

Recap of Foundation Investment Performance for the Fiscal Year Ended June 30, 2007:

For the fiscal year ended June 30, 2007, the Foundation's rate of return was 16.9%, which is equivalent to approximately \$18.8 million of realized and unrealized gains. During this period, the Foundation's total fund outperformed the comparable composite financial index, which was at 14.0%. The Foundation's fiscal year-to-date gains are comprised of a 23.9% gain on equities, a 5.7% gain on fixed income investments, and a 14.8% gain on alternative investments.

Foundation Investment Policies:

The Foundation's current asset allocation consists of 52.2% of the total amount invested in equities, 23.8% of the total amount invested in fixed income, and 24.0% 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:

06/30/07:	16.9% (gain)
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:

The equity market for the quarter ending June 30, 2007 ended up. The quarter's equity returns were due to reports of strong corporate profits in April and May; however the market gave back some returns in June to end the quarter with Dow Jones Industrial Average at 13,408. The market pullback during the month of June was due to investor's anxiety and caution regarding energy market gains, bond yield increases, inflationary concerns, slow housing market results, and risky lending practices in the subprime mortgage markets.

At the start of the quarter, the fixed income market was fueled by a record of \$1.65 trillion of global mergers and acquisitions, and increased private equity deals, thus resulting in increased bond yields above 5%. By the end of the quarter, the increased yields caused the equity markets to fall as there was a flight to the fixed income market. Additionally, the market experienced volatility based on increased inflationary fears as bond prices declined and bond yields increased, as well as oil prices exceeded \$70 a barrel. Uncertainty over the Fed's reactions diminished during the quarter. As expected, the Fed did not change the federal funds interest rate at its meeting in June and it remained at 5.25%. The Fed realized that growth, not inflation, was the primary reason for the increase in market interest rates.

The increase in bond yields also increased mortgage rate which further hindered the slow housing markets. Home prices continued to decline and new home construction were at lows not seen since 1990. It was reported in the quarter ending June 30, 2007 that the U.S. gross domestic product (GDP) increased at an annual rate of only 0.7 percent in the previous quarter. Consumer spending was up 0.5 percent in both April and May.

The most concern in the market was the worsening in the subprime mortgage markets. It was announced that at the beginning of the quarter that many mortgage companies were exposed to the subprime mortgage market, but given the seemingly small part of the U.S. debt market, it would not have much impact on financial markets. Throughout the quarter it was acknowledged that the impact of the subprime mortgage debacle was widening. It was announced that significant losses in the subprime mortgage market threatened two of Bear Stearns' hedge funds with liquidity issues and insolvency as they committed up to \$3.2 to fund the losses.

The Consumer Price Index (CPI) slowed to 0.2% increase for June 2007, which was 2.7% higher than in June 2006, a moderate inflation year over year increase.

The Foundation's investment performance increased throughout the quarter ending June 30, 2007. Monthly investment performance closed in April, May, and June at 14.6%, 17.4%, and 16.9%, respectively.

FY ending June 30, 2007 earnings amounted to 16.9% vs. the benchmark of 14% or almost 3 % above. A distribution for the endowments effective June 30, 2007 includes 5.5% to the Endowment Programs for spending, 4% for Administrative Operating and Reserve (2% fee + 2% reserve) and the difference of 7.4% to the Endowment Reserve.

The quarter ending June 30, 2007 has been quite volatile. Although the months of April and May were increasingly solid investment performance months, June's investment performance was negative for the Foundation and indicated that there are market concerns regarding inflation, growth, losses due to risky loans, and a continued slowing of the housing market. 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.