

Financial Statements and Supplementary  
Information Together with  
Report of Independent Certified Public Accountants

**THE G. UNGER VETLESEN FOUNDATION**

For the year ended December 31, 2012

# THE G. UNGER VETLESEN FOUNDATION

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of  
**The G. Unger Vetlesen Foundation:**

### **Report on the financial statements**

We have audited the accompanying financial statements of The G. Unger Vetlesen Foundation (the "Foundation"), which comprise of the statement of assets and net assets arising from cash transactions as of December 31, 2012, and the related statement of cash receipts, disbursements and change in net assets for the year 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 the cash basis of accounting described in Note 2; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 Foundation'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 Foundation'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.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and net assets arising from cash transactions of The G. Unger Vetlesen Foundation as of December 31, 2012, and its cash receipts, disbursements and change in net assets for the year then ended in accordance with the basis of accounting described in Note 2.

**Basis of accounting**

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplemental Schedule of Marketable Securities as of December 31, 2012 and 2011 and for the year ended December 31, 2012 on page 11 is presented for purposes of additional analysis and is not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Grant Thornton LLP*  
New York, New York  
June 12, 2013

**THE G. UNGER VETLESEN FOUNDATION**  
**Statement of Assets and Net Assets Arising from Cash Transactions**  
**As of December 31, 2012**

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**ASSETS**

Cash and cash equivalents:

JPMorgan Chase checking account	\$ 192,430
Deutsche Bank checking and money market accounts	<u>6,763,907</u>
	<u>6,956,337</u>

Marketable securities, at cost (Note 3):

Common stocks (market value \$113,915,842)	<u>40,579,687</u>
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Net assets - unrestricted	<u><u>\$ 47,536,024</u></u>
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*The accompanying notes are an integral part of this statement.*

**THE G. UNGER VETLESEN FOUNDATION**  
**Statement of Cash Receipts, Disbursements and Change in Net Assets**  
**For the year ended December 31, 2012**

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CASH RECEIPTS

Dividends:

Common stock \$ 2,659,018

Interest:

Deutsche Bank money market account 714

JPMorgan Chase checking account 12

Net realized gain on sale of marketable securities 6,876,948

Other income 43,838

Total receipts 9,580,530

CASH DISBURSEMENTS

Grants (Note 4) 5,507,500

General and administrative expenses and taxes 637,343

Total disbursements 6,144,843

Change in net assets - excess of cash receipts over disbursements 3,435,687

Net assets, beginning of year 44,100,337

Net assets, end of year \$ 47,536,024

*The accompanying notes are an integral part of this statement.*

**THE G. UNGER VETLESEN FOUNDATION**  
**Notes to Financial Statements**  
**December 31, 2012**

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**1. BUSINESS AND TAX STATUS**

The G. Unger Vetlesen Foundation (the "Foundation") was incorporated on March 7, 1955, under the laws of the State of New York, as a nonprofit membership corporation for voluntarily aiding and contributing to religious, charitable, scientific, literary and educational uses and purposes, in New York, elsewhere in the United States and throughout the world. The funds of the Foundation may be expended for the purposes and objectives stated.

The Foundation is a tax-exempt organization pursuant to Section 501(c)(3) of the Internal Revenue Code, and, accordingly, is not subject to federal income tax. However, the Foundation is classified as a private foundation and, therefore, is subject to an annual federal excise tax not to exceed 2% on net investment income including dividends, interest and net realized gains on securities transactions, reduced by related expenses.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The financial statements and accounts of the Foundation are prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America ("US GAAP"); consequently, certain revenues, principally investment income, and related assets are recognized when received and expenses are recognized when paid. Under US GAAP, revenues and assets are accrued when earned and expenses and liabilities are recognized when the obligations are incurred. In addition, the Foundation reports marketable securities at cost rather than at market value. Under US GAAP, marketable securities are reported at market value.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of bank checking accounts and money market funds. The Foundation considers all highly liquid financial instruments, with original maturities of three months or less from the date of purchase, to be cash equivalents.

**Concentrations of Credit Risk**

Cash and cash equivalents and investments are exposed to various risks, such as interest rate, market and credit. To minimize such risks, the Foundation has a diversified portfolio reviewed or managed by independent investment managers in a variety of asset classes. The Foundation regularly evaluates its investments including performance thereof. Due to inherent risks and potential volatility in investment valuations, the amounts reported in the accompanying financial statements can vary substantially from year to year. The Foundation maintains its cash and cash equivalents in various bank deposit accounts which, at times, may exceed federally insured limits. The Foundation's cash accounts were placed with high credit quality financial institutions and, accordingly, the Foundation does not expect nonperformance.

**THE G. UNGER VETLESEN FOUNDATION**  
**Notes to Financial Statements**  
**December 31, 2012**

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**Financial Statement Presentation**

All assets and income are unrestricted as they are neither permanently nor temporarily restricted by donor-imposed restrictions, and, therefore, are available for general operations of the Foundation.

**3. MARKETABLE SECURITIES**

Marketable securities are carried at cost in the accompanying financial statements. The cost basis of securities received from the Estate of George Unger Vetlesen and the Palaemona Lyster Smythe Trust was determined based upon the related market values as of the dates received, May 11, 1959 and January 3, 1985, respectively. The cost of securities sold is determined on the first-in, first-out-cost basis.

The market values of marketable securities are based on published closing prices on December 31, 2012. Changes in market values of the marketable securities will affect future grants. At December 31, 2012, concentrations in marketable securities (5% or more of total market value of marketable securities) included the following common stock investments at quoted market values:

Exxon Mobil Corp.	\$ 9,176,550
Merck & Co. Inc.	6,141,000
Murphy Oil Corp	<u>22,629,000</u>
	<u>\$ 37,946,550</u>

Since the financial statements of the Foundation are prepared on the basis of cash receipts and disbursements and therefore marketable securities recorded at cost rather than at fair market value, the Foundation has not applied the guidance relating to "Fair Value Measurements," to its financial statements, however, this guidance is still relevant for disclosure purposes. This guidance establishes a framework for measuring fair value, expands disclosures about fair value measurements and provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction. The guidance also prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date. Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. The type of investments in Level 1 includes listed equities held in the name of the Foundation, and exclude listed equities and other securities held indirectly through commingled funds.



# THE G. UNGER VETLESEN FOUNDATION

## Notes to Financial Statements

December 31, 2012

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- Level 2 - Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the measurement date, and fair value is determined through the use of models or other valuation methodologies. Also included in Level 2 are investments using a net asset value (“NAV”) per share, or its equivalent, that may be redeemed at NAV at the statement of financial position date or in the near term, which the Foundation has determined to be within ninety days.
- Level 3 - Pricing inputs are unobservable for the assets or liabilities and include situations where there is little, if any, market activity for the assets or liabilities. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include privately held investments and partnership interests. Also included in Level 3 are investments measured using a NAV per share, or its equivalent, that can never be redeemed at NAV at the statement of financial position date or in the near term or for which redemption at NAV is uncertain due to lock-up periods or other investment restrictions.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes “observable” requires significant judgment by the Foundation. The Foundation considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Foundation’s perceived risk of that instrument. As of December 31, 2012, all of the Foundation’s investments were Level 1.

**THE G. UNGER VETLESEN FOUNDATION**  
**Notes to Financial Statements**  
**December 31, 2012**

**4. GRANTS**

Grants paid in 2012 were as follows:

Organization	Purpose	Amount
American-Scandinavian Foundation	General purposes	25,000
Atlantic Salmon Federation	General purposes	25,000
BIOS - Bermuda Institute for Ocean Sciences (formerly Bermuda Biological Station for Research)	General purposes	100,000
Black Rock Consortium	\$50,000 for general purposes and \$50,000 for postdoctoral fellowship program	100,000
Cape Eleuthera School	General purposes	50,000
Catholic Charities USA	Hurricane Sandy disaster relief operations in Connecticut, New Jersey, and New York	50,000
Chesapeake Bay Foundation	General purposes	25,000
Columbia University, Lamont-Doherty Earth Observatory	\$400,000 for general purposes, \$200,000 for the programs of the Climate Center and \$400,000 for the 2012 Vetlesen Prize	1,000,000
Connecticut Fund for the Environment Foundation Center	Save the Sound Program Membership	50,000 2,500
Gulf of Maine Research Institute	Fishing gear technologist position	75,000
International Yacht Restoration School	General purposes	25,000
Marine Biological Laboratories	\$350,000 for the general purposes of the Bay Paul Center and \$250,000 for recruitment at the Bay Paul Center	600,000
Massachusetts Institute of Technology	Joint Program on the Science and Policy of Global Change	100,000
National Parks Conservation Association	\$25,000 for general purposes and \$50,000 for the Centennial Anniversary Campaign	75,000
North Atlantic Salmon Fund	General purposes	25,000
Oliver Hazard Perry Education at Sea	General purposes	25,000
Open Space Institute	Hudson Valley programs	10,000
Oregon State University, College of Oceanic & Atmospheric Sciences	General purposes	150,000
Organization for Tropical Studies	General purposes	75,000
Peregrine Fund	General purposes	75,000
Provincetown Center for Coastal Studies	Marine Animal Entanglement Response program	10,000
Resources for the Future	Climate Economics and Policy Program	50,000
Scenic Hudson	Riverfront Communities Program and/or Ecological Restoration Initiatives	100,000
University of British Columbia	\$50,000 for research on oceanic dead zones and \$50,000 for research on impact of climate change and fisheries on Salmon Global Change Program	100,000
University of California, Scripps Institution of Oceanography	General purposes	600,000
University of Florida, Whitney Laboratory	General purposes	50,000
University of Miami, Rosenstiel School of Marine and Atmospheric Science	\$150,000 for climate studies at the Rosenstiel School of Marine and Atmospheric Sciences and \$300,000 for Marine Technology and Life Sciences Seawater Building	450,000
University of Rhode Island, Graduate School of Oceanography	General purposes	150,000
University of Texas, Institute for Geophysics	Antarctic aerogeophysical research project	150,000
University of Virginia, Department of Environmental and Civil Engineering	Research on wastewater treatment and algae cultivation	50,000
University of Washington, College of the Environment	\$150,000 for the general purposes of the School of Oceanography and \$35,000 for Dr. Laidre's work on whales in Greenland	185,000
Webb Institute	General purposes	50,000
Wildlife Conservation Society	\$50,000 for the Global Health Programs, \$50,000 for Marine Conservation Program, \$50,000 for general purposes, and \$75,000 for Global Health Veterinary Residence Program	225,000
Woods Hole Oceanographic Institution	General purposes	600,000
Yale University, Department of Astronomy	Prof. Sofia's research on solar variability and global temperature	50,000
Yellowstone Park Foundation	General purposes	25,000
TOTAL GRANTS		5,507,500

**THE G. UNGER VETLESEN FOUNDATION**  
**Notes to Financial Statements**  
**December 31, 2012**

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At December 31, 2012, the Foundation had a commitment to make a grant in 2013 of \$250,000 to the Marine Biological Laboratory for recruitment at the Bay Paul Center.

**5. RELATED PARTY TRANSACTIONS**

Individual members of the Foundation's Board of Directors serve on the boards of directors or similar boards of a number of its grantees, including the Marine Biological Laboratories. None of the directors receive any compensation for their services as such.

**6. SUBSEQUENT EVENTS**

The Foundation evaluated its December 31, 2012 financial statements for subsequent events through June 12, 2013, the date the financial statements were available to be issued. The Foundation is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

**THE G. UNGER VETLESEN FOUNDATION**  
**Supplemental Schedule of Marketable Securities**  
**As of December 31, 2012 and 2011 and for the year ended December 31, 2012**

Common stocks	Held at December 31, 2011		Additions/subtractions		Sales and other dispositions				Held at December 31, 2012			
	Shares or principal amount	Cost basis	Shares or principal amount	Cost basis	Share or principal amount	Cost basis	Proceeds	Gain (loss)	Shares or principal amount	Cost basis	Market value 12/31/2012	Dividends received in 2012
ADR BP Amoco PLC	22,800	\$ 319,273	-	\$ -	-	\$ -	-	\$ -	22,800	\$ 319,273	\$ 949,392	\$ 45,144
American Tower	40,000	1,696,777	-	-	-	-	-	-	40,000	1,696,777	3,090,800	36,000
Ametek	78,750	1,608,102	-	-	-	-	-	-	78,750	1,608,102	4,437,956	25,988
Bank of America Corp	52,000	1,970,800	-	-	-	-	-	-	52,000	1,970,800	603,720	2,080
Beam, Inc	-	-	20,000	1,205,658	-	-	-	-	20,000	1,205,658	1,221,800	4,100
Celene Corp	30,000	1,146,591	-	-	-	-	-	-	30,000	1,146,591	1,335,900	8,100
Celgene Corp	66,000	1,342,583	-	-	-	-	-	-	66,000	1,342,583	5,179,020	-
Citigroup Inc	2,410	609,854	-	-	-	-	-	-	2,410	609,854	95,340	96
Continental Resources Inc	-	-	18,000	1,314,180	-	-	-	-	18,000	1,314,180	1,322,820	-
Deltic Timber Corp	52,285	357,190	-	-	-	-	-	-	52,285	357,190	3,692,367	15,686
Edwards Lifesciences Corp	90,000	1,963,818	-	-	30,000	660,820	2,517,024	1,856,204	60,000	1,302,998	5,410,200	-
EOG Res Inc	10,000	974,847	-	-	-	-	-	-	10,000	974,847	1,207,900	6,700
Express Scripts Inc	100,000	2,066,427	-	-	-	-	-	-	100,000	2,066,427	5,400,000	-
Exxon Mobil Corp	106,026	404,288	-	-	-	-	-	-	106,026	404,288	9,176,550	231,137
Foster Wheeler	20,000	1,297,004	-	-	-	-	-	-	20,000	1,297,004	486,400	-
Freeport-McMoRan Copper & Gold	25,000	694,363	-	-	-	-	-	-	25,000	694,363	855,000	29,688
Gardner Denver Inc	23,118	3,393	-	-	-	-	-	-	23,118	3,393	1,583,583	4,624
Gilead Sciences Inc	56,000	1,466,119	-	-	-	-	-	-	56,000	1,466,119	4,113,200	-
Goodrich Corp	48,000	1,873,856	-	-	48,000	1,873,856	6,099,576	4,225,720	-	-	-	35,960
International Flavors & Fragrances	13,559	7,642	-	-	-	-	-	-	13,559	7,642	902,216	21,830
JP Morgan Chase & Co	88,680	1,909,796	-	-	-	-	-	-	88,680	1,909,796	3,899,180	101,982
Joy Global Inc	30,000	1,601,418	-	-	-	-	-	-	30,000	1,601,418	1,913,400	21,000
Medtronic Inc	25,000	1,333,375	-	-	-	-	-	-	25,000	1,333,375	1,025,500	31,625
Merck & Co Inc	150,000	185,350	-	-	-	-	-	-	150,000	185,350	6,141,000	252,000
Microsoft Corp	29,000	757,190	-	-	-	-	-	-	29,000	757,190	774,581	24,070
Monsanto Co	60,000	1,208,438	-	-	-	-	-	-	60,000	1,208,438	5,679,000	76,500
Mosaic Co/The Wi Com	11,000	522,119	-	-	-	-	-	-	11,000	522,119	622,930	7,425
Murphy Oil Corp	390,000	1,493,818	-	-	10,000	38,303	603,845	565,542	380,000	1,455,515	22,629,000	1,396,500
Owens Illinois Inc	20,000	662,730	-	-	-	-	-	-	20,000	662,730	425,400	-
Pfizer Inc	35,000	1,438,850	-	-	-	-	-	-	35,000	1,438,850	877,776	-
Plains Exploration Co	30,000	999,804	-	-	30,000	999,804	1,351,980	352,176	-	-	-	30,800
Qualcomm Inc	60,000	2,684,070	-	-	-	-	-	-	60,000	2,684,070	3,711,576	-
Roper Industries Inc	-	-	10,000	1,046,275	-	-	-	-	10,000	1,046,275	1,114,800	57,900
SPX Corp	57,168	381,486	-	-	-	-	-	-	57,168	381,486	4,010,335	3,025
Stericycle	25,000	1,314,985	-	-	-	-	-	-	25,000	1,314,985	2,332,000	71,460
Thoratec Corp	40,000	1,486,648	-	-	40,000	1,486,648	1,363,954	(122,694)	-	-	-	-
Union Pacific	40,000	1,276,070	-	-	-	-	-	-	40,000	1,276,070	5,028,800	96,000
Zimmer Holding	40,000	3,013,931	-	-	-	-	-	-	40,000	3,013,931	2,666,400	21,600
<b>Total Marketable Securities</b>		<b>\$ 42,073,005</b>		<b>\$ 3,566,113</b>		<b>\$ 5,059,431</b>	<b>\$ 11,936,379</b>	<b>\$ 6,876,948</b>		<b>\$ 40,579,687</b>	<b>\$ 113,915,842</b>	<b>\$ 2,659,018</b>

*This supplemental schedule should be read in conjunction with the accompanying financial statement and notes thereto.*