

Recap of Foundation Investment Performance for the Year Ended June 30, 2006:

For the fourth quarter of the 2005-06 fiscal year (the twelve-month period ended June 30, 2006), the Foundation's rate of return was 8.5%, which is equivalent to approximately \$8.9 million of realized and unrealized gains. For this twelve-month period, the Foundation's total fund outperformed the comparable financial indexes, which was 8.0%. The Foundation's fiscal year-to-date gains are comprised of a 12.2% gain on equities, a 1.2% gain on fixed income investments, and a 9.9% gain on alternative investments.

Foundation Investment Policies:

The Foundation's current asset allocation consists of 49.5% of the total amount invested in equities, 26.3% of the total amount invested in fixed income, and 24.2% of the total amount invested in alternative investments. This is in line with our asset allocation policy, which establishes a target allocation of 50% of the assets invested in equities (of which 10% are to be international equities), 25% of the assets invested in fixed income, and 25% of the assets invested in alternative investments.

As a reminder, the Foundation's unrestricted, temporarily restricted and permanently restricted funds are pooled together so that any gains/losses affect all funds in accordance to the ratio of those funds to the total amount invested. It is the Board of Directors' policy to assume responsibility for the unrealized and realized gains/losses related to unrestricted and temporarily restricted accounts. In the same manner, all endowment gains/losses affect endowment balances.

Historical Data:

The following are Foundation **annual** investment gains/losses made in previous years:

06/30/06:	8.5% (gain)
06/30/05:	9.3% (gain)
06/30/04:	14.5% (gain)
06/30/03:	3.7% (gain)
06/30/02:	- 4.66% (loss)
06/30/01:	- 10.9% (loss)
06/30/00:	11.7% (gain)
06/30/99:	11.6% (gain)
06/30/98:	13.6% (gain) *
12/31/97:	15.8% (gain)
12/31/96:	13.1% (gain)

* The Foundation switched from a December 31st year-end to a June 30th fiscal year-end, resulting in a six-month fiscal year ended June 30, 1998.

Quarterly Commentary:

After solid returns through the third quarter of the 2005 – 06 fiscal year, fourth quarter U.S. equity market reversed course. Confidence from earlier in the year regarding solid economic growth and possible Federal Reserve Board easing of interest rate tightening had changed to concerning views about inflation and signs of an economic slowdown. In May 2006, the Fed increased the federal funds rate by 0.25%, marking a declining turning point for stocks, thus followed by a more extensive decline in June 2006. At the end of June 2006, the Fed added another 0.25% increase to the federal funds rate, bringing the rate to 5.25% at the end of the quarter.

Market concerns were fueled by not only rising interest rates, but also rising inflation, a weaker U.S. dollar, indications of a slowdown in the real estate market, higher fuel prices in excess of \$70 per barrel at the end of June 2006, and higher prices in industrial and precious metals. Inflationary concerns developed as the U.S. Consumer Price Index (CPI) rose by 0.2% in June after a 0.4% increase in May. Higher inflation puts pressure on the Fed to keep raising interest rates. However, the index of leading economic indicators fell more than expected in May and were also concerning in June. U.S. real GDP rose only 2.5% in the quarter ending June 30, 2006 after a strong 5.6% gain in the quarter ending March 31, 2006. Reports on sectors in manufacturing, services, employment, and retail sales offered further signals of moderation in GDP growth and there were indicators that consumers' contribution to real GDP growth had slowed. Slowing growth pressures the Federal Reserve to keep interest rates steady or to lower them which is a conflict with the Federal Reserve policy to react to inflationary pressures. Ben Bernanke, Mr. Greenspan's successor in the Federal Reserve, helped to worsened market sentiments by providing both conflicting comments regarding growth and inflation, thus sending conflicting Federal Reserve signals, miscommunication, and misinterpretation regarding Federal Reserve policy. This increased uncertainty increased volatility in the financial markets in the quarter ending June 30, 2006.

The Foundation's investment performance decreased slightly throughout the fourth quarter of the 2005-06 fiscal year. Monthly investment performance closed in April, May, and June at 11.0%, 8.6%, and 8.5%, respectively. The Foundation Board of Directors approved a 2006- 07 investment income distribution as follows: a 4% distribution to endowments for spending, a 2.1% distribution for administrative fee related to budgeted expenses, a 0.9% distribution to administrative fee in order to build reserves, and a 1.5% distribution to endowment reserves in order to build the purchasing power of the endowment. These distributions have been posted to June 30, 2006 account balances.

It is always a good practice when experiencing good returns to be prudent regarding spending and save operating dollars when possible because it is not expected that returns will consistently remain good and negative returns are foreseeable in the future. Additional information on Foundation investments may be obtained by calling Marisel Lieberman in the Foundation office at 305-348-3338. Thank you and have a great new fiscal year.