

**The University of Maryland
Baltimore Foundation, Inc.**

**Financial Statements
June 30, 2008 and 2007**

The University of Maryland Baltimore Foundation, Inc.

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June 30, 2008 and 2007

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Report of Independent Auditors

To the Board of Trustees of the
University of Maryland Baltimore Foundation, Inc.

In our opinion, the accompanying statements of financial position and the related 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 Baltimore Foundation, Inc. (the "Foundation") at June 30, 2008 and 2007, 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.

PricewaterhouseCoopers LLP

October 29, 2008

The University of Maryland Baltimore Foundation, Inc.
Statements of Financial Position
June 30, 2008 and 2007

	2008	2007
Assets		
Current assets		
Cash and cash equivalents	\$ 235,227	\$ 84,143
Accounts receivable	550	2,050
Due from other foundations	3,828	-
Accrued interest receivable	196,868	194,274
Contributions receivable - current portion	7,295,546	5,819,348
Note receivable - current	190,000	-
Total current assets	<u>7,922,019</u>	<u>6,099,815</u>
Investments		
Endowment	85,136,154	76,947,969
Operating	46,735,003	46,229,578
Total investments	<u>131,871,157</u>	<u>123,177,547</u>
Other assets		
Contributions receivable - non-current portion	16,698,328	8,062,818
Assets held under split-interest agreements	3,065,481	3,156,335
Other assets	2,251,838	2,275,008
Notes receivable	-	190,000
Total other assets	<u>22,015,647</u>	<u>13,684,161</u>
Total assets	<u>\$ 161,808,823</u>	<u>\$ 142,961,523</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 2,090,275	\$ 1,442,369
Due to other foundations	-	180,165
Total current liabilities	<u>2,090,275</u>	<u>1,622,534</u>
Other liabilities		
Payable under split-interest agreements	1,721,470	1,604,048
Total other liabilities	<u>1,721,470</u>	<u>1,604,048</u>
Net assets		
Unrestricted	18,788,552	19,048,629
Temporarily restricted	64,396,684	61,778,661
Permanently restricted	74,811,842	58,907,651
Total net assets	<u>157,997,078</u>	<u>139,734,941</u>
Total liabilities and net assets	<u>\$ 161,808,823</u>	<u>\$ 142,961,523</u>

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

The University of Maryland Baltimore Foundation, Inc.
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Contributions - transfers from USMF	\$ 26,010	\$ 2,779,494	\$ 1,561,167	\$ 4,366,671
Contributions and grants	6,847,158	13,417,389	14,343,024	34,607,571
Investment income	1,171,625	2,028,372	-	3,199,997
Other program income	398,600	-	-	398,600
Realized and unrealized gains and losses on investments, net of expenses	1,249,071	(2,406,938)	-	(1,157,867)
Net assets released from restriction	13,200,294	(13,200,294)	-	-
Total revenues	<u>22,892,758</u>	<u>2,618,023</u>	<u>15,904,191</u>	<u>41,414,972</u>
Expenses				
Program	21,343,738	-	-	21,343,738
General and administrative	1,071,213	-	-	1,071,213
Fundraising	737,884	-	-	737,884
Total expenses	<u>23,152,835</u>	<u>-</u>	<u>-</u>	<u>23,152,835</u>
Change in net assets	(260,077)	2,618,023	15,904,191	18,262,137
Net assets at beginning of year	19,048,629	61,778,661	58,907,651	139,734,941
Net assets at end of year	<u>\$ 18,788,552</u>	<u>\$ 64,396,684</u>	<u>\$ 74,811,842</u>	<u>\$ 157,997,078</u>

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

The University of Maryland Baltimore Foundation, Inc.
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Contributions - transfers from USMF	\$ -	\$ 2,848,124	\$ 3,822,871	\$ 6,670,995
Contributions and grants	8,941,133	7,591,148	7,407,060	23,939,341
Investment income	1,043,996	1,177,823	-	2,221,819
Other program income	384,806	-	-	384,806
Realized and unrealized gains and losses on investments, net of expenses	1,596,187	14,148,283	-	15,744,470
Net assets released from restriction	11,889,506	(11,889,506)	-	-
Total revenues	<u>23,855,628</u>	<u>13,875,872</u>	<u>11,229,931</u>	<u>48,961,431</u>
Expenses				
Program	18,006,102	-	-	18,006,102
General and administrative	1,043,302	-	-	1,043,302
Fundraising	462,406	-	-	462,406
Total expenses	<u>19,511,810</u>	<u>-</u>	<u>-</u>	<u>19,511,810</u>
Change in net assets	4,343,818	13,875,872	11,229,931	29,449,621
Net assets at beginning of year	14,704,811	47,902,789	47,677,720	110,285,320
Net assets at end of year	<u>\$ 19,048,629</u>	<u>\$ 61,778,661</u>	<u>\$ 58,907,651</u>	<u>\$ 139,734,941</u>

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

The University of Maryland Baltimore Foundation, Inc.
Statements of Cash Flows
Years Ended June 30, 2008 and 2007

	2008	2007
Cash flows from operating activities		
Change in net assets	\$ 18,262,137	\$ 29,449,621
Adjustment to reconcile change in net assets to cash and cash equivalents (used in) provided by operating activities		
Net realized and unrealized losses (gains) on investments	1,157,867	(15,744,470)
Decrease in accounts receivable	1,500	950
(Increase) decrease in due from other foundations	(3,828)	724,577
Increase in accrued interest receivable	(2,594)	(16,480)
(Increase) decrease in contributions receivable	(10,111,708)	904,638
Decrease (increase) in assets held under split-interest agreements	90,854	(120,053)
Decrease (increase) in other assets	23,170	(112,953)
Increase (decrease) in accounts payable and accrued expenses	647,906	(1,231,140)
(Decrease) increase in due to other foundations	(180,165)	32,715
Contributions restricted for long-term investment	<u>(8,710,818)</u>	<u>(10,479,210)</u>
Total adjustments	<u>(17,087,816)</u>	<u>(26,041,426)</u>
Net cash and cash equivalents (used in) provided by operating activities	<u>1,174,321</u>	<u>3,408,195</u>
Cash flows from investing activities		
Purchases of investments	(42,614,326)	(38,277,116)
Sales of investments	<u>32,762,849</u>	<u>23,974,578</u>
Net cash and cash equivalents used in investing activities	<u>(9,851,477)</u>	<u>(14,302,538)</u>
Cash flows from financing activities		
Proceeds from contributions restricted for long-term investment	8,710,818	10,479,210
Increase in payable under split-interest agreements	<u>117,422</u>	<u>38,515</u>
Net cash and cash equivalents provided by financing activities	<u>8,828,240</u>	<u>10,517,725</u>
Net increase (decrease) in cash and cash equivalents	151,084	(376,618)
Cash and cash equivalents		
Beginning of year	<u>84,143</u>	<u>460,761</u>
End of year	<u>\$ 235,227</u>	<u>\$ 84,143</u>

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

The University of Maryland Baltimore Foundation, Inc.
Notes to Financial Statements
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1. Nature of Operations

The University of Maryland Baltimore Foundation, Inc. (the "Foundation"), an independent Foundation incorporated in 2000, is established to receive, manage, and invest private gifts and/or property for the benefit of the University of Maryland, Baltimore and its related programs and supporting activities.

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 deposits and investments, respectively. Cash equivalents include short-term U.S. Treasury securities and other short-term, highly liquid investments and are carried at cost, which approximates market value.

Investments

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.

In general, securities listed on a national securities exchange (including the NASDAQ National Market System) are valued based on quoted market prices at their last sales price on the primary security exchange on which such securities have traded. Securities which are not listed but are traded over-the-counter are valued at the average of the dealer quotes. 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, 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.

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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 quoted or published values or from the values that would have been used had a ready market for the investments existed and the differences could be material.

The Foundation invests in securities with contractual cash flows, such as asset backed securities, collateralized mortgage obligations and commercial mortgage backed securities, including securities backed by subprime mortgage loans. 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.

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 change in net unrealized gains or losses on investment securities is reflected in the statements 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.

Investment gains or losses on endowment assets 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 unspent earnings to 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 unexpended earnings, then against 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.

The fair market value of certain donor-restricted endowments was less than the historical cost value of such funds by \$34,369 at June 30, 2008, and \$0 at June 30, 2007. The unrealized loss has been recorded as a reduction in unrestricted net assets. 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.

The Foundation has a spending rate rule for its endowment funds 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 rule determines the amount to be distributed for current spending with the provision that any amounts remaining after the distributions be transferred and reinvested into the endowment fund. The Board of Trustees has authorized a spendable income policy which is tied to a 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 5.0%, then by the inverse of the unit value weighted at 30%, (b) calculating an adjusted spending rate using the prior year's percentage increased by the Consumer Price Index weighted at

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70%, and (c) adding 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% and no 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 4.45% for fiscal year 2008 and 4.58% for fiscal year 2007.

The endowment spending policy is reviewed annually.

Real and Personal Property

The Foundation receives various contributions of non-cash items. These assets are recorded at the fair market value for the years ended June 30, 2008 and 2007. These assets are held for investment purposes and are not depreciated.

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 and receiving unrestricted contributions, less expenses incurred in providing services, 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, which 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 may be included in either of these net asset classifications depending on donor restrictions.

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 restriction. Contributions for which donors have stipulated restrictions, but which are met within the same reporting period, are reported as unrestricted support.

The Foundation reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used are reported as restricted support.

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

Split-interest Agreements

The Foundation also receives contributions in the form of irrevocable split-interest agreements. These agreements include charitable remainder trusts and charitable gift annuities. These include

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agreements for which the Foundation acts as trustee and holds the assets as well as agreements where the Foundation has an interest in the trust but is not the trustee. When the trust's obligations to all beneficiaries expire, the remaining assets 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 the trustee, the estimated fair value is recognized as an asset and as contribution 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.

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. At June 30, 2008, the estimated fair market value of the liability from these split-interest agreements amounted to \$1,721,470, which is expected to be paid in 4.3 to 45 years based on IRS actuarial tables. At June 30, 2007, the estimated fair market value of the liability from these split-interest agreements amounted to \$1,604,048, which is expected to be paid in 7.5 to 13 years based on IRS actuarial tables. The expected rate of return of these assets is 6.25%, and the discount rate used to compute the present value of these receivables is 6%, a long-term risk-free rate.

Administrative Fees

The Foundation management designates investments from all net asset classes into operating and endowment categories. Administrative fees are charged as follows:

Investments - operating - Foundation operating accounts are assessed approximately 30% of the annual net investment income in support of operating, administrative, and fundraising expenses. In addition, all accounts are assessed 20% of the annual net investment income to be used at the discretion of the President of the University of Maryland, Baltimore. The Foundation pays .25% to the University System of Maryland Foundation, Inc. for current use fund investment management services in accordance with the terms of an investment management agreement.

Investments - endowment - Professional investment fees are deducted by the investment manager prior to the distribution of income. The Foundation annually assesses each endowment account a fee for endowment operating and administrative expenses at the rate of 2% of the market value of assets managed at year end. The Foundation pays 15% of this assessment to the University System of Maryland Foundation, Inc. for endowment investment management services in accordance with the terms of an investment management agreement.

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 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.

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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. 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 one to five years are discounted at the two year treasury constant maturity rate. Contributions that are expected to be received more than five years from June 30, 2008 are discounted at the five year treasury constant maturity rate.

Reclassifications

Certain 2007 amounts have been reclassified to conform to the 2008 financial statement presentation.

New Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* ("SFAS 157"), which defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007, however the FASB has delayed the effective date of SFAS 157 to fiscal years beginning after November 15, 2008 for nonfinancial assets and nonfinancial liabilities, except those items recognized or disclosed at fair value on an annual or more frequently occurring basis. The Foundation is currently evaluating the impact of adopting SFAS No. 157 on its financial statements.

On February 15, 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115" ("SFAS No. 159"). This statement permits companies to choose to measure many financial assets and liabilities and certain other items at fair value. A company will report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. The fair value option may be applied on an instrument-by-instrument basis, with several exceptions, such as those investments accounted for by the equity method, and once elected, the option is irrevocable unless a new election date occurs. The fair value option can be applied only to entire instruments and not to portions thereof. SFAS No. 159 is effective as of the beginning of a company's first fiscal year beginning after November 15, 2007. The Foundation is currently evaluating the impact of adopting SFAS No. 159 on its financial statements.

3. Transfers from USMF

Prior to the establishment of the Foundation, The University System of Maryland Foundation, Inc. (USMF) held funds that were contributed for the benefit of the University of Maryland, Baltimore. USMF is a separately incorporated, independent foundation that manages funds received for the benefit of the University System of Maryland. 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 fiscal year 2001, the University of Maryland Baltimore Foundation, Inc. (the Foundation) was incorporated and on July 10, 2000, \$39,169,017 in operating funds was transferred from USMF to the Foundation and \$568,569 in endowment funds was transferred during the year pursuant to donor approvals.

The Foundation has signed an investment management agreement whereby funds of the Foundation will be invested by USMF, on behalf of the Foundation, according to the policies set by USMF's Investment Committee.

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Certain donors that have contributed to the Foundation and have pledges currently outstanding with USMF have been contacted to request that their donated funds and pledges be transferred to the Foundation. Approximately \$19.2 million of the USMF's endowment assets and \$1.5 million of operating assets are designated for the benefit of UMB. The amount of any future transfers of endowment assets or pledges currently included in the assets of USMF is not determinable.

4. Investments

The market value and cost of investments at June 30 was:

	2008		2007	
	Market Value	Cost	Market Value	Cost
Money market funds and short-term investments	\$ 6,770,348	\$ 6,421,538	\$ 8,350,210	\$ 7,596,847
Corporate and foreign bonds	2,149,195	1,729,578	494,178	375,483
Equities	5,019,925	4,039,815	11,451,572	8,701,050
U.S. Treasury notes and bonds	17,455,939	16,520,700	12,509,132	11,893,190
U.S. Agencies	-	-	468,906	356,281
Collateralized Mortgage Obligations and other mortgage backed securities	208,416	167,724	708,714	538,490
Long/short equity hedge funds	45,141,616	36,963,088	41,708,677	32,631,342
Mutual funds-absolute return strategies	31,441,702	27,121,563	29,037,334	24,364,821
Private capital	15,851,899	12,756,912	12,879,363	9,785,904
Real estate	7,832,117	6,302,944	5,569,461	4,231,747
Totals	<u>\$ 131,871,157</u>	<u>\$ 112,023,862</u>	<u>\$ 123,177,547</u>	<u>\$ 100,475,155</u>

All investment funds are invested by USMF on behalf of UMBF in a unitized portfolio, which utilizes an array of different investment strategies. The following describes the types of investments within this portfolio:

The long/short equity hedge investment consists of a core equity portfolio complemented with index call and put options designed to help manage portfolio risk. Long/short strategies take positions primarily in U.S. publicly traded equity securities in an effort to achieve attractive returns with moderate risk. Private capital consists of private equity and venture capital investments. 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. Venture capital investments are made in non-marketable securities of new companies or companies considered to be in the early stages of growth.

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 maintains cash and cash equivalents and investments with one financial institution, the custodian. The Foundation performs periodic evaluations of this institution for relative credit standing. The total deposits at this institution exceed the amount guaranteed by federal agencies and, therefore, bear some risk since

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they are not collateralized. At June 30, 2008 and 2007, the custodian held approximately \$132,000,000 and \$123,077,000 of amounts above the federally insured levels.

6. Contributions Receivable

Promised contributions at June 30 are due as follows:

	2008	2007
Within one year	\$ 7,732,701	\$ 6,266,570
One to five years	15,272,121	9,162,046
More than five years	4,380,138	313,333
Subtotal	<u>27,384,960</u>	<u>15,741,949</u>
Less: present value component	(2,601,428)	(1,190,672)
Less: allowance for doubtful accounts	(789,658)	(669,111)
Total contributions receivable	<u>\$ 23,993,874</u>	<u>\$ 13,882,166</u>

The discount rate used to calculate the present value component at June 30, 2008 and 2007 ranged from 1.23% to 5.12% for those contributions due in zero to five years and ranged from 2.27% to 5.07% for contributions due in more than five years. This rate is based on the yield at year-end of the appropriate United States Treasury note in the year of the contribution.

7. Conditional Promises to Give and Intentions (Unaudited)

Contributors have informed the Foundation of intentions to give approximately \$25,998,050 and \$23,810,500 at June 30, 2008 and June 30, 2007, 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. Restricted Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30:

	2008	2007
Program support	\$ 27,863,055	\$ 30,745,533
Student support	8,117,080	8,212,529
Faculty support	17,372,541	14,526,055
Research	9,286,583	5,596,075
Capital projects	1,757,425	2,698,469
Total	<u>\$ 64,396,684</u>	<u>\$ 61,778,661</u>

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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:

	2008	2007
Program support	\$ 17,928,667	\$ 17,670,501
Student support	18,625,627	16,237,832
Faculty support	37,481,549	24,647,795
Research	670,884	237,425
Capital projects	105,115	114,098
Total	<u>\$ 74,811,842</u>	<u>\$ 58,907,651</u>

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 donors. Such net assets were released as follows during the year ended June 30:

	2008	2007
Program support	\$ 6,184,037	\$ 7,010,582
Student support	1,084,822	936,977
Faculty support	1,757,030	966,144
Research	2,854,108	2,824,450
Capital projects	1,320,297	151,353
Total	<u>\$ 13,200,294</u>	<u>\$ 11,889,506</u>

9. Related Party Transactions

Employees of the Foundation are employees of the University System of Maryland (the "University"). The University tracks and administers all payroll and fringe benefit costs. 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 these costs on an annual basis, estimating the salary costs of individuals devoting effort to the Foundation.

The amount reimbursed by the Foundation to the University was \$636,828 and \$583,637 for the years ended June 30, 2008 and June 30, 2007, respectively.

10. Annuity Requirements

As required by the State of Maryland, the Foundation has internally restricted cash and investments associated with annuity liabilities of \$1,374,598 and \$1,304,007 as of June 30, 2008 and 2007, respectively.

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11. 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 year ended June 30, 2008, no provision for income taxes has been made.

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, 2008 and 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.