

READER'S GUIDE TO THE 2009 990-PF FOR THE FISCAL YEAR ENDED JULY 1, 2009 - JUNE 30, 2010

The annual 990-PF is a public document that provides useful information about a private foundation's financial and charitable activities. The IRS uses it to assess excise taxes owed by a foundation and to monitor certain activities. The underlying tax rules for private foundations are complicated, so it's not surprising that some of the information provided on the 990-PF is often misunderstood. We hope this Reader's Guide will demystify the key information contained in the 990-PF.

We have organized the Patterson Foundation's (TPF) information from the 2009 990-PF into charts that show some of the information that people most often seek, as well as answers to some of the questions we're asked most frequently. We provide specific references to the location in the tax return where the information can be found.

The 2009 990-PF can be found at <http://www.thepattersonfoundation.org>.

The year the tax return is labeled is based upon the first day of TPF's fiscal year. Therefore, the 2009 990-PF is based on the financial information from the fiscal year of July 1, 2009 – June 30, 2010.

The following are key data points and answers to frequently asked questions for TPF:

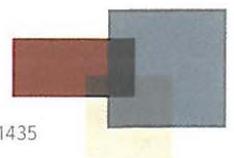
KEY POINTS FOR THE PATTERSON FOUNDATION

On February 28, 1997, Dorothy Clark Patterson established an irrevocable trust fund known as The Patterson Foundation. Mrs. Patterson, upon her death in 2007, bequeathed approximately \$200,000,000 to TPF with no limitations on charitable activities.

Rather than accepting proposals or having grant cycles, TPF chose to honor the Patterson family heritage through nine strategic initiatives. The lessons learned from these initiatives will form the basis for TPF's ultimate work. The following initiatives are in different geographic locations, are in different stages of development and each will be exited by TPF at the appropriate time. TPF is investing in these initiatives to capture what is learned and to apply that knowledge to transform communities through innovative, collaborative and efficient philanthropy.

1. Roman Catholic Faith
2. Military
3. New Media Journalism
4. Aging with Dignity and Independence
5. Cultural Connections with Students
6. Digital Imagery
7. Arthritis
8. Dementia
9. Diabetes

FREQUENTLY ASKED QUESTIONS



PAYOUT AND DISTRIBUTABLE AMOUNT

In this section we will use the term **PAYOUT** and **DISTRIBUTION**. We feel it is important to take a moment to explain the 2 terms in order to avoid confusion. **Payout is the actual cash payments of a distributable amount. Distribution or distributable amount** is the calculated sum of grants or expenditures which are required to be paid within a 2 year period.

1. How is the required distributable amount calculated?

Although the calculation is a bit complicated, the concept is simple. IRS rules require TPF to pay out 5 percent of its average “non-charitable use assets,” which means the investment assets and any other assets that are not used directly in the charitable work of TPF. The actual calculations involve several steps as summarized on page 8, in Parts X, XI, and XII of the tax return. If the Foundation overpays the required distributable amount, then the overage can be carried forward for up to 5 years. The payout of the required distributable amount in a tax year may be paid in a 2 year period, because the ending asset balance used in the calculation of the current year distributable amount is unknown until the end of the fiscal year.

2. What was the required payout for 2009?

The required payout for 2009 was \$0, as shown on page 9, Part X111, line 2, column c. The required distributable amount for 2008 was \$98,701, which TPF had until the end of 2009 to payout in total. However, TPF’s payout exceeded the required distribution resulting in a carryover into 2009 of \$372,624 shown on page 9, Part XIII, Line 5, column d.

3. How much was TPF required to distribute in 2009?

TPF is required to distribute \$9,035,391 in 2009 as shown on page 8, Part XI, line 7. As explained in number 1 above, TPF has until 2010 (the fiscal year ending June 30, 2011) to payout this amount in order to avoid penalty. All reasonable operating expenses count toward qualifying distributions in order to meet TPF’s required distributable amount, provided they further the charitable goals of TPF. This includes all expenses related to TPF’s initiatives.

4. How much is TPF required to payout in 2010?

The 2010 cash payout is calculated by subtracting from the 2009 required distributable amount of \$9,035,391, as shown in number 3 above, the qualifying distributions and any excess distributions. In 2009, \$2,288,046 of expenses were qualifying distributions, as shown on page 8, Part X11, Line 6, plus \$372,624 in 2008 excess distributions, as shown in number 2 above. Therefore, the amount undistributed for 2009 was \$6,374,721 and is required to be paid out during 2010 as shown on page 9, Part XIII, line 6f.

ADMINISTRATIVE AND OTHER COSTS

5. What were TPF’s administrative overhead expenses in 2009 as a percentage of total assets?

Administrative expenses (page 1, line 24) as a percentage of total assets (page 2, line 16) equal 1.14%. In accordance with a study from the Center for Effective Philanthropy performed in 2009, the median administrative overhead expenses for a private foundation slightly exceeded 1% of total assets. TPF’s administrative expenses as a percentage of total assets are comparable to the percentage from the average participating private foundation in the 2009 study.

TAXES

6. I thought foundations were exempt from taxes. What kind of taxes do you pay?

Under IRS rules, foundations are exempt from income taxes, but they are required to pay a 2 percent excise tax on net investment income. Net investment income includes interest, dividends, net realized capital gains, and other similar types of income, minus expenses for managing investments. The income and expenses that figure into this calculation are shown on page 1, column “b” of the 990-PF. TPF’s net taxable revenue in 2009 was \$3,488,748 (page 1, Part I, line 27b), resulting in an excise tax of \$69,775.

KEY DATA POINTS FROM THE 2009 990-PF FOR THE PATTERSON FOUNDATION

Topic	2009	990-PF Reference	Comments
Charitable Accrual	\$5,485,163	Included in Page 2, Part 1I, line 18	2009 initiative commitments to be disbursed in 2010, 2011 and 2012
Total Charitable Distributions	\$2,288,046	Page 8, Part XII, line 6	Charitable distributions include all expenses related to TPF’s initiatives
Excise Taxes	\$69,775	Page 4, Part VI, line 5	Excise tax calculated as 2% of its net investment income of \$3,488,748 as shown on Page 1, Part 1, line 27b, column (b)
Compensation of Officers, Directors, and Corporate Trustee	\$1,197,131	Page 6, Part VIII, line 1, column (c) (see detail at Statement 12)	Investment management fees paid to Northern Trust (Trustee) amounted to \$914,631 of the total
Contributions by Dorothy C. Patterson Irrevocable Trust	\$202,892,442	Schedule B, page 15, part I	TPF was funded in 2009 from the disposition of the estate.