

Across Generations

KU ENDOWMENT
2007 ANNUAL REPORT



From the President

The stories in this annual report represent the power of philanthropy at the University of Kansas. They feature just a few of the people of every generation whose lives have been uplifted thanks to the generosity of donors like you.

They are true stories of real people.

A child learns the value of a healthy lifestyle by taking part in a research program. Undergraduates channel their talents to help rebuild New Orleans.



A graduate student finds inspiration in an innovative new research building. A faculty member helps gifted teens reach their potential. Retirees enjoy programs that enrich the mind and soul.

There are countless stories like these at the University of Kansas — stories of promise and hope.

Donors like you made all of this possible. On behalf of KU Endowment, thank you. You are the difference for KU.

DALE SEUFERLING





*Exercise is good for you.
I want to do it for the rest
of my life. It's the only
way I can be healthy."*

— Luis Ruiz, 11



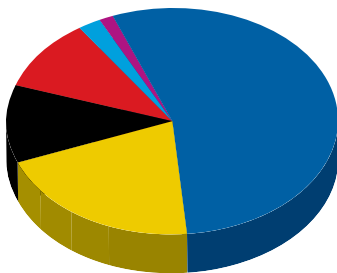
RESEARCH

Fit kids

◀ LUIS RUIZ TOPEKA STUDENT PARTICIPANT, "PHYSICAL ACTIVITY ACROSS THE CURRICULUM"

For Luis and his classmates, movement in the classroom meant more than weight control — it also meant more learning. Through PAAC, a three-year KU study of children in grades two through five, teachers incorporated physical activities into regular lessons. The results? Kids in the active classrooms not only showed a lower increase in body-mass index than those in the control group, they also performed better academically.

As we face a 25 percent obesity rate among U.S. children, PAAC and other weight-related KU studies help create healthier futures. Starting in 2008, these types of research and outreach programs will be housed at the Center for Physical Activity, Nutrition and Weight Management, a joint venture with Children's Mercy Hospital in Kansas City. The center aims to serve 30,000 people in its first five years, with a special focus on children and adolescents. Major gifts from the George K. Baum Foundation, the Sosland Foundation and the Greater Kansas City Community Foundation provided support for start-up costs and operating expenses.



2007 Research support (In millions)

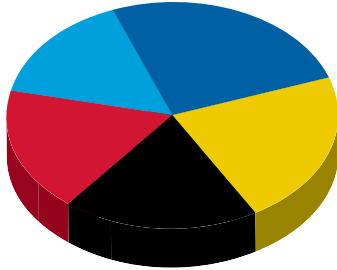
■ Professorships and other faculty compensation	\$ 4.8
■ Equipment and supplies	\$ 1.8
■ Operating expenses	\$ 1.0
■ Travel	\$.9
■ Facilities	\$.2
■ Student stipends and awards	\$.1
TOTAL	\$ 8.8



ADDING IT UP

TOTAL UNIVERSITY SUPPORT

During fiscal year 2007, KU Endowment provided \$94.9 million in financial support for KU. Support since our founding in 1891 totals \$1.4 billion.

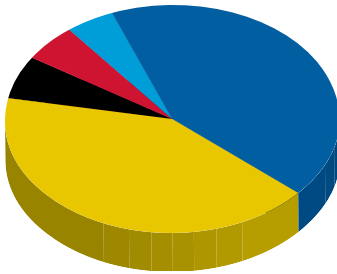


2007 Support for KU (In millions)

■ Student support (excluding loans)	\$ 24.3
■ Faculty support	\$ 20.8
■ Program support	\$ 18.2
■ Capital support	\$ 17.0
■ Books, equipment, supplies	\$ 14.6
TOTAL	\$94.9

SUPPORT THROUGH THE GREATER KU FUND

Gifts to the Greater KU Fund provide the flexibility to meet the university's greatest needs. The chancellor determines which projects will receive support from the fund, and allocations are subject to approval by the KU Endowment Executive Committee. In 2007, KU Endowment made available \$6.67 million in support from the Greater KU Fund.

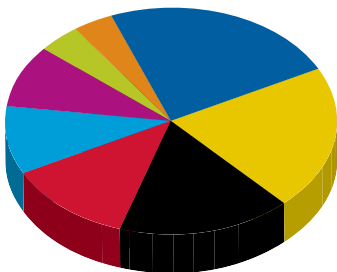


For KU's greatest needs

■ Scholarships and other academic and student support	\$ 2.83 million
■ Program support for university administration, KU Athletics, Kansas Alumni Association and other areas	\$ 2.78 million
■ Real estate acquisition and construction projects for KU campuses	\$ 402,118
■ Faculty and staff development and support	\$ 357,520
■ International programs and graduate studies, student recruiting and international visitors	\$ 297,600
TOTAL	\$6.67 million

STATE AND PRIVATE SUPPORT FOR KU

KU Endowment funds cover a vital portion of KU's annual revenue. State support, as a percentage of total university revenue, has decreased over the last 20 years as the state has faced increasing demands for other services. Private gifts, therefore, have become more critical to the university's success. (The most recent figures on state support are from 2006.)



2006 University revenue sources (In millions)

■ State appropriations	\$ 252.3	23.3%
■ Grants and contracts	\$ 223.7	20.7%
■ Tuition and fees (net of scholarship allowances)	\$ 184.4	17.1%
■ Auxiliary enterprises	\$ 132.4	12.3%
■ Medical service revenue (net)	\$ 104.8	9.7%
■ KU Endowment support	\$ 99.0	9.2%
■ Sales and services by educational departments	\$ 43.3	4.0%
■ Other revenue	\$ 40.8	3.8%
TOTAL REVENUES	\$1080.9*	100%

Includes Lawrence campus, Edwards campus, KU Medical Center, KU Center for Research Inc., KU Unions and Kansas Athletics Inc.

* All figures, including total, have been rounded.

STUDENTS



Our New Orleans project brought a sense of reality to our studio work in both design and construction. It's an honor to take part in an urban project that addresses social issues."

— Brandi Hamilton
Class of 2009

“Our goal was to provide a tool for the Seventh Ward community so they could support each other during the rebuilding process.”

— *Simon Mance*
Class of 2008



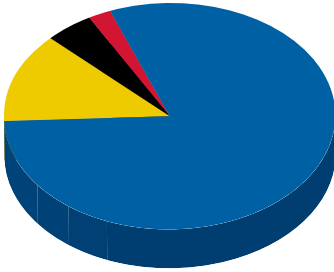
The real work

◀ **BRANDI HAMILTON ST. LOUIS**
▶ **SIMON MANCE MILWAUKEE**
ARCHITECTURE AND URBAN PLANNING STUDENTS

For students like Hamilton and Mance, creating projects that support a New Orleans neighborhood makes studio work real. Since 2006, more than 50 architecture and urban planning students have contributed to the rebuilding of a 28-square-block area in the city’s Seventh Ward.

After Katrina, faculty members Nils Gore and Rob Corser made the Big Easy the focus of their third- and fourth-year studio courses. Projects have included weather-resistant message boards, a community tool shed, garden shade structures for neighborhood gatherings, a mobile stage and an outdoor classroom.

The tool shed and shade structures — in competition with professional firms — won Merit Awards from the Kansas City chapter of the American Institute of Architects. A second shade structure was exhibited at the Smithsonian’s Cooper-Hewitt National Design Museum in New York. Support from the William T. Kemper Foundation helped make the projects possible.



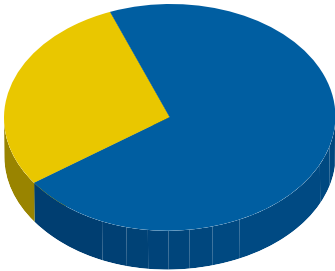
2007 Student support (In millions)

■ Scholarships.....	\$ 22.4
■ Loans.....	\$ 3.6
■ Fellowships.....	\$ 1.3
■ Student awards and prizes.....	\$.6
TOTAL.....	\$27.9

GIFTS IN 2007

CONTRIBUTIONS

In 2007, more than 43,000 donors, the largest number in KU Endowment history, contributed \$77.7 million in gifts and pledges. Contributions came from individuals and organizations, including corporations and nonprofit foundations.



Gift revenue (In millions)

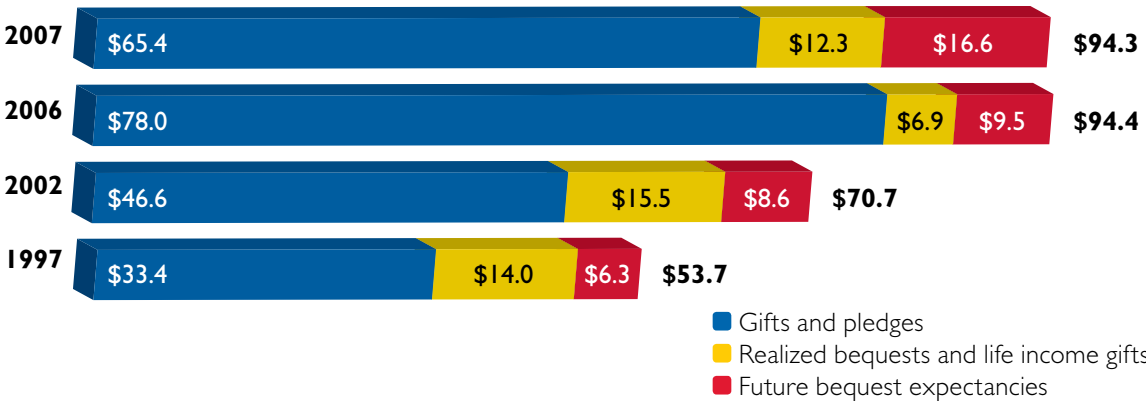
■ Gifts from individuals.....	\$55.4
• Outright gifts and commitments.....	\$43.1
• Realized bequests and life income gifts.....	\$12.3
■ Gifts and pledges from corporations and foundations*.....	\$22.3
TOTAL.....	\$77.7

* Includes \$1.4 million in gifts matching individual contributions.

Gift productivity (In millions)

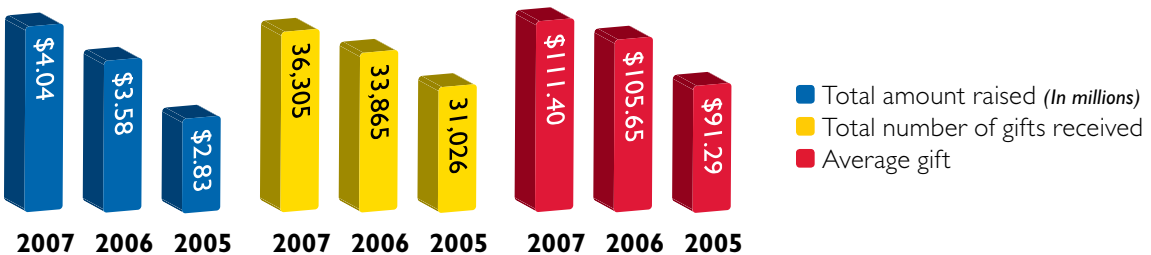
Two-, five- and 10-year comparisons

From 1997 to 2007, overall gift productivity — including total annual gift revenue and bequest expectancies — increased 76 percent, from \$53.7 million to \$94.3 million.



Annual giving

In 2007, funds raised through our annual mailing and telephone campaigns totaled \$4 million, setting a new record and surpassing the goal of \$3.7 million. During the past three years, the total amount raised through annual giving has increased 43 percent, and the average gift has increased 22 percent. The number of gifts has grown 17 percent.



A World of Difference

Donors in 2007

Contributions came from all 50 states, four U.S. commonwealths and territories, and 28 other countries.

Where donors come from

United States	43,259
Other countries	119
U.S. military bases	17
U.S. commonwealths and territories	8
Total donors	43,403

Top 15 states by number of donors

Kansas	23,680
Missouri	3,994
Texas	1,653
California	1,601
Colorado	1,151
Illinois	1,071
Virginia	693
Oklahoma	575
Florida	532
Arizona	484
Minnesota	447
New York	447
Nebraska	417
North Carolina	396
Pennsylvania	396

Top three other countries by number of donors

Canada	23
United Kingdom	21
Japan	19



43,403
Total donors

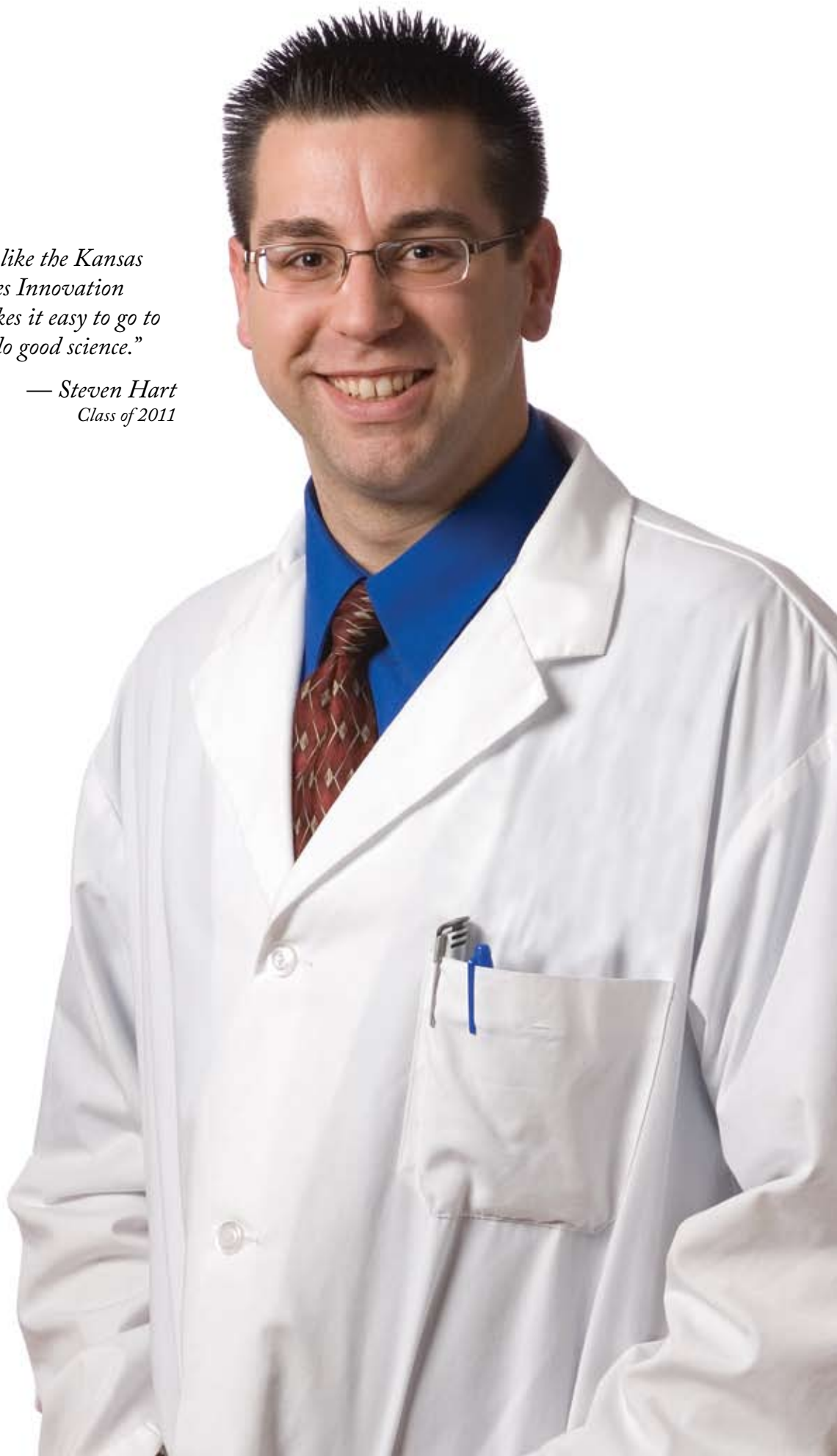
Total donors

Fiscal year	2007	2006	2005
Alumni	28,173	25,860	24,697
Non-alumni	13,659	13,656	12,925
Organizations	1,571	1,569	1,600
TOTAL DONORS	43,403	41,085	39,222



*A building like the Kansas
Life Sciences Innovation
Center makes it easy to go to
work and do good science.”*

*— Steven Hart
Class of 2011*



FACILITIES

Room for research

◀ **STEVEN HART ST. JOSEPH, MO.**
GRADUATE STUDENT IN TOXICOLOGY
KU MEDICAL CENTER

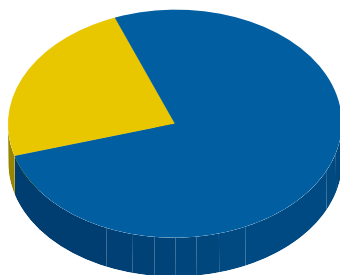
Medications are supposed to help you get well. But for 2 million Americans each year, genetic incompatibility with medications makes their situations worse — causing side effects and even death. Steven Hart wants to keep that from happening.

Hart, who studies how genetics influences drug metabolism, is one of more than 300 researchers and staff at KU's Kansas Life Sciences Innovation Center, which opened in January 2007 in Kansas City, Kan. Working across academic disciplines, these researchers seek ways to treat, cure or prevent serious diseases and medical conditions that touch

many lives, including diabetes, Alzheimer's, infertility, migraine and various forms of cancer.

Laboratories, designed to accommodate different types of research, bring scientists with related goals together. Open spaces, meeting rooms and abundant natural light foster further collaboration. The center's equipment and furnishings were funded primarily through a gift from the Hall Family Foundation.

Private donors, through KU Endowment, have funded, in whole or in part, more than two-thirds of campus buildings.



2007 Support for university facilities (In millions)

■ Construction.....	\$ 13
■ Furnishings.....	\$ 4
TOTAL	\$ 17

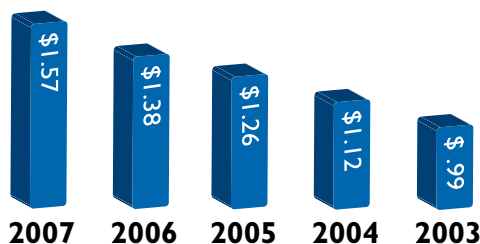
FINANCES IN 2007

ASSETS AND INVESTMENTS

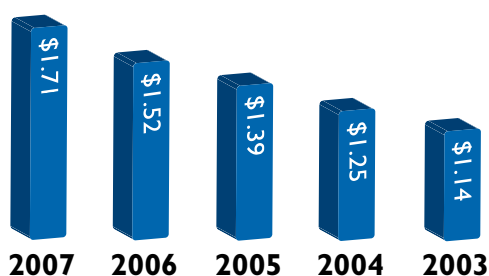
Of KU Endowment's total assets, 81.7 percent represent marketable securities. The balance of assets is made up primarily of real estate owned by KU Endowment, loans to KU students and faculty, and outstanding pledges. The value of KU Endowment's total assets, according to audited financial statements, grew to \$1.57 billion in 2007, an increase of 13.8 percent over the previous year.

The value of KU Endowment's total assets represents the book value of assets plus the unrealized gain or loss on marketable securities. It does not include the unrealized appreciation on real estate or other special holdings. This unrealized appreciation is included in the market value of total assets, which increased 12.5 percent in 2007. The market value of endowed funds grew to \$1.24 billion, an 18 percent increase over 2006.

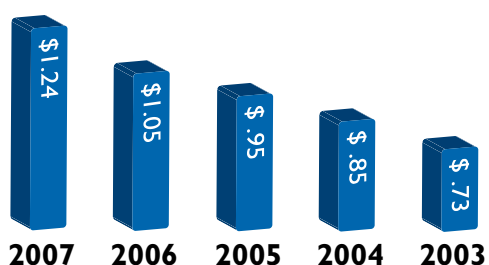
Value of total assets (In billions)
According to audited financial statements
(Includes market value of marketable securities.)



Market value of total assets (In billions)
(Includes market value of real estate and other special holdings, which are unaudited.)



Market value of endowed funds (In billions)



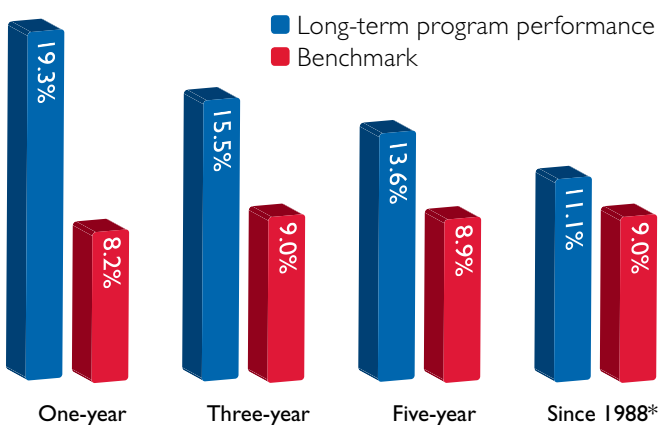
LONG-TERM INVESTMENTS

KU Endowment invests its endowed funds and other long-term funds collectively in its Long-term Investment Program, which includes more than 2,700 funds. The value of these funds makes up 71 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 2007, these investments gained 19.3 percent. Growth is compared with a benchmark of spending plus inflation. Over all periods, the total return of long-term funds has exceeded the benchmark.

Long-term Investment Program

(As of June 2007)

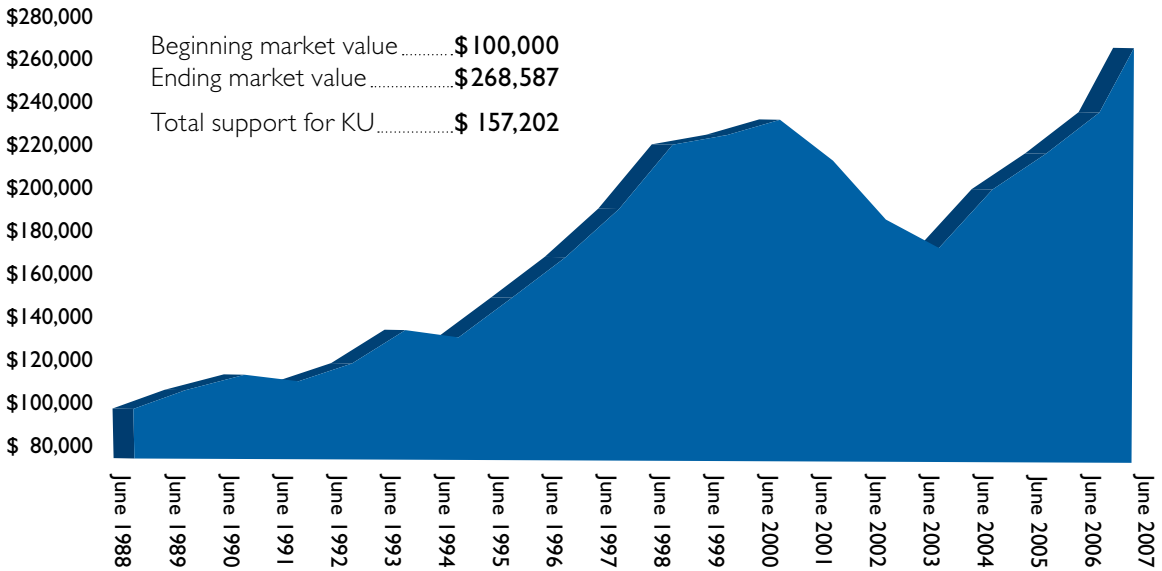


*Measurement of performance by an independent service provider began in June 1988.

Growth of a \$100,000 endowed fund

Invested in the Long-term Investment Program (1988-2007)

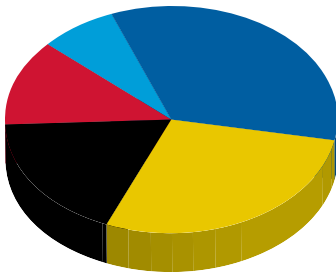
Given performance levels over time, a \$100,000 endowed fund established in June 1988 (when measurement by an independent service provider began) would have grown to \$268,587 as of June 2007. During the 19-year period, the fund also would have provided \$157,202 in support for KU.



Asset allocation

The Long-term Investment Program is designed to maximize returns and limit volatility. It is diversified both by asset class and within asset classes.

To provide further diversification and to enhance returns, allocations in international equities, inflation protection and alternative investments have been gradually increasing. Alternatives include investment strategies designed to produce consistent returns with less volatility than the overall market.



Asset classes (As of June 2007)	(In millions)	
International equity.....	\$ 380.0	34.0%
Domestic equity.....	\$ 315.6	28.2%
Fixed income.....	\$ 202.2	18.1%
Inflation protection.....	\$ 137.2	12.3%
Alternatives.....	\$ 82.3	7.4%
TOTAL MARKET VALUE	\$ 1,117.3	100%



Professorships are an investment in the innovation, creativity and productivity of the faculty. I've experienced a burst of new ideas — and KU's answer to each of these ideas is a resounding, 'Yes!'"

— Barbara Kerr

FACULTY



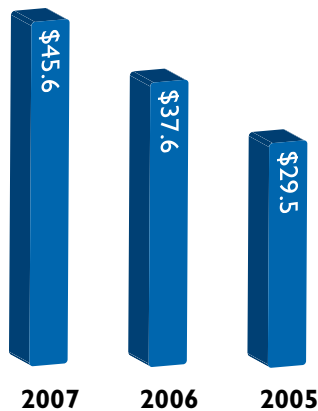
Creative minds

◀ BARBARA KERR EUDORA, KAN. WILLIAMSON FAMILY PROFESSOR OF COUNSELING PSYCHOLOGY

Barbara Kerr's mission is to "make the world safe for creativity" — particularly for creative teens. The author of four books and numerous articles on guiding and nurturing talent, Kerr holds the first endowed professorship at the KU School of Education. Support from the professorship, established by donors Del and Barbara Williamson, assists Kerr in her work with schools to identify creative young people and to help them understand their gifts and set career goals.

Kerr's research ranges from case studies of inventors, artists, writers and architects to large-scale studies of students who attained the highest scores on ACT college admissions tests. She also leads research focused on retaining women in science. Kerr is one of more than 100 faculty members who hold endowed chairs and professorships, which help faculty develop programs that improve the lives of people of all ages.

New gifts for endowed professorships
(In millions)



◆ 2007 Faculty support:

\$20.8 MILLION

KU Endowment provides direct support for endowed chairs, distinguished professors and teaching professors. Additional funding helps cover the cost of faculty awards, continuing education, teaching and research materials, and professional travel.

Through the **Kansas Partnership for Faculty of Distinction Program**, gifts for new endowed professorships at Kansas Regents institutions gain additional support from the state. The program began in 2000; during the past three years, it provided \$4 million in state support for KU faculty.

In 2007, donors created five new endowed professorships:

- Battey Distinguished Professorship in Modern British History
- Gaines Professorship in support of cancer research
- Hartley Centennial Professorship for nursing
- Riordan Professorship in Orthomolecular Medicine
- Williamson Family Professorship in Special Education, the second professorship created by these donors

Statement of Financial Position

In thousands

ASSETS

CASH AND CASH EQUIVALENTS

RECEIVABLES

Loans receivable, less allowance for uncollectible
loans of \$1,503 in 2007 and \$1,383 in 2006

Contributions pledged, less allowance for uncollectible
pledges of \$841 in 2007 and \$1,067 in 2006

Other receivables

TOTAL RECEIVABLES

INVESTMENTS

Securities (at market values)

Trusts held by others (at market values)

Interest in KU Endowment Charitable Gift Fund

Real estate

TOTAL INVESTMENTS

PROPERTY AND FACILITIES ON OR ADJACENT TO UNIVERSITY CAMPUS

Land

Buildings

Equipment and furnishings

Less accumulated depreciation

NET PROPERTY AND FACILITIES

DEPOSITS AND OTHER ASSETS

COLLATERAL HELD FOR SECURITIES LENDING

TOTAL ASSETS

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses

Securities lending obligation

Life income gift payables

Agency funds

TOTAL LIABILITIES

NET ASSETS

Unrestricted

Temporarily restricted

Permanently restricted

TOTAL NET ASSETS

TOTAL LIABILITIES AND NET ASSETS

June 30, 2007

June 30, 2006

\$ 2,110

\$ (1,116)

19,427

18,628

40,053

46,278

18,067

14,602

77,54779,508

1,279,164

1,108,191

37,387

33,916

512

134

9,103

8,971

1,326,1661,151,212

5,715

5,797

17,489

17,471

4,180

4,017

27,38427,285

11,793

11,011

15,59116,274

9,389

9,439

134,790

121,805

\$ 1,565,593\$ 1,377,122

\$ 16,038

\$ 13,752

134,790

121,805

20,259

17,792

73,647

64,656

244,734218,005

157,242

127,910

785,754

667,974

377,863

363,233

1,320,8591,159,117\$ 1,565,593\$ 1,377,122

The Statement of Financial Position and Statement of Activities are excerpted from KU Endowment's 2007 financial statements, which have been audited by Ernst & Young LLP.

Statement of Activities

In thousands

REVENUES, GAINS AND OTHER SUPPORT

FUNDRAISING

Contributions and grants pledged and received	\$ 65,045	\$ 80,098
Bequests	8,299	3,831
Life income gifts	2,915	1,292
Change in value of life income gifts	1,073	1,804
Change in net interest in KU Endowment Charitable Gift Fund	378	(2,124)

TOTAL FUNDRAISING

77,710	84,901
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INCOME FROM ASSET HOLDINGS:

Investment income	39,337	24,686
Realized and unrealized gains(losses) on investments and trusts held by others	146,965	89,590
Loan interest income	1,518	1,350
Agricultural and mineral income	1,930	2,434
Rental, gain (loss) on sale of assets and other income	897	354

TOTAL INCOME FROM ASSET HOLDINGS

190,647	118,414
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OTHER RECEIPTS

3,556	21,779
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TOTAL REVENUES, GAINS AND OTHER SUPPORT

\$ 271,913	\$ 225,094
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EXPENSES

UNIVERSITY SUPPORT

Student scholarships, fellowships and awards	\$ 24,339	\$ 23,037
Faculty and staff salaries and contractual services	20,756	16,868
Construction and furnishings	17,061	33,100
Equipment and supplies	13,074	6,386
Books, other printed material and works of art	1,517	971
University travel and official hospitality	6,244	5,996
Transfers/program support to benefit the University of Kansas	9,084	10,666
Other	2,867	1,992

TOTAL UNIVERSITY SUPPORT (Note 1)

94,942	99,016
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SUPPORTING SERVICES

Administrative and fundraising support	11,983	11,842
Asset management expense	634	614
Depreciation	626	643

TOTAL SUPPORTING SERVICES

13,243	13,099
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TOTAL EXPENSES

108,185	112,115
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EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES

163,728	112,979
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Effect of adoption of FASB Statement No. 158

(1,986)	—
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CHANGE IN NET ASSETS

161,742	112,979
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NET ASSETS AT BEGINNING OF YEAR

1,159,117	1,046,138
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NET ASSETS AT END OF YEAR

\$ 1,320,859	\$ 1,159,117
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Note 1: Expenditures from agency funds, which are owned by the university but managed by the KU Endowment, provided additional university support of \$8.6 million for the year ended June 30, 2007, and \$9.8 million for the year ended June 30, 2006.



*The classes help me
keep my mind alert.
I'm not getting older,
just more mature."*

*— Wilbur West
Master's in music
education '54*

PROGRAMS



“The enthusiasm the instructors bring to class is wonderful.”

— Jeane Landry

Live to learn

◀ **WILBUR WEST LAWRENCE**

▶ **JEANE LANDRY LAWRENCE**

PARTICIPANTS, KU OSHER LIFELONG LEARNING INSTITUTE

Just try and keep up with Wilbur West or Jeane Landry. West, 92, a retired music teacher, repairs old stringed instruments and volunteers weekly at the local hospital. Landry, 81, a former Wichita resident who served on many community boards, is an avid bridge player. The two friends — along with more than 650 other annual participants — love the diverse course offerings at the KU Osher Lifelong Learning Institute.

Whether it’s a class on Mozart taught by KU musicologist Paul Laird or a study of Islam and the Middle East led by KU Religious Studies Professor Margaret Rausch, the programs always draw a crowd. KU’s Osher Institute, administered through KU Continuing Education, offers classes in the Lawrence, Topeka and Kansas City areas, with a special focus on participants 50 and older. The Bernard Osher Foundation provides major funding for the Institute through KU Endowment.

◆ **2007 Program support: \$18.2 MILLION**

KU Endowment assists a wide variety of academic programs for KU students as well as outreach programs for people of all generations through the Osher Institute, the Lied Center for the Performing Arts, the Hall Center for the Humanities, the Dole Institute for Politics, KU museums and other university entities.



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.

Executive Committee

Kurt D. Watson, Chair
President & COO
IMA Financial Group Inc.
Wichita, Kan.

Frank J. Becker *
President & Owner
Becker Investments Inc.
Lawrence, Kan.

John C. Dicus
Chairman
Capitol Federal Savings
Topeka, Kan.

William R. Docking
Chairman & CEO
The Union State Bank
Arkansas City, Kan.

R. A. Edwards
President & CEO
First National Bank of Hutchinson
Hutchinson, Kan.

A. Drue Jennings
Senior Counsel
Shughart, Thomson & Kilroy PC
Prairie Village, Kan.

John T. Stewart III *
Chairman
Stewart Companies
Wellington, Kan.

Todd L. Sutherland
President
The University National Bank
Lawrence, Kan.

Deanell Reece Tacha
Chief Judge
U.S. Court of Appeals,
Tenth Circuit
Lawrence, Kan.

Audit Committee
E. S. Riss, Chair
Chairman & CEO
Lake Shore Pacific Corp.
Shawnee Mission, Kan.

David B. Dillon
Chairman of the Board
The Kroger Co.
Cincinnati, Ohio

Lewis D. Gregory
Sr. VP & District Trust Manager
Merrill Lynch Trust Co. FSB
Leawood, Kan.

H. W. Knapheide III
Chairman & President
The Knapheide Manufacturing Co.
Quincy, Ill.

John W. Mize
Attorney
Clark, Mize & Linville Chartered
Salina, Kan.

Robert D. Taylor
President
Executive AirShare Corp.
Mission Hills, Kan.

Board members whose names appear in blue serve on multiple committees.

** Chair Emeritus
• Elected in October 2006*

From the Chair

The financial support provided by donors like you is crucial to the University of Kansas' success. It provides a margin of excellence, enabling students and faculty to engage in programs that enhance people's lives.

The KU Endowment Board of Trustees takes its fiduciary responsibility seriously. Through prudent investments, efficient management and new gifts, we strive to preserve the long-term vitality of KU. We are honored to provide enduring financial support that helps the university gain preeminence and distinction among the top public universities in the nation.

On behalf of our entire board, thank you for helping KU achieve its aspirations.

KURT D. WATSON



Development Committee**Deanell Reece Tacha, Chair****Howard E. Cohen**Partner
Deloitte & Touche LLP
Leawood, Kan.**Robert L. Driscoll**Partner
Stinson Morrison Hecker LLP
Mission Woods, Kan.**Dorothy Wohlgemuth Lynch**Civic Leader
Olathe, Kan.**Linda Ellis Sims**Account Executive
ExxonMobil Corp.
Houston, Texas**Fenton R. Talbott**President
Talbott Advisors Inc.
Lawrence, Kan.**Thomas G. Wiggans**Advisor
Stiefel Laboratories Inc.
Atherton, Calif.**Finance Committee****Todd L. Sutherland, Chair****John B. Dicus**President & CEO
Capitol Federal Savings
Topeka, Kan.**R. A. Edwards****Ray D. Evans**Managing Partner
Pegasus Capital Management
Prairie Village, Kan.**Edward J. Healy**Attorney
Fleeson, Googing,
Coulson & Kitch LLC
Wichita, Kan.**Charles E. Heath •**Vice President (Ret.)
Employers Reinsurance Corp.
Lawrence, Kan.**Joe C. Morris**Chairman
The Capital Corp. LLC
Leawood, Kan.**Property Management Committee****A. Scott Ritchie, Chair**Chairman
Ritchie Exploration Inc.
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In memoriam

Herman R. Sutherland of Mission Hills, Kan., a partner in Sutherland Lumber Company, died Dec. 28, 2006, at age 93. He was elected a trustee in 1972.





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Rosita Elizalde-McCoy, Senior VP for Communications & Marketing

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KU ENDOWMENT

The University of Kansas



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COVER: NICK SUSI ST. LOUIS
SCHOLARSHIP RECIPIENT

Susi, a junior in piano performance, gets assistance from several KU Endowment scholarships, primarily the David and Gunda Hiebert Piano Fund.

BACK: TUDY YOUNGBERG HALLER LAWRENCE
KU PROGRAM PARTICIPANT

Haller, education '59, enjoys the KU Endowment-assisted programs at KU's Hall Center for the Humanities and Lied Center for the Performing Arts.