



O'Connor Davies Munns & Dobbins, llp
ACCOUNTANTS AND CONSULTANTS

Independent Auditors' Report

Board of Trustees Turrell Fund

We have audited the accompanying statements of financial position – modified cash basis of the Turrell Fund as of December 31, 2009 and 2008 and the related statements of activities and cash flows – modified cash basis for the years then ended. These financial statements are the responsibility of the Turrell Fund'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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Turrell Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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.

As described in Note 2, these financial statements were prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Turrell Fund as of December 31, 2009 and 2008 and the changes in its nets assets and its cash flows for the years then ended, in conformity with the basis of accounting described in Note 2 to the financial statements.

O'Connor Davies Munns & Dobbins, LLP

New York, New York
May 3, 2010

TURRELL FUND
STATEMENT OF FINANCIAL POSITION
MODIFIED CASH BASIS
 DECEMBER 31,

	<u>2009</u>	<u>2008</u>
Assets		
Cash and cash equivalents	\$ 257,032	\$ 1,123,549
Investments, at fair value	102,784,513	87,288,938
Other assets	4,500	4,500
	<u>\$ 103,046,045</u>	<u>\$ 88,416,987</u>
 Net Assets		
Unrestricted net assets	<u>\$ 103,046,045</u>	<u>\$ 88,416,987</u>

See notes to financial statements.

TURRELL FUND
STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS
YEARS ENDED DECEMBER 31,

	2009	2008
Investment Income		
Dividends	\$ 1,687,251	\$ 1,591,064
Interest	13,828	671,380
Other investment income	390,582	282,209
Net realized (loss) gain on investments	<u>(17,088,772)</u>	<u>650,325</u>
	(14,997,111)	3,194,978
Less: investment expenses	<u>297,770</u>	<u>411,197</u>
Net Investment (Loss) Income	<u>(15,294,881)</u>	<u>2,783,781</u>
Expenses		
Grant awards, net of refunds of \$4,500 for 2009	6,000,282	7,033,378
Foundation operations and governance	1,106,895	1,050,158
Federal excise tax	<u>40,000</u>	<u>17,900</u>
Total Expenses	<u>7,147,177</u>	<u>8,101,436</u>
Deficiency of Net Investment Income Over Expenses	<u>(22,442,058)</u>	<u>(5,317,655)</u>
NON-OPERATING ACTIVITIES		
Net unrealized gain (loss) on investments	<u>37,071,116</u>	<u>(44,046,888)</u>
Change in Net Assets	14,629,058	(49,364,543)
Net Assets		
Beginning of year	88,416,987	137,781,530
End of year	<u>\$ 103,046,045</u>	<u>\$ 88,416,987</u>

See notes to financial statements.

TURRELL FUND
STATEMENT OF CASH FLOWS
MODIFIED CASH BASIS
YEARS ENDED DECEMBER 31, 2009

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 14,629,058	\$ (49,364,543)
Adjustments to reconcile change in net assets to net cash from operating activities		
Net realized loss (gain) on investments	17,088,772	(650,325)
Net unrealized (gain) loss on investments	<u>(37,071,116)</u>	<u>44,046,888</u>
Net Cash from Operating Activities	<u>(5,353,286)</u>	<u>(5,967,980)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(87,381,054)	(7,216,956)
Proceeds from sale of investments	<u>91,867,823</u>	<u>13,421,481</u>
Net Cash From Investing Activities	<u>4,486,769</u>	<u>6,204,525</u>
Net Change in Cash and Cash Equivalents	(866,517)	236,545
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>1,123,549</u>	<u>887,004</u>
End of year	<u>\$ 257,032</u>	<u>\$ 1,123,549</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for Federal excise taxes	\$ 40,000	\$ 54,000

See notes to financial statements.

TURRELL FUND

NOTES TO FINANCIAL STATEMENTS

MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2009

1. Organization

The Turrell Fund (the “Fund”) provides grants to organizations in New Jersey and Vermont that perform services for needy children and youth.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements are prepared on the cash basis, modified for the valuation of investments at fair value. Under this basis, revenue and the related assets are recognized when received rather than when earned and expenses are recognized when paid rather than when the obligations are incurred.

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

Basis of Presentation

The Fund’s net assets and its revenues, expenses, gains and losses are separated into three classes of net assets – permanently restricted, temporarily restricted and unrestricted – based on the existence or absence of donor-imposed restrictions. All of the Fund’s net assets are unrestricted.

Cash and Cash Equivalents

Cash and cash equivalents represent short-term investments with a maturity of three months or less at the time of purchase, except for those short-term investments managed by the Fund’s investment managers as part of their long-term investment strategies.

Grants

Grant expense is recorded in the period these grants are paid.

Fair Value Measurements

The Fund follows Financial Accounting Standards Board (FASB) guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

TURRELL FUND
NOTES TO FINANCIAL STATEMENTS
MODIFIED CASH BASIS, Continued
YEAR ENDED DECEMBER 31, 2009

2. Summary of Significant Accounting Policies *(Continued)*

Investments Valuation

Investments are carried at fair value. The fair value of alternative investments (hedge funds and private equity) has been estimated using the Net Asset Value (“NAV”) as reported by the management of the respective alternative investment fund. FASB guidance provides for the use of NAV as a “Practical Expedient” for estimating fair value of alternative investments. NAV reported by each alternative investment fund is used as a practical expedient to estimate the fair value of the Fund’s interest therein and their classification within Level 2 or 3 is based on the Fund’s ability to redeem its interest in the near term.

Investment Income Recognition

Purchases and sales of securities are recorded on a trade-date basis. Interest and dividend income is recorded when received. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Reclassification

Certain amounts from the 2008 financial statements were reclassified to conform to the 2009 presentation.

Accounting for Uncertainty in Income Taxes

Management has determined that the Fund had no uncertain tax positions that would require financial statement disclosure. The Fund is no longer subject to audits by the applicable taxing jurisdictions for periods prior to 2006.

Subsequent Events

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which is May 3, 2010.

3. Federal Excise Tax

The Fund is classified as a tax-exempt “Private Foundation” under Sections 501(c)(3) and 509(a) of the Internal Revenue Code and, accordingly, is not subject to federal income taxes. The Fund is subject to a federal excise tax of 2% on its net investment income, including net realized gains less expenses incurred in the production of the investment income, unless the Fund qualifies for the reduced 1% rate by meeting certain minimum grant distribution requirements in accordance with a specified formula. The Fund was taxed at the 1% rate in 2009 and 2008.

TURRELL FUND
NOTES TO FINANCIAL STATEMENTS
MODIFIED CASH BASIS, Continued
YEAR ENDED DECEMBER 31, 2009

4. Concentration of Credit Risk

Financial instruments which potentially subject the Fund to concentrations of credit risk consist principally of investments in debt and equity securities, and cash and cash equivalents. The Fund believes that concentrations of credit risk are limited due to the diversification of the Fund's investment portfolio and the Fund's use of several investment advisors to manage the Fund's investment portfolio.

5. Investments

The following are major categories of investments measured at estimated fair value as of December

Description	2009			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Temporary cash investments	\$ 4,270,986	\$ -	\$ -	\$ 4,270,986
Mutual Funds - Bonds	10,715,058	-	-	10,715,058
Mutual Funds - Equity	65,128,966	-	-	65,128,966
Mutual Funds - REITS	3,934,964	-	-	3,934,964
Mutual Funds - Fixed	4,958,981	-	-	4,958,981
Mortgage-backed Bonds	-	5,417	-	5,417
Hedge Funds	-	9,940,257	-	9,940,257
Private Equity	-	-	3,829,884	3,829,884
	<u>\$ 89,008,955</u>	<u>\$ 9,945,674</u>	<u>\$ 3,829,884</u>	<u>\$ 102,784,513</u>

Description	2008			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Temporary cash investments	\$ 3,777,747	\$ -	\$ -	\$ 3,777,747
Mutual Funds - Bonds	10,861,936	-	-	10,861,936
Mutual Funds - Equity	52,988,575	-	-	52,988,575
Mortgage-backed Bonds	-	7,236	-	7,236
Hedge Funds	-	16,762,810	-	16,762,810
Private Equity	-	-	2,890,634	2,890,634
	<u>\$ 67,628,258</u>	<u>\$ 16,770,046</u>	<u>\$ 2,890,634</u>	<u>\$ 87,288,938</u>

TURRELL FUND
NOTES TO FINANCIAL STATEMENTS
MODIFIED CASH BASIS, Continued
YEAR ENDED DECEMBER 31, 2009

5. Investments (Continued)

The following is a reconciliation of the beginning and ending balances for assets and liabilities measured at fair value using significant unobservable inputs (Level 3) during the year ended December 31, 2009:

	<u>Level 3</u>
Beginning balance	\$ 2,890,634
Total losses included in changes in net assets	(177,948)
Purchases, insurances and settlements	1,117,198
Ending balance	<u>\$ 3,829,884</u>

The amount of unrealized losses included within investment loss in the statement of activities which relates to assets still held at the reporting date

	\$ (177,948)
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Information regarding the Level 3 investments at December 31, 2009 is as follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Private equity – HC Private Equity Offshore Fund VI	\$ 2,757,501	\$ 3,190,918	*	*
Private equity – HC Private Equity Offshore Fund VII	1,072,383	3,951,211	*	*
Total	<u>\$ 3,829,884</u>	<u>\$ 7,142,129</u>		

* Both Hirtle Callaghan Private Equity Offshore Fund VI and VII are illiquid assets.

6. Pension Plan

The Fund has a non-contributory defined contribution pension plan covering all of its employees. For 2009 and 2008, the Fund's expense was \$64,395 and \$59,100.

7. Lease Agreements

The Fund leases office space and equipment for its operations under non-cancelable operating lease agreements. The agreement for office space contains annual escalation provisions for the lesser of 3% or adjustments in the consumer price index. Future minimum lease payments are as follows for the years ending December 31,

Year	<u>Amount</u>
2010	\$ 54,560
2011	7,140
2012	1,785
	<u>\$ 63,485</u>

TURRELL FUND
NOTES TO FINANCIAL STATEMENTS
MODIFIED CASH BASIS, Continued
YEAR ENDED DECEMBER 31, 2009

8. Natural Expenses by Object Classification

The costs of providing various program services and other activities of the Fund have been summarized on a functional basis in the statement of activities. A summary of the administrative expenses by natural type of disbursement is presented below for the years ended December 31:

	<u>2009</u>	<u>2008</u>
Staff salaries	\$ 445,413	\$ 408,429
Consultant	24,500	32,000
Pension and disability	71,599	64,501
Payroll taxes	28,736	26,494
Employee benefits	111,886	91,708
Retiree benefits	74,601	58,902
Travel	56,744	67,093
Telephone	7,540	11,575
General office	128,360	135,557
Legal and accounting	51,593	54,768
Rent	72,886	71,314
Insurance	19,537	17,317
Trustee Personal Development Stipend	13,500	10,500
	<u>\$ 1,106,895</u>	<u>\$ 1,050,158</u>

9. Postretirement Benefits Other than Pensions

The Fund provides medical benefits to its retirees and their dependents. These benefits include Medicare supplement coverage and Medicare "B" premiums and are paid from the Fund's operations. The Fund expenses the benefits on a pay-as-you-go basis. Substantially all employees are eligible for these benefits if they have three years of service and reach normal retirement age while working for the Fund. For 2009 and 2008, the Fund's expense was \$74,601 and \$58,902.