

Status Report – Third Quarter, Ending September 30, 2007

Commonfund

Volatility in the financial markets provided a great reminder of the old saw about not counting your chickens before they hatch. The U.S. Endowment is a “true endowment” – meaning that we can only spend earnings on our corpus. While we began the quarter with a total investment portfolio of just over \$204 million (against a base of \$200 million), we experienced a wild ride over the ensuing 90 days. We saw up’s as high as just over \$210 million and a low of \$197 million. *Not something for the faint of heart.* After all of the fluctuations we ended the quarter up a bit at just over \$211.5 million.

Palmetto Bank

Our operating funds remain at The Palmetto Bank in Greenville. We began the quarter with \$467,663 available to cover the remainder of 2007. We ended the quarter with \$300,000. We had earnings of \$3800.

Operating Expenses

Operating expenses remain well within budget due to two factors – salaries are below budget by \$32,000 year-to-date and we continue to carry the bulk of a \$55,864 contingency line. While we still anticipate finishing the year favorable to a planned \$750,000 budget, we do anticipate funding the November 1-3, 2007 “focal initiatives workshop” – a programmatic investment – from surplus operating funds.

Contributions

In-kind contributions by the Palmetto Bank in the form of free office space – our home for the first four months of 2007 (and the last few weeks of 2006) – and \$5,000 in *pro bono* services by Dixon Hughes PLLC have been a great help in stretching our operating funds. We’re also pleased to report that three Greenville-area foundations have pledged \$32,425 to off-set essentially all non-staff operating costs as their contribution to match gifts by The Palmetto Bank and Dixon Hughes to cover first-year out-of-pocket expenses. These “gifts” from Greenville-area businesses and Foundations are “Southern hospitality” at its best. Foundation grants are made possible by: W. Hayne Hipp Foundation, Daniel-Mickel Foundation and The Graham Foundation.

Programmatic Investments

We anticipate that the aforementioned focal initiatives workshop may be the only programmatic investments for 2007. While the Board has operated with general plans for up-to \$10,000,000 in programmatic investment in 2008, this number will be “adjusted by market realities” near year-end and based upon budget guidelines that the Board will consider at its November 2007 meeting. We will communicate the results of those decisions via the Endowment website News section shortly following that meeting.

Duane McDougall, Treasurer
Carlton Owen, President