Dear Alumni & Friends,

As a supporter of the University of South Florida, you understand the impact your philanthropy has on this great university.

USF is a pre-eminent research university with state, national and global impact, and is positioned for membership in the Association of American Universities.

Your financial impact at USF enhances our mission as Florida’s leading metropolitan research university dedicated to excellence in providing student access and success in an interdisciplinary, learner-centered environment. Your contributions to USF make a difference in the quality of education USF can offer.

Your gifts influence research and scientific discovery that generate millions of dollars in grants annually. Your support of USF programs can be seen throughout our communities influencing civic culture, arts, and infrastructure.

Your place among such an important and influential group of supporters does not occur by accident. By embracing the art of giving and investing in the power of knowledge, we are changing the world.

For this reason, we are inspired by your actions and compelled to make good on your intentions. I am honored to present to you the FY 2006/2007 USF Foundation Performance Report.

Thank you for all you do for the University of South Florida.

Sincerely,

Judy Genshaft
President
PERFORMANCE REPORT FY 2006/2007

PAGE 3

A LOOK AT USF

ESTABLISHED IN 1956, THE UNIVERSITY OF SOUTH FLORIDA IS ONE OF ONLY THREE FLORIDA PUBLIC UNIVERSITIES CLASSIFIED BY THE CARNEGIE FOUNDATION IN THE TOP TIER OF RESEARCH UNIVERSITIES.

DID YOU KNOW?

• USF is the ninth largest public university in the nation.
• USF is one of 39 U.S. public colleges and universities (the only one in Florida) classified by the Carnegie Foundation as “Community Engaged.”
• USF’s proposal to create the Florida Center of Excellence for Biomolecular Identification and Target Therapeutics was ranked highest among all grant proposals reviewed by the Florida Technology, Research and Scholarship Board in 2006 and was funded for a total of $8 million.
• The 2007 USF Stampede of Service drew over 1,300 volunteers to work on a variety of projects involving children, the elderly, homelessness issues and environmental clean-ups.
• USF has over 200,000 alumni representing all 50 states.
• USF is one of the nation’s top centers for researching new treatments for Alzheimer’s, Parkinson’s and Huntington’s diseases.
• USF was selected by Princeton Review as one of the “366 Best Colleges” in the United States, and was ranked 17th among all schools for diversity.

NEW STUDENT PROFILE FALL 2007 (as of Drop/Add)

Freshmen (First Time in College/FTIC)
• USF enrolled 3,797 FTIC students
  (Tampa campus: 3,574, St. Petersburg campus: 223)
• Average GPA: 3.71
• Average SAT score: 1148
  Mid-range: 1060-1230
• 55% graduated within the top 20% of their high school class
• 88% Florida Bright Futures scholarship recipients
• 32% minorities
• 3,574 Florida freshmen come from 430 high schools in 57 counties
• Non-Florida freshmen come from 50 countries and 37 U.S. states
• 50% reside in on-campus housing
• 12 are National Merit, 5 are National Achievement and 13 are National Hispanic Scholars

Transfer
• USF enrolled 5,063 new transfer students
  2,819 transfer students come from 38 Florida community colleges
• 408 are from Florida public 4-year institutions
• 713 are from institutions outside of Florida
• Highest number of transfers are from Hillsborough Community College
• 31% minorities

Honors College
• 889 freshmen enrolled, and 1,685 total students enrolled
• 38 new students enrolled in the Research Scholar Program (minimum 1320 SAT required)
• 45 new FTIC students enrolled in the BA/MD program
• Average SAT: 1328

Graduate
• 1,636 new graduate students enrolled, including 1,850 master’s students, 412 doctoral students and 120 MD students.
• 21% minorities

Source: University Relations

ACADEMIC PROFILE DEGREES OFFERED 2006/07

<table>
<thead>
<tr>
<th>Number Programs</th>
<th>Degrees Awarded</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bachelor's</td>
<td>89</td>
</tr>
<tr>
<td>Master's</td>
<td>91</td>
</tr>
<tr>
<td>Ed Specialist</td>
<td>2</td>
</tr>
<tr>
<td>Doctoral</td>
<td>36</td>
</tr>
<tr>
<td>MD</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>219</td>
</tr>
</tbody>
</table>

Instructional Quality Factors

• Student/faculty ratio: 19:1
• Faculty with terminal degrees: 87 percent
• Freshmen retention rate: 80 percent (fall 2006-07)
• 6-year graduation rate: 49 percent (2000 cohort)
• Endowed chairs: 57
• Endowed professorships: 28
• Distinguished University Professors: 62

Library Holdings

• Number of volumes: 2,316,991
• Periodical subscriptions: 31,753
• Licensed databases: 635
• Operating expenditures: $19,038,971

Accreditation

The University of South Florida and the University of South Florida St. Petersburg are accredited by the Southern Association of Colleges and Schools.

ESTABLISHED IN 1956, THE UNIVERSITY OF SOUTH FLORIDA IS ONE OF ONLY THREE FLORIDA PUBLIC UNIVERSITIES CLASSIFIED BY THE CARNEGIE FOUNDATION IN THE TOP TIER OF RESEARCH UNIVERSITIES.
Dear ALUMNI & FRIENDS,

The University of South Florida Foundation is grateful to the thousands of alumni and friends whose collective investment in the University over the past 50 years had an impact on our mission and the quality of life for our communities.

The FY 2006/2007 was once again a year of importance for the USF Foundation. Your generous support of USF allowed it to reach many milestones. This report details many of those accomplishments, and we hope you find it helpful in understanding just how much your philanthropic efforts shape and define USF.

The Foundation is proud to report that gifts and pledges for the fiscal year ending June 30, 2007 totaled a record $75.3 million. This achievement continues USF’s record of philanthropic achievement, and sets a new precedent for private giving, more than doubling total private dollars raised as recently as 2003.

More than 9,000 alumni expressed their loyalty to USF, accounting for a quarter of all donors this year. Approximately 2,000 faculty and staff demonstrated that USF to them is more than just a place of employment by giving $3.2 million, more than triple the previous record for faculty and staff giving. In all, more than 36,000 donors supported USF this year.

USF’s endowment grew by more than $58.6 million and now stands at $388.5 million* (compared to $329.8 million in 2006). The endowment enables the University to attract and retain gifted professors and enhance student learning, fund scholarships, strengthen social and athletic programs, and continually improve and maintain state-of-the-art facilities. In FY 2006/2007, Foundation expenditures totaled $36.9 million in support of university programs and initiatives, including distributed dividends of $12 million.

Total assets for the fiscal year reached $495.2 million, up from $441.8 million the previous fiscal year. Investments in USF’s future also stand at an all-time high with an estimated $73.5 million in planned gifts yet to be realized.

For half a century, the USF Foundation has been guided by a philosophy which ensures that your investment in the University will be managed with fiduciary accountability and for endowment performance. Strong investment returns continue to supplement the growth of the Foundation and in FY 2006/2007, the endowment returned 19.9%. The actual investment results have surpassed the benchmarks over one-, three-, five-, and ten-year periods. In fact, since 2000, the Foundation endowment has outperformed the majority of state universities in Florida.

USF’s growth and progress is propelled by your investment of time, talent, and treasure. You have the opportunity to make transformational gifts that you can see put to work during your lifetime. Everything you put into USF gives back an impressive return.

We are honored and humbled by your support of, and your confidence in, our great university. We sincerely thank you for impacting a standard of excellence at USF.

J. Jeffrey Robison
Vice President of Advancement
CEO of USF Foundation, Inc.

Les Muma
Chairman
USF Foundation, Inc.

*Based on the National Association of College and University Business Officers (NACUBO) reporting.
GROWING USF’S ENDOWMENT

When it comes to making a meaningful difference that continues on through generations, few investments yield the power of an endowed gift. In fact, endowed gifts are one of the most important facets of an institution’s financial foundation. The University of South Florida is no exception.

Established nearly 50 years ago with the “Dollars for Dorms” campaign, the USF endowment—managed by the USF Foundation—is valued today at $388.5 million. It supports hundreds of programs and initiatives that enhance learning and campus life for the university’s more than 45,000 students.

The endowment is a collection of more than 900 individual funds, each established for a designated purpose such as recruiting renowned faculty or providing scholarship funds. Unlike other gifts to the university however, the core of the endowment is never spent.

In FY 2006/2007, the endowment distributed dividends of $12 million to support university programs and initiatives.

In a June 2006 survey released by the National Association of College and University Business Officers (NACUBO), USF’s endowment performance was well above institutional endowments in the $100 million to $500 million range for one-, three-, five- and ten-year periods. And, when compared to other Florida universities and peer institutions, USF’s endowment outperformed the majority.

With a total investment return of 19.9% for the year ending June 30, 2007, USF’s investment exceeded all expectations, surpassing the Foundation’s own policy index. The Foundation has been surpassing benchmarks consistently for the last ten years—making a strong statement about the financial strength of the university, and its ability to achieve short-term and long-term goals.

The seriousness with which the Foundation Board takes its fiduciary responsibility and the strict investment guidelines and policies it follows, all combined, have allowed the endowment to grow significantly. In fact, since 1997, the USF endowment has grown by more than 184%. That growth is the result of the investment performance, the Foundation’s spending policy, and new gifts received.

And that growth is what has made—and will continue to make—USF’s extraordinary advances in teaching, learning and research possible.

WHY INVEST IN USF?

“Giving to USF makes us feel good. We see our philanthropy at work here and that’s all the reward we need.”

Frank and Carol Morsani
COMMUNITY PHILANTHROPISTS AND USF VOLUNTEER LEADERS

“USF was my launching pad into the business world. When I look back, my college experiences were some of the most wonderful years of my life. As I look forward and with all the success I’ve had in the business world—today and tomorrow—is about the future generation. I feel a responsibility to not only give back to USF financially, but also to spend the time to create a relevant curriculum, expand courses, and provide executives that have the passion to teach and grow our future generations.”

Jordan Zimmerman ’80
FOUNDER & CHAIRMAN, ZIMMERMAN ADVERTISING

“My heart is here. This is my life. I deal with students on a daily basis. They have become my family. It’s just a part of where my heart is, and whatever I can give; it’s a pleasure to make a gift.”

Sang-Hie Lee
ASSOCIATE PROFESSOR OF MUSIC, COLLEGE OF VISUAL & PERFORMING ARTS

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Sang-Hie Lee
ASSOCIATE PROFESSOR OF MUSIC, COLLEGE OF VISUAL & PERFORMING ARTS
Your support of community initiatives at USF benefits the University and the communities we serve. We are in rural communities and inner cities, providing free healthcare screening and innovative learning opportunities for our most at-risk children. We are in the environment, finding solutions to cleaning the air we breathe, restoring our precious wetlands, and preserving the world’s natural resources. We are in government, providing expertise on how to grow and strengthen our communities in ways that won’t overburden infrastructure and stay focused on the future.

Your investment in USF – our faculty, students and alumni – can be found influencing the quality of life in our global communities.

healthcare solutions

USF Health is a leader in the pursuit for a cure for Alzheimer's disease and other diseases of the mind through the work of outstanding researchers and physicians.

USF Health is an innovator, combining the talents of medical professionals at Tampa General Hospital and the USF College of Medicine to create the state’s most advanced neonatal care center, designed to eradicate infant mortality.

USF Health is a pioneer, creating a teaching model unlike any in the country to educate and train doctors, nurses and healthcare specialists using a team approach. This model simulates how they will work together in the real world.

All of these advancements in USF Health are possible because of philanthropy. And that same generosity is the reason our physicians are regarded as the best in the world in their disciplines. Our research is groundbreaking and saving lives every day. And our partnerships with the region’s top hospitals and a world-renowned cancer center provide a level of healthcare that goes unmatched by most standards.

private investment in technology can be the springboard for taking new technology into the marketplace. USF’s technological advancements transform the way we secure our national borders, explore the human body, and pave the way to better transportation systems. These applications in the everyday world are limitless and highly interdisciplinary, drawing creativity and innovation from an incredible pool of talent throughout the University.

USF's rate of technology transfer gains momentum every day, and the world’s technology industry has taken notice. The technologies of tomorrow are very real at USF today.

innovation

The spirit of USF’s global impact can be seen through the diversity of our students, our presence throughout the world, and educational opportunities that expand beyond our borders. The global community is our classroom, and we understand our relevance and our role in making it a better place for all.

At the forefront of this effort is The Dr. Kiran C. Patel Center for Global Solutions. Founded by two philanthropists whose touch can be felt worldwide, the Center seeks viable solutions to challenges facing developing countries.

It is that same generosity and vision that drive the forces of change in our world. Yes, one person can change the world through giving with purpose, and our donors lead by example.
Ernst & Young issued an unqualified (clean) opinion on the USF Foundation’s financial statement for FY 2006/2007 and issued no Management Letter Comments for the sixth consecutive year.

Financial Statement highlights include:
- Total assets $495.2 million, up from $441.8 million for FY 2005/2006.
- Short- and long-term pooled investments increased $56.4 million.
- Total revenue for FY 2006/2007 was $104.8 million, up from $90.7 million for FY 2005/2006.
- Total expenses for the year totaled $42.8 million, down from $49.0 million expended in the previous year.
- Approximately $36.9 million of the $42.8 million in expenses were program services supporting the University for salaries and other supplements, scholarships and awards, supplies, etc. This also includes approximately $8 million sent to the University to be matched by the Florida Department of Education for the Courtelis Facilities Match Program.
### ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$2,063,281</td>
<td>$869,135</td>
</tr>
<tr>
<td>Short-term pooled investments</td>
<td>53,526,452</td>
<td>57,989,655</td>
</tr>
<tr>
<td>Accrued interest receivable</td>
<td>245,503</td>
<td>300,890</td>
</tr>
<tr>
<td>Contributions receivable, net</td>
<td>23,997,710</td>
<td>25,984,014</td>
</tr>
<tr>
<td>Other receivables, net</td>
<td>563,071</td>
<td>364,962</td>
</tr>
<tr>
<td>Long-term pooled investments</td>
<td>393,355,043</td>
<td>332,569,236</td>
</tr>
<tr>
<td>Contributed land held for investment</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Funds held in trust by others</td>
<td>6,239,318</td>
<td>5,616,635</td>
</tr>
<tr>
<td>Books and art objects</td>
<td>2,228,926</td>
<td>4,358,173</td>
</tr>
<tr>
<td>Land, building and equipment, net</td>
<td>686,742</td>
<td>577,922</td>
</tr>
<tr>
<td>Interest rate swap receivable</td>
<td>124,664</td>
<td>213,538</td>
</tr>
<tr>
<td>Capitalized leases receivable, net</td>
<td>12,195,000</td>
<td>12,710,000</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$495,225,710</strong></td>
<td><strong>$441,813,160</strong></td>
</tr>
</tbody>
</table>

### LIABILITIES AND NET ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$1,815,402</td>
<td>$1,753,658</td>
</tr>
<tr>
<td>Due to Florida Department of Education</td>
<td>—</td>
<td>16,557,707</td>
</tr>
<tr>
<td>Annuities and life income trusts payable</td>
<td>814,330</td>
<td>826,683</td>
</tr>
<tr>
<td>Amounts due to third-party beneficiaries</td>
<td>9,282,476</td>
<td>8,254,686</td>
</tr>
<tr>
<td>Due to the University of South Florida</td>
<td>8,111,236</td>
<td>213,538</td>
</tr>
<tr>
<td>Bonds payable</td>
<td>—</td>
<td>920,000</td>
</tr>
<tr>
<td>Certificates of participation payable</td>
<td>12,195,000</td>
<td>12,710,000</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>32,218,444</strong></td>
<td><strong>41,236,272</strong></td>
</tr>
<tr>
<td>Unrestricted net assets</td>
<td>7,207,584</td>
<td>7,296,963</td>
</tr>
<tr>
<td>Temporarily restricted net assets</td>
<td>184,295,733</td>
<td>134,090,993</td>
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<tr>
<td>Permanently restricted net assets</td>
<td>271,503,949</td>
<td>259,188,932</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td><strong>463,007,266</strong></td>
<td><strong>400,576,888</strong></td>
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### TOTAL LIABILITIES AND NET ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
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<tbody>
<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td><strong>$495,225,710</strong></td>
<td><strong>$441,813,160</strong></td>
</tr>
</tbody>
</table>

For more complete financial information, audited statements are available online at www.giving.usf.edu
### Fiscal Year Commitments by Type and Purpose

#### By Type
- **Current Operations**  $17,842,023  23.7%
- **Endowment**  $21,041,780  27.9%
- **Facility & Equipment**  $36,421,110  48.4%
- **Total**  $75,306,913  100.0%

#### By Purpose
- **Chairs**  $4,324,406  5.7%
- **Facility & Equipment**  $36,421,110  48.3%
- **Lectures**  $128,116  0.3%
- **Other Restricted**  $938,592  1.2%
- **Professors**  $9,279,754  12.3%
- **Scholarships**  $7,972,295  10.6%
- **Unrestricted**  $2,291,634  3.2%
- **Total**  $75,306,913  100.0%

### Fiscal Year Gifts and Commitments by Source

#### Amount Contributed
- **Agency**  $3,725
- **Alumni**  $8,974,933
- **Corporation**  $26,982,786
- **Employee**  $2,793,988
- **Friend**  $15,327,467
- **Group**  $277,768
- **Parent**  $244,980
- **Private Foundation**  $8,095,593
- **State of Florida**  $12,625,673
- **Total**  $75,306,913

#### Number of Donors
- **Agency**  4
- **Alumni**  9,045
- **Corporation**  1,360
- **Employee**  1,516
- **Friend**  22,179
- **Group**  131
- **Parent**  1,742
- **Private Foundation**  111
- **State of Florida**  1
- **Total**  36,089

*State of Florida matching gift program*
The USF Foundation promotes higher education in general, and specifically encourages the advancement of teaching, research and public service through private support for the University’s academic and student development endeavors.

The Foundation is guided by a Board composed of business and community leaders who are vitally interested in the welfare of higher education in the greater Tampa Bay region and throughout the world. The Board directs the receipt and administration of private funds, properties, and services contributed for the benefit of USF. It accepts gifts in support of activities directly related to the mission of the University of South Florida, including cash, property, securities, bequests, and trust and life income agreements.

The Board has a fiduciary responsibility to comply with the restrictions imposed by donors on all operating and endowment funds. The Board also has a legal responsibility to manage the funds in compliance with the laws of the State of Florida and other applicable laws.

The USF Foundation is a private, not-for-profit corporation chartered pursuant to Florida law as the legal conduit for the solicitation, acceptance, investment, and distribution of all private gifts made to the University of South Florida.

We make a living by what we get, but we make a life by what we give.

Winston S. Churchill
The primary long-term investment objective of the endowment is to earn a total rate of return that exceeds the “spending rate” (which includes the dividend payments and administrative fee), plus long-term inflation (as measured by the Consumer Price Index), plus the costs of managing the investment fund.

For example, if the spending rate is 4.0%, the rate of inflation averages 2.5%, the administrative fee for the Foundation’s operating expenses is 2.0%, and investment management expenses average 0.6%, then the investment objective is for the nominal total return to exceed 9.1% per year. Performance against this objective should be measured over rolling periods of at least five years.

The total return of the Foundation’s investment portfolio is weighted according to the Board’s asset allocation targets and evaluated against the return of various equivalent indices.

USF FOUNDATION BOARD INVESTMENT COMMITTEE

The Investment Committee is the Board’s conduit for the investment of all funds housed in the USF Foundation. In carrying out this responsibility, the Investment Committee, with the approval of the Board, employs professional investment managers to invest and oversee the Foundation’s Endowment, Quasi Endowment, and Operating Funds. The Investment Committee has adopted investment guidelines which each investment manager is charged with following. The investment guidelines adopted by the Committee require approval of the Foundation Board. The Investment Committee may recommend that the Board employ one or more entities to have custody of the investments of the Foundation.

PHILOSOPHY OF ASSET MANAGEMENT

The philosophy of the USF Foundation is to consider all combinations of asset classes; reduce risk through diversification; then select the portfolio that will obtain the highest return given an acceptable level of risk. Investment managers are selected by the Investment Committee to manage funds in each of the asset classes in the portfolio. Benchmarks are established and performance measured for each manager on a quarterly basis by an independent advisor retained by the Foundation. The advisor is recommended by the Investment Committee and approved by the Board.

GIFT ACCEPTANCE CRITERIA

The USF Foundation accepts various types of gifts in support of the University of South Florida. The Foundation accepts gifts at the fair market value or at the appropriate value allowed by law. These include such gifts as:

- Cash or cash equivalents – includes cash, checks, money orders, traveler’s checks, electronic fund transfer, credit card and debit card transactions. Gifts of cash are the easiest and most direct way to give to USF and may be fully deductible for individuals who itemize on their federal income tax return.

- Securities – gifts of securities may be publicly traded securities which are negotiable on the open market including stocks, bonds and mutual funds or non-liquid business interests such as gifts of closely held or restricted securities, partnership interests, or S corporation stock which are not generally negotiable on the open market. Publicly traded securities will be accepted at fair market value as determined under Internal Revenue Service rules. Non-liquid business interests will be determined as the value recognized by the Foundation at liquidation.

- Tangible personal property – includes gifts of equipment, works of art, manuscripts, literary works, boats, motor vehicles, computer hardware, software, etc.

- The donor may be required to obtain an appraisal prior to transferring tangible personal property to the Foundation.

- Real property – real estate gifts include developed and undeveloped property, gifts subject to a retained life estate, and real property acquired through a bargain sale. After site visit analysis and environmental review, a recommendation for acceptance may be made to the Foundation CEO or the Foundation Board. Unencumbered real property may be accepted at fair market value as established by a qualified real estate appraisal.

- Planned Gifts – consist of future commitments, life income gifts and gifts of complex assets. These gifts include Charitable Gift Annuities, Charitable Lead Trusts, Charitable Remainder Trusts, Whole Life Charitable Trusts administered by others, Life Estates, Bequests, IRA rollovers and Life Insurance.

ASSET SELECTION

The portfolio is invested in readily marketable securities such as domestic or international common stocks, fixed income, real estate, and cash equivalents, with a small portion invested in private equity and venture capital investments.

The total endowment is diversified at two levels. Initially, investments are placed in a variety of segments of financial markets including equities, fixed income, real estate, and startup and acquisition-related activities. Additionally, the investments are diversified by global exposure, size of companies, economic sector and industry. The purpose is to take advantage of the long-term investment horizon in which the endowment invests and capture as much growth of the market with as little market fluctuation given the amount of acceptable risk.

ASSET ALLOCATION

The Investment Committee sets asset allocation targets and ranges. The actual allocation of assets is adjusted as needed through additions and withdrawals of funds among managers to conform to those targets.

The Investment Committee may revise the asset allocation targets within this range, but permanent targets outside of these ranges must be approved by the Board.

“I have found that among its many benefits, giving liberates the soul of the giver.” Maya Angelou

SOURCE: University of South Florida Foundation Performance Report FY 2006/2007

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The asset allocation of the Endowment Fund investments is determined by the market evaluation indicators. Based on these indicators, the asset allocation limits are as follows:

<table>
<thead>
<tr>
<th>ASSET CLASS</th>
<th>TARGET ALLOCATION</th>
<th>BENCHMARK</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>MINIMUM</td>
<td>TARGET</td>
</tr>
<tr>
<td>U. S. EQUITY</td>
<td>35.0%</td>
<td>40.0%</td>
</tr>
<tr>
<td>Large Cap Core</td>
<td>16.8%</td>
<td>22.4%</td>
</tr>
<tr>
<td>Large Cap Growth</td>
<td>3.6%</td>
<td>4.8%</td>
</tr>
<tr>
<td>Large Cap Value</td>
<td>3.6%</td>
<td>4.8%</td>
</tr>
<tr>
<td>Small Cap Growth</td>
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<td>4.0%</td>
</tr>
<tr>
<td>Small Cap Value</td>
<td>3.0%</td>
<td>4.0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ENDOWMENT FUND</th>
<th>INTERNATIONAL EQUITY</th>
<th>MSCI ACWI excl US</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>15.0%</td>
<td>20.0%</td>
</tr>
<tr>
<td>Developed Markets</td>
<td>11.2%</td>
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</tr>
<tr>
<td>Emerging Markets</td>
<td>3.8%</td>
<td>5.0%</td>
</tr>
<tr>
<td>FIXED INCOME</td>
<td>20.0%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Cash Equivalents</td>
<td>0.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Core Fixed Income</td>
<td>14.7%</td>
<td>19.6%</td>
</tr>
<tr>
<td>High Yield</td>
<td>2.6%</td>
<td>3.5%</td>
</tr>
<tr>
<td>REAL ESTATE</td>
<td>3.0%</td>
<td>5.0%</td>
</tr>
<tr>
<td>ALTERNATIVE ASSETS</td>
<td>0.0%</td>
<td>10.0%</td>
</tr>
<tr>
<td>TOTAL FUND</td>
<td>100.0%</td>
<td>A composite of the weighted averages of the targets of the major asset classes</td>
</tr>
</tbody>
</table>

| OPERATING FUND | CASH EQUIVALENTS | 35.0% | 40.0% | 45.0% | 91 Day T-Bill Index |
| OPERATING FUND | CORE FIXED INCOME | 40.0% | 45.0% | 50.0% | Lehman Aggregate |

| INVESTMENT IN THE ENDOWMENT FUND | 10.0% | 15.0% | 20.0% | The weighted benchmark of the Endowment Fund |

| TOTAL FUND | 100.0% | A composite of the weighted averages of the targets of the major asset classes |

INVESTMENT MANAGEMENT

Each investment manager has discretion to manage the assets entrusted to them to best achieve the investment objectives while adhering to the policies and guidelines for them and the Foundation.

Every month, the actual percentage allocation for each manager is compared to determine if there is a need to rebalance the assets by class to maintain the intended diversification.

Equity managers are selected to provide diversification of the overall portfolio among industry groups, economic sectors, market capitalization, and stylespecific investment philosophies.

Each investment manager received a copy of the statement of investment objectives and policies. In turn, as part of the investment management contract that governs the portfolio, the investment manager is expected to provide a written statement of the firm’s expectations, stated in terms of the objectives and comparative benchmarks that are used to evaluate performance and the proposed Securities that are used to achieve these objectives. These statements are consistent with the statement of investment objectives and policies and are incorporated as appendices.

From time to time, investment managers use strategies to limit and protect asset value in order to avoid major market declines.

All goals, objectives, and policies are in effect until modified by the Investment Committee. The Investment Committee reviews these annually.

Managers are continuously monitored. Any deviations from the policy are brought to the Investment Committee for review.

INVESTMENT MANAGEMENT FEES

The USF Foundation, with the assistance of an investment consultant, contracts with investment managers to invest the assets of the Foundation. Fees for these services average about 0.60% and are paid from earnings on each investment account.

SPENDING POLICY

The Investment Committee has recommended that the spending policy of the Endowment Fund allow a portion of the total return to be spent each year for current needs. The remainder of the return is reinvested to keep pace with and exceed inflation. The spending policy for dividends and the administrative fee is to pay a percentage of the average prior five calendar years’ market value. The approved rates are listed below.

<table>
<thead>
<tr>
<th>FY 2006/2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends</td>
</tr>
<tr>
<td>Administrative fee</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

The total spending rate is determined by the Investment Committee and the Finance and Administration Committee and approved by the Foundation Board to ensure that the dividends grow on an inflation-adjusted basis, given the projected long term rate of return. If investment returns exceed projections for an extended period, the dividend portion of the spending rate could be increased to a maximum rate of 5.5% of the five-year average market value. Annually, the Investment Committee will evaluate performance and determine the appropriate total spending rate.

ADMINISTRATIVE FEES POLICY

In order to cover Foundation fundraising and operating expenses, an administrative fee is charged against each investment pool. The Foundation retains the earnings from the operating investment pool based on the five-year average return. The Foundation retains a portion of the earnings on the endowment investment pool, based on the five-year average market value.

COMMUNICATION AND REPORTING

The investment managers are responsible for frequent and open communication with the Investment Committee on all significant matters pertaining to investment policies and the management of the fund’s assets. Some of the key reporting responsibilities include the obligatory to:

- provide the appropriate information on the investments to the custodian;
- inform the Investment Committee of major changes in the investment manager’s investment outlook, investment strategy and portfolio structure;
- advise the Investment Committee of any significant changes in the ownership, organizational structure, financial condition or personnel staffing of each investment manager;
- provide the Investment Committee with quarterly transaction, valuation and performance reports to coincide with the Foundation’s fiscal quarters;
- ensure that all documents, exhibits and written materials that will be used during the quarterly conference between the Investment Committee and the investment manager be submitted to and received by the Investment Committee at least 10 business days in advance of these conferences;
- provide the Investment Committee with proof of liability and fiduciary insurance coverage;
- acknowledge in writing an agreement and commitment to invest within the guidelines set forth in the investment policy; and
- meet with the Investment Committee at least annually, unless arrangements are specified otherwise by the committee.

The preceding outlines the investment operation of the USF Foundation, the fiduciary responsibility of the Foundation Board, and the investment of the assets held by the Foundation. The USF Foundation, a 501(c)(3) not-for-profit corporation, supports the University of South Florida’s mission to advance teaching, research and public service. For further information about a particular aspect of the USF Foundation’s Prospectus, please contact the USF Foundation at (813) 974-8101.
UNIVERSITY OF SOUTH FLORIDA FOUNDATION

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Florida Communications Group
Tampa

John G. Scott ’74
Chief Financial Officer
USF Foundation, Inc.

Noreen E. Segrest ’82
Associate VP and Foundation Counsel
USF Foundation, Inc.

James H. Shimberg (Deceased)
Tampa

Rene K. Hinks
Chamber of Commerce Crossland
Tampa

Manell “Hinks” Shimberg ’02
(Temporary)
Chamber of Commerce Crossland
Tampa

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(Temporary)
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Century Bank of Florida
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President
Kennecott Land
Murray, UT

Jerry Williams
Retired
Tampa

Jordan B. Zimmerman ’80
Founder and Chairman
Zimmerman Advertising
 Ft. Lauderdale

THE FOUNDATION WELCOMES its New Members to the Board for FY 2007/2008

Don A. Arjeplo / Charles A. Franzblau / Anupam Saxena
Linda O. Simmons ’75 / Jeffrey L. Spalding ’87

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Philanthropy is based on voluntary action for the common good. It is a tradition of giving and sharing that is essential to the quality of life. To assure that philanthropy merits the respect and trust of the general public, and that donors and prospective donors can have full confidence in the not-for-profit organizations and causes they are asked to support, we declare that all donors have these rights:

1. To be informed of the organization’s mission, of the way the organization intends to use donated resources, and of its capacity to use donations effectively for their intended purposes.

2. To be informed of the identity of those serving on the organization’s governing board, and to expect the board to exercise prudent judgment in its stewardship responsibilities.

3. To have access to the organization’s most recent financial statements.

4. To be assured that their gifts will be used for the purposes for which they were given.

5. To receive appropriate acknowledgment and recognition.

6. To be assured that information about their donations is handled with respect and with confidentiality to the extent provided by law.

7. To expect that all relationships with individuals representing organizations of interest to the donor will be professional in nature.

8. To be informed whether those seeking donations are volunteers, employees of the organization or hired solicitors.

9. To have the opportunity for their names to be deleted from mailing lists that an organization may intend to share.

10. To feel free to ask questions when making a donation and to receive prompt, truthful and forthright answers.

The USF Foundation is committed to the highest standards of ethics in interactions with donors. The USF Foundation subscribes to the principles of the Donor Bill of Rights.
THANK YOU