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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Indiana University Foundation
Bloomington, Indiana

We have audited the accompanying statements of financial position of the Indiana University Foundation (the "Foundation") as of June 30, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. 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 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 consideration of internal control over financial reporting as a basis for designing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2010 and 2009, and the changes in its net assets and the cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

September 28, 2010

Indiana University Foundation
Statement of Financial Position
As of June 30, 2010

	Unrestricted		Temporarily Restricted		Permanently Restricted		
	Foundation	Agency	Foundation	University	Foundation	University	Total
Assets:							
Cash and equivalents	$ -	$ 10,009,374	$ -	$ 143,522,952	$ -	$ -	$ 153,532,326
Collateral under securities lending agreement	1,959,139	8,437,798	213,757	15,283,630	983,468	39,758,517	66,636,309
Receivables and other assets	6,106,114	242,261	10,503	2,644,127	29,196	7,551,146	16,583,347
Promises to give, net	45,976	-	2,601,283	83,027,320	888,153	74,504,064	161,066,796
Investments	43,223,119	162,435,067	7,667,087	308,937,376	19,285,740	782,480,103	1,324,028,492
Property, plant and equipment, net	45,713,684	-	-	-	-	-	45,713,684
Total assets	$ 97,048,032	$ 181,124,500	$ 10,492,630	$ 553,415,405	$ 21,186,557	$ 904,293,830	$ 1,767,560,954
Liabilities and net assets:							
Liabilities:							
Accounts payable and other	$ 3,933,853	$ 240,215	$ 10,871	$ 1,665,117	$ 156,992	$ 1,310,023	$ 7,317,071
Payable under securities lending agreement	1,959,139	8,437,798	213,757	15,283,630	983,468	39,758,517	66,636,309
Debt	3,300,000	-	-	-	-	58,083	3,358,083
Accrued trust obligation to life beneficiaries	329,595	-	3,370,978	5,767,543	449,686	21,617,858	31,535,660
Due to (from)	68,180,154	-	104,246	(86,336,233)	399,683	17,652,150	-
Interfund financing	(3,800,000)	-	-	3,800,000	-	-	-
Assets held for the University	-	158,154,846	-	-	-	-	158,154,846
Assets held for University affiliates	-	14,291,641	-	-	-	-	14,291,641
Total liabilities	73,902,741	181,124,500	3,699,852	(59,819,943)	1,989,829	80,396,631	281,293,610
Net assets	23,145,291	-	6,792,778	613,235,348	19,196,728	823,897,199	1,486,267,344
Total liabilities and net assets	$ 97,048,032	$ 181,124,500	$ 10,492,630	$ 553,415,405	$ 21,186,557	$ 904,293,830	$ 1,767,560,954

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

Indiana University Foundation
Statement of Financial Position
As of June 30, 2009

	Unrestricted		Temporarily Restricted		Permanently Restricted		
	Foundation	Agency	Foundation	University	Foundation	University	Total
Assets:							
Cash and equivalents	$ -	$ 7,976,397	$ -	$ 142,472,674	$ -	$ -	$ 150,449,071
Collateral under securities lending agreement	3,451,737	13,571,667	698,293	26,035,504	1,663,051	60,660,050	106,080,302
Receivables and other assets	10,598,577	242,064	15,588	2,280,588	30,872	9,098,028	22,265,717
Promises to give, net	9,052	-	2,398,932	68,370,338	743,046	76,334,818	147,856,186
Investments	39,382,014	149,761,952	7,647,549	287,241,089	18,343,890	668,995,262	1,171,371,756
Property, plant and equipment, net	44,103,390	-	-	-	-	-	44,103,390
Total assets	$ 97,544,770	$ 171,552,080	$ 10,760,362	$ 526,400,193	$ 20,780,859	$ 815,088,158	$ 1,642,126,422
Liabilities and net assets:							
Liabilities:							
Accounts payable and other	$ 3,913,127	$ 2,320,007	$ 65,758	$ 5,043,126	$ 278,960	$ 10,490,891	$ 22,111,869
Payable under securities lending agreement	3,451,737	13,571,667	698,293	26,035,504	1,663,051	60,660,050	106,080,302
Debt	11,164,198	-	-	-	-	58,083	11,222,281
Accrued trust obligation to life beneficiaries	685,942	-	3,333,723	5,529,035	452,590	18,932,341	28,933,631
Due to (from)	62,327,029	-	86,648	(63,370,395)	7,272	949,446	-
Interfund financing	(5,400,000)	-	-	5,400,000	-	-	-
Assets held for the University	-	142,899,539	-	-	-	-	142,899,539
Assets held for University affiliates	-	12,760,867	-	-	-	-	12,760,867
Total liabilities	76,142,033	171,552,080	4,184,422	(21,362,730)	2,401,873	91,090,811	324,008,489
Net assets	21,402,737	-	6,575,940	547,762,923	18,378,986	723,997,347	1,318,117,933
Total liabilities and net assets	$ 97,544,770	$ 171,552,080	$ 10,760,362	$ 526,400,193	$ 20,780,859	$ 815,088,158	$ 1,642,126,422

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

Indiana University Foundation
Statement of Activities
For the year ended June 30, 2010

		Temporarily Restricted		Permanently Restricted		
	Unrestricted	**Foundation**	**University**	**Foundation**	**University**	**Total**
Revenue and support:						
Contributions, net	$ 1,525,398	$ 264,714	$ 99,131,829	$ 4,091	$ 72,627,631	$ 173,553,663
Investment income including net gains (losses), net of outside investment management fees	6,173,688	415,231	84,652,206	917,548	23,599,933	115,758,606
Management/administrative fees	15,523,567	(40,091)	(12,535,093)	-	(577,601)	2,370,782
Grants	-	-	43,175,000	-	-	43,175,000
Other income	6,656,992	18,450	5,530,178	237	1,004,525	13,210,382
Development service fees from the University	4,923,219	-	-	-	-	4,923,219
Net assets released from restriction	145,751,323	(717,770)	(150,311,623)	-	5,278,070	-
Total revenue and support	180,554,187	(59,466)	69,642,497	921,876	101,932,558	352,991,652
Expenditures:						
Program expenditures	154,198,860	4,084	-	-	131,528	154,334,472
Management and general	10,860,711	10,499	4,607,121	98	3,855,316	19,333,745
Fund raising	14,108,410	-	-	-	-	14,108,410
Change in value of split interest agreement obligation to life beneficiaries	(356,348)	(290,887)	(437,049)	104,036	(1,954,138)	(2,934,386)
Total expenditures	178,811,633	(276,304)	4,170,072	104,134	2,032,706	184,842,241
Change in net assets:						
Unrestricted	1,742,554	-	-	-	-	1,742,554
Temporarily restricted	-	216,838	65,472,425	-	-	65,689,263
Permanently restricted	-	-	-	817,742	99,899,852	100,717,594
Total change in net assets	1,742,554	216,838	65,472,425	817,742	99,899,852	168,149,411
Beginning net assets	21,402,737	6,575,940	547,762,923	18,378,986	723,997,347	1,318,117,933
Ending net assets	$ 23,145,291	$ 6,792,778	$ 613,235,348	$ 19,196,728	$ 823,897,199	$ 1,486,267,344

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

Indiana University Foundation
Statement of Activities
For the year ended June 30, 2009

	Unrestricted	Temporarily Restricted: Foundation	Temporarily Restricted: University	Permanently Restricted: Foundation	Permanently Restricted: University	Total
Revenue and support:						
Contributions, net	$ 1,011,343	$ 179,318	$ 71,536,635	$ 2,516	$ 27,572,743	$ 100,302,555
Investment income including net gains (losses), net of outside investment management fees	(8,047,691)	(1,994,412)	(35,576,896)	(7,361,340)	(243,207,897)	(296,188,236)
Management/administrative fees	13,638,382	(185)	(10,587,406)	-	(1,111,246)	1,939,545
Grants	-	-	21,020,500	-	-	21,020,500
Other income	7,259,431	40,500	3,987,897	53	225,673	11,513,554
Development service fees from the University	4,923,219	-	-	-	-	4,923,219
Net assets released from restriction	108,625,096	436,154	(109,305,287)	-	244,037	-
Total revenue and support	127,409,780	(1,338,625)	(58,924,557)	(7,358,771)	(216,276,690)	(156,488,863)
Expenditures:						
Program expenditures	123,460,142	-	-	-	78,112	123,538,254
Management and general	11,807,686	8,776	(1,244,860)	(173)	(907,520)	9,663,909
Fund raising	14,781,099	-	-	-	-	14,781,099
Change in value of split interest agreement obligation to life beneficiaries	680,144	444,139	1,895,806	139,694	7,427,472	10,587,255
Total expenditures	150,729,071	452,915	650,946	139,521	6,598,064	158,570,517
Change in net assets:						
Unrestricted	(23,319,291)	-	-	-	-	(23,319,291)
Temporarily restricted	-	(1,791,540)	(59,575,503)	-	-	(61,367,043)
Permanently restricted	-	-	-	(7,498,292)	(222,874,754)	(230,373,046)
Total change in net assets	(23,319,291)	(1,791,540)	(59,575,503)	(7,498,292)	(222,874,754)	(315,059,380)
Beginning net assets	44,722,028	8,367,480	607,338,426	25,877,278	946,872,101	1,633,177,313
Ending net assets	$ 21,402,737	$ 6,575,940	$ 547,762,923	$ 18,378,986	$ 723,997,347	$ 1,318,117,933

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

Indiana University Foundation
Statements of Cash Flow
Years Ended June 30, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Change in net assets	$ 168,149,411	$ (315,059,380)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	2,492,090	2,708,042
Change in discount on promises to give	(6,600,552)	(2,732,301)
Change in allowance on promises to give	4,229,924	677,985
Loss (gain) on investments	(115,136,127)	361,363,302
Real estate assets donated to the University	2,479,542	6,228,541
Loss on sale of property, plant and equipment	188,429	40,033
Decrease in receivables and other assets	5,682,370	53,168,532
Increase in promises to give	(10,839,982)	(11,752,575)
Decrease in accounts payable and other	(14,794,798)	(3,582,928)
Increase (decrease) in split interest agreement obligation to life beneficiaries	2,602,029	(2,790,001)
Increase (decrease) in assets held for the University and University affiliates	16,786,081	(47,965,377)
Contributions restricted for long-term purposes related to permanent endowments, charitable remainder trusts and annuities	(75,379,998)	(28,231,500)
Net cash provided by (used in) operating activities	(20,141,581)	12,072,373
Cash flows from investing activities:		
Proceeds from sale/transfer of fixed assets	2,500	-
Proceeds from sales of investments	2,101,166,559	2,005,929,337
Purchases of investments	(2,138,687,165)	(2,024,155,807)
Purchases of property, plant and equipment	(6,772,855)	(9,042,964)
Net cash used in investing activities	$ (44,290,961)	$ (27,269,434)

	2010	2009
Cash flows from financing activities:		
Proceeds from contributions restricted for long term purposes related to permanent endowments, charitable remainder trusts and annuities:		
Endowment	$ 72,604,581	$ 27,643,586
Trust and other	2,775,417	587,914
Payments on debt	(7,864,202)	(7,197,928)
Proceeds from notes payable	-	6,205,000
Net cash provided by financing activities	67,515,796	27,238,572
Net increase in cash and cash equivalents	3,083,255	12,041,511
Cash and cash equivalents - beginning of year	150,449,071	138,407,560
Cash and cash equivalents - end of year	$ 153,532,326	$ 150,449,071
Supplemental Data:		
Cash paid for interest	$ 408,779	$ 332,449
Gifts of securities, life insurance, consulting services, real and personal property at fair value	$ 18,240,084	$ 5,723,866
Transfer to Indiana University Building Corporation (IUBC):		
Net investment in direct financing lease to IUBC	$ -	$ 8,834,739
Certificates of payable debt	$ -	$ (8,834,739)
Unconditional promise to give for use of long-lived assets to IUBC	$ -	$ (9,250,005)
Land and building, net	$ -	$ 9,250,005

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

Note 1 - Organization and Operations

The Indiana University Foundation, Inc. (the "Foundation") is a not-for-profit corporation organized under the laws of the State of Indiana. The corporate purposes of the Foundation are to raise, receive, hold, invest and administer property and to make expenditures to or for the benefit of Indiana University, including its regional campuses and associated entities (such as the Purdue University schools housed at the Indiana University-Purdue University Indianapolis campus, the Indiana University Building Corporation (IUBC), Riley Children's Foundation, the Indiana University Research & Technology Corporation, the Clarian Health Partners, Inc., the Indiana University Alumni Association, and certain medical practice plans), herein referred to as the "University."

The Foundation was originally incorporated in 1936 and is empowered to perform a wide range of services and conduct a variety of activities that support the University as it carries out its missions of teaching, research, and public service. The Foundation conducts general and special purpose fund raising programs, receives and acknowledges gifts for the benefit of the University, administers those gifts to ensure that they are used as specified by the donor, invests those gifts, serves as trustee for certain types of planned gift arrangements, and provides other services for the benefit of the University as requested from time to time.

Note 2 - Summary of Significant Accounting Policies

Unrestricted Net Assets

Foundation

The unrestricted Foundation net asset class includes the general and board designated assets and liabilities of the Foundation. Revenue and support received by the Foundation without explicit donor restrictions that specify how the donated asset must be used or maintained are reported as unrestricted to the Foundation. Certain fees and other income earned by the Foundation are also reported as unrestricted. These net assets may, from time to time, appropriately reflect certain appreciation or depreciation on permanent endowments. In general, the unrestricted net assets of the Foundation may be used at the discretion of the Foundation's management and Board of Directors to support the Foundation's purposes and operations. Temporarily restricted Foundation net assets are reclassified to unrestricted as they are appropriated or the time or purpose restriction has been met. Temporarily restricted university net assets are reclassified to unrestricted as the time or purpose restrictions are met. These amounts are reported in the Statement of Activities as net assets released from restriction.

Agency

The unrestricted Agency net asset class includes custodial assets held for the University and affiliated entities under a management and custodial agreement. The financial accounting classification used herein of these assets and liabilities is "Agency."

Temporarily Restricted Net Assets

Foundation

The temporarily restricted Foundation net asset class includes expendable assets and certain related liabilities of the Foundation. Foundation expendable assets relate to donor gifts and assets held in trust with explicit time or purpose restrictions that ultimately benefit an unrestricted expendable endowment. Temporarily restricted Foundation net assets are reclassified to unrestricted net assets as they are appropriated or the donor time or purpose restriction has been met. These amounts are reported in the Statement of Activities as net assets released from restriction.

University

The temporarily restricted University net asset class includes expendable assets held for the benefit of the University and certain related liabilities. University expendable assets relate to donor gifts and assets held in trust with explicit time or purpose restrictions. University expendable assets are generally restricted by donors or account managers and may be utilized by the University only in accordance with the purpose restriction established by the donors or account managers. Account managers are University representatives responsible for monitoring compliance with donor restrictions. When donor restrictions are met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restriction and expended from unrestricted net assets.

Permanently Restricted Net Assets

Foundation

The permanently restricted Foundation net asset class includes nonexpendable assets and certain related liabilities which benefit the Foundation where the donor has restricted the gift corpus in perpetuity. Foundation nonexpendable assets are generally donor endowments and assets held in trust that ultimately benefits a nonexpendable endowment. The donor's permanent endowment or assets held in trust are included in permanently restricted net assets at its market value. This includes the original gift value, any donor directed reinvestment of earnings and the related appreciation or depreciation absent explicit donor stipulations to the contrary.

University

The permanently restricted University net asset class includes nonexpendable assets and certain related liabilities which benefit the University where the donor has restricted the gift corpus in perpetuity. University nonexpendable assets are generally donor endowments and assets held in trust that ultimately benefits a nonexpendable endowment. The value of a permanent endowment included in permanently restricted net assets is its market value. This includes the original gift value, any donor directed reinvestment of earnings, and related appreciation or depreciation absent explicit donor stipulations to the contrary.

Reclassification of Donor Intent

At times the Foundation receives requests by donors or their designates to change the use for which their original gift was intended. These requests are reviewed by the Foundation for approval. Approved changes, depending on the donors' requests, may result in the reclassification of net assets between unrestricted, temporarily restricted, or permanently restricted net asset classes. These reclassifications of $5,278,070 and $244,037 are reflected in the Statement of Activities as net assets released from restriction for the years ended June 30, 2010 and 2009, respectively.

Securities Lending

The Foundation has securities lending agreement and guaranty with the Bank of New York. Cash, US Government securities, and/or letters of credit can collateralize the loaned securities. Collateral required is at least 102% of the current market value of the loaned securities. Income earned from the secured lending transactions is recorded as investment income. The Foundation continues to carry the loaned securities as its assets. In addition, the Foundation has recorded an asset and offsetting liability of $66,636,309 and $106,080,302 as of June 30, 2010 and 2009, respectively, to reflect the cash collateral related to the lent securities under the securities lending agreement.

Contributions

Contributions are irrevocable voluntary transfers of assets in the form of gifts of property, including cash, marketable securities, real estate investments, life insurance policies, trusts, works of art, software and licensing rights, and other non-cash gifts recorded at fair market value. Grants recorded as contributions are irrevocable voluntary transfers of assets held, administered and maintained for investment purposes at the Foundation. Unconditional promises to give to the Foundation are recorded as receivables and contribution revenue in the appropriate net asset class when received. Promises to give are recorded at present value, less an allowance for uncollectible amounts, and include pledges, irrevocable trusts held by third parties, life insurance premiums, and bequests payable under validated estates.

Grants

Private research grants are received from donors to support the University's research programs. Research grants are administered in accordance with the grant by the account manager.

Other Income

Foundation unrestricted other income is comprised primarily of: reimbursements from the University for the cost of the Foundation's direct support of certain University fund raising activities; receipts from the Foundation's programs operation, including real estate, air transportation, the Student Foundation, cultural center, women's programs, and other miscellaneous programs; and the change in the cash surrender value of life insurance policies. Temporarily and permanently restricted University other income is comprised primarily of amounts received from the University for activities and events, the change in the cash surrender value of life insurance policies, and departmental support from medical practice plans. These plans, which are associated with the University, operate as separate legal entities. The deposits received from these plans support the related University departments as specified.

Expenditures

Expenditures have been classified as program, management and general, or fund raising based on actual expenditures or cost allocations using estimates of time spent by Foundation personnel. Unrestricted Foundation programs include real estate, air transportation, the Student Foundation, cultural center, women's programs, and other miscellaneous programs. Expenditures related to the temporarily restricted net asset class are incurred when purpose restrictions have been met and are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restriction. These consist primarily of grants and aid to the University, including University support, student scholarships and financial aid, faculty support, faculty research, land, building and equipment purchases, and library and art acquisitions.

Management/Administrative Fees

A fee is charged to accounts within each net asset class for which the Foundation manages investments. This management fee is charged based on the market value and type of investments managed. These fees are used for the administration of the Foundation's management and fund raising operations.

Cash and Cash Equivalents

The Foundation considers investments in marketable securities and other highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents managed by outside investment managers are included in investments. For these short-term instruments, cost approximates the fair market value.

Fair Value of Financial Instruments

The Foundation adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures* (originally issued as Statement of Financial Accounting Standard (SFAS) No. 157, *Fair Value Measurements*) effective July 1, 2008. Under ASC 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Foundation uses various valuation approaches. FASB ASC 820 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Foundation. Unobservable inputs reflect the Foundation's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors, including the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values might be materially higher or lower than the values that would have been used had a ready market for the securities existed. Accordingly, the degree of judgment exercised by the Foundation in determining fair value is greatest for securities categorized in Level 3. In September 2009, the FASB issued Accounting Standards Update (ASU) 2009-12, Investments in *Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, which amends the existing guidance in FASB ASC 820, *Fair Value Measurements and Disclosures* to create a practical expedient to measure the fair value of investments in certain entities that do not have a quoted market price but calculate net asset value (NAV) per share or its equivalent. The ASU amends ASC 820 to permit, but not require, a reporting entity to measure the fair value of an investment based on the investee's NAV per share or its equivalent. The disclosure required by ASU 2009-12 is presented in footnote 6. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined by the lowest level input that is significant to the fair value measurement.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Foundation's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Foundation uses prices and inputs that are current as of the measurement date, including during periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many securities. This condition could cause a security to be reclassified to a lower level within the fair value hierarchy.

Endowments

The Foundation's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board has interpreted the adopted State of Indiana's "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) as requiring the preservation of the fair value to provide for intergenerational equity. The value of a donor's permanent endowment classified as permanently restricted net assets is its market value. Market value includes the original gift value of the assets held in perpetuity, the original value of subsequent gifts to the permanent endowment, and net realized and unrealized gains absent explicit donor stipulations to the contrary. 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 by 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:

- The duration and preservation of the fund
- The purpose of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Where the Board designates unrestricted funds to function as endowments they are classified as unrestricted net assets. Where the Board designates donor restricted non-endowment funds to function as endowments they are classified as temporarily restricted net assets.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost at the date of acquisition or, if received by gift, at fair market value at the date of donation. Depreciation is computed using the straight-line method over the assets' estimated useful lives. Purchased real estate held to benefit the University is recorded as property, plant and equipment and is depreciated over its estimated useful life, generally 20 years.

Management reviews long-lived assets for possible impairment if there is a significant event that detrimentally affects operations. The primary financial indicator used by the Foundation to assess the recoverability of its long-lived assets held and used is undiscounted future cash flows from operations. The amount of impairment if any, is measured based on estimated fair value or projected future cash flows using a discount rate reflecting the Foundation's average cost of funds. Based on the projected future cash flows, management has concluded that no asset impairment existed as of June 30, 2010.

Split Interest Agreements

The Foundation has entered into split interest agreements, including charitable remainder trusts and gift annuities which provide that the Foundation, as trustee, make payments to designated beneficiaries in accordance with the applicable donor's trust or contractual agreement. The Foundation is also the beneficiary of charitable trusts held by third party trustees that are accounted for as promises to give. Contributions related to split interest agreements totaled $7,010,969 and $587,915 for the years ended June 30, 2010 and 2009, respectively. At the date of contribution, the Foundation records a split interest agreement obligation to life beneficiaries based on the present value of the estimated payments to designated life beneficiaries. The Foundation's split interest agreement obligation fair value has been categorized based upon a fair value hierarchy in accordance with ASC 820. All valuations are classified as Level 2 within the fair value hierarchy based on a combination of the market and income valuation techniques. The Foundation took into account historical and projected cash flow and net income, collectability and default rates. Specifically, the present value of estimated payments is based on actuarially determined life expectancy tables, trust asset growth assumptions, and discount rates ranging from 2.4% to 9.5%. The preceding method described produces a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, 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 similar liabilities could result in a different fair value measurement at the reporting date. The annual change in the value of the split interest agreement obligation to life beneficiaries, as reflected in the Statement of Activities, primarily represents the change in actuarial assumptions as well as the revenue and expense of the trust.

A summary of assets held and related obligation related to split interest agreements as of June 30, 2010 and 2009 follows:

	2010	2009
Assets:		
Charitable remainder trusts	$ 33,703,912	$ 34,920,502
Charitable gift annuities	23,530,935	17,993,161
Total	$ 57,234,847	$ 52,913,663
Liabilities:		
Split interest agreement obligation	$ 31,193,924	$ 28,548,637

Charitable gift annuity assets are separate and distinct funds, managed as independent accounts of the Foundation. The Foundation maintains reserves and a surplus of such reserves in an amount at least equal to the designated beneficiary payments on all the outstanding gift annuity contracts. These reserves shall not be applied for the payment of debts and obligations of the Foundation or for any purpose other than payment of the annuity benefits.

Income Taxes

The Foundation is a not-for-profit corporation and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"), except for income taxes on unrelated business income that are not significant. Contributions to the Foundation are deductible under Section 170(b)(1)(A)(iv) of the Code. As of June 30, 2010 the Foundation has no uncertain tax positions.

Use of 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 of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

New Accounting Standards

In January 2010, the FASB issued ASU 2010-06 which amends ASC 820 adding new disclosure requirements for Levels 1 and 2, separate disclosures of purchases, sales, issuances, and settlements relating to Level 3 measurements and clarification of existing fair value disclosures. ASU 2010-06 is effective for periods beginning after December 15, 2009, except for the requirement to provide Level 3 activity of purchases, sales, issuances, and settlements on a gross basis, which will be effective for fiscal years beginning after December 15, 2010. Management is currently evaluating the impact ASU 2010-06 will have on the financial statements.

Note 3 - Promises to Give

A summary of promises to give as of June 30, 2010 and 2009 follows:

	2010					
	Unrestricted		Temporarily Restricted		Permanently Restricted	
	Foundation	Agency	Foundation	University	Foundation	University
Promises to give	$ 52,161	$ -0-	$ 4,211,600	$ 105,956,476	$ 890,734	$ 95,206,720
Allowance	(3,777)	-0-	(136,672)	(7,188,928)	(734)	(6,146,428)
Discount	(2,408)	-0-	(1,473,645)	(15,740,228)	(1,847)	(14,556,228)
Promises to give, net	$ 45,976	$ -0-	$ 2,601,283	$ 83,027,320	$ 888,153	$ 74,504,064

Unconditional promises to give to the Foundation are due in the following periods:

One year or less	$ 13,802	$ -0-	$ -0-	$ 11,125,991	$ 270	$ 9,839,823
Between one year and five years	29,954	-0-	-0-	40,373,558	1,728	30,921,056
More than five years	2,220	-0-	2,601,283	31,527,771	886,155	33,743,185
	$ 45,976	$ -0-	$ 2,601,283	$ 83,027,320	$ 888,153	$ 74,504,064

	2009					
	Unrestricted		**Temporarily Restricted**		**Permanently Restricted**	
	Foundation	**Agency**	**Foundation**	**University**	**Foundation**	**University**
Promises to give	$ 11,685	$ -0-	$ 4,259,232	$ 92,291,177	$ 745,765	$ 98,169,848
Allowance	(2,497)	-0-	(126,173)	(5,554,761)	(782)	(3,562,401)
Discount	(136)	-0-	(1,734,127)	(18,366,078)	(1,937)	(18,272,629)
Promises to give, net	$ 9,052	$ -0-	$ 2,398,932	$ 68,370,338	$ 743,046	$ 76,334,818

Unconditional promises to give to the Foundation are due in the following periods:

One year or less	$ 7,187	$ -0-	$ -0-	$ 13,871,813	$ 568	$ 15,725,624
Between one year and five years	1,865	-0-	-0-	32,659,032	1,165	28,445,866
More than five years	-0-	-0-	2,398,932	21,839,493	741,313	32,163,328
	$ 9,052	$ -0-	$ 2,398,932	$ 68,370,338	$ 743,046	$ 76,334,818

Discount rates used to present value promises to give range between 2.4% and 6%.

The Foundation's promises to give recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820. All valuations are classified as Level 2 within the fair value hierarchy based on a combination of the market and income valuation techniques. The Foundation took into account historical and projected cash flow and net income, collectability and default rates. The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

A summary of promises to give by type as of June 30, 2010 and 2009 follows:

Promises to give	**2010**	**2009**
Pledges	$ 102,992,230	$ 94,439,414
Estates	2,841,725	7,693,379
Total	$ 105,833,955	$ 102,132,793

Note 4 - Investments

Investments are stated at fair value and are recorded on the trade date. The fair value of all debt and equity securities with a readily determinable fair value are based on quotations obtained from national securities exchanges. The hedge funds, limited partnerships and real asset funds, for which quoted market prices are not available, are carried at estimated fair market values as provided by the external general partners or investment managers and/or audited financial statements of the fund or partnership. Such values may be based on a variety of estimates and assumptions requiring varying degrees of judgment and may be subject to volatile market conditions and the possibility that their value could substantially change in the near term and/or be materially different than the values reported in the statements of financial position. Management of the Foundation believes that the carrying amount of these financial instruments is a reasonable estimate of fair value. Realized gains and losses on sales of investments are determined on the specific identification basis. Fair value is generally determined based on quoted market prices in active markets for identical assets or liabilities. If quoted market prices are not available, the Foundation uses valuation techniques that place greater reliance on observable inputs. In measuring fair value, the Foundation may make adjustments for risks and uncertainties if a market participant would include such an adjustment in its pricing. A summary of total investment income, including net gains (losses) net of outside management fees for the year ended June 30, 2010 and 2009 consist of the following:

	2010	2009
Dividend, interest and other investment income	$ 24,018,151	$ 10,454,480
Net realized and unrealized gains (losses) on investments	95,447,882	(303,279,529)
Outside investment management fees	(3,707,427)	(3,363,187)
Total investment income, including net gains (losses), net of outside investment management fees	$ 115,758,606	$ (296,188,236)

The Foundation's investment assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820. The following tables present information about the Foundation's investments by security type measured at fair value as of June 30, 2010 and 2009:

2010

	Level 1	Level 2	Level 3	Total
Domestic equities	$ 296,451,410	$ 38,445,082	$ 487,851	$ 335,384,343
International equities	242,497,910	-0-	-0-	242,497,910
Domestic fixed income	30,627,429	81,168,081	-0-	111,795,510
International fixed income	(1,336)	11,386,548	-0-	11,385,212
Cash equivalents	14,297,954	-0-	-0-	14,297,954
Alternative investments:				
Hedged equity funds	-0-	66,746,585	30,103,413	96,849,998
Absolute return funds	-0-	14,087,066	157,874,534	171,961,600
Venture capital	-0-	-0-	76,116,188	76,116,188
Buyouts	-0-	-0-	77,691,278	77,691,278
Distressed/special situations	-0-	-0-	38,749,724	38,749,724
Real estate	6,572,553	-0-	44,159,787	50,732,340
Natural resources	-0-	15,261,272	63,814,125	79,075,397
Commercial real estate	-0-	-0-	16,749,571	16,749,571
Mortgage securities	-0-	-0-	741,467	741,467
Total	$ 590,445,920	$ 227,094,634	$ 506,487,938	$ 1,324,028,492

	2009			
	Level 1	**Level 2**	**Level 3**	**Total**
Common, preferred and international stocks	$ 480,852,733	$ 32,396,212	$ 556,871	$ 513,805,816
Fixed income	101,813,983	12,150,178	348,883	114,313,044
Cash equivalents	5,593,037	8,199,938	11,428,952	25,221,927
Alternative investments	4,745,440	78,140,221	421,759,988	504,645,649
Commercial real estate	-0-	-0-	12,649,271	12,649,271
Mortgage securities	-0-	-0-	736,049	736,049
Total	$ 593,005,193	$ 130,886,549	$ 447,480,014	$ 1,171,371,756

The following table presents additional information about Level 3 assets and liabilities measured at fair value. Both observable and unobservable inputs may be used to determine the fair value of positions that the Foundation has classified within the Level 3 category. As a result, the unrealized gains and losses for assets and liabilities within the Level 3 category may include changes in fair value that were attributable to both observable (e.g., changes in market interest rates) and unobservable (e.g., changes in unobservable long-dated volatilities) inputs. Changes in Level 3 assets measured at fair value as of and for the years ended June 30, 2010 and 2009 follow:

	2010	**2009**
Beginning balance	$ 447,480,014	$ 451,532,429
Realized and unrealized gains (losses)	33,400,411	(94,819,895)
Purchases, sales and settlements	28,997,416	91,027,625
Net transfers in and/or out of Level 3	(3,389,903)	(260,145)
Ending balance	$ 506,487,938	$ 447,480,014

Included in the underlying US Government and agency debt instruments are futures, forwards, and option contracts that are considered derivative financial instruments. The carrying values of these derivative financial instruments are adjusted to net fair market value as determined by the Foundation’s investment manager. Significant open positions as of June 30, 2010 and 2009 are summarized as follows:

	2010		2009	
	Notional Par	**Net Fair Market Value Asset (Liability)**	**Notional Par**	**Net Fair Market Value Asset (Liability)**
Futures:				
Eurodollars	$ 82,000,000	$ 694,350	$ 102,000,000	$ 480,500
90 Day Libor	-0-	-0-	2,500,000	590,743
Euribor	15,000,000	(523,796)	-0-	-0-
10 yr Euro	500,000	4,820	-0-	-0-
EURO-BOBL	-0-	-0-	3,000,000	(49,015)
Midcap Mini	37	(169,360)	-0-	-0-
Russell 2000 Mini	46	(170,200)	-0-	-0-
S&P 500 E-Mini	159	(420,555)	-0-	-0-
Forwards:				
US Government Agencies	$ 300,000	$ 18,922	$ 3,500,000	$ (24,336)

The gross and net credit risk associated with the related counterparties on these open futures and forwards positions is insignificant. The market risk for these futures and forwards is directly linked with exchange rates or market interest rates as the underlying securities bear a fixed rate of interest. The futures instruments required $1,256,969 and $2,826,735 in cash, as of June 30, 2010 and 2009, respectively. The related net gains generated were $5,525,318 and $1,130,791 for the years ended June 30, 2010 and 2009, respectively.

The Foundation's alternative investments include investments in: (1) private equity such as venture capital and leveraged buyout funds; and (2) absolute return and inflation hedge strategies, including opportunistic real estate and natural resources. These investments are valued at NAV per share or its equivalent. The Foundation's asset allocation policy allocates up to 50% in these types of investments. Following is a summary of the Level 2 and 3 alternative investments categorized by major security type, with a description of the investment managers' strategies, and the nature of any restrictions to redeem the investment value as of June 30, 2010:

		Fair Value		Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Hedged equity funds (a)	$	96,849,998	$	-0-	monthly, quarterly, semi-annually, annually	45-100 days
Absolute return funds (b)		171,961,600		1,900,000	monthly, quarterly, semi-annually, annually	45-90 days
Venture capital (c)		76,116,188		46,000,000		
Buyouts (d)		77,691,278		71,900,000		
Distressed/special situations (e)		38,749,724		36,300,000		
Real estate (f)		44,159,787		46,500,000		
Natural resources (g)		79,075,397		27,100,000		
Total	$	$584,603,972	$	$229,700,000		

(a) This category includes investments in hedge funds that invest globally in both long and short common stocks across all market capitalizations. Management of the hedge funds may opportunistically shift investments across sectors, geographies, and net market exposures. The fair values of the investments in this category are based on the net asset value per share of the investment. Investments representing approximately 10% of the value of investments in this category cannot currently be redeemed because redemptions are not allowed the first three years after initial investment. The remaining restriction period for these investments was 30 months as of June 30, 2010.

(b) This category includes investments in hedge funds that invest opportunistically across various strategies including long/short equity, fixed income, distressed credit, merger arbitrage, convertible arbitrage, etc. The fair values of the investments in this category are based on the net asset value per share of the investment. Investments representing approximately 8% of the value of investments in this category cannot currently be redeemed because redemptions are not allowed the first year after initial investment. The remaining restriction period for these investments ranged from five to eight months as of June 30, 2010.

(c) This category includes several funds which invest primarily in early-stage companies in the technology and life science sectors. The underlying investments in these funds are fully restricted until liquidated by the manager. The nature of investments in this category is that money is distributed as the fund's underlying companies are exited via acquisition or IPO. Funds are typically structured to be fully liquidated after 10 years, but may be extended. The 6/30/2010 percentage of fair value by vintage year is as follows: 1999 (5.7%), 2000 (5.2%), 2001(10.1%), 2002 (1.6%), 2003 (11.3%), 2004 (16.0%), 2005 (8.5%), 2006 (16.2%), 2007 (11%), 2008 (13%), 2009 (0.6%), 2010 (0.8%). It is probable that the investments in this category will ultimately be sold at a value that is different from the net asset value of IUF's ownership interest as of June 30, 2010.

(d) This category includes private equity funds that invest in established, revenue-producing companies across sectors primarily in the United States, but also Asia and Europe. The underlying investments in these funds are fully restricted until liquidated by the manager. The nature of investments in this category is that money is distributed as the fund's underlying companies are recapitalized or exited via acquisition or IPO. Funds are typically structured to be fully liquidated after 10 years, but may be extended. The 6/30/2010 percentage of fair value by vintage year is as follows: 2001 (2.5%), 2004 (9.3%), 2005 (20.8%), 2006 (38.4%), 2007 (23.5%), 2008 (3.7%), 2009 (1.0%), 2010 (0.8%). It is probable that the investments in this category will ultimately be sold at a value that is different from the net asset value of IUF's ownership interest as of June 30, 2010.

(e) This category includes several funds that are focused on distressed, mezzanine, or secondary investments, primarily in the United States. The underlying investments in these funds are fully restricted until liquidated by the manager. The nature of investments in this category is that money is distributed when income from the underlying fund investments is received or when a position in liquidated. Funds are typically structured to be fully liquidated after 10 years, but may be extended. The 6/30/2010 percentage of fair value by vintage year is as follows: 2005 (6.8%), 2007 (49.1%), 2008 (43.6%), 2009 (0.2%), 2010 (0.3%). It is probable that the investments in this category will ultimately be sold at a value that is different from the net asset value of IUF's ownership interest as of June 30, 2010.

(f) This category includes several funds that invest primarily in U.S. commercial real estate, but also include real estate funds focused on Europe and Asia. The underlying investments in these funds are fully restricted until liquidated by the manager. The nature of investments in this category is that money is distributed when income from the underlying fund investments is received or when a position in liquidated. Funds are typically structured to be fully liquidated after 10 years, but may be extended. The 6/30/2010 percentage of fair value by vintage year is as follows: 2001 (5.6%), 2005 (27.5%), 2006 (27.6%), 2007 (15.9%), 2008 (17.3%), 2009 (6.1%) It is probable that the investments in this category will ultimately be sold at a value that is different from the net asset value of IUF's ownership interest as of June 30, 2010.

(g) This category includes several funds that are focused on direct energy and timber. The underlying investments in these funds are fully restricted until liquidated by the manager. The nature of investments in this category is that money is distributed when income from an underlying fund investment is received or when a position in liquidated. Funds are typically structured to be fully liquidated after 10 years, but may be extended. The 6/30/2010 percentage of fair value by vintage year is as follows: 2005 (6.4%), 2006 (51.3%), 2007 (28.3%), 2008 (7.1%), 2009 (6.9%). It is probable that the investments in this category will ultimately be sold at a value that is different from the net asset value of IUF's ownership interest as of June 30, 2010.

Note 5 – Property, Plant and Equipment

A summary of property, plant and equipment as of June 30, 2010 and 2009 follows:

	2010	**2009**
Land and buildings, net of unconditional promise to give	$ 54,576,689	$ 51,765,242
Aircraft and related facilities	345,055	581,667
Information and technology equipment	2,991,154	2,929,745
Other	2,616,630	2,637,746
	60,529,528	57,914,400
Accumulated depreciation	(14,815,844)	(13,811,010)
Total property, plant and equipment, net	$ 45,713,684	$ 44,103,390

Note 6 – Endowments

The Foundation's endowment consists of 4,285 and 4,049 individual funds as of June 30, 2010 and 2009, respectively. The following tables present the Foundation's endowment composition, changes, and net asset classifications as of and for the years ended June 30, 2010 and 2009:

Endowment Net Asset Composition by Class as of June 30, 2010:

		Temporarily Restricted		Permanently Restricted		
	Unrestricted	Foundation	University	Restricted	University	Total
Donor-restricted endowment funds	$ -0-	$ 3,053,858	$ 432,758,956	$ 18,272,724	$ 721,039,465	$ 1,175,125,003
Board-designated endowment funds	21,639,274	-0-	-0-	-0-	-0-	21,639,274
Total funds	$ 21,639,274	$ 3,053,858	$ 432,758,956	$ 18,272,724	$ 721,039,465	$ 1,196,764,277

Endowment Net Asset Composition by Class as of June 30, 2009:

		Temporarily Restricted		Permanently Restricted		
	Unrestricted	Foundation	University	Restricted	University	Total
Donor-restricted endowment funds	$ -0-	$ 3,145,407	$ 399,697,520	$ 17,498,911	$ 675,148,147	$ 1,095,489,985
Board-designated endowment funds	20,447,942	-0-	-0-	-0-	-0-	20,447,942
Total funds	$ 20,447,942	$ 3,145,407	$ 399,697,520	$ 17,498,911	$ 675,148,147	$ 1,115,937,927

Endowment Net Asset Composition by Class as of and for the year ended June 30, 2010:

		Temporarily Restricted		Permanently Restricted		
	Unrestricted	**Foundation**	**University**	**Foundation**	**University**	**Total**
Beginning of year	$ 20,447,942	$ 3,145,407	$ 399,697,520	$ 17,498,911	$ 675,148,147	$ 1,115,937,927
Investment income (loss)	3,660,666	378,505	69,108,329	770,142	(26,609,661)	47,307,981
Contributions and other revenue	387,810	67,510	40,172,302	3,671	67,032,101	107,663,394
Appropriation of endowment assets for expenditure	(2,857,144)	(537,564)	(76,219,195)	-0-	5,468,878	(74,145,025)
Other changes:						
Transfers to/from board-designated endowment funds	-0-	-0-	-0-	-0-	-0-	-0-
End of year	$ 21,639,274	$ 3,053,858	$ 432,758,956	$ 18,272,724	$ 721,039,465	$ 1,196,764,277

Endowment Net Asset Composition by Class as of and for the year ended June 30, 2009:

		Temporarily Restricted		Permanently Restricted		
	Unrestricted	**Foundation**	**University**	**Foundation**	**University**	**Total**
Beginning of year	$ 31,160,418	$ 4,662,366	$ 472,282,596	$ 24,555,653	$ 890,101,937	$ 1,422,762,970
Investment income (loss)	(7,533,358)	(1,286,071)	(40,616,176)	(7,059,431)	(242,763,734)	(299,258,770)
Contributions and other revenue	1,060,827	41,514	30,432,595	2,689	28,109,677	59,647,302
Appropriation of endowment assets for expenditure	(4,239,945)	(272,402)	(62,401,495)	-0-	(299,733)	(67,213,575)
Other changes:						
Transfers to/from board-designated endowment funds	-0-	-0-	-0-	-0-	-0-	-0-
End of year	$ 20,447,942	$ 3,145,407	$ 399,697,520	$ 17,498,911	$ 675,148,147	$ 1,115,937,927

Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets as of June 30, 2010 and 2009:

	2010		
Permanently Restricted Net Assets	**Foundation**	**University**	**Total**
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or UPMIFA	$ 18,272,724	$ 721,039,465	$ 739,312,189
Temporarily Restricted Net Assets			
Term endowment funds	$ 3,053,858	297,051,974	300,105,832
The portion of perpetual endowments subject to a time restriction under UPMIFA:			
With purpose restrictions	-0-	135,706,982	135,706,982
Total endowment funds classified as temporarily restricted net assets	$ 3,053,858	$ 432,758,956	$ 435,812,814

	2009		
Permanently Restricted Net Assets	**Foundation**	**University**	**Total**
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or UPMIFA	$ 17,498,911	$ 675,148,147	$ 692,647,058
Temporarily Restricted Net Assets			
Term endowment funds	$ 3,145,407	$ 277,972,687	$ 281,118,094
The portion of perpetual endowments subject to a time restriction under UPMIFA:			
With purpose restrictions	-0-	121,724,833	121,724,833
Total endowment funds classified as temporarily restricted net assets	$ 3,145,407	$ 399,697,520	$ 402,842,927

Return Objectives and Risk Parameters

The primary investment objective of the Foundation’s asset management program is to achieve an annualized total return (net of fees and expenses), through appreciation and income, equal to or greater than the rate of inflation (as measured by the broad, domestic Consumer Price Index) plus any spending and administrative expenses thus, at a minimum, maintaining the purchasing power of those assets managed by the Foundation. The assets are to be managed in a manner that will meet the primary investment objective, and where possible, to seek growth above the objective, while at the same time attempting to limit volatility for year-to-year spending.

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. Under this policy endowment assets are invested in a manner that is intended to yield a long-term rate of return of approximately 10.1% annually, while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

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 targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints. Endowment assets will be invested in the Foundation’s Pooled Long-Term Fund. Operating funds will typically be invested in the Pooled Short-Term Fund. An additional option is the Pooled Intermediate-Term Fund, which will fill a need for those operating funds that are due to be spent 6 months to 2 years from the time the cash is received. The Foundation’s Investment Committee (the Committee) understands the long-term nature of the endowment assets and believes that investing in assets with higher return expectations outweighs their short-term volatility risk. As a result, the majority of assets will be invested in equity or equity-like securities, including real assets (real estate and natural resources). Real assets provide the added benefit of inflation protection. Fixed income and absolute return strategies will be used to lower short-term volatility and provide stability, especially during periods of deflation and negative equity markets. Cash is not a strategic asset of the Pooled Long-Term Fund, but is a residual to the investment process and used to meet short-term liquidity needs.

Relationship of Spending Policy to Investment Objectives

The Committee determines the method to be used to appropriate endowment funds for expenditure. The Foundation will distribute 5% of the 12-quarter rolling average of the market value of the Pooled Long-Term Fund. The Foundation will distribute net income from the Pooled Intermediate-Term Fund. In establishing this method, the Committee considered the expected long-term rate of return on the investment of the Foundation’s endowment funds. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment to grow at an average between 3-4 % annually, consistent with its intention to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts. Depending upon market conditions and the needs and available resources of the Foundation, appropriations for expenditure from individual endowments may be temporarily suspended to facilitate preservation of the endowment.

Note 7 – Debt

A summary of debt as of June 30, 2010 and 2009 follows:

	2010		2009	
	Unrestricted	Permanently Restricted	Unrestricted	Permanently Restricted
Variable rate unsecured note related to the construction of an academic facility, with an interest rate swap capping interest at an all in rate of 5.1%. The derivative present value totals $160,650 with a fixed rate of 3.95% as of June 30, 2009, with annual principal and interest payments through June 2011.	$ 3,300,000	$ -0-	$ 4,900,000	$ -0-
Variable rate unsecured note related to facility construction and renovation with a rate of 3.25%. Paid off in 2010.	-0-	-0-	6,205,000	-0-
Other debt	-0-	58,083	59,198	58,083
Total debt	$ 3,300,000	$ 58,083	$ 11,164,198	$ 58,083

The carrying value of this debt approximates fair market value, as the borrowing rates currently available to the Foundation are similar to the terms on remaining maturities. Scheduled principal payments for the next five years and thereafter as of June 30, 2010 are: $3,358,093 due in 2011. At June 30, 2010 and 2009, the Foundation has available lines of credit totaling $4,000,000. There are no outstanding balances on the unsecured line as of and during the years ended June 30, 2010 and 2009. The Foundation's debt instruments contain certain financial and non-financial restrictive covenants.

Note 8 – Restricted Net Assets

The income generated from restricted net assets is used in accordance with the donors' time or purpose restrictions. Foundation and University permanently restricted assets are held in perpetuity. A summary of restricted net assets and the related donor imposed restrictions as of June 30, 2010 and 2009 are as follows:

2010

	Temporarily Restricted		Permanently Restricted	
	Foundation	**University**	**Foundation**	**University**
Foundation operations	$ 6,792,778	$ -0-	$ 19,196,728	$ -0-
University Programs:				
Awards	-0-	6,020,632	-0-	6,675,687
Capital and capital improvements	-0-	81,603,584	-0-	1,970,202
Fellowships/lectureships	-0-	18,775,364	-0-	66,728,954
General endowments	-0-	201,482,175	-0-	188,424,560
Medical practice plans	-0-	27,599,363	-0-	-0-
Operations	-0-	63,524,470	-0-	3,058,373
Professorships/chairs	-0-	93,338,195	-0-	223,223,211
Research	-0-	24,426,121	-0-	26,381,724
Scholarships	-0-	96,465,444	-0-	307,434,488
Total	$ 6,792,778	$ 613,235,348	$ 19,196,728	$ 823,897,199

2009

	Temporarily Restricted		Permanently Restricted	
	Foundation	**University**	**Foundation**	**University**
Foundation operations	$ 6,575,940	$ -0-	$ 18,378,986	$ -0-
University Programs:				
Awards	-0-	5,626,346	-0-	6,324,928
Capital and capital improvements	-0-	60,715,486	-0-	1,841,655
Fellowships/lectureships	-0-	16,915,308	-0-	61,965,866
General endowments	-0-	198,965,747	-0-	153,182,837
Medical practice plans	-0-	26,644,775	-0-	-0-
Operations	-0-	52,904,793	-0-	2,708,477
Professorships/chairs	-0-	80,013,268	-0-	199,357,174
Research	-0-	20,043,267	-0-	20,335,482
Scholarships	-0-	85,933,933	-0-	278,280,927
Total	$ 6,575,940	$ 547,762,923	$ 18,378,986	$ 723,997,347

Note 9 - Retirement Plan

The Foundation has a defined contribution retirement plan available to all eligible employees. To be an eligible employee you must be an individual who is customarily employed on a regular basis of 20 or more hours a week, is a full-time employee or has completed a year of eligibility service. A year of eligibility service is defined as working 1,000 hours or more, during a period of 12 consecutive months. This plan, The Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF), a separately administered defined contribution 403(b) retirement plan, provides individual retirement accounts for each eligible participating employee. Participants are fully vested after two years. Benefits to retired participants are based on the value of the individual retirement account at the date of retirement. The total contribution is 10% of the participant's annual salary up to the social security wage base and 15% on annual salary in excess of the social security wage base. The Foundation's policy is to fund retirement costs related to this plan as incurred. Retirement expense related to this plan amounted to $1,204,512 and $1,257,056 for the years ended June 30, 2010 and 2009, respectively.

Note 10 - Contingencies and Commitments

The Foundation has borrowed $68,684,083 and $62,420,949 of restricted cash and cash equivalents as displayed in its Foundation Unrestricted, Foundation Temporarily Restricted, and Permanently Restricted assets as of June 30, 2010 and 2009, respectively, and has reported this interfund borrowing as "due to (from)" on the Statement of Financial Position. The Foundation assumes all risk associated with the composition of assets related to the Foundation's reinvestment of the temporarily restricted University monies. These borrowings were used to (1) acquire property, plant and equipment for the benefit of the University, (2) purchase investment securities, and (3) support on-going Foundation operations. Repayment of the borrowings is primarily dependent on the Foundation's ability to (1) generate future appreciation and income from investment securities, (2) receive future revenue from existing property leases arrangements with the University and (3) receive future unrestricted gifts. Management has currently developed initiatives to reduce such borrowings in the future and maintain an appropriate composition of assets to comply with all donor restrictions.

Interfund financing of $3,800,000 and $5,400,000 as of June 30, 2010 and 2009, respectively, represents amounts financed by the Foundation unrestricted net assets to the agency and temporarily restricted University net assets. The carrying value of interfund financing approximates fair market value, as the borrowing rates currently available to the Foundation are similar to the terms on remaining maturities. Interest rates are from 4.0% to 6.0% as of June 30, 2010 and from 5.1% to 6.0% as of June 30, 2009.

Note 11 - Program Expenditures

Program expenditures include support for Foundation and University programs. Foundation programs include: real estate, air transportation services, Student Foundation, cultural center, women's programs and other miscellaneous programs. These University related program expenditures primarily support "Grants and aid to the University" and "Endowment and capital additions." For the years ended June 30, 2010 and 2009, a summary of these expenditures follows:

	2010 Unrestricted		
Program expenditures:	**Foundation**	**University***	**Total**
Foundation programs:			
Real estate	$ 4,052,917	$ -0-	$ 4,052,917
Student Foundation	516,477	-0-	516,477
Cultural center	159,047	-0-	159,047
Air Services	550,137	-0-	550,137
Women's programs	16,853	-0-	16,853
Miscellaneous	699	-0-	699
	5,296,130	-0-	5,296,130
Grants and aid to the University:			
Operating support:			
University support	1,995,797	33,875,388	35,871,185
Student scholarship and financial aid	53,482	31,294,232	31,347,714
Faculty support	1,027,433	11,376,973	12,404,406
Faculty research	-0-	47,370,601	47,370,601
	3,076,712	123,917,194	126,993,906
Endowment and capital additions:			
Land, building and equipment purchases	122,293	21,151,225	21,273,518
Library and art acquisitions	-0-	635,306	635,306
	122,293	21,786,531	21,908,824
Total program expenditures	$ 8,495,135	$ 145,703,725	$ 154,198,860

	2009		
		Unrestricted	
Program expenditures:	**Foundation**	**University***	**Total**
Foundation programs:			
Real estate	$ 7,907,942	$ -0-	$ 7,907,942
Student Foundation	485,300	-0-	485,300
Cultural center	180,474	-0-	180,474
Air Services	108,615	-0-	108,615
Women's programs	43,916	-0-	43,916
Miscellaneous	4,967	-0-	4,967
	8,731,214	-0-	8,731,214
Grants and aid to the University:			
Operating support:			
University support	2,162,254	30,431,424	32,593,678
Student scholarship and financial aid	98,887	27,714,355	27,813,242
Faculty support	3,335,046	34,210,851	37,545,897
Faculty research	-0-	6,837,617	6,837,617
	5,596,187	99,194,247	104,790,434
Endowment and capital additions:			
Land, building and equipment purchases	41,288	9,338,522	9,379,810
Library and art acquisitions	1,800	556,884	558,684
	43,088	9,895,406	9,938,494
Total program expenditures	$ 14,370,489	$ 109,089,653	$ 123,460,142

*These expenditures relate to temporarily restricted University net assets reclassified to unrestricted as the time or purpose restrictions are met. These amounts are included in the Statement of Activities as net assets released from restriction.

Note 12 - Related Party Transactions

In addition to amounts and transactions disclosed in the preceding notes and financial statements, the following is a summary of related party transactions. These transactions have been summarized below by financial statement classification as reported in the Statement of Activities. Related parties include affiliates, board of directors, management, and members of their immediate families.

Revenue and Support

Other Income

Included in unrestricted other income is direct support from the University for certain fundraising efforts as well as income from its program operations. For the years ended June 30, 2010 and 2009 the University provided development services support to the Foundation in the amount of $4,923,219 and reimbursed the Foundation for its direct support of the Matching the Promise Campaign general fund raising efforts in the amount of $505,297. As a part of the Foundation program operations, the Foundation received support from the University for the years ended June 30, 2010 and 2009, respectively, as follows: $2,726,963 and $3,489,071 of rental income for the lease of certain real estate; $1,426,852 and $1,446,094 for Telefund service fees related to its telephone fund raising operations; $266,960- and $-0- for charter services; and $15,523,567 and $13,368,382 in management/administrative fees of which, $2,370,783 and $1,939,545 were received on custodial assets held for the University or University affiliates.

Contributions and Promises to Give

The Foundation includes related party contributions in the Statement of Activities and outstanding irrevocable promises to give in the Statement of Financial Position.

A summary of Contributions and Promises to Give as of and for the years ended June 30, 2010 and 2009 follows:

		2010		2009
Contributions	$	9,845,469	$	5,464,008
Promises to Give	$	58,228,612	$	42,102,259

Expenditures

Investment Management Fee and Investments

As of June 30, 2010 and 2009, respectively, the Foundation owns partnership interests of $5,665,935 and $4,191,220 where a related party is a general partner. Management fees are outlined in individual partnership agreements and range from 1% to 2.5% of the annual capital commitments.

Management and General Expenses

Included in management and general expenses are fees paid to related parties for legal, insurance, leased real estate and financial services. For the years ended June 30, 2010 and 2009, these services total $658,176 and $663,051, respectively.

Program Expenditures

The Foundation operates a program to acquire on behalf of, lease to, and/or grant real estate to the University. Included in university support are the net book values of properties granted to the University totaling $2,479,542 and $6,228,541 for the years ended June 30, 2010 and 2009, respectively. In addition, program costs include maintenance and repair, utilities, insurance and taxes. Income received by the Foundation related to these operations is recorded in other income.

Note 13 – Subsequent Events

The Foundation has evaluated subsequent events through September 28, 2010, the date the financial statements were available to be issued. No subsequent events requiring disclosure were identified.