>	<u>2007</u>
REVENUES		
Dividends	\$ 212,105	\$ 416,003
Interest	1,113,052	1,286,192
Limited partnerships - net income	158,949	1,406,623
Other income	42	1,133
Net realized gains on investments	4,736,392	12,585,397
Grant returned	-	10,000
Total revenue	<u>6,220,540</u>	<u>15,705,348</u>
EXPENSES AND CHANGES IN NET ASSETS		
Investment related expenses:		
Expenses incurred in the production of income	300,890	461,537
Federal excise tax	59,197	152,338
Sub-total	<u>360,087</u>	<u>613,875</u>
Balance of revenue	<u>5,860,453</u>	<u>15,091,473</u>
Qualifying distributions and balance of depreciation:		
Grants	5,553,900	5,826,630
General and administrative expenses	672,642	666,950
Allocated expenses for direct charitable activities	133,937	147,050
Balance of depreciation	38,800	31,560
Sub-total	<u>6,399,279</u>	<u>6,672,190</u>
Net (decrease) increase before unrealized (loss) gains of investments	(538,826)	8,419,283
(Decrease) in unrealized appreciation of investments	<u>(32,522,281)</u>	<u>(8,676,555)</u>
(Decrease) in net assets for the year	(33,061,107)	(257,272)
Bequest from Estate of Eliza J. Watson	415,000	-
Net assets at beginning of year	<u>127,225,067</u>	<u>127,482,339</u>
Net assets at end of year (excluding grant commitments outstanding)	<u>\$ 94,578,960</u>	<u>\$ 127,225,067</u>

Note:

Grants outstanding	2008 - \$	245,000
Grants outstanding	2007 - \$	-

STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS

	December 31,	
	<u>2008</u>	<u>2007</u>
ASSETS		
Cash	\$ 2,852,289	\$ 5,367,269
Receivable from year-end Stock sales	76,730	-
Prepaid expenses and other assets	-	29,000
Prepaid federal excise tax	10,803	-
Due from private investment funds	-	52,719
Investments at market values:		
Cash and cash equivalents	1,101,227	775,535
U.S. treasury bills and notes	36,763,064	27,997,020
Stocks	6,389,701	28,505,854
Private investment funds	34,431,157	43,649,214
Mutual funds	11,849,495	19,875,423
Fixed assets - net of depreciation	<u>1,104,494</u>	<u>1,141,694</u>
 Total assets	 <u><u>\$ 94,578,960</u></u>	 <u><u>\$ 127,393,728</u></u>
 LIABILITIES AND NET ASSETS		
Accrued federal excise tax	-	1,572
Payable for year-end stock purchases	-	167,089
Grant commitments outstanding	<u>245,000</u>	<u>-</u>
 Total liabilities	 245,000	 168,661
 Net assets (uncommitted)	 <u>94,333,960</u>	 <u>127,225,067</u>
 Total liabilities and net assets	 <u><u>\$ 94,578,960</u></u>	 <u><u>\$ 127,393,728</u></u>

NOTES

The Foundation maintains its accounts on the cash basis of accounting, with the exception of accrual of federal excise tax.

The financial information shown in this report has been summarized by the Foundation from its financial records. Audited financial statements of The Hyde and Watson Foundation are available for inspection 31-F Mountain Boulevard, Warren, New Jersey 07059.

The Foundation has thirteen members as of December 31, 2008; the names and addresses are on record at the Foundation office. There was no change in number of members during the year ended December 31, 2008.