Hidden treasures

To the untrained eye, it looks like a typical Kansas field. But KU's Rockefeller Native Prairie hides its treasures well. It shelters a rainbow of more than 200 native plant species, including two that are federally protected: Mead’s milkweed and the western prairie fringed orchid (see page 30). The 10-acre site is one of only four known places in the world where these two endangered species grow together. They thrive here — on one of the last tallgrass prairie remnants left in northeast Kansas.

This tiny prairie is a jewel of the University of Kansas Field Station and Ecological Reserves near Lawrence. KU Endowment holds these 1,800 acres, at the university’s request, for field-based ecological research and education. Each year, some 70 faculty, staff and students conduct research here on topics ranging from endangered species to climate change and the effect various chemicals have on the environment. Private ownership of the land by KU Endowment helps assure that this vital research can go on.

Find out more about the KU Field Station and Ecological Reserves at www.ksr.ku.edu
From the president

Those who know the Kansas prairie speak passionately about it. They value its beauty, its ecological diversity and its environmental benefits. A healthy native prairie, with its rich, deep infrastructure of soil, serves as a living model for what can happen when we invest in a university.

Through your contributions to KU Endowment, you invest in:
• students who will create our future;
• outstanding faculty who contribute new ideas that help people worldwide;
• innovative research and programs that benefit students and communities;
• research and treatment for cancer and other diseases.

KU Endowment was founded in 1891 by a dozen passionate supporters of the University of Kansas. Our task since then has been to provide maximum annual funding for KU and, at the same time, ensure that resources will be available for future endeavors. Your generosity makes it happen.

You are the difference for KU. Thank you.

Dale Seuferling
President, KU Endowment
Grounded in the Kansas soil and working to support KU programs that benefit people everywhere, KU Endowment has

KU Roots:
Beneath the Kansas prairie, the roots run as deep as 12 feet. They draw sufficient moisture and nutrients to support dozens of species of grasses, sedges and flowers, even during times of extended drought. The plants, in turn, attract a variety of birds, mammals and insects that together sustain a complex ecosystem. And scientists believe the prairie's underground ecosystem may be even more diverse than the one we see.

The world’s prairies serve as reservoirs of genetic diversity, harboring rare species that may provide yet undiscovered medicines and foods. Like the prairie, the university is a rich well of resources that must be maintained.

KU Endowment's founders and early donors understood KU's vast potential to contribute to human knowledge — and the kind of opportunities that could come only through private funding. Their gifts of land, campus buildings, scholarships and unrestricted funds continue to nourish the university community.

In a time of increased demands on public funding, your contributions are vital to KU's mission. In this annual report for 2006, we offer stories of how your gifts support students, faculty and staff who are reaching out from Kansas to improve the lives of people and the world around us.
When Cheryl Pilate visited the KU Breast Cancer Prevention Center at age 38, she did not yet know that breast cancer would take the life of her mother.

For more than a decade, as her risk factors accumulated, Pilate turned to the center to learn about prevention and to participate in research trials and screenings. Ultimately, clear information from center director Dr. Carol Fabian helped her weigh prevention choices. Pilate chose a preventive double mastectomy and immediate reconstruction surgery, which all but eliminated her high risk for the disease.

“I carried this worry for 23 years and now it’s gone,” said Pilate, a Kansas City, Mo., attorney.

“Thanks to Dr. Fabian and the center, I project into the future and see positively. I no longer have this fear.”

KU hopes to eliminate the fear, suffering and death from cancer that people worldwide such as Pilate face. In fact, KU Chancellor Robert Hemenway has made that a goal at KU, naming cancer KU’s number-one priority.

Essential to KU’s cancer efforts is the goal to become a National Cancer Institute Comprehensive Cancer Center, which will recognize KU for fostering the best research, prevention and treatment programs in the region. The NCI designation would funnel more financial support from the National Institutes of
Achieving NCI Comprehensive Cancer Center designation is a competitive process. In addition to KU, at least seven other institutions are seeking NCI designation today.

What distinguishes the KU Cancer Center, said center director Dr. Roy Jensen, is its ability to knit together the entire research process, from drug discovery to clinical trials. KU’s cancer initiative involves many partners, including:

- basic science researchers at the KU Medical Center;
- health care professionals at KU Hospital;
- pharmaceutical researchers at the School of Pharmacy in Lawrence;
- clinicians at the School of Medicine-Wichita.

Health to KU, bring special clinical drug trials to the region and provide new training opportunities for KU medical students and oncologists.

To help KU reach this goal, KU Endowment will raise funds for additional cancer-related professorships, research and technology support. KU plans to raise $71.8 million for cancer over the next three years through a combination of private philanthropy and public support.

Already, KU Endowment donors have helped the university’s cancer goals in several ways, including providing financial support for distinguished professorships in cancer held by Dr. Fabian and by Dr. Roy Jensen, director of the Kansas Masonic Cancer Research Institute at KU.

Professorships are key to attracting and retaining the best basic and clinical researchers for KU. That translates into more cancer research dollars and better research, education and patient care – the hallmark of Pilate’s experience.

“Dr. Fabian and KU gave me an early warning system for breast cancer,” Pilate said. “I felt like I had the best care in the whole world.”

KU’s goal of becoming an NCI Comprehensive Cancer Center will cost $71.8 million over the next three years. The university and KU Endowment are assessing how much will be raised through private gifts. The first priority will be to raise funds for endowed professorships in the following areas:

- clinical cancer care — $2 million
- medical oncology — $2 million
- gynecological oncology — $2 million
- ovarian pathophysiology — $2 million

Facts and figures

- Cancer will cause the death of about 1,500 people per day in the United States in 2006.
- Of the 39 NCI-designated cancer centers, most are on the East and West coasts and in major cities.
- The Kansas Masonic Foundation pledged $15 million for KU’s cancer research efforts in 2003.
- The Kansas Legislature voted in 2006 to provide $5 million toward KU’s cancer efforts.

Help find a cure for cancer.
During nine months in Tajikistan, KU junior Jay Kimmel bought vegetables at the bazaar, attended a bride’s pre-wedding ceremony with 50 middle-aged women, and picked up a new habit.

“There’s a gesture the men use when greeting others,” he said. “You place your right hand on your chest or abdomen and say, ‘Peace be upon you.’ Now, back in the U.S., when I say hello, I can’t help putting my hand on my chest. And people ask me if I have a stomach ache.”

Kimmel’s cultural immersion meant study, too: intensive language study through the American Councils for International Education. With the goal of a career overseas, he chose this off-the-beaten-track option from among dozens offered through KU’s Office of Study Abroad.

KU Endowment helped send Kimmel abroad with assistance from one of its six study abroad scholarship funds. Ten percent of study abroad participants get help from these scholarships, but that’s just one way KU Endowment supports study abroad.

It also helps build the range of options — so students like Kimmel can pursue their specific interests — through its Study Abroad Program Development Fund. The fund provides study abroad’s only flexible source of spending, said

Oh, the places

Founded in 1946, KU study abroad now sends students to more than 50 countries through 100 programs each year. KU Endowment helps with scholarships and program support.
During the 2005-2006 academic year, 1,331 KU undergraduate and graduate students studied abroad. In addition, more than 500 students from other universities participated through KU because of its wide variety of programs.

Susan Gronbeck-Tedesco, KU study abroad director. “We use it to send faculty to new sites to create new programs and develop existing ones,” she said. “For example, Jonathan Boyarin, professor of religious studies, was able to visit Lithuania to develop the Jewish studies options there. We want our programs to reflect KU’s academic programs, so students can use credits earned abroad toward their degrees.”

Gronbeck-Tedesco said decades of interest and support from faculty and administrators have contributed to study abroad’s success. Kimmel himself learned about the possibility of going to Central Asia from a professor.

“Once I knew the opportunity was there, I got excited about it,” he said. The wealth of study abroad options available is one of the factors that help make KU a world-class university.

KU ranked 11th among U.S. public doctoral/research institutions that offer study abroad, according to the national 2006 Open Doors report, which ranks undergraduate participation. With 23.5 percent participation, KU was first among Big XII institutions. Big XII universities in the top 50 were:

- KU / 11th
- Iowa State / 16th
- University of Nebraska / 28th
- University of Texas / 29th
- University of Missouri / 32nd
- Texas A&M / 45th.

Nationwide, less than 1 percent of undergraduates study abroad, according to the Institute of International Education.

Give online to Study Abroad at www.kuendowment.org/donate
Sea change

A professor of engineering leads international research into the role of polar ice in rising ocean levels. An endowed professorship fund helped him build a team of scientists.

Walls of ice crashing into the ocean. A polar bear swimming 60 miles to find a solid place to rest. A computer simulation of San Francisco flooded into oblivion by the rising sea. These are the images we encounter in films, documentaries and Web stories that cover the connection between melting polar ice and the world’s climate.

Ice sheets at Earth’s poles are melting at a rate far faster than previously predicted, causing a slow but significant rise in sea levels worldwide.

“This probably will dwarf everything else related to climate change because of the population centers in coastal areas such as Miami and New Orleans,” said Prasad Gogineni, KU professor of engineering. “It’s estimated that a 1-meter rise in the sea level will affect 100 million people.”

Gogineni directs CReSIS, the Center for the Remote Sensing of Ice Sheets, headquartered at KU. He leads engineers and scientists from KU and more than a dozen other institutions who work on site in Greenland and Antarctica and at labs around the world. Their goal is to understand and accurately predict the role of polar ice sheets in sea level change.

Gogineni has been measuring polar ice since 1993. His research eventually led to the creation of CReSIS. A five-year, $19 million grant from
the National Science Foundation — the largest ever to any university in Kansas — established CReSIS in April 2005. Gogineni plans for the research eventually to be supported through other federal sources, industry partnerships, nonprofits and private philanthropy.

Since 1999, Gogineni has held the Deane E. Ackers Distinguished Professorship in Electrical Engineering and Computer Science. It supplements his salary and provides funds for professional travel, research and student support.

The creation of CReSIS is a classic example of what professorships can do for KU. The Ackers professorship kept Gogineni at KU when he had offers from other universities. Besides that, it gave him the funds to travel, develop working relationships and put together the multi-institutional team needed for the kind of effort that would draw the NSF grant.

"CReSIS is at KU because of Prof. Gogineni," said engineering Dean Stuart Bell. "All the opportunities he's been able to create for students and other faculty can trace their roots to the Ackers professorship."

Beyond research

In addition to science and technology, the $19 million NSF grant for CReSIS emphasizes education and diversity. Here are some of the project’s goals:

- develop programs to inspire K-12 students to pursue careers in science and engineering;
- recruit 20 percent of CReSIS students from groups underrepresented in science and engineering;
- provide international experience to students;
- integrate research into the curriculum.

CReSIS partners

Through CReSIS, KU collaborates with more than a dozen academic, industry and government partners. Find out more about CReSIS at www.cresis.ku.edu.

How professorships help

Endowed professorship funds help visionary faculty like Prasad Gogineni develop programs that can improve the lives of people in Kansas and beyond. These funds provide support for research, professional travel, student opportunities and more.

Outstanding professors draw other talented faculty and top students. Their work also can attract significant federal funding for research. Across KU, more than 80 faculty members now hold endowed chairs and distinguished professorships. In 2006, donors established seven new endowed professorship funds:

- Black and Babcock Professorship in Mathematics;
- Hartley Professorship in Nursing;
- Neff/Wiebe Chair of Orthopedic Biomechanics;
- Oswald Distinguished Professorship in Economics;
- Riordan Professorship in Orthomolecular Medicine and Research;
- Stiefel Teaching Professorship in English;
- Worcester Distinguished Professorship in Public Opinion and Survey Research.

Help KU faculty do great things.
student voices

Five KU Endowment scholarship recipients share their dreams of making a better world.

Transform a student’s life.
Contact us at scholarships@kuendowment.org
When Hurricane Katrina forced her to leave her native New Orleans, Martinez thought it would be a typical evacuation—that she and her family would be back in two weeks. By the time they landed at her brother’s home in Olathe, Kan., she learned that her home had been ruined and that she would have to give up her plans for graduate school at Tulane University.

Then she met Robert Estell, recruitment coordinator for the School of Social Welfare at KU’s Edwards Campus. Estell helped her apply to KU, and a gift from an anonymous donor for a social welfare scholarship turned Martinez from despair over loss toward dreams for the future. She plans to become a family therapist—to help others work through difficulties.

“I look forward to helping someone who says, ‘I can’t.’ Maybe we can figure out a way so you can.”

Lisa Martinez
Graduate student in social welfare  New Orleans

Sedge stands out among late June grasses at KU’s Rockefeller Native Prairie.
Wright and his fellow KU Debate Team members study constantly, and it shows. Last year, they finished first in the nation based on National Debate Tournament varsity rankings for total points – ahead of such teams as Dartmouth and Harvard.

Their time commitment virtually rules out working while taking classes. Scholarships assist several team members, including Wright, the team captain. KU Endowment also provides travel support, which enables team members to go to more tournaments and to fly to national tournaments so they’re more rested for competition.

College debaters focus on one broad topic each year. The past two years, they’ve researched fossil fuel reductions and U.S. policy toward China. Wright has his eye on an academic career; he plans on graduate study in political science – with an emphasis on national security.

“\textbf{I want to address the real questions and help determine real solutions to problems of international security.}”
As the daughter of social workers, Tiger developed a concern for her community early on. After seven years as a legal assistant, she entered KU’s tribal law program with goals of practicing Indian law and helping to create opportunities for Native American children. Assistance from several KU Endowment funds, including the Prof. Earl and Mary Shurtz Tribal Lawyer Scholarship, helped ease her transition from professional to student life.

Tiger spent this past summer as a clerk at the Cherokee Nation Supreme Court in Tahlequah and at a family law firm. She passed the Oklahoma bar and now must apply to tribal bars. She hopes eventually to work as a partner in a private firm and practice all areas of Indian law, including gaming, economic development, criminal law and family law.

“One of my goals has been to come back and help my community and my people, and that starts with children.”
Eight thousand miles from home, Mutiso looks forward to returning to his native Kenya to help improve the quality of buildings constructed there.

A new KU Endowment scholarship created by two brothers is helping him reach his goal. Dan and Mark Robeson endowed the John Colvin Robeson Family Scholarship in memory of their late uncle, John Robeson, engineering ’38. The brothers designated that the scholarship be awarded to students from developing countries who are studying civil engineering. Recipients state a commitment to return to their home countries and use their education to help improve their communities and nations.

As a KU student, Mutiso largely supports himself by working at a nursing home. The scholarship allows him to concentrate more on studying and on his future plans.

“After I graduate, I want to go home to develop stable buildings in urban areas. I hope to help my country.”
This past summer, Yeager’s longtime interest in global health led him to the other side of the world. As the first recipient of KU’s Robinson Scholarship, he spent eight weeks in India. He observed the care of patients from all over the country and accompanied nurses who traveled into rural areas to provide health screenings, immunizations and health care counseling.

His scholarship, established in memory of Dr. David Robinson, a KU Medical Center professor, provides international experience for future health care providers in the field of global health and helps cover recipients’ travel costs.

Yeager worked at Christian Medical College, which serves patients through its 2,100-bed, high-tech hospital, its leprosy clinic, and its extensive community and rural health program. This fall, Yeager began his career as a registered nurse in intensive care at KU Hospital.

“I would love to one day travel abroad and use my qualifications to improve the general health of poor and rural people in a developing nation.”
Donors in 2006

It’s no surprise that more than half of this year’s donors live in Kansas. But as the map above shows, contributions came from all 50 states. Donors at U.S. military bases and in 26 other countries also gave. This broad representation doesn’t happen by accident; three key factors are at play.

Alumni distribution
To a great extent, the distribution of individual donors mirrors KU’s alumni base; those states and countries with the most donors tend to be those with the most alumni.

Alumni-focused fund raising
Student callers in KU Endowment’s Annual Giving Department phone alumni everywhere on behalf of each school and academic division, bringing in more dollars for KU.

Purpose-driven fund raising
KU Endowment’s 35 professional fund raisers work with KU leaders on hundreds of specific initiatives. They carefully seek out donors — even those in far-flung places — whose interests match KU’s needs. Donors include individuals,
corporations, foundations and other types of organizations—all over the world.

We thank the 41,085 donors who gave this year in support of students, faculty, programs and projects across KU’s four campuses.

Your contributions affect the lives of people everywhere.
## Statement of Financial Position

<table>
<thead>
<tr>
<th>Assets</th>
<th>JUNE 30, 2006</th>
<th>JUNE 30, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans receivable, less allowance for uncollectible loans of $1,383 in 2006 and $1,277 in 2005</td>
<td>18,628</td>
<td>17,958</td>
</tr>
<tr>
<td>Contributions pledged, less allowance for uncollectible pledges of $1,067 in 2006 and $1,058 in 2005</td>
<td>46,278</td>
<td>47,684</td>
</tr>
<tr>
<td>Other receivables</td>
<td>14,602</td>
<td>16,000</td>
</tr>
<tr>
<td><strong>TOTAL RECEIVABLES</strong></td>
<td>79,508</td>
<td>81,642</td>
</tr>
<tr>
<td><strong>INVESTMENTS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketable securities (at market values)</td>
<td>1,108,191</td>
<td>992,517</td>
</tr>
<tr>
<td>Trusts held by others (at market values)</td>
<td>33,916</td>
<td>31,149</td>
</tr>
<tr>
<td>Interest in KU Endowment Charitable Gift Fund</td>
<td>134</td>
<td>2,258</td>
</tr>
<tr>
<td>Real estate</td>
<td>8,971</td>
<td>9,012</td>
</tr>
<tr>
<td><strong>TOTAL INVESTMENTS</strong></td>
<td>1,151,212</td>
<td>1,034,936</td>
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<tr>
<td><strong>PROPERTY AND FACILITIES ON OR ADJACENT TO UNIVERSITY CAMPUS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>5,797</td>
<td>6,292</td>
</tr>
<tr>
<td>Buildings</td>
<td>17,471</td>
<td>19,580</td>
</tr>
<tr>
<td>Equipment and furnishings</td>
<td>4,017</td>
<td>3,683</td>
</tr>
<tr>
<td><strong>NET PROPERTY AND FACILITIES</strong></td>
<td>27,285</td>
<td>29,555</td>
</tr>
<tr>
<td><strong>DEPOSITS AND OTHER ASSETS</strong></td>
<td>9,439</td>
<td>7,931</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>1,255,317</td>
<td>1,143,517</td>
</tr>
</tbody>
</table>

| Liabilities and Net Assets                      |               |               |
| **LIABILITIES**                                 |               |               |
| Accounts payable and accrued expenses           | $ 13,752      | $ 18,931      |
| Life income gift payables                       | 17,792        | 17,254        |
| Agency funds                                    | 64,656        | 61,194        |
| **TOTAL LIABILITIES**                          | 96,200        | 97,379        |
| **NET ASSETS**                                  |               |               |
| Unrestricted                                    | 127,910       | 117,495       |
| Temporarily restricted                          | 667,974       | 581,966       |
| Permanently restricted                          | 363,233       | 346,677       |
| **TOTAL NET ASSETS**                           | 1,159,117     | 1,046,138     |
| **TOTAL LIABILITIES AND NET ASSETS**            | $ 1,255,317   | $ 1,143,517   |

The Statement of Financial Position and Statement of Activities are excerpted from KU Endowment’s 2006 financial statements, which have been audited by Ernst & Young LLP.
### Statement of Activities

<table>
<thead>
<tr>
<th>Revenues, Gains and Other Support</th>
<th>JUNE 30, 2006</th>
<th>JUNE 30, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FUND RAISING</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions and grants pledged and received</td>
<td>$80,098</td>
<td>$69,245</td>
</tr>
<tr>
<td>Bequests</td>
<td>3,831</td>
<td>12,598</td>
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<tr>
<td>Life income gifts</td>
<td>1,292</td>
<td>1,362</td>
</tr>
<tr>
<td>Change in value of life income gifts</td>
<td>1,804</td>
<td>1,021</td>
</tr>
<tr>
<td>Change in net interest in KU Endowment Charitable Gift Fund</td>
<td>(2,124)</td>
<td>2,146</td>
</tr>
<tr>
<td><strong>TOTAL FUND RAISING</strong></td>
<td><strong>84,901</strong></td>
<td><strong>86,372</strong></td>
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<tr>
<td><strong>INCOME FROM ASSET HOLDINGS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>24,686</td>
<td>17,526</td>
</tr>
<tr>
<td>Realized and unrealized gains (losses) on investments and trusts held by others</td>
<td>89,590</td>
<td>88,592</td>
</tr>
<tr>
<td>Loan interest income</td>
<td>1,350</td>
<td>609</td>
</tr>
<tr>
<td>Agricultural and mineral income</td>
<td>2,434</td>
<td>1,934</td>
</tr>
<tr>
<td>Rental, gain (loss) on sale of assets and other income</td>
<td>354</td>
<td>(440)</td>
</tr>
<tr>
<td><strong>TOTAL INCOME FROM ASSET HOLDINGS</strong></td>
<td><strong>118,414</strong></td>
<td><strong>108,221</strong></td>
</tr>
<tr>
<td><strong>OTHER RECEIPTS</strong></td>
<td>21,779</td>
<td>18,667</td>
</tr>
<tr>
<td><strong>TOTAL REVENUES, GAINS AND OTHER SUPPORT</strong></td>
<td><strong>225,094</strong></td>
<td><strong>213,260</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses</th>
<th>JUNE 30, 2006</th>
<th>JUNE 30, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>UNIVERSITY SUPPORT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student scholarships, fellowships and awards</td>
<td>23,037</td>
<td>21,874</td>
</tr>
<tr>
<td>Faculty and staff salaries and contractual services</td>
<td>16,868</td>
<td>15,609</td>
</tr>
<tr>
<td>Construction and furnishings</td>
<td>33,100</td>
<td>41,604</td>
</tr>
<tr>
<td>Equipment and supplies</td>
<td>6,386</td>
<td>8,292</td>
</tr>
<tr>
<td>Books, other printed material and works of art</td>
<td>971</td>
<td>814</td>
</tr>
<tr>
<td>University travel and official hospitality</td>
<td>5,996</td>
<td>6,121</td>
</tr>
<tr>
<td>Transfers/program support to benefit the University of Kansas</td>
<td>10,666</td>
<td>7,937</td>
</tr>
<tr>
<td>Other</td>
<td>1,992</td>
<td>1,646</td>
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<tr>
<td><strong>TOTAL UNIVERSITY SUPPORT</strong> (Note 1)</td>
<td><strong>99,016</strong></td>
<td><strong>103,897</strong></td>
</tr>
<tr>
<td><strong>SUPPORTING SERVICES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative and fund-raising support</td>
<td>11,842</td>
<td>11,654</td>
</tr>
<tr>
<td>Asset management expense</td>
<td>614</td>
<td>548</td>
</tr>
<tr>
<td>Depreciation</td>
<td>643</td>
<td>671</td>
</tr>
<tr>
<td><strong>TOTAL SUPPORTING SERVICES</strong></td>
<td><strong>13,099</strong></td>
<td><strong>12,873</strong></td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td><strong>112,115</strong></td>
<td><strong>116,770</strong></td>
</tr>
<tr>
<td><strong>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</strong></td>
<td><strong>112,979</strong></td>
<td><strong>96,490</strong></td>
</tr>
<tr>
<td>Decrease (increase) in additional minimum pension obligation</td>
<td>—</td>
<td>125</td>
</tr>
<tr>
<td><strong>NET ASSETS AT BEGINNING OF YEAR</strong></td>
<td>1,046,138</td>
<td>949,523</td>
</tr>
<tr>
<td><strong>NET ASSETS AT END OF YEAR</strong></td>
<td><strong>$1,159,117</strong></td>
<td><strong>$1,046,138</strong></td>
</tr>
</tbody>
</table>

Note 1: Expenditures from agency funds, which are owned by the university but managed by KU Endowment, provided additional university support of $9.8 million for the year ended June 30, 2006, and $8.3 million for the year ended June 30, 2005.
Support for KU in 2006

Total university support
KU Endowment annually provides direct financial support for projects and programs across the university’s four campuses in Lawrence, Kansas City, Wichita and Overland Park. Most of this support comes from the return on investment of endowed funds and other long-term funds. Additional support comes from gifts designated by donors as expendable, or available for immediate expenditure.

During fiscal year 2006, KU Endowment provided $99 million in financial support for KU, down 4.7 percent from last year’s record of $103.9 million. While support for students and faculty increased, the costs for campus construction went down (from $41.6 million in 2005 to $33.1 million in 2006) for the first time in four years – the result of fewer university building projects this year.

Since its founding in 1891, KU Endowment has provided $1.3 billion in support for KU.
**Student support**

In 2006, KU Endowment disbursed $26.4 million in assistance to students, an increase of about 7 percent over $24.7 million in 2005. Also in 2006, donors established 80 new funds for student assistance.

<table>
<thead>
<tr>
<th>Student support</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Scholarships</td>
<td>$20.7 million</td>
</tr>
<tr>
<td>Loans</td>
<td>$3.4 million</td>
</tr>
<tr>
<td>Fellowships</td>
<td>$1.8 million</td>
</tr>
<tr>
<td>Student awards and prizes</td>
<td>$533,722</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$26.4 million</strong></td>
</tr>
</tbody>
</table>

**New funds established in FY2006**

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scholarship funds</td>
<td>62</td>
</tr>
<tr>
<td>Funds for awards and prizes</td>
<td>12</td>
</tr>
<tr>
<td>Fellowship funds</td>
<td>4</td>
</tr>
<tr>
<td>Loan funds</td>
<td>2</td>
</tr>
</tbody>
</table>

**Support for KU’s greatest needs**

About 5 percent of all gifts are unrestricted, that is, not designated by donors for a specific purpose. The funds established through the years from these gifts support programs that otherwise would go unfunded. These funds provide KU with the flexibility to meet unexpected opportunities and changing needs.

The chancellor determines which projects will receive support from these resources, and these allocations are subject to approval by the KU Endowment Executive Committee. In 2006, KU Endowment made available $7.1 million from unrestricted resources for university support.

<table>
<thead>
<tr>
<th>Support for KU’s greatest needs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scholarships and other academic and student support</td>
</tr>
<tr>
<td>Program support for university administration, KU athletics, Kansas Alumni</td>
</tr>
<tr>
<td>Support and other areas</td>
</tr>
<tr>
<td>Graduate school and international programs, student recruiting and international</td>
</tr>
<tr>
<td>visitors</td>
</tr>
<tr>
<td>Faculty and staff development and support</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>
A $130,000 grant from the Getty Foundation will help KU create a master plan to guide Lawrence campus preservation and development. The plan will consider the historic value of campus buildings, the landscape and other features.

Our share of KU’s budget
KU Endowment funds cover a significant part of KU’s annual revenue. The most recent figures, from 2005, show that KU Endowment provided 10.4 percent of the total operating budget. State appropriations dropped from 49.4 percent in 1985 to 24 percent in 2005.

University revenue sources
2005 fiscal year (In millions)

- State appropriations 240.7 24.0%
- Tuition and fees (net of scholarship allowances) 160.2 16.0%
- Medical service revenue (net) 93.2 9.3%
- Grants and contracts 211.8 21.1%
- Auxiliary enterprises 113.2 11.3%
- Sales and services of educational departments 41.3 4.1%
- **KU Endowment support** 103.9 10.4%
- Other revenue 39.0 3.8%
- **Total revenues** 1,003.3 100%

Includes Lawrence Campus, Edwards Campus, KU Medical Center, KU Center for Research Inc., KU Unions and Kansas Athletics Inc.
Giving highlights

Gift revenue
Gift revenue in 2006 totaled $84.9 million, a decrease of 1.7 percent from $86.4 million in 2005. Contributions and pledges totaled $80 million, a 15.6 percent increase over $69.2 million in 2005. Bequests realized, which fluctuate from year to year, totaled $3.8 million, dropping from $12.6 million in 2005.

In addition to contributions and pledges, KU Endowment documented commitments of $21.9 million in planned gifts in 2006. These included bequests and other deferred gift expectancies to be received in coming years. These commitments will benefit KU in the future.

Five-year comparison

<table>
<thead>
<tr>
<th>Year</th>
<th>Gift Revenue (In millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>$62.1</td>
</tr>
<tr>
<td>2003</td>
<td>$64.8</td>
</tr>
<tr>
<td>2004</td>
<td>$83.0</td>
</tr>
<tr>
<td>2005</td>
<td>$86.4</td>
</tr>
<tr>
<td>2006</td>
<td>$84.9</td>
</tr>
</tbody>
</table>

Gifts for new endowed professorships
KU Endowment is actively seeking gifts for new endowed professorships, as this is one of KU's top priorities. Gifts for these professorships have increased steadily over the past three years.

Through the Kansas Partnership for Faculty of Distinction Program, gifts for new endowed professorships at Kansas Regents institutions leverage additional support from the state. This support is calculated on an annual basis. The program began in 2000; in 2006, it provided $1.4 million for KU faculty.

Gifts and state support for endowed professorships

<table>
<thead>
<tr>
<th>Year</th>
<th>Gifts (In millions)</th>
<th>State Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>$20.7</td>
<td>$200,000</td>
</tr>
<tr>
<td>2005</td>
<td>$29.5</td>
<td>$500,000</td>
</tr>
<tr>
<td>2006</td>
<td>$37.6</td>
<td>$1.4 million</td>
</tr>
</tbody>
</table>

* Through the Kansas Partnership for Faculty of Distinction Program.
Financial highlights

Assets and investments

In 2006, the market value of endowed funds passed the $1 billion mark for the first time in KU Endowment’s history, with a total of $1.05 billion. This represented an increase of nearly 10 percent over $954.9 million in 2005.

The value of KU Endowment’s total assets, according to audited financial statements, grew to $1.26 billion, an increase of 10.5 percent from $1.14 billion in 2005. This total is the book value of assets plus the unrealized gain or loss on marketable securities. It does not include the unrealized appreciation on real estate and other special holdings. This unrealized appreciation is included in the market value of total assets, which increased to $1.4 billion, up more than 9 percent over $1.27 billion in 2005.

The growth in assets resulted from strong market performance and an increase in outright contributions.

Of KU Endowment’s total assets, 88.3 percent represent marketable securities. The balance of assets is made up primarily of real estate property owned by KU Endowment, loans to KU students and faculty, and outstanding pledges.

<table>
<thead>
<tr>
<th>Year</th>
<th>Value of total assets (In millions)</th>
<th>Market value of total assets* (In billions)</th>
<th>Market value of endowed funds (In millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>$887.6</td>
<td>2002 $1.02</td>
<td>2002 $732.2</td>
</tr>
<tr>
<td>2003</td>
<td>$886.3</td>
<td>2003 $1.03</td>
<td>2003 $734.5</td>
</tr>
<tr>
<td>2004</td>
<td>$1,032.0</td>
<td>2004 $1.16</td>
<td>2004 $849.3</td>
</tr>
<tr>
<td>2005</td>
<td>$1,143.5</td>
<td>2005 $1.27</td>
<td>2005 $954.9</td>
</tr>
<tr>
<td>2006</td>
<td>$1,255.3</td>
<td>2006 $1.40</td>
<td>2006 $1,049.4</td>
</tr>
</tbody>
</table>

*Includes estimated market values for real estate and special holdings, which are unaudited.
Long-term investments
KU Endowment invests its endowed funds and other long-term funds collectively in its Long-term Investment Program, a professionally managed, diversified portfolio. The goal for the program is to provide a consistent level of support for KU, in inflation-adjusted dollars, in perpetuity. The program includes more than 2,700 individual funds. The value of these funds makes up 75 percent of KU Endowment’s total assets.

To provide consistent support for the university, KU Endowment’s long-term investments must increase in value over time. In fiscal year 2006, these investments gained 13.6 percent, compared with a gain of 13.7 percent in 2005 and a gain of 20.3 percent in 2004.

Growth is compared with a benchmark of spending plus inflation. For the long term, KU Endowment continues to outperform its benchmark. Over the 18-year period from June 30, 1988, through June 30, 2006, the total return of long-term funds was 10.6 percent. This exceeds the benchmark of 9.1 percent.

Given this level of performance, a $100,000 endowed fund established in June 1988 would have grown to $235,688 as of June 2006. During that time, it also would have provided $142,219 in support for KU.

Long-term Investment Program
Performance vs. spending + inflation (As of June 2006)

Growth of a $100,000 endowed fund
invested in the Long-term Investment Program
1988-2006

- Beginning market value: $100,000
- Ending market value: $235,688
- Total support for KU: $142,219
Current overall goals for long-term investments include further diversification and enhanced returns. This requires a gradual realignment of the portfolio to reflect the economic and investment opportunities of an increasingly global society. In keeping with these overall goals, the KU Endowment Finance Committee implemented the following asset allocation changes in fiscal year 2006.

- Increased overall allocation to emerging markets stocks from 5 percent to 7.5 percent through the funding of additional managers City of London and Dimensional Fund Advisors.
- Funding of a new 5 percent allocation to private equity and venture capital through Commonfund Capital. It will take several years to achieve the long-term policy target in order to provide funding year (vintage year) diversification, therefore, this change is not reflected in the chart below.
- Further diversification of the inflation protection allocation through the hiring of Wellington Management for investment into their diversified inflation hedges strategy.

The committee also authorized the following changes for implementation in the next fiscal year.

- Continued decrease of the long-term policy allocation for U.S. common stocks from 35 percent to 27.5 percent by increasing the allocation to international developed markets stocks.
- Diversification of the fixed income allocation by reallocating 4 percent to international bonds through a reduction of 3 percent in nominal bonds and 1 percent in TIPS (Treasury Inflation Protection Securities).

### Long-term Investment Program (In millions)

<table>
<thead>
<tr>
<th>Asset allocation</th>
<th>Value</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Stocks</td>
<td>$334.2</td>
<td>35.4%</td>
</tr>
<tr>
<td>Global ex U.S. Stocks</td>
<td>$165.4</td>
<td>17.5%</td>
</tr>
<tr>
<td>Nominal Bonds</td>
<td>$139.4</td>
<td>14.7%</td>
</tr>
<tr>
<td>Inflation Protection</td>
<td>$121.7</td>
<td>12.9%</td>
</tr>
<tr>
<td>Marketable Alternatives</td>
<td>$72.6</td>
<td>7.7%</td>
</tr>
<tr>
<td>Emerging Markets Stocks</td>
<td>$67.4</td>
<td>7.1%</td>
</tr>
<tr>
<td>TIPS (Treasury Inflation Protection Securities)</td>
<td>$43.1</td>
<td>4.6%</td>
</tr>
<tr>
<td>Nonmarketable Alternatives</td>
<td>$.8</td>
<td>.1%</td>
</tr>
</tbody>
</table>

**Total market value** $944.6 100%
Board of Trustees

The board governs KU Endowment and takes responsibility for ensuring that it will provide significant support for KU now and in the future. The entire board of up to 75 members meets annually on one of the KU campuses. Individual committees, which oversee specific areas of operation, meet throughout the year. Board members receive no compensation for their service.

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From the chair

Giving to a charitable organization like KU Endowment is a personal decision. You want to be assured that your contribution will make a difference and that it will be handled responsibly.

At KU Endowment, those are top priorities. We raise and manage funds with the goal of providing a stable source of support for KU over time, so that resources will be there when future opportunities arise. One hundred percent of your gift is used toward the purpose you choose; none is used for operating expenses.

On behalf of the entire board, I extend my thanks to you, our donors. Without you, none of this work would be possible.

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* Elected in October 2005
We welcome your questions

Can we assist you with questions about giving to KU? Just complete this form, seal it and mail it to KU Endowment. You may also send a message to Danae Johnson at djohnson@kuendowment.org, and she will direct your inquiry to the right person.

Please contact me about making a gift to KU Endowment via:

☐ Securities
☐ My estate
☐ Real estate
☐ I have already provided for KU in my estate plans.

You may donate securely online at: www.kuendowment.org/donate

I’d like to know more about supporting the following area(s) and initiatives:

☐ Comprehensive cancer center
☐ Student scholarships
☐ Faculty support
☐ Research
☐ For KU’s greatest need
☐ Other __________________________________________________________

I have a comment/question: ______________________________________________

____________________________________________________________

____________________________________________________________

____________________________________________________________

Name  ______________________________________________________________
Address  ______________________________________________________________
City __________________________ State ___________ ZIP __________
Phone __________________________ E-mail ______________________________

KU Endowment
P.O. Box 928
Lawrence, KS 66044-0928

Phone: 785-832-7400
Toll free: 1-800-444-4201
Fax: 785-832-7495

www.kuendowment.org
Thomas B. Robinson of Kansas City, Mo., retired partner with Black & Veatch, died Jan. 16, 2006, at age 88. He graduated from KU in 1939 with a bachelor's degree and in 1940 with a master's degree, both in civil engineering. He served as a trustee beginning in 1980 and assumed trustee emeritus status in 1996.

Jordan L. Haines of Wichita, Kan., retired chairman of Fourth Financial Corp., died Jan. 20, 2006, at age 78. He graduated from KU in 1949 with a bachelor's degree from the College of Liberal Arts and Sciences and in 1957 with a law degree. He was elected a trustee in 1969 and served on the Executive Committee and as the first chair of the Development Committee. He was chairman of the Campaign Kansas fund drive from 1987 through 1992. He assumed trustee emeritus status in 2002.
Protect KU’s natural heritage

In 1947, KU dedicated 590 acres northeast of Lawrence to ecological research and teaching. This area, now known as Fitch Natural History Reservation, was originally donated to KU by Kansas’ first governor, Charles Robinson. Since then, KU’s Field Station and Ecological Reserves have grown to include eight tracts totaling 1,800 acres. All were acquired through the generosity of private donors.

You can build on the legacy of previous donors and scientists by helping KU expand research and public programs at the field station. KU Endowment, together with the Kansas Biological Survey, is seeking funding for the purchase and program development of 160 acres adjacent to the field station areas northeast of Lawrence. Funds will make it possible to:

• protect a priceless remnant of native prairie;
• preserve two endangered species, Mead’s milkweed and the western prairie fringed orchid;
• buffer natural and research areas from the effects of development;
• add propagation sites for native plants used in habitat restoration and pharmacological research;
• build public trails, kiosks and shelters;
• develop education programs, gardens and restoration areas;
• establish an endowment for continuing support.

To help, contact KU Endowment at ecoreserves@kuendowment.org or the Kansas Biological Survey at swcamp@ku.edu.
KU Endowment thanks our donors, whose gifts made it possible to provide $99 million in private support for KU in 2006.

To reach us: KU Endowment, P.O. Box 928
Lawrence, KS 66044-0928
Phone: 785-832-7400 or 1-800-444-4201
Fax: 785-832-7495
E-mail: givetoku@kuendowment.org     www.kuendowment.org

It is the mission of KU Endowment to solicit, receive and administer gifts and bequests for the support and advancement of the University of Kansas.

KU Endowment 2006 Annual Report
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Photography | Doug Barth, Jason Dailey, Jeff Jacobsen, Steve Puppe, Earl Richardson
Printing | Sun Graphics LLC, Parsons, Kan.

Rosita Elizalde-McCoy, Senior Vice President for Communications & Marketing

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The KU Endowment 2006 Annual Report was printed on Mohawk Navajo, which contains 20 percent recycled paper.

From the Rockefeller Native Prairie – Clockwise from top left: pale-purple coneflower; compass plant in flower; butterfly milkweed; blazing star; praying mantis; leaves of compass plant.