

330 Grant Street
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Pittsburgh, Pennsylvania 15219

HILLMAN FOUNDATION

Annual Report 2005

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TRUSTEES

Bruce I. Crocker

C.G. Grefenstette

Elsie H. Hillman

Henry L. Hillman

Eric C. Johnson **

Lawrence M. Wagner *

Ronald W. Wertz

OFFICERS

Henry L. Hillman
Chairman

Ronald W. Wertz
President

C.G. Grefenstette
Vice President

Eric C. Johnson
Vice President-Investments

David K. Roger
Secretary

Lisa R. Johns
Treasurer

STAFF

Ronald W. Wertz
President

David K. Roger
Program Director

Lisa R. Johns
*Manager, Financial Reporting
and Financial Analysis*

Carol E. Long
Foundation Administrator

Carol A. Slippey
Foundation Administrator

* *retired, June 2005*

** *elected, June 2005*

STATEMENT OF THE CHAIRMAN AND THE PRESIDENT

Since its founding in 1951, Hillman Foundation has remained committed to improving the quality of life in Pittsburgh and the southwestern Pennsylvania region.

In the year 2005, the Foundation's total distribution of \$6,718,600 included \$3,249,000 in 40 new grants and 35 payments totaling \$3,469,000 made on commitments approved in prior years. Leading into year 2006, outstanding pledges totaling \$21,020,000 were carried forward for payment through 2015.

Guided by a clear mission and principles developed and practiced by the Trustees for more than 50 years, the Foundation continues to promote the economic, social and cultural development of metropolitan Pittsburgh. In 2005, grants were approved in support of organizations in various program areas including: community and economic development; health and medicine; human and social services; education; cultural advancement and the arts; youth services; and environment and conservation. The Trustees continued their practice of placing highest priority on requests for capital initiatives such as construction and renovation, requests for endowment, particularly for medical research, and requests for program support to initiate or expand needed community services.

Each request received during the year was evaluated by the staff on the appropriateness of and need for the proposed initiative, the capacity of the organization to implement the initiative, and the timeliness of the proposed activity to effectively respond to articulated community needs. Also, the Foundation encouraged and supported multiple cooperative efforts among applicants and when appropriate sought to collaborate with other Pittsburgh-based foundations' support of community-based projects and programs.

In 2005 the Foundation approved the two largest grants in its history and marked a turn toward increasing its level of support for health and medically related activities. In what is the largest commitment ever received by the University of Pittsburgh, Hillman Foundation, in collaboration with Henry L. Hillman Foundation, approved a \$20 million grant to be paid over ten years at the rate of \$1 million per year by each foundation to establish the Hillman Fellows in Innovative Cancer Research program. This new initiative of the University of Pittsburgh Cancer Institute (UPCI) provides essential support for more than 30 researchers who rely on the funds to advance and test research concepts that will enable them to apply for major grants from the National Institutes of Health and other sources. The Fellows' program complements the Foundation's prior investments in the construction of Hillman Cancer Center and the Ronald B. Herberman Conference Center and is helping to build UPCI's reputation as a national and world leader while creating a dynamic economic force in Pittsburgh-based medical research.

Also approved in 2005 was a joint Hillman Foundation–Henry L. Hillman Foundation commitment to Children's Hospital of Pittsburgh in support of pediatric transplantation clinical care and research conducted at the hospital. Each year, over 80 children from around the country and the world, from infants to adolescents, undergo life-saving surgery available only at a handful of hospitals. Among these elite institutions, Children's is a leader in providing the best care for the most difficult and complicated procedures. A new endowment of \$10 million established with a \$5 million commitment from both Hillman Foundation and Henry L. Hillman Foundation will be used to establish the Hillman Pediatric Transplant Center allowing the hospital to keep and recruit top talent and continue to make advances in this field.

The Children's Home of Pittsburgh received a major contribution for the construction of the Home's new facility on Penn Avenue that will permit the expansion of care for medically fragile children.

Hillman Hall of Minerals and Gems at Carnegie Museum of Natural History celebrated its 25th Anniversary in 2005 and planning is underway to renovate and expand the Hall. The Hall expansion will provide new space to feature high-quality gems and jewelry to complement the first-rate mineral collection developed over the past 35 years. In addition to the grants to renovate and expand the Hall, three other contributions were approved for the purchase of gem and jewelry specimens for the new Gallery and two contributions for the purchase of four mineral specimens, eight gemstones and a suite of mineral crystals. These new acquisitions will be displayed in the Systematic and Lapidary sections and Properties of Minerals exhibit of Hillman Hall and the Birthstone/Gemstone exhibit now being developed.

To promote the City's many cultural activities and increased tourism, the Foundation joined with other funders in supporting the Pittsburgh Roars campaign, a collaborative effort of more than 65 organizations working to develop new programs to promote the City as a quality place to work, live and visit. Pittsburgh Roars is the first of a two-year program leading into the city of Pittsburgh's 250th Anniversary. Committed to helping strengthen the region's key cultural assets, the Foundation assisted the Pittsburgh Symphony Orchestra with support for its operations and performances. Other recipients of contributions in the cultural advancement and the arts program area include: the Carnegie Museum of Art which acquired three pieces of original furniture by Marcel Breuer for the Frank House in Pittsburgh, designed by Breuer in collaboration with Walter Gropius in 1939; Pittsburgh Center for the

Arts to assist with its merger with Pittsburgh Filmmakers; Pittsburgh Children's Museum to undertake an effort to expand the number of annual fund contributors; Silver Eye Center for Photography for building improvements; and Westmoreland Museum of American Art toward growing its endowment.

Carlow University received a major grant for an endowment that was created to support programs and to advance the work of the Grace Ann Geibel Institute for Justice and Social Responsibility. The new Institute was named in honor of Sister Grace Ann Geibel in recognition of her years of service to Carlow University. At the request of the University, the endowment has been named the Elsie H. Hillman Endowment. Mrs. Hillman served on Carlow's Board of Directors and worked with Grace Ann Geibel on a number of projects.

In addition to the prior mentioned programs and projects, others that reflect the range of the Foundation's interests include in education: the eLearning program to provide internet-based workforce training at Community College of Allegheny County; renovation of the eighth grade classroom at The Neighborhood Academy, a private school serving students from low income families, grades 8 through 12; and support for the endowment of NEED (Negro Educational Emergency Drive), a private program to provide scholarships for minority students from the Pittsburgh region. The University of Pittsburgh received two contributions: one toward establishing the Mark Nordenberg endowed chair in the School of Law and one in support of the initiatives of the Institute of Politics.

In the program areas of human and social services and youth services contributions were made to: Veterans Place of Washington Boulevard for supportive services for homeless veterans; Mel Blount Youth Home to renovate program and residential facilities; North Hills Community Outreach for

construction of the Millvale satellite facility; and YMCA of McKeesport for technology upgrades and capital improvements at the community-based Technology Learning Center at Crawford and Harrison Villages in the Mon Valley.

Economic and community development continued to be a focus of the Foundation's grantmaking program in 2005. During the year grants were made to: Allegheny Conference on Community Development for research initiatives on regional tax and business competitiveness; Pittsburgh Downtown Partnership to advance the Fifth–Forbes downtown redevelopment initiative; The Technology Collaborative toward initiatives in support of cyber security, advanced electronics and robotics industry development; and The Union Project for renovating a former church in Highland Park into a community center.


Most of what will be remembered about 2005 will certainly be related to the devastation caused in the Gulf Coast and other areas of the country by Hurricane Katrina. The Foundation approved grants to the American Red Cross–Southwestern Pennsylvania Chapter and Salvation Army as well as to the local effort of regional human services and housing agencies assisting over 400 individuals and 100 families who relocated to the area as a result of the disaster. A grant also was approved to the Ivan Flood Relief Business Development Fund at The Pittsburgh Foundation to help local businesses devastated by the September 17, 2004 flooding.

Other grants were made to Pittsburgh Parks Conservancy for reconstruction of Schenley Plaza; WYEP-FM for construction of the Community Broadcast Center; and Brownsville Area Revitalization Corporation to renovate the Patricia Hillman Miller Pavilion in the Brownsville–Luzerne Community

Park. Support was continued for The Foundation Center for its outreach and information services to nonprofit organizations. United Way of Allegheny County received an annual contribution toward its community campaign goal of \$30.7 million.

The Foundation retained its membership in two professional organizations, Grantmakers of Western Pennsylvania (GWP) and The Philanthropy Roundtable. GWP is a regional association of grantmaking organizations—foundations, corporations and charitable trusts—providing philanthropic services to its members in 26 counties of western Pennsylvania. The Philanthropy Roundtable is a national association of individual donors, corporate giving representatives, Foundation staff and Trustees, and trust and estate officers that provides a forum through annual national and regional meetings for its members to discuss principles and practices for expanding individual achievement and rewarding personal initiative, self-reliance and private enterprise.

Remaining sections of this Annual Report, including the supporting financial statements as audited by Sisterson & Co. LLP, summarize this year's activities and describe the Foundation's grantmaking policies and procedures. The purpose of each grant commitment approved and paid during the year is described in a brief statement.



Chairman



President

CONTRIBUTIONS

AUTHORIZED, PAID AND CARRIED FORWARD

	Initial Grant	Unpaid Balance 12/31/04	Grants Approved 2005	Payments Made 2005	Unpaid Balance 12/31/05
ACTION-Housing, Inc.					
<i>425 Sixth Avenue, Suite 950, Pittsburgh, PA 15219-1819</i>					
Toward recapitalization of Development Fund for housing construction and supportive housing programs and services: 3-Year Pledge Approved in 2004	\$ 300,000	\$ 200,000	\$ —	\$ 100,000	\$ 100,000
Allegheny Conference on Community Development					
<i>425 Sixth Avenue, Pittsburgh, PA 15219</i>					
Toward implementation of 3 Rivers: One Future, a program to create new jobs and public/private investment in southwestern Pennsylvania: 3-Year Pledge Approved in 2003	120,000	40,000	—	40,000	—
Toward Strategic Investment Fund to build private investment capital for key economic development projects in southwestern Pennsylvania: 5-Year Pledge Approved in 2001	500,000	50,000	—	50,000	—
Toward competitive research and tax competitiveness initiatives to strengthen business retention and recruitment efforts	75,000	—	75,000	75,000	—
American Red Cross, Southwestern Pennsylvania Chapter					
<i>225 Boulevard of the Allies, P.O. Box 1769, Pittsburgh, PA 15230</i>					
Toward Hurricane Katrina Flood Relief Fund	5,000	—	5,000	5,000	—
Animal Friends, Inc.					
<i>562 Camp Horne Road, Pittsburgh, PA 15237</i>					
Toward construction of Resource Center for community and educational programs: 2-Year Pledge Approved in 2004	100,000	25,000	—	25,000	—
Blind & Vision Rehabilitation Services of Pittsburgh					
<i>1800 West Street, Homestead, PA 15120</i>					
Toward purchase of computer equipment to provide vocational training for visually-impaired individuals: 3-Year Pledge Approved in 2004	117,000	65,000	—	40,000	25,000

	Initial Grant	Unpaid Balance 12/31/04	Grants Approved 2005	Payments Made 2005	Unpaid Balance 12/31/05
Brownsville Area Revitalization Corporation (BARC)					
<i>P.O. Box 97, Brownsville, PA 15417</i>					
Toward renovation of Patricia Hillman Miller Pavilion and purchase and installation of playground equipment	\$ 81,000	\$ —	\$ 81,000	\$ 81,000	\$ —
Carlow University					
<i>3333 Fifth Avenue, Pittsburgh, PA 15213</i>					
Toward establishing Elsie H. Hillman Endowment in support of programs and initiatives of Grace Ann Geibel Institute for Justice and Social Responsibility: 5-Year Pledge	1,000,000	—	1,000,000	200,000	800,000
Carnegie Institute					
<i>4400 Forbes Avenue, Pittsburgh, PA 15213-4080</i>					
Toward Carnegie Museums of Pittsburgh capital campaign in support of:	3,000,000	1,200,000	—	600,000	600,000
• construction of “Dinosaurs in Their World,” Museum of Natural History					
endowments of:					
• Foundation for the Future Fund, in support of operations					
• Henry L. Hillman Fund, Museum of Art, for acquisitions and exhibitions					
• Hillman Hall of Minerals and Gems, Museum of Natural History, for Hall maintenance and operations					
5-Year Pledge Approved in 2002					
Toward “Pittsburgh Roars,” a promotional campaign to increase regional cultural tourism	50,000	—	50,000	50,000	—
Carnegie Institute/Museum of Art					
<i>4400 Forbes Avenue, Pittsburgh, PA 15213</i>					
Toward Director’s Discretionary Fund for special projects	10,000	—	10,000	10,000	—
Toward purchase of four related pieces of furniture designed by Marcel Breuer	200,000	—	200,000	200,000	—

	Initial Grant	Unpaid Balance 12/31/04	Grants Approved 2005	Payments Made 2005	Unpaid Balance 12/31/05
Carnegie Institute/Museum of Natural History					
<i>4400 Forbes Avenue, Pittsburgh, PA 15213-4080</i>					
Toward installation of new lighting in Hillman Hall of Minerals and Gems	\$ 100,000	—	\$ 100,000	\$ 100,000	\$ —
Toward purchase of four mineral specimens and 12 cut Quartz gems for display in Systematic and Lapidary sections and Properties of Minerals exhibit of Hillman Hall of Minerals and Gems	21,300	—	21,300	21,300	—
Toward purchase of three rubies, four emeralds, suite of 46 tourmaline crystals and a lazurite crystal for display in Birthstones/Gemstones exhibits now being developed: 3-Year Pledge	201,000	—	201,000	65,000	136,000
Toward renovation and expansion of Hillman Hall of Minerals and Gems	225,000	—	225,000	225,000	—
Toward 25th Anniversary celebration of Hillman Hall of Minerals and Gems	12,000	—	12,000	12,000	—
Carnegie Library of Pittsburgh Foundation					
<i>4400 Forbes Avenue, Pittsburgh, PA 15213-4080</i>					
Toward renovation of main library facility: 4-Year Pledge Approved in 2003	400,000	200,000	—	100,000	100,000
Chartiers Valley Partnership					
<i>c/o Andrew Carnegie Free Library & Music Hall, 300 Beechwood Avenue, Carnegie, PA 15106</i>					
Toward restoration and renovation of Carnegie Free Library and Community Center: 3-Year Pledge Approved in 2004	200,000	100,000	—	50,000	50,000
Chatham College					
<i>Woodland Road, Pittsburgh, PA 15232</i>					
Toward endowment and programs of Center for Women, Politics and Public Policy in Pennsylvania: 5-Year Pledge Approved in 2003	2,950,000	1,950,000	—	500,000	1,450,000

	Initial Grant	Unpaid Balance 12/31/04	Grants Approved 2005	Payments Made 2005	Unpaid Balance 12/31/05
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The Children's Home of Pittsburgh <i>5618 Kentucky Avenue, Pittsburgh, PA 15232</i>					
Toward construction of program/administrative facility and expansion of programs: 5-Year Pledge	\$ 500,000	—	\$ 500,000	\$ 100,000	\$ 400,000
<hr/>					
Children's Hospital of Pittsburgh Foundation <i>1251 Waterfront Place, Floor 5, Pittsburgh, PA 15222</i>					
Toward establishing Hillman Endowment for Pediatric Transplantation and Hillman Pediatric Transplant Center: 7-Year Pledge	5,000,000	—	5,000,000	700,000	4,300,000
Toward innovative initiatives of Hillman Pediatric Transplant Center: 4-Year Pledge	200,000	—	200,000	80,000	120,000
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Community College of Allegheny County <i>800 Allegheny Avenue, Pittsburgh, PA 15233-1895</i>					
Toward development and implementation of e-learning workforce training program: 2-Year Pledge	150,000	—	150,000	80,000	70,000
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Family Guidance, Inc. <i>307 Duff Road, Sewickley, PA 15143-9554</i>					
Toward construction of Leckie Activities Center at Promise Camp: 2-Year Pledge Approved in 2004	50,000	20,000	—	20,000	—
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Forbes Regional Hospital <i>2570 Haymaker Road, Monroeville, PA 15146</i>					
Toward relocation and renovation of Forbes Hospice facility and purchase of furnishings: 2-Year Pledge Approved in 2004	75,000	25,000	—	25,000	—

	Initial Grant	Unpaid Balance 12/31/04	Grants Approved 2005	Payments Made 2005	Unpaid Balance 12/31/05
<hr/>					
The Foundation Center <i>79 Fifth Avenue, New York, NY 10003-3076</i>					
Toward information services and outreach programs: 3-Year Pledge Approved in 2004	\$ 12,000	\$ 8,000	\$ —	\$ 4,000	\$ 4,000
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Friends of the Tom Ridge Center <i>Presque Isle State Park, P.O. Box 8510, Erie, PA 16505-0510</i>					
Toward endowment in support of programs, operations and special initiatives of Tom Ridge Center for Environmental Education and Research: 4-Year Pledge Approved in 2004	250,000	150,000	—	75,000	75,000
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Gilda's Club Western Pennsylvania <i>2816 Smallman Street, Pittsburgh, PA 15222</i>					
Toward establishing Gilda's Club Western Pennsylvania to provide support services for cancer patients and their families: 3-Year Pledge Approved in 2003	150,000	25,000	—	25,000	—
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Greater Pittsburgh Community Food Bank <i>1 North Linden Street, Duquesne, PA 15110</i>					
Toward establishing capital fund for minor renovations and purchase of refrigeration equipment for satellite distribution organizations in 11 county service areas of southwestern Pennsylvania: 2-Year Pledge Approved in 2004	100,000	50,000	—	50,000	—
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The Greater Pittsburgh Council, Boy Scouts of America <i>Flag Plaza, 1275 Bedford Avenue, Pittsburgh, PA 15219-3699</i>					
Toward renovation and expansion of dining/meeting hall at Camp Twin Echo: 4-Year Pledge Approved in 2003	250,000	75,000	—	50,000	25,000

	Initial Grant	Unpaid Balance 12/31/04	Grants Approved 2005	Payments Made 2005	Unpaid Balance 12/31/05
Historical Society of Western Pennsylvania <i>1212 Smallman Street, Pittsburgh, PA 15222-4200</i> Toward construction of Smithsonian Wing housing the Western Pennsylvania Sports Museum, Special Collections Gallery and changing exhibits: 4-Year Pledge Approved in 2003	\$ 200,000	\$ 50,000	\$ —	\$ 25,000	\$ 25,000
The Mel Blount Youth Home of Pennsylvania <i>6 Mel Blount Drive, Claysville, PA 15323</i> Toward renovation and upgrading of program and residential facilities: 2-Year Pledge	115,000	—	115,000	75,000	40,000
Merrick Art Gallery Associates <i>Fifth Avenue at Eleventh Street, New Brighton, PA 15066</i> Toward renovation of gallery facility: 2-Year Pledge Approved in 2004	50,000	20,000	—	20,000	—
National Aviary in Pittsburgh <i>Allegheny Commons West, Pittsburgh, PA 15212</i> Toward expansion of program facilities, development of new exhibits and endowment: 5-Year Pledge Approved in 2004	1,000,000	800,000	—	200,000	600,000
Negro Educational Emergency Drive (NEED) <i>Regional Enterprise Tower, 425 Sixth Avenue, Pittsburgh, PA 15219</i> Toward endowment for student financial aid: 3-Year Pledge	150,000	—	150,000	50,000	100,000
The Neighborhood Academy <i>5231 Penn Avenue, Suite 200, Pittsburgh, PA 15224</i> Toward renovation and expansion of classroom facilities	70,300	—	70,300	70,300	—
North Hills Community Outreach, Inc. <i>1975 Ferguson Road, Allison Park, PA 15101-3502</i> Toward renovation of Millvale satellite facility an expansion of outreach counseling and educational services	75,000	—	75,000	75,000	—

	Initial Grant	Unpaid Balance 12/31/04	Grants Approved 2005	Payments Made 2005	Unpaid Balance 12/31/05
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Pittsburgh Center for the Arts <i>6300 Fifth Avenue, Pittsburgh, PA 15232</i>					
Toward financial stabilization and merger with Pittsburgh Filmmakers	\$ 25,000	\$ —	\$ 25,000	\$ 25,000	\$ —
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The Pittsburgh Children's Museum <i>10 Children's Way, Allegheny Center, Pittsburgh, PA 15212</i>					
Toward renovation and expansion of facilities and programs: 5-Year Pledge Approved in 2001	3,000,000	200,000	—	200,000	—
Toward Annual Fund challenge grant: match is dollar-for-dollar in new funds up to \$25,000 per year for 2005/2006 and 2006/2007: 2-Year Pledge	50,000	—	50,000	10,000	40,000
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Pittsburgh Community Broadcasting Corporation WYEP FM <i>2313 East Carson Street, Pittsburgh, PA 15203-2161</i>					
Toward construction of community broadcast center	25,000	—	25,000	25,000	—
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The Pittsburgh Downtown Partnership <i>925 Liberty Avenue, 1st Floor, Pittsburgh, PA 15222</i>					
Toward programs and activities to promote long-term organizational sustainability: 3-Year Pledge Approved in 2004	75,000	50,000	—	25,000	25,000
Toward Fifth and Forbes Avenues Downtown Redevelopment project	15,000	—	15,000	15,000	—
<hr/>					
The Pittsburgh Foundation <i>Five PPG Place, Suite 250, Pittsburgh, PA 15222-5414</i>					
Toward Allegheny County Business Loan Program to assist local businesses affected by Hurricane Ivan flooding	100,000	—	100,000	100,000	—
Toward Council on Foundations 2006 Annual Conference to be held in Pittsburgh, May 6–9, 2006	5,000	—	5,000	5,000	—
Toward Hurricane Katrina Disaster Relief Fund for Pittsburgh-based assistance for displaced individuals and families	10,000	—	10,000	10,000	—

	Initial Grant	Unpaid Balance 12/31/04	Grants Approved 2005	Payments Made 2005	Unpaid Balance 12/31/05
Pittsburgh Life Sciences Greenhouse					
<i>100 Technology Drive, Suite 400, Pittsburgh, PA 15219</i>					
Toward operations and program investments for research and development of life sciences industry in western Pennsylvania: 5-Year Pledge Approved in 2002	\$ 1,250,000	\$ 500,000	\$ —	\$ 250,000	\$ 250,000
Toward operations and program investments for research and development of life sciences industry in western Pennsylvania: 5-Year Pledge Approved in 2004	1,500,000	1,200,000	—	300,000	900,000
The Pittsburgh Parks Conservancy					
<i>2000 Technology Drive, Suite 300, Pittsburgh, PA 15219</i>					
Toward reconstruction of Schenley Plaza and operational support: 5-Year Pledge Approved in 2004	750,000	500,000	—	200,000	300,000
The Pittsburgh Project					
<i>2801 North Charles Street, Pittsburgh, PA 15214-3110</i>					
Toward purchase and renovation of former church building for use as a youth program center: 3-Year Pledge Approved in 2004	150,000	75,000	—	50,000	25,000
Pittsburgh Symphony Society					
<i>Heinz Hall, 600 Penn Avenue, Pittsburgh, PA 15222</i>					
Toward 2005/2006 operations and performances	250,000	—	250,000	250,000	—
Pittsburgh Tissue Engineering Initiative, Inc. (PTEI)					
<i>100 Technology Drive, Suite 200, Pittsburgh, PA 15219</i>					
Toward initiative to establish Pittsburgh as world leader in regenerative medicine and to develop international commercial enterprise to be built upon the region's research and clinical excellence: 2-Year Pledge Approved in 2004	50,000	25,000	—	25,000	—

	Initial Grant	Unpaid Balance 12/31/04	Grants Approved 2005	Payments Made 2005	Unpaid Balance 12/31/05
Pittsburgh Voyager <i>1501 Reedsdale Street, Suite 2001, Pittsburgh, PA 15233</i> Toward acquisition of boat to serve as primary river-based education facility for elementary/secondary school children in greater Pittsburgh region: 2-Year Pledge Approved in 2004	\$ 125,000	\$ 50,000	\$ —	\$ 50,000	\$ —
Rankin Christian Center <i>230 Third Street, Rankin, PA 15104-1191</i> Toward expansion of community center facility and programs: 3-Year Pledge Approved in 2003	200,000	50,000	—	50,000	—
The Salvation Army of Allegheny County <i>424 Third Avenue, Pittsburgh, PA 15219</i> Toward Hurricane Katrina Flood Relief Fund	5,000	—	5,000	5,000	—
Seton Hill University <i>One Seton Hill Drive, Greensburg, PA 15601</i> Toward construction of University Center, a classroom and performing arts facility in Greensburg as part of downtown redevelopment strategy: 4-Year Pledge Approved in 2004	250,000	150,000	—	75,000	75,000
Silver Eye Center for Photography <i>1015 East Carson Street, Pittsburgh, PA 15203-1109</i> Toward Building Enhancement Project for renovation of façade and exhibition areas	20,000	—	20,000	20,000	—
Sports & Exhibition Authority (SEA) <i>Regional Enterprise Tower, Suite 2750, 425 Sixth Avenue Pittsburgh, PA 15219</i> Toward development of Water Garden at Convention Center: 2-Year Pledge Approved in 2004	150,000	50,000	—	50,000	—

	Initial Grant	Unpaid Balance 12/31/04	Grants Approved 2005	Payments Made 2005	Unpaid Balance 12/31/05
The Technology Collaborative <i>One North Shore Center, 12 Federal Street, Suite 420 Pittsburgh, PA 15212</i> Toward initiatives designed to stimulate economic growth and development in southwestern Pennsylvania: 2-Year Pledge	\$ 150,000	—	\$ 150,000	\$ 100,000	\$ 50,000
Union Project <i>801 North Negley Avenue, Pittsburgh, PA 15206</i> Toward adaptive reuse of church building into community center	50,000	—	50,000	50,000	—
The United Way of Allegheny County <i>1250 Penn Avenue, Pittsburgh, PA 15222</i> Toward 2005 campaign goal of \$30.7 million for Impact Fund to provide unrestricted support for community programs and initiatives	135,000	—	135,000	135,000	—
University of Pittsburgh <i>1209 Cathedral of Learning, Pittsburgh, PA 15260</i> Toward establishing endowed chair in the School of Law honoring Chancellor Mark Nordenberg	25,000	—	25,000	25,000	—
University of Pittsburgh Cancer Institute <i>5150 Centre Avenue, Pittsburgh, PA 15232</i> Toward Hillman Fellows in Innovative Cancer Research program: 10-Year Pledge	10,000,000	—	10,000,000	—	10,000,000
University of Pittsburgh Institute of Politics <i>4227 Fifth Avenue, 7th Floor, Pittsburgh, PA 15213</i> Toward programs of Institute of Politics: 2-Year Pledge	30,000	—	30,000	15,000	15,000

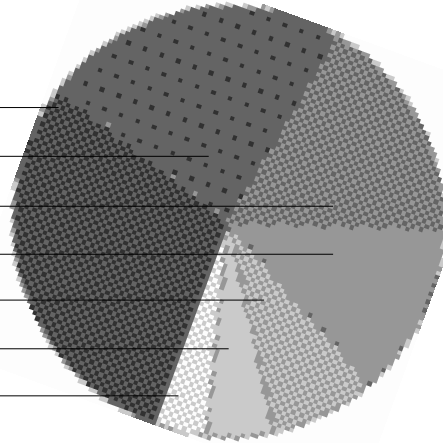
	Initial Grant	Unpaid Balance 12/31/04	Grants Approved 2005	Payments Made 2005	Unpaid Balance 12/31/05
Valley School of Ligonier <i>Box 616, Ligonier, PA 15658</i> Toward renovation of kindergarten classroom	\$ 25,000	\$ —	\$ 25,000	\$ 25,000	\$ —
Veterans Place of Washington Boulevard <i>4165 Ivanhoe Drive, Monroeville, PA 15146</i> Toward construction of Service Center for programs that assist homeless veterans: 2-Year Pledge	50,000	—	50,000	25,000	25,000
Veterans Leadership Program of Western Pennsylvania, Inc. <i>2417 East Carson Street, Pittsburgh, PA 15203</i> Toward supportive services provided by Homeless Veterans Program: 3-Year Pledge Approved in 2004	60,000	40,000	—	20,000	20,000
War for Empire Inc. <i>425 Sixth Avenue, Suite 1000, Pittsburgh, PA 15219</i> Toward production of film <i>The War that Made America</i> to commemorate the 250th Anniversary of the French and Indian War in western Pennsylvania: 3-Year Pledge Approved in 2003	250,000	50,000	—	50,000	—
Western Pennsylvania Conservancy <i>209 Fourth Avenue, Pittsburgh, PA 15222</i> Toward endowment to establish John C. Oliver III Forest and Water Fund for the preservation and protection of western Pennsylvania's forest resources: 3-Year Pledge Approved in 2003	100,000	25,000	—	25,000	—
Westmoreland Museum of American Art <i>221 North Main Street, Greensburg, PA 15601-1898</i> Toward endowment for support of programs: 4-Year Pledge	300,000	—	300,000	100,000	200,000

	Initial Grant	Unpaid Balance 12/31/04	Grants Approved 2005	Payments Made 2005	Unpaid Balance 12/31/05
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Winchester Thurston School <i>555 Morewood Avenue, Pittsburgh, PA 15213</i>					
Toward construction of Upper School classroom and library building: 4-Year Pledge Approved in 2004	\$ 250,000	\$ 150,000	\$ —	\$ 75,000	\$ 75,000
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WQED Multimedia <i>4802 Fifth Avenue, Pittsburgh, PA 15213</i>					
Toward <i>OnQ</i> Magazine, a weeknight public affairs and news program: 3-Year Pledge Approved in 2003	150,000	25,000	—	25,000	—
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YMCA of McKeesport <i>523 Sinclair Street, McKeesport, PA 15132-3082</i>					
Toward purchase of computer workstations, software and capital improvements for Community Based Technology Learning Centers at Crawford and Harrison Villages	35,000	—	35,000	35,000	—
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TOTALS	\$ 37,679,600	\$ 8,193,000	\$ 19,545,600	\$ 6,718,600	\$ 21,020,000
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SUMMARY OF CONTRIBUTIONS PAID
BY PROGRAM AREA

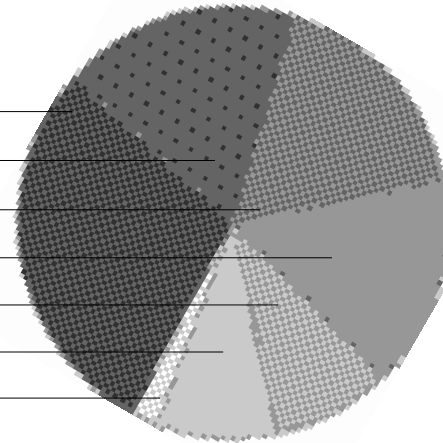
2005

- 30% Cultural Advancement/Arts
- 23% Community/Economic Development
- 17% Education
- 13% Health/Medicine
- 8% Human/Social Services
- 5% Youth Services
- 4% Environment/Conservation



1951–2005

- 29% Education
- 18% Cultural Advancement/Arts
- 17% Human/Social Services
- 16% Community/Economic Development
- 9% Youth Services
- 9% Health/Medicine
- 2% Environment/Conservation



HILLMAN FOUNDATION

AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL DATA

Years ended December 31, 2005 and 2004

INDEPENDENT AUDITOR'S REPORT

HILLMAN FOUNDATION

To the Board of Trustees
of Hillman Foundation

We have audited the accompanying statements of financial position of HILLMAN FOUNDATION as of December 31, 2005 and 2004, and the related statements of activities 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 the audit 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 Hillman Foundation as of December 31, 2005 and 2004, 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.

As described in Note 9 to the financial statements, Hillman Foundation changed its method of valuing certain investments from the lower of aggregate cost or fair value method to the fair value method.

SISTERSON & CO. LLP
Certified Public Accountants

July 13, 2006

Statements of Financial Position

ASSETS	December 31,	
	2005	2004
Cash and cash equivalents	\$ 1,522,600	\$ 490,918
Accrued investment income	42,736	50,309
Receivable from broker and other receivables ..	306,917	2,552,906
Refundable federal excise and income tax	93,594	49,815
	<u>1,965,847</u>	<u>3,143,948</u>
Investments (Notes 2 and 3)		
Short-term investments	13,413,988	8,311,838
Domestic equities	20,330,610	14,078,855
International equities	8,331,000	12,047,610
Real assets	2,098,291	—
Private equity funds	29,473,000	31,550,681
Hedge funds	63,713,000	62,959,941
Total investments	<u>137,359,889</u>	<u>128,948,925</u>
Other assets		
Furniture and equipment, net of accumulated depreciation of \$22,664 and \$65,691, respectively	—	—
Contingent reversionary interest in real estate (Note 4)	<u>1</u>	<u>1</u>
Total assets	<u>\$ 139,325,737</u>	<u>\$ 132,092,874</u>
LIABILITIES AND UNRESTRICTED NET ASSETS		
Contributions payable (Note 5)	\$ 18,392,023	\$ 8,193,000
Accounts payable and accrued liabilities	4,850	2,435
Pension liability	177,124	169,372
Unrestricted net assets (Note 9)	<u>120,751,740</u>	<u>123,728,067</u>
Total liabilities and unrestricted net assets	<u>\$ 139,325,737</u>	<u>\$ 132,092,874</u>

The accompanying notes are an integral part of these financial statements

HILLMAN FOUNDATION

Statements of Activities

	Year Ended December 31,	
	2005	2004
Income		
Interest	\$ 475,799	\$ 499,673
Dividends	440,829	469,716
Net gain on investments, net of management fees	14,005,505	10,564,042
Other income	10,635	—
Total income	<u>14,932,768</u>	<u>11,533,431</u>
Contributions and expenses		
Contributions	16,917,623	6,716,000
Administrative expenses		
Allocated to charitable activities	683,933	697,461
Allocated to income	80,100	96,855
Investment management and custodial fees	33,218	27,822
Federal excise and income tax expense	194,221	141,218
Total contributions and expenses	<u>17,909,095</u>	<u>7,679,356</u>
Increase (decrease) in unrestricted net assets	(2,976,327)	3,854,075
Unrestricted net assets, beginning of year (Note 9)	<u>123,728,067</u>	<u>119,873,992</u>
Unrestricted net assets, end of year	<u>\$ 120,751,740</u>	<u>\$ 123,728,067</u>

The accompanying notes are an integral part of these financial statements

HILLMAN FOUNDATION

Statements of Cash Flows

	Year Ended December 31,	
	2005	2004
Cash flows from operating activities		
Increase (decrease) in unrestricted net assets ...	\$ (2,976,327)	\$ 3,854,075
Adjustments to reconcile increase (decrease) in unrestricted net assets to net cash provided by (used in) operating activities		
Net gain on investments, net of management fees	(14,005,505)	(10,564,042)
Depreciation	—	7,171
Increase (decrease) in cash from changes in		
Accrued investment income	7,573	30,591
Receivable from broker and other receivables	2,245,989	7,183,423
Refundable federal excise and income tax	(43,779)	(16,353)
Contributions payable	10,199,023	473,000
Accounts payable and accrued liabilities	2,415	(247)
Pension liability	7,752	(703,826)
Net cash provided by (used in) operating activities	<u>(4,562,859)</u>	<u>263,792</u>

The accompanying notes are an integral part of these financial statements

Statements of Cash Flows (continued)

	Year Ended December 31,	
	2005	2004
Cash flows from investing activities		
Net decrease (increase) in short-term investments	\$ (5,102,150)	\$ 2,775,007
Proceeds from dispositions and distributions of other investments	24,314,401	51,561,997
Purchases of other investments	(13,617,710)	(54,474,470)
Net cash provided by (used in) investing activities	<u>5,594,541</u>	<u>(137,466)</u>
Net increase in cash and cash equivalents	1,031,682	126,326
Cash and cash equivalents, beginning of year	<u>490,918</u>	<u>364,592</u>
Cash and cash equivalents, end of year	<u>\$ 1,522,600</u>	<u>\$ 490,918</u>
Supplemental schedule of non-cash investing activities		
Common stocks received as distributions from private equity funds	<u>\$ 5,171,494</u>	<u>\$ 105,689</u>

The accompanying notes are an integral part of these financial statements

Notes to Financial Statements

NOTE 1 – ORGANIZATION

Hillman Foundation (“Foundation”) was incorporated as a charitable organization to receive voluntary contributions and make contributions at the discretion of the Board of Trustees of the Foundation for the advancement of education, religion, scientific and medical research and relief of the poor and underprivileged.

At December 31, 2005 the Board of Trustees and Officers of the Foundation consisted of:

BOARD OF TRUSTEES	OFFICERS
Bruce I. Crocker	Henry L. Hillman, <i>Chairman</i>
C.G. Grefenstette	Ronald W. Wertz, <i>President</i>
Elsie H. Hillman	C.G. Grefenstette, <i>Vice President</i>
Henry L. Hillman	Eric C. Johnson, <i>Vice President–Investments</i>
Eric C. Johnson	David K. Roger, <i>Secretary</i>
Ronald W. Wertz	Lisa R. Johns, <i>Treasurer</i>

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments and related income

Investments are reported at fair values in the statements of financial position and changes in the fair values of investments as well as realized gains and losses are included in net gain on investments, net of management fees reported in the statements of activities.

The fair values of short-term investments approximate their cost. The fair values of all marketable equity investments are based on their quoted market prices.

The fair values of all other investments (primarily real assets, private equity funds, and hedge funds for which readily available market values do not exist) are estimated in good faith by management due to the absence of quoted market values. These estimates of fair values are made by (a) considering general factors such as financial information relating to the investments and the industry and economic environment in which the investees operate, and (b) using valuation techniques considered relevant to the particular investment, including methods based on cost, net cash invested, discounted cash flows, appraisals, or the Foundation’s proportionate share of the overall value of the investee provided by the general partners. However, because of the inherent uncertainty of valuation, those estimated fair values may differ significantly from the values that would have been used had a ready market for those investments existed. In addition, each of these investments specifies the terms by which an investor may liquidate its holdings. As such, certain investments may not be readily liquidated and are thus of a more long-term nature.

Notes to Financial Statements (continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and related income (continued)

Investments considered to be permanently impaired in value are written down to their estimated net realizable value and the write down is recorded as a realized loss on investments.

Realized gains and losses on disposals of investments are determined by the specific identification method, except for certain equity investments for which the cost of shares sold is determined by the average cost method.

Interest and dividend income are recognized on the accrual basis. Distributions from private equity and hedge funds are recognized as income to the extent of the Foundation's share of undistributed income of such investment. Management fees paid to private equity funds are included in net gain on investments in the accompanying statements of activities.

Cash and cash equivalents

For purposes of the financial statements, the Foundation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The Foundation maintains its cash in a bank account, which, at times, may exceed federally insured limits. The Foundation does not believe it is exposed to any significant credit risk related to this concentration.

Contributions

The Foundation recognizes a liability and corresponding expense for contributions in the amount expected to be paid when contributions are approved by the Board of Trustees. Such liabilities are recorded at their present values using a discount rate commensurate with the risk involved when the present value is materially less than the amounts expected to be paid.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts previously reported in the 2004 financial statements have been reclassified for comparative purposes.

Notes to Financial Statements (continued)

NOTE 3 – INVESTMENTS

Summary of cost and fair value of investments

Following is a summary of the cost and fair value of investments as of December 31:

	2005	
	Cost	Fair Value
Short-term investments	\$ 13,517,418	\$ 13,413,988
Domestic equities	17,812,076	20,330,610
International equities	6,500,000	8,331,000
Real assets	2,098,291	2,098,291
Private equity funds	28,951,658	29,473,000
Hedge funds	39,775,019	63,713,000
Total investments	<u>\$ 108,654,462</u>	<u>\$ 137,359,889</u>

	2004	
	Cost	Fair Value
Short-term investments	\$ 8,360,270	\$ 8,311,838
Domestic equities	10,931,555	14,078,855
International equities	8,923,000	12,047,610
Private equity funds	32,025,137	31,550,681
Hedge funds	42,403,496	62,959,941
Total investments	<u>\$ 102,643,458</u>	<u>\$ 128,948,925</u>

NOTE 4 – CONTINGENT REVERSIONARY INTEREST IN REAL ESTATE

The Foundation has a contingent reversionary interest in real estate contributed to The Catholic Institute of Pittsburgh under an agreement providing for reconveyance to the Foundation if certain conditions as to usage and maintenance are not met.

Notes to Financial Statements (continued)

NOTE 5 – CONTRIBUTIONS PAYABLE

Contributions payable at December 31, 2005 are due as follows:

2006	\$ 5,107,000
2007	3,343,000
2008	3,070,000
2009	2,000,000
2010	1,700,000
Thereafter	<u>5,800,000</u>
	21,020,000
Less: discount to present value	<u>(2,627,977)</u>
	<u>\$ 18,392,023</u>

NOTE 6 – TAXES

The Foundation is qualified as a private, non-operating foundation under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income tax under Section 501(a) of the Internal Revenue Code. It is obligated to pay income taxes on its unrelated business income (as defined), if any. In addition to a federal excise tax on net investment income, private foundations are subject to tax on the amount by which their minimum investment return exceeds distributions. The Foundation had no undistributed income at December 31, 2005 or 2004.

The Foundation has not provided deferred excise or unrelated business income taxes in these financial statements with respect to tax effects on differences between the bases of assets and liabilities for financial reporting and tax purposes due to the insignificance of such deferred taxes relative to the financial statements as a whole.

NOTE 7 – RETIREMENT PLAN

The Foundation participates in a defined benefit pension plan of an affiliate. The plan provides retirement benefits to all employees of the Foundation. Amounts charged to pension expense totaled \$67,752 and \$131,002 in 2005 and 2004, respectively. Contributions to the plan were \$60,000 and \$834,828 in 2005 and 2004, respectively.

Notes to Financial Statements (continued)

NOTE 8 – COMMITMENTS

In connection with certain of its private equity fund investments, the Foundation, as limited partner, is committed to make additional capital contributions approximating \$22,000,000 as of December 31, 2005. Such contributions are generally due upon call by the general partners of these partnerships.

NOTE 9 – CHANGE IN ACCOUNTING PRINCIPLE

On January 1, 2005, Hillman Foundation elected to change its method of valuing certain investments (primarily real assets, private equity funds, and hedge funds) to the fair value method, whereas in all prior years these investments were valued using the lower of aggregate cost or fair value method. The new method of accounting for these investments was adopted for reporting purposes as well as reflecting the performance of the total investment portfolio. This change in accounting principle was applied retrospectively to the 2004 financial statements. The following financial statement line items for fiscal years 2005 and 2004 were affected by the change in accounting principle:

Statements of activities:

	As computed under lower of aggregate cost or fair value method	As reported under fair value method	Effect of change
December 31, 2005:			
Income	\$ 11,025,810	\$ 14,932,768	\$ 3,906,958
Contributions and expenses	<u>17,909,095</u>	<u>17,909,095</u>	<u>—</u>
Decrease in unrestricted net assets	<u>\$ (6,883,285)</u>	<u>\$ (2,976,327)</u>	<u>\$ 3,906,958</u>
December 31, 2004:	As originally reported	As adjusted	Effect of change
Income	\$ 4,783,111	\$ 11,533,431	\$ 6,750,320
Contributions and expenses	<u>7,679,356</u>	<u>7,679,356</u>	<u>—</u>
Increase (decrease) in unrestricted net assets	<u>\$ (2,896,245)</u>	<u>\$ 3,854,075</u>	<u>\$ 6,750,320</u>

*Notes to Financial Statements (continued)*NOTE 9 – CHANGE IN ACCOUNTING PRINCIPLE *(continued)*

Statements of financial position:

	As computed under lower of aggregate cost or fair value method	As reported under fair value method	Effect of change
December 31, 2005:			
All other assets	\$ 1,965,848	\$ 1,965,848	\$ —
Investments	<u>109,889,560</u>	<u>137,359,889</u>	<u>27,470,329</u>
Total assets	\$ 111,855,408	\$ 139,325,737	\$ 27,470,329
Total liabilities	<u>18,573,997</u>	<u>18,573,997</u>	<u>—</u>
Unrestricted net assets	<u>\$ 93,281,411</u>	<u>\$ 120,751,740</u>	<u>\$ 27,470,329</u>

	As originally reported	As adjusted	Effect of change
December 31, 2004:			
All other assets	\$ 3,143,949	\$ 3,143,949	\$ —
Investments	<u>105,385,554</u>	<u>128,948,925</u>	<u>23,563,371</u>
Total assets	\$ 108,529,503	\$ 132,092,874	\$ 23,563,371
Total liabilities	<u>8,364,807</u>	<u>8,364,807</u>	<u>—</u>
Unrestricted net assets	<u>\$ 100,164,696</u>	<u>\$ 123,728,067</u>	<u>\$ 23,563,371</u>

As a result of the accounting change, unrestricted net assets as of January 1, 2004, increased from \$103,060,941, as originally reported using the lower of aggregate cost or fair value method, to \$119,873,992 using the fair value method.

GENERAL INFORMATION
AND APPLICATION PROCEDURES

Hillman Foundation considers requests only from organizations classified as tax-exempt under Section 501(c)(3) of the U.S. Internal Revenue Code and designated as public charities under Section 509(a).

The geographic focus of the Foundation's grantmaking program is Pittsburgh and the southwestern Pennsylvania region.

Priority is given to requests for support for capital projects, new and expanding programs, and endowment. A limited number of grants are approved for operating and continuing support. Grants designated for endowment are typically initiated by the Foundation.

Grants are not made to individuals, organizations located outside of the United States, for travel expenses for groups, or in support of events, sponsorships and meetings such as conferences, institutes and seminars.

Prospective applicants meeting the eligibility requirements are asked to send a brief letter of inquiry (less than five pages) addressing the following:

- Organizational background
- Proposed project
- Project budget
- How the project meets the Foundation's program interests
- Other prospective funding sources
- Projected outcomes and community benefit

Letters of inquiry are reviewed on a timely basis by the Foundation staff. Applicants are notified in writing or by telephone whether they should submit a funding request.

Applicants submitting a proposal are asked to complete the Hillman Foundation Grant Application form at www.hillmanfdn.org or Grantmakers of Western Pennsylvania's Common Grant Application Format available at www.gwpa.org. While these forms provide the basic information needed for most proposals, it may be necessary for Hillman Foundation to require additional information at some stage in the review process. Applicants awarded grants are expected to provide written periodic reports concerning the funded project and a financial accounting detailing expenditure of the

HILLMAN FOUNDATION

GENERAL INFORMATION AND APPLICATION PROCEDURES *(continued)*

grant funds. The timetable and content of the reports is specified by the Foundation when each grant is made.

After staff review each proposal, applicants are notified immediately if the request does not meet the Foundation's grantmaking priorities or if the Foundation is not in a position to consider the request at that time. Proposals held for consideration by the board of trustees are reviewed on a quarterly basis. There are no fixed deadlines for the submission of letters of inquiry or proposals.

All correspondence may be directed to:

Ronald W. Wertz,	T 412-338-3466
<i>President</i>	F 412-338-3463
Hillman Foundation	www.hillmanfdn.org
330 Grant Street	
Suite 2000	
Pittsburgh, Pennsylvania 15219	