



WILKERSON ASSOCIATES

October 1, 2008

Board of Directors and Members
Jerome Foundation
Saint Paul, MN

Required Communication Letter

We have audited the financial statements of Jerome Foundation for the year ended April 30, 2008, and have issued our report thereon dated October 1, 2008. Professional standards require that we provide you the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated June 11, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously discussed with you. The audit timing was extended beyond our initial understanding as agreed upon by you.

Consideration of Internal Controls

In planning and performing our audit of the financial statements of Jerome Foundation as of and for the year ended April 30, 2008, in accordance with auditing standards generally accepted in the United States, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express our opinion on the effectiveness of the Foundation's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

Audit standards require communications related to internal control matters identified during an audit engagement. The standards define our responsibility as your auditors to inform you as a governance body of the Foundation of matters involving internal controls which are considered deficiencies, significant deficiencies and material weaknesses.

Internal controls involve processes and systems that allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A control deficiency exists when the design or operation of a control does not allow for this outcome. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data in accordance with generally accepted accounting principles. Such a condition creates an environment in which there is a likelihood that a misstatement of the Foundation's financial statements that is more than inconsequential will not be prevented or detected by the internal control. A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control.

Deficiency in Internal Controls; Preparation of Annual Financial Statements and Related Disclosures

One of the circumstances described in the standard as constituting a control deficiency is when the Foundation relies on its outside auditors to prepare its audited financial statements and related footnote disclosures in accordance with generally accepted accounting principles because the Foundation does not have the internal capacity to do so, meaning the resources and/or expertise to ensure that there is full and complete reporting and disclosure. While it is acceptable to have us as your outside auditors perform this role, the standard in essence indicates we cannot be a substitute for management or employees related to your internal controls.

While we recognize this circumstance as a control deficiency based on the auditing standards, we also recognize that most foundations the size of the Jerome Foundation choose not to allocate resources to this very specialized activity, rather to rely on outside resources to do so. It is the role of the Board with management to determine whether the Foundation is willing to accept the degree of risk that financial reports could be misstated due to this circumstance.

Material Weakness; Investment Accounting

In our prior year letter, we commented on the Foundation's lack of recording its investment activity in the accounting software on a monthly basis. This condition was addressed during the past fiscal year. The Foundation's controller began reconciling and accounting for the investment activity in the Wells Fargo Trust, State Street and Julius Baer investment accounts each month.

During our current year audit, we noted additional activity that needs to be reviewed by the Foundation monthly. During our audit, we made a material adjusting entry to record a holding loss in the invested collateral related to the securities lending activity. Due to the complexity of the securities lending arrangement and the reports received by the Foundation, it was not immediately clear what losses needed to be recorded. Through further discussions with Wells Fargo and Foundation management and through review of bank-generated spreadsheets, the facts became clear, and we determined an entry was necessary.

We believe this is an area where internal control processes can be strengthened, and we are available to assist the Foundation's controller to assure accurate recording.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Jerome Foundation are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the Foundation during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

No significant accounting estimates affecting the financial statements were noted at April 30, 2008.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We proposed eight audit adjustments which were posted by management. These adjustments resulted in a decrease in change in net assets of \$120,629. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 1, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Foundation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Board of Directors and Members
Jerome Foundation
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October 1, 2008

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Foundation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Board of Directors and Members and Management of Jerome Foundation and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Wilkerson, Guthmann + Johnson, Ltd.

Client: 07324.00 - Jerome Foundation
Engagement: 2008 - Jerome Foundation
Period Ending: 4/30/2008
Trial Balance: 311 - TB
Workpaper: 371-1 - Proposed JE Report

Account	Description	W/P Ref	Debit	Credit
Proposed JE # 300				
To record vacation not accrued.		FF-4		
5190	Salaries & Fees- Salaries- Salary Allocated to Programs		53,687.00	
2050	Other Payables			53,687.00
Total			53,687.00	53,687.00
Proposed JE # 301				
To record sabbatical leave		CC-6		
5110	Salaries & Fees- Salaries		27,200.00	
2050	Other Payables			27,200.00
Total			27,200.00	27,200.00



WILKERSON ASSOCIATES

October 1, 2008

Board of Directors and Members
Jerome Foundation
Saint Paul, MN

Management Letter

We have completed our audit of the financial statements of Jerome Foundation for the year ended April 30, 2008. The following information is submitted for the consideration of the Board of Directors, Members and Management.

Financial Analysis

Attached are three graphs which depict certain financial trends of the Foundation. These graphs are provided for analytical purposes only.

Graph 1 depicts the investment allocation at fair market value for the past five years. The amounts reported do not include the value of beneficial interest in the charitable remainder trust.

Shown in Graph 2 are the investments at cost in comparison to total fair market value.

Graph 3 reflects the categories of operating expenses.

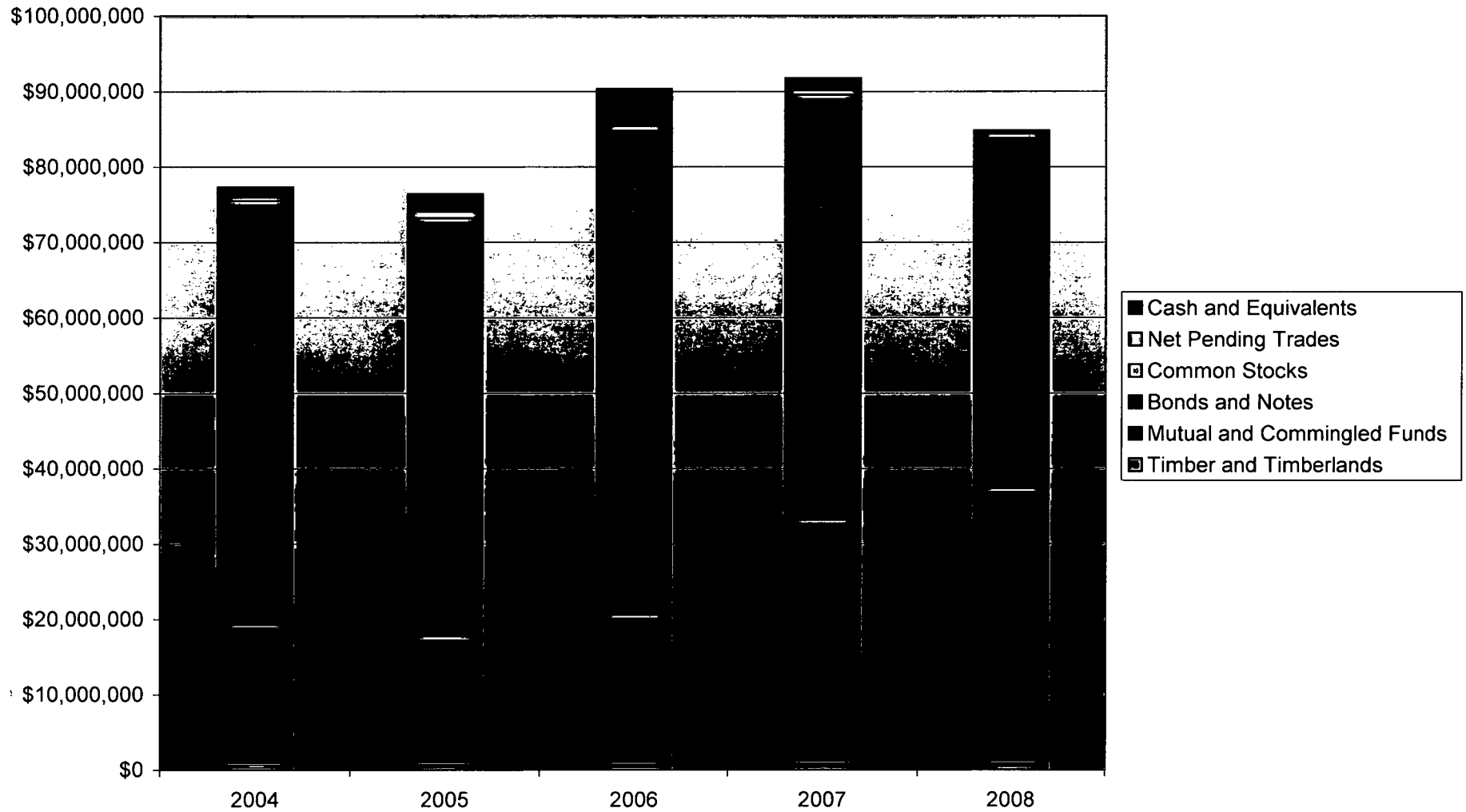
We would like to express our appreciation to Cynthia Gehrig and Karen Fjorden for their assistance during our engagement. We certainly appreciate the opportunity to be of service.

This report is intended for the information of and use by the Audit Committee, Board of Directors and Members, and Management.

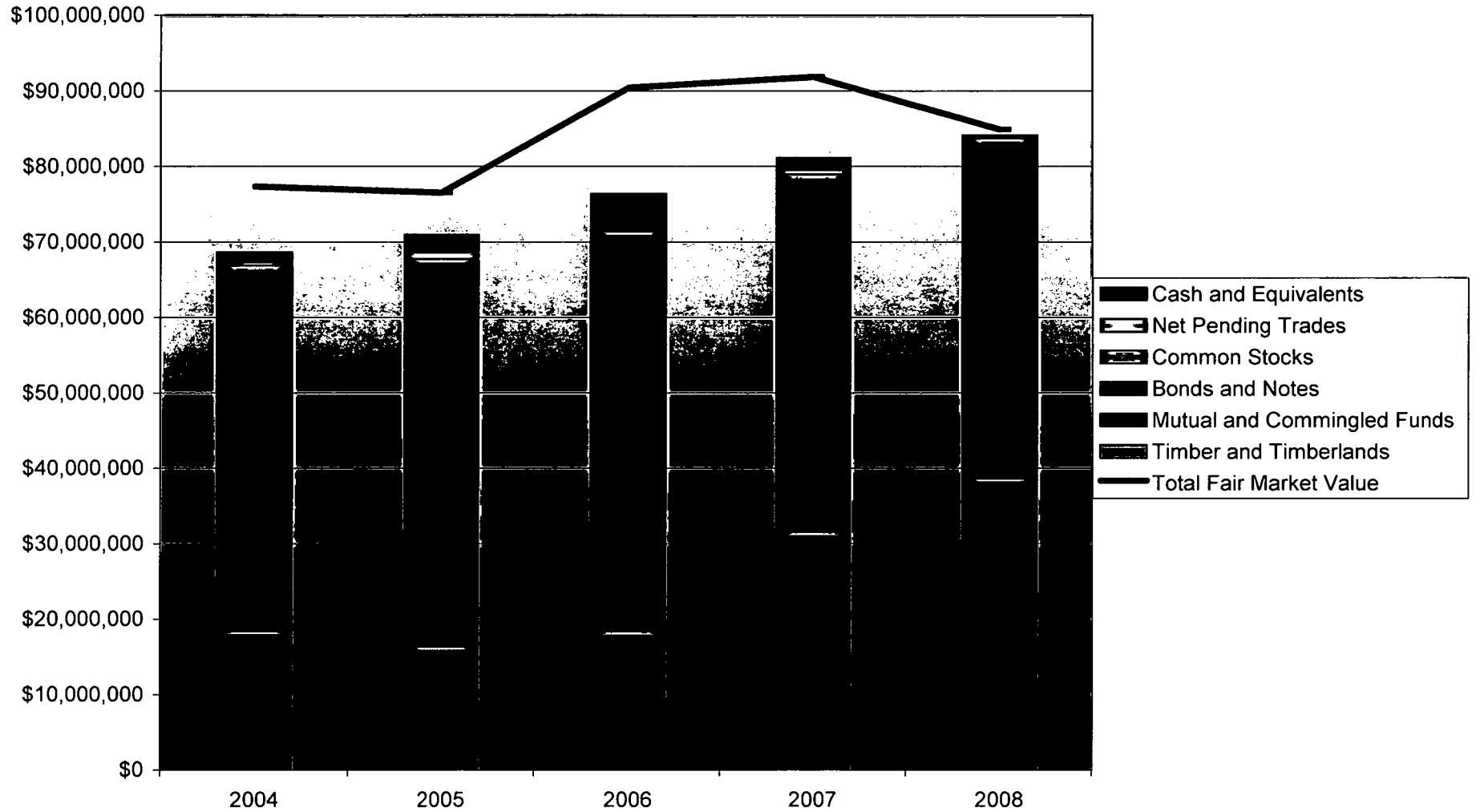
Respectfully submitted,

Wilkerson, Guthmann + Johnson, Ltd.

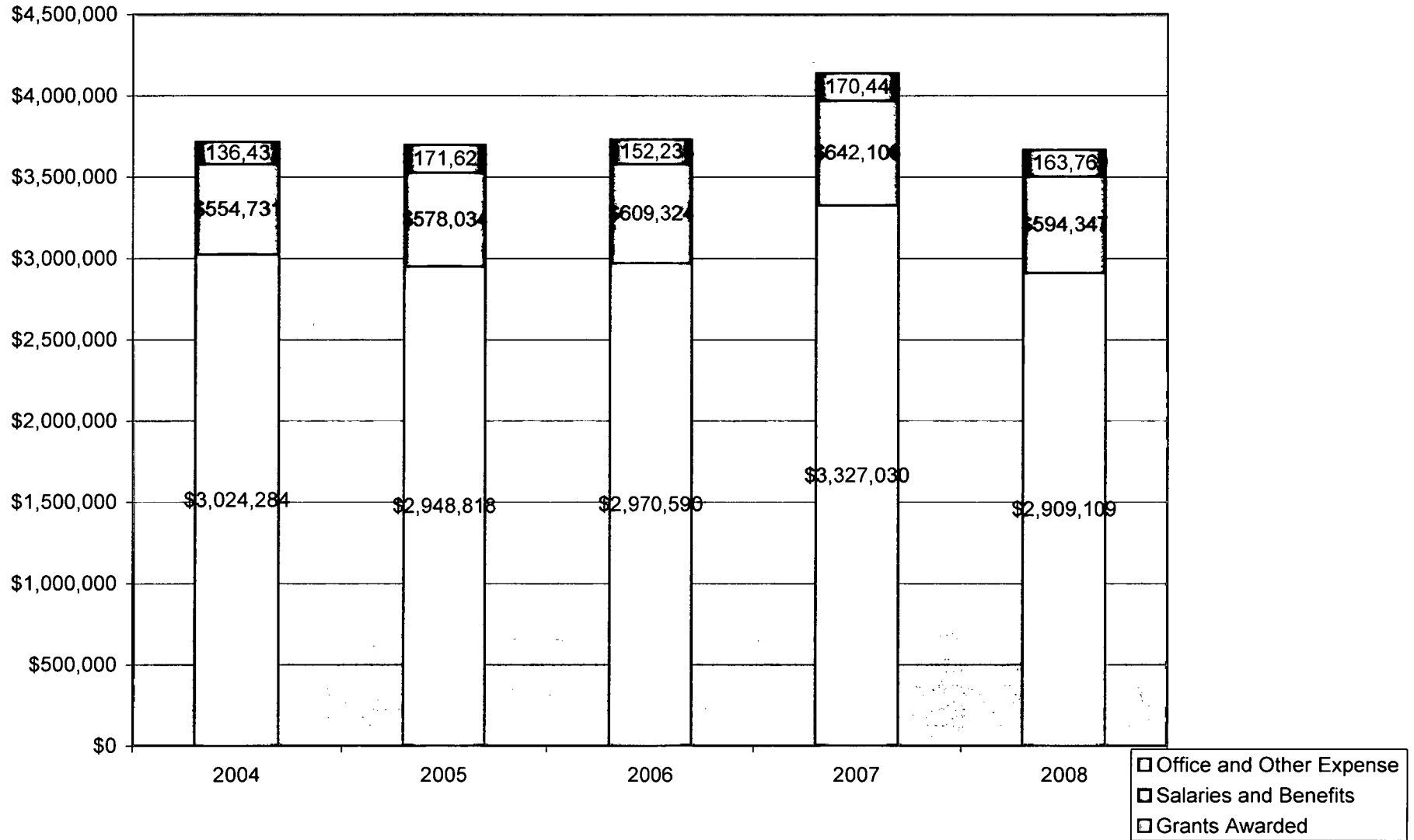
Jerome Foundation
Investments at Fair Market Value



Jerome Foundation
Investments at Cost



Jerome Foundation
Operating Expenses



Jerome Foundation, Inc.

*Financial Statements, Additional Information
and Independent Auditor's Report*

April 30, 2008 and 2007

Jerome Foundation, Inc.

*Financial Statements, Additional Information
and Independent Auditor's Report*

April 30, 2008 and 2007

April 30, 2008 and 2007

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WILKERSON ASSOCIATES

Independent Auditor's Report

To the Board of Directors and Members
Jerome Foundation, Inc.
Saint Paul, Minnesota

We have audited the accompanying statements of financial position of Jerome Foundation, Inc. as of April 30, 2008 and 2007, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Foundation'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 our audits 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 Jerome Foundation, Inc. as of April 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Wilkerson, Guthmann & Johnson, Ltd.

Saint Paul, Minnesota
October 1, 2008

Jerome Foundation, Inc.

Statements of Financial Position

<i>As of April 30,</i>	2008	2007
ASSETS		
Current Assets		
Cash	\$ 274,805	\$ 57,673
Accrued Investment Income	230,893	135,682
Prepaid Expenses and Other Receivables	13,823	20,338
Prepaid Excise Tax	8,100	13,700
Total Current Assets	527,621	227,393
Investments, at Fair Value	84,825,461	91,771,782
Beneficial Interest in Charitable Remainder Trust	2,870,051	3,115,810
Property and Equipment - Net	31,387	43,564
Total Assets	\$ 88,254,520	\$ 95,158,549
LIABILITIES AND NET ASSETS		
Current Liabilities		
Grant Commitments Payable	\$ 1,110,120	\$ 960,076
Accounts Payable	81,045	90,901
Total Current Liabilities	1,191,165	1,050,977
Other Liabilities		
Deferred Excise Tax	30,800	235,500
Total Liabilities	1,221,965	1,286,477
Net Assets		
Unrestricted		
Undesignated	83,833,370	90,397,536
Board Designated	329,134	358,726
Total Unrestricted Net Assets	84,162,504	90,756,262
Temporarily Restricted Net Assets	2,870,051	3,115,810
Total Net Assets	87,032,555	93,872,072
Total Liabilities and Net Assets	\$ 88,254,520	\$ 95,158,549

The accompanying notes are an integral part of the financial statements.

Jerome Foundation, Inc.

Statements of Activities and Changes in Net Assets

<i>Years ended April 30,</i>	2008			2007		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenue						
Interest	\$ 749,226	\$ -	\$ 749,226	\$ 683,618	\$ -	\$ 683,618
Dividends	992,002		992,002	673,232		673,232
Contributions	45,000		45,000	45,000		45,000
Securities Lending Income	60,228		60,228	42,373		42,373
Commission Recapture	3,748		3,748	6,688		6,688
Other Income	34,582		34,582	22,329		22,329
Release from Restriction	267,542	(267,542)				
Total Support and Revenue	2,152,328	(267,542)	1,884,786	1,473,240		1,473,240
Expense						
Grants Awarded, Net of Cancellations and Refunds of \$-0- and \$1,000 in 2008 and 2007, Respectively	2,909,109		2,909,109	3,327,030		3,327,030
Salaries and Benefits	594,347		594,347	642,106		642,106
Office and Other Expenses	163,769		163,769	170,443		170,443
Total Expense	3,667,225		3,667,225	4,139,579		4,139,579
Change in Net Assets - Operating	(1,514,897)	(267,542)	(1,782,439)	(2,666,339)		(2,666,339)
Other Changes in Net Assets						
Net Gains (Loss) on Investments	(4,586,574)		(4,586,574)	4,842,516		4,842,516
Federal Excise Tax Benefit	64,100		64,100	7,048		7,048
Investment and Agent Fees	(556,387)		(556,387)	(506,573)		(506,573)
Change in Value of Beneficial Interest in Charitable Remainder Trust		21,783	21,783		257,557	257,557
Total Other Changes in Net Assets	(5,078,861)	21,783	(5,057,078)	4,342,991	257,557	4,600,548
Change in Net Assets	(6,593,758)	(245,759)	(6,839,517)	1,676,652	257,557	1,934,209
Net Assets - Beginning	90,756,262	3,115,810	93,872,072	89,079,610	2,858,253	91,937,863
Net Assets - Ending	\$ 84,162,504	\$ 2,870,051	\$ 87,032,555	\$ 90,756,262	\$ 3,115,810	\$ 93,872,072

The accompanying notes are an integral part of the financial statements.

Jerome Foundation, Inc.

Statements of Cash Flows

<i>Years ended April 30,</i>	2008	2007
Cash Flows from Operating Activities		
Change in Net Assets	\$ (6,839,517)	\$ 1,934,209
Adjustments to Reconcile Change in Net Assets to		
Net Cash Used by Operating Activities:		
Depreciation	12,177	9,244
Net (Gains) Losses on Investments	4,586,574	(4,842,516)
Deferred Excise Tax Benefit	(204,700)	(97,826)
Changes in:		
Value of Charitable Remainder Trust	(21,783)	(257,557)
Accrued Investment Income	(95,211)	15,424
Prepaid Expenses and Other Receivables	6,515	(3,433)
Prepaid Excise Tax	5,600	(13,700)
Grant Commitments Payable	150,044	(268,963)
Excise Taxes Payable	-	(75,522)
Accounts Payable	(9,856)	12,869
Net Cash Used by Operating Activities	(2,410,157)	(3,587,771)
Cash Flows from Investing Activities		
Purchase of Investments	(117,496,715)	(135,098,441)
Proceeds from Sales of Investments	119,856,462	138,511,215
Purchases of Property and Equipment	-	(27,766)
Net Cash Provided by Investing Activities	2,359,747	3,385,008
Cash Flows from Financing Activities		
Distributions from Charitable Remainder Trust	267,542	-
Increase (Decrease) in Cash	217,132	(202,763)
Cash - Beginning of Year	57,673	260,436
Cash - End of Year	\$ 274,805	\$ 57,673
Supplemental Information		
Excise Tax Payments	\$ 135,000	\$ 180,000

The accompanying notes are an integral part of the financial statements.

April 30, 2008 and 2007

1. Organization

The Jerome Foundation, Inc. (the Foundation) is a private foundation incorporated under the laws of Minnesota. Grants are made to support programs and projects located in the State of Minnesota and New York City in the areas of dance, literature, film and video, multidisciplinary arts, music, theater, visual arts and arts criticism.

2. Summary of Significant Accounting Policies

Classes of Net Assets

Net assets, revenues, and gains and losses are classified based on donor imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted – Resources over which the Board of Directors has discretionary control. Designated amounts represent those net assets which the Board has set aside for future Foundation-administered program expenses.

Temporarily Restricted – Those resources subject to donor imposed restrictions which will be satisfied by actions of the Foundation or passage of time. Temporarily restricted net assets consists of the value of the Foundation's beneficial interest in a charitable remainder trust.

Permanently Restricted – Resources subject to donor imposed restrictions that they be maintained permanently by the Foundation. The Foundation has no permanently restricted net assets.

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported support, revenue and expenses. Actual results could vary from the estimates that were used.

Investments

Investments are stated at fair value based on current quoted market prices, appraised values, or as reported by the fund manager. Net unrealized appreciation or depreciation for the year is reflected in the Statement of Activities and Changes in Net Assets.

Purchases and sales of investments are reflected on a trade-date basis. Realized gains or losses on sales are based on the specific identification method.

April 30, 2008 and 2007

2. Summary of Significant Accounting Policies (continued)

Investments (continued)

Interest income is recorded on the accrual basis and dividend income is recorded on the ex-dividend date.

The Foundation holds a sole interest in timber and timberlands, which is valued once each fiscal year by a forestry consultant.

Beneficial Interest in Charitable Remainder Trust

The Foundation is named as a beneficiary of a charitable remainder trust (the Trust), which allows for a distribution to the Foundation after the death of the named beneficiaries. The Foundation is not the trustee and therefore does not control or have access to the assets of the Trust. The Foundation's interest in the Trust is reported at the fair value of the assets of the Trust less the present value of estimated future payments to the noncharitable beneficiaries based on their life expectancy using a discount rate of 4.6%.

Grants

Grant commitments are charged to operations at the time the grants are approved by the Board of Directors.

Property and Equipment

Expenditures for property and equipment that exceed the capitalization threshold are capitalized at cost. Depreciation is provided using the straight-line method over an estimated useful life of three to five years.

Contributions

Contributions are recorded when received or pledged. Restricted contributions that are fulfilled in the same time period are classified as unrestricted.

Concentration of Credit Risk

At times during the year, the Foundation may have cash in excess of federally insured limits of \$100,000 per financial institution.

Cash

The Foundation considers all highly liquid investments, except for those held for long-term investment, with maturities of three months or less when purchased to be cash equivalents.

April 30, 2008 and 2007

2. Summary of Significant Accounting Policies (continued)

Classification of Expenses

Grants and expenses associated with the Foundation's direct charitable activities are considered to be program expenses, while all other expenses of the Foundation are considered to be management and general expenses.

Tax Exempt Status

The Foundation has a tax exempt status under Section 501(c)(3) of the Internal Revenue Code and Minnesota Statute. Due to the Foundation's classification as a private foundation under the Internal Revenue Code, it pays an excise tax of 2% (reduced to 1% if certain requirements are met) on its net taxable investment income.

Measure of Operations

In its Statements of Activities and Changes in Net Assets, the Foundation includes in its definition of operations all support, revenues and expenses that are an integral part of its programs and supporting activities. Non-operating activity consists primarily of net realized and unrealized gains and losses on investments, investment and agent fees, federal excise tax and change in value of beneficial interest in the charitable remainder trust.

Reclassifications

Certain 2007 amounts in the accompanying financial statements have been reclassified to conform to the 2008 presentations. Such reclassifications had no impact on net assets or the change in net assets.

3. Investments

The fair value of investments is estimated based upon quoted market prices with the exception of timber and timberlands and alternative investments. The fair value of timber and timberlands is based on an independent appraisal. Investment in alternative investments, which consists of an institutional international equity fund, is reflected at fair value as reported by the fund manager, and may differ from the values that would have been reported had a ready market for these securities existed. The Foundation reviewed and evaluated the values of the underlying investments provided by the investment manager and agreed with the valuation methods and assumptions used in determining the fair value of the alternative investments.

Notes to Financial Statements

*April 30, 2008 and 2007***3. Investments (continued)**

The fair values at April 30, 2008 and 2007 were as follows:

	2008		2007	
	Cost	Fair Value	Cost	Fair Value
Cash Equivalents	\$ 534,806	\$ 534,806	\$ 1,629,106	\$ 1,632,406
Collateral - Securities Lending	24,122,158	24,122,158	15,914,377	15,914,377
Payable - Securities Lending	(24,607,551)	(24,607,551)	(15,914,377)	(15,914,377)
Net Pending Trades	(106,750)	(106,750)	572,726	572,726
Common Stocks	27,116,560	29,317,600	37,257,982	44,505,292
Securities on Loan	24,079,879	23,858,280	13,627,607	15,326,773
Bonds and Notes	10,760,662	10,741,282	8,645,444	8,652,891
Mutual and Commingled Funds	22,143,545	19,738,436	19,302,192	19,936,794
Timber and Timberlands	76,140	1,227,200	76,140	1,144,900
Totals	<u>\$ 84,119,449</u>	<u>\$ 84,825,461</u>	<u>\$ 81,111,197</u>	<u>\$ 91,771,782</u>

The Foundation has invested in a commingled institutional international equity fund which is not publicly traded and is less liquid than the Foundation's other investments. The cost of this alternative investment at April 30, 2008 and 2007 was \$6,075,550 and \$5,122,997, respectively, and its market value at April 30, 2008 and 2007 was \$6,279,811 and \$5,363,118, respectively.

During the years ended April 30, 2008 and 2007, the Foundation's investments (including those bought, sold and held during the year) appreciated (depreciated) in value as follows:

	2008		
	Realized Net Gains	Unrealized Appreciation (Depreciation)	Totals
Marketable Securities	\$ 5,832,853	\$ (10,501,727)	\$ (4,668,874)
Timber and Timberlands		82,300	82,300
Totals	<u>\$ 5,832,853</u>	<u>\$ (10,419,427)</u>	<u>\$ (4,586,574)</u>

	2007		
	Realized Net Gains	Unrealized Appreciation (Depreciation)	Totals
Marketable Securities	\$ 8,201,492	\$ (3,454,476)	\$ 4,747,016
Timber and Timberlands		95,500	95,500
Totals	<u>\$ 8,201,492</u>	<u>\$ (3,358,976)</u>	<u>\$ 4,842,516</u>

April 30, 2008 and 2007

4. Fair Value of Financial Instruments

The carrying amounts reflected on the Statement of Financial Position for cash, accrued investment income, grants payable, and excise taxes payable approximate the fair value due to the short maturities of those instruments. The fair value for investments is based primarily on quoted market prices for those or similar instruments. The fair value of timber and timberlands is determined by an independent forestry appraisal. The fair value of the alternative investment fund is recorded as reported by the fund manager. The fair value of the Foundation's beneficial interest in the charitable remainder trust approximates its carrying value and is based on the fair value of the assets of the Trust less the present value of estimated future lifetime distributions to beneficiaries.

5. Securities Lending

Jerome Foundation, Inc. lends its investment securities to registered broker-dealers. The borrower provides collateral in the form of cash, U.S. Government securities or a bank letter of credit in an amount in excess of the loaned securities' aggregate value. The Foundation receives either (i) a fee in the case of non-cash collateral or (ii) payment of a portion of earnings in the case of cash-collateral. The amount of collateral held is adjusted daily based on market value changes of the loaned securities. The borrower must return identical securities to close the loan at which time the collateral will be returned. Collateral is held and invested by the investment custodian and is immediately available upon default. The Foundation bears risk in the event that the value of the invested collateral is not sufficient to meet obligations due on the loans. All earnings from interest and dividends on the loaned securities revert to the Foundation, except for commissions to the agent for handling the securities lending.

As of April 30, 2008, the market value of the invested collateral held for securities on loan was \$485,393 less than the contract value of the securities. Of this total, \$179,884 was due to potential losses from two financial companies currently being restructured. Beginning November 1, 2007, the investment custodian has been foregoing its commission to help offset these potential losses.

The following is a summary of loaned securities balances:

	2008	2007
Fair Value of Securities on Loan	\$ 23,858,280	\$ 15,326,773
Fair Value of Collateral Held	\$ 24,122,158	\$ 15,914,377
Contract Value of Collateral Received	\$ 24,607,551	\$ 15,914,377

Notes to Financial Statements

*April 30, 2008 and 2007***6. Property and Equipment**

The detail of property and equipment is as follows:

	2008	2007
Equipment	\$ 56,985	\$ 56,985
Vehicle	23,006	23,006
Leasehold Improvements	66,524	66,524
Totals	146,515	146,515
Less: Accumulated Depreciation	115,128	102,951
Property and Equipment - Net	<u>\$ 31,387</u>	<u>\$ 43,564</u>

7. Grants

Grant activity for the years ended April 30, 2008 and 2007 is summarized as follows:

	2008	2007
Grant Commitments Payable, Beginning of Year	\$ 960,076	\$ 1,229,039
Appropriations	2,909,109	3,328,030
Payments	(2,759,065)	(3,596,993)
Grant Commitments Payable, End of Year	<u>\$ 1,110,120</u>	<u>\$ 960,076</u>
Grant Appropriations	\$ 2,909,109	\$ 3,328,030
Grant Payments Returned and Reallocated	-	(1,000)
Grants Awarded, Net	<u>\$ 2,909,109</u>	<u>\$ 3,327,030</u>

Essentially all grant commitments outstanding at April 30, 2008 are expected to be paid within one year.

8. Federal Excise Tax

The federal excise tax provision (benefit) consists of the following:

	2008	2007
Provision (Benefit):		
Current	\$ 140,600	\$ 90,778
Deferred	(204,700)	(97,826)
Totals	<u>\$ (64,100)</u>	<u>\$ (7,048)</u>

The Foundation is subject to minimum distribution requirements of the Internal Revenue Code.

*April 30, 2008 and 2007***8. Federal Excise Tax (continued)**

Deferred taxes result from certain income and expense items being accounted for in different time periods for financial statement purposes than for federal excise tax purposes. Deferred excise tax expense (benefit) arises from the change in unrealized appreciation (depreciation) in fair value of investments. The deferred excise tax provision (benefit) is calculated utilizing the 2% excise tax rate.

9. Retirement Plan

The Foundation has a defined contribution profit-sharing and 401(k) plan for all eligible employees. Contributions are subject to Board of Directors' discretion. Employer contributions for the year ended April 30, 2008 and 2007 amounted to 12% and 15% of qualified compensation per individual employee, respectively. Retirement plan expense was \$47,181 and \$70,793 for the years ended April 30, 2008 and 2007, respectively. The Foundation also allows employees to make pre-tax contributions up to 30% of wages to their 401(k) account.

10. Functional Expenses

The functional allocation of expenses for the years ended April 30, 2008 and 2007 was as follows:

	2008	2007
Programs	\$ 3,024,647	\$ 3,436,950
Management and General	642,578	702,629
Totals	<u>\$ 3,667,225</u>	<u>\$ 4,139,579</u>

11. Financial Management

U.S. Bank Institutional Financial Services, Wells Fargo Bank Minnesota, N.A., Peregrine Capital Management, Alliance/Bernstein Capital Management Corporation, State Street Global Advisors, and Julius Baer Investment Management, LLC provide the Foundation with custodial and investment management services for a fee.

The corporate articles of the Foundation provide for the Members of the Foundation to elect the Directors of the Foundation who appoint the investment managers.

April 30, 2008 and 2007

12. Lease Commitment

The Foundation has a non-cancelable operating lease for office space that expires September 30, 2013. The Foundation is required to pay base rent and its share of operating expenses. Rent expense related to this lease was \$54,919 and \$54,115 for the years ended April 30, 2008 and 2007, respectively. At April 30, 2008, the minimum lease payments were as follows:

Year Ending April 30.	Minimum Rent
2009	\$ 49,407
2010	49,544
2011	50,348
2012	51,153
2013	51,957
Thereafter	21,789
Total	<u>\$ 274,198</u>

Independent Auditor's Report on Additional Information

Board of Directors and Members
Jerome Foundation, Inc.
Saint Paul, Minnesota

Our report on the audits of the basic financial statements of Jerome Foundation, Inc. for the years ended April 30, 2008 and 2007 appears on page 1. Those audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Administrative Expenses for the years ended April 30, 2008 and 2007 and the Schedule of Grant Commitments and Payments for the year ended April 30, 2008 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Wilkinson, Guthmann + Johnson, Ltd

Saint Paul, Minnesota
October 1, 2008

Jerome Foundation, Inc.

Schedule of Administrative Expenses

<i>Years Ended April 30,</i>	2008	2007
Salaries and Benefits Expenses		
Salaries and Temporary Services	\$ 442,413	\$ 460,764
Health, Dental, and Other Insurance	75,467	78,813
Retirement Plan Expense	47,181	70,793
Payroll Taxes	29,286	31,736
Total Salaries and Benefits Expenses	<u>594,347</u>	<u>642,106</u>
Office and Other Expenses		
Rent	54,919	54,115
Meetings and Events	30,810	29,950
Education Program	6,097	7,682
Office Operations	10,004	22,568
Travel	14,412	13,097
Telephone and Internet	5,514	4,896
Professional Fees	15,848	16,550
Insurance	6,718	6,437
Postage	5,139	4,083
Publications	1,605	1,183
Legal Services	526	638
Depreciation	12,177	9,244
Total Office and Other Expenses	<u>163,769</u>	<u>170,443</u>
Total Expenses	758,116	812,549
Less Expenses Allocated to Program Activities:		
Minnesota Film and Video Program	28,380	25,260
New York City Film and Video Program	31,140	29,380
Travel and Study Grant Program	<u>56,018</u>	<u>55,280</u>
Total Expenses Allocated to Program Activities	115,538	109,920
Total Administrative Expenses	<u>\$ 642,578</u>	<u>\$ 702,629</u>

Jerome Foundation, Inc.

Schedule of Grant Commitments and Payments

As of and for the year ended April 30, 2008

	Grant Commitments Payable at Beginning of Year	Commitments Made During Year	Paid During Year	Grant Commitments Payable End of Year
African Voices				
New York, New York				
Artists' fees and publication costs	\$ -	\$ 7,500	\$ 7,500	\$ -
American Composers Forum				
Saint Paul, Minnesota				
Composers Commissioning Program, the Subito Program and consulting services for emerging composers	141,000		141,000	
Recording of works by composer Ann Millikan	12,000			12,000
American Composers Orchestra				
New York, New York				
Commissions for New York City and Minnesota emerging composers	15,000		15,000	
Ananya Dance Theatre				
Minneapolis, Minnesota				
Creation and production of a new work		12,000	12,000	
Anderson Center for Interdisciplinary Studies				
Red Wing, Minnesota				
Residencies for emerging artists		32,000	16,000	16,000
Aperture Foundation				
New York, New York				
First Books , a publication program serving emerging photographers		30,000	15,000	15,000
ARENA Dances				
Minneapolis, Minnesota				
Creation, development and production of a multi- media dance work		12,000		12,000
Art in General				
New York, New York				
Participation of emerging artists in the New Commissions Program, exhibitions, and artists' services		38,000	19,000	19,000

Jerome Foundation, Inc.

Schedule of Grant Commitments and Payments

As of and for the year ended April 30, 2008

	Grant Commitments Payable at Beginning of Year	Commitments Made During Year	Paid During Year	Grant Commitments Payable End of Year
Asian American Writers' Workshop New York, New York Program and services that support the development of new works by emerging writers	\$ -	\$ 21,000	\$ 21,000	\$ -
Aspen Institute (The) Washington, DC Research and publication of a study of artist-endowed private foundations in the United States	7,500		7,500	
Bang on a Can Brooklyn, New York Emerging composers' commissions within The People's Commissioning Fund		10,000	10,000	
Blacklock Nature Sanctuary Moose Lake, Minnesota Emerging Artist Residency Program	22,000		22,000	
Bronx Museum of the Arts (The) New York, New York Artist in the Marketplace Program		36,000	18,000	18,000
Cave Canem New York, New York New York City workshops for emerging African-American poets		8,500	8,500	
Cherry Lane Theatre New York, New York Mentor Project		30,000	30,000	
Civilians (The) New York, New York Development and production of new work		11,000	11,000	
Clubbed Thumb New York, New York Productions of new works by emerging New York City-based playwrights		15,000	15,000	

Jerome Foundation, Inc.

Schedule of Grant Commitments and Payments

As of and for the year ended April 30, 2008

	Grant Commitments Payable at Beginning of Year	Commitments Made During Year	Paid During Year	Grant Commitments Payable End of Year
Coffee House Press Minneapolis, Minnesota Publication of books by emerging writers	\$ -	\$ 32,500	\$ 21,500	\$ 11,000
Cornucopia Art Center Lanesboro, Minnesota Artist Residency Program		15,000	15,000	
Council on Foundations Arlington, Virginia General Support		19,900	19,900	
Council of Literary Magazines & Presses New York, New York Pilot Program <i>Face Out: Maximizing the Visibility of Emerging Writers</i>	45,025		45,025	
Dance New Amsterdam New York, New York <i>In the Company of Men</i> Program		38,000	18,000	20,000
Dance Theater Workshop New York, New York Bessie Schönberg/ <i>First Light</i> Commissioning Program		36,000	36,000	
Dixon Place/Open Channels New York, New York Creation and development of new works by D UNDERBELLY		10,000	10,000	
Duluth Art Institute Duluth, Minnesota Participation of emerging artists in the Exhibition Program		14,000	14,000	
Ensemble Studio Theatre New York, New York Developmental programs for emerging playwrights	18,000		18,000	
Ethos Percussion Group New York, New York Emerging Composer Commissioning Fund		22,500	22,500	

Jerome Foundation, Inc.

Schedule of Grant Commitments and Payments

As of and for the year ended April 30, 2008

	Grant Commitments Payable at Beginning of Year	Commitments Made During Year	Paid During Year	Grant Commitments Payable End of Year
Exit Art				
New York, New York				
Participation of emerging artists in the Exhibition Program	\$ 19,000	\$ -	\$ 19,000	\$ -
Field (The)/Performance Zone				
New York, New York				
New work by Kimberly Bartosik		8,000	8,000	
New work by Brian Brooks Moving Company		8,000	8,000	
New work by Young Jean Lee's Theatre Company		12,000	12,000	
New work by Luis Lara Malvacias/Full Fat Dance		18,000	9,000	9,000
New work by Sarah Michelson Dance	10,000		10,000	
New work by Erik Sanko		8,000	8,000	
Forecast Public Art				
Saint Paul, Minnesota				
Public Art Affairs Program	32,500		32,500	
Foundry Theatre (The)				
New York, New York				
New works by emerging playwrights and theater creators		24,000	24,000	
Franconia Sculpture Park				
Shafer, Minnesota				
Emerging Artists Program		70,000	35,000	35,000
Franklin Art Works				
Minneapolis, Minnesota				
Participation of emerging artists in the Exhibition Program		21,000	21,000	
Grantmakers in the Arts				
Seattle, Washington				
General Support		22,000	22,000	

Jerome Foundation, Inc.

Schedule of Grant Commitments and Payments

As of and for the year ended April 30, 2008

	Grant Commitments Payable at Beginning of Year	Commitments Made During Year	Paid During Year	Grant Commitments Payable End of Year
Graywolf Press Saint Paul, Minnesota Publication of books by emerging writers	\$ -	\$ 15,000	\$ 15,000	\$ -
Harlem Stage (Aaron Davis Hall) New York, New York Commissions to emerging artists within the <i>Fund for New Work</i>		25,000	25,000	
Harvestworks New York, New York Artists' Residencies Program		17,000	17,000	
Heart of the Beast Puppet and Mask Theatre (In the) Minneapolis, Minnesota MayDay Mentor Program	17,000		17,000	
HERE Arts Center New York, New York HERE Artists Residency Program		40,000	20,000	20,000
Highpoint Center for Printmaking Minneapolis, Minnesota Jerome Emerging Printmakers' Residency Program		32,000	16,000	16,000
Hmong American Institute for Learning Minneapolis, Minnesota Publication of Paj Ntaub Voice, readings, and a writers' workshop	11,000		11,000	
IFP Minnesota Saint Paul, Minnesota Programming and services for independent Minnesota media artists and photographers		20,000	20,000	
<i>MNTV</i> Consortium		66,000	33,000	33,000
iLAND New York, New York iLAB Artist-in-Residence Program		12,000	12,000	

Jerome Foundation, Inc.

Schedule of Grant Commitments and Payments

As of and for the year ended April 30, 2008

	Grant Commitments Payable at Beginning of Year	Commitments Made During Year	Paid During Year	Grant Commitments Payable End of Year
Intermedia Arts of Minnesota Minneapolis, Minnesota				
BodyCartography Project (The)	\$ -	\$ 10,000	\$ 10,000	\$ -
S.A.S.E./Jerome Fellowships, Verve Grants for Spoken Word Poets and Writer-to-Writer Mentorship Program		52,000	52,000	
Naked Stages Program		36,000	36,000	
New work by Margo Abdo O'Dell		10,000	10,000	
Jamaica Center for Arts & Learning Jamaica, New York				
Participation of emerging artists in the Visual Arts Program	15,000		15,000	
Jerome Foundation Saint Paul, Minnesota (Foundation-Administered Programs)				
Building Administrative Capacity Grant Program	5,408			5,408
Jerome Hill Centennial Program	3,110			3,110
Minnesota Film and Video Program	29,100	128,101	110,551	46,650
New York City Film and Video Program	95,705	218,097	226,922	86,880
Initiative to broaden access to Jerome regrant programs	9,749		3,446	6,303
New Initiatives		10,000		10,000
Strategic Development Program	7,660		5,000	2,660
Travel and Study Grant Program	57,069	141,711	136,071	62,709
Kitchen (The) (a.k.a. Haleakala, Inc.) New York, New York				
Emerging Artists' Commissions		15,000	15,000	

Jerome Foundation, Inc.

Schedule of Grant Commitments and Payments

As of and for the year ended April 30, 2008

	Grant Commitments Payable at Beginning of Year	Commitments Made During Year	Paid During Year	Grant Commitments Payable End of Year
Lark Play Development Center (The) New York, New York				
Developmental programs serving emerging playwrights	\$ -	\$ 24,000	\$ 12,000	\$ 12,000
Loft Literary Center (The) Minneapolis, Minnesota				
Mentor Series	50,000		50,000	
Minnesota Writers Career Initiative		100,000	50,000	50,000
Lower East Side Printshop New York, New York				
Keyholder Residency and Special Editions Fellowship Programs		34,000	17,000	17,000
Lower Manhattan Cultural Council New York, New York				
Workspace Artist Residency Program		23,000	23,000	
Mabou Mines New York, New York				
<i>Suite</i> Resident Artist Program		60,000	30,000	30,000
Milkweed Editions Minneapolis, Minnesota				
Publication of books by emerging writers and one anthology	23,000		23,000	
Minneapolis College of Art and Design Minneapolis, Minnesota				
MCAD/Jerome Fellowship Program		158,000	77,750	80,250
Minneapolis Institute of Arts (The) Minneapolis, Minnesota				
Minnesota Artists Exhibition Program	20,000		20,000	
Minnesota Center for Book Arts Minneapolis, Minnesota				
Jerome/MCBA Mentorship/Fellowship Program	20,000		20,000	

Jerome Foundation, Inc.

Schedule of Grant Commitments and Payments

As of and for the year ended April 30, 2008

	Grant Commitments Payable at Beginning of Year	Commitments Made During Year	Paid During Year	Grant Commitments Payable End of Year
Minnesota Center for Photography Minneapolis, Minnesota Participation of emerging artists in the Minnesota Projects Gallery Exhibition Program and programs and services provided to emerging artists	\$ -	\$ 66,300	\$ 33,150	\$ 33,150
Minnesota Council on Foundations Minneapolis, Minnesota General Support		6,750	6,750	
Mixed Blood Theatre Company Minneapolis, Minnesota Commissions for emerging playwrights and the development of new work		16,500	8,500	8,000
Mizna Minneapolis, Minnesota Artists' fees and publication of the Mizna Journal	16,000		16,000	
Momenta Art Brooklyn, New York Emerging Artist Exhibition Program		30,000	15,000	15,000
Movement Research New York, New York Publication of criticism in the Performance Journal		12,000	12,000	
Mu Performing Arts Minneapolis, Minnesota National Asian American Theatre Conference		8,000	8,000	
New Performance Program	17,500	25,000	42,500	
National Video Resources New York, New York Grantmakers in Film and Electronic Media	2,500		2,500	
Nautilus Music-Theater Saint Paul, Minnesota Composer-Librettist Studio		46,000	23,000	23,000

Jerome Foundation, Inc.

Schedule of Grant Commitments and Payments

As of and for the year ended April 30, 2008

	Grant Commitments Payable at Beginning of Year	Commitments Made During Year	Paid During Year	Grant Commitments Payable End of Year
New Dramatists New York, New York New Works Process and the Composer-Librettist Studio	\$ -	\$ 80,000	\$ 40,000	\$ 40,000
New Radio and Performing Arts Staten Island, New York Emerging artists' commissions for Turbulence Program/Website		36,000	18,000	18,000
New York Mills Arts Retreat and Regional Cultural Center New York Mills, Minnesota Artist-in-Residence Program		32,000	16,000	16,000
New York Regional Association of Grantmakers New York, New York General support		750	750	
New York Theatre Workshop New York, New York Artist development activities		38,000	19,000	19,000
Northern Clay Center Minneapolis, Minnesota Jerome Ceramic Artists Project and Residency Grants Program	26,500		26,500	
Orchestra of St. Luke's/St. Lukes Chamber Ensemble New York, New York Commissioning of new works by emerging composers		8,000	8,000	
Penumbra Theatre Company Saint Paul, Minnesota Reading Plus and Playground developmental programs for new works		25,000		25,000
Pillsbury United Communities/Pillsbury House Theatre Minneapolis, Minnesota New works by emerging playwrights	12,000		12,000	

Jerome Foundation, Inc.

Schedule of Grant Commitments and Payments

As of and for the year ended April 30, 2008

	Grant Commitments Payable at Beginning of Year	Commitments Made During Year	Paid During Year	Grant Commitments Payable End of Year
Pillsbury United Communities/Pillsbury House Theatre (cont.)				
<i>Non-English Speaking Spoken Here:</i>				
<i>The Late Nite Series</i>	\$ 17,250	\$ 34,500	\$ 51,750	\$ -
Playwrights' Center (The)				
Minneapolis, Minnesota				
Many Voices Program		23,000		23,000
Jerome Emerging Playwrights Fellowship Program		132,000	10,000	122,000
Playwrights Horizons				
New York, New York				
American Voice artistic development program and productions by emerging playwrights		46,000	23,000	23,000
Proto-type Theater				
Brooklyn, New York				
Creation and production of <i>Whisper</i>		8,000	8,000	
Rain Taxi				
Minneapolis, Minnesota				
State-to-State Poets Exchange		10,000	10,000	
Red Eye Collaboration				
Minneapolis, Minnesota				
New Works 4 Weeks and Critical Core programs, encompassing Isolated Acts and Works-in-Progress	30,000		30,000	
Rhizome.org				
New York, New York				
Commission Program		30,000	15,000	15,000
Rochester Art Center				
Rochester, Minnesota				
3rd Floor Emerging Artists Exhibition Series		12,000	12,000	
Roulette Intermedium				
New York, New York				
Emerging Composer Commissioning Program	24,000	40,000	44,000	20,000

Jerome Foundation, Inc.

Schedule of Grant Commitments and Payments

As of and for the year ended April 30, 2008

	Grant Commitments Payable at Beginning of Year	Commitments Made During Year	Paid During Year	Grant Commitments Payable End of Year
James Sewell Ballet Minneapolis, Minnesota <i>Ballet Works</i> Program	\$ -	\$ 12,000	\$ 12,000	\$ -
Soap Factory (The) Minneapolis, Minnesota Participation of emerging artists in the Exhibition Program		24,000	24,000	
Southern Theater Foundation Minneapolis, Minnesota New Music and Media Collaborations Commissioning Program	30,000		30,000	
New work by Karen Sherman		12,000	12,000	
Springboard for the Arts Saint Paul, Minnesota Artists' Services and the Diversity and Accessibility Initiative	31,000		31,000	
STREB/Ringside Brooklyn, New York Emerging artist commissioning program		21,000	21,000	
Studio Museum in Harlem (The) Harlem, New York Artists-in-Residence Program		25,000	12,500	12,500
Textile Center of Minnesota Minneapolis, Minnesota Participation of emerging artists in the Exhibition Program, intensive seminars and workshops and access to the dye lab		16,000	16,000	
13 Playwrights, Inc. Brooklyn, New York Production of new plays by emerging playwrights		8,000	8,000	

Jerome Foundation, Inc.

Schedule of Grant Commitments and Payments

As of and for the year ended April 30, 2008

	Grant Commitments Payable at Beginning of Year	Commitments Made During Year	Paid During Year	Grant Commitments Payable End of Year
Thirteen/WNET New York New York, New York <i>Reel New York</i>	\$ 25,000	\$ -	\$ 25,000	\$ -
Troika Ranch Brooklyn, New York Creation and development of new work		10,000	10,000	
TU Dance Saint Paul, Minnesota Creation and production of new works by choreographer Uri Sands		12,000	12,000	
VocalEssence Minneapolis, Minnesota Essentially Choral Program		27,000	27,000	
Voice & Vision New York, New York ENVISION Retreat and Lab Workshop Productions		20,500	5,500	15,000
VSA arts of Minnesota Minneapolis, Minnesota Artist Recognition Grant Program and grants and services to emerging artists with disabilities	17,500		17,500	
Walker Art Center Minneapolis, Minnesota <i>Momentum: New Dance Works Series</i> by emerging choreographers		40,000	20,000	20,000
Zeitgeist Saint Paul, Minnesota Composer Workshop		27,000	13,500	13,500
Zenon Dance Company and School Minneapolis, Minnesota Commissions of new works by emerging choreographers	25,000		25,000	
	<u>\$ 960,076</u>	<u>\$ 2,909,109</u>	<u>\$ 2,759,065</u>	<u>\$ 1,110,120</u>