FINANCIAL OVERVIEW

INVESTMENT ASSETS
The Wallace Foundation’s Investment Portfolio totaled $1.57 billion as of December 31, 2006, which represented an increase of $130 million compared to December 31, 2005.

GRANTS AND RELATED EXPENSES
The Board approved new grant and related expenses’ of $80.0 million in 2006, an increase of 20.7% over 2005. Grants generally move in line with the Foundation’s asset values because private foundations are required by law to distribute 5% of the fair market value of their assets each year. The following chart shows the growth in commitments for grants and related expenses.

RESOURCE ALLOCATION
Grant allocations among our three focus areas vary from year to year depending on whether we’re maintaining an existing program, planning for a future effort, or implementing a new strategy. Over the six-year period beginning in 2000, more than half of our grants have been allocated to education leadership. In 2006, allocations for out-of-school time learning (OST) increased significantly as we approved multi-year implementation grants to three new cities. Allocations for education declined compared with 2005 (a year that included sizable multi-year grants to two universities to develop executive leadership training programs). Arts allocations also fell year-to-year, reflecting our decision to provide more varied grants to Wallace Excellence Award organizations depending on their size, as well as our decision to provide implementation funding to only one of our two Arts for Young People cities.

1“Related expenses” include such items as meeting expenses, publication costs and consulting fees that support efforts to enhance our site work and develop and share useful knowledge.