

PPG Industries Foundation

Financial Statements as of and for the
Years Ended December 31, 2010 and 2009,
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, 2010 and 2009, 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, 2010 and 2009, 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.

July 20, 2011

PPG INDUSTRIES FOUNDATION

STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2010 AND 2009

	2010	2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 209,303	\$ 7,737,674
Investments	3,230,799	-
Pledges receivable	4,500,000	-
Other	<u>40,532</u>	<u>38,335</u>
Total current assets	7,980,634	7,776,009
NON-CURRENT ASSET — Investment in Strategic Investment Fund	<u>533,458</u>	<u>644,982</u>
TOTAL	<u>\$8,514,092</u>	<u>\$8,420,991</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Pledge commitments	\$2,150,702	\$2,301,452
Accounts payable	<u>2,790</u>	<u>10,191</u>
Total current liabilities	2,153,492	2,311,643
PLEDGE COMMITMENTS DUE AFTER ONE YEAR	5,614,783	3,605,418
NET ASSETS — Unrestricted	<u>745,817</u>	<u>2,503,930</u>
TOTAL	<u>\$8,514,092</u>	<u>\$8,420,991</u>

See notes to financial statements.

PPG INDUSTRIES FOUNDATION

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
OPERATING REVENUES:		
Unrestricted contribution from PPG Industries, Inc.	\$ 4,500,000	\$ -
Contributed services	223,861	237,600
Prior years' returned grants	<u>10,900</u>	<u>40,673</u>
Total operating revenues	<u>4,734,761</u>	<u>278,273</u>
OPERATING EXPENSES:		
Pledges (grants paid: \$4,492,855 in 2010 and \$4,499,806 in 2009)	6,351,470	3,502,014
Administration and other expenses	<u>317,224</u>	<u>311,746</u>
Total operating expenses	<u>6,668,694</u>	<u>3,813,760</u>
OTHER GAINS (LOSSES):		
Interest and dividend income	123,810	238,037
Net realized and unrealized gain on investments	52,408	377,554
Federal excise tax on net investment credit	<u>(398)</u>	<u>(8,854)</u>
DECREASE IN NET ASSETS — Unrestricted	(1,758,113)	(2,928,750)
NET ASSETS — Unrestricted — beginning of year	<u>2,503,930</u>	<u>5,432,680</u>
NET ASSETS — Unrestricted — end of year	<u>\$ 745,817</u>	<u>\$ 2,503,930</u>

See notes to financial statements.

PPG INDUSTRIES FOUNDATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES:		
Decrease in net assets — unrestricted	\$(1,758,113)	\$(2,928,750)
Adjustments to reconcile decrease in net assets — unrestricted to net cash (used in) provided by operating activities:		
Net realized and unrealized gain on investments	(52,408)	(377,554)
(Increase) decrease in pledges receivable	(4,500,000)	5,000,000
(Increase) decrease in other current assets	(2,197)	5,972
Increase (decrease) in pledge commitments	1,858,615	(997,792)
Decrease in accounts payable	<u>(7,401)</u>	<u>(9,399)</u>
Net cash (used in) provided by operating activities	<u>(4,461,504)</u>	<u>692,477</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(3,178,391)	(204,414)
Proceeds from sales of investments	-	6,472,168
Distribution from the Strategic Investment Fund	<u>111,524</u>	<u>-</u>
Net cash (used in) provided by investing activities	<u>(3,066,867)</u>	<u>6,267,754</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(7,528,371)	6,960,231
CASH AND CASH EQUIVALENTS — Beginning of year	<u>7,737,674</u>	<u>777,443</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 209,303</u>	<u>\$ 7,737,674</u>

See notes to financial statements.

PPG INDUSTRIES FOUNDATION

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Activities — PPG Industries Foundation (the “Foundation”) is an exempt private foundation, 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.

Cash Equivalents — Cash equivalents are highly liquid investments (valued at cost, which approximates fair value) acquired with an original maturity of three months or less.

Pledges Receivable and Commitments — PPG’s unconditional promises to give to the Foundation are recorded at fair value as pledges receivable and recognized as increases in unrestricted net assets at the date of the 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 fair value of the amounts to be paid, based upon applicable discount rates, in accordance with the accounting guidance for financial assets and financial liabilities. The weighted average discount rate used in determining the present value at December 31, 2010 and 2009 was 3.1% and 3.0%, respectively.

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 was paid in 10 equal annual installments through February 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.

In October 2010, the Foundation approved a \$4,400,000 donation to the Zoological Society of Pittsburgh to be paid in eight equal installments of \$550,000 from 2014 through 2021.

Investments — Investments in debt securities are made through a mutual fund managed by Vanguard. These investments are recorded at fair value, which is based upon the fair value of the funds’ underlying assets. The cost basis of the investments was \$3,187,533 as of December 31, 2010. In accordance with the Financial Accounting Standards Board’s (“FASB”) guidance on 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 (“GAAP”) 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, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounting Standards Adopted Prior to 2010 — In June 2009, the Financial Accounting Standards Board (“FASB”) issued new accounting guidance entitled, “The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles — a replacement of FASB Statement No. 162,” (“ASC”), which identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP. This new guidance became effective on September 30, 2009. The adoption of this guidance has changed how we reference various elements of GAAP when preparing our financial statement disclosures, but did not have an impact on the Foundation’s financial statements.

In May 2009, the FASB issued new accounting guidance on subsequent events. The objective of this guidance is to establish general standards of accounting for, and disclosure of, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. This new accounting guidance became effective on June 30, 2009. Adopting this new guidance did not have a material impact on the accompanying financial statements. The Foundation has determined that there were no subsequent events that would require disclosure in or adjustment to the accompanying financial statements through July 20, 2011.

2. INVESTMENT INCOME

Total investment income on all investments and cash and cash equivalents for the years ended December 31, 2010 and 2009, is comprised of the following:

	2010	2009
Interest and dividends	\$ 123,810	\$ 238,037
Net realized gain on sale of investments	<u>-</u>	<u>377,554</u>
	123,810	615,591
Net unrealized gain on investments	<u>52,408</u>	<u>-</u>
Total investment income	<u>\$ 176,218</u>	<u>\$ 615,591</u>

3. INVESTMENT IN THE STRATEGIC INVESTMENT FUND

The Foundation’s non-current asset as of December 31, 2010 and 2009 relates to its investment in the Pittsburgh Strategic Investment Fund Partnership (the “Fund”). 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, 2010 and 2009. The Foundation received a capital distribution from the Fund in the amount of \$111,524 in 2010. The remaining amounts invested by the Foundation in the Fund are expected to be distributed to the Foundation no later than 2016, in accordance with the terms of the Fund. 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, 2010 and 2009.

4. PLEDGE COMMITMENTS

The Foundation's unconditional promises to give as of December 31, 2010, were as follows:

Years Ending December 31		Amounts Due
2011		\$2,150,702
2012–2021	\$6,757,000	
Unamortized discount	<u>(1,142,217)</u>	
Pledge commitments due after one year		<u>5,614,783</u>
Total		<u>\$7,765,485</u>

5. FAIR VALUE MEASUREMENT

The Foundation's Investments and Pledge commitments due after one year are measured at fair value on a recurring basis. Accounting guidance on fair value measurement establishes a hierarchy of inputs employed to determine fair value, which has 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 or liabilities. The fair values of the Foundation's Investments were calculated using Level 1 inputs of the fair value hierarchy and the fair values of the Foundation's Pledge commitments due after one year were calculated using Level 2 inputs of the fair value hierarchy.

6. FEDERAL EXCISE TAX

The Foundation is subject to a 1% federal excise tax on net realized investment income. The Foundation pays its federal excise tax on the installment basis in accordance with the Tax Reform Act of 1986. The Foundation had a taxable net realized investment gain for the years ended December 31, 2010 and 2009 and incurred \$398 and \$8,854 in federal excise tax expense, respectively

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