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Department of the Treasury
 Internal Revenue Service

Note: The foundation may be able to use a copy of this return to satisfy state reporting requirements

For calendar year 2007, or tax year beginning 07/01, 2007, and ending 06/30/2008

G Check all that apply Initial return Final return Amended return Address change Name change

Use the IRS label. Otherwise, print or type. See Specific Instructions.

Name of foundation: **THE NETS FOUNDATION INC.**

Number and street (or P O box number if mail is not delivered to street address): **390 MURRAY HILL PARKWAY**

Room/suite: _____

City or town, state, and ZIP code: **EAST RUTHERFORD, NJ 07073**

A Employer identification number: **20-5370246**

B Telephone number (see page 10 of the instructions): **(201) 635-8888**

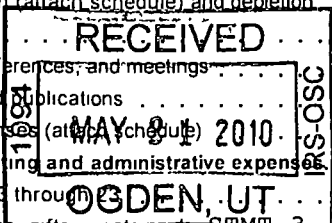
- C If exemption application is pending, check here
- D 1. Foreign organizations, check here
- 2. Foreign organizations meeting the 85% test, check here and attach computation
- E If private foundation status was terminated under section 507(b)(1)(A), check here
- F If the foundation is in a 60-month termination under section 507(b)(1)(B), check here

H Check type of organization Section 501(c)(3) exempt private foundation
 Section 4947(a)(1) nonexempt charitable trust Other taxable private foundation

I Fair market value of all assets at end of year (from Part II, col (c), line 16) **\$ 1,423,336.**

J Accounting method Cash Accrual
 Other (specify) _____
 (Part I, column (d) must be on cash basis)

| Part I Analysis of Revenue and Expenses (The total of amounts in columns (b), (c), and (d) may not necessarily equal the amounts in column (a) (see page 11 of the instructions)) | | (a) Revenue and expenses per books | (b) Net investment income | (c) Adjusted net income | (d) Disbursements for charitable purposes (cash basis only) |
|---|--|------------------------------------|---------------------------|-------------------------|---|
| Revenue | 1 Contributions, gifts, grants etc., received (attach schedule) | 2,077,038. | | | |
| | 2 Check <input type="checkbox"/> if the foundation is not required to attach Sch B | | | | |
| | 3 Interest on savings and temporary cash investments | 18,450. | 18,450. | | STMT 1 |
| | 4 Dividends and interest from securities | | | | |
| | 5 a Gross rents | | | | |
| | b Net rental income or (loss) | | | | |
| | 6 a Net gain or (loss) from sale of assets not on line 10 | | | | |
| | b Gross sales price for all assets on line 6a | | | | |
| | 7 Capital gain net income (from Part IV, line 2) | | | | |
| | 8 Net short-term capital gain | | | | |
| | 9 Income modifications | | | | |
| | 10 a Gross sales less returns and allowances | | | | |
| b Less Cost of goods sold | | | | | |
| c Gross profit or (loss) (attach schedule) | | | | | |
| 11 Other income (attach schedule) | | | | | |
| 12 Total. Add lines 1 through 11 | 2,095,488. | 18,450. | | | |
| Operating and Administrative Expenses | 13 Compensation of officers, directors, trustees, etc | NONE | | | |
| | 14 Other employee salaries and wages | | | | |
| | 15 Pension plans, employee benefits | | | | |
| | 16 a Legal fees (attach schedule) | | | | |
| | b Accounting fees (attach schedule) | | | | |
| | c Other professional fees (attach schedule) | 105. | | | |
| | 17 Interest | | | | |
| | 18 Taxes (attach schedule) (see page 14 of the instructions) | | | | |
| | 19 Depreciation (attach schedule) and depletion | | | | |
| | 20 Occupancy | | | | |
| | 21 Travel, conferences, and meetings | | | | |
| | 22 Printing and publications | | | | |
| | 23 Other expenses (attach schedule) | | | | |
| | 24 Total operating and administrative expenses. Add lines 13 through 23 | 105. | | | |
| | 25 Contributions, gifts, grants paid | 642,750. | | | 163,500. |
| 26 Total expenses and disbursements. Add lines 24 and 25 | 642,855. | | | 163,500. | |
| 27 Subtract line 26 from line 12 | | | | | |
| a Excess of revenue over expenses and disbursements | 1,452,633. | | | | |
| b Net investment income (if negative, enter -0-) | | 18,450. | | | |
| c Adjusted net income (if negative, enter -0-) | | | -0- | | |



SCANNED JUN 01 2010

| Part II Balance Sheets | | Attached schedules and amounts in the description column should be for end-of-year amounts only (See instructions) | | Beginning of year | End of year | |
|-----------------------------|--|--|----------|-------------------|----------------|-----------------------|
| | | | | (a) Book Value | (b) Book Value | (c) Fair Market Value |
| Assets | 1 | Cash - non-interest-bearing | | | 31,518. | 31,518. |
| | 2 | Savings and temporary cash investments | | NONE | 1,400,365. | 1,400,365. |
| | 3 | Accounts receivable | | | | |
| | | Less allowance for doubtful accounts | | | | |
| | 4 | Pledges receivable | 500,000. | | | |
| | | Less allowance for doubtful accounts | | NONE | 500,000. | 500,000. |
| | 5 | Grants receivable | | | | |
| | 6 | Receivables due from officers, directors, trustees, and other disqualified persons (attach schedule) (see page 16 of the instructions) | | | | |
| | 7 | Other notes and loans receivable (attach schedule) | | | | |
| | | Less allowance for doubtful accounts | | | | |
| | 8 | Inventories for sale or use | | | | |
| | 9 | Prepaid expenses and deferred charges | | | | |
| | 10 a | Investments - U S and state government obligations (attach schedule) | | | | |
| | | b Investments - corporate stock (attach schedule) | | | | |
| | | c Investments - corporate bonds (attach schedule) | | | | |
| | 11 | Investments - land, buildings, and equipment basis | | | | |
| | Less accumulated depreciation (attach schedule) | | | | | |
| 12 | Investments - mortgage loans | | | | | |
| 13 | Investments - other (attach schedule) | | | | | |
| 14 | Land, buildings, and equipment basis | | | | | |
| | Less accumulated depreciation (attach schedule) | | | | | |
| 15 | Other assets (describe) | | | | | |
| 16 | Total assets (to be completed by all filers - see the instructions Also, see page 1, item I) | | NONE | 1,931,883. | 1,931,883. | |
| Liabilities | 17 | Accounts payable and accrued expenses | | | | |
| | 18 | Grants payable | | NONE | 479,250. | |
| | 19 | Deferred revenue | | | | |
| | 20 | Loans from officers, directors, trustees, and other disqualified persons | | | | |
| | 21 | Mortgages and other notes payable (attach schedule) | | | | |
| 22 | Other liabilities (describe) | | | | | |
| 23 | Total liabilities (add lines 17 through 22) | | NONE | 479,250. | | |
| Net Assets or Fund Balances | Foundations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 24 through 26 and lines 30 and 31. | | | | | |
| | 24 | Unrestricted | | | 59,692. | |
| | 25 | Temporarily restricted | | NONE | 1,392,941. | |
| | 26 | Permanently restricted | | | | |
| | Foundations that do not follow SFAS 117, check here and complete lines 27 through 31. <input type="checkbox"/> | | | | | |
| | 27 | Capital stock, trust principal, or current funds | | | | |
| | 28 | Paid-in or capital surplus, or land, bldg, and equipment fund | | | | |
| 29 | Retained earnings, accumulated income, endowment, or other funds | | | | | |
| 30 | Total net assets or fund balances (see page 17 of the instructions) | | NONE | 1,452,633. | | |
| 31 | Total liabilities and net assets/fund balances (see page 17 of the instructions) | | NONE | 1,931,883. | | |

| Part III Analysis of Changes in Net Assets or Fund Balances | | | |
|---|--|---|------------|
| 1 | Total net assets or fund balances at beginning of year - Part II, column (a), line 30 (must agree with end-of-year figure reported on prior year's return) | 1 | NONE |
| 2 | Enter amount from Part I, line 27a | 2 | 1,452,633. |
| 3 | Other increases not included in line 2 (itemize) | 3 | |
| 4 | Add lines 1, 2, and 3 | 4 | 1,452,633. |
| 5 | Decreases not included in line 2 (itemize) | 5 | |
| 6 | Total net assets or fund balances at end of year (line 4 minus line 5) - Part II, column (b), line 30 | 6 | 1,452,633. |

Part IV Capital Gains and Losses for Tax on Investment Income

| (a) List and describe the kind(s) of property sold (e.g., real estate, 2-story brick warehouse, or common stock, 200 shs MLC Co) | | | (b) How acquired P-Purchase D-Donation | (c) Date acquired (mo., day, yr) | (d) Date sold (mo., day, yr) |
|--|---|---|--|-------------------------------------|---------------------------------|
| 1a | | | | | |
| b | | | | | |
| c | | | | | |
| d | | | | | |
| e | | | | | |
| (e) Gross sales price | (f) Depreciation allowed (or allowable) | (g) Cost or other basis plus expense of sale | (h) Gain or (loss) (e) plus (f) minus (g) | | |
| a | | | | | |
| b | | | | | |
| c | | | | | |
| d | | | | | |
| e | | | | | |
| Complete only for assets showing gain in column (h) and owned by the foundation on 12/31/69 | | | (i) Gains (Col (h) gain minus col (k), but not less than -0-) or Losses (from col (h)) | | |
| (i) F M V as of 12/31/69 | (j) Adjusted basis as of 12/31/69 | (k) Excess of col (i) over col (j), if any | | | |
| a | | | | | |
| b | | | | | |
| c | | | | | |
| d | | | | | |
| e | | | | | |
| 2 Capital gain net income or (net capital loss) | { If gain, also enter in Part I, line 7 If (loss), enter -0- in Part I, line 7 } | | 2 | | |
| 3 Net short-term capital gain or (loss) as defined in sections 1222(5) and (6) If gain, also enter in Part I, line 8, column (c) (see pages 13 and 17 of the instructions) If (loss), enter -0- in Part I, line 8. | } | | 3 | | |

Part V Qualification Under Section 4940(e) for Reduced Tax on Net Investment Income

(For optional use by domestic private foundations subject to the section 4940(a) tax on net investment income)

If section 4940(d)(2) applies, leave this part blank

NOT AVAILABLE FOR INITIAL YEAR RETURNS

Was the foundation liable for the section 4942 tax on the distributable amount of any year in the base period? Yes No
 If "Yes," the foundation does not qualify under section 4940(e) Do not complete this part

1 Enter the appropriate amount in each column for each year, see page 18 of the instructions before making any entries

| (a) Base period years Calendar year (or tax year beginning in) | (b) Adjusted qualifying distributions | (c) Net value of noncharitable-use assets | (d) Distribution ratio (col (b) divided by col (c)) |
|--|--|--|---|
| 2006 | | | |
| 2005 | | | |
| 2004 | | | |
| 2003 | | | |
| 2002 | | | |
| 2 Total of line 1, column (d) | | | 2 |
| 3 Average distribution ratio for the 5-year base period - divide the total on line 2 by 5, or by the number of years the foundation has been in existence if less than 5 years | | | 3 |
| 4 Enter the net value of noncharitable-use assets for 2007 from Part X, line 5 | | | 4 |
| 5 Multiply line 4 by line 3 | | | 5 |
| 6 Enter 1% of net investment income (1% of Part I, line 27b) | | | 6 |
| 7 Add lines 5 and 6 | | | 7 |
| 8 Enter qualifying distributions from Part XII, line 4 | | | 8 |

If line 8 is equal to or greater than line 7, check the box in Part VI, line 1b, and complete that part using a 1% tax rate See the Part VI instructions on page 18

Part VI Excise Tax Based on Investment Income (Section 4940(a), 4940(b), 4940(e), or 4948 - see page 18 of the instructions)

| | | | |
|----|---|----|------|
| 1a | Exempt operating foundations described in section 4940(d)(2), check here <input type="checkbox"/> and enter "N/A" on line 1 Date of ruling letter _____ (attach copy of ruling letter if necessary - see instructions) | | |
| b | Domestic foundations that meet the section 4940(e) requirements in Part V, check here <input type="checkbox"/> and enter 1% of Part I, line 27b | 1 | 369. |
| c | All other domestic foundations enter 2% of line 27b Exempt foreign organizations enter 4% of Part I, line 12, col (b) | | |
| 2 | Tax under section 511 (domestic section 4947(a)(1) trusts and taxable foundations only Others enter -0-) | 2 | |
| 3 | Add lines 1 and 2 | 3 | 369. |
| 4 | Subtitle A (income) tax (domestic section 4947(a)(1) trusts and taxable foundations only Others enter -0-) | 4 | NONE |
| 5 | Tax based on investment income. Subtract line 4 from line 3 If zero or less, enter -0- | 5 | 369. |
| 6 | Credits/Payments | | |
| a | 2007 estimated tax payments and 2006 overpayment credited to 2007 | 6a | |
| b | Exempt foreign organizations-tax withheld at source | 6b | NONE |
| c | Tax paid with application for extension of time to file (Form 8868) | 6c | NONE |
| d | Backup withholding erroneously withheld | 6d | |
| 7 | Total credits and payments Add lines 6a through 6d | 7 | NONE |
| 8 | Enter any penalty for underpayment of estimated tax Check here <input type="checkbox"/> if Form 2220 is attached | 8 | |
| 9 | Tax due. If the total of lines 5 and 8 is more than line 7, enter amount owed | 9 | 369. |
| 10 | Overpayment. If line 7 is more than the total of lines 5 and 8, enter the amount overpaid | 10 | |
| 11 | Enter the amount of line 10 to be Credited to 2008 estimated tax Refunded | 11 | |

Part VII-A Statements Regarding Activities

| | Yes | No |
|--|-----|----|
| 1a During the tax year, did the foundation attempt to influence any national, state, or local legislation or did it participate or intervene in any political campaign? | | X |
| b Did it spend more than \$100 during the year (either directly or indirectly) for political purposes (see page 19 of the instructions for definition)? <i>If the answer is "Yes" to 1a or 1b, attach a detailed description of the activities and copies of any materials published or distributed by the foundation in connection with the activities</i> | | X |
| c Did the foundation file Form 1120-POL for this year? | | X |
| d Enter the amount (if any) of tax on political expenditures (section 4955) imposed during the year (1) On the foundation ▶ \$ _____ (2) On foundation managers ▶ \$ _____ | | |
| e Enter the reimbursement (if any) paid by the organization during the year for political expenditure tax imposed on foundation managers ▶ \$ _____ | | |
| 2 Has the foundation engaged in any activities that have not previously been reported to the IRS? <i>If "Yes," attach a detailed description of the activities</i> | | X |
| 3 Has the foundation made any changes, not previously reported to the IRS, in its governing instrument, articles of incorporation, or bylaws, or other similar instruments? <i>If "Yes," attach a conformed copy of the changes</i> | | X |
| 4a Did the foundation have unrelated business gross income of \$1,000 or more during the year? | | X |
| b If "Yes," has it filed a tax return on Form 990-T for this year? | | X |
| 5 Was there a liquidation, termination, dissolution, or substantial contraction during the year? <i>If "Yes," attach the statement required by General Instruction T</i> | | X |
| 6 Are the requirements of section 508(e) (relating to sections 4941 through 4945) satisfied either • By language in the governing instrument, or • By state legislation that effectively amends the governing instrument so that no mandatory directions that conflict with the state law remain in the governing instrument? | X | |
| 7 Did the foundation have at least \$5,000 in assets at any time during the year? <i>If "Yes," complete Part II, col (c), and Part XV</i> | X | |
| 8a Enter the states to which the foundation reports or with which it is registered (see page 19 of the instructions) ▶ NJ | | |
| b If the answer is "Yes" to line 7, has the foundation furnished a copy of Form 990-PF to the Attorney General (or designate) of each state as required by General Instruction G? <i>If "No," attach explanation</i> | X | |
| 9 Is the foundation claiming status as a private operating foundation within the meaning of section 4942(j)(3) or 4942(j)(5) for calendar year 2007 or the taxable year beginning in 2007 (see instructions for Part XIV)? <i>If "Yes," complete Part XIV.</i> | | X |
| 10 Did any persons become substantial contributors during the tax year? <i>If "Yes," attach a schedule listing their names and addresses</i> | X | |

Part VII-A Statements Regarding Activities (continued)

| | | | | |
|-----|---|-----|---|---|
| 11a | At any time during the year, did the foundation, directly or indirectly, own a controlled entity within the meaning of section 512(b)(13)? If "Yes," attach schedule (see page 20 of the instructions) | 11a | | X |
| b | If "Yes," did the foundation have a binding written contract in effect on August 17, 2006, covering the interest, rents, royalties, and annuities described in the attachment for line 11a? | 11b | | |
| 12 | Did the foundation acquire a direct or indirect interest in any applicable insurance contract? | 12 | | X |
| 13 | Did the foundation comply with the public inspection requirements for its annual returns and exemption application? Website address ▶ <u>N/A</u> | 13 | X | |
| 14 | The books are in care of ▶ <u>N.J. BASKETBALL, LLC</u> Telephone no ▶ <u>201-635-8888</u> Located at ▶ <u>390 MURRAY HILL PKWY E. RUTHERFORD, NJ</u> ZIP + 4 ▶ <u>07073</u> | | | |
| 15 | Section 4947(a)(1) nonexempt charitable trusts filing Form 990-F in lieu of Form 1041 - Check here N/A and enter the amount of tax-exempt interest received or accrued during the year ▶ <u>15</u> | | | |

Part VII-B Statements Regarding Activities for Which Form 4720 May Be Required

File Form 4720 if any item is checked in the "Yes" column, unless an exception applies.

| | | Yes | No |
|-----|--|-----|-----|
| 1a | During the year did the foundation (either directly or indirectly) | | |
| (1) | Engage in the sale or exchange, or leasing of property with a disqualified person? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | | |
| (2) | Borrow money from, lend money to, or otherwise extend credit to (or accept it from) a disqualified person? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | | |
| (3) | Furnish goods, services, or facilities to (or accept them from) a disqualified person? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | | |
| (4) | Pay compensation to, or pay or reimburse the expenses of, a disqualified person? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | | |
| (5) | Transfer any income or assets to a disqualified person (or make any of either available for the benefit or use of a disqualified person)? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | | |
| (6) | Agree to pay money or property to a government official? (Exception. Check "No" if the foundation agreed to make a grant to or to employ the official for a period after termination of government service, if terminating within 90 days) <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | | |
| b | If any answer is "Yes" to 1a(1)-(6), did any of the acts fail to qualify under the exceptions described in Regulations section 53.4941(d)-3 or in a current notice regarding disaster assistance (see page 22 of the instructions)? Organizations relying on a current notice regarding disaster assistance check here ▶ <input type="checkbox"/> | 1b | N/A |
| c | Did the foundation engage in a prior year in any of the acts described in 1a, other than excepted acts, that were not corrected before the first day of the tax year beginning in 2007? | 1c | X |
| 2 | Taxes on failure to distribute income (section 4942) (does not apply for years the foundation was a private operating foundation defined in section 4942(j)(3) or 4942(j)(5)) | | |
| a | At the end of tax year 2007, did the foundation have any undistributed income (lines 6d and 6e, Part XIII) for tax year(s) beginning before 2007? <input type="checkbox"/> Yes <input type="checkbox"/> No If "Yes," list the years ▶ _____ | | |
| b | Are there any years listed in 2a for which the foundation is not applying the provisions of section 4942(a)(2) (relating to incorrect valuation of assets) to the year's undistributed income? (If applying section 4942(a)(2) to all years listed, answer "No" and attach statement - see page 22 of the instructions) | 2b | |
| c | If the provisions of section 4942(a)(2) are being applied to any of the years listed in 2a, list the years here ▶ _____ | | |
| 3a | Did the foundation hold more than a 2% direct or indirect interest in any business enterprise at any time during the year? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | | |
| b | If "Yes," did it have excess business holdings in 2007 as a result of (1) any purchase by the foundation or disqualified persons after May 26, 1969, (2) the lapse of the 5-year period (or longer period approved by the Commissioner under section 4943(c)(7)) to dispose of holdings acquired by gift or bequest, or (3) the lapse of the 10-, 15-, or 20-year first phase holding period? (Use Schedule C, Form 4720, to determine if the foundation had excess business holdings in 2007) | 3b | N/A |
| 4a | Did the foundation invest during the year any amount in a manner that would jeopardize its charitable purposes? | 4a | X |
| b | Did the foundation make any investment in a prior year (but after December 31, 1969) that could jeopardize its charitable purpose that had not been removed from jeopardy before the first day of the tax year beginning in 2007? | 4b | X |

Part VII-B Statements Regarding Activities for Which Form 4720 May Be Required (continued)

5a During the year did the foundation pay or incur any amount to

(1) Carry on propaganda, or otherwise attempt to influence legislation (section 4945(e))? Yes No

(2) Influence the outcome of any specific public election (see section 4955), or to carry on, directly or indirectly, any voter registration drive? Yes No

(3) Provide a grant to an individual for travel, study, or other similar purposes? Yes No

(4) Provide a grant to an organization other than a charitable, etc., organization described in section 509(a)(1), (2), or (3), or section 4940(d)(2)? (see page 22 of the instructions) Yes No

(5) Provide for any purpose other than religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals? Yes No

b If any answer is "Yes" to 5a(1)-(5), did any of the transactions fail to qualify under the exceptions described in Regulations section 53.4945 or in a current notice regarding disaster assistance (see page 22 of the instructions)? Yes No
 Organizations relying on a current notice regarding disaster assistance check here

c If the answer is "Yes" to question 5a(4), does the foundation claim exemption from the tax because it maintained expenditure responsibility for the grant? Yes No
 If "Yes," attach the statement required by Regulations section 53.4945-5(d)

6a Did the foundation, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? Yes No

b Did the foundation, during the year, pay premiums, directly or indirectly, on a personal benefit contract? Yes No
 If you answered "Yes" to 6b, also file Form 8870

7a At any time during the tax year, was the foundation a party to a prohibited tax shelter transaction? Yes No

b If yes, did the foundation receive any proceeds or have any net income attributable to the transaction? Yes No

Part VIII Information About Officers, Directors, Trustees, Foundation Managers, Highly Paid Employees, and Contractors

1 List all officers, directors, trustees, foundation managers and their compensation (see page 23 of the instructions).

| (a) Name and address | (b) Title, and average hours per week devoted to position | (c) Compensation (If not paid, enter -0-) | (d) Contributions to employee benefit plans and deferred compensation | (e) Expense account, other allowances |
|----------------------|---|---|---|---------------------------------------|
| BRETT YORMARK | DIRECTOR/ PRESIDENT 0.25 | NONE | NONE | NONE |
| CHARLIE MIERSWA | DIRECTOR/ VP/ TREASURER 0.25 | NONE | NONE | NONE |
| LEO EHRLINE | DIRECTOR/ VP/ SECRETARY 0.25 | NONE | NONE | NONE |
| BRUCE RATNER | DIRECTOR 0.25 | NONE | NONE | NONE |

2 Compensation of five highest-paid employees (other than those included on line 1 - see page 23 of the instructions). If none, enter "NONE."

| (a) Name and address of each employee paid more than \$50,000 | (b) Title, and average hours per week devoted to position | (c) Compensation | (d) Contributions to employee benefit plans and deferred compensation | (e) Expense account, other allowances |
|---|---|------------------|---|---------------------------------------|
| NONE | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

Total number of other employees paid over \$50,000 NONE

Part VIII Information About Officers, Directors, Trustees, Foundation Managers, Highly Paid Employees, and Contractors (continued)

3 Five highest-paid independent contractors for professional services (see page 23 of the instructions). If none, enter "NONE."

| (a) Name and address of each person paid more than \$50,000 | (b) Type of service | (c) Compensation |
|--|---------------------|------------------|
| NONE | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| Total number of others receiving over \$50,000 for professional services | | NONE |

Part IX-A Summary of Direct Charitable Activities

List the foundation's four largest direct charitable activities during the tax year. Include relevant statistical information such as the number of organizations and other beneficiaries served, conferences convened, research papers produced, etc

Expenses

| | |
|-------|--|
| 1 N/A | |
| 2 | |
| 3 | |
| 4 | |

Part IX-B Summary of Program-Related Investments (see page 24 of the instructions)

Describe the two largest program-related investments made by the foundation during the tax year on lines 1 and 2

Amount

| | |
|---|--|
| 1 NONE | |
| 2 | |
| All other program-related investments See page 24 of the instructions | |
| 3 NONE | |
| Total. Add lines 1 through 3 | |

Part X Minimum Investment Return (All domestic foundations must complete this part. Foreign foundations, see page 24 of the instructions)

| | | | |
|---|---|----|----------|
| 1 | Fair market value of assets not used (or held for use) directly in carrying out charitable, etc., purposes | | |
| a | Average monthly fair market value of securities | 1a | NONE |
| b | Average of monthly cash balances | 1b | 714,782. |
| c | Fair market value of all other assets (see page 25 of the instructions) | 1c | NONE |
| d | Total (add lines 1a, b, and c) | 1d | 714,782. |
| e | Reduction claimed for blockage or other factors reported on lines 1a and 1c (attach detailed explanation) | 1e | |
| 2 | Acquisition indebtedness applicable to line 1 assets | 2 | NONE |
| 3 | Subtract line 2 from line 1d | 3 | 714,782. |
| 4 | Cash deemed held for charitable activities Enter 1 1/2% of line 3 (for greater amount, see page 25 of the instructions) | 4 | 10,722. |
| 5 | Net value of noncharitable-use assets. Subtract line 4 from line 3 Enter here and on Part V, line 4 | 5 | 704,060. |
| 6 | Minimum investment return. Enter 5% of line 5 | 6 | 35,203. |

Part XI Distributable Amount (see page 25 of the instructions) (Section 4942(j)(3) and (j)(5) private operating foundations and certain foreign organizations check here and do not complete this part)

| | | | |
|----|--|----|---------|
| 1 | Minimum investment return from Part X, line 6 | 1 | 35,203. |
| 2a | Tax on investment income for 2007 from Part VI, line 5 | 2a | 369. |
| b | Income tax for 2007 (This does not include the tax from Part VI) | 2b | |
| c | Add lines 2a and 2b | 2c | 369. |
| 3 | Distributable amount before adjustments Subtract line 2c from line 1 | 3 | 34,834. |
| 4 | Recoveries of amounts treated as qualifying distributions | 4 | |
| 5 | Add lines 3 and 4 | 5 | 34,834. |
| 6 | Deduction from distributable amount (see page 25 of the instructions) | 6 | |
| 7 | Distributable amount as adjusted Subtract line 6 from line 5 Enter here and on Part XIII, line 1 | 7 | 34,834. |

Part XII Qualifying Distributions (see page 26 of the instructions)

| | | | |
|---|--|----|----------|
| 1 | Amounts paid (including administrative expenses) to accomplish charitable, etc., purposes | | |
| a | Expenses, contributions, gifts, etc - total from Part I, column (d), line 26 | 1a | 163,500. |
| b | Program-related investments - total from Part IX-B | 1b | NONE |
| 2 | Amounts paid to acquire assets used (or held for use) directly in carrying out charitable, etc., purposes | 2 | NONE |
| 3 | Amounts set aside for specific charitable projects that satisfy the | | |
| a | Suitability test (prior IRS approval required) | 3a | NONE |
| b | Cash distribution test (attach the required schedule) | 3b | NONE |
| 4 | Qualifying distributions. Add lines 1a through 3b Enter here and on Part V, line 8, and Part XIII, line 4 | 4 | 163,500. |
| 5 | Foundations that qualify under section 4940(e) for the reduced rate of tax on net investment income Enter 1% of Part I, line 27b (see page 26 of the instructions) | 5 | |
| 6 | Adjusted qualifying distributions. Subtract line 5 from line 4 | 6 | 163,500. |

Note: The amount on line 6 will be used in Part V, column (b), in subsequent years when calculating whether the foundation qualifies for the section 4940(e) reduction of tax in those years

Part XIII Undistributed Income (see page 26 of the instructions)

| | (a) Corpus | (b) Years prior to 2006 | (c) 2006 | (d) 2007 |
|--|---------------|----------------------------|-------------|-------------|
| 1 Distributable amount for 2007 from Part XI, line 7 | | | | 34,834. |
| 2 Undistributed income, if any, as of the end of 2006 | | | | |
| a Enter amount for 2006 only | | | | |
| b Total for prior years | | | | |
| 3 Excess distributions carryover, if any, to 2007 | | | | |
| a From 2002 | | | | |
| b From 2003 | | | | |
| c From 2004 | | | | |
| d From 2005 | | | | |
| e From 2006 | | | | |
| f Total of lines 3a through e | | | | |
| 4 Qualifying distributions for 2007 from Part XII, line 4 ▶ \$ 163,500. | | | | |
| a Applied to 2006, but not more than line 2a | | | | |
| b Applied to undistributed income of prior years (Election required - see page 27 of the instructions) | | | | |
| c Treated as distributions out of corpus (Election required - see page 27 of the instructions) | | | | |
| d Applied to 2007 distributable amount | | | | 34,834. |
| e Remaining amount distributed out of corpus | 128,666. | | | |
| 5 Excess distributions carryover applied to 2007 (If an amount appears in column (d), the same amount must be shown in column (a)) | | | | |
| 6 Enter the net total of each column as indicated below: | | | | |
| a Corpus Add lines 3f, 4c, and 4e Subtract line 5 | 128,666. | | | |
| b Prior years' undistributed income Subtract line 4b from line 2b | | | | |
| c Enter the amount of prior years' undistributed income for which a notice of deficiency has been issued, or on which the section 4942(a) tax has been previously assessed | | | | |
| d Subtract line 6c from line 6b Taxable amount - see page 27 of the instructions | | | | |
| e Undistributed income for 2006 Subtract line 4a from line 2a Taxable amount - see page 27 of the instructions | | | | |
| f Undistributed income for 2007 Subtract lines 4d and 5 from line 1 This amount must be distributed in 2008 | | | | |
| 7 Amounts treated as distributions out of corpus to satisfy requirements imposed by section 170(b)(1)(F) or 4942(g)(3) (see page 27 of the instructions) | | | | |
| 8 Excess distributions carryover from 2002 not applied on line 5 or line 7 (see page 27 of the instructions) | | | | |
| 9 Excess distributions carryover to 2008. Subtract lines 7 and 8 from line 6a | 128,666. | | | |
| 10 Analysis of line 9 | | | | |
| a Excess from 2003 | | | | |
| b Excess from 2004 | | | | |
| c Excess from 2005 | | | | |
| d Excess from 2006 | | | | |
| e Excess from 2007 | 128,666. | | | |

Part XIV Private Operating Foundations (see page 27 of the instructions and Part VII-A, question 9) NOT APPLICABLE

1a If the foundation has received a ruling or determination letter that it is a private operating foundation, and the ruling is effective for 2007, enter the date of the ruling

b Check box to indicate whether the foundation is a private operating foundation described in section 4942(j)(3) or 4942(j)(5)

Table with columns: Tax year (a) 2007, Prior 3 years (b) 2006, (c) 2005, (d) 2004, (e) Total. Rows include: 2a Adjusted net income, 2b 85% of line 2a, 2c Qualifying distributions, 2d Amounts included in line 2c, 2e Qualifying distributions made directly, 3 Alternative tests (Assets, Endowment, Support).

Part XV Supplementary Information (Complete this part only if the foundation had \$5,000 or more in assets at any time during the year - see page 28 of the instructions.)

1 Information Regarding Foundation Managers:
a List any managers of the foundation who have contributed more than 2% of the total contributions received by the foundation before the close of any tax year (but only if they have contributed more than \$5,000) (See section 507(d)(2))
N/A

b List any managers of the foundation who own 10% or more of the stock of a corporation (or an equally large portion of the ownership of a partnership or other entity) of which the foundation has a 10% or greater interest
N/A

2 Information Regarding Contribution, Grant, Gift, Loan, Scholarship, etc., Programs:
Check here [X] if the foundation only makes contributions to preselected charitable organizations and does not accept unsolicited requests for funds If the foundation makes gifts, grants, etc (see page 28 of the instructions) to individuals or organizations under other conditions, complete items 2a, b, c, and d

a The name, address, and telephone number of the person to whom applications should be addressed

b The form in which applications should be submitted and information and materials they should include

c Any submission deadlines

d Any restrictions or limitations on awards, such as by geographical areas, charitable fields, kinds of institutions, or other factors

Part XV Supplementary Information (continued)

3 Grants and Contributions Paid During the Year or Approved for Future Payment

| Recipient Name and address (home or business) | If recipient is an individual, show any relationship to any foundation manager or substantial contributor | Foundation status of recipient | Purpose of grant or contribution | Amount |
|---|--|--------------------------------------|-------------------------------------|----------|
| a <i>Paid during the year</i> SEE STATEMENT 7 | | | | |
| Total ▶ 3a | | | | 163,500. |
| b <i>Approved for future payment</i> SEE STATEMENT 9 | | | | |
| Total ▶ 3b | | | | 479,250. |

Schedule of Contributors

2007

Supplementary Information for
line 1 of Form 990, 990-EZ, and 990-PF (see instructions)

Name of organization

THE NETS FOUNDATION INC.

Employer identification number

20-5370246

Organization type (check one)

Filers of:

Section:

Form 990 or 990-EZ

501(c)() (enter number) organization

4947(a)(1) nonexempt charitable trust not treated as a private foundation

527 political organization

Form 990-PF

501(c)(3) exempt private foundation

4947(a)(1) nonexempt charitable trust treated as a private foundation

501(c)(3) taxable private foundation

Check if your organization is covered by the **General Rule** or a **Special Rule**. (Note: Only a section 501(c)(7), (8), or (10) organization can check boxes for both the General Rule and a Special Rule - see instructions)

General Rule -

For organizations filing Form 990, 990-EZ, or 990-PF that received, during the year, \$5,000 or more (in money or property) from any one contributor (Complete Parts I and II)

Special Rules -

For a section 501(c)(3) organization filing Form 990, or Form 990-EZ, that met the 33 1/3 % support test of the regulations under sections 509(a)(1)/170(b)(1)(A)(vi), and received from any one contributor, during the year, a contribution of the greater of \$5,000 or 2% of the amount on line 1 of these forms (Complete Parts I and II)

For a section 501(c)(7), (8), or (10) organization filing Form 990, or Form 990-EZ, that received from any one contributor, during the year, aggregate contributions or bequests of more than \$1,000 for use *exclusively* for religious, charitable, scientific, literary, or educational purposes, or the prevention of cruelty to children or animals (Complete Parts I, II, and III)

For a section 501(c)(7), (8), or (10) organization filing Form 990, or Form 990-EZ, that received from any one contributor, during the year, some contributions for use *exclusively* for religious, charitable, etc , purposes, but these contributions did not aggregate to more than \$1,000 (If this box is checked, enter here the total contributions that were received during the year for an *exclusively* religious, charitable, etc , purpose Do not complete any of the Parts unless the **General Rule** applies to this organization because it received nonexclusively religious, charitable, etc , contributions of \$5,000 or more during the year) ▶ \$ _____

Caution: Organizations that are not covered by the General Rule and/or the Special Rules do not file Schedule B (Form 990, 990-EZ, or 990-PF), but they **must** check the box in the heading of their Form 990, Form 990-EZ, or on line 2 of their Form 990-PF, to certify that they do not meet the filing requirements of Schedule B (Form 990, 990-EZ, or 990-PF)

Name of organization THE NETS FOUNDATION INC.

Employer identification number

20-5370246

Part I Contributors (See Specific Instructions)

| (a) No. | (b) Name, address, and ZIP + 4 | (c) Aggregate contributions | (d) Type of contribution |
|------------|---|--------------------------------|---|
| 1 | BARCLAYS CAPITAL 745 7TH AVENUE NEW YROK, NY 10019 | \$ 1,000,000. | Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution) |
| 2 | FOREST CITY RATNER COMPANIES 1 METROTECH CENTER NORTH BROOKLYN, NY 11201 | \$ 500,000. | Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution) |
| 3 | FOREST CITY RATNER COMPANIES FOUNDATION 1 METROTECH CENTER NORTH BROOKLYN, NY 11201 | \$ 17,050. | Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution) |
| 4 | NEW JERSEY BASKETBALL, LLC 390 MURRAY HILL PARKWAY EAST RUTHERFORD, NJ 07073 | \$ 500,000. | Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution) |
| | | \$ | Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution) |
| | | \$ | Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution) |

FORM 990PF, PART VII-A, LINE 10 - NEW SUBSTANTIAL CONTRIBUTORS

| NAME AND ADDRESS | DATE | DIRECT PUBLIC SUPPORT |
|---|---------|-----------------------|
| BARCLAYS CAPITAL 745 7TH AVENUE NEW YROK, NY 10019 | VARIOUS | 1,000,000. |
| FOREST CITY RATNER COMPANIES 1 METROTECH CENTER NORTH BROOKLYN, NY 11201 | VARIOUS | 500,000. |
| FOREST CITY RATNER COMPANIES FOUNDATION 1 METROTECH CENTER NORTH BROOKLYN, NY 11201 | VARIOUS | 17,050. |
| NEW JERSEY BASKETBALL, LLC 390 MURRAY HILL PARKWAY EAST RUTHERFORD, NJ 07073 | VARIOUS | 500,000. |

TOTAL CONTRIBUTION AMOUNTS

 2,017,050.
 =====

FORM 990PF, PART I - INTEREST ON TEMPORARY CASH INVESTMENTS

| DESCRIPTION | REVENUE AND EXPENSES PER BOOKS | NET INVESTMENT INCOME |
|------------------|---|-----------------------------|
| INTEREST REVENUE | 18,450. | 18,450. |
| TOTAL | 18,450. | 18,450. |

FORM 990PF, PART I - OTHER PROFESSIONAL FEES

| DESCRIPTION | REVENUE AND EXPENSES PER BOOKS |
|----------------------|---|
| NJ REGISTRATION FEES | 75. |
| NJ FILING FEES | 30. |
| TOTALS | 105. |

FORM 990PF, PART I - CONTRIBUTIONS, GIFTS, GRANTS PAID

RELATIONSHIP TO SUBSTANTIAL CONTRIBUTOR AND FOUNDATION STATUS OF RECIPIENT

| RECIPIENT NAME AND ADDRESS | PURPOSE OF GRANT OR CONTRIBUTION | AMOUNT |
|---|---------------------------------------|----------|
| GRANTS PAID | | |
| UJA FEDERATION OF NY 130 E. 59TH STREET NEW YORK, NY 10022 | YOUTH SPORT FUND | 500. |
| OUT TO PLAY 1560 BROADWAY, SUITE 805 NEW YORK, NY 10036 | PLAYGROUND RENOVATIONS | 150,000. |
| HOOPS AND LEADERS THIRD SECTOR NEW ENGLAND 89 SOUTH STREET, SUITE 700 BOSTON, MA 02111 | (2) SUMMER CAMP PROGRAMS | 2,000. |
| NEIGHBORS HELPING NEIGHBORS 443 39TH STREET, SUITE 202 BROOKLYN, NY 11232 | SUPPORT LOW INCOME HOUSING FUNDRAISER | 2,500. |
| MONTCLAIR UNIVERSITY 1 NORMAL AVENUE MONTCLAIR, NJ 07043 | SCHOLARSHIP | 2,500. |
| 34 WAYS TO ASSIST FOUNDATION 3500 FAIRMOUNT STREET #11B DALLAS, TX 75219 | CAMP FOR UNDERPRIVILEGED KIDS | 5,000. |

RELATIONSHIP TO SUBSTANTIAL CONTRIBUTOR
AND
FOUNDATION STATUS OF RECIPIENT

RECIPIENT NAME AND ADDRESS

PURPOSE OF GRANT OR CONTRIBUTION

AMOUNT

CHILD ABUSE PREVENTION SERVICES
P.O. BOX 176
ROSLYN, NY 11576

NONE
PUBLIC CHARITY

DONATION TO PREVENTE CHILD ABUSE

1,000.

GRANTS ACCRUED

163,500.
=====

TOTAL CONTRIBUTIONS PAID

NYU COLLEGE OF NURSING
246 GREENE STREET
NEW YORK, NY 10003

NONE
PUBLIC CHARITY

SUPPORT MOBILE HEALTH PROGRAM

150,000.

BROOKLYN HISTORICAL SOCIETY
128 PIERREPONT STREET
BROOKLYN, NY 11220

NONE
PUBLIC CHARITY

SUPPORT EDUCATIONAL CURRICULUM

150,000.

LUTHERAN MEDICAL CENTER
150 55TH STREET
BROOKLYN, NY 11220

NONE
PUBLIC CHARITY

EXPANSION OF EMERGENCY DEPT.

50,000.

METROPOLITAN COUNCIL OF JEWISH POVERTY
50 MAIDEN LANE, 21ST FLOOR
NEW YORK, NY 10038

NONE
PUBLIC CHARITY

FOOD PANTRY PROGRAM FOR NEEDY

49,000.

CHILDREN OF THE CITY
740 40TH STREET
BROOKLYN, NY 11232

NONE
PUBLIC CHARITY

EDUCATION AND OUTREACH PROGRAMS

15,000.

FORM 990PF, PART I - CONTRIBUTIONS, GIFTS, GRANTS PAID

RELATIONSHIP TO SUBSTANTIAL CONTRIBUTOR AND FOUNDATION STATUS OF RECIPIENT

| RECIPIENT NAME AND ADDRESS | PURPOSE OF GRANT OR CONTRIBUTION | AMOUNT |
|--|---|---------|
| FORT GREENE VOLUNTEERS INC. P.O. BOX 24562 BROOKLYN, NY 11202-4562 | EDUCATION PROGRAMS | 10,250. |
| TURNING POINT INC. 5220 4TH AVENUE BROOKLYN, NY 11220 | EDUCATION AND OUTREACH PROGRAMS | 20,000. |
| NEIGHBORHOOD IMPROVEMENT ASSOCIATION 6614 11 AVENUE BROOKLYN, NY 11219 | AFTER SCHOOL PROGRAM FOR (200) STUDENTS | 35,000. |

TOTAL APPROVED CONTRIBUTIONS ACCRUED 479,250.

TOTAL CONTRIBUTIONS PAID AND ACCRUED 642,750.

FORM 990PF, PART XV - GRANTS AND CONTRIBUTIONS PAID DURING THE YEAR

RELATIONSHIP TO SUBSTANTIAL CONTRIBUTOR
AND
FOUNDATION STATUS OF RECIPIENT

| RECIPIENT NAME AND ADDRESS | PURPOSE OF GRANT OR CONTRIBUTION | AMOUNT |
|---|---------------------------------------|----------|
| UJA FEDERATION OF NY 130 E. 59TH STREET NEW YORK, NY 10022 | YOUTH SPORT FUND | 500. |
| OUT TO PLAY 1560 BROADWAY, SUITE 805 NEW YORK, NY 10036 | PLAYGROUND RENOVATIONS | 150,000. |
| HOOPS AND LEADERS THIRD SECTOR NEW ENGLAND 89 SOUTH STREET, SUITE 700 BOSTON, MA 02111 | (2) SUMMER CAMP PROGRAMS | 2,000. |
| NEIGHBORS HELPING NEIGHBORS 443 39TH STREET, SUITE 202 BROOKLYN, NY 11232 | SUPPORT LOW INCOME HOUSING FUNDRAISER | 2,500. |
| MONTCLAIR UNIVERSITY 1 NORMAL AVENUE MONTCLAIR, NJ 07043 | SCHOLARSHIP | 2,500. |
| 34 WAYS TO ASSIST FOUNDATION 3500 FAIRMOUNT STREET #11B DALLAS, TX 75219 | CAMP FOR UNDERPRIVILEGED KIDS | 5,000. |

THE NETS FOUNDATION INC.
FORM 990PF, PART XV - GRANTS AND CONTRIBUTIONS PAID DURING THE YEAR

RECIPIENT NAME AND ADDRESS
CHILD ABUSE PREVENTION SERVICES
P.O. BOX 176
ROSLYN, NY 11576

RELATIONSHIP TO SUBSTANTIAL CONTRIBUTOR
AND
FOUNDATION STATUS OF RECIPIENT

PURPOSE OF GRANT OR CONTRIBUTION
DONATION TO PREVENTE CHILD ABUSE

AMOUNT
1,000.

TOTAL CONTRIBUTIONS PAID
163,500.

RELATIONSHIP TO SUBSTANTIAL CONTRIBUTOR
AND

| RECIPIENT NAME AND ADDRESS | FOUNDATION STATUS OF RECIPIENT | PURPOSE OF GRANT OR CONTRIBUTION | AMOUNT |
|--|--------------------------------|----------------------------------|----------|
| NYU COLLEGE OF NURSING 246 GREENE STREET NEW YORK, NY 10003 | NONE PUBLIC CHARITY | SUPPORT MOBILE HEALTH PROGRAM | 150,000. |
| BROOKLYN HISTORICAL SOCIETY 128 PIERREPONT STREET BROOKLYN, NY 11220 | NONE PUBLIC CHARITY | SUPPORT EDUCATIONAL CURRICULUM | 150,000. |
| LUTHERAN MEDICAL CENTER 150 55TH STREET BROOKLYN, NY 11220 | NONE PUBLIC CHARITY | EXPANSION OF EMERGENCY DEPT. | 50,000. |
| METROPOLITAN COUNCIL OF JEWISH POVERTY 50 MAIDEN LANE, 21ST FLOOR NEW YORK, NY 10038 | NONE PUBLIC CHARITY | FOOD PANTRY PROGRAM FOR NEEDY | 49,000. |
| CHILDREN OF THE CITY 740 40TH STREET BROOKLYN, NY 11232 | NONE PUBLIC CHARITY | EDUCATION AND OUTREACH PROGRAMS | 15,000. |
| FORT GREENE VOLUNTEERS INC. P.O. BOX 24562 BROOKLYN, NY 11202-4562 | NONE PUBLIC CHARITY | EDUCATION PROGRAMS | 10,250. |
| TURNING POINT INC. 5220 4TH AVENUE BROOKLYN, NY 11220 | NONE PUBLIC CHARITY | EDUCATION AND OUTREACH PROGRAMS | 20,000. |

FORM 990PF, PART XV - CONTRIBUTIONS APPROVED FOR FUTURE PAYMENT

RELATIONSHIP TO SUBSTANTIAL CONTRIBUTOR

AND

FOUNDATION STATUS OF RECIPIENT

PURPOSE OF GRANT OR CONTRIBUTION

AMOUNT

NEIGHBORHOOD IMPROVEMENT ASSOCIATION
6614 11 AVENUE
BROOKLYN, NY 11219

NONE
PUBLIC CHARITY

AFTER SCHOOL PROGRAM FOR (200) STUDENTS

35,000.

TOTAL CONTRIBUTIONS APPROVED

479,250.

THE NETS FOUNDATION, INC.

INDEX
JUNE 30, 2008

INDEPENDENT AUDITORS' REPORT

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EXHIBIT B

STATEMENT OF CASH FLOWS FOR THE
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EXHIBIT C

NOTES TO FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
The Nets Foundation, Inc.

We have audited the accompanying statement of financial position of The Nets Foundation, Inc. as of June 30, 2008, and the related statements of activities and changes in net assets, and cash flows for the year 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 audit.

We conducted our 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 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 audit provides 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 The Nets Foundation, Inc. as of June 30, 2008, and the results of its activities and changes in net assets, and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Berdon LLP
Certified Public Accountants

May 6, 2010

Berdon LLP
CPAs and Advisors

IAPA A global association of independent
accounting firms and groups · IAPA

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360 Madison Avenue
New York, NY 10017
Ph: 212.832.0400
Fax: 212.371.1159

One Jericho Plaza
Jericho, NY 11753
Ph: 516.931.3100
Fax: 516.931.0034
www.BERDONLLP.com

THE NETS FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2008ASSETS

| | |
|---------------------------------|---------------------|
| Cash | \$ 1,431,883 |
| Pledges receivable - affiliates | <u>500,000</u> |
| TOTAL ASSETS | <u>\$ 1,931,883</u> |

LIABILITIES AND NET ASSETS

LIABILITIES:

| | |
|-------------------|-------------------|
| Grants payable | \$ <u>479,250</u> |
| TOTAL LIABILITIES | <u>479,250</u> |

NET ASSETS:

| | |
|----------------------------------|---------------------|
| Unrestricted | 59,692 |
| Temporarily restricted | <u>1,392,941</u> |
| TOTAL NET ASSETS | <u>1,452,633</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 1,931,883</u> |

The accompanying notes to financial statements are an integral part of this statement.

THE NETS FOUNDATION, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

CHANGES IN UNRESTRICTED NET ASSETS:

Revenue and other support:

| | |
|--|-----------|
| Special event revenue (net of \$49,685 of direct expenses) | \$ 30,839 |
| Unrestricted contribution | 37,784 |
| Net assets released from restriction | 633,750 |
| Interest income | 174 |

| | |
|---------------------------------|----------------|
| TOTAL REVENUE AND OTHER SUPPORT | <u>702,547</u> |
|---------------------------------|----------------|

OPERATING EXPENSES:

| | |
|---------------------------------|---------|
| Program services | 642,750 |
| General and administrative fees | 105 |

| | |
|--------------------------|----------------|
| TOTAL OPERATING EXPENSES | <u>642,855</u> |
|--------------------------|----------------|

| | |
|-------------------------------------|---------------|
| INCREASE IN UNRESTRICTED NET ASSETS | <u>59,692</u> |
|-------------------------------------|---------------|

CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:

| | |
|-----------------|-----------|
| Contributions | 1,374,665 |
| Interest income | 18,276 |

| | |
|---|------------------|
| INCREASE IN TEMPORARILY RESTRICTED NET ASSETS | <u>1,392,941</u> |
|---|------------------|

NET ASSETS - BEGINNING OF YEAR:

| | |
|------------------------|---|
| Unrestricted | - |
| Temporarily restricted | - |

NET ASSETS - END OF YEAR:

| | |
|------------------------|------------------|
| Unrestricted | 59,692 |
| Temporarily restricted | <u>1,392,941</u> |

| |
|---------------------|
| <u>\$ 1,452,633</u> |
|---------------------|

The accompanying notes to financial statements are an integral part of this statement.

THE NETS FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES:

| | |
|--|---------------------|
| Net increase in net assets - unrestricted and temporarily restricted | \$ 1,452,633 |
| Changes in assets and liabilities: | |
| (Increase) in pledges receivable - affiliates | (500,000) |
| Increase in grants payable | <u>479,250</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 1,431,883 |
| CASH - BEGINNING OF YEAR | <u>-</u> |
| CASH - END OF YEAR | <u>\$ 1,431,883</u> |

The accompanying notes to financial statements are an integral part of this statement.

THE NETS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTSNOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Organization

The Nets Foundation, Inc. (the "Foundation") is a not-for-profit corporation organized under the laws of the State of Delaware on July 29, 2005 by its sole member, New Jersey Basketball, LLC ("NJB"). The Foundation has been established to be exclusively charitable and educational within the meaning of Section 501(c)(3) of the Internal Revenue Code, with an emphasis on providing financial and other support to: (a) programs that encourage the participation of youths in sports activities in order to promote healthy lifestyles and sportsmanlike values, especially among youths in disadvantaged communities; (b) programs that promote the value of reading and education among youths; and (c) nonprofit organizations and projects operating in furtherance of the Foundation's general charitable and tax-exempt purposes.

On June 4, 2007, NJB, Forest City Ratner Companies, LLC ("FCRC"), a related party through common ownership, and Barclays Service Corporation (BSC) formed a joint venture called the Barclays/Nets Community Alliance ("BCA") for the purpose of collaborating to assist Brooklyn and other communities in need in New York, through outreach programs involving education, health, community development and amateur athletics, to operate through the Foundation. BSC contributed \$500,000 in calendar 2007 to BCA and intends to commit funding as needed at a similar level through 2011. NJB and FCRC each contributed \$250,000 in calendar 2007 and intend to commit funding as needed at a similar level through 2011.

Contributions under the BCA are considered to be temporarily restricted until the restrictions set forth in the BCA agreement are complied with.

For the year ended June 30, 2008, BSC has contributed \$1,000,000 to the BCA, and NJB and FCRC have each contributed \$500,000 to BCA. At June 30, 2008, \$250,000 from both NJB and FCRC is reflected in pledges receivable - affiliates.

(b) Basis of Accounting and Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States and their presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

(continued)

THE NETS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTSNOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of Accounting and Presentation (continued)

Permanently restricted net assets contain donor-imposed restrictions that stipulate that resources be maintained permanently, but permit the Foundation to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes. Temporarily restricted net assets contain donor-imposed restrictions that permit the Foundation to use or expend the assets as specified. The Foundation records gifts of cash or other assets as temporarily restricted support if they are received with donor stipulations that limit their use either through purpose or time restrictions. Unrestricted net assets are not restricted by donors, or the donor-imposed restrictions have expired. Unrestricted net assets are funds that are fully available, at the discretion of management and the Board, for the Foundation to utilize in any of its programs or supporting services. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

During the year ended June 30, 2008, the Foundation received \$2,000,000 of donor-restricted contributions, of which \$633,750 was expended for program expenses after certain restrictions were met. At June 30, 2008, temporarily restricted net assets amounted to \$1,392,941, due to certain donor-imposed restrictions.

At June 30, 2008, unrestricted net assets amounted to \$59,692. There were no permanently restricted net assets at June 30, 2008.

(c) Revenue and Support

The Foundation also follows SFAS No. 116, "Accounting for Contributions Received and Contributions Made." In accordance with this statement, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted, depending on the existence of any donor restriction.

Most operating support and revenue received is unrestricted. In cases where donor-restricted resources are received, funds are held until the related restriction is complied with and then released from restrictions. Restricted support received and expended in the same year is treated as unrestricted for financial statement purposes. The Foundation also derives a portion of its income from various fund-raising charitable events.

(d) Program Services

The Foundation provides grants to organizations that are exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code and to projects that support and promote health, education, community development and service, and philanthropic organizations, primarily, but not exclusively, in Brooklyn and other communities in need in New York and New Jersey.

(continued)

THE NETS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTSNOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Income Taxes

The Foundation is a not-for-profit corporation and is classified as an exempt organization under federal tax law. In accordance with the applicable provisions of the Internal Revenue Code (IRC), the Foundation is intended to be exempt from federal income taxes under IRC Section 501(c)(3), and is subject to unrelated business income tax, if applicable.

(f) Use of Estimates in Financial Statement Presentation

The preparation of financial statements in conformity with the accrual basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies, if any, at the date of the financial statements, and revenue and expenses during the reporting periods. Actual results could differ from those estimates.

NOTE 2 - RELATED PARTY TRANSACTIONS

- (a) The Foundation received contributions from NJB and FCRC, entities related through common ownership, totaling \$500,000, all of which was restricted according to the terms of the BCA agreement. A portion of the restricted contributions was expended during the year and is therefore reported as unrestricted contribution.
- (b) The Foundation is managed by employees of NJB during times that the employees are actively working for NJB. NJB provides these services free of charge and has no intention to seek reimbursement for these costs. The costs associated with the employees' time and other direct and indirect expenses have not been quantified but, in the opinion of management, these costs would not be significant.

NOTE 3 - CONCENTRATIONS OF CREDIT RISK

The Foundation maintains its cash in a bank account which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such account.