

PUBLIC WELFARE FOUNDATION, INC.
Washington, D.C.

FINANCIAL STATEMENTS
October 31, 2007 and 2006

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Independent Auditor's Report

Board of Directors
Public Welfare Foundation, Inc.
Washington, D.C.

We have audited the accompanying statements of financial position of Public Welfare Foundation, Inc. (the Foundation) as of October 31, 2007 and 2006, and the related statements of activities and cash flows for the years ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Public Welfare Foundation, Inc. as of October 31, 2007 and 2006 and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Clifton Gunderson LLP

Calverton, Maryland
June 5, 2008

PUBLIC WELFARE FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
October 31, 2007 and 2006

ASSETS

	<u>2007</u>	<u>2006</u>
Cash and cash equivalents	\$ 24,242,924	\$ 1,247,035
Due from stockbrokers for securities with settlements pending	<u>294,992</u>	<u>549,600</u>
Accrued interest and dividends receivable	<u>45,939</u>	<u>40,418</u>
Investments, at fair value:		
Short-term investments	13,234,751	3,390,660
Equity securities:		
Stocks	62,326,301	61,876,857
Commingled funds	201,667,453	205,239,779
Debt securities:		
Commingled funds	101,352,446	97,534,977
Other investments	<u>191,902,804</u>	<u>153,867,618</u>
Total investments	<u>570,483,755</u>	<u>521,909,891</u>
Prepaid expenses, taxes and other assets	<u>119,705</u>	<u>86,085</u>
Property and equipment, net	<u>11,705,597</u>	<u>12,073,387</u>
TOTAL ASSETS	<u><u>\$ 606,892,912</u></u>	<u><u>\$ 535,906,416</u></u>

LIABILITIES

Accrued expenses, taxes and other liabilities	\$ 605,717	\$ 1,386,982
Deferred federal excise taxes payable	2,869,715	2,341,570
Grants payable	3,147,974	4,231,537
Bonds payable	<u>11,000,000</u>	<u>11,000,000</u>
Total liabilities	<u>17,623,406</u>	<u>18,960,089</u>

NET ASSETS

Total net assets - unrestricted	<u>589,269,506</u>	<u>516,946,327</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 606,892,912</u></u>	<u><u>\$ 535,906,416</u></u>

These financial statements should be read only in connection
with the accompanying notes to financial statements.

PUBLIC WELFARE FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
Years Ended October 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
INVESTMENT INCOME AND EXPENSE		
Interest and dividends	\$ 11,682,168	\$ 8,539,847
Other investment funds gain, net	<u>25,628,140</u>	<u>16,375,300</u>
Total net revenues	<u>37,310,308</u>	<u>24,915,147</u>
Realized gain on sale of equity and debt securities, and other investments, net	35,614,398	23,505,678
Unrealized gain on equity, debt securities, and other investments, net	<u>26,376,229</u>	<u>39,052,756</u>
Total net investment gains	<u>61,990,627</u>	<u>62,558,434</u>
Total investment income	99,300,935	87,473,581
Investment advisory and custodial fees	<u>(721,227)</u>	<u>(854,672)</u>
Net investment income	<u>98,579,708</u>	<u>86,618,909</u>
EXPENSES		
Program expenses:		
Grants approved, net of returns	19,754,026	19,106,009
Administrative expenses:		
Salaries and fringe benefits	2,413,853	2,112,109
Professional and consulting fees	485,611	397,088
Other	<u>1,758,747</u>	<u>1,870,682</u>
	24,412,237	23,485,888
Provision for federal excise and other taxes	<u>2,215,562</u>	<u>1,656,233</u>
Total expenses	<u>26,627,799</u>	<u>25,142,121</u>
Operating income	<u>71,951,909</u>	<u>61,476,788</u>
OTHER INCOME		
Class action settlements	222,765	15,232
Rental income	<u>148,505</u>	<u>98,530</u>
Total other income	<u>371,270</u>	<u>113,762</u>
INCREASE IN UNRESTRICTED NET ASSETS	<u>72,323,179</u>	<u>61,590,550</u>
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR AS PREVIOUSLY REPORTED	519,287,897	456,916,292
PRIOR PERIOD ADJUSTMENT	<u>(2,341,570)</u>	<u>(1,560,515)</u>
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR, ADJUSTED	<u>516,946,327</u>	<u>455,355,777</u>
UNRESTRICTED NET ASSETS, END OF YEAR	<u>\$ 589,269,506</u>	<u>\$ 516,946,327</u>

These financial statements should be read only in connection
with the accompanying notes to financial statements.

PUBLIC WELFARE FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
Years Ended October 31, 2007 and 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in unrestricted net assets	\$ 72,323,179	\$ 61,590,550
Adjustments to reconcile increase in unrestricted net assets to net cash used in operating activities:		
Depreciation and amortization	432,586	446,953
Reinvested dividends and interest from mutual funds	(20,433,249)	(8,231,029)
Net realized gain on disposition of equity and debt securities and other investments	(35,614,398)	(23,505,678)
Net unrealized gain on equity and debt securities	(26,376,229)	(39,052,756)
Other investment funds gain	(25,628,140)	(16,375,300)
Effects of changes in operating assets and liabilities:		
Accrued interest and dividends receivable	(5,521)	10,104
Prepaid expenses, taxes and other assets	(33,620)	(46,519)
Accrued expenses, taxes and other liabilities	(781,265)	952,439
Deferred federal excise taxes payable	528,145	781,055
Grants payable	(1,083,563)	(1,028,463)
Net cash used in operating activities	<u>(36,672,075)</u>	<u>(24,458,644)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(64,796)	(12,318)
Investments in marketable securities:		
Proceeds from sale and certain distributions	124,219,157	136,682,808
Purchases	(64,741,005)	(111,430,238)
Change in due from/to stockbrokers for securities with settlements pending	<u>254,608</u>	<u>(369,766)</u>
Net cash provided by investing activities	<u>59,667,964</u>	<u>24,870,486</u>
NET INCREASE IN CASH	22,995,889	411,842
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,247,035</u>	<u>835,193</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 24,242,924</u>	<u>\$ 1,247,035</u>

These financial statements should be read only in connection
with the accompanying notes to financial statements.

PUBLIC WELFARE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
October 31, 2007 and 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Public Welfare Foundation, Inc. (the “Foundation”) was established in 1947, incorporated in Texas and reincorporated in Delaware in 1951, for the purpose of supporting benevolent, charitable, educational or missionary organizations that provide direct services meeting the basic human needs of seriously disadvantaged people and/or working for lasting improvements addressing these needs. Revenues earned are generated by the Foundation’s investments. The Foundation uses that investment income (including gains) to fund grants to those organizations and other related expenses.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting, which includes recognition of revenue as earned and expenses as incurred.

Cash and Cash Equivalents

The Foundation considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Amounts Due From/To Stockbrokers for Securities with Settlements Pending

The amounts due from (to) stockbrokers for securities with settlements pending result from sales (purchases) of securities made prior to the end of the fiscal year but settled after the fiscal year-end.

Investments

Short-term investments held for reinvestment are included with investments.

Investments are stated at fair value. Fair value of investments in marketable securities that are traded on a national securities exchange or listed on NASDAQ are based on current quoted market prices. Investments in limited partnership and other investment funds that invest in marketable securities are valued based on market values of the underlying securities.

PUBLIC WELFARE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
October 31, 2007 and 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the absence of an active market for such investments, the fair values of investments in limited partnerships and other investment funds that invest in nonmarketable securities, real estate and oil and gas interests are based upon audited partnership financial statements, adjusted for cash flows and significant unrealized losses through September 30, 2007 and 2006. A change in the estimated value may occur in the near term.

Because of the inherent uncertainty of valuation, estimated values may differ significantly from values that would have been used had a ready market for investments existed, and the differences could be material.

Purchases and sales of securities are recorded on a trade-date basis. Realized gains or losses are determined using the proceeds from sales on a first-in, first-out basis. Realized gains include distributions of realized gains from mutual funds. Unrealized gains or losses are determined using quoted market prices and fair values at the respective year-ends.

Property and Equipment

Property and equipment is stated at cost. Depreciation is provided by the straight-line method over 3 to 40 years. Leasehold improvements are amortized over the lesser of the term of the related lease or the estimated useful lives of the assets. Expenditures for maintenance, repairs and minor renewals are charged to earnings as incurred. Expenditures for additions, improvements, and replacements are capitalized and property replaced as accounted for as retirement.

Impairment of Long-Lived Assets

The Foundation reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

Grants Payable

Grants are recorded when they are approved by the Board of Directors or the President of the Foundation, except for conditional grants, which are recorded when conditions are substantially met.

PUBLIC WELFARE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
October 31, 2007 and 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax-Exempt Status

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is a private foundation under Section 509(a) of the Internal Revenue Code. The Foundation is subject to federal excise tax as well as federal and state unrelated business income tax.

Recent Accounting Pronouncements

In June 2006, the FASB issued FIN 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109," which prescribes a comprehensive model for how an organization should recognize, measure, present, and disclose in its financial statements uncertain tax positions that the organization has taken or expects to take on a tax return. FIN 48 is effective for fiscal periods beginning on or after December 15, 2006. The Foundation is currently in the process of evaluating the effect of FIN 48 on its Financial Statements.

PUBLIC WELFARE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
October 31, 2007 and 2006

NOTE 2 – INVESTMENTS

Investments held at October 31 were as follows:

	<u>2007</u>	<u>2006</u>
Short-term	\$ 13,234,751	\$ 3,390,660
Equity securities:		
Individual accounts managed by:		
J.L Kaplan Associates, LLC	20,551,222	21,539,450
Sanford C. Bernstein & Co	41,775,079	40,337,407
	<u>62,326,301</u>	<u>61,876,857</u>
Commingled funds:		
Harding Loevner International Equity Portfolio	41,729,383	35,691,045
Templeton Emerging Markets Series	55,471,975	38,139,173
Boston Company International Small Cap Fund	16,541,529	16,486,312
Boston Company International Core Equity Fund	37,487,156	33,543,393
State Street REIT Index CTF	23,012,579	27,445,054
State Street S&P 500 CTF	27,424,831	53,934,802
	<u>201,667,453</u>	<u>205,239,779</u>
Debt securities:		
Commingled funds:		
Morgan Stanley Institutional Fund Trust - Fixed Income Portfolio	36,835,787	35,784,126
PIMCO - Total Return Fixed Income Portfolio	64,516,659	61,750,851
	<u>101,352,446</u>	<u>97,534,977</u>
Other investment funds:		
Adage Capital Partners, LP	47,622,745	39,554,487
Blakeney LP	20,284,514	13,307,123
Carmel Partners Investment Fund, LP	7,324,081	5,286,092
Carmel Partners Investment Fund, LP II	1,760,901	797,752
Commonfund Capital International Partners IV, LP	4,345,646	2,580,020
Commonfund Capital Private Equity VII, LP	235,000	-
Commonfund Capital Private Equity V, LP	3,929,493	2,707,094
Commonfund Distressed Debt Partners II, LP	5,232,261	5,805,469
Commonfund Global Distressed Partners III, LP	2,619,410	350,807
Goldman Sachs Global Equity Long/Short PLC	984,171	868,751
Goldman Sachs Global Event Driven PLC	2,110,333	1,770,512
Goldman Sachs Global Tactical Trading PLC	4,878,579	4,262,046
Goldman Sachs Global Relative Value PLC	6,543,767	6,148,340
Liquid Realty Partners IV	2,105,019	-
Liquid Realty Partners IV TE AIVLP	532,630	-
Merit Energy Partners C - II, LP	23,449,832	21,251,533
Merit Energy Partners D - II, LP	14,475,780	13,139,820
Merit Energy Partners F - II, LP	1,316,107	1,068,376
Merit Energy Canada, LP	5,055,252	3,283,623
Merit Energy Canada II, LP	965,109	-
Perry Partners International	7,239	-
Regan Partners	2,784,232	3,013,800
The Defenders Fund, LP	15,526,546	13,600,691
TIFF Partners I, LLC	586,980	1,714,723
TIFF Partners IV, LLC	3,889,026	3,828,044
TIFF Realty & Resource Partners, I, LLC	5,333,413	7,929,680
TIFF Partners V - US, LLC	1,555,607	1,039,556
TIFF Partners V - International, LLC	700,834	559,279
Tuckerbrook SB Global Distressed Fund I, LP	5,748,297	-
	<u>191,902,804</u>	<u>153,867,618</u>
TOTAL	<u>\$ 570,483,755</u>	<u>\$ 521,909,891</u>

PUBLIC WELFARE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
October 31, 2007 and 2006

NOTE 2 – INVESTMENTS (CONTINUED)

Investment cost, net appreciation (depreciation), and fair market value by investment type at October 31 were as follows:

	2007		
	Cost	Net Appreciation (Depreciation)	Fair Value
Short-term investments	\$ 13,234,751	\$ -	\$ 13,234,751
Equity securities:			
Stocks	54,353,461	7,972,840	62,326,301
Commingled funds	122,900,262	78,767,191	201,667,453
Debt securities:			
Commingled funds	101,655,125	(302,679)	101,352,446
Other investments	134,854,426	57,048,378	191,902,804
Total	\$ 426,998,025	\$ 143,485,730	\$ 570,483,755

	2006		
	Cost	Net Appreciation (Depreciation)	Fair Value
Short-term investments	\$ 3,390,660	\$ -	\$ 3,390,660
Equity securities:			
Stocks	49,211,058	12,665,799	61,876,857
Commingled funds	143,161,013	62,078,766	205,239,779
Debt securities:			
Commingled funds	98,035,343	(500,366)	97,534,977
Other investments	111,033,316	42,834,302	153,867,618
Total	\$ 404,831,390	\$ 117,078,501	\$ 521,909,891

PUBLIC WELFARE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
October 31, 2007 and 2006

NOTE 2 – INVESTMENTS (CONTINUED)

The Foundation has commitments to make additional investments of approximately \$63,011,173 in other investment funds as of October 31, 2007. The Foundation cannot withdraw from these partnerships prior to their termination, pursuant to the partnership agreements, and there are restrictions on the transferability of its interest in these partnerships. Some partnerships have exit dates pursuant to the partnership agreement.

Substantially all of the Foundation’s short-term investments and stocks are under the control of a bank custodian.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2007	2006
Buildings and building improvements	\$ 11,725,186	\$ 11,714,407
Land and land improvements	1,782,237	1,782,237
Furniture, fixtures and equipment	1,395,681	1,341,663
	14,903,104	14,838,307
Less: accumulated depreciation and amortization	3,197,507	2,764,920
Total	\$ 11,705,597	\$ 12,073,387

NOTE 4 - FEDERAL EXCISE AND OTHER TAXES

The Foundation is subject to federal excise tax imposed on private foundations at 2%, or 1% if certain conditions are met. The excise tax is imposed on net investment income, as defined under federal law, which includes interest, dividends, and net realized gains on the sale of investments. The Foundation qualified for a 2% rate for the years ending October 31, 2007 and 2006.

The provision for tax expense consists of the following components:

	2007	2006
Current	\$ 1,687,417	\$ 875,178
Deferred	528,145	781,055
Total provision for federal excise and other tax expense	\$ 2,215,562	\$ 1,656,233

PUBLIC WELFARE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
October 31, 2007 and 2006

NOTE 4 - FEDERAL EXCISE AND OTHER TAXES (CONTINUED)

Current taxes of \$1,687,417 and \$875,178 for the years ended October 31, 2007 and 2006, respectively, related primarily to federal excise tax and unrelated business income generated as a result of the Foundation's investment income in various states. Current taxes for the year ended October 31, 2007 include a provisional estimate for income taxes on unrelated business income generated at the state level.

The Foundation recorded a deferred excise tax liability on net unrealized investment gains at a rate of 2% in 2007 and 2006 in the amounts of \$2,869,715 and \$2,341,570, respectively.

NOTE 5 – BONDS PAYABLE

The Foundation is obligated to pay \$11,000,000 in connection with the March 30, 2000 Public Welfare Foundation, Inc. issue of variable interest rate District of Columbia Revenue Series 2000 Revenue Bonds, maturing on March 1, 2025. The interest rate on the borrowings at October 31, 2007 is 3.44%. The bonds are collateralized by a bank letter of credit expiring March 30, 2010, which also provides for an additional collateral equal to the sum of 50 days interest on the bonds, computed at a rate of 13% per annum, or \$198,611, as security for interest payments to be made to the holders of the bonds. The bondholders may request mandatory redemption whenever there is either a change in the interest period or letter of credit, or a change in the status of the bonds from nontaxable to taxable during the term of the bonds.

In the event a mandatory redemption request is made, an agent will be retained to remarket any such bonds. If the bonds are redeemed, and not remarketed within 367 days, the Foundation must pay the bank the redemption amount plus interest. Assuming a 4.79% discount rate, the fair market value of the 25-year bonds is \$7,713,135 as of October 31, 2007 (fair market value of the 25-year bonds was \$7,233,140 as of October 31, 2006 based on a discount rate of 4.94%).

In addition, the bank has the right to annually call for the following principal payments to reduce the outstanding bond principal as of October 31, 2007:

<u>Year Ended October 31</u>	<u>Principal Payment</u>
2008	\$ 2,005,000
2009	350,000
2010	365,000
2011	395,000
2012	430,000
Thereafter	<u>7,455,000</u>
Total	<u>\$ 11,000,000</u>

PUBLIC WELFARE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
October 31, 2007 and 2006

NOTE 5 – BONDS PAYABLE (CONTINUED)

The bond agreements place restrictions on the use of the land and building, limit other borrowings and also require the Foundation to maintain a minimum level of net assets.

Interest expense included in other administrative expenses was \$450,951 and \$418,257 in 2007 and 2006, respectively.

NOTE 6 – INVESTMENT INCOME, NET

Interest and dividends from equity and debt securities consist of:

	<u>2007</u>	<u>2006</u>
Dividends	\$ 6,136,820	\$ 3,542,684
Interest	<u>5,545,348</u>	<u>4,997,163</u>
Total	<u>\$11,682,168</u>	<u>\$ 8,539,847</u>

Other investment funds income, net, consists of the Foundation's proportionate share of each of the partnership's total investment income.

NOTE 7 – SALARIES AND FRINGE BENEFITS

Included in salaries and fringe benefits are contributions of \$224,801 and \$271,969 in 2007 and 2006, respectively, to a qualified defined contribution money purchase pension plan and trust, under which the Foundation is required to make contributions (net of forfeitures) of 20% of eligible employees' total compensation.

PUBLIC WELFARE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
October 31, 2007 and 2006

NOTE 8 – GRANTS

Grants consist of:

	<u>2007</u>	<u>2006</u>
Current year:		
Grants approved	\$ 19,614,150	\$ 18,947,575
Contributed rental income	146,779	96,897
Cancelled grant	-	(45,000)
Conditional grants (not met at year-end)	-	-
Deferred multi-year discount expense	<u>(2,026)</u>	<u>(3,463)</u>
	<u>19,758,903</u>	<u>18,996,009</u>
Prior years:		
Deferred multi-year discount/reversal	3,463	-
Grants paid in return	(8,340)	-
Conditions met on prior grants	<u>-</u>	<u>110,000</u>
	<u>(4,877)</u>	<u>110,000</u>
Net Grants	<u>\$ 19,754,026</u>	<u>\$ 19,106,009</u>

Grants of \$3,147,974 at October 31, 2007 are payable in fiscal 2008.

NOTE 9 – MINIMUM DISTRIBUTION REQUIREMENT

The Internal Revenue Code requires that grants be paid in accordance with a specified formula. At October 31, 2007, the Foundation had distributed approximately \$9,317,000 more than the required amount.

NOTE 10 – CASH FLOW DISCLOSURES

Cash paid for interest and taxes was as follows:

	<u>2007</u>	<u>2006</u>
Interest expense paid	\$ 484,002	\$ 410,090
Excise and other taxes paid	1,614,734	989,151

PUBLIC WELFARE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
October 31, 2007 and 2006

NOTE 11 – DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate the value:

Cash and short-term investments

The carrying value approximates fair value because of the short maturity of those instruments.

Long-term investments

The fair values are based on quoted market prices for marketable investments. For other investments for which there are no quoted market prices, the fair value has been based on audited partnership financial statements, adjusted for cash flows and significant unrealized losses through September 30, 2007, unless it has been determined the asset has been impaired.

Grants payable

The fair value of grants payable is based on present value calculations using rates established for United States Treasury Bills.

Bonds payable

The fair value of the bonds is estimated based on current rates offered on long-term Treasury Bills. The discount rate utilized was 4.79% (4.94% for 2006).

The estimated value of the Foundation's financial instruments is as follows:

	<u>2007</u>		<u>2006</u>	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Cash and short-term investments	\$37,477,675	\$37,477,675	\$ 4,637,695	\$ 4,637,695
Long-term investments	557,249,004	557,249,004	518,519,233	518,519,233
Liabilities				
Grants payable	3,147,974	3,147,974	4,231,537	4,231,537
Bonds payable	11,000,000	7,713,135	11,000,000	7,233,140

PUBLIC WELFARE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 12 – COMMITMENTS

On October 29, 2003, the Foundation entered into a space license agreement with Washington Legal Clinic for the Homeless (WLCH), a non-profit corporation. The agreement provides WLCH free office space beginning November 15, 2003 through November 14, 2008. The fair market value of the rental income and grant expense related to the agreement was \$109,519 and \$78,273 for 2007 and 2006 respectively, and is included in the Statements of Activities.

The Foundation also provides free space within its building on a month-to-month basis to the African-American Civil War Memorial. The fair market value of the rental income and grants expense related to this agreement was \$37,260 and \$18,624 for the years ended October 31, 2007 and 2006, respectively, and is included in the Statements of Activities.

NOTE 13 – PRIOR PERIOD ADJUSTMENT

The prior period financial statements were adjusted to recognize a liability for deferred federal excise taxes of \$2,341,570 and \$1,560,515 as of October 31, 2006 and 2005, respectively. This correction of the previously recognized liability resulted in an increase in the provision for federal excise and other taxes of \$781,055 for the year ended October 31, 2006 and a decrease in previously reported net assets as of October 31, 2005 of \$1,560,515.

This information is an integral part of the accompanying financial statements.