

S. H. COWELL FOUNDATION

DECEMBER 31, 2008

REPORT

TO

THE AUDIT COMMITTEE

HOOD & STRONG LLP

CERTIFIED PUBLIC ACCOUNTANTS

September 9, 2009

THE AUDIT COMMITTEE
S. H. COWELL FOUNDATION
San Francisco, California

We are pleased to present this report related to our audit of the financial statements of **S. H. COWELL FOUNDATION (the Foundation)** for the year ended December 31, 2008. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Foundation's financial reporting process.

This report is intended solely for the information and use of the Board of Directors, Audit Committee, and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to the Foundation.

Hood & Strong LLP

Consultants and

Business Advisors

100 First Street

14th Floor

San Francisco

CA 94105

415.781.0793

fax 415.421.2976

San Francisco

San Jose

Redwood Shores



S. H. COWELL FOUNDATION

REPORT TO THE AUDIT COMMITTEE

Required Communications – SAS 114 1 - 2

Summary of Adopted Accounting Policies 3

Summary of Accounting Estimates 4

Attachments:

- Engagement Letter
- Representation Letter

S. H. COWELL FOUNDATION

REQUIRED COMMUNICATIONS

Statement on Auditing Standards No. 114 requires the auditor to communicate certain matters to keep those charged with governance adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. The following summarizes these communications.

Area	Comments
Auditor's Responsibility Under Professional Standards	Our responsibility under auditing standards generally accepted in the United States of America has been described to you in our arrangement letter dated April 20, 2009.
Accounting Practices	Adoption of, or Change in, Accounting Policies Summary information about the adoption of new accounting policies and impact on the financial statements is in the attached "Summary of Adopted Accounting Policies". Significant or Unusual Transactions We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. Alternative Treatments Discussed with Management We did not discuss with management any alternative treatments within generally accepted accounting principles for accounting policies and practices related to material items during the current audit period.
Management's Judgments and Accounting Estimates	Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached "Summary of Accounting Estimates".
Financial Statement Disclosures	Financial statement footnotes are an integral part of the financial statements. They should present the information in a clear, consistent and unbiased manner. In our meeting with you we will discuss the clarity of the disclosures in the financial statements.

S. H. COWELL FOUNDATION

REQUIRED COMMUNICATIONS

Area	Comments
Audit Adjustments	There were no audit adjustments made to the original trial balance presented to us to begin our audit.
Uncorrected Misstatements	There were no uncorrected misstatements noted.
Disagreements with Management	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
Consultations with Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
Significant Issues Discussed with Management	No significant issues arising from the audit were discussed or were the subject of correspondence with management.
Difficulties Encountered in Performing the Audit	We did not encounter any difficulties in dealing with management during the audit.
Letter Communicating Significant Deficiencies and Material Weaknesses	We did not issue communications regarding significant deficiencies or material weaknesses. Prior year control deficiencies concerning grant checks and due diligence were addressed by the Foundation in 2008.
Certain Written Communications Between Management and Our Firm	The following have been included for your reference <ul style="list-style-type: none"><li data-bbox="760 1482 1019 1509">• Engagement letter<li data-bbox="760 1539 1049 1566">• Representation letter

S. H. COWELL FOUNDATION

SUMMARY OF ADOPTED ACCOUNTING POLICIES YEAR ENDED DECEMBER 31, 2008

Management has the ultimate responsibility for the appropriateness of the accounting policies used by S.H. Cowell Foundation. Significant accounting policies used by the Foundation are described in detail in the notes to the financial statements. The policies provide descriptions of cash and cash equivalents, investments, and use of estimates. The following is a description of significant accounting policies that were adopted or assessed during the year:

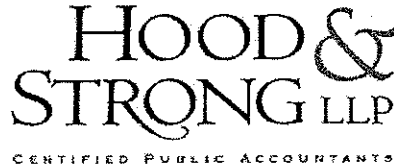
Standards	Description	Adoption	Deferred
FASB Statement No. 157 – Fair Value Measurements	Standard provides guidance for using fair value to measure assets and liabilities; it also expands information used to measure fair value.	The Foundation adopted FASB 157 for financial assets and liabilities – see expanded disclosure in the notes to the financial statements – Note 3.	
FASB Statement No. 165 – Subsequent Events	Standard intends to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before the financial statements are issued or are available to be issued.		The Foundation’s management reviewed the standard and elected to defer adoption of FASB 165 at this time.
FASB Statement No. 159 – Fair value option for assets and liabilities.	Standard permits the Foundation to choose to measure financial instruments and other items at fair value.		The Foundation’s management reviewed the standard and elected to defer adoption at this time.
FIN 48, Accounting for Uncertainty in income taxes.	Clarifies the accounting for uncertainty in income taxes as well as recognition threshold and measurement for financial statement recognition.		The Foundation’s management reviewed the standard and elected to defer adoption at this time.

S. H. COWELL FOUNDATION

SUMMARY OF ACCOUNTING ESTIMATES YEAR ENDED DECEMBER 31, 2008

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to compute and record these accounting estimates. The following describes the significant accounting estimates reflected in the Foundation's December 31, 2008 financial statements:

<u>Area</u>	<u>Accounting Policy</u>	<u>Estimation Process</u>	<u>Comments</u>
Investments	Non-marketable securities – alternative investment recorded on the equity method using valuations provided by fund managers	Fund managers may provide the estimated value of investments held within funds	Market conditions and managers' estimates may be significantly different than the actual value received if funds were to be liquidated.



April 20, 2009

THE AUDIT COMMITTEE
S. H. COWELL FOUNDATION
120 Montgomery Street
Suite 2570
San Francisco, CA 94104

This letter is to explain our understanding of the arrangements for the services we are to perform for **S. H. COWELL FOUNDATION (the Foundation)** for the year ending December 31, 2008. We ask that you either confirm or amend this understanding.

Audit Services

We will perform an audit of the Foundation's financial statements as of and for the year ended December 31, 2008. We understand that the financial statements will be prepared in accordance with accounting principles generally accepted in the United States of America. The objective of an audit of financial statements is to express an opinion on those statements.

We are responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the audit committee are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

We will conduct the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement whether caused by error or fraud. Accordingly, a material misstatement may remain undetected. Also, an audit is not designed to detect errors or fraud that are immaterial to the financial statements.

An audit of financial statements also includes obtaining an understanding of the foundation and its environment, including its internal control, sufficient to assess the risks of material misstatement of the financial statements, and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, we will communicate to management and audit committee any significant deficiencies or material weaknesses that become known to us during the course of the audit.

Consultants and

Business Advisors

100 First Street

14th Floor

San Francisco

CA 94105

415.781.0793

fax 415.421.2976

San Francisco

San Jose

Redwood Shores



We will also communicate to the audit committee (a) any fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements, (b) any illegal acts that come to our attention (unless they are clearly inconsequential), (c) any disagreements with management and other serious difficulties encountered in performing the audits, and (d) various matters related to the foundation's accounting policies and financial statements.

S. H. Cowell Foundation's Responsibilities

Management is responsible for the financial statements, including the selection and application of accounting policies, adjusting the financial statements to correct material misstatements, and for making all financial records and related information available to us. Management is responsible for providing us with a written management representation letter confirming certain representations made during the course of our audit of the financial statements and affirming to us that it believes the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for establishing maintaining effective internal control over financial reporting and for informing us of all significant deficiencies and material weaknesses in the design or operation of such controls of which it has knowledge.

Management is responsible for identifying and ensuring that the foundation complies with the laws and regulations applicable to its activities, and for informing us about all known material violations of such laws or regulations. In addition, management is responsible for the design and implementation of program and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the foundation involving management, employees who have significant roles in internal control, and others where the fraud could have a material effect on the financial statements. Management is also responsible for informing us of its knowledge of any allegations of fraud or suspected fraud affecting the foundation received in communications from employees, former employees, analysts, regulators, or others.

The audit committee is responsible for informing us of its views about the risks of fraud within the foundation, and its knowledge of any fraud or suspected fraud affecting the foundation.

The foundation agrees that it will not include our reports, or otherwise make reference to us, in any public or private securities offering without first obtaining our consent. Any request to consent is also a matter for which separate arrangements will be necessary. After obtaining our consent, the foundation also agrees to provide us with printer's proofs or masters of such offering documents for our review and approval before printing, and with a copy of the final reproduced material for our approval before it is distributed. In the event our auditor/client relationship has been terminated when the Foundation seeks such consent, we will be under no obligation to grant such consent or approval.

Our professional standards require that we perform certain additional procedures, on current and previous years' engagements, whenever a partner or professional employee leaves the firm and is subsequently employed by or associated with a client. Accordingly, the foundation agrees it will compensate Hood & Strong LLP for any additional costs incurred as a result of the foundation's employment of a partner or professional employee of Hood & Strong LLP.

During the course of our engagement, we may accumulate records containing data which should be reflected in your books and records. The foundation will determine that all such data, if necessary, will be so reflected. Accordingly, the foundation will not expect us to maintain copies of such records in our possession.

The assistance to be supplied by the foundation personnel, including the preparation of schedules and analyses of accounts, has been discussed and coordinated with the foundation's personnel. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

If, in connection with our audit, you request us to perform accounting services necessary for the preparation of the financial statements (such as maintaining depreciation schedules, computing the provision for income taxes, drafting the financial statements, etc.), you agree to designate an appropriate individual to oversee the services, make all management decisions involved in those services, evaluate the adequacy and results of the services, and accept responsibility for the results of the services.

Other Terms of our Engagement

The foundation hereby indemnifies Hood & Strong LLP and its partners, principals and employees and holds them harmless from all claims, liabilities, losses and costs arising in circumstances where there has been a known misrepresentation by a member of the foundation's management, regardless of whether such person was acting in the foundation's interest. This indemnification will survive termination of this letter.

If a dispute arises out of or relates to this contract or engagement letter, or the obligations of the parties therein, and if the dispute cannot be settled through negotiation, the parties agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its Dispute Resolution Rules for Professional Accounting and Related Services Disputes before resorting to arbitration, litigation, or some other dispute resolution procedure.

In the event we are requested or authorized by the foundation or are required by government regulation, subpoena, or other legal process to produce our documents or our personnel as witnesses with respect to our engagements for the foundation, the foundation will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

Our fees for the audit and accounting services described above are based upon the time required by the individuals assigned to the engagement, plus direct expenses. Interim billings will be submitted as work progresses and as expenses are incurred. We will submit our bill for these services promptly upon rendering the report. Billings are due upon submission. A monthly service charge of 1.5% is assessed on invoices outstanding over 30 days.

If circumstances arise relating to the condition of the foundation's records, the availability of appropriate audit evidence, or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgment prevent us from completing the audit or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawal from the engagement.

THE AUDIT COMMITTEE
S. H. COWELL FOUNDATION
April 20, 2009
Page 4

It is possible that a nonlicensee principal may provide certain services in connection with this engagement.

We will issue a separate arrangement letter to explain our understanding of the arrangements for the services we are to perform for the Foundation in connection with the preparation of the Federal and State informational tax returns, which you are required to file.

This letter constitutes the complete and exclusive statement of agreement between Hood & Strong LLP and the foundation, superseding all proposals, oral or written, and all other communication, with respect to the terms of the engagement between the parties.

If this letter defines the arrangements as the foundation understands them, please sign and date the enclosed copy and return it to us. We appreciate your business.

Very truly yours,

Hood & Strong LLP

Confirmed on behalf of S. H. Cowell Foundation:

Ann Alpers
By _____

9/9/09
Date _____

S. H. Cowell Foundation

September 9, 2009

Hood & Strong LLP
100 First Street, 14th Floor
San Francisco, CA 94105

In connection with your audit of the statement of financial position of **S. H. COWELL (the Foundation)** as of December 31, 2008 and 2007 and the related statements of activities, changes in net assets and cash flows for the years then ended, we confirm, we are responsible for the fair presentation in the financial statements of financial position, results of activities and cash flows in conformity with accounting principles generally accepted in the United States of America.

We confirm, to the best of our knowledge and belief, the following representation made to you during your audit.

1. The financial statement referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America.
2. We have made available to you all:
 - a. Financial records and related data.
 - b. Minutes of the meetings of directors and committees of directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. We have no knowledge of fraud or suspected fraud affecting the Foundation involving:
 - a. Management or employees who have significant roles in the internal control.
 - b. Others where the fraud could have a material effect on the financial statements.
4. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.
5. We have no knowledge of any allegations of fraud or suspected fraud affecting the Foundation received in communications from employees, former employees, analysts, regulators, short sellers, or others.
6. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Foundation's ability to record, process, summarize, and report financial data.
7. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
8. We have no plans or intentions that may materially affect the carrying value or classification of assets. In that regard:

- a. The Foundation has no significant amounts of idle property and equipment or permanent excess plant capacity.
 - b. The Foundation has no plans or intentions to discontinue the operations of any subsidiary or branch or to discontinue any significant services or activities.
 - c. Provision has been made to reduce all investments, intangibles, and other assets which have permanently declined in value to their realizable values.
 - d. Long-lived assets, including intangibles, which are impaired or to be disposed of, have been recorded at the lower of their cost or fair value.
9. The following have been properly recorded and/or disclosed in the financial statements:
- a. Related-party relationships, transactions and related amounts receivable or payable including sales, purchases, loans, transfers, leasing arrangements and guarantees, all of which have been recorded in accordance with the economic substance of the transactions.
 - b. Guarantees, whether written or oral, under which the Foundation is contingently liable.
 - c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances.
 - d. Lines of credit or similar arrangements.
 - e. Agreements to repurchase assets previously sold.
 - f. Security agreements in effect under the Uniform Commercial Code.
 - g. All other liens or encumbrances on assets and all other pledges of assets.
 - h. Amounts of contractual obligations for construction and/or purchase of real property, equipment, other assets and intangibles.
 - i. Investments in debt and equity securities, including their classification.
 - j. All liabilities which are subordinated to any other actual or possible liabilities of the Foundation.
 - k. All leases and material amounts of rental obligations under long-term leases.
 - l. All significant estimates and material concentrations known to management which are to be disclosed in accordance with the AICPA's Statement of Position 94-6, *Disclosure of Certain Significant Risks and Uncertainties*. Significant estimates are estimates at the balance sheet date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur which would significantly disrupt normal finances within the next year.
 - m. Concentrations of credit risk.
 - n. The fair value of financial instruments, including split interest agreements.
 - o. Tax status.
 - p. Derivative financial instruments.
10. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made:
- a. To reduce receivables, including contributions, to their estimated net collectable amounts.
 - b. To reduce deferred tax assets to amounts that are more likely than not to be realized.
 - c. For uninsured losses or loss retentions (deductibles) attributable to events occurring through December 31, 2008 and/or for expected retroactive insurance premium adjustments applicable to periods through December 31, 2008.

- d. For pension obligations, postretirement benefits other than pensions and deferred compensation agreements attributable to employee services rendered through December 31, 2008.
 - e. For any material loss to be sustained in the fulfillment of or from the inability to fulfill any commitment, including promises to give.
 - f. For environmental clean up obligations.
 - g. For amounts held for others under agency and/or split interest agreements.
11. There are no:
- a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements.
 - b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Environmental Protection Agency in connection with any environmental contamination.
 - c. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by Statement of Financial Accounting Standards No. 5.
12. We are not aware of any pending or threatened litigation, claims or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with Statement of Financial Accounting Standards No. 5 and we have not consulted a lawyer concerning litigation, claims or assessments.
13. The Foundation has satisfactory title to all owned assets.
14. We have complied with all aspects of contractual agreements, grants and donor restrictions that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act and OMB Circular No. A-133, because we have not received, expended or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.
15. The methods and significant assumptions used to estimate the fair values of financial instruments are as follows:
Investments in securities are stated at fair market value based on quoted market prices. The fair value of other investments is determined by the investment companies involved.
16. We have received a determination from the Internal Revenue Service that we are exempt from federal income taxes as a Section 501(c) (3) not-for-profit corporation, and we have complied with the IRS regulations regarding this exemption.

No events or transactions other than those disclosed in the financial statements have occurred subsequent to the balance sheet date that would require adjustment to, or disclosure in, the financial statements.

During the course of your audit, you may have accumulated records containing data which should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

As of and for the Year Ended December 31, 2008

We believe that the effects of the uncorrected misstatements aggregated by you and summarized below are immaterial, both individually and in the aggregate to the financial statements taken as a whole. For purposes of this representation, we consider items to be material, regardless of their size, if they involve the misstatement or omission of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Description	Increase (Decrease) Assets	Liabilities	(Increase) Decrease Net Assets	Revenue	Increase (Decrease) Expenses
Carryover Impact from Previous Years:	-	-	\$ 38,000	\$(38,000)	-
Total Effect	\$ -	\$ -	\$ 38,000	\$(38,000)	\$ -

S. H. Cowell Foundation



Ann Alpers
President and Chief Executive Officer

date signed: Sept. 9, 2009