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111 Radio Circle
Mount Kisco, NY 10549
Tel: 914.242.2385
Fax: 914.241.1195
Email: dehaan@kfound.org

On the cover
Photograph of the Pioneer Valley of Western Massachusetts. Within the valley is the Great Meadow of Hadley, a property held by the Kestrel Land Trust. Kestrel is supported through the Vision Fund’s loan fund with the Open Space Institute. See page 12 for more information about the loan fund. Photograph by Paul Redstone/Kestrel Land Trust.
THE KOHLBERG FOUNDATION
ANNUAL REPORT 2005

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Occasionally all of us should make time to step back and consider THE WHOLE. THE WHOLE can be large or small; it can have just a few parts, or it can be very complex with more inputs, details and sub-systems than you can grasp. Either in its parts or in its entirety, you may think you have knowledge or understanding of what’s going on, or you may realize that there are things that happen that you cannot explain (like the inner workings of a computer or the weather). In spite of, or in addition to the current American emphasis and celebration of specialists and our focus on detail, people who care about results also need to pay attention to ways that component parts come together. When we take time to think holistically, in making grants or solving problems, we generally end up with more satisfying results.

The Kohlberg Foundation has special interest in three areas of grant making: the environment, integrative medicine, and strategies for helping families and communities to serve youth-at-risk. Thinking holistically in these three areas is critical, because each involves complex relationships and systems where problems and opportunities are part of an interdependent web of living organisms, natural (and unnatural) forces and human dynamics. We work with a rich variety of organizations and individuals who can focus on a discrete problem in water quality or in acupuncture research or in juvenile justice reform. But the best partners are also collaborators, educators, and activists who carry their work to the next level of personal and professional sharing. We need both results at the individual level and enthusiastic idealists who see their work contributing to the larger whole.

In this Annual Report we describe Kohlberg Foundation activities that pull together clusters of grants where several organizations work together, each using their particular expertise to move the agenda forward on a larger scale. In western Massachusetts, we are funding a dozen conservation organizations to collectively advance the quality and pace of conservation on "working land" in this region. This involves strategies to put more farmland and forests under conservation easements, to preserve and enhance the role of family farms and sustainable forestry, and to give stewards of this land the tools they need to keep the land and the ecosystems healthy and productive into the next century. There is both practical and emotional satisfaction in this work, not only for those doing the work, but also for those who will enjoy the food, forest products, clean air and water, and physical beauty of this land in the future. Technically expert foresters, lawyers, mapmakers and marketing specialists each provide skills that move this program forward, but we select them because they also value and insist on a team approach to advancing this vision. We have similar interests in Baja CA, Mexico and in San Diego County, each a regional cluster of grantees with their own unique blend of problems, opportunities, and talented organizations.
Holistic health, also known as integrative medicine, also emphasizes the well-being of the whole person and a team approach to health care. Dr. Brian Berman at the University of Maryland leads a group of health care professionals including acupuncturists, physicians and nurses, mind-body and biofeedback specialists and research design professionals who combine their talents to treat patients, but who also conduct NIH sponsored research resulting in publication in nationally recognized medical journals. Brian testifies at hearings to modify Medicare and health insurance programs to include integrative therapies. He spends time each week in his clinic, seeing patients. He also collaborates with Deans of Medical Schools on curriculum and leads a group of like-minded researchers to create a practice-based research network to gather data on what works and what doesn’t work in this field. We support Dr. Brian Berman’s team because they think holistically on every level. In 2005 we also supported similarly talented teams at San Diego Children’s Hospital, Zen Hospice, and Northern Westchester Hospital Center.

When we think about important messages and powerful leaders that speak on both an individual and a whole community level, nobody has a more quietly explosive effect than Dr. Jane Goodall. She empowers every young person to change the world and improve the environment as a member of a Roots and Shoots group in their community. Dr. Jane is an environmental rock star with intergenerational impact. If she and her team continue to mobilize young people, their teachers and their parents, the network of human beings who care about the environment could multiply at a rate that rivals cell phones or ipods. We can only dream about the cumulative effect of that kind of groundswell; we can only hope that they will be successful. She might change the whole attitude about environmental issues for the better.

Nurturing the WHOLE is a mindset and a habit that we hope to reinforce with each organization, with each grant and with each year of activity. Of course we strive for attention to detail and individual excellence in our work, but the work of the team and the way things fit together in a larger sense is sometimes underappreciated and can be overlooked when things get busy and pressures to perform individually are intense. As you review the grants represented in this 2005 Annual Report, please take a moment to reflect on how these hardworking people and organizations are making a difference in the world we all inhabit together. When you encounter someone like them, give them a smile and acknowledge how each of us can build a better WHOLE.

With thanks and hope for their continued success,

Nancy McCabe
Executive Director
The Kohlberg Foundation, Inc.
The McCormack Scholars, classes of 2008 and 2009 (above); embarks on their traditional fall camping trip. There were 6 McCormack Scholars supported by the Foundation in 2005.
Meserve - Kunhardt Foundation $250,000
The Meserve-Kunhardt Collection holds a variety of pictorial and written representations of the nation's development and its most important leaders in the 19th century, with a particular focus on Abraham Lincoln. The collection includes a large number of 19th and 20th century photographs lovingly collected by Philip B. Kunhardt, Jr. and his descendents. Kunhardt personally guided the curatorial and preservation activities supported by this grant as his final project. He passed away in March 2006. The collection received a provisional museum charter this year.

Kunhardt Productions $325,000
Kunhardt Productions makes documentary films about the people and the ideas that have shaped our history, telling stories that inform, entertain and inspire. Helped by Pete and Toshi Seeger, Kunhardt teamed up with the Hudson River Sloop Clearwater, an organization that promotes environmental education and activism, to create a film about Clearwater's history called 'Til the River Runs Clear. An additional grant supported an educational outreach component for the film which will teach students about environmental issues relating to the Hudson River.

Manhattanville College $235,000
A grant of $185,000 supports the Elizabeth McCormack Scholars of Fall 2005 and Spring 2006. Three new scholarship recipients were selected this year. An additional $50,000 supports the Duchesne Center for Religion and Social Justice, which coordinates community outreach and leadership initiatives across the campus.

Jacob Burns Film Center $1,000,000
The Jacob Burns Film Center is a nonprofit cultural arts center dedicated to: presenting the best of independent, documentary, and world cinema; promoting visual literacy; and making film a vibrant part of the community. This is the first of three equal installments that will support the creation of a new education center focusing on visual literacy and emphasizing services for schools and disadvantaged neighborhoods.

Swarthmore College $4,000,000
This $4,000,000 grant completes a pledge totaling $10,000,000 for the renovation of Parrish Hall, a building that serves as the heart of Swarthmore's campus. A team of designers and architects, using input from students, created a plan for the modernization of the building, a project referred to by Swarthmore as the "renewing of an icon." The renovation was completed in December 2005.
**Thirteen/Public Affairs Television, Inc.**  
$500,000  
This grant supports Public Affairs Television, led by Bill and Judith Moyers, to support their work to advance progressive and democratic ideas in a variety of media. Part of this grant is directed towards the creation of three new investigative documentaries to air under the title "Moyers on America." This grant is the first of five annual installments.

**Hospital for Special Surgery**  
$50,000  
The vision of the Hospital is to be an innovative source of medical care, a premier research institution, and a trusted educator in the fields of orthopedics, rheumatology, and related disciplines. This grant will support research conducted under Stephen A. Paget, MD, as described in the paper "Does Age Bias the Aggressive Treatment of Elderly Rheumatoid Arthritis Patients?"

**The Mederi Foundation**  
$50,000  
Mederi will create a new Center for Natural Healing in Ashland, Oregon, that will promote the science and tradition of natural healing in a nurturing and caring environment. This grant supports the launch of the new center led by Donnie Yance, a gifted healer and researcher in the scientific underpinnings of herbal pharmacology.

**Proteus Fund**  
$250,000  
Proteus funds programs that expand access to our democracy with the goal of building and strengthening the social justice movement. At a time when many processes and practices in US elections are threatened or broken, this grant supports work in campaign finance reform, clean elections, and voter education and registration.

**University of Maryland**  
$577,000  
This grant supports the Center for Integrative Medicine, an inter-departmental center within the University of Maryland School of Medicine. A leading international center for research, patient care, education and training in integrative medicine, the Center has been named a National Institute of Health Center of Excellence for research in complementary medicine and Center for Traditional Chinese Medicine research led by Brian and Sue Berman.

**Martha's Vineyard Hospital Foundation**  
$500,000  
This grant supports the "New Beginning" capital campaign of Martha's Vineyard Hospital to construct a new hospital building, enhance existing care, and build capacity through additional physicians and state of the art diagnostic equipment.
## GRANTS BY PROGRAM AREA

### ARTS AND CULTURE
- Martha's Vineyard Historical Society: $1,000
- Roundabout Theatre Company: $2,500
- Small Press Center: $500
- Thirteen-WNET: $5,000
- United States Holocaust Memorial Museum: $5,000

### CIVIC, COMMUNITY, AND PUBLIC POLICY
- Alliance for Justice: $25,000
- Bridge Fund of Westchester: $5,000
- Business Leaders for Sensible Priorities: $1,000
- Compassion and Choices: $25,000
- Devereux Foundation: $25,000
- Edgartown Fireman's Association: $300
- Educating Children for Parenting Inc.: $1,000
- Family Services of Westchester: $45,000
- Four One Five Society: $15,000
- Gilda's Club of Westchester: $10,000
- Human Development Services of Westchester: $5,000
- Human Rights First: $38,000
- International Lawn Tennis Club: $5,000
- Legal Services for Children: $10,000
- Mount Kisco Day Care Center: $50,000
- Mount Kisco Volunteer Ambulance Corps: $500
- Mount Kisco Volunteer Fire Department: $500
- National Abortion Rights Action League: $1,000
- National Alliance for Research on Schizophrenia and Depression: $2,500
- Neighbors Link: $25,000
- New York Junior Tennis League: $5,000
- Open Door: $15,000
- Partners in Health: $25,000
- Planned Parenthood Hudson Peconic Inc.: $2,000
- Population Council: $5,000
- Vineyard House Inc.: $5,000
- Westchester ARC: $2,500
- Westchester Food Patch: $5,000
- Yorktown Heights Engine Company #1: $300
EDUCATION
Chilmark Public Library $500
Columbia Law School $1,500
Educational Alliance $5,000
Hampshire Country School $20,000
New Rochelle Fund for Educational Excellence $15,000
Westchester Community College $25,000

ENVIRONMENT
The American Livestock Breeds Conservancy $1,500
Environmental Grant Makers Association $2,500
Felix Neck Wildlife Sanctuary $1,000
Heifer Project $250
Long Live the Kings $2,500
Martha's Vineyard Community Services $1,000
Martha's Vineyard Preservation Trust $5,000

Children participating in an educational program at Clifdale Farm, part of Teatown Lake Reservation

A grant to the Polly Hill Arboretum on Martha’s Vineyard supported the construction of a new greenhouse
ENVIRONMENT
The Polly Hill Arboretum $5,000
Sheriff's Meadow Foundation $6,000
Slow Food $10,000
SummerTree Institute $20,300
Teatown Lake Reservation Inc. $15,000
Vineyard Conservation Society $5,000
Vineyard Energy Project $5,000
Waterkeeper Alliance $10,000

MEDICAL
American Lyme Disease Foundation $5,000
Bachman Strauss Dystonia and Parkinson Foundation $5,000
The Burke Rehabilitation Hospital $5,000
Dana-Farber Institute $100,000
Hospice Care of Westchester and Putnam $6,000
Leukemia and Lymphoma Society $500
March of Dimes $1,500
Martha's Vineyard Hospital Foundation $10,000
Mental Health Association of Westchester $15,000
Northern Westchester Hospital Center $10,000
NYU Medical Center $5,000
Prostate Cancer Research and Education Foundation $25,000
Salk Institute $60,000
White Plains Hospital Center $55,000

YOUTH PROGRAMS
Boys and Girls Club of Newark $10,000
Boys and Girls Club of Northern Westchester $10,000
Sports and Arts in Schools $50,000
Tenacity $65,000
Washington Tennis and Education Foundation $15,000

OTHER
Council on Foundations $62,000
Environmental Careers Organization $32,300
The Foundation Center $1,000
Jewish Communal Fund $1,000,000
National Center for Family Philanthropy $2,500
SELECTED GRANTS OF THE VISION FUND

Western Massachusetts is at a critical point in the development of its land conservation programs, and the activities of the next few years will determine whether the area will retain its rural character or continue to urbanize in an unplanned, fragmented manner. The goal of our effort in western MA is to accelerate the pace and quality of land conservation by focusing on the protection of working lands. Through a loan fund with the Open Space Institute and a grant program, we hope to protect the farms and forests that characterize the region.

The Vision Fund began its multi-year grant program with the following projects:

**Community Involved in Sustaining Agriculture** $50,000
This grant supports the Farm to Cafeteria pilot project, which seeks to increase locally grown food sales to schools and large institutions.

**American Farmland Trust / Trust for Public Land** $60,000/$59,000
These organizations will work jointly to address policy and funding challenges to protecting farmland in the Connecticut River Valley of western MA. The goal is to expand the pipeline for farmland protection projects while raising the local, state and federal capacity to protect the region’s agricultural resources.

**Land Trust Alliance** $47,500
As a first step towards building the overall capacity of the region’s land trusts, the Land Trust Alliance will assess the needs of trusts through a survey, supported by a $27,500 grant. Based on the results of the survey and assessment, a plan will be developed to improve easement monitoring and coordination of conservation efforts. An additional grant of $20,000 supported scholarships for land trust training in Massachusetts and California.

**New England Forestry Foundation** $50,000
New England Forestry Foundation will work with land trusts, towns, and landowners to develop an economic plan for the sustainable use of the natural resource base (forests, farmlands and waterways). The economic rationale positions working forestland as a base for the local economies in the north Highlands and North Quabbin Woods.
Western Massachusetts Grants:

A delivery of fresh produce to a local school, part of Community Involved in Sustaining Agriculture's program (left);

Harvest in the Great Meadow of Hadley, a property held by the Kestrel Land Trust through the Open Space Institute Loan Fund (below)
Mt. Grace Land Conservation Trust  $110,000
Mt. Grace plans to coordinate and build land protection capacity throughout the North Quabbin and Northern Connecticut River Valley regions by strengthening the North Quabbin Regional Landscape Partnership.

The Nature Conservancy  $85,000
This grant supports the development of a Geographic Information System (GIS) tool that allows users to visualize, query and map scientific, stewardship, and parcel data at many scales. Mapping will identify priority conservation zones within the Westfield River Highlands landscape.

Trust for Public Land  $80,000
The Trust for Public Land will address the need for action-oriented conservation planning using an approach called "greenprinting," which integrates computer mapping with stakeholder preference to develop a conservation vision that reflects community priorities. The greenprinting initiative grant will focus on the Pioneer Valley.

Trustees of Reservations/HIGHLAND COMMUNITIES INITIATIVE  $80,000
The Highland Communities Initiative helps communities to identify and protect the natural landscapes and cultural resources of the "Highlands" region. This grant will work towards the adoption of the Community Preservation Act, updating conservation regulations, and conservation outreach.

Open Space Institute  $185,000
The mission of the Open Space Institute is to protect scenic, natural and historic landscapes to ensure public enjoyment, conserve habitats and sustain community character. To further this mission, they issue small grants and loans allowing midsized trusts to maintain the highest conservation standards. The Vision Fund made two grants this year totaling $160,000 to support a revolving loan fund in western MA. An additional $25,000 grant supported a conservation assessment of the region, which will guide funding and other preservation efforts.
**SELECTED GRANTS OF THE VISION FUND**

**HEALTH AND MEDICINE**

**Tapestry Health**

Tapestry is dedicated to providing high quality health services and advocacy for all those who are disenfranchised and underserved, with an emphasis on women and youth, in the Western Massachusetts area. This grant supports the pilot internship program "Exploring Public Health."

**Boston Medical Center**

This grant will fund two patient navigators on the staff: a Breast Health Program Patient Navigator and Urology/Otolaryngology Patient Navigator. Patient navigators provide important assistance to patients and act as a liaison between the patient and the multiple disciplines they encounter when referred to the hospital. This is a program for low-income, high-risk patients who otherwise have poor compliance records.

**Dana-Farber/Jimmy Fund**

The Jimmy Fund Walk raises money for cancer research and care at the Dana-Farber Institute. This year, the Kohlberg family participated in memory of Amy Kohlberg Quinlan, and a donation of $5,000 was made for each family member who walked in the event.

Family and friends of the Kohlberg Family gathered to participate in the Jimmy Fund Walk in Fall 2005
Harvard Medical School

The Center for Health and the Global Environment will collaborate with Stone Barns Center for Food and Agriculture, a farm, educational center, and restaurant whose mission is to demonstrate, teach and promote sustainable, community-based food production. The two centers will create a new program on sustainable and healthy food. Pictured above is the annual Global Environmental Award event held at Harvard. This year, three notable chefs created the meal and spoke about the importance of sustainable cuisine.

San Diego Children’s Hospital

This grant supports the Integrative Medicine pilot programs in the Departments of Hematology/Oncology and Chronic Pain at the Hospital. The mission of the programs is to facilitate patients’ well being by creating a healing environment through the integration of complementary and conventional medicine. The grant targets the areas of nutrition and acupuncture.
**International Community Foundation**  
$250,000

This grant supported Phase 1 of the Laguna, San Ignacio Conservation Alliance in Baja California Sur. Through partnerships with local ejidos, this project will protect land around the Lagoon, an important gray whale calving ground and ecotourism destination.

**Global Green Grants**  
$50,000

Global Green Grants supports grassroots environmental efforts around the world; our grant supports small local organizations in Baja California Sur. Recipients included: Ecoturismo Kuyima, an organization based in San Ignacio that seeks to promote the sustainable development of the area through ecotourism; Grupo Tortuguero de las Californias, which seeks to save endangered sea turtles along the Baja coast; and AsistED, which provides opportunities for higher education to the rural communities of Loreto. Pictured below is a whale-watching trip led by Ecoturismo Kuyima.
Selected Grants of the Vision Fund

**Tierra Miguel**
$75,000
Tierra Miguel offers education programs for the renewal of the earth and humanity through agriculture, education, and the healing arts. This grant supports the healthy soils sustainability program, which introduces biomass and its valuable properties to San Diego farmlands and encourages local sustainability by enhancing water and soil conservation.

**Conservation Resources Network**
$70,000
This grant supports the Conservation Resources Network to build the capacity of the San Diego land trust community and accelerate the quality and pace of land conservation.

**Natural Resources Defense Council**
$50,000
Following Hurricane Katrina, the Vision Fund supported the Natural Resource Defense Council with a $50,000 grant which will go to the testing of toxins around New Orleans and support of local partners in the proper clean-up of biological and chemical hazards.

**Enterprise Corporation of the Delta**
$100,000
The mission of the Enterprise Corporation is to strengthen communities, build assets, and improve lives in economically distressed areas of the Mid South by providing access to high quality financial services. This grant will support loan reserves to assist local non-profits.

**World Education**
$200,000
World Education provides training and technical assistance in non-formal education. A $185,000 grant, with an additional $75,000 made in fulfillment of a matching challenge, goes to the Farmer Field School and Girls Access to Education (GATE) programs, which support girls and out-of-school youth in rural Nepal by providing agricultural education, health information, and literacy training.
GRANTS BY PROGRAM AREA

ENVIRONMENTAL CONSERVATION
Amazon Conservation Team $70,000
Berkshires Natural Resource Council $45,000
Endangered Habitats League $50,000
Franklin Land Trust $45,000
Natural Resources Council of Maine $50,000
Red Tomato $75,000

INTEGRATIVE MEDICINE
Charlotte Maxwell Complementary Care Clinic $25,000
Silent Spring Institute $75,000
True North $15,000
Zen Hospice Project $25,000

COMMUNITY AND YOUTH AT RISK
Big Buddy $40,000
Boston Area Youth Organizing Project $23,600
Food Project $35,000
International Community Foundation $20,000
Jazz Foundation of America $25,000
Marin County Services for Women $20,000
Massachusetts Society for the Prevention of Cruelty to Children $35,000
MusiCares Foundation $25,000
Osteopathy’s Promise to Children $20,000
Peace Games $30,000
SummerTree Institute $35,000
University of South Florida Foundation $30,000
Vallecitos Mountain Refuge $12,500
GRANTS OF THE THIRD GENERATION

After-School All-Stars  $100,000
After-School All-Stars collaborates with the American National Rugby League, St. John's University, and the New York City Department of Education to teach the sport of rugby to high school and middle school students in urban areas. The program also involves an academic tutoring component. This grant funds the first year of the pilot program expansion in New York, San Diego, and Philadelphia.

City Slickers  $5,000
Based in Connecticut, City Slickers is a multicultural diversity awareness program that teaches young people about horses and helps them develop in educational and social areas. They offer educational programs and riding instruction year-round. This grant supports five upper-level riders traveling to the Winter Equestrian Festival in Palm Beach, Florida.

Puppies Behind Bars  $1,300
Puppies Behind Bars is a program that trains prison inmates to raise puppies to be guide dogs for the blind and explosive detection canines for law enforcement. A $100 donation was made in the name of each Kohlberg grandchild.

Two participants in the Puppies Behind Bars program
## Statements of Assets, Liabilities, and Net Assets—Tax Basis

December 31, 2005 and 2004 (Thousands of Dollars)

<table>
<thead>
<tr>
<th>ASSETS:</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity Investments, at quoted market value</td>
<td>$52,161</td>
<td>$62,200</td>
</tr>
<tr>
<td>Limited Partnership/Limited Liability Company/Other Investment Vehicles</td>
<td>118,064</td>
<td>82,539</td>
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<tr>
<td>Cash and Cash Equivalents (including funds held by investment custodians)</td>
<td>22,221</td>
<td>45,165</td>
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<tr>
<td>Fixed Income Investments</td>
<td>77,144</td>
<td>75,199</td>
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<tr>
<td>Other Assets</td>
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<td>8,348</td>
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<td><strong>TOTAL ASSETS</strong></td>
<td><strong>$286,904</strong></td>
<td><strong>$273,451</strong></td>
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<table>
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<tr>
<th>LIABILITIES:</th>
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</thead>
<tbody>
<tr>
<td>Accounts Payable</td>
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<td>1</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td><strong>2</strong></td>
<td><strong>1</strong></td>
</tr>
</tbody>
</table>

| UNRESTRICTED NET ASSETS          | 286,902  | 273,450  |
| TOTAL LIABILITIES AND NET ASSETS | $286,904 | $273,451 |

See auditors’ report and accompanying notes to financial statements.
## FINANCES

### Statements of Revenues, Expenses, and Other Changes in Net Assets - Tax Basis

December 31, 2005 and 2004 (Thousands of Dollars)

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
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</thead>
<tbody>
<tr>
<td><strong>CONTRIBUTIONS RECEIVED:</strong></td>
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</tr>
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<td></td>
<td>$12,337</td>
<td>$4,500</td>
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<tr>
<td><strong>REVENUE AND GAINS:</strong></td>
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</tr>
<tr>
<td>Dividends/Interest/Other</td>
<td>1,177</td>
<td>472</td>
</tr>
<tr>
<td>Income &amp; Appreciation on Fixed Income Portfolio</td>
<td>1,846</td>
<td>3,456</td>
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<tr>
<td>Income &amp; Appreciation of Equity Portfolio</td>
<td>4,970</td>
<td>7,361</td>
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<tr>
<td>Income &amp; Appreciation of Limited Partnership/Limited Liability Companies/Other Investment Vehicles</td>
<td>7,461</td>
<td>5,649</td>
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<tr>
<td>Other Income (Expense)</td>
<td>(5)</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total Revenues and Gains</strong></td>
<td><strong>15,449</strong></td>
<td><strong>16,943</strong></td>
</tr>
</tbody>
</table>

| **GRANTS & OTHER EXPENSES:** |      |      |
| Grants Authorized            | 12,970 | 12,502 |
| Administrative Expenses      | 961   | 900   |
| Excise Taxes                 | 403   | 68    |
| **Total Grants and Expenses** | **14,334** | **13,470** |

| **INCREASE IN NET ASSETS** | **13,452** | **7,973** |
| **UNRESTRICTED NET ASSETS (BOY)** | **273,450** | **265,477** |
| **UNRESTRICTED NET ASSETS (EOY)**   | **$286,902** | **$273,450** |

See auditors' report and accompanying notes to financial statements.
## Statement of Cash Flows - Tax Basis
December 31, 2005 and 2004 (Thousands of Dollars)

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
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</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES:</strong></td>
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<td></td>
</tr>
<tr>
<td>Cash contributions received</td>
<td>$ 7,617</td>
<td>$ 4,500</td>
</tr>
<tr>
<td>Investment income</td>
<td>1,275</td>
<td>1,019</td>
</tr>
<tr>
<td>Miscellaneous income</td>
<td>0</td>
<td>11</td>
</tr>
<tr>
<td>Cash grants paid</td>
<td>(12,970)</td>
<td>(12,502)</td>
</tr>
<tr>
<td>Cash paid for administrative expenses</td>
<td>(953)</td>
<td>(900)</td>
</tr>
<tr>
<td>Federal excise tax paid</td>
<td>(403)</td>
<td>(68)</td>
</tr>
<tr>
<td><strong>Net cash used by operating activities</strong></td>
<td>(5,434)</td>
<td>(7,940)</td>
</tr>
</tbody>
</table>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

| Proceeds from sale of investments    | 59,091   | 64,814   |
| Purchase of investments              | (76,601) | (37,139) |
| **Net cash provided (used) by investing activities** | (17,510) | 27,675   |

**NET INCREASE (DECREASE)**

| In Cash & Cash Equivalents           | (22,944) | 19,735   |
| Cash and Cash Equivalents (BOY)      | 45,165   | 25,430   |
| Cash and Cash Equivalents (EOY)      | $22,221  | $45,165  |

See auditors’ report and accompanying notes to financial statements.
NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005  
(THOUSANDS OF DOLLARS)

1. Summary of Significant Accounting Policies

Purpose
The Kohlberg Foundation, Inc. (the “Foundation”) is a private family foundation. The Foundation’s primary focus is to provide support for health and medical research, education and the environment.

Accounting Basis
The Foundation’s policy is to prepare its financial statements on the tax basis of accounting, which is similar to a modified cash basis. Consequently, certain revenue is recognized when received rather than when earned, and certain expenses and grants are recognized when cash is disbursed rather than when the obligation is incurred. The Foundation’s financial statements are prepared in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations, and reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Foundation complies with SFAS No. 116, Accounting for Contributions Received and Contributions Made, under which contributions are recognized as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. The Foundation has no temporarily or permanently restricted net assets.
Investments
The Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Assets, Liabilities, and Net Assets. Certain investments for which fair values are not readily determinable are carried on a tax basis. Unrealized gains and losses are included in investment income in the accompanying Statement of Revenues, Expenses, and Other Changes in Net Assets.

Use of Estimates
The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents
For purposes of the Statement of Cash Flows, the Foundation considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

2. Investments
Quoted market values are used to value investments other than index funds, which are carried based on fair values provided by fund managers. Limited partnership/Limited liability companies/Other investment vehicles use market values established by their managers, where quoted market values are not available. The investment’s tax basis has been used for certain investments where market values were not available. Realized gains or losses are determined by comparison of cost, determined on a first-in, first-out basis, to proceeds from sales. Investment transactions are recorded in the accounts on the trade date. The cost of investment securities represents the amount paid for securities purchased, adjusted for accretion of discount or amortization of premium on bonds purchased. Investment income related to each investment vehicle is included within the income and appreciation on that investment in the Statement of Revenues, Expenses, and Other Changes in Net Assets. Total interest and dividend income for the years ended December 31, 2005 and 2004, respectively, was $7,051 and $6,820. Total investment gains for the year ended December 31, 2005 and 2004 were $11,832 and $12,711, respectively. Investment fee expenses, which are included with investment returns, were $717 in 2005 and $607 in 2004.

3. Charitable Lead Trust
In 1996, a member of the Kohlberg family established a charitable lead trust. Under the terms of the trust agreement, the Trust shall make annuity payments that qualify as deductible charitable contributions to the Foundation annually for a period of twenty years, commencing in 1996. After the trust term ends, the Foundation has no remainder interest in the assets of the Trust.

4. Taxes
The Foundation is exempt from federal income taxes and qualifies as a private foundation under Section 501(c)(3) of the Internal Revenue Code. The Foundation is subject to a federal excise tax of two percent on net investment income, as defined. If the average payout ratio for the past five years plus one percent of net investment income in the current year, as defined, is less than the current year’s charitable distributions, federal excise tax is payable at one percent of net investment income, as defined. The Foundation paid federal excise tax of one percent in each of the years ended December 31, 2005 and 2004.
5. Grant Commitments
The Foundation has authorized but unpaid grants outstanding as of December 31, 2005 as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>$4,056</td>
</tr>
<tr>
<td>2007</td>
<td>2,236</td>
</tr>
<tr>
<td>2008</td>
<td>500</td>
</tr>
<tr>
<td>Total</td>
<td>$6,792</td>
</tr>
</tbody>
</table>

Payments on authorized but unpaid grants may be accelerated upon a mutual agreement between the Foundation and the grantees.

6. Retirement Plans
The Foundation participates in two defined contribution retirement plans. The plans cover all employees with over 1,000 hours of service per year. The salary deferral plan allows employees to defer a portion of their salary into the plan. The plan contains a matching contribution provision where the Foundation may match the participants’ contributions up to two percent of compensation. The money purchase plan requires the Foundation to contribute eight percent of annual eligible compensation, as defined, and is integrated with social security. Total pension expense, under both plans, for the years ended December 31, 2005 and 2004 are $48 and $44, respectively.

7. Concentrations of Credit Risks
The Foundation maintains its cash in bank deposit accounts at high-credit-quality financial institutions. Efforts are made to keep balances within federally insured limits; however, due to timing differences the balances, at times, may exceed federally insured limits. Additionally, the Foundation maintains money market accounts at major investment firms.

8. Administrative Costs
Certain Administrative costs to the foundation are allocated from related entities based on estimates of relative costs incurred.
INDEPENDENT ACCOUNTANTS’ REPORT

To the Board of Directors of
The Kohlberg Foundation, Inc.

We have audited the accompanying statements of assets, liabilities and net assets income tax basis of The Kohlberg Foundation, Inc. as of December 31, 2005 and 2004, and the related statements of revenues, expenses, and other changes in net assets income tax basis and cash flows for the years then ended. These financial statements are the responsibility of the Organization’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 audits to obtain reasonable assurance about whether the financial statements are free 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.

As described in Note 1, these financial statements were prepared on the basis of accounting The Kohlberg Foundation, Inc. uses for income tax purposes, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of The Kohlberg Foundation, Inc. as of December 31, 2005 and 2004, and its revenues, expenses, and other changes in net assets and cash flows for the years then ended on the basis of accounting described in Note 1.

Dylewsky, Goldberg & Brenner, LLC
July 22, 2006
THE KOHLBERG FOUNDATION
DIRECTORS AND OFFICERS
2005

DIRECTORS

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Anne Wiesen, Program Officer
Amanda DeHaan, Office Manager
Renu Mittal, Program Associate

* Deceased February 18, 2005
Notice

The Kohlberg Foundation, Inc. - The annual report and a copy of the IRS Form 990-PF (return of a private foundation) are available for inspection at our principal office, 111 Radio Circle, Mount Kisco, NY 10549. Requests for a copy may be made in writing to the Executive Director by mail or in person during business hours.

The Kohlberg Foundation is not currently accepting unsolicited proposals.

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