

**The University of Maryland
College Park Foundation, Inc.**

**Financial Statements
June 30, 2007 and 2006**

The University of Maryland College Park Foundation, Inc.
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June 30, 2007 and 2006

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Report of Independent Auditors

To the Board of Trustees of the
University of Maryland College Park Foundation, Inc.

In our opinion, the accompanying statements of financial position and the related statements of activities and cash flows present fairly, in all material respects, the financial position of the University of Maryland College Park Foundation, Inc. ("the Foundation") at June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. 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 of these statements 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.



October 31, 2007

The University of Maryland College Park Foundation, Inc.
Statements of Financial Position
June 30, 2007 and 2006

	2007	2006
Assets		
Current assets		
Cash and cash equivalents	\$ 3,837,175	\$ 7,026,431
Accounts receivable	72,453	108,680
Accrued interest receivable	128,938	138,921
Contributions receivable, current portion	34,641,806	19,357,191
Short-term investments	28,431,658	18,740,940
Other assets	637,642	100,611
Total current assets	<u>67,749,672</u>	<u>45,472,774</u>
Investments		
Endowment	210,441,644	172,342,597
Operating	17,470,368	15,504,729
Funds held for others	2,513,269	2,065,742
Other investments	4,835,562	3,816,848
Total investments	<u>235,260,843</u>	<u>193,729,916</u>
Other assets		
Contributions receivable, long-term portion	42,301,014	49,968,957
Other receivables-long term	211,000	215,000
Total other assets	<u>42,512,014</u>	<u>50,183,957</u>
Total assets	<u>\$ 345,522,529</u>	<u>\$ 289,386,647</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 4,533,885	\$ 935,763
Deferred income	1,091,642	1,220,326
Total current liabilities	<u>5,625,527</u>	<u>2,156,089</u>
Other liabilities		
Funds held for others	2,513,269	2,065,742
Annuities payable	2,571,194	2,105,604
Total other liabilities	<u>5,084,463</u>	<u>4,171,346</u>
Total liabilities	<u>10,709,990</u>	<u>6,327,435</u>
Net assets		
Unrestricted	5,509,726	1,986,741
Temporarily restricted	162,452,455	128,292,176
Permanently restricted	166,850,358	152,780,295
Total net assets	<u>334,812,539</u>	<u>283,059,212</u>
Total liabilities and net assets	<u>\$ 345,522,529</u>	<u>\$ 289,386,647</u>

The accompanying notes are an integral part of these financial statements.

The University of Maryland College Park Foundation, Inc.
Statement of Activities
Period Ended June 30, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Transfers from USMF	\$ -	\$ 329,104	\$ 266,523	\$ 595,627
Contributions	-	38,888,750	13,647,377	52,536,127
Investment income	2,125,144	2,852,616	-	4,977,760
Endowment management and investment fees	2,726,580	(3,150,644)	-	(424,064)
Other program income	82,509	-	-	82,509
Sales and services	186,577	-	-	186,577
Other income	440,995	-	-	440,995
Courses and conferences	39,709	-	-	39,709
Realized and unrealized gains (losses) on investments, net	1,634,677	33,962,707	-	35,597,384
Change in valuation of split-interest agreements	12,642	(361,145)	53,782	(294,721)
Net assets released from restrictions	<u>38,333,728</u>	<u>(38,333,728)</u>	<u>-</u>	<u>-</u>
Total revenues	45,582,561	34,187,660	13,967,682	93,737,903
Expenses				
Program	40,714,433	-	-	40,714,433
General and administrative	701,736	-	-	701,736
Fundraising	<u>568,407</u>	<u>-</u>	<u>-</u>	<u>568,407</u>
Total expenses	41,984,576	-	-	41,984,576
Change in net assets before change in donor designation	3,597,985	34,187,660	13,967,682	51,753,327
Change in donor designation	<u>(75,000)</u>	<u>(27,381)</u>	<u>102,381</u>	<u>-</u>
Change in net assets	3,522,985	34,160,279	14,070,063	51,753,327
Net assets				
Beginning of year	<u>1,986,741</u>	<u>128,292,176</u>	<u>152,780,295</u>	<u>283,059,212</u>
End of year	<u>\$ 5,509,726</u>	<u>\$ 162,452,455</u>	<u>\$ 166,850,358</u>	<u>\$ 334,812,539</u>

The accompanying notes are an integral part of these financial statements.

The University of Maryland College Park Foundation, Inc.
Statement of Activities
Period Ended June 30, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues				
Transfers from USMF	\$ -	\$ 9,636,643	\$ 17,785,514	\$ 27,422,157
Contributions	339,239	29,617,693	18,024,066	47,980,998
Investment income	1,404,967	2,369,419	-	3,774,386
Endowment management and investment fees	1,509,666	(1,800,013)	-	(290,347)
Other program income	71,999	-	-	71,999
Sales and services	224,155	-	-	224,155
Other income	456,679	-	-	456,679
Courses and conferences	20,030	-	-	20,030
Realized and unrealized gains (losses) on investments, net	64,936	14,545,320	1,594,622	16,204,878
Change in valuation of split-interest agreements	(1,537)	(241,662)	87,287	(155,912)
Net assets released from restrictions	29,104,558	(29,104,558)	-	-
Total revenues	<u>33,194,692</u>	<u>25,022,842</u>	<u>37,491,489</u>	<u>95,709,023</u>
Expenses				
Program	30,906,387	-	-	30,906,387
General and administrative	564,532	-	-	564,532
Fundraising	612,439	-	-	612,439
Total expenses	<u>32,083,358</u>	<u>-</u>	<u>-</u>	<u>32,083,358</u>
Change in net assets before change in donor designation	1,111,334	25,022,842	37,491,489	63,625,665
Change in donor designation	-	(510,260)	510,260	-
Change in net assets	<u>1,111,334</u>	<u>24,512,582</u>	<u>38,001,749</u>	<u>63,625,665</u>
Net assets (deficit)				
Beginning of year	875,407	103,779,594	114,778,546	219,433,547
End of period	<u>\$ 1,986,741</u>	<u>\$ 128,292,176</u>	<u>\$ 152,780,295</u>	<u>\$ 283,059,212</u>

The accompanying notes are an integral part of these financial statements.

The University of Maryland College Park Foundation, Inc.
Statements of Cash Flows
Years Ended June 30, 2007 and 2006

	2007	2006
Cash flows from operating activities		
Change in net assets	\$ 51,753,327	\$ 63,625,665
Adjustment to reconcile change in net assets to cash and cash equivalents provided by operating activities		
Net realized and unrealized (gains)/losses on investments	(35,597,384)	(16,204,878)
Change in valuation of split-interest agreements	294,721	155,912
Decrease in accounts receivable	36,227	39,577
Decrease in accrued interest receivable	9,983	283,427
(Increase) in contributions receivable	(7,616,672)	(4,087,613)
(Increase) in other assets	(537,031)	(84,818)
Decrease (increase) in other receivables-long term	4,000	(65,000)
Increase (decrease) in accounts payable and accrued expenses	3,598,122	(969,564)
(Decrease) in deferred income	(128,684)	(349,050)
Increase in funds held for others	447,527	228,562
Contributions restricted for long-term investment	<u>(10,062,953)</u>	<u>(26,624,517)</u>
Total adjustments	<u>(49,552,144)</u>	<u>(47,677,962)</u>
Net cash and cash equivalents provided by operating activities	<u>2,201,183</u>	<u>15,947,703</u>
Cash flows from investing activities		
Purchases of investments	(65,901,840)	(63,197,557)
Sales of investments	49,982,858	23,354,022
Net cash and cash equivalents used in investing activities	<u>(15,918,982)</u>	<u>(39,843,535)</u>
Cash flows from financing activities		
Increase in annuities payable	465,590	134,358
Contributions restricted for long-term investment	<u>10,062,953</u>	<u>26,624,517</u>
Net cash and cash equivalents provided by financing activities	<u>10,528,543</u>	<u>26,758,875</u>
Net (decrease) increase in cash and cash equivalents	(3,189,256)	2,863,043
Cash and cash equivalents		
Beginning of year	<u>7,026,431</u>	<u>4,163,388</u>
End of period	<u>\$ 3,837,175</u>	<u>\$ 7,026,431</u>

The University of Maryland College Park Foundation, Inc.

Notes to Financial Statements

Years Ended June 30, 2007 and 2006

1. Nature of Operations

The University of Maryland College Park Foundation, Inc. ("the Foundation"), a separately incorporated, independent foundation, manages funds received for the benefit of the University of Maryland College Park ("UMCP"). During fiscal year 1999, the Maryland State Legislature passed legislation allowing each University System of Maryland institution to establish its own separate, affiliated foundation. In the fiscal year 2000, the Foundation was incorporated. The Foundation is organized to receive, manage, and invest private gifts and/or property for the benefit of UMCP or its related programs and supporting activities. Prior to the incorporation of the Foundation, gifts for the benefit of UMCP were received and managed by the University System of Maryland Foundation, Inc. ("USMF").

Certain Foundation donors that have contributed to USMF and have pledges currently outstanding have been contacted to request that their donated funds and pledges be transferred to the Foundation. In the periods ended June 30, 2007 and 2006, \$595,627 and \$27,422,157, respectively, in endowment and quasi-endowment assets were transferred from USMF to the Foundation. Transfers are valued at market value as of the date of transfer. Approximately \$92.7 million and \$78.9 million of USMF's endowment assets and \$13.0 million and \$11.5 million of USMF's quasi-endowment assets were designated for the benefit of UMCP as of June 30, 2007 and 2006, respectively.

The amount of any future transfers of endowment assets or pledges currently included in the assets of USMF into the Foundation is not determinable.

2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents

Cash and short-term investments with maturities at dates of purchase of three months or less are classified as cash equivalents, except that any such investments purchased with funds on deposit, with funds held in trusts or by external endowment investment managers are classified with the investments. Cash equivalents include short-term U.S. Treasury securities and other short-term, highly liquid investments and are carried at cost plus accrued interest, which approximates market value.

Investments

USMF serves as custodian and investment manager of approximately 82% of the Foundation's investments. The remaining investments are in four separately managed investment pools and some donated bonds and stocks. Approximately \$37.5 million, or 16%, is directly invested by management in four investment pools – Morgan Stanley Real Estate Trust, Vanguard Asset Allocation Fund, the Commonfund Multi-Strategy Equity Fund, and an internal capital preservation fund that consists primarily of U.S. government agency securities and other highly liquid investments. The assets in these funds consisted of donations and earnings on those donations of one principal donor at June 30, 2007. The Other investments of trusts and annuities of \$4.8 million as reported on the Statement of Financial Position at June 30, 2007 are now being managed internally, and are directly invested distinct brokerage accounts at T. Rowe Price. Merrill Lynch was the investment advisor for the trusts and annuities until December 29, 2006.

Investment securities are valued based on quoted market prices or dealer quotes. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities or other reasonable valuation methodologies.

The University of Maryland College Park Foundation, Inc.
Notes to Financial Statements
Years Ended June 30, 2007 and 2006

In general, equity securities listed on national securities exchanges are valued the last quoted sales price, except securities traded on the Nasdaq Stock Market, Inc. ("NASDAQ"), which are valued in accordance with the NASDAQ Official Closing Price. Over the counter securities are valued at the mean between the latest bid and asking prices as furnished by dealers who make markets in such securities. Financial instruments such as corporate bonds or other similar instruments are valued at fair value after consideration of market quotations obtained from published sources, independent pricing services and/or other market participants. To the extent that market quotations are not available or are deemed by the investment manager to be unreliable, fair value is estimated by the investment manager under the general oversight of the Board of Trustees after consideration of factors considered to be relevant, including but not limited to, the type of investment, position size, marketability, (or absence thereof) cost, restrictions on transfer, and available quotations of similar instruments. Total return swap contracts are valued at fair value based upon the quoted market or fair value of the underlying assets.

Investments in limited partnerships are presented at fair value as determined by the general partner under the general oversight of the Board of Trustees. The general partner generally values their investments at fair value. Securities with no readily available market are initially valued at cost, with subsequent adjustment to values which reflect either the basis of meaningful third party transactions in the private market or the fair value deemed appropriate by the general partners. In such instances, consideration is also given to the financial condition and operating results of the issuer, the amount that the investment partnership can reasonably expect to realize upon the sale of the securities, and any other factors deemed relevant. Such value represents the Foundation's proportionate share of the partner's capital in the investment partnership as reported by the general partner. Accordingly, the value of the investment in the partnership is generally increased by additional contributions and the partnership's share of net earnings from the partnership investments and decreased by distributions from the partnerships and the partner's share of net losses.

The Foundation invests in funds of funds. In these cases the valuation for investment within each fund within the fund of funds is determined as noted above. The fund of funds then obtains its share of the valuation from the underlying partnerships and reports the valuation to each partner based on the partner's net equity.

The value assigned to the investment portfolios where there is no public market value is determined by the investment manager in good faith under the general oversight of the Board of Trustees and does not necessarily represent the amount that may ultimately be realized. Because of the inherent uncertainty of valuation of these investments, the estimates of fair value may differ from the values that would have been used had a ready market existed, and the differences could be material.

The change in net unrealized gains or losses on investment securities is reflected in the statement of activities. All gains and losses arising from the sale, collection, or other disposition of investments are accounted for on a specific identification basis calculated as of the trade date.

For endowment assets, which are all held in a pool, investment gains or losses are distributed quarterly among the individual endowment funds on the basis of the number of units of the pool held by each individual endowment account. If the donor document requires that the unspent earnings be added back to corpus, then losses below the cost basis of endowment assets shall first reduce permanently restricted net assets to the extent of accumulated unspent earnings, then temporarily restricted net assets to the extent that donor-imposed temporary restrictions on net appreciation of the assets have not been met before the loss occurs with any remaining loss reducing unrestricted net assets.

Investment income reflected in the statement of activities is recorded net of transfers between unrestricted, temporarily restricted, and permanently restricted revenues. For the period ended June 30, 2007 no fee income was transferred to meet donor requirements.

The University of Maryland College Park Foundation, Inc.

Notes to Financial Statements

Years Ended June 30, 2007 and 2006

As a result of market declines, the fair value of certain donor restricted endowments could be less than the historical cost value of such funds ("underwater"). There were no significant underwater endowments at June 30, 2007 or 2006.

The Foundation has a spending rate rule for its investments held for endowment in order to preserve purchasing power of the assets, to protect against erosion of nominal principal, and to promote stability and predictability of annual budgeting. The spending rate determines the amount to be distributed for current spending with the provision that any amounts remaining after the distributions be transferred and reinvested back into the investment after a specified period of time. The Board of Trustees has authorized a spendable income policy, which is tied to formula. The spending rate is calculated using the following method: (a) computing the December 31 average per unit market value, using the previous twenty quarters, multiplied by 5%, then by the inverse of unit value, weighted at 30%, (b) calculating an adjusted spending rate using the prior year's percentage increased by the Consumer Price Index (CPI), weighted at 70%, and (c) addition the weighted percentages from (a) and (b), subject to restrictions by donor or by law. Once calculated, the rate should be no more than 5% or less than 4% of the moving average market value. The spending rate is applied to the market value at December 31 to determine spendable income. The computed rate was 4.58% and 4.63% for fiscal years 2007 and 2006, respectively.

Classification of Net Assets

The Foundation's net assets have been grouped into the following three classes:

Unrestricted net assets - Unrestricted net assets generally result from revenues derived from providing services, less expenses incurred in providing services, receiving unrestricted contributions, raising contributions, and performing administrative functions.

Temporarily restricted net assets - Temporarily restricted net assets generally result from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations.

Permanently restricted net assets - Permanently restricted net assets generally result from contributions and other inflows of assets that cannot be used by the Foundation. Income from these assets can be unrestricted or restricted based on donor stipulation.

Unrealized and realized gains and losses and dividends and interest from investing in income-producing assets are included in one of these net asset classifications depending on donor restrictions.

Funds Held for Others

Funds held for others consist of funds held by the Foundation on behalf of other institutions. These funds are commingled and managed in the endowment pool of the Foundation. The Foundation assesses these other foundations an annual management fee based on the fair value of endowment funds administered (0.3%).

The University of Maryland College Park Foundation, Inc.
Notes to Financial Statements
Years Ended June 30, 2007 and 2006

Funds held for others at June 30, 2007 and 2006 were as follows (at fair value):

	2007	2006
M-Club	<u>\$ 2,513,269</u>	<u>\$ 2,065,742</u>
	<u>\$ 2,513,269</u>	<u>\$ 2,065,742</u>

Classification of Gifts

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished in subsequent reporting periods, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Contributions for which donors have stipulated restrictions, but which were not within the same reporting period, are reported as unrestricted support.

Unconditional promises to give with payments due in future periods are reported as temporarily or permanently restricted support. Amounts outstanding are recorded at the net realizable value and are discounted based on the period of future payment.

Split-interest Agreements

The Foundation also receives contributions in the form of charitable gift annuities and charitable remainder unitrusts, for which the Foundation acts as trustee and holds the assets. When the trust's obligations to all beneficiaries expire, the remaining assets will revert to the Foundation to be used according to the donor's wishes.

The Foundation recognizes the estimated fair value of these agreements as contributions receivable and revenue from those trust where the Foundation is not the trustee. Where the Foundation is trustee, the estimated fair value is recognized as an asset and as contributions revenue. The fair value is based on the present value of estimated future distributions to be paid over the expected term of the trust agreements. The Foundation recognizes a liability for the portion of the split-interest agreement to be paid to the beneficiary under the terms of the agreement.

Amortization of the related discount and revaluation of expected cash flows are recognized as changes in the value of split-interest agreements in the year in which they occur.

The Foundation recognizes a liability for the portion of the proceeds under the split-interest agreements to be paid to beneficiaries under the terms of the agreements. The liability is expected to be paid in five to ten years based on IRS actuarial tables. The expected rate of return of these assets ranges from approximately 9.5 to 12%, and the discount rate used to compute the present value of these receivables is 5.6%, a long-term risk-free rate.

Administrative Fees

Foundation management designates investments from all net asset classes into operating and endowment categories. Administrative fees are charged by the Foundation to cover operating expenses as follows, depending on the type of investment portfolio into which the assets are placed:

Investments - operating – The Foundation's operating accounts are not assessed charges to fund the operating budget. Instead, to cover the operating budget and other financial obligations of the Foundation, the Foundation retains all investment earnings on operating funds.

The University of Maryland College Park Foundation, Inc.
Notes to Financial Statements
Years Ended June 30, 2007 and 2006

Investments - endowment – Professional investment fees are deducted by the investment manager prior to the distribution of income. In addition, the Foundation annually assesses each endowment account for management and investment fees 1.9 % based on assets managed.

Investment Agreement with USMF

The Foundation has signed an investment management agreement with USMF, whereby funds held by the Foundation will be invested according to the policies set by USMF's Finance Committee of its Board of Trustees. USMF is the custodian of the Foundation assets under this agreement. This agreement also allows the Foundation to invest its assets in USMF investment pools. The Foundation pays USMF an investment fee of 0.3% on the net market value of endowments as of June 30th of the previous fiscal year (included in the 1.9% administrative assessment) for these services.

Expenses

The Foundation expends certain funds considered as general and administrative in nature. These funds are either on behalf of UMCP or its related programs and supporting activities or for the Foundation's business operations and have been classified as such.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Significant items subject to such estimates and assumptions include the allocation of investments by type, the fair value of non-traditional investments and the net realizable value of accounts and contributions receivable. Actual results could differ from those estimates.

The contributions receivable balance is based on management's best estimate of the amounts expected to be collected and the prior year's experience. The amounts the Foundation will ultimately realize could differ in the near term from the amounts assumed in arriving at the present value and allowance for doubtful accounts. The rates utilized in arriving at the values used to discount pledges for future payments were derived from the two year and five year Federal Reserve treasury constant maturity rates at the date of the gift. Contributions that are expected to be received within two to five years are discounted at the two year treasury constant maturity rate. Contributions expected to be received more than five years from the pledge date are discounted at the five year treasury constant maturity rate.

The University of Maryland College Park Foundation, Inc.
Notes to Financial Statements
Years Ended June 30, 2007 and 2006

Investments

The fair value of the investments at June 30, 2007 and 2006 was:

	2007	2006
Operating fund		
Money market funds and short-term investments	\$ 2,291,479	\$ 484,271
Fixed income	4,915,866	5,989,715
Private equity	466,208	337,774
Real estate	315,677	542,993
Absolute return	4,988,995	4,270,737
Hedged global and U.S. equities	3,987,937	2,955,455
Global equities	504,206	923,784
	<u>\$ 17,470,368</u>	<u>\$ 15,504,729</u>
Other investments (trusts and annuities)		
Money market funds and short-term investments	\$ 552,613	\$ 249,815
Fixed income	667,470	571,383
U.S. equities	2,076,409	714,686
International equity	804,930	1,885,758
Real estate	500,836	395,206
Commodity index fund	233,304	-
	<u>\$ 4,835,562</u>	<u>\$ 3,816,848</u>
Endowment fund and funds held for others		
Money market funds and short-term investments	\$ 17,995,825	\$ 2,314,351
Fixed income	6,075,781	6,766,325
Private equity	16,790,106	13,102,064
Real estate	23,331,605	33,847,873
Absolute return	34,966,230	30,175,598
Hedged global and U.S. equities	95,182,390	73,594,102
Global equities	18,612,976	14,608,026
	<u>\$ 212,954,913</u>	<u>\$ 174,408,339</u>

The total cost of the endowment investment portfolio as of June 30, 2007 and 2006 was \$154,369,356 and \$144,158,854 respectively.

Hedged global and U.S. equities take long and short positions in primarily US publicly traded equity securities in an effort to achieve attractive returns with moderate risk. Private equity investments represent purchases of all or a portion of the equity interest in a company and the arrangement allows the purchasing group to take control. Absolute return strategies consist of a core equity portfolio complemented with index call and put options designed to help manage portfolio risk.

Reclassification

Certain amounts for the year ended June 30, 2006 have been reclassified to conform to the current year's presentation with no effect on previously reported net assets.

The University of Maryland College Park Foundation, Inc.
Notes to Financial Statements
Years Ended June 30, 2007 and 2006

3. Concentration of Credit Risk

Financial instruments which potentially subject the Foundation to a concentration of credit risk principally consist of cash and cash equivalents and investments. The Trust Division of two financial institutions as well as three institutional investment companies hold these assets as custodian. The total deposits at this institution exceed the amount guaranteed by federal agencies and, therefore, bear some risk since they are not collateralized. However, as held by the Trust Division, they are not attachable by the creditors of the financial institution. UMCPF and USMF perform periodic evaluations of these institutions for relative credit standing. Total amounts held at these institutions approximated \$268 million and \$219 million as of June 30, 2007 and 2006, respectively.

4. Contributions Receivable

Promised contributions are due as follows as of June 30, 2007 and 2006:

	2007	2006
Due within one year	\$ 35,882,924	\$ 20,027,261
Due within 2-5 years	38,985,541	44,964,336
More than five years*	<u>10,625,544</u>	<u>14,450,615</u>
	85,494,009	79,442,212
Less: allowance for doubtful accounts	(2,917,491)	(2,690,916)
Less: discount to present value	<u>(5,633,698)</u>	<u>(7,425,148)</u>
Total contributions receivable, net	<u>\$ 76,942,820</u>	<u>\$ 69,326,148</u>

* Includes trusts held by third parties valued at \$971,723 and \$986,415 at June 30, 2007 and 2006, respectively.

The discount rate is based on the yield at year-end of the appropriate United States Treasury.

5. Conditional Promises to Give and Intentions

Contributors have informed the Foundation of intentions to give of approximately \$12.4 million and \$41.1 million during the fiscal years ended June 30, 2007 and 2006 respectively. These relate primarily to bequest and revocable trusts, which can be changed and/or amended at the contributor's discretion. Therefore, they are appropriately not recorded in the accompanying financial statements.

The University of Maryland College Park Foundation, Inc.
Notes to Financial Statements
Years Ended June 30, 2007 and 2006

6. Restricted Net Asset Activity

Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes at June 30, 2007 and 2006:

	2007	2006
Academic programs	\$ 61,733,005	\$ 44,352,103
Scholarship/fellowship	40,079,019	34,574,135
Facility and advancement	28,252,779	26,870,235
University advancement	22,925,236	15,956,224
Research	5,384,015	3,631,959
Athletics	2,169,471	1,942,563
Student support	1,908,930	964,957
Total	<u>\$ 162,452,455</u>	<u>\$ 128,292,176</u>

There was no transfer from permanently restricted net assets to temporarily restricted net assets during the periods ended June 30, 2007 and 2006.

Permanently Restricted Net Assets

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable for the following purposes at June 30, 2007 and 2006:

	2007	2006
Academic programs	\$ 105,614,539	98,894,281
Scholarship/fellowship	44,981,438	38,358,397
University advancement	11,894,364	11,881,351
Facility and advancement	2,303,591	1,740,697
Student support	1,097,444	966,750
Research	951,384	931,328
Athletics	7,598	7,491
Total	<u>\$ 166,850,358</u>	<u>\$ 152,780,295</u>

During the periods ended June 30, 2007 and 2006, some donors changed the designation on their gifts, transferring the amounts from temporarily restricted net assets to permanently restricted net assets. The transfer from temporarily restricted net assets to permanently restricted net assets totalled \$102,381 and \$510,260 in the years ended June 30, 2007 and 2006, respectively.

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Net Assets Released from Restriction

Net assets were released from donor restrictions when expenses were incurred to satisfy the restricted purposes or by occurrence of other events as specified by donor. Purpose restrictions were accomplished as follows for the periods ended June 30, 2007 and 2006:

	2007	2006
Scholarship/fellowship	\$ 15,749,869	\$ 14,468,370
Academic programs	9,610,917	6,566,322
Facility advancement	8,482,318	4,225,837
University advancement	2,204,094	1,184,139
Athletics	679,231	1,257,520
Research	1,402,124	1,162,668
Student support	205,175	239,702
Total	<u>\$ 38,333,728</u>	<u>\$ 29,104,558</u>

7. Related Party Transactions

Various members of the Board of Trustees of the Foundation may also be members of the Board of Trustees of the investment manager, the University System Maryland Foundation, Inc.

The Foundation has no employees. The University tracks and administers all payroll and fringe benefit costs for its employees who substantially support the Foundation. These costs include pension plan costs, but the amount of expense specifically attributable to the University's pension plan for the Foundation employees has not been determined. The Foundation reimburses the University for the costs on an annual basis, estimating the salary costs of individuals devoting effort to the Foundation, and applying a 22% fringe rate in addition to the salary costs.

Additionally, the Foundation supports commitments for fund raising expenses of the University, as per the affiliation agreement with UMCP. The amount paid by the Foundation to the University was \$1,572,221 and \$1,339,840 for the years ended June 30, 2007 and 2006 respectively.

8. Income Taxes

The Foundation is organized and operated exclusively for charitable and educational purposes within the meaning of the provisions of Section 501(c) (3) of the Internal Revenue Code. Since the Foundation had no material unrelated business income for the periods ended June 30, 2007 and 2006, no provision for income taxes has been made.

9. Charitable Gift Annuity Requirements

As required by the State of Maryland, the Foundation internally restricted cash and investments in excess of annuity liabilities of approximately \$2,264,000 and \$1,711,000, as of June 30, 2007 and 2006, respectively.

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10. Commitments and Contingent Liabilities

During the course of its operations, the Foundation may be exposed to various forms of litigation, claims and assessments. As of June 30, 2007, management was not aware of any such matters that could have a material effect on the Foundation's financial position, change in net assets, or cash flows.

On August 20, 2007, the foundation issued a first mortgage loan to a faculty member in the Physics department in the amount of \$703,920. The loan has an interest rate of 6.18% and matures on September 1, 2037.

11. Financial Guarantee

On August 22, 2003 USMF entered into a Guaranty Agreement, pursuant to which it guaranteed the full and prompt payment and performance of the first \$3 million of The University of Maryland Alumni Association's (UMAA) obligations to the Maryland Economic Development Corporation for its building program, the Samuel Riggs IV Alumni Center. The guaranty is to be reduced by the amount that the outstanding bond principal is reduced. In fiscal year 2007, the second principal payment of \$402,500 was remitted. This reduced the guaranty amount to \$2,195,000. In a separate agreement, the Foundation indemnified USMF's liability over \$1.5 million. For the fiscal years 2007 and 2006, the Foundation indemnified USMF's liability for \$695,000 and \$1,500,000 respectively. Management has evaluated the fair value of this guarantee and does not believe it has a material effect to the Foundation's financial position.

12. New Accounting Pronouncements

On September 15, 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements." SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosure about fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. The standard does not expand the use of fair value in any new circumstances, but provided clarification on acceptable fair valuation methods and applications. At this time, management is evaluating the implications of FASB 157 and its impact of the financial statements has not yet been determined.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"). SFAS 159 permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS 159 is effective for fiscal years beginning after November 15, 2007. We are currently assessing the impact of SFAS 159 on our consolidated financial position and results of operations.