

ANNUAL REPORT | 2011



The
Lubrizol Foundation

Mission statement

The mission of The Lubrizol Foundation is to complement and support the interests, values and vision of The Lubrizol Corporation by awarding financial support to educational institutions and charitable organizations in communities primarily within the United States where Lubrizol operates major facilities.

Policies and objectives

A private foundation established in 1952, The Lubrizol Foundation is a nonprofit Ohio corporation and exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code. The Foundation's activities are directed by a Board of Trustees which determines its policies and objectives, elects its officers and appoints the members of its committees. The Foundation has four committees: Executive, Gift, Investment and Scholarship.

The Lubrizol Foundation makes grants in support of education, health care, human services, civic, cultural, youth and environmental activities of a tax-exempt, charitable nature.

Except for its scholarship program at 29 colleges and universities, The Foundation makes grants primarily to charitable organizations in communities where The Lubrizol Corporation has major U.S. operations. Priority is given to the greater Cleveland, Ohio and Houston, Texas areas. In addition to these activities, The Foundation administers The Lubrizol Matching Gift Program.

Application process

Written applications of established nonprofit charitable organizations will be considered on a case by case basis. There are no application deadlines. Grants are not made for religious or political purposes, to individuals nor, generally, to endowments.

Grant proposals should include the following:

- a cover letter that summarizes the purpose of the request, signed by the executive officer of the organization or development office.
- a narrative of specific information related to the subject of the request.
- current audited financial statements and a specific project budget, if applicable.
- documentation of the organization's Federal tax-exempt status, e.g., a copy of the 501(c)(3) determination letter.

Additional descriptive literature (e.g., an annual report, brochures, etc.) that accurately characterizes the overall activities of the organization is appreciated. Upon review, further information may be requested including an interview and site visit.

Applicants will receive written notification of the decision on their proposal. An organization whose request has been declined will not be reconsidered for 12 months. Applicants are welcome to contact The Foundation office for further clarification of the foregoing requirements.

Grant applications should be mailed to:

The Lubrizol Foundation
29400 Lakeland Boulevard
Wickliffe, Ohio 44092

March 1, 2012

President's Message

Since its inception in 1952, The Lubrizol Foundation has contributed more than \$62 million to activities of a charitable nature.

I am pleased to report that \$3.7 million was awarded in 2011 to nonprofit organizations and educational institutions for programs that support education, health care, human services, civic, cultural, youth and environmental activities. These grants reflect a long-standing commitment to responsible corporate citizenship by supporting organizations within the United States where The Lubrizol Corporation operates its major facilities.

We are also proud to announce that one of these awards included a \$1.0 million grant to Breakthrough Charter Schools for the acquisition and renovation of an unused Cleveland Metropolitan School District building. Breakthrough Charter Schools is a network of high-performing urban public charter schools located in Cleveland committed to providing 100% of its students with an outstanding education. The purchased building will be transformed into Citizens Academy II, scheduled to open in August 2012. Citizens Academy II is a K-5 elementary school replicating the outstanding educational practices of the current Citizens Academy in University Circle which has been rated excellent by the State of Ohio for the past two years.

Lubrizol's founders had a keen sense of civic and social responsibility. They believed that access to a safe, supportive and high quality learning environment is critical for the growth and success of all students, and for building strong businesses and communities. Our gift to Breakthrough, the largest in our history, reflects our goal of increasing the impact of our grants in our core funding areas, including quality education for underserved youth.

In 2011 we implemented previously announced changes to our matching gift and community connection programs. To increase program impact, we increased the average size of Foundation gifts provided to hundreds of organizations that our employees and retirees also support through their individual donations and volunteerism. The Foundation was able to provide \$772,678 in matching gifts and \$37,600 in community connection volunteer gifts to nearly 800 different organizations across the country.

I want to take this opportunity to thank The Foundation's board of trustees for their continued commitment to our mission. Looking ahead, The Foundation will continue to work closely with our employees and community partners to make a difference for others.

David J. Enzerra
President – The Lubrizol Foundation

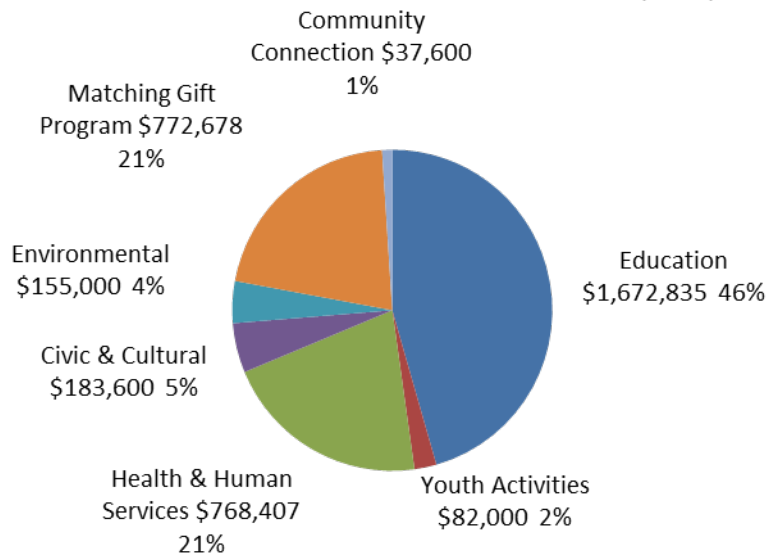
Summary of grants

	2011	2010
Education	\$1,672,835	\$616,026
Health & human services	768,407	717,312
Civic & cultural	183,600	151,000
Youth activities	82,000	87,000
Environmental	155,000	75,000
Community connection	37,600	20,100
Matching gift program	772,678	879,578
Total grants	\$3,672,120	\$2,546,016

The Foundation awarded a \$1.0 million grant to Breakthrough Charter Schools in reaffirming our commitment to education. This grant was made in recognition of our Founders, for their values and vision established The Lubrizol Foundation. They believed, as we do today, that

“Education is crucial for our country, for success in business and for the dignity and growth of an individual.” A. Kelvin Smith

2011 Giving by Category
\$3,672,120



Education scholarships, fellowships and awards

29 Grants - \$399,000

Throughout its history, The Foundation's priority has been support for higher education. Under the terms of the scholarship program, The Foundation selects the colleges and universities and designates the fields of study. Principal emphasis is given to the study of chemistry, chemical engineering and mechanical engineering. All grants are based on established student achievement and/or academic potential or the financial need of exceptional students. The students are selected by the colleges and universities.

Education general

33 Grants - \$1,273,835

The Foundation also has a commitment to support education through grants for capital and operating purposes, not only to colleges and universities, but also, to a lesser extent, to elementary and secondary schools. Grants are also made to educational programs and combined educational funds for operating expenses.

Health & human services

49 Grants - \$768,407

In addition to significant annual contributions to united campaigns in Ohio and Texas, The Foundation provides direct capital and operating support for health and human service organizations. Grants are also made to nonprofit hospitals, specialized health care providers and to organizations providing basic human services, e.g., clothing, rehabilitation and hospice care to those in need.

Civic & cultural

30 Grants - \$183,600

The performing arts, museums, public broadcasting stations and special interest groups enhance the communities in which we live and work. These organizations must generally look to the private sector for their principal support. The Foundation is pleased to provide both capital and operating grants to many of these organizations.

Youth activities

24 Grants - \$82,000

The Foundation considers its youth activity grants to be an excellent investment in the future. The Foundation provides operating and capital grants to organizations that provide training in leadership skills and responsible citizenship.

Environmental

12 Grants - \$155,000

Since 1954, The Foundation has provided support for environmental activities through grantmaking in civic and cultural areas. In 2001, the Board of Trustees, consistent with the corporate vision, made it a separate program area. This category supports parks, nature centers, conservancies and local environmental education efforts.

Community connection

76 Grants - \$37,600

Full-time and part-time U. S. employees of The Lubrizol Corporation or its U. S. subsidiaries, who complete 40 hours or more of volunteer work in a calendar year for an eligible not-for-profit organization, can complete an application for a \$500 grant from The Lubrizol Foundation to the charitable organization. An employee may submit one grant application per year to The Foundation.

Matching gift program

1,651 Grants - \$772,678

The Matching Gift Program was established to provide an incentive to participants to give financial support to educational institutions and charitable organizations and to encourage and support volunteer work in the communities in which they work and live.

Education scholarships, fellowships and awards:

The University of Akron	\$49,000
Baldwin-Wallace College	6,000
Bowling Green State University	4,000
Carnegie Mellon University	25,000
University of Cincinnati	20,000
Cleveland State University	12,000
Cuyahoga Community College	7,000
University of Dayton	12,000
Gaston College	6,600
Hiram College	11,000
University of Houston	10,000
University of Houston - Clear Lake	10,000
University of Illinois at Urbana Champaign	29,000
Jefferson Community & Technical College	6,600
John Carroll University	8,000
Kent State University	12,000
Lake Erie College	10,000
Lakeland Community College	10,200
Lorain County Community College	6,600
Miami University	6,000
Oberlin College	4,000
The Ohio State University	64,000
Paducah Junior College	8,000
Purdue University	10,000
San Jacinto College Central	16,000
Texas A&M University - College Station	12,000
Texas A&M University - Kingsville	4,000
The University of Texas at Austin	12,000
University of Toledo	8,000

Total \$399,000

Education capital grants:

The University of Akron	\$ 100,000
<i>In support of renovations to an advanced teaching laboratory in the Department of Chemistry</i>	
Friends of Breakthrough Schools	1,000,000
<i>Toward the acquisition and renovation of an unused Cleveland Metropolitan School District building to Citizens Academy II</i>	
Kent State University	25,000
<i>In support of the College of Technology</i>	
The Lake Academy	9,585
<i>Toward the purchase of educational research tools to support science education</i>	

Total \$1,134,585

Educational programs and combined funds operating grants:

Communities in Schools, Inc.	\$ 3,500
Fine Arts Association	3,500
Free Enterprise Institute	3,000
French American Chamber of Commerce Educational & Cultural Foundation	2,500
<i>Special operating support</i>	5,000
Junior Achievement	
<i>Greater Cleveland</i>	3,000
<i>Southeast Texas</i>	3,000
Kentucky School for the Blind	1,500
Lake/Geauga Educational Assistance Foundation	3,500
Learning About Business	4,000
The Literacy Cooperative	5,000
National Merit Scholarship Corporation	18,250
Northeast Ohio Council on Higher Education	2,500
Northeastern Ohio Science & Engineering Fair	3,500
Old Stone Education Center	3,500
Partners in Science Excellence	10,000
Porter Center for Science and Mathematics	5,000
Rainey Institute	3,500
SAE Foundation	10,000
Science Engineering Fair of Houston	1,500
Society of Women Engineers	1,500

Total \$96,750

Education operating grants:

Citizens Academy	\$ 3,500
Cleveland Institute of Art	3,500
Cleveland Institute of Music	3,500
The Cleveland Music School Settlement	3,500
Fieldstone Farm Therapeutic Riding Center	5,000
<i>Gaitway School's Academic Enrichment program</i>	
Jefferson County Education Foundation	10,000
<i>Out-of-School STEM Learning project</i>	
Julie Billiard School	3,500
The Lakeland Foundation	10,000
<i>In support of the Nonprofit and Public Service Center</i>	

Total \$42,500

Health & human services united campaign grants:

United Way of Greater Cleveland	\$183,300
United Way of Lake County, Inc.	110,200
United Way of the Texas Gulf Coast	84,800

Total \$378,300

Health & human services capital grants:

Help Foundation	\$10,000
<i>Toward the purchase of high capacity paper shredders</i>	
Lutheran Metropolitan Ministry	35,000
<i>In support of Building on the Promise campaign</i>	
Shively Area Ministries	10,000
<i>Toward the expansion of SAM's food pantry</i>	
United Cerebral Palsy	10,000
<i>In support of Steps to Independence, an intensive therapy program for children with disabilities</i>	

Total \$65,000

Health & human services operating grants:

American Red Cross	
<i>In support of the Nurse Assistant program</i>	\$25,000
<i>Designated toward the Japan Earthquake Disaster Relief fund</i>	25,000
<i>Greater Cleveland & Lake County</i>	5,000
<i>Central Bay Area</i>	2,500
Bay Area Rehabilitation Center	2,500
Beech Brook	2,500
The Bridge	2,500
Cenikor Foundation of Texas, Inc.	2,500
Center Families and Children	2,500
Cleveland Foodbank	2,500
Cleveland Hearing & Speech Center	2,500
Cleveland Sight Center	2,500
Crossroads: Lake County Adolescent Counseling program	7,000
Emma's Hugs, Inc.	5,000
<i>In support of the "Children Park Free" program, to help families of long-term patients in the Texas Medical Center</i>	
The Free Clinic of Greater Cleveland	2,500
GlobalGiving Foundation, Inc.	25,000
<i>Designated toward the Japan Earthquake Disaster Relief fund</i>	
Greater Cleveland Volunteers	2,500

Health & human services operating grants continued:

Hattie Larlham Foundation	\$ 2,500
Hospice of the Western Reserve, Inc.	2,500
Lake County Free Medical Clinic	2,500
Legal Aid Society	2,500
The Littlest Heroes	2,500
Lupus Foundation Greater Cleveland Chapter	1,500
Make-A-Wish Foundation	2,500
<i>Texas Gulf Coast & Louisiana</i>	
Regina Health Center	2,500
Ronald McDonald House of Cleveland	2,500
Ronald McDonald House of Houston	2,500
The Rose	2,500
The Salvation Army	
<i>Pasadena, Texas</i>	
Shoes and Clothes for Kids	2,500
United Way of Ashtabula County	4,134
United Way Services of Geauga County	19,233
United Way Services of Gaston County	2,820
United Way of Greater Lorain County	19,859
United Way of Medina County	9,462
United Way of Portage County	3,483
United Way of Summit County	27,616
Vocational Guidance Services	5,000
<i>In support of the Job Readiness program in Lake County</i>	
	75,000
West Side Catholic Center	2,500
Wheel House, Inc.	2,500
WomenSafe, Inc.	2,500

Total \$325,107

Civic & cultural capital grants:

Cuyahoga Valley Scenic Railroad	\$ 6,100
<i>Toward the purchase of locomotive event recorders</i>	
Owosso Community Players	5,000
<i>In support of the reconstruction of the Shiawassee Performing Arts Center</i>	
Playhouse Square Foundation	35,000
<i>In support of the Power of Three campaign</i>	

Total \$46,100

Civic & cultural operating grants:

A. D. Players	\$ 2,500
Business Advisors of Cleveland	2,500
Business Volunteers Unlimited	2,500

Civic & cultural operating grants continued:

The City Club of Cleveland	\$ 2,500
Cleveland Engineering Society	2,500
The Cleveland Museum of Art	2,500
The Cleveland Museum of Natural History	2,500
The Cleveland Play House	2,500
The Foundation Center	2,500
Great Lakes Science Center	2,500
<i>In support of the Camp Partnership program</i>	10,000
Great Lakes Theater Festival	2,500
Houston Museum of Fine Arts	2,500
Houston Museum of Natural Science	2,500
Houston Symphony	2,500
ideastream® WVIZ/PBS & 90.3 WCPN	3,000
<i>In support of the Ohio Public and Television Statehouse News Bureau</i>	10,000
Lake County Historical Society	2,500
Musical Arts Association	30,000
National Inventors Hall of Fame	2,500
Playhouse Square Foundation	2,500
San Jacinto Museum of Natural History	3,000
University Circle Incorporated	2,500
Verb Ballet	2,500
Western Reserve Historical Society	2,500
Western Reserve Junior Service League	3,500
WKSU 89.7 Kent State University	28,000
<i>In support of the News & Information fund</i>	

Total \$137,500

Youth activities operating grants:

Big Brothers/Big Sisters	
<i>Greater Cleveland</i>	\$ 2,500
<i>Greater Houston</i>	2,500
<i>Northeast Ohio</i>	2,500
Boy Scouts of America	
<i>Greater Cleveland Council</i>	2,500
<i>Greater Western Reserve Council</i>	8,000
<i>Sam Houston Area Council</i>	5,000
Boys & Girls Clubs of Greater Cleveland	2,500
Boys & Girls Harbor	6,500
Children's Museum of Cleveland	2,500
First Tee of Cleveland	10,000
<i>In support of First Tee's National School program</i>	
Hiram House	2,500

Youth activities operating grants continued:

Leadership Lake County Youth Program	\$2,500
Neighborhood Centers	
<i>Pasadena, Texas</i>	2,500
<i>LaPorte, Texas</i>	2,500
YMCA Greater Cleveland	
<i>Central Branch</i>	3,000
<i>Euclid Family Branch</i>	3,000
<i>Hillcrest Branch</i>	3,000
YMCA of the Greater Houston Area	
<i>Baytown Branch</i>	2,500
<i>San Jacinto Branch</i>	2,500
<i>Edgar A. Smith Branch</i>	2,500
Lake County YMCA	
<i>Central Branch</i>	2,500
<i>East End Branch</i>	2,500
<i>West End Branch</i>	2,500
YWCA Cleveland	3,500

Total \$82,000

Environmental capital grants:

Cleveland Zoological Society	\$25,000
<i>In support of African Elephant Crossing</i>	
Western Reserve Land Conservancy	25,000
<i>Toward the renovation of White North Stables</i>	
Winous Point Marsh Conservancy	80,000
<i>In support of the Conservancy's efforts to protect land and other natural resources in the State of Ohio</i>	

Total \$130,000

Environmental operating grants:

Armand Bayou Nature Center	\$2,500
Cleveland Botanical Garden	2,500
Cleveland Zoological Society	2,500
Cuyahoga Valley Environmental Education Center	2,500
The Holden Arboretum	2,500
Houston Arboretum & Nature Center	2,500
Lake Erie Nature & Science Center	5,000
The Nature Conservancy Ohio Chapter	2,500
Western Reserve Land Conservancy	2,500

Total \$25,000

Trustees

D. J. Enzerra
*Senior Director, Community
and Public Affairs
The Lubrizol Corporation*

R. T. Graf
*Corporate Vice President, Research and Development
The Lubrizol Corporation*

J. L. Hambrick
*Chairman, President and
Chief Executive Officer
The Lubrizol Corporation*

K. L. Jethrow
*Corporate Manager – Health & Safety Programs
The Lubrizol Corporation*

K. A. Lerchbacher
*Grants Manager
The Lubrizol Foundation*

B. A. Valentine
*Corporate Vice President
Chief Financial Officer and Treasurer
The Lubrizol Corporation*

Officers

J. L. Hambrick
Chairman

D. J. Enzerra
President

B. A. Valentine
Treasurer

K. A. Lerchbacher
Secretary

The Lubrizol Foundation financial statements
STATEMENT OF ACTIVITIES

	<u>For the Year Ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
REVENUES AND GAINS:		
Contributions	\$5,000,000	\$5,000,000
Net gain (loss) on investments	(685,080)	1,864,238
Interest and dividends	<u>296,504</u>	<u>363,654</u>
TOTAL REVENUES AND GAINS	4,611,424	7,227,892
GRANTS AND EXPENSES:		
Grants:		
Education	1,672,835	616,026
Health & human services	768,407	717,312
Civic & cultural	183,600	151,000
Youth activities	82,000	87,000
Environmental	155,000	75,000
Community Connection	37,600	20,100
Matching gifts	<u>772,678</u>	<u>879,578</u>
Total grants approved	3,672,120	2,546,016
Conditional grant activity	<u>258,090</u>	<u>36,750</u>
Total grants	3,930,210	2,582,766
Operating expenses	25,849	24,323
Investment management fees	86,212	79,392
Excise tax	<u>211</u>	<u>20,693</u>
TOTAL GRANTS AND EXPENSES	<u>4,042,482</u>	<u>2,707,174</u>
Change in net assets	568,942	4,520,718
Net assets – unrestricted at beginning of year	<u>15,954,607</u>	<u>11,433,889</u>
Net assets – unrestricted at end of year	<u>\$16,523,549</u>	<u>\$15,954,607</u>

See Notes to Financial Statements

The Lubrizol Foundation financial statements
STATEMENT OF FINANCIAL POSITION

	<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>
Assets:		
Cash	\$ 30,715	\$ 543
Investments	17,382,242	16,820,803
Other receivables	80,419	26,958
Prepaid taxes	11,700	-
Deferred excise tax asset	3,913	
Investment sales pending settlement	<u>30,805</u>	<u>8,625</u>
Total assets	<u>\$ 17,539,794</u>	<u>\$ 16,856,929</u>
Liabilities and Net Assets:		
Community Connection payable	\$ 16,000	\$ 7,800
Matching gifts payable	166,882	256,892
Grants authorized for future payment	712,658	569,526
Accrued expenses	20,000	20,733
Deferred excise tax payable	-	7,943
Investment purchases pending settlement	<u>100,705</u>	<u>39,428</u>
Total liabilities	1,016,245	902,322
Total net assets - unrestricted	<u>16,523,549</u>	<u>15,954,607</u>
Total liabilities and net assets	<u>\$ 17,539,794</u>	<u>\$ 16,856,929</u>
STATEMENT OF CASH FLOWS		
	<u>For the Year Ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 568,942	\$ 4,520,718
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Net gain on investments	685,080	(1,864,238)
Changes in assets and liabilities:		
Contribution receivable	-	2,500,000
Other receivables	(53,461)	(10,881)
Prepaid taxes	(11,700)	725
Deferred excise tax asset	(3,913)	8,292
Investment sales pending settlement	(22,180)	(1,681)
Community Connection payable	8,200	1,500
Matching gifts payable	(90,010)	18,155
Grants authorized for future payments	143,132	(162,201)
Deferred excise tax payable	(7,943)	7,943
Accrued expenses	(733)	1,733
Investment purchases pending settlement	<u>61,277</u>	<u>13,162</u>
Cash provided by operating activities	1,276,691	5,033,227
Cash Flows from Investing Activities:		
Purchase of investments	(13,202,935)	(17,522,065)
Proceeds from sales of investments	<u>11,956,416</u>	<u>12,487,392</u>
Cash used by investing activities	<u>(1,246,519)</u>	<u>(5,034,673)</u>
Net change in cash	30,172	(1,446)
Cash at beginning of year	<u>543</u>	<u>1,989</u>
Cash at end of year	<u>\$ 30,715</u>	<u>\$ 543</u>
Supplemental cash flow information:		
Excise taxes paid	<u>\$ 25,500</u>	<u>\$ 2,000</u>

See Notes to Financial Statements

The Lubrizol Foundation notes to financial statements

1. Summary of Significant Accounting Policies

Organizational Purpose

The mission of The Lubrizol Foundation (Foundation) is to complement and support the interests, values and vision of The Lubrizol Corporation (Lubrizol) by awarding financial support to educational institutions and charitable organizations in communities primarily within the United States where Lubrizol operates major facilities.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions pending completion of related events. These estimates and assumptions affect the amounts reported at the date of the financial statements for assets, liabilities and changes in net assets and the disclosures of contingencies. Actual results could differ from those estimates.

Contributions

The Foundation reports contributions received as restricted support if there are donor stipulations that limit the use of the donated assets. When a donor restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Grants and Matching Gifts

Grants and matching gifts are accrued when approved except when payment is conditional on a future event. Conditional grants and matching gifts are accrued and paid at the time the condition substantially is met.

Cash

The Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash.

Investments

The Foundation's investment funds are stated at fair value based upon the market values of underlying assets of the funds. Investments in individual securities are carried at fair value which generally are determined using quoted closing values from recognized exchanges. Changes in fair value are reflected in the Statements of Activities as unrestricted gains or losses on investments. Realized gains or losses are based on the difference between proceeds received and the carrying cost as determined by the fund custodian or subcustodians. The cost of purchased securities is the acquisition cost, and the cost of donated securities is the fair market value on the date of receipt.

Income Taxes

The Foundation is a private foundation exempt from federal income tax under the Internal Revenue Code Section 501(c)(3). Federal excise tax is accrued based upon net investment income (as defined by the Internal Revenue Code).

The Foundation believes that it has adequate support for any tax positions taken, and as such does not have any uncertain tax positions that are material to the financial statements.

The Lubrizol Foundation notes to financial statements (continued)

As of December 31, 2011, the Foundation's exempt organization and other returns for the year ended December 31, 2007 and thereafter remain subject to examination by the Internal Revenue Service as well as various state and local tax authorities.

Fair Value of Financial Instruments

The carrying amount of financial instruments, including cash, receivables and other payables approximate fair value due to the short term nature of these instruments. The fair value of investments is estimated based on quoted market prices.

Subsequent Events

The Foundation has evaluated subsequent events for potential recognition and/or disclosure through February 16, 2012, the date the financial statements were available to be issued.

2. Conditional grants

Conditional grants of \$1,660 and \$259,750 were outstanding at December 31, 2011 and 2010, respectively. In 2011 and 2010, conditional grants of \$258,090 and \$36,750 were reclassified as unconditional.

3. Grants authorized for future payment

Grants authorized for future payment at December 31, 2011 include \$538,158 payable in 2012 and \$174,500 payable thereafter.

4. Investments

Investments consist of the following at December 31, 2011.

	<u>Fair Value</u>	<u>Cost</u>
Equities	\$11,347,699	\$11,131,073
Fixed income	5,909,380	5,783,579
Money market investments	<u>125,163</u>	<u>125,163</u>
	<u>\$17,382,242</u>	<u>\$17,039,815</u>

Investments consist of the following at December 31, 2010.

	<u>Fair Value</u>	<u>Cost</u>
Equities	\$11,928,702	\$10,489,570
Fixed income	4,812,272	4,723,348
Money market investments	<u>79,829</u>	<u>79,829</u>
	<u>\$16,820,803</u>	<u>\$15,292,747</u>

Realized gain on the sale of investments of \$444,412 and \$229,853 for the years ended December 31, 2011 and 2010, respectively are the difference between the proceeds received and the average cost of investments sold.

5. Fair Value Measurement

The Foundation estimates the fair value of financial instruments using available market information and generally accepted valuation methodologies. Fair value is defined as the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Lubrizol Foundation notes to financial statements (continued)

The inputs used to measure fair value are classified into three levels: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

In determining the appropriate levels, the Foundation performs a detailed analysis of the assets that are subject to fair value measurements. At each reporting period, all assets for which the fair value measurement is based on quoted prices in active markets for identical assets are classified as Level 1.

For the fiscal year ended December 31, 2011 and 2010, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Investments: The fair value of investments is based on quoted market prices as reported on various stock exchanges.

Fair values of assets measured on a recurring basis at December 31, 2011 and 2010 are as follow:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>December 31, 2011</u>				
Equities	\$ 11,347,699	\$ 11,347,699	\$ -	\$ -
Fixed income	5,909,380	5,909,380	-	-
Money market investments	<u>125,163</u>	<u>125,163</u>	-	-
Total	<u>\$ 17,382,242</u>	<u>\$ 17,382,242</u>	<u>\$ -</u>	<u>\$ -</u>
<u>December 31, 2010</u>				
Equities	\$ 11,928,702	\$ 11,928,702	\$ -	\$ -
Fixed income	4,812,272	4,812,272	-	-
Money market investments	<u>79,829</u>	<u>79,829</u>	-	-
Total	<u>\$ 16,820,803</u>	<u>\$ 16,820,803</u>	<u>\$ -</u>	<u>\$ -</u>

6. Concentration of Credit Risk

The Foundation maintains cash accounts at financial institutions insured by the Federal Deposit Insurance Corporation. The Foundation has no uninsured cash balance as of December 31, 2011 and 2010.

7. Related Party Transactions

The Foundation receives primarily all of its financial support from Lubrizol. During 2011 and 2010, Lubrizol made contributions of \$5,000,000 for each year to the Foundation. In addition, employees of Lubrizol provide management and advisory services to the Foundation without charge.

8. Reclassifications

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.



Dingus and Daga, Inc.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees and Officers
The Lubrizol Foundation
Wickliffe, Ohio

We have audited the accompanying statement of financial position of The Lubrizol Foundation (Foundation) as of December 31, 2011 and 2010, 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 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, 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 Lubrizol Foundation at December 31, 2011 and 2010, 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.

Shaker Heights, Ohio
February 16, 2012

Dingus and Daga, Inc.

The Lubrizol Foundation
www.lubrizol.com

The
Lubrizol Foundation

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