The University of Maryland College Park Foundation, Inc.

Consolidated Financial Statements
June 30, 2011 and 2010

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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 consolidated statements of financial position and the related consolidated statements of activities and changes in net assets and cash flows present fairly, in all material respects, the financial position of The University of Maryland College Park Foundation, Inc. and its subsidiaries (the "Foundation") at June 30, 2011 and 2010, and the changes in their net assets and their 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 audits 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.

PricewaterhouseCoopers LLP

September 30, 2011

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The University of Maryland College Park Foundation, Inc.
Consolidated Statements of Financial Position
June 30, 2011 and 2010

	2011	2010
Assets		
Current assets		
Cash and cash equivalents	$ 20,526,533	$ 16,051,563
Accounts receivable	1,140	14,541
Accrued interest receivable	3,601	8,940
Contributions receivable, current portion	37,149,938	30,258,814
Other assets	349,920	415,598
Total current assets	58,031,132	46,749,456
Investments		
Endowment	222,887,336	189,008,888
Operating	24,543,066	38,756,397
Funds held for others	2,369,211	2,021,877
Other investments	5,577,577	4,190,278
Total investments	255,377,190	233,977,440
Other assets		
Contributions receivable, long-term portion	35,591,098	38,480,833
Property and equipment (net of accumulated depreciation)	19,783,435	4,953,756
Other receivables-long term	807,481	778,138
Total other assets	56,182,014	44,212,727
Total assets	$ 369,590,336	$ 324,939,623
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	$ 542,872	$ 595,562
Deferred income	1,321,060	1,858,006
Total current liabilities	1,863,932	2,453,568
Other liabilities		
Funds held for others	2,374,300	2,029,040
Annuities payable	3,231,893	2,707,712
Total other liabilities	5,606,193	4,736,752
Total liabilities	7,470,125	7,190,320
Net assets		
Unrestricted	13,516,544	6,394,332
Temporarily restricted	155,200,038	123,624,327
Permanently restricted	193,403,629	187,730,644
Total net assets	362,120,211	317,749,303
Total liabilities and net assets	$ 369,590,336	$ 324,939,623

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

The University of Maryland College Park Foundation, Inc.
Consolidated Statement of Activities and Changes in Net Assets
Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Contributions	$ 100,000	$ 37,133,530	$ 6,286,496	$ 43,520,026
Investment income, net of fees	4,118,949	(1,764,808)	-	2,354,141
Other program income	170,862	-	-	170,862
Sales and services	652,145	-	-	652,145
Other income	359,857	-	-	359,857
Courses and conferences	97,912	-	-	97,912
Realized and unrealized gains (losses) on investments, net	6,041,702	27,137,519	(7,353)	33,171,868
Change in valuation of split-interest agreements	6,218	(621,241)	236,100	(378,923)
Revision of donor intent (see footnote 2)	-	842,258	(842,258)	-
Net assets released from restrictions	31,151,547	(31,151,547)	-	-
Revenues from UMCPF Services, LLC	914,884	-	-	914,884
Total revenues	43,614,076	31,575,711	5,672,985	80,862,772
Expenses				
Program	32,983,931	-	-	32,983,931
General and administrative	2,010,938	-	-	2,010,938
Fundraising	314,380	-	-	314,380
UMCPF Services LLC operating expenses	1,182,615	-	-	1,182,615
Total expenses	36,491,864	-	-	36,491,864
Change in net assets	7,122,212	31,575,711	5,672,985	44,370,908
Net assets at beginning of year	6,394,332	123,624,327	187,730,644	317,749,303
Net assets at end of period	$ 13,516,544	$ 155,200,038	$ 193,403,629	$ 362,120,211

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

The University of Maryland College Park Foundation, Inc.
Consolidated Statement of Activities and Changes in Net Assets
Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Contributions	$ -	$ 36,067,521	$ 5,700,669	$ 41,768,190
Transfers from USMF	-	-	33,856	33,856
Investment income, net of fees	2,671,452	(3,203,607)	2,849,652	2,317,497
Other program income	114,400	-	-	114,400
Sales and services	549,550	-	-	549,550
Other income	249,280	-	-	249,280
Courses and conferences	16,210	-	-	16,210
Realized and unrealized gains (losses) on investments, net	12,462,849	11,550,007	-	24,012,856
Change in valuation of split-interest agreements	8,129	(401,740)	186,234	(207,377)
Revision of donor intent (see footnote 2)	-	10,792,455	(10,792,455)	-
Net assets released from restrictions	35,916,913	(35,916,913)	-	-
Revenues from UMCPF Services, LLC	940,060	-	-	940,060
Total revenues	52,928,843	18,887,723	(2,022,044)	69,794,522
Expenses				
Program	36,229,228	-	-	36,229,228
General and administrative	1,246,600	-	-	1,246,600
Fundraising	818,883	-	-	818,883
UMCPF Services LLC operating expenses	1,388,615	-	-	1,388,615
Total expenses	39,683,326	-	-	39,683,326
Change in net assets before change in donor designation	13,245,517	18,887,723	(2,022,044)	30,111,196
Change in donor designation	-	(40,499)	40,499	-
Change in net assets	13,245,517	18,847,224	(1,981,545)	30,111,196
Net assets at beginning of year	(6,851,185)	104,777,103	189,712,189	287,638,107
Net assets at end of period	$ 6,394,332	$ 123,624,327	$ 187,730,644	$ 317,749,303

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

The University of Maryland College Park Foundation, Inc.
Consolidated Statements of Cash Flows
Years Ended June 30, 2011 and 2010

	2011	2010
Cash flows from operating activities		
Change in net assets	$ 44,370,908	$ 30,111,196
Adjustment to reconcile change in net assets to cash and cash equivalents provided by (used in) operating activities		
Net realized and unrealized gains on investments	(33,171,868)	(24,012,856)
Net realized gains on sale of fixed assets	(17,267)	-
Depreciation	190,322	190,322
Change in valuation of split-interest agreements	726,257	409,914
Gift of property and equipment	(531,900)	-
Decrease in accounts receivable	13,401	19,445
Decrease in accrued interest receivable	5,339	1,339
Increase in contributions receivable	(4,001,389)	(2,343,624)
Decrease/(increase) in other assets	63,604	(663,800)
Increase in other receivables-long term	(29,343)	(74,381)
Decrease in accounts payable and accrued expenses	(52,690)	(1,491,471)
Decrease in deferred income	(536,946)	(1,051,816)
Contributions restricted for long-term investment	(6,286,496)	(5,734,525)
Total adjustments	(43,628,976)	(34,751,453)
Net cash and cash equivalents provided by (used in) operating activities	741,932	(4,640,257)
Cash flows from investing activities		
Purchases of investments	(16,394,224)	(95,219,306)
Sales of investments	27,787,419	96,404,352
Purchase of fixed assets	(15,055,101)	-
Sales of fixed assets	584,267	-
Net cash and cash equivalents provided by (used in) investing activities	(3,077,639)	1,185,046
Cash flows from financing activities		
Increase (decrease) in annuities payable	524,181	(66,010)
Contributions restricted for long-term investment	6,286,496	5,734,525
Net cash and cash equivalents provided by financing activities	6,810,677	5,668,515
Net increase in cash and cash equivalents	4,474,970	2,213,304
Cash and cash equivalents		
Beginning of year	16,051,563	13,838,259
End of period	$ 20,526,533	$ 16,051,563

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

1. Nature of Operations

The University of Maryland College Park Foundation, Inc. (the "Foundation" or "UMCPF"), an independent foundation incorporated in 2000, manages funds received for the benefit of the University of Maryland College Park ("UMCP").

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 period ended June 30, 2011 no endowment or quasi-endowment assets were transferred from USMF to the Foundation. In the period ended June 30, 2010, $33,856 of endowment or quasi-endowment assets were transferred from USMF to the Foundation. Approximately $78.0 and $68.1 million of USMF's endowment assets and $11.8 and $10.1 million of USMF's quasi-endowment assets were designated for the benefit of UMCP as of June 30, 2011 and 2010, 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.

In December 2008, the Foundation organized a limited liability company in the name of UMCPF Services, LLC ("the LLC"). The LLC is managed solely by the Foundation. The purposes for which the LLC was formed are (i) to operate and manage businesses, such as a golf course and restaurant, (ii) to provide transportation and other services that are related to such operation and management, and (iii) to conduct any other business, operation, or activity deemed proper by the Foundation, and for any purpose as permitted by Section 4A-201 of the Maryland Limited Liability Company Act.

2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Consolidation and Presentation

The consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. As described in Note 1, the consolidated financial statements include the accounts of the Foundation and the LLC after elimination of all significant intercompany accounts and transactions.

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.

Valuation of Investments
The Foundation carries its investments at market value to the extent that market quotations are readily available and reliable. To the extent that market quotations are not available or are considered to be unreliable, fair value is estimated by the investment manager under the general oversight of the Board of Trustees of the Foundation 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. Due to the uncertainty inherent in the valuation process, such estimates of fair value may differ significantly from the values that would have been obtained had a ready market for the investments existed, and the differences could be material. Additionally, changes in the market environment and other events that may occur over the life of the investments may cause the gains or losses ultimately realized on these investments to be different than the valuations currently assigned. There is no single standard for determining fair value in good faith, as fair value depends upon circumstances of each individual case. In general, fair value is the amount that the Foundation might reasonably expect to receive upon the current sale of the investment in an arms-length transaction in the investment's principal market.

The change in net unrealized gains or losses on investment securities is reflected in the Statements of Activities and Changes in Net Assets. 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 transaction 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 unspent earnings be added back to the corpus, then losses below the cost basis of endowment assets shall first reduce permanently restricted net assets to the extent of accumulated unexpended 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.

See Note 3 for further details on valuation of investments.

Contributions of Real and Personal Property and Equipment
Contributed property is recorded at fair value at the date of the donation. Donations of property with donor restrictions placed on the use of the assets or the sale of such assets are recorded as restricted support. In the absence of donor stipulations, contributions of property and equipment are considered as owned by the Foundation and are recorded as unrestricted support. In fiscal year 2011, property and equipment worth $531,900 was contributed to the Foundation. In fiscal year 2010, no property and equipment was contributed to the Foundation.

Property and Equipment
Property and equipment are stated at cost, except for contributions of property and equipment for which it is recorded at fair value based on valuations performed. For unrestricted assets, the cost of property and equipment purchased in excess of $1,000 is capitalized. As of June 30, 2011 and 2010, $19,067,321 and $4,012,221, respectively, of property and equipment included land. Depreciation and amortization are provided in amounts sufficient to amortize the cost of the property and equipment over the estimated useful lives of the assets (ranging from 5 to 40 years) on a straight-line basis. Accumulated depreciation as of June 30, 2011 and 2010 was $464,047 and $273,725, respectively.

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.

Classification of Net Assets
The Foundation's net assets have been grouped into the following three classes:

<u>*Unrestricted net assets*</u> - 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. All unrestricted funds are for the use of the Foundation's supporting activities.

<u>*Temporarily restricted net assets*</u> - 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.

<u>*Permanently restricted net assets*</u> - 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%) for 2011 and 2010.

Funds held for others at June 30, 2011 and 2010 were as follows (at fair value):

	2011	2010
M-Club	$ 2,369,211	$ 2,021,877
	$ 2,369,211	$ 2,021,877

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 are met 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, using a rate of return that a market participant would expect to receive at the date the pledge is received

Pledges Receivable
Unconditional promises to give with payments due in future periods are reported as temporarily or permanently restricted support when the funds are pledged. Amounts due are recorded at the net

realizable value discounted using a rate of return that a market participant would expect to receive over the payment period at the date the pledge is received. An allowance for uncollectible pledges is recorded for pledges which may become uncollectible in future periods. Amounts deemed to be uncollectible have been written off. The contributions receivable balance is based on management's best estimate of the amounts expected to be collected. The amounts the Foundation will ultimately realize could differ from the amounts assumed in arriving at the present value and allowance for doubtful accounts.

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 trusts 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 estimated annuity liabilities expected terms are based on IRA actuarial tables. The discount rates used to compute the present value of these receivables are the original discount rates used at the time of the gift under IRC Section 75206(a) and ranged from 4.6% to 10.8%.

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 Foundation pays 0.4% of the market value to USMF for current use fund investment management services in accordance with the terms of the investment management agreement.

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 a fee for management and administrative expenses at a rate of 1.9% of the market value of assets managed. The management fee charged to the endowments by the Foundation of $584,080 and $707,372 for the years ended June 30, 2011 and 2010, respectively, is included in Investment income, net of fees in the Statements of Activities and Changes in Net Assets. The Foundation pays 0.3% of the market value to USMF for endowment investment management services in accordance with the terms of an investment management agreement. During the fiscal year ending June 30, 2011, the USMF and UMCPF foundations entered into a 1 year interim management agreement while the terms of a new agreement were being negotiated by the boards of both foundations. The interim management agreement differed only slightly from the terms of the previously expired agreement and these differences did not have a material impact on the financial statements being presented for the fiscal year ending June 30, 2011. A new agreement with USMF was signed June 27, 2011 and was effective July 1, 2011.

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.

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 years ended June 30, 2011 and 2010, no provision for income taxes has been made.

The FASB issued guidance on accounting for uncertainty in income taxes clarifies the accounting for uncertainty of income tax positions. This guidance defines the threshold for recognizing tax return positions in the financial statements as "more likely than not" that the position is sustainable, based on its technical merits. This guidance also provides guidance on the measurement, classification and disclosure of tax return positions in the financial statements. No asset or liability has been recorded as of June 30, 2011 or June 30, 2010 for uncertain tax positions. The Foundation is no longer subject to U.S. federal or state examinations by tax authorities for years before fiscal year ended June 30, 2007.

Revision of Donor Intent

The Consolidated Statement of Activities and Changes in Net Assets for fiscal year 2011 includes a revision of $842,258 from permanently restricted net assets to temporarily restricted net assets resulting from changes in donor intent. The Consolidated Statement of Activities and Changes in Net Assets for fiscal year 2010 includes a revision of $10,792,455 from permanently restricted net assets to temporarily restricted net assets related to out of period adjustments arising from fiscal year 2006 to fiscal year 2009. Certain endowment funds historically required, through written Memorandums of Understanding ("MOUs") signed by the donor, any unspent earnings to be reverted to permanently restricted classified principal. However these MOUs have been, in previous years, revised to allow unspent earnings to be spent in future periods, thus allowing unspent earnings to be reclassified to temporarily restricted net assets. A revision entry was made in fiscal year 2010 to correctly present earnings previously recorded in permanently restricted as temporarily restricted, in order to align earnings with the language of the revised MOUs. This revision had no impact on total net assets, total changes in net assets or total investments and is not considered material to the financial statements.

3. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value standard discusses valuation techniques such as the market approach, cost approach and income approach and establishes a three-tier level hierarchy for fair value measurements based upon the transparency of inputs used to value an asset or liability as of the measurement date. The three-tier hierarchy prioritizes the inputs used in measuring fair value as follows:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in this category included listed equities and listed bonds.

Level 2 – Pricing inputs including inputs in markets that are not considered to be active for identical investments observable as of the reporting date. Investments which are generally included in this category include less liquid and restricted equity securities.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant judgment or estimation. Investments that are included in this category generally include investments in corporate private equity and investment funds as well as off-shore hedge funds in which the Foundation does not have readily available access due to lock up periods and/or partnership agreements. In addition, the Foundation depends on the general partner or the investment manager of the investment for pricing information. In general, the investment funds and partnerships that are within level 3 are subject to annual audits.

The Foundation considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, provided by multiple, independent sources that are actively involved in the relevant market. An investment's level with the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment on the part of the Foundation. The categorization of an investment with the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the perceived risk of that investment.

Some of the Foundation's investments may be illiquid and the Foundation may not be able to vary the portfolio in response to changes in economic and other conditions. Some of the investments that are purchased and sold are traded in private, unregistered transactions and are therefore subject to restrictions on resale or otherwise have no established trading market. In addition, if the Foundation is required to liquidate all or a portion of its portfolio quickly, the Foundation may realize significantly less than the value at which it previously recorded those investments.

The following tables present the financial investments carried at fair value as of June 30, 2011 and 2010, by the fair valuation hierarchy defined above:

	June 30, 2011			
	Total Fair Value	Quoted Prices in Active Markets for Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Inputs (Level 3)
Investments				
Cash equivalents and short term securities[1]	$ 30,488,224	$ 30,488,224	$ -	$ -
Commonfund Multistrategy Equity Fund[2]	5,412,503	-	5,412,503	-
Bonds[3]	801,000	-	801,000	-
Investments in special strategies - USMF[4]	218,675,463	25,050,511	26,727,433	166,897,519
Total investments	$ 255,377,190	$ 55,538,735	$ 32,940,936	$ 166,897,519

	June 30, 2010			
	Total Fair Value	Quoted Prices in Active Markets for Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Inputs (Level 3)
Investments				
Cash equivalents and short term securities[1]	$ 37,351,545	$ 37,351,545	$ -	$ -
Commonfund Multistrategy Equity Fund[2]	4,265,529	-	4,265,529	-
Bonds[3]	1,311,000	-	1,311,000	-
Investments in special strategies - USMF[4]	191,049,366	7,514,017	26,203,681	157,331,668
Total investments	$ 233,977,440	$ 44,865,562	$ 31,780,210	$ 157,331,668

There were no transfers of assets between Level 1, 2 or 3 classification for the year ended June 30, 2011.

Following is a description of the Foundation's valuation methodologies for assets measured at fair value.

(1) Cash equivalents and money market funds include amounts invested in accounts with depository institutions which are readily convertible to known amounts of cash. Total deposits maintained at these institutions at times exceed the amount insured by federal agencies and therefore, bear a risk of loss. The Foundation has not experienced such losses on these funds. The Foundation invests in these assets to maintain liquidity for spending needs.

(2) The Commonfund Multistrategy Equity Fund invests in a broad spectrum of equity strategies, most of which are traded on a national stock exchange. The Commonfund is however not publicly traded. Fair value is based on the Commonfund's net asset value, which renders the investment as Level 2. The Foundation invests in the Commonfund to diversify their equity portfolio and gain exposure to the overall direction of global equity markets. There are not any outstanding unfunded commitments as of June 30, 2011.

(3) The fair value of the bonds is based upon other than quoted prices with observable inputs; therefore these investments are rendered to be classified as Level 2. These investments fluctuate in value based upon changes in interest rates. There are not any outstanding unfunded commitments as of June 30, 2011.

(4) Investments in special strategies are invested by USMF on behalf of UMCPF in a unitized portfolio, which utilizes an array of different investment strategies. Value is based on unobservable inputs and relies on underlying general partners and investment managers for pricing information. Redemption from this investment is dependent on redemptions from the underlying investments of the portfolio; therefore, the unitized portfolio's fair value leveling is dependent on the level hierarchy of the underlying investments. The Foundation invests in the unitized portfolio to benefit from economies of scale to gain access to the underlying investment strategies. The investment strategies of the unitized portfolio include the following:

Managed accounts investing in money-market funds and short-term investments represent approximately 4% of the total investment in special strategies - USMF at June 30, 2011. These include amounts invested in accounts with depository institutions and managed accounts which are readily convertible to known amounts of cash. Money-market and short-term investments are unitized to maintain liquidity for spending needs and unfunded commitment liability. Total deposits maintained at these institutions at times exceed the amount insured by federal agencies and therefore, bear a risk of loss. The unitized portfolio has not experienced such losses on these funds.

Managed accounts investing in U.S. treasury notes and bonds, corporate and foreign bonds, and collateralized mortgage obligations and mortgage backed securities represent approximately 2%,8%, and 3%, respectively, of the total Investment in special strategies - USMF at June 30, 2011. Fair value is based upon quotes for similar securities, rendering these investments as Level 2. The value, liquidity and related income of these securities are sensitive to changes in economic conditions, including real estate value, delinquencies and/or defaults, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates and credit downgrades. The unitized portfolio invests in these assets to protect in the event of sudden interest rate changes as well as to maintain liquidity.

Investments in equity securities represent approximately 7% of the total Investment in special strategies - USMF at June 30, 2011. Fair value for securities traded on a national securities exchange are valued at 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 asked prices as furnished by dealers who make markets in such securities. The unitized portfolio invests in equity securities to gain exposure to the overall direction of global equity markets. The underlying securities within the account have quoted prices available in active markets and have no redemption restrictions and, therefore, are classified as Level 1 investments.

Investments in absolute return represent approximately 18% of the total Investment in special strategies - USMF at June 30, 2011, and consists of investments that involve the purchase and sale of shares in companies that are subject of publically announced transactions, including corporate combinations (for cash or exchange of shares), tender offers, restructurings, liquidations, bankruptcies, capitalizations and deals in distressed securities, which are discounted securities of a company in financial distress or bankruptcy. The fair value of these investments has been estimated using the net asset value per share of the investments. The majority of these investments can be redeemed within one year. The remainder of these investments has liquidity provisions that extend past one year. Notice period for redemption of investments ranges from one month to six months. There are no outstanding unfunded commitments to this asset category.

Investments in long/short strategies represent approximately 27% of the total Investment in special strategies - USMF at June 30, 2011, and take long and short positions in publicly traded equity securities in an effort to achieve attractive returns with moderate risk. Also included in these categories are off-shore investment vehicles. The investment managers value the assets held in the fund at all hierarchy levels. However, the Foundation's subscription agreement locks up its investment for a period of time and does not allow for sale to another. Also, early withdrawal carries a penalty. Therefore, even though the underlying assets in some of the vehicles are readily saleable in the open market, the unitized portfolio does not have the ability and, therefore, has classified investments in those vehicles as Level 3. The fair value of these investments has been estimated using the net asset value per share of the investments. The majority of these investments can be redeemed within one year. The remainder of these investments has liquidity provisions that extend past one year. Notice period for redemption ranges from one month to six months. There are no outstanding commitments to this asset category.

Private capital investments represent approximately 31% of the total Investment in special strategies - USMF at June 30, 2011, and represents purchases of all or a portion of the equity interest in a, company and the arrangement allows the purchasing group to take control. Venture capital investments are made in non-marketable securities of new companies or companies considered to be in the early stages of growth. Real estate and energy and natural resources investments include investments in partnerships where the underlying investment is real estate or related to the energy sector. Investments in private equity investment companies and funds are presented at fair value as approved by the unitized portfolio's management based, in part, on information and valuations provided by the general partner of the partnerships or investment manager. The general partner or manager generally values their investments at fair value. Securities with no readily available market are initially valued at cost, with subsequent adjustments to values which reflect either the basis of meaningful third part transactions in the private market or the fair value deemed appropriate by the unitized portfolio's management. In such instances, consideration is also given to the financial condition and operating results of the issuer, the amount that the investment company/fund can reasonably expect to realize upon the sale of the securities, and any other factors deemed relevant. Such value represents the unitized portfolio's proportionate share of the capital in the investment company/fund. Accordingly, the value of the investment is generally increased by additional contributions and the share of net earnings from the investments and decreased by distributions from the partnerships and the partner's share of net losses. These investments have been labeled as Level 3 based on their lock up periods and the transparency of their assets. Redemption of these investments is left to the discretion of the general partner/manager of the funds. Distributions from each fund will be received as the underlying investments are liquidated.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following table is a roll forward of the statement of financial position amounts for financial instruments classified by the Foundation within level 3 of the fair value hierarchy defined above:

Fair value recorded at June 30, 2009	$ 135,164,316
Unrealized gains	16,505,965
Realized gains	5,913,820
Net purchases	(252,433)
Fair value recorded at June 30, 2010	157,331,668
Unrealized gains	24,888,961
Realized gains	5,475,313
Net purchases	(20,798,421)
Fair value recorded at June 30, 2011	$ 166,897,521

Realized and unrealized gains/(losses) are included in the corresponding line in the Statement of Activities and Changes in Net Assets.

4. Management of Investments

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's investment 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, as well as 0.25% of the market value of the current use funds in accordance with the terms of the investment management agreement.

5. Concentration of Credit Risk

Financial instruments, which potentially subject the Foundation to a concentration of credit risk, consist principally of cash and cash equivalents and investments. The Foundation performs periodic evaluations of the financial institutions with which they invest in for relative credit standing. The total deposits at the institutions may exceed the amount guaranteed by federal agencies and, therefore, bear some risk since they are not collateralized.

6. Contributions Receivable

As of June 30, 2011 and 2010, contributors have unconditionally promised to give $72,741,036 and $68,739,647 to the Foundation, respectively. Promised contributions are due as follows as of June 30:

	2011	2010
Due within one year	$ 39,978,252	$ 32,569,060
Due within 2-5 years	34,916,550	40,429,494
More than five years*	7,459,899	5,045,093
	82,354,701	78,043,647
Less: allowance for doubtful accounts	(5,600,289)	(5,365,123)
Less: discount to present value	(4,013,376)	(3,938,877)
Total contributions receivable, net	$ 72,741,036	$ 68,739,647

* Includes trusts held by third parties valued at $743,289 and $690,608 at June 30, 2011 and 2010, respectively.

The discount rate used to calculate the present value component at June 30, 2011 and 2010 was 3.37% and 3.96%, respectively, for those contributions due in zero to five years and 4.35% and 6.22%, respectively, for contributions due in more than five years.

7. Conditional Promises to Give and Intentions (Unaudited)

Contributors have informed the Foundation of intentions to give of approximately $8.2 million and $7.9 million during the fiscal years ended June 30, 2011 and 2010, respectively. These intentions relate primarily to bequests 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.

8. Endowments

The Foundation's endowment consists of over 600 individual donor restricted endowment funds for a variety of purposes plus the following where the assets have been designated for endowment: pledges receivables, split interest agreements, and other net assets. The endowment consists of donor-restricted endowment funds and funds that may be designated by the Board of Trustees to function as endowments. The net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor restrictions.

The Board of Trustees of the Foundation has interpreted the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) as requiring the preservation of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets, (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure of the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate endowment funds:

1) The duration and preservation of the fund
2) The purposes of the Foundation and the donor restricted endowment fund
3) General economic conditions
4) The possible effect of inflation and deflation
5) The expected total return from income and the appreciation of investments
6) Other resources of the Foundation
7) The investment policies of the Foundation

Endowment net asset composition by type of fund as of June 30 was (in thousands):

2011	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment funds	$ 12,525	$ 48,284	$ 193,515	$ 254,324
Total endowment funds	$ 12,525	$ 48,284	$ 193,515	$ 254,324

2010	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment funds	$ 7,765	$ 18,925	$ 187,731	$ 214,421
Total endowment funds	$ 7,765	$ 18,925	$ 187,731	$ 214,421

Changes in endowment net assets for the year ended June 30 was (in thousands):

2011	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment net assets, beginning of year	$ 7,765	$ 18,925	$ 187,731	$ 214,421
Investment return				
Investment income	-	1,562	-	1,562
Endowment management and investment fees	-	(2,600)	-	(2,600)
Net appreciation (realized and unrealized)	8,334	24,916	229	33,479
Revision of donor intent (see footnote 2)	-	842	(842)	-
Total investment return	16,099	43,645	187,118	246,862
Gifts	-	1,065	6,286	7,351
Appropriation of endowment assets for expenditure	3,574	(3,574)	-	-
Transfer balance of net appreciation to unrestricted	-	-	111	111
Endowment net assets, end of year	$ 12,525	$ 48,284	$ 193,515	$ 254,324

2010	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment net assets, beginning of year	$ (14,939)	$ 14,731	$ 189,712	$ 189,504
Investment return				
Investment income	9,445	(10,755)	2,850	1,540
Endowment management and investment fees	-	(2,016)	-	(2,016)
Net appreciation (realized and unrealized)	8	19,424	186	19,618
Revision of donor intent (see footnote 2)	-	10,792	(10,792)	-
Total investment return	(5,486)	32,176	181,956	208,646
Gifts	-	-	5,701	5,701
Appropriation of endowment assets for expenditure	3,881	(3,881)	-	-
Donor redesignation	-	-	41	41
Transfer from Affiliated Foundations	-	-	33	33
Transfer balance of net appreciation to unrestricted	9,370	(9,370)	-	-
Endowment net assets, end of year	$ 7,765	$ 18,925	$ 187,731	$ 214,421

Permanently Restricted Net Assets - Endowment Funds

The portion of endowment funds that is required to be retained permanently either by explicit donor stipulation of by UPMIFA as of June 30 was (in thousands):

	2011	2010
Academic programs	$ 115,166	$ 113,650
Scholarship/fellowship	59,656	53,842
University advancement	14,648	11,725
Facility and advancement	1,688	2,595
Student support	1,140	1,450
Research	1,173	4,462
Athletics	44	7
Total	$ 193,515	$ 187,731

During the period ended June 30, 2010, 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 totaled $40,499 in fiscal year 2010.

Temporarily Restricted Net Assets - Endowment Funds

The portion of temporarily restricted net assets related to the endowment funds as of June 30 was (in thousands):

	2011	2010
Academic support	$ 28,231	$ 11,381
Scholarship	14,082	4,551
Institutional support	5,280	2,660
Research	244	88
Student and athletic support	447	245
Total	$ 48,284	$ 18,925

Endowment Funds with Deficits

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Maryland Uniform Prudent Management of Institutional Funds Act ("MUPMIFA") requires the Foundation to retain as a fund of perpetual duration. When donor endowment deficits exist, they are classified as a reduction of unrestricted net assets. In accordance with generally accepted accounting principles, deficits of this nature reported in unrestricted net assets were $423,288 and $5,494,492 as of June 30, 2011 and 2010, respectively. These deficits resulted from unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board. Future market gains will be used to restore this deficiency in unrestricted net assets before any net appreciation above the historical cost value of such funds increases temporarily restricted net assets.

Return Objectives and Risk Parameters

The Foundation has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. The return objectives of the Foundation are aligned with those of USMF, the custodian.

USMF has adopted investment and spending policies for the Endowment that seek to provide a steady and sustainable distribution of funds to support operations at our various institutions. The Committee governs according to fundamental investment principles, approved by the Investment Committee, of which the Foundation is represented, with the objective of preserving capital as adjusted for inflation and producing an annualized real return of at least 5% over longer measurement periods. An additional goal is to produce investment results that will rank in the top 25% of institutional investors over a 3 year time horizon as defined by the Wilshire's Trust Universe Comparison Services (TUCS). For the year ended June 30, 2011, USMF has not met these goals for annualized real return, or the top 25% ranking.

Strategies Employed for Achieving Investment Objectives

To achieve its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The Foundation, through its own-managed funds and USMF managed funds, targets a diversified asset allocation to achieve its long-term objectives within prudent risk constraints. The asset allocation target ranges inclusive of these securities is as follows:

Categories	Ranges
Global Equities	35% - 55%
Multi Strategy & Opportunistic Strategies	20% - 30%
Real Assets	20% - 35%
Cash & Bonds	5% - 15%

The Endowment Portfolio is constructed based on the following principles:

1. Allocation: A high allocation to equities and equity-related investments is required to support spending while preserving the purchasing power of the endowment. The Investment Committee understands that a high commitment to equities may result in periods of diminished purchasing power and higher short-term volatility. All hedged equities will be considered equities. The Real Assets portfolio is designed to maintain value in the endowment in periods of prolonged inflation. The primary purpose of the fixed income portfolio is to help maintain spending distributions from the endowment during a period of prolonged economic contraction, without having to sell equities or other assets at depressed prices to do so.

2. Diversification: By allocating funds to asset classes whose returns are not highly correlated over time, the Investment Committee aims to mitigate some of the volatility inherent in equities and thereby provide greater stability in spending distributions than might be possible with a more concentrated portfolio. Although such diversification means the endowment may not reap all of the benefits of equity bull markets, it will also avoid the full brunt of bear markets. No more than 5% of the Fund's assets may be invested in one fund and no more than 10% of the Fund's assets may be invested in one manager. The Committee, however, may make an exception in special circumstances.

3. Rebalancing: In order to reap the benefits of diversification, portfolio holdings will be rebalanced as necessary to ensure that the actual portfolio asset allocation does not deviate materially from policy target allocations ranges.

Endowment Spending and Relationship of Spending Policy to Investment Objectives

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 Higher Education Price Index (HEPI), 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 5.00% and 4.73% for fiscal years 2011 and 2010, respectively.

The endowment spending policy is reviewed annually. In establishing this policy the Board of Trustees expects the current spending policy to allow its endowment to grow at a rate that protects capital on an inflation-adjusted basis.

9. Restricted Net Asset Activity

Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes at June 30, 2011 and 2010:

	2011	2010
Academic programs	$ 70,570,373	$ 53,318,071
Facility and advancement	18,055,430	17,376,753
Scholarship/fellowship	37,743,771	27,871,197
University advancement	14,625,124	12,604,180
Athletics	3,182,415	2,543,133
Research	7,803,016	6,891,751
Student support	3,219,909	3,019,242
Total	$ 155,200,038	$ 123,624,327

Temporarily Restricted Net Assets Released from Restrictions

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, 2011 and 2010:

	2011	2010
Scholarship/fellowship	$ 12,154,240	$ 12,474,087
Academic programs	7,523,233	8,660,540
Facility advancement	4,960,015	5,634,988
University advancement	2,055,717	4,393,861
Athletics	2,757,380	3,239,928
Research	1,364,407	1,239,381
Student support	336,555	274,128
Total	$ 31,151,547	$ 35,916,913

10. Charitable Gift Annuity Requirements

As required by the State of Maryland, the Foundation internally reserves cash and investments associated with annuity liabilities of approximately $1,558,810 and $1,482,566 as of June 30, 2011 and 2010, respectively.

11. Related Party Transactions

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

The Foundation has no employees, except for persons employed at the LLC under a co-employer relationship. The University tracks and administers all payroll and fringe benefit costs for its employees who substantially support the Foundation. 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 $609,211 and $517,022 for the years ended June 30, 2011 and 2010, respectively.

12. 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, 2010, 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.

13. 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 2011, the sixth principal payment of $402,500 was remitted. This reduced the guaranty amount to $585,000. In a separate agreement, the Foundation indemnified USMF's liability over $1.5 million. For the fiscal years 2011 and 2010, the Foundation did not indemnified USMF for this liability. Management has evaluated the fair value of this guarantee and does not believe it has a material effect to the Foundation's financial position.

14. Real Property Acquisition and Ground Lease Agreement

On July 8, 2010, UMCPF acquired through purchase approximately 4 acres of real property located on Baltimore Avenue (US Route 1), College Park, MD in connection with the development and construction of a privately owned and managed 258 unit residential/commercial use building (d.b.a. "The Varsity"). The building is intended to be marketed and leased primarily to graduate and undergraduate UMCP students because of its location adjacent to the UMCP campus. UMCPF purchased the property for approximately $15 million. As part of the agreement, UMCPF entered into a ground lease agreement with the developers of the new building ("The Varsity"). The land was leased to the building developer/owner under a 45 year lease agreement that includes an option for the building developer/owner to purchase the land from UMCPF at an agreed upon price of $15 million, subject to additional premium payments if the property is purchased within the first 18 months of the ground lease. The annual rental revenue under the ground lease is $1.5 million for the first ten years of the lease and will be adjusted for changes in the CPI in the years thereafter. During the fiscal year ending June 30, 2011, UMCPF received ground lease payments totaling $1.5 million.

Gross minimum future rentals on this lease at June 30, 2011 were as follows (in thousands):

Year Ending June 30,		
2012	$	1,500
2013	$	1,500
2014	$	1,500
2015	$	1,500
2016	$	1,500
Thereafter		58,500
Total	$	66,000

15. Subsequent Events

Subsequent events have been evaluated by management through September 30, 2011, which is the date the financial statements were available to be issued.