

ESPERANTO LEAGUE FOR NORTH AMERICA, INC.

CAPITAL FUND INVESTMENT COMMITTEE

6 July 2007

To: Phil Dorcas, President, Esperanto League for North America, Inc.

From: The Capital Fund Investment Committee

Subject: Final Report for Fiscal Year 2006-2007

Attached is a detailed statement showing the status of our investments at the close of the fiscal year just ended, as prepared by committee member Anna Bennett.

In summary, over the twelve months ending April 30, 2007, the total value of our investments increased by \$31,782.87, from \$317,469.33 to \$349,252.20. This reflects only the value of assets administered by the Capital Fund Investment Committee and does not include ELNA's other assets, such as its bank accounts and the inventory of the book service. Information on the ELNA's overall financial picture can be found in the treasurer's report.

Actual cash income in the form of interest and dividends totaled \$15,156.45. In addition, the Central Office was able to transfer \$10,000 into our investment account.

The first page of the accompanying statement shows all of our investments held during the past fiscal year, including those bonds and certificates of deposit that matured during the year and are no longer held. The second page summarizes the performance of our investment portfolio for the past several years for comparison.

As an example of how to read the statement, take a look at the second entry under Corporate Bonds. The first column tells us that we own \$30,000 (that's the "\$30K" after the name) worth of bonds issued by Comerica Bank of Detroit. The second indicates that they pay interest at the rate of 6% per year. According to the third column, the bond will mature on 1 October 2008, at which time interest payments will end and we'll receive the face value of \$30,000.

(The column is headed "Call Date" because in some cases the issuer has the option of "calling" a bond on certain specific dates before the final maturity. In general a "called" bond is just like a bond that has matured: Interest payments stop and we receive the face value. The date shown in the column are the earliest on which the bond or CD is callable or matures.)

The fourth column tells us that we purchased the bond on 25 March 2003, paying (as the next column indicates) \$32,792.30. We paid more than the face value because of the bond's relatively high interest rate in comparison with other bonds with the same credit rating at the time. The current market value shown in the sixth column is less, \$30,288.30, because interest rates have risen in the meantime and 6% bonds no longer demand such a premium.

The "Income" column shows that we received \$1800 in interest payments (6% of \$30,000) during the last fiscal year. The "Gains" column shows the difference between what we paid for a bond or CD and what we received when it matured or was called (or was sold by us, though in practice we usually hold bonds until maturity). Finally, the "MV Increase" column shows how much the market value of the bond changed during the fiscal year. In this case it declined by \$30.90.

When a bond or CD was acquired during the fiscal year we typically do not earn a full year's worth of interest payments. When we purchase a bond or CD from anyone other than the original issuer we have to pay them their share of the interest earned since the last payment. In the case of the Hibernia National Bank CD we paid \$227.40 in accrued interest to the previous owner and did not get the next interest payment until after the end of the fiscal year, which is why that CD is shown as earning negative interest.

The "Stock" section of the statement reflects the continuing saga of our investment in Armstrong World Industries. As recounted in previous reports, that company entered Chapter 11 reorganization some years ago, causing the preferred stock in question to stop paying dividends and to lose more than half of its market value. Rather than sell it and thereby lock in a loss on the order of \$15,000, we elected to wait in anticipation of a likely price recovery. On 20 October 2006 under orders of the bankruptcy court our preferred stock was exchanged for 293 shares of the same company's common stock, then worth \$11,558.85, plus a cash payment of \$6135.86. (The difference between this sum and the original purchase price is shown as the realized capital loss on the investment report.) We also technically still hold an interest in a sort of ghost of the preferred stock that has no current market value at all but might someday be worth a little.

While our investment policies do not normally permit us to acquire common stocks, in this case we received it involuntarily and a quick sale was not deemed advisable. In fact, the value of the common stock had increased to \$14,943.00 by the end of the fiscal year. We believe that holding this stock awhile longer is the best course and does not violate the spirit of the policy.

Currently the majority of our investments are in the form of bank certificates of deposit, many with interest rate "step-up" provisions. That is, the interest rate on those CDs (and also of one corporate bond) will increase on a defined schedule, improving our future yield, which averaged a modest 4.61% at fiscal year end on April 30.

As shown on the second page of the statement, over the past seven fiscal years (that is, since April 30, 2000), the value of our investments has grown by \$114,465.95, a cumulative increase of just 43.25%.

The committee welcomes questions and comments from ELNA's board and membership.

Respectfully submitted,

D Gary Grady
Chairman, ELNA Capital Fund Investment Committee

cc: Anna Bennett, William B. Harris, ELNA CO