

FINANCIAL STATEMENTS AND
OTHER FINANCIAL INFORMATION

The Fluor Foundation
Years Ended December 31, 2007 and 2006

The Fluor Foundation
Financial Statements and
Other Financial Information

Years Ended December 31, 2007 and 2006

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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, 2007 and 2006, 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, 2007 and 2006, 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.

Ernst & Young LLP

May 29, 2008

The Fluor Foundation

Statements of Financial Position

	December 31	
	2007	2006
	<i>(In Thousands)</i>	
Assets		
Cash	\$ 4,377	\$ 3,633
Investment in mutual funds		
Money market fund	8,087	—
Short-term bond fund	—	7,106
U.S. equity fund	3,452	3,084
	<u>\$ 15,916</u>	<u>\$ 13,823</u>
Liabilities and net assets		
Federal excise tax payable	\$ 8	\$ 7
Net assets	<u>15,908</u>	<u>13,816</u>
	<u>\$ 15,916</u>	<u>\$ 13,823</u>

See accompanying notes.

The Fluor Foundation
Statements of Activities

	Years Ended December 31	
	2007	2006
	<i>(In Thousands)</i>	
Revenues:		
Cash contributions from Fluor Corporation	\$ 5,017	\$ 6,379
Net appreciation in mutual funds	71	134
Interest and dividend income	509	505
Total revenues	<u>5,597</u>	<u>7,018</u>
Expenses:		
Cash donations	3,487	2,772
Federal excise tax	18	7
Total expenses	<u>3,505</u>	<u>2,779</u>
Increase in net assets	2,092	4,239
Net assets at beginning of year	13,816	9,577
Net assets at end of year	<u>\$ 15,908</u>	<u>\$ 13,816</u>

See accompanying notes.

The Fluor Foundation
Statements of Cash Flows

	Years Ended December 31	
	2007	2006
	<i>(In Thousands)</i>	
Operating activities		
Increase in net assets	\$ 2,092	\$ 4,239
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Unrealized loss (gain) from investment in mutual funds	470	(134)
Other	1	1
Net cash provided by operating activities	2,563	4,106
Investing activities		
Sale of mutual fund shares	11,878	11,756
Purchase of mutual fund shares	(13,697)	(12,261)
Net cash used in investing activities	(1,819)	(505)
Net increase in cash	744	3,601
Cash at beginning of year	3,633	32
Cash at end of year	\$ 4,377	\$ 3,633
Supplemental disclosure of cash flow information		
Federal excise tax paid	\$ 17	\$ 6

See accompanying notes.

The Fluor Foundation

Notes to Financial Statements

December 31, 2007

1. Organization

The Fluor Foundation (the “Foundation”), a 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. Certain amounts in 2006 have been reclassified to conform with the 2007 presentation.

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, 2007:

R. F. Barnard
A. L. Boeckmann
D. E. Constable
S. B. Dobbs
J. R. Fluor II
H. S. Gilbert
D. Seaton
D. M. Steuert
D. A. Wilson

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 (*Note 5*).

Related Parties

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

The Fluor Foundation

Notes to Financial Statements (continued)

2. Accounting Policies (continued)

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 as of the date of the financial statements. Therefore, actual results could differ from those estimates.

Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 157, “Fair Value Measurements” (“SFAS 157”). SFAS 157 establishes a common definition for fair value to be applied, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosure about such fair value measurements. In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities—including an amendment of FASB Statement No. 115” (“SFAS 159”). SFAS 159 allows an entity the irrevocable option to elect fair value for the initial and subsequent measurement of certain financial assets and liabilities under an instrument-by-instrument election. SFAS 157 and SFAS 159 are both effective for fiscal years beginning after November 15, 2007. Management does not expect the adoption of SFAS 157 or SFAS 159 to have a material impact on the Foundation’s financial position, activities, and cash flows.

3. Investment in Mutual Funds

Investment in mutual funds consists of shares of mutual funds, which invests primarily in U.S. Government securities, common stock, convertible securities, and derivatives. The investment in mutual funds is carried at fair market value equal to the quoted redemption price.

The Fluor Foundation

Notes to Financial Statements (continued)

3. Investment in Mutual Funds (continued)

Mutual funds outstanding were as follows:

(In thousands)	Year Ended December 31,			
	2007		2006	
	Net Unrealized Losses	Fair Value	Net Unrealized Gains	Fair Value
Money market fund	\$ —	\$ 8,087	\$ —	\$ —
Short-term bond fund	—	—	8	7,106
U.S. equity fund	(336)	3,452	126	3,084
Total	\$ (336)	\$ 11,539	\$ 134	\$ 10,190

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 mutual fund's average historical cost. Interest and dividend income are recorded on the date received. The investment managers of the mutual funds held by the Foundation charge investment management fees based on a percentage of the ending investment balance. Investment management fees were approximately \$30,400 and \$28,500 for the years ended December 31, 2007 and 2006, respectively. These fees are deducted from the interest and dividend income earned by the investments before the funds are deposited into the Foundation's account.

Concentrations of Credit Risk

Investments in the money market fund and the U.S. equity fund consist of the Columbia Government Reserves and the CMG Enhanced S&P 500 Fund, respectively. Refer to the Columbia Government Reserves' and the CMG Enhanced S&P 500 Fund's prospectuses and annual reports for a full description of each fund's investment holdings and significant concentrations of credit risk.

The Fluor Foundation

Notes to Financial Statements (continued)

4. Federal Excise Tax

In accordance with the applicable provisions of the Internal Revenue Code (the “Code”), 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. A deferred tax asset of \$6,756 and a deferred tax liability of \$2,642 for the years ended December 31, 2007 and 2006, respectively, were included in the Federal excise tax payable balance. The deferred taxes represent the future effects of temporary differences attributable to unrealized gains or losses associated with the investments in mutual funds.

5. Pledges

At December 31, 2007, the Foundation had made conditional cash pledges to various charitable and nonprofit organizations due in the following years (in thousands):

2008	\$ 85
2009 – 2012	<u>135</u>
	<u>\$ 220</u>

Other Financial Information

The Fluor Foundation

Pledges

December 31, 2007

	Pledges due in (in thousands)		
	2009 through		
	2008	2012	Total
Clemson University Career Center	\$ 5	\$ 20	\$ 25
Children's Museum	25	50	75
Discovery Science Center	20	20	40
Salvation Army – Ray & Joan Kroc Corps Comm. Center	25	25	50
Scholarship of America	10	20	30
	<u>\$ 85</u>	<u>\$ 135</u>	<u>\$ 220</u>