

PPG Industries Foundation

Financial Statements as of and for the
Years Ended December 31, 2008 and 2007, and
Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
PPG Industries Foundation:

We have audited the accompanying statements of financial position of PPG Industries Foundation (the "Foundation") as of December 31, 2008 and 2007, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, such financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte + Touche LLP

July 15, 2009

PPG INDUSTRIES FOUNDATION

STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2008 AND 2007

	2008	2007
ASSETS		
CURRENT ASSETS:		
Cash	\$ 777,443	\$ 902,974
Investments	5,890,200	6,330,420
Pledges receivable	5,000,000	5,600,000
Other	<u>44,307</u>	<u>57,109</u>
Total current assets	11,711,950	12,890,503
LONG-TERM INVESTMENTS	<u>644,982</u>	<u>905,204</u>
TOTAL	<u>\$12,356,932</u>	<u>\$13,795,707</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Pledge commitments	\$ 2,513,360	\$ 2,583,003
Accounts payable	<u>19,590</u>	<u>23,499</u>
Total current liabilities	2,532,950	2,606,502
PLEDGE COMMITMENTS DUE AFTER ONE YEAR	4,391,302	5,274,075
NET ASSETS — Unrestricted	<u>5,432,680</u>	<u>5,915,130</u>
TOTAL	<u>\$12,356,932</u>	<u>\$13,795,707</u>

See notes to financial statements.

PPG INDUSTRIES FOUNDATION

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
OPERATING REVENUES:		
Unrestricted contribution from PPG Industries, Inc.	\$ 5,000,000	\$5,600,000
Contributed services	278,396	289,953
Prior years' returned grants	<u>28,063</u>	<u>17,942</u>
Total operating revenues	<u>5,306,459</u>	<u>5,907,895</u>
OPERATING EXPENSES:		
Pledges (Grants paid: \$5,242,305 in 2008 and \$4,698,918 in 2007)	4,289,889	5,748,731
Administration and other expenses	<u>407,484</u>	<u>422,544</u>
Total operating expenses	<u>4,697,373</u>	<u>6,171,275</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS FROM OPERATIONS	609,086	(263,380)
OTHER (LOSSES) GAINS:		
Interest and dividend income	508,590	487,871
Net realized and unrealized losses on investments	(1,600,126)	(9,776)
Federal excise tax on net investment credit	<u>-</u>	<u>8,811</u>
(DECREASE) INCREASE IN NET ASSETS — Unrestricted	(482,450)	223,526
NET ASSETS — Unrestricted — beginning of year	<u>5,915,130</u>	<u>5,691,604</u>
NET ASSETS — Unrestricted — end of year	<u>\$ 5,432,680</u>	<u>\$5,915,130</u>

See notes to financial statements.

PPG INDUSTRIES FOUNDATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
(Decrease) increase in net assets — unrestricted	\$ (482,450)	\$ 223,526
Adjustments to reconcile increase in net assets — unrestricted to net cash provided by operating activities:		
Net realized and unrealized loss on investments	1,600,126	9,776
Decrease (increase) in pledges receivable	600,000	(600,000)
Decrease in other current assets	12,802	8,754
(Decrease) increase in pledge commitments	(952,416)	1,049,813
Decrease in federal excise taxes payable	-	(4,932)
(Decrease) increase in accounts payable	<u>(3,909)</u>	<u>2,352</u>
Net cash provided by operating activities	<u>774,153</u>	<u>689,289</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(10,791,055)	(10,886,298)
Proceeds from sales of investments	9,631,149	9,506,973
Distribution from the Strategic Investment Fund	<u>260,222</u>	<u>594,796</u>
Net cash used in investing activities	<u>(899,684)</u>	<u>(784,529)</u>
DECREASE IN CASH	(125,531)	(95,240)
CASH — Beginning of year	<u>902,974</u>	<u>998,214</u>
CASH — End of year	<u>\$ 777,443</u>	<u>\$ 902,974</u>

See notes to financial statements.

PPG INDUSTRIES FOUNDATION

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Activities — PPG Industries Foundation (the “Foundation”) is a non-profit organization, which qualifies as a charitable organization exempt from federal income taxes. The Foundation relies primarily on contributions from PPG Industries, Inc. (“PPG”) to fund both pledge commitments and Foundation operations. All such contributions are unrestricted as the Foundation’s Board of Directors has discretionary control over the use of the funds.

Pledges Receivable and Commitments — PPG’s unconditional promises to give to the Foundation are recorded as pledges receivable and recognized as increases in unrestricted net assets at the date of promise. In addition, the Foundation’s unconditional promises to give are recorded as pledge commitments and recognized as decreases in unrestricted net assets at the dates of the commitments. Pledge commitments due after one year are stated at the present value of the amounts to be paid, based upon applicable discount rates. The weighted-average discount rate used in determining the present value for the year ended December 31, 2008, was 4.7% and for the year ended December 31, 2007, was 4.4%.

In April 2002, the Foundation approved a \$5,500,000 donation to the Zoological Society of Pittsburgh, which operates the Pittsburgh Zoo and PPG Aquarium. The donation is being paid in 10 equal annual installments through 2011.

In March 2005, the Foundation approved an additional \$1,000,000 donation to the Zoological Society of Pittsburgh. The donation will be paid in two equal annual installments in 2012 and 2013.

Investments — Investments in debt and equity securities are done through common or group trusts, which are types of collective funds, managed by Barclay’s Global Investors (“BGI”). The funds are recorded at fair value, which is determined by BGI, and is based upon the fair value of the funds’ underlying assets. In accordance with Statement of Financial Accounting Standards No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*, investment income (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the statements of activities.

Contributed Services — Contributed services represent administrative services contributed to the Foundation by PPG. The amounts of contributed services are also included in administration expenses in the statements of activities.

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.

Risks and Uncertainties — Investment securities are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in risks and values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Adoption of New Accounting Standard — In September 2006, the Financial Accounting Standards Board issued SFAS No. 157, “Fair Value Measurements” (“SFAS No. 157”), which defines fair value, establishes a framework in generally accepted accounting principles for measuring fair value and expands disclosures about fair value measurements. This standard only applies when other standards require or permit the fair value measurement of assets and liabilities. It does not increase the use of fair value measurement. SFAS No. 157 was effective for fiscal years beginning after November 15, 2007. The adoption of SFAS No. 157 with respect to the Foundation’s assets and liabilities in 2008 did not have a significant impact on the Foundation’s financial statements.

SFAS No. 157 establishes a hierarchy of inputs employed to determine fair value measurements, with three levels. Level 1 inputs are quoted prices in active markets for identical assets and liabilities, are considered to be the most reliable evidence of fair value, and should be used whenever available. Level 2 inputs are observable prices that are not quoted on active exchanges. Level 3 inputs are unobservable inputs employed for measuring the fair value of assets and liabilities. It has been determined that all of the Foundation’s investments and pledge commitments due after one year fall under level 2 of the fair value hierarchy.

2. INVESTMENTS

Investments recorded at fair value at December 31, 2008 and 2007, consisted of the following:

	2008	2007
Collective Funds (Managed by BGI):		
Fixed Income Securities	\$5,608,956	\$5,658,767
Equity Securities	<u>281,244</u>	<u>671,653</u>
Total	<u>\$5,890,200</u>	<u>\$6,330,420</u>

Total investment (loss) income on all investments and cash for the years ended December 31, 2008 and 2007, is comprised of the following:

	2008	2007
Interest and dividends	\$ 508,590	\$ 487,871
Net realized (loss) gain on sale of investments	<u>(1,228,641)</u>	<u>26,516</u>
	(720,051)	514,387
Net unrealized loss on investments	<u>(371,485)</u>	<u>(36,292)</u>
Total investment (loss) income	<u>\$ (1,091,536)</u>	<u>\$ 478,095</u>

The cost basis of the investments was \$6,339,191 and \$6,407,926 as of December 31, 2008 and 2007, respectively.

3. LONG-TERM INVESTMENTS

The Foundation’s long-term investment included on its statements of financial position as of December 31, 2008 and 2007, in the amount of \$644,982 and \$905,204, respectively, relates to its investment in the Pittsburgh Strategic Investment Fund Partnership (the “Fund”). The Foundation received a capital distribution from the Fund in the amount of \$260,222 and \$594,796 in 2008 and 2007, respectively. The Fund’s primary purpose is to promote public policy initiatives and enhance financial returns to Pittsburgh-area businesses by financing projects conceived to develop and improve Pittsburgh’s housing and transportation infrastructure, tourism and recreation, office and industrial space, and retail activity.

There were no new investments made in the Fund by the Foundation during the years ended December 31, 2008 and 2007. This investment is recorded at cost as the Foundation does not have the ability to exercise significant influence over the Fund’s operating and financial policies and as the Foundation’s investment in the Fund does not exceed 5%. Additionally, the Foundation reviews this investment for impairment whenever events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. No impairment loss was recorded for the years ended December 31, 2008 and 2007.

4. PLEDGE COMMITMENTS

The Foundation’s unconditional promises to give as of December 31, 2008, were as follows:

Years Ending December 31	Amounts Due
2009	\$2,513,360
2010–2014	\$4,830,624
Thereafter	166,666
Unamortized discount	<u>(605,988)</u>
Total	<u>\$6,904,662</u>

5. FEDERAL EXCISE TAX

The Foundation is subject to a 1% federal excise tax on net realized investment income in 2008 and 2007. The Foundation pays its federal excise tax on the installment basis in accordance with the Tax Reform Act of 1986. As the Foundation has a net realized investment loss as of December 31, 2008, no federal excise tax is due in 2008 and no payments were made. There were no federal excise taxes paid in 2007 due to over payment of excise taxes in 2006, which was applied to offset the Foundation’s 2007 tax liability. Additionally, in 2007, the Foundation received a refund of \$13,400 related to additional overpayments of its excise tax liability in prior periods, which has been reflected as a reduction to federal excise tax on net realized investment income in the accompanying statement of activities for the year ended December 31, 2007.

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