



FINANCIAL STATEMENTS AND  
OTHER FINANCIAL INFORMATION

The Fluor Foundation  
Years Ended December 31, 2010 and 2009  
With Report of Independent Auditors

Ernst & Young LLP

 **ERNST & YOUNG**

The Fluor Foundation  
Financial Statements and  
Other Financial Information

Years Ended December 31, 2010 and 2009

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## Report of Independent Auditors

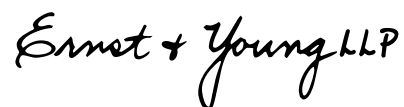
Board of Trustees  
The Fluor Foundation

We have audited the accompanying statements of financial position of The Fluor 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Foundation's internal control over financial reporting. Our audits included 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, and evaluating the overall financial statement presentation. We believe that our audits provide 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 Fluor Foundation at 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.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying other financial information on pledges is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such other financial information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A stylized, handwritten signature of 'Ernst & Young LLP' in a cursive script.

June 6, 2011

The Fluor Foundation

Statements of Financial Position

	<b>December 31</b>	
	<b>2010</b>	<b>2009</b>
	<i>(In Thousands)</i>	
<b>Assets</b>		
Cash and cash equivalents	\$ 1,544	\$ 1,268
Investments:		
Government securities	3,912	-
Corporate bonds	3,663	-
U.S. Equity fund	3,560	3,633
Commercial paper	299	-
Money market fund	-	7,588
Interest receivable	53	-
Federal excise tax receivable	31	33
	<u>\$ 13,062</u>	<u>\$ 12,522</u>
<b>Liabilities and net assets</b>		
Deferred tax liability	\$ 16	\$ 7
Accrued expenses	4	-
Net assets	<u>13,042</u>	<u>12,515</u>
	<u>\$ 13,062</u>	<u>\$ 12,522</u>

*See accompanying notes.*

The Fluor Foundation  
Statements of Activities

	<b>Year Ended December 31</b>	
	<b>2010</b>	<b>2009</b>
	<i>(In Thousands)</i>	
Revenues:		
Cash contributions from Fluor Corporation	\$ 4,151	\$ 6
Expenses:		
Cash donations	4,148	4,211
Investment management and administration fees	7	-
Federal excise tax expense	11	17
Total expenses	<u>4,166</u>	<u>4,228</u>
Net appreciation in investments:		
U.S. Equity fund	514	694
Government securities	(44)	-
Corporate bonds	(25)	-
Total net appreciation in investments	<u>445</u>	<u>694</u>
Interest and dividend income	<u>97</u>	<u>140</u>
Increase (decrease) in net assets	527	(3,388)
Net assets at beginning of year	<u>12,515</u>	<u>15,903</u>
Net assets at end of year	<u>\$ 13,042</u>	<u>\$ 12,515</u>

*See accompanying notes.*

The Fluor Foundation  
Statements of Cash Flows

	<b>Year Ended December 31</b>	
	<b>2010</b>	<b>2009</b>
	<i>(In Thousands)</i>	
<b>Operating activities</b>		
Increase (decrease) in net assets	\$ 527	\$ (3,388)
Adjustments to reconcile net assets to net cash provided (utilized) by operating activities:		
Change in unrealized gain from investments	(462)	(2,037)
Other	31	2
Net cash provided (utilized) by operating activities	96	(5,423)
<b>Investing activities</b>		
Sale of investments	13,255	19,507
Purchase of investments	(13,075)	(18,200)
Net cash provided by investing activities	180	1,307
Increase (decrease) in cash	276	(4,116)
Cash at beginning of year	1,268	5,384
Cash at end of year	\$ 1,544	\$ 1,268
<b>Supplemental disclosure of cash flow information</b>		
Federal excise tax paid	\$ —	\$ 15

*See accompanying notes.*

# The Fluor Foundation

## Notes to Financial Statements

December 31, 2010

### 1. Organization

The Fluor Foundation (the Foundation), a private, nonprofit California corporation, was incorporated in 1952 to receive donations and to disburse those funds for charitable, scientific, ecological, literary, or educational purposes. Funds also are disbursed through The Fluor Foundation Matching Gift Plan, which provides that gifts of up to \$5,000 per fiscal year to eligible educational institutions from active employees as well as directors of Fluor Corporation (Fluor) and certain of its subsidiaries will be matched by the Foundation on a dollar-for-dollar basis. Funds necessary to meet the Foundation's obligations are provided by contributions from Fluor.

The Foundation is governed by a Board of Trustees, which was composed of the following Fluor officers and employees during the year ended December 31, 2010:

R. F. Barnard  
A.L. Boeckmann\*  
D. E. Constable  
S. B. Dobbs  
G. C. Gilkey  
D. T. Seaton  
D. M. Steuert  
L. C. Tashjian  
D. A. Wilson

\* A.L. Boeckmann resigned from the Board of Trustees effective December 15, 2010.

### 2. Accounting Policies

#### Pledges

All pledges are made on a conditional basis, subject to annual review, and as such the pledges are not considered fixed commitments of the Foundation and are recognized when paid (See Note 6).

# The Fluor Foundation

## Notes to Financial Statements (continued)

### **2. Accounting Policies (continued)**

#### **Related Parties**

Fluor provides substantially all administrative and general services to the Foundation without charge.

#### **Use of Estimates**

The preparation of the financial statements of the Foundation requires management to make estimates and assumptions that affect reported amounts. These estimates are based on information available through the date the financial statements were available to be issued. Therefore, actual results could differ from those estimates.

#### **Cash and Cash Equivalents**

Cash and cash equivalents include securities with original maturities of 90 days or less at the date of purchase. The carrying amount of cash and cash equivalents approximates fair value because of its short-term maturity.

#### **Subsequent Events**

Management has evaluated all material events occurring subsequent to the date of the financial statements up to June 6, 2011, which is the date the financial statements were available to be issued.

#### **Concentrations of Credit Risk**

Investments in government securities and commercial paper held by the Foundation are concentrated in U.S. issuers. Corporate bonds primarily consist of U.S. investment-grade rated bonds. The investments in the U.S. equity fund consist of Nuveen's Quantitative Large Cap Core Fund (formerly of First American Fund). Refer to Nuveen's Quantitative Large Cap Core Fund's prospectus and annual report for a full description of the fund's investment holdings and significant concentrations of credit risk.

## The Fluor Foundation

### Notes to Financial Statements (continued)

#### 2. Accounting Policies (continued)

##### Recent Accounting Pronouncements

During 2010, the Foundation implemented new accounting pronouncements that are discussed in the notes, where applicable.

#### 3. Investments

Investments in government securities consist of U.S. government and agency securities and Treasury bills. Government securities, corporate bonds, and commercial paper are valued at the last reported sale price on the last business day of the year. Securities not traded on the last business day are valued at the last reported bid price. Investments in the U.S Equity and Money Market Fund consist of shares of mutual funds, which invest primarily in U.S. Government securities, common stock, convertible securities, and derivatives. The investments in mutual funds are carried at fair market value, which represents the net asset value of the shares of such funds as of the close of business at the end of the period. The fair value of mutual funds is measured based on quoted prices in active markets for identical assets.

Net unrealized gains (losses) for investments still held at year-end are as follows (in thousands):

	Year Ended December 31			
	2010		2009	
	Net Unrealized Gains (Losses)	Fair Value	Net Unrealized Gains (Losses)	Fair Value
Government securities	\$ (1)	\$ 3,912	\$ —	\$ —
Corporate bonds	2	3,663	—	—
U.S. Equity fund	793	3,560	332	3,633
Commercial paper	—	299	—	—
Money market fund	—	—	—	7,588
<b>Total</b>	<b>\$ 794</b>	<b>\$ 11,434</b>	<b>\$ 332</b>	<b>\$ 11,221</b>

## The Fluor Foundation

### Notes to Financial Statements (continued)

#### 3. Investments (continued)

Purchases and sales of investments are recorded on the trade date. Realized gain or loss on sales, redemptions, or distributions of investments is based upon each investment manager's average historical cost. Interest income is recorded on an accrual basis and dividends on the date received. The investment managers of the investments held by the Foundation charge investment management fees based on a percentage of the ending investment balance. Investment management fees of \$22,120 and \$24,600 for the years ended December 31, 2010 and 2009, respectively, were included in the net asset values of the mutual funds and are deducted from the interest and dividend income earned by the investments before the mutual funds are deposited in the Foundation's account.

#### 4. Fair Value of Financial Instruments

The following table presents, for each of the fair value hierarchy levels required under SFAS No. 157, "Fair Value Measurements" (ASC 820-10), the Foundation's assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2010 and 2009 (in thousands):

	December 31, 2010				December 31, 2009				
	Fair Value Measurements Using				Fair Value Measurements Using				
	Quoted Prices in Active Markets for Identical Assets  Total	Significant Other Observable Inputs  (Level 1)	Significant Unobservable Inputs  (Level 2)	Significant Unobservable Inputs  (Level 3)	Total	Quoted Prices in Active Markets for Identical Assets  (Level 1)	Significant Other Observable Inputs  (Level 2)	Significant Unobservable Inputs  (Level 3)	Total
Assets:									
Cash and cash equivalents	\$ 1,544	\$ 1,544	\$ -	\$ -	\$ 1,268	\$ 1,268	\$ -	\$ -	\$ -
Government securities	3,912	-	3,912	-	-	-	-	-	-
Corporate bonds	3,663	-	3,663	-	-	-	-	-	-
U.S. Equity fund	3,560	3,560	-	-	3,633	3,633	-	-	-
Commercial paper	299	-	299	-	-	-	-	-	-
Money market fund	-	-	-	-	7,588	7,588	-	-	-

In 2010, the Foundation adopted FASB ASU 2010-06, "Improving Disclosure about Fair Value Measurements" (ASC 820). ASU 2010-06 requires, on a prospective basis, additional disclosures regarding significant transfers in and out of Level 1 and Level 2 fair value measurements, of which the Foundation had none for the year ended December 31, 2010. ASU 2010-06 also clarifies existing disclosure requirements related to the level of disaggregation of fair value measurements for each class of assets and liabilities and disclosures about inputs and valuation techniques used to measure fair value. The adoption of ASU 2010-06 did not have a material impact on the Foundation's financial position, activities, or cash flow.

# The Fluor Foundation

## Notes to Financial Statements (continued)

### 4. Fair Value of Financial Instruments (continued)

In April 2009, the FASB issued FSP SFAS No. 157-4, “Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly” (ASC 820-10). ASC 820-10 provides additional guidance for estimating fair value in accordance with SFAS No. 157 and emphasizes that even if there has been a significant decrease in the volume and level of activity for the asset or liability and regardless of the valuation technique(s) used, the objective of a fair value measurement remains the same. ASC 820-10 was effective for interim reporting periods ending after June 15, 2009. The Foundation adopted this standard, which did not have a material impact on its financial position, activities, or cash flows.

### 5. Federal Excise Tax

In accordance with the applicable provisions of the Internal Revenue Code (the Code), private foundations are subject to an excise tax on net investment income, as defined. In addition, the Code requires foundations to make certain minimum distributions in accordance with a specified formula. The Foundation recorded deferred tax liabilities of \$15,863 and \$6,631 for the years ended December 31, 2010 and 2009, respectively. The deferred taxes represent the future effects of temporary differences attributable to unrealized gains associated with investments.

### 6. Pledges

At December 31, 2010, the Foundation had made conditional cash pledges to various charitable and nonprofit organizations due in the following years (in thousands):

2011	\$	495
2012 – 2015		1,230
	\$	<u>1,725</u>

## Other Financial Information

# The Fluor Foundation

## Pledges

December 31, 2010

*(In Thousands)*

	Pledges due in		
	2011	2012 Through 2015	Total
Change the Equation	\$ 25	\$ 25	\$ 50
Clemson University Career Center	5	5	10
Hearing & Speech Foundation	40	150	190
LSU Foundation	50	–	50
Marine Corps Scholarship Foundation	25	–	25
Museum of Nature and Science	25	50	75
National Engineers Week Foundation	75	–	75
University of South Carolina, Hydrogen Economy Center	250	1,000	1,250
	\$ 495	\$ 1,230	\$ 1,725

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