FOR ALL THE RIGHT REASONS

2011 ANNUAL REPORT

The United States Naval Academy Alumni Association
and United States Naval Academy Foundation

EVERY YEAR, THE NAVAL ACADEMY GRADUATES LEADERS PREPARED TO SERVE as junior officers in our Navy and Marine Corps. The Naval Academy Alumni Association and Foundation support the Brigade of Midshipmen and Academy alumni because they represent selfless service to our Nation—past, present, and future. For all you have done, and for all you will do, we thank you.

A MESSAGE FROM THE **CHAIRMEN**

The United States Naval Academy Alumni Association and Foundation are committed, first and foremost, to supporting the Naval Academy and its midshipmen.

We also create programs and opportunities for Academy alumni, parents and friends. Fiscal year 2011 was primarily a transition year focused on continuing to recover from the losses we faced in the previous two years. The Alumni Association and Foundation fulfill their missions *for all the right reasons*, and we are pleased to announce that we are as strong as ever.

By taking a number of steps to ensure our fiscal stability, we realized modest gains in both assets and total revenue. We were also able to reduce debt and improve our financial position, resulting in a positive financial balance as of 30 June 2011. We anticipate 2012 will continue this trend.

Generous gifts from our alumni, and their classes, as well as others—parents, friends of the Academy and corporations—as well as gifts from the graduating class of midshipmen—sustained and buoyed the Alumni Association and Foundation as we continue to transition to becoming an even stronger enterprise. We are humbled that so many believe in the Academy and are willing to support those who will serve.

Alumni Association membership is now 57,204 strong, an increase of more than 1,853 members. The Naval Academy is supported by 75 active graduated class organizations, 100 affiliated and sanctioned chapters worldwide and 84 national parents clubs.

While fiscal year 2010 was a testament to our ability to prevail following a year of stormy seas, fiscal year 2011 demonstrated our agility as an enterprise as well as our ability to make sound decisions for a sustainable future.

We are committed to serving the Naval Academy and its alumni *for all the right reasons*, and we look confidently to 2012.

Thank you for your generous support.

Admiral Charles S. Abbot '66, USN (Ret.)
Chairman, Board of Trustees
United States Naval Academy Alumni Association, Inc.

Vice Admiral John R. Ryan '67, USN (Ret.)
Chairman, Board of Directors
United States Naval Academy Foundation, Inc.

A MESSAGE FROM THE **PRESIDENT AND CEO**

The United States Naval Academy Alumni Association and Foundation are in a better fiscal position than we were at this time last year. Fiscal year 2011 was in part about transitioning from the rough waters created by the nation's economic downturn to a position of financial strength.

Though the work continues, fiscal year 2011 gave both organizations the opportunity to implement strategies that have led to our being a stronger enterprise overall.

We will continue to work with the Academy's Superintendent, Vice Admiral Michael Miller '74, to support strategic priorities for the Academy and the Brigade of Midshipmen. I have an outstanding working relationship with the Superintendent as well as with our two chairmen: Admiral Steve Abbot '66 and Vice Admiral John Ryan '67.

The Naval Academy has identified a number of strategic initiatives that represent opportunities for private support as we prepare to launch the Foundation's next major comprehensive fundraising campaign. Much is needed to fulfill the vision detailed in the Academy's "Strategic Plan 2020." The Foundation will seek private funding for programs, faculty and facilities, as well as opportunities to attract top candidates to the Academy and to prepare future Navy and Marine Corps officers to serve our nation in a very complex world.

In 2011, private support to the Naval Academy totaled more than $10.7 million, which was used to support Academy strategic initiatives that span the curriculum developing midshipmen morally, mentally and physically.

To that end, we have made exciting updates to our communications and engagement programs, making greater use of electronic and social media as well as increasing events beyond Annapolis. We also will move forward in the next year to support the Alumni Association's 2020 Strategic Plan in this regard. We are deeply grateful to the alumni, parents, friends and corporations who continue to support and sustain us—*for all the right reasons.*

This year, we added four alumni to the list of those receiving the U.S. Naval Academy Alumni Association Distinguished Graduate Award. Now in its 14th year, the award honors living graduates for demonstrating a commitment to a lifetime of naval service to the nation.

Today, we continue to support the Academy, the Brigade of Midshipmen and Academy alumni *for all the right reasons*. Thank you to all who help make our organizations strong so we can play a role in strengthening one of the nation's very best academic and leadership institutions.

Byron Marchant '78
President and CEO

THE ACADEMY'S STRATEGIC PLAN 2020 establishes the pressing needs for which the Foundation will seek funding.

FOR ALL THE **RIGHT REASONS**

The mission of the United States Naval Academy is "to develop midshipmen morally, mentally and physically and to imbue them with the highest ideals of duty, honor and loyalty in order to graduate leaders who are dedicated to a career of naval service and have the potential for future development in mind and character to assume the highest responsibilities of command, citizenship and government."

Why does the United States Naval Academy develop midshipmen morally, mentally and physically? Why does the Academy "imbue them with the highest ideals of duty, honor and loyalty?"

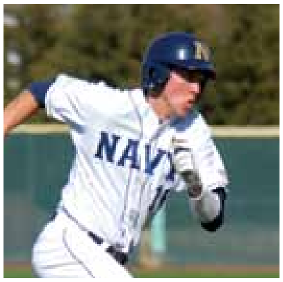
Since 1845, when then Secretary of the Navy George Bancroft established the "Naval School," the United States Naval Academy has educated, trained and inspired young men and women *for all the right reasons*. Because the country needs leaders who are equipped to defend the nation in time of need. Because the rate at which the world changes is accelerating with each passing year. Because the nation relies on members of the armed forces to be its ambassadors of peace, strength and good will around the world. Because the future of the United States of America—its citizens, its government, its society—depends on the people who dedicate their lives to perpetuating the values set forth by its founders.

For these reasons and so many others, the United States Naval Academy will continue to be one of the nation's premier leadership institutions. To do so in today's world, however, the Academy requires assistance and support. *For all the right reasons*, the United States Naval Academy Alumni Association and Foundation (USNA AA&F) provides that support.

The USNA Foundation is charged with garnering private financial support so that the Brigade of Midshipmen has superb programs, facilities and faculty to help prepare them to become leaders of character in a rapidly changing world. In conjunction with Academy leadership, the Foundation, supporting the Academy's strategic plan, seeks private funding to supplement the Academy's core program. This "margin of excellence" includes athletic programs, study abroad opportunities, project-based learning programs, ethical leadership initiatives and many other initiatives not covered by taxpayer dollars—all of which serve midshipmen and prepare them for service as junior officers in the Navy and Marine Corps.

Through their active military service, and their leadership roles in or out of uniform, Academy alumni continue to distinguish themselves. *For all the right*

THE *MARGIN OF EXCELLENCE* includes programs and initiatives that better prepare midshipmen for a complex world.



reasons, the USNA AA&F works to strengthen the bonds that connect alumni to each other and to their alma mater by planning and supporting activities, programs and events and by leveraging the power of electronic and print-based communication tools. During 2011, the USNA AA&F continued to serve the Brigade of Midshipmen and Academy alumni for all the right reasons.

By most measures, fiscal year 2011 was a success. While the prior year was one of rebuilding after the nation's economic downturn, 2011 is better described as a year of transition. With a strategic plan in place to guide its decisions and progress, the USNA AA&F enacted several initiatives to ensure a sustainable and strong enterprise going forward.

A reorganization of the Alumni Association and Foundation enterprise, begun in 2010 and continued in 2011, while difficult in many ways, reduced the number of staff and created a leaner, more efficient organization. Many of the employee benefits that had been put on hold have now been resumed, and we are filling vacant staff positions, particularly those in frontline development positions, which will make a significant difference in fundraising capability.

Unrestricted financial support from alumni, parents, friends and corporate partners remained very strong in 2011. Gifts to the Naval Academy Annual Fund totaled $7.6 million, exceeding our goal and providing critical unrestricted support to the Academy, the Alumni Association and the Foundation.

Of note, the *First Gift* program, a voluntary, class leadership–run program that encourages first-class midshipmen to make their first gift to the Academy upon graduation, enjoyed its fourth consecutive successful year. Thirty percent of the Class of 2011 pledged support via payroll allotment.

Parents also continued to generously support the Academy during fiscal year 2011 by contributing $2.3 million, which included 1,680 new charitable commitments. Forty-eight parents joined the President's Circle for the first time, bringing the total number of parents in the Foundation's premier leadership giving society to 222.

THE USNA AA&F strengthens the bonds between alumni and their alma mater.

FISCAL YEAR 2011 HIGHLIGHTS

The financial health of the enterprise is part of the story. Another important highlight has been the Foundation's ability to help fulfill the Academy's pressing needs as set forth by the Superintendent and his leadership team—especially those priorities identified in the Academy's "Strategic Plan 2020."

Naval Academy priority strategic initiatives range across the curriculum, from supporting the Center for Cyber Security Studies to increasing project-based learning opportunities for midshipmen to increasing support for the Center for Ethical Leadership. Admissions excellence, Science, Technology, Engineering and Math (STEM) programs, international education opportunities, faculty recruitment and development and athletic excellence are further examples of the opportunities that exist to contribute to the "margin of excellence" at the Academy.

2011 also saw a marked increase in Alumni Association membership, growing from 55,351 in December 2010 to 57,204 by December 2011. The increase is due, in part, to new and fortified efforts to connect in new ways with alumni, classes, friends, parents and corporate partners. Not only are they being engaged through class reunions, *Another Link in the Chain*, Parents Weekend and other programs and events in the Yard, there has also been a concerted effort to create meaningful engagements across the nation. Print as well as electronic and multi-media communications tools, social networking opportunities and even a mobile phone application now offer constituents a wider variety of ways to connect to the Academy as well as to each other.

For lifetimes of service and significant contributions to the Navy/Marine Corps and the nation, four Naval Academy graduates were honored in March with the United States Naval Academy Alumni Association Distinguished Graduate Award. In a special ceremony before the entire Brigade of Midshipmen, the Superintendent, Vice Admiral Michael Miller '74, USN, and Admiral Steve Abbot '66, USN (Ret.), chairman of the Board of Trustees of the Alumni Association, recognized Rear Admiral Robert H. Shumaker '56, USN (Ret.); Dr. Bradford W. Parkinson '57; Lieutenant General Matthew T. Cooper '58, USMC (Ret.); and Mr. Corbin A. McNeill Jr. '62—all of whom joined the elite group of leaders who serve as inspiring examples for today's midshipmen.

On Induction Day, 30 June, the Academy welcomed the Class of 2015 as they arrived for Plebe Summer. The 1,220 men and women who became members of the Brigade of Midshipmen were selected from 19,000 applicants, a record for the Academy. Among them were 47 Foundation candidates, including 40 men and seven women, and 14 minority students. Their average SAT scores were 1,110, and 96 percent were varsity letter winners in high school. The 2016 class is already being formed, with 51 students enrolled at the Academy's 17 affiliated prep schools.

A notable highlight was the special remembrance ceremony held on the 10th anniversary of the September 11, 2001 attacks. On Sunday, 11 September 2011, the Academy invited families of fallen alumni—those who were killed on September 11th as well as those who have died in service to the nation since then—to Memorial Hall. It was an especially moving ceremony.

FISCAL YEAR 2011 FINANCIAL HEALTH

For all the right reasons, the enterprise continued to be prudent in investment as well as strategic decisions, which resulted in an increase in revenue as well as controlled expenses. Overall, fiscal year 2011 was an outstanding year for the Alumni Association and Foundation.

In part due to market variability, the nation's high unemployment rate and other factors related to economic uncertainty, restricted contributions were down nearly 40 percent. Unrestricted gifts were up, however, which helped financial reserves increase to a much healthier $1.7 million.

The investment portfolio continued to perform well, and liabilities were down, thanks to the 39 generous investors who came through in fiscal year 2010 to help pay off debt. Fiscal year 2011 ended with a budget surplus of $850,000. Net assets as of 30 June 2011 stood at $171 million.

Maintaining the link between the Academy's strategic priorities and those initiatives for which the Foundation solicits private gifts will remain critically important to the Foundation's ongoing success.

FOR ALL THE RIGHT REASONS

The Naval Academy is one of the nation's top-tier academic and leadership institutions. It attracts the brightest and the best: young men and women who *choose* to serve their nation as officers in the United States Navy and Marine Corps—and to complete rigorous academic and physical requirements along the way.

The Alumni Association and Foundation exist to ensure that members of the Brigade of Midshipmen have programs, facilities and opportunities that prepare them for the challenges they will face upon graduation.

These young men and women become not only Navy and Marine Corps leaders but also global citizens and ambassadors. They make a tremendous impact in all walks of life as leaders in government, business, medicine, education, science and engineering. They deserve our support, as do Academy alumni, who are part of an enduring tradition of service and leadership.

Our deepest gratitude goes to those who made 2011 an outstanding year, despite the rough waters that have characterized the recent past. You gave, and we hope you will continue to give…

for all the right reasons.

A MESSAGE FROM THE **CHIEF FINANCIAL OFFICER**

As the Chief Financial Officer and Treasurer of the Alumni Association and Foundation, I am pleased to provide a true and accurate picture of the financial condition of both organizations.

Overall, fiscal year 2011 was a strong year. Many of the financial losses experienced in the previous two years due to the nation's economic downturn have recovered or begun to recover. The comprehensive effort that began in 2010 continued into fiscal year 2011 to redesign the organization as well as measures across the board to make the enterprise more efficient and thereby more sustainable.

Our total support to the Naval Academy for fiscal year 2011 was $10.7 million, reflecting a slight increase from the previous year. Our goal, as always, was to be very conservative in our decision-making while maximizing both the support we provide to the Academy and the services we offer to our alumni.

The consolidated financial statements in this report accurately reflect the organization's financial position, results of operations and workflows. The financial information is prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States. The financial statements in this document are the complete set presented to our auditors. I have reviewed them, and to the best of my knowledge, they contain no untrue material statements nor do they omit any material facts.

Independent auditor McGladrey and Pullen, LLP audited our financial statements and expressed an unqualified opinion on them. The auditor considered our internal controls to the extent they believe necessary to determine and conduct the audit to render an opinion. They found no significant deficiencies or material weaknesses during their audit, and there were no adjustments made—now a four-year trend we are committed to continuing. Our internal controls ensure transactions are authorized, executed and recorded properly.

The Joint Finance and Audit Committee of the respective boards—nine members who are neither officers nor employees of the Alumni Association or Foundation—meets quarterly with management to ensure the management team fulfills its responsibility for accounting controls and preparation of the financial statements and related data.

We are grateful to those who continue to support our mission *for all the right reasons*, and we remain committed to operating with the utmost financial integrity.

Henry J. Sanford

Henry J. Sanford
Chief Financial Officer and Treasurer

THE FOUNDATION PROVIDES FUNDING FOR project-based learning experiences that range from cyber defense competitions to designing aircraft cockpits of the future.

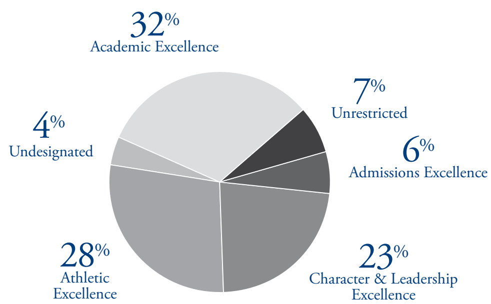
ASSETS:
Assets *(in millions)*

2002	$129.4
2003	$139.3
2004	$160.2
2005	$172.8
2006	$184.0
2007	$214.8
2008	$207.6
2009	$166.1
2010	$182.5
2011	$200.7

LIABILITIES AND NET ASSETS:
Liabilities/Net Assets *(in millions)*

2002	$21.5	$107.8
2003	$30.0	$109.2
2004	$36.3	$123.9
2005	$38.6	$134.2
2006	$33.9	$150.1
2007	$37.2	$177.6
2008	$42.3	$165.3
2009	$39.1	$127.0
2010	$30.2	$152.3
2011	$29.0	$171.7

SUPPORT TO NAVAL ACADEMY 2011



FINANCIAL HIGHLIGHTS FOR THE FISCAL YEAR ENDING JUNE 30, 2011

Expenses $M

Program Services:	
Support to Naval Academy	$10.75
Alumni publications	1.19
Member support	2.16
Partnership marketing	0.54
Alumni communications	0.98
Career transitions	0.66
Total program services	**$16.28**
Support Services:	
Development	$5.15
General & administrative	1.65
Total support services	**$6.80**
Total expenses	**$23.08**

Support to USNA $M

Academic Excellence	$3.48
Admissions Excellence	0.61
Athletic Excellence	3.02
Character & Leadership Excellence	2.46
Unrestricted	0.80
Undesignated	0.38
Total Support to USNA	**$10.75**

Revenue $M

Contributions	$16.58
Investment income	21.81
Fund administration fee	1.08
Membership and merchandise sales	0.61
Royalties	0.57
Other	1.80
Total support and revenue	**$42.45**

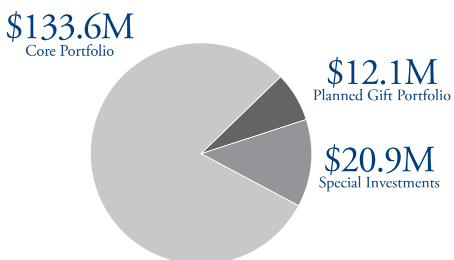
INVESTMENT PORTFOLIO **REVIEW**

OVERVIEW

The total investment portfolio of the Alumni Association and Foundation is comprised of the Core Portfolio, the Planned Gift Portfolio and a number of stand alone accounts for various purposes referred to as our Special Investments. The Core Portfolio holds the vast majority of the invested assets of the combined organization, while the Planned Gift Portfolio holds those invested assets associated with deferred gifts.

For the fiscal year the total investment portfolio of the Alumni Association and Foundation increased $26.4M to $166.6M as of 30 June 2011, a value that exceeds the total investment portfolio's pre-crisis fair market value. Of the significant increase, $22.8M was the result of investment gains and represents the second consecutive year of double digit growth as a result of the continued recovery of the investment markets.

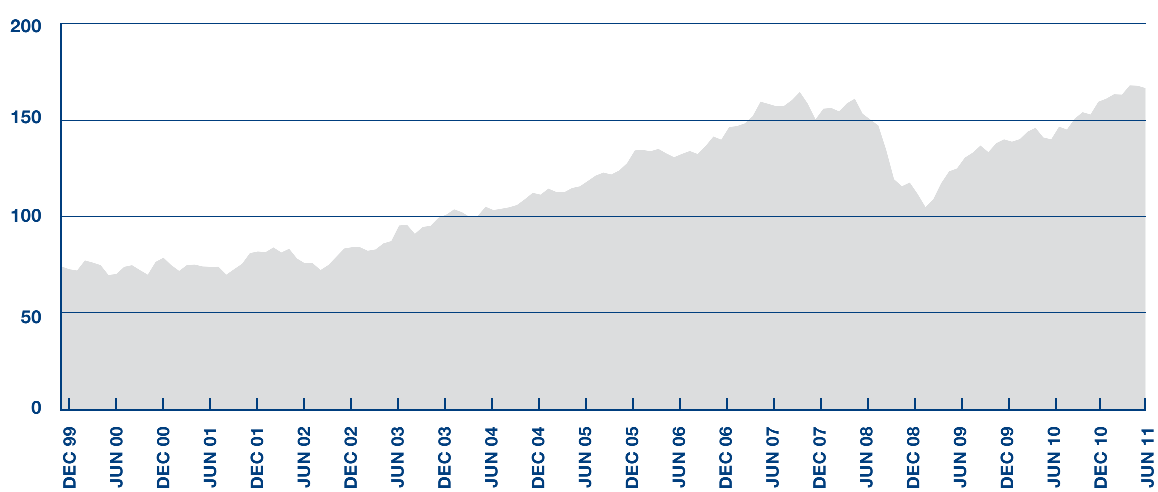
TOTAL INVESTMENT PORTFOLIO



CORE PORTFOLIO

The Core Portfolio represents approximately 80 percent of the total investment portfolio and holds the majority of endowed and long-term restricted gift funds. It's a pooled fund that continues to be managed by the firm *The Investment Fund for Foundations (TIFF)* under the oversight of the Joint Investment Committee.

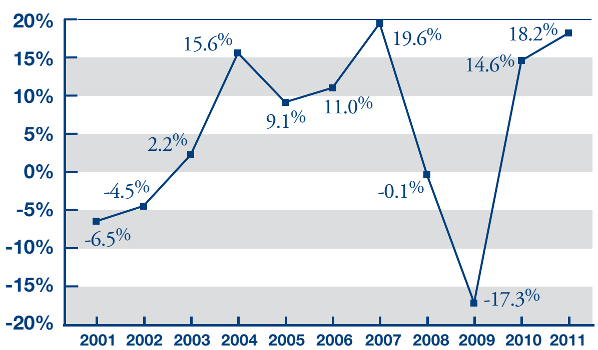
VALUE OF ALL INVESTMENTS (12/1999–6/2011)



USNA FOUNDATION FUNDS help the Academy recruit the best and brightest students from across the country.

The Core Portfolio is invested with an objective of preserving the purchasing power of our invested assets over the long term. We know that the Core Portfolio may outperform or underperform expectations in the short term but we are focused on beating our benchmarks over the longer term. As listed in the investment objective, our goal is to preserve our assets, and thus we believe and invest using a highly diversified portfolio of assets. Additionally, while we have built our Core Portfolio's targeted asset allocation, the Policy Portfolio, with the long term in mind, we continually evaluate and take actions in the shorter term to reduce risks or add value as we deem prudent. For most of fiscal year 2011, we positioned the Core Portfolio more conservatively than our Policy Portfolio targets by shifting more of the allocation towards hedging assets and cash equivalents and underweighted total return assets. As a result, while we achieved an investment return of 18.2 percent for the fiscal year, our conservative approach did not pay off during the period as we lagged the Policy Portfolio benchmark for the one-year period. However, over the longer three-year and five-year periods the Core Portfolio has beaten the Policy Portfolio benchmark. That same conservative positioning that caused us to underperform for the fiscal year has helped us significantly in dealing with the volatility of the markets in the early parts of the new fiscal year.

CORE PORTFOLIO INVESTMENT RETURNS – 11 YEARS OF JOINT OPERATIONS



The Core Portfolio's long-term strategic asset allocation, known as the Policy Portfolio, is established and governed by the Joint Investment Committee. The Policy Portfolio is a portfolio that is diversified across several asset classes, strategies and many underlying investment managers. The Joint Investment Committee allows *TIFF* to make tactical adjustments away from the long-term strategic asset allocations as long as they remain within approved ranges established by the Committee. The private investment asset allocations are also below the Policy Portfolio long-term strategic targets as the Committee instituted a plan when it hired *TIFF* five years ago to build out the private investment allocations over time so that the private investments are diversified across both managers and time and we ensure we have sufficient liquidity to meet future commitments. During fiscal year 2011 we continued the slow and steady private investment build out by adding two new private investment commitments to the portfolio.

PLANNED GIFT PORTFOLIO

The Planned Gift Portfolio consists of a series of accounts for charitable trusts assets, charitable gift annuities and a pooled income fund. The Planned Gift Portfolio accounts totaled $12.1M and represented

CORE PORTFOLIO ACTUAL AND POLICY PORTFOLIO ASSET ALLOCATION

	6/30/2011 Policy	6/30/2011 Actual
Total Return Assets		
Global Equity	35.0%	38.0%
Private Equity	20.0%	9.6%
High Yield Bonds	6.0%	2.3%
Other Total Return Assets	0.0%	1.9%
Inflation Hedges		
Commodities	3.0%	2.7%
Marketable Real Estate (REITs)	3.0%	2.7%
Private Realty and Resources	10.0%	3.2%
All-Purpose Hedges		
Inflation-Linked Bonds	13.0%	10.1%
Cash Equivalents	10.0%	20.3%
Other Hedging Assets	0.0%	9.2%
Total	**100%**	**100%**

about 7 percent of the total investments as of 30 June 2011. *SunTrust Bank* is both the Associations' planned gift investment portfolio manager and planned gift administrator. Each of these planned gifts requires payments be made to the donor or other designated beneficiaries for a specified term or the lives of the beneficiaries. Each of the planned gift investment accounts has a tailored asset allocation that is determined based on factors such as regulatory requirements, terms of the planned gift, ages of the beneficiaries, payout rate, and any other special circumstances. While the accounts are separately managed, the composite rate of return for all these funds was 18 percent for the 12 month period.

SPECIAL INVESTMENTS

The Special Investments is a number of stand-alone investment accounts that do not fit within the core or planned gift portfolios. At fiscal year end, this grouping of accounts totaled $20.9M and made up 12.5 percent of all investments. Due to the wide variation in the types of investments and objectives of these various accounts a composite rate is not meaningful. The largest accounts within this group are the Alumni Association and Foundations' short-term investment accounts that totaled $11.5M as of 30 June 2011. The short-term investment accounts are invested in six month treasury bills for minimum risk and maximum liquidity. These accounts hold funds for both restricted funds that will be needed in the near term or should not be subjected to market volatility and the organizations' operating reserves.

OUTLOOK

Since the end of the fiscal year the markets have been very volatile, driven by concern and uncertainty related to the debt ceiling debate, the resulting S&P downgrade of U.S. Treasury securities, the euro zone crisis, and indications of slowing growth both home and abroad. The impact of these issues on our portfolios was unavoidable. The good news is that our conservative positioning is helping us weather the impact and we have taken advantage of some of the declining valuations. Although current markets are certainly difficult, and future returns may be uncertain, we remain focused on our mission and are confident that we will deliver good long term returns.

Fiscal Year 12 YTD Performance (1 July – 31 Dec)

Core Portfolio (rough estimate)	-5.0%
65/35 Global Stock/Bond Portfolio*	-5.4%

*MSCI All Country World Index/Barclays Capital Aggregate

The United States Naval Academy Alumni Association, Inc. and United States Naval Academy Foundation, Inc.

CONSOLIDATED FINANCIAL REPORT

June 30, 2011

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
The United States Naval Academy Alumni Association, Inc.

To the Board of Directors
United States Naval Academy Foundation, Inc.
Annapolis, Maryland

We have audited the accompanying consolidated statements of financial position of The United States Naval Academy Alumni Association, Inc. (the Alumni Association) and the United States Naval Academy Foundation, Inc. (the Foundation) as of June 30, 2011 and 2010, and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Alumni Association's and 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Alumni Association and the Foundation as of June 30, 2011 and 2010, and the changes in their net assets and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Baltimore, Maryland
October 11, 2011

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2011 and 2010

	2011	2010
Assets		
Cash and cash equivalents	$ 2,802,662	$ 3,544,857
Accounts receivable and other current assets	361,450	544,811
Contributions receivable, net (Note 2)	21,266,357	28,644,855
Investments (Notes 3 and 4)	166,587,560	140,300,832
Property and equipment, net (Note 6)	6,519,046	6,730,720
Interest in third party trusts (Note 4)	3,214,872	2,744,124
Total assets	$ 200,751,947	$ 182,510,199
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 1,602,344	$ 1,252,524
Deposits on life memberships (Note 7)	596,418	548,925
Class savings accounts	2,591,093	2,529,848
Deferred income and deposits	979,017	966,108
Notes payable (Note 8)	1,000,000	3,390,000
Split-interest agreements	7,383,963	7,097,182
Accrued key employees' retirement (Note 10)	728,153	612,350
Unamortized life memberships deferred revenue (Note 7)	14,188,831	13,802,282
Total liabilities	29,069,819	30,199,219
Commitments (Note 4)		
Net Assets		
Unrestricted	11,816,442	6,799,679
Temporarily restricted (Notes 11 and 13)	100,851,595	87,215,995
Permanently restricted (Notes 12 and 13)	59,014,091	58,295,306
Total net assets	171,682,128	152,310,980
Total liabilities and net assets	$ 200,751,947	$ 182,510,199

See Notes To Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains, and other support:				
Contributions (Note 5)	$ 9,856,238	$ 6,201,766	$ 524,303	$ **16,582,307**
Membership dues	269,904	-	-	**269,904**
Life member amortization (Note 7)	294,703	-	-	**294,703**
Merchandise sales	43,534	-	-	**43,534**
Net investment income (Note 3)	4,680,819	16,643,198	482,788	**21,806,805**
Publications and advertising	210,692	-	-	**210,692**
House activities	124,344	-	-	**124,344**
Career transition services	625,272	-	-	**625,272**
Homecoming and conference fees	181,132	-	-	**181,132**
Fund administrative fee	1,081,243	-	-	**1,081,243**
Royalties	573,058	-	-	**573,058**
Travel income	55,420	-	-	**55,420**
Other	48,272	-	-	**48,272**
Other support:				
Change in value of split-interest agreements	(165,602)	598,611	126,083	**559,092**
Changes in donors' intent (Note 9)	(1,650,634)	2,065,023	(414,389)	-
Net assets released from restrictions (Note 9)	11,872,998	(11,872,998)	-	-
Total revenue and gains	28,101,393	13,635,600	718,785	**42,455,778**
Expenses:				
Program services:				
Support to the Naval Academy (Note 5)	10,748,424	-	-	**10,748,424**
Alumni publications	1,194,834	-	-	**1,194,834**
Membership support	2,164,885	-	-	**2,164,885**
Partnership marketing	537,357	-	-	**537,357**
Alumni communications	978,874	-	-	**978,874**
Career transitions	657,844	-	-	**657,844**
Total program services	16,282,218	-	-	**16,282,218**
Supporting services:				
Development	5,148,675	-	-	**5,148,675**
General and administrative	1,653,737	-	-	**1,653,737**
Total supporting services	6,802,412	-	-	**6,802,412**
Total expenses	23,084,630	-	-	**23,084,630**
Change in net assets	5,016,763	13,635,600	718,785	**19,371,148**
Net assets at beginning of year	6,799,679	87,215,995	58,295,306	**152,310,980**
Net assets at end of year	$ 11,816,442	$100,851,595	$59,014,091	**$ 171,682,128**

See Notes To Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains, and other support:				
Contributions (Note 5)	$ 12,186,870	$ 12,449,949	$ 2,504,139	**$ 27,140,958**
Membership dues	266,146	-	-	**266,146**
Life member amortization (Note 7)	282,666	-	-	**282,666**
Merchandise sales	71,071	-	-	**71,071**
Net investment income (Note 3)	3,040,204	12,189,893	188,877	**15,418,974**
Publications and advertising	251,602	-	-	**251,602**
House activities	107,570	-	-	**107,570**
Career transition services	555,517	-	-	**555,517**
Homecoming and conference fees	97,259	-	-	**97,259**
Fund administrative fee	1,106,340	-	-	**1,106,340**
Royalties	573,280	-	-	**573,280**
Travel income	21,570	-	-	**21,570**
Other	63,190	-	-	**63,190**
Other support:				
Change in value of split-interest agreements	273,927	500,639	258,909	**1,033,475**
Changes in donors' intent (Note 9)	(4,226,269)	5,107,879	(881,610)	-
Net assets released from restrictions (Note 9)	10,879,309	(10,879,309)	-	-
Total revenue and gains	25,550,252	19,369,051	2,070,315	**46,989,618**
Expenses:				
Program services:				
Support to the Naval Academy (Note 5)	10,431,397	-	-	**10,431,397**
Alumni publications	1,216,228	-	-	**1,216,228**
Membership support	1,859,390	-	-	**1,859,390**
Partnership marketing	505,735	-	-	**505,735**
Alumni communications	803,985	-	-	**803,985**
Career transitions	598,157	-	-	**598,157**
Total program services	15,414,892	-	-	**15,414,892**
Supporting services:				
Development	4,702,045	-	-	**4,702,045**
General and administrative	1,519,907	-	-	**1,519,907**
Total supporting services	6,221,952	-	-	**6,221,952**
Total expenses	21,636,844	-	-	**21,636,844**
Change in net assets	3,913,408	19,369,051	2,070,315	**25,352,774**
Net assets at beginning of year	2,886,271	67,846,944	56,224,991	**126,958,206**
Net assets at end of year	$ 6,799,679	$ 87,215,995	$ 58,295,306	**$152,310,980**

See Notes To Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30, 2011 And 2010

	2011	2010
Cash Flows From Operating Activities		
Change in net assets	$ 19,371,148	$ 25,352,774
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	362,910	344,478
Change in discount and allowance on contributions receivable	(1,609,910)	(1,781,075)
Amortization of life memberships	(294,703)	(282,666)
Net realized and unrealized gains on investments	(17,059,149)	(12,148,311)
Split-interest agreements	286,781	(1,299,626)
Interest in third-party trusts	(470,748)	(177,420)
Gain on sale of property and equipment	-	(638)
Contributed securities	(2,580,095)	(3,471,511)
Contributions restricted for long-term investment	(190,782)	(344,300)
Changes in assets and liabilities:		
Decrease in assets:		
Accounts receivable and other current assets	183,361	96,550
Contributions receivable	8,438,471	148,537
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	349,820	(52,084)
Deposits on life memberships	47,493	(3,018)
Class savings accounts	61,245	15,808
Deferred income and deposits	12,909	109,620
Accrued key employees' retirement	115,803	(86,282)
Unamortized life memberships deferred revenue	681,252	721,400
Net cash provided by operating activities	7,705,806	7,142,236
Cash Flows From Investing Activities		
Purchases of property and equipment	(151,236)	(138,725)
Proceeds from sales of property and equipment	-	1,100
Purchase of investments	(24,806,662)	(26,439,852)
Proceeds from sales or maturities of investments	18,159,178	26,682,864
Net cash (used in) provided by investing activities	(6,798,720)	105,387
Cash Flows From Financing Activities		
Proceeds from contributions restricted for long-term investment	740,719	1,384,120
Principal payments on notes payable	(2,390,000)	(7,060,000)
Principal payments on loan payable	-	(1,000,000)
Net cash used in financing activities	(1,649,281)	(6,675,880)
Net (decrease) increase in cash and cash equivalents	(742,195)	571,743
Cash And Cash Equivalents:		
Beginning of year	3,544,857	2,973,114
End of year	$ 2,802,662	$ 3,544,857
Supplemental Disclosure Of Cash Flow Information		
Cash paid during year for interest	$ 21,321	$ 126,916
Supplemental Disclosure Of Noncash Investing And Financing Activities		
Contributed securities	$ 2,580,096	$ 3,471,511
Other non-cash assets	$ 98,340	$ 176,070

See Notes To Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Organizations And Summary Of Significant Accounting Policies

The consolidated financial statements of The United States Naval Academy Alumni Association, Inc. (the Alumni Association) and the United States Naval Academy Foundation, Inc. (the Foundation) have been prepared on the accrual basis of accounting. The two entities are collectively referred to herein as the Associations. Significant intercompany amounts have been eliminated in consolidation. The significant accounting policies are described below.

Organization: The Alumni Association is a not-for-profit, independent, self-supporting corporation of the Naval Academy alumni. First formed in 1886 as the United States Naval Academy Graduates Association, it was organized for educational and charitable purposes in 1931. It is dedicated to serve and support the nation, the naval service, the Naval Academy, and its alumni.

The Foundation was established in 1944 as an organization to support Naval Academy athletics and candidates for admission to the Naval Academy. The private giving arm of the Foundation was established in 1968 under the name of the United States Academy Memorial Fund, Inc. (the Memorial Fund).

During 1996, the name of the Memorial Fund was changed to the Naval Academy Associates, Inc. During 1997, the name of the Associates was changed to the Naval Academy Endowment Trust, Inc. (the Endowment Trust). As of December 31, 1999, the Endowment Trust amalgamated with the U.S. Naval Academy Foundation and changed its name to United States Naval Academy Foundation, Inc. The Foundation is a not-for-profit, independent organization created to raise private contributions to benefit the United States Naval Academy, the Brigade of Midshipmen (the Naval Academy), and the Alumni Association. The Alumni Association manages the investment and administrative functions of the Foundation. The Foundation records its share of actual expenses incurred by the Alumni Association for such services.

Net assets classification: Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Associations and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Associations and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that the Associations maintain them permanently. Generally, the donors of these assets permit the Associations to use all or a part of the income earned on related investments for general or specific purposes.

Revenue recognition: Contributions, including unconditional promises to give (pledges), are recognized as revenues in the year received. Promises to give are reported net of current year adjustments and discounts. Contributions for the benefit of the Naval Academy are recorded as contribution revenue when received and as support expenses when paid. The Alumni Association recognizes income from life membership dues over the life expectancy of the member at the time he or she becomes a member.

Contributions and investment income: Contributions and investment income are reported as increases in unrestricted net assets, unless use of the related assets is limited by donor-imposed purpose or time restrictions. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions in the consolidated statements of activities (see Note 9).

Contributions with donor-imposed time restrictions are reported as unrestricted revenues when those restrictions are met in the same year as received.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Organizations And Summary Of Significant Accounting Policies (Continued)

Functional expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Career transitions program expenses relate to the Service Academies Career Conference and career transition programs. Membership support expenses are the costs to provide services to members of the Alumni Association for class and chapter support and for special alumni events. Partnership marketing expenses relate to affinity programs and the cost of sales on merchandise. Alumni publication expenses consist primarily of the cost to produce *Shipmate* magazine and the Service Academy Business Resource Directory (SABRD). Alumni communication expenses support all electronic and Web-site-based communications. Development expenses are the costs to raise funds for the Naval Academy and the Associations.

Cash and cash equivalents: Cash equivalents are short-term investments with original maturities of three months or less at the date of purchase, excluding those short-term investments managed by the Associations' investment managers as part of their long-term investment strategies.

Accounts receivable: Accounts receivable consists of current amounts due to the Alumni Association for life and corporate membership dues, advertising in *Shipmate* magazine, and events held at Alumni House. Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. An account receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 90 days. Interest is not charged on receivables that are outstanding for more than 30 days. Management has determined that an allowance for doubtful accounts on accounts receivable was not necessary at June 30, 2011 and 2010.

Contributions receivable: Contributions are recognized when the donor makes a promise to give to the Associations that is, in substance, unconditional.

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605-15-2 and FASB ASC 958-605-15-4, Revenue Recognition – Contributions Received, contributions to be received in a future period are discounted to their net present value at the time the revenue is recorded. The Associations' contributions are discounted at a rate of five percent.

The Associations use the allowance method to determine uncollectible contributions. Management determines the allowance for uncollectible contributions by identifying troubled accounts and by using historical experience applied to an aging of accounts.

Investments: In accordance with FASB ASC 820, *Fair Value Measurements and Disclosure*, the Associations report all investments at fair value (see Note 4). investments at fair value (see Note 4).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Organizations And Summary Of Significant Accounting Policies (Continued)

Investments are used for operations, class savings accounts, split-interest agreements, board-designated life membership funds, support for the Naval Academy, and the Associations' endowments. Both entities initially record donated securities at the fair value on the date of the gift. These investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with such investments and the related changes in value, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances from the amounts reported in the consolidated financial statements.

The Associations' core portfolio largely consists of various mutual funds under a principal investment manager. The multi-asset mutual funds provide exposure to several asset class segments: global stocks, absolute return, high yield bonds, real estate investment trusts (REIT's), commodities, resource-related stocks, inflation linked bonds, conventional bonds, and cash equivalents.

Property and equipment: Property and equipment is stated at cost, less accumulated depreciation. Depreciation of property and equipment and amortization of software are computed using the straight-line method at rates adequate to depreciate and amortize the applicable assets over their expected useful lives, as follows:

Buildings and improvements	27 – 50 years
Furniture and equipment	5 – 10 years
Computer equipment and software	3 – 5 years

Maintenance and repair expenses are charged against operations. Expenditures for improvements that extend the useful lives of the assets are capitalized.

Valuation of long-lived assets: The Associations account for long-lived assets under FASB ASC 360-10-20, *Accounting for the Impairment or Disposal of Long-Lived Assets*. FASB ASC 360-10-20 requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flow expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

Class savings accounts: The Alumni Association is the custodian of various class savings accounts. These funds are invested and included in the Alumni Association's investments ($2,428,673 and $2,365,995 at June 30, 2011 and 2010, respectively) and cash and cash equivalents ($162,420 and $163,853 at June 30, 2011 and 2010, respectively), but are restricted for use by the Alumni classes on Alumni events. The Alumni Association charges an administrative fee equal to 20 percent of the interest and realized and unrealized gains earned on each classes' account balance, which is included in investment income in the consolidated statements of activities.

Deferred income and deposits: Funds received for an affinity credit card agreement are recognized as royalty revenue over the life of the agreement. The remainder of deferred income and deposits consists of prepaid annual dues. Annual dues are amortized monthly into income over a period of one year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Organizations And Summary Of Significant Accounting Policies (Continued)

Split-interest agreements: The Associations are the beneficiaries of several split-interest agreements, including charitable remainder unitrusts for which the Associations act as the trustee, charitable gift annuities, and a pooled income fund. Under charitable remainder trust agreements, the donor establishes and funds a trust. As trustee, the Associations make specified distributions to designated beneficiaries over the trust's term. Upon termination of the trust, the Associations receive all or portions of the remaining trust assets, as set forth in the trust agreement. Under charitable gift annuity agreements, the Associations pay a fixed annuity amount for the life of the beneficiary(ies) and receive the remaining assets upon the death of the beneficiary(ies) as set forth in the annuity agreements. Under pooled income fund agreements, donors are assigned a specific number of units based on the proportion of the fair value of their contributions to the total fair value of the pooled income fund. Until a donor's death, the donor is paid the actual income earned on the donor's assigned units. Upon the donor's death, the value of these assigned units reverts to the Alumni Association.

In the year of the gift, contribution revenue is recognized based on the net amount of the assets and liabilities of split-interest agreements. The contribution revenue recognized under such agreements was $45,068 and $46,697 during the years ended June 30, 2011 and 2010, respectively. The fair value of the assets held for all split-interest agreements was $12,762,912 and $10,120,872 as of June 30, 2011 and 2010, respectively. The liability to beneficiaries from the life-contingent agreements represents the present value of the estimated future payments based on actuarial assumptions. The liability for fixed term charitable remainder unitrusts is calculated in accordance with ASC 815, *Derivatives and Hedging*, by summing the present value of the debt host and the fair value of the embedded derivative. Adjustments to the liability to reflect any changes in actuarial assumptions, amortization of the discount are recognized as change in values in the consolidated statements of activities. The discount rates were determined at the time of initial contribution and range from 1.8 percent to 8.2 percent. The estimated life expectancies used for the charitable gift annuity agreements are from the Annuity 2000 Mortality Tables and the 2000CM tables for all trusts.

Interest in third-party trusts: The Associations are the beneficiary of certain third-party trusts held and administered by others. The estimated fair values of the trust assets, which approximate the present values of expected future cash flows from the Trust, are recognized as assets and as gift revenue when the Trusts are established or when reported to the Associations. Subsequent changes to the fair values of the trust assets are recognized as investment income.

Fund administrative fees: Restricted cash gifts are subject to an implementation fee of five percent in the year of receipt of the gift, which helps defray the cost of fund-raising and communication. Balances of restricted accounts of funds collected in a prior year are subject to fees for administrative services. Restricted accounts are subject to a .85 percent fee paid quarterly based on the cash balance at the beginning of the year. The fees are recorded as fund administrative fees in the consolidated statements of activities.

Income taxes: The Alumni Association has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code (the Code), except for taxes on income generated from unrelated business activities such as the Alumni Travel Program, certain sponsorship income, advertising income from *Shipmate* magazine, and certain investment income. The Foundation has also been recognized by the IRS as exempt from federal income taxes under section 501(c)(3) of the Code.
The Associations have adopted the accounting for uncertainty in income taxes, which addresses the determination

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Organizations And Summary Of Significant Accounting Policies (Continued)

of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this policy, the Associations may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position would be sustained on examination by taxing authorities, based on the technical merits of the position. Management has evaluated the Associations' tax positions and has concluded that the Associations have taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with provisions of this guidance.

As of June 30, 2011 and 2010, there are no material unrecognized/derecognized tax benefits or tax penalties or interest. Generally, the Associations are no longer subject to U.S. federal, state or local tax examinations by tax authorities for years ending before June 30, 2008.

Fair value of financial instruments: The carrying amounts reported on the consolidated statements of financial position for cash and cash equivalents, receivables, accounts payable, and accrued expenses approximate their fair values. The fair value of the Associations' notes and other long-term debt approximate the carrying amounts because the interest rates on these instruments fluctuate with market interest rates.

Credit risk: At certain times during the year, the Associations have funds on deposit with a financial institution in excess of federally insured amounts. The Associations have not experienced any losses on cash accounts and management believes they are not exposed to significant credit risk on cash.

Use of estimates: Management of the Associations has made a number of estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities, and the reporting of revenues and expenses to prepare these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

Development expense: During the years ended June 30, 2011 and 2010, pledges totaling $1,490,942 and $763,314, respectively, were written off by the Associations. The pledges were written off as a result of the downturn in the economy and the change in financial ability of donors. Bad debt expense is included in Development expense and reported in the year the pledge becomes uncollectible.

New accounting pronouncement: In January 2010, the FASB released Accounting Standards Update No. 2010-06 (ASU 2010-06, *Fair Value Measurements*), which provides accounting guidance that requires new fair value measurement classification disclosures and clarifies existing disclosures. The guidance requires: (i) separate disclosures of significant transfers between Levels 1 and 2 and reasons for the transfers; (ii) disclosure, on a gross basis, of purchases, sales, issuances and net settlements within Level 3 measurements; (iii) disclosures by class of assets and liabilities; and (iv) a description of the evaluation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements. The guidance is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disaggregation of the Level 3 activity, which is effective for interim and annual periods beginning after December 15, 2010. The Associations adopted ASU 2010-06 during the year ended June 30, 2011.

Subsequent events: The Associations have evaluated subsequent events for potential required disclosures through October 11, 2011, which is the date the consolidated financial statements were available to be issued.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Contributions Receivable

Contributions receivable at June 30, 2011 and 20, are summarized as follows:

	2011	2010
Unconditional promises expected to be collected in:		
Less than one year	**$ 10,562,929**	$ 14,410,700
One year to five years	**8,934,794**	12,864,395
Over five years	**6,812,552**	8,023,588
	26,310,275	35,298,683
Less allowance for uncollectible amounts	**(2,541,402)**	(3,500,303)
Less discount to present value (5%)	**(2,502,516)**	(3,153,525)
	$ 21,266,357	$ 28,644,855

Note 3. Investments

Investments at fair value at June 30, 2011 and 2010, are summarized as follows:

	2011	2010
Cash and cash equivalents	**$ 2,326,938**	$ 1,792,792
Share certificates	**1,673,578**	1,617,048
Debt securities bonds and notes	**1,604,855**	1,601,895
Equity securities stocks	**609,250**	554,640
Total cash, cash equivalents, certificates and securities	**6,214,621**	5,566,375
Mutual funds		
Fixed income and debt mutual funds	**24,975,224**	18,063,440
Equity mutual funds	**13,153,669**	10,902,701
Combined fixed income and equity funds	**300,503**	252,839
Multi-asset mutual funds	**89,967,328**	80,031,821
Total mutual funds	**128,396,724**	109,250,801
Other investments		
Limited partnerships	**13,010**	11,278
Private equity funds	**13,121,957**	9,144,717
Private realty and resources funds	**4,501,825**	2,353,063
Hedge funds	**13,129,900**	11,859,684
Charitable gift annuity reinsurance	-	965,583
Charitable life insurance policies	**1,209,523**	1,149,331
Total other investments	**31,976,215**	25,483,656
	$166,587,560	$ 140,300,832

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Investments (Continued)

Net investment income (loss) for the years ended June 30, 2011 and 2010, is as follows:

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	$ 992,957	$ 3,682,695	$ -	**$ 4,675,652**
Net realized gains	187,603	203,815	-	**391,418**
Net unrealized gains	2,867,186	13,800,546	482,788	**17,150,520**
Less management fees	(97,491)	(313,294)	-	**(410,785)**
	3,950,255	17,373,762	482,788	**21,806,805**
Transfer to restore corpus	730,564	(730,564)	-	**-**
Net investment income	$ 4,680,819	$ 16,643,198	$ 482,788	**$ 21,806,805**

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	$ 844,389	$ 2,598,470	$ -	$ 3,442,859
Net realized gains	93,447	426,470	-	519,917
Net unrealized gains	1,981,532	9,646,862	188,877	11,817,271
Less management fees	(78,821)	(282,252)	-	(361,073)
	2,840,547	12,389,550	188,877	15,418,974
Transfer to restore corpus	199,657	(199,657)	-	-
Net investment income	$ 3,040,204	$ 12,189,893	$ 188,877	$ 15,418,974

During fiscal year 2009, a number of the permanently restricted endowment funds sustained realized and unrealized investment losses, which resulted in the fund balances falling below corpus. A portion of unrestricted net assets has been reclassified as temporarily restricted to restore these balances to corpus levels. When the permanently restricted endowment funds' balances rise above corpus, the unrestricted net assets that had been previously reclassified as temporarily restricted will be transferred back to unrestricted. The Associations transferred $730,564 and $199,657 to refund these unrestricted amounts, as of June 30, 2011 and 2010, respectively. Deficiencies of this nature that are reported in unrestricted net assets were $93,687 and $824,251 as of June 30, 2011 and 2010, respectively.

Note 4. Fair Value Measurements

Accounting guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and sets out a fair value hierarchy.

Observable inputs reflect market data obtained from independent sources. Unobservable inputs reflect assumptions based on the best information available under the circumstances. The Associations' investment managers and staff use valuation techniques that maximize the use of observable inputs, and minimize the use of unobservable inputs. Certain alternative investments are carried at estimated fair value as of March 31 and adjusted for cash receipts, cash distributions and security distributions through June 30.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Fair Value Measurements (Continued)

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets;

Level 2: Quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; inputs other than quoted market prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data

Level 3: Unobservable inputs for the asset or liability are supported by little or no market activity and significant to the fair values.

The following table sets forth by level within the fair value hierarchy assets measured and reported at fair value on a recurring basis in the Consolidated Statements of Financial Position at June 30, 2011 and 2010, respectively.

	Year Ended June 30, 2011			
	Level 1	**Level 2**	**Level 3**	**Total**
Debt securities				
U.S. Government	$ 1,595,807	$ -	$ -	**$ 1,595,807**
Corporate	9,047	-	-	**9,047**
Equity securities stocks	609,250	-	-	**609,250**
Mutual funds				
Domestic equity funds	10,331,886	-	-	**10,331,886**
International equity funds	2,437,442	-	-	**2,437,442**
World equity funds	173,922	-	-	**173,922**
Emerging markets equity funds	118,521	-	-	**118,521**
Government bond funds	20,733,709	-	-	**20,733,709**
Corporate bond funds	4,225,920	-	-	**4,225,920**
Multi-Asset Fund	89,967,329	-	-	**89,967,329**
Equity and fixed income funds	208,725	-	-	**208,725**
Other – commodities, convertibles and sector funds	199,271	-	-	**199,271**
Limited partnership	-	-	13,010	**13,010**
Private equity funds	-	-	13,121,957	**13,121,957**
Private realty and resources funds	-	-	4,501,825	**4,501,825**
Hedge funds	-	-	13,129,900	**13,129,900**
Charitable life insurance policies	-	1,209,523	-	**1,209,523**
Charitable gift annuity reinsurance	-	-	-	**-**
Interest in third party trusts	-	-	3,214,872	**3,214,872**
Interest in charitable remainder unitrusts with third-party trustees	-	-	4,361,351	**4,361,351**
Total	$ 130,610,829	$ 1,209,523	$ 38,342,915	**$170,163,267**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Fair Value Measurements (Continued)

	Year Ended June 30, 2010			
	Level 1	Level 2	Level 3	Total
Debt securities bonds and notes				
U.S. Government	$ 1,593,126	$ -	$ -	$ 1,593,126
Corporate	8,769	-	-	8,769
Equity securities stocks	554,640	-	-	554,640
Mutual funds				
Domestic equity funds	8,249,984	-	-	8,249,984
International equity funds	2,329,988	-	-	2,329,988
World equity funds	130,292	-	-	130,292
Emerging markets equity funds	91,496	-	-	91,496
Government bond funds	14,325,292	-	-	14,325,292
Corporate bond funds	3,729,030	-	-	3,729,030
Multi-Asset Fund	80,031,821	-	-	80,031,821
Equity and fixed income funds	173,083	-	-	173,083
Other – commodities, convertibles and sector funds	189,815	-	-	189,815
Limited partnership	-	-	11,278	11,278
Private equity funds	-	-	9,144,717	9,144,717
Private realty and resources funds	-	-	2,353,063	2,353,063
Hedge funds	-	-	11,859,684	11,859,684
Charitable life insurance policies	-	1,149,331	-	1,149,331
Charitable gift annuity reinsurance	-	965,583	-	965,583
Interest in third party trusts	-	-	2,744,124	2,744,124
Interest in charitable remainder unitrusts with third-party trustees	-	-	3,760,744	3,760,744
Total	$ 111,407,336	$ 2,114,914	$ 29,873,610	$143,395,860

Cash and cash equivalents are excluded from the fair value hierarchy as cash and cash equivalents are generally measured at cost. As such, $2,326,938 and $1,792,792 of cash and cash equivalents and $1,673,578 and $1,617,048 of share certificates held in the Associations' investment portfolio at June 30, 2011 and 2010, respectively, have been excluded from this table.

The following is a reconciliation of the beginning and ending balances for assets measured at fair value using significant unobservable inputs (Level 3):

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Fair Value Measurements (Continued)

	Limited Partnership	Private Equity Funds	Private Realty And Resources Funds	Hedge Funds	Interest In Third-Party Trusts	Interest In CRUTs With Third-Party Trustees	Total
Balance, June 30, 2009	$ 10,454	$ 6,280,116	$ 1,766,112	$ 10,590,864	$ 2,566,704	$ 2,476,806	$23,691,056
Total realized and unrealized losses	824	712,000	(109,140)	1,268,820	188,877	-	**2,061,381**
Transfer in/(out) of Level 3	-	2,373,741	729,160	-	-	1,103,954	**4,206,855**
Sales	-	(221,140)	(33,069)	-	(21,971)	-	**(276,180)**
Change in value	-	-	-	-	10,514	179,984	**190,498**
Balance, June 30, 2010	11,278	9,144,717	2,353,063	11,859,684	2,744,124	3,760,744	**29,873,610**
Total realized and unrealized gains	2,085	2,001,721	478,649	1,270,216	482,788	-	**4,235,459**
Transfer into Level 3	-	2,373,247	1,772,091	-	-	-	**4,145,338**
Sales	(353)	(397,728)	(101,978)	-	(31,239)	-	**(531,298)**
Change in value	-	-	-	-	19,199	600,607	**619,806**
Balance, June 30, 2011	$ 13,010	$ 13,121,957	$ 4,501,825	$ 13,129,900	$ 3,214,872	$ 4,361,351	**$38,342,915**
Unrealized gains and change in value relating to assets still held as of June 30, 2011	$ 1,732	$ 1,692,115	$ 409,108	$ 1,270,216	$ 501,987	$ 600,608	$ 4,475,766

The Associations categorize assets within the fair value hierarchy based on their understanding of the valuation process used by their investment managers or general partners to derive the fair value and their judgment regarding the observability of the related inputs. In evaluating the observability of such inputs, the Associations' staff considered factors such as the extent of market benchmarks available and the judgments or modeling required in the valuation process.

Limited partnership: The fair value of the limited partnership is determined based on the audited financial statements which the entity prepares on an annual basis as of the Associations' reporting date. The .5 percent limited partnership interest was gifted to the Foundation in 1998, and no other capital commitments are required. The underlying assets of the partnership primarily consist of bank accounts, marketable securities, debt instruments, loans to partners and a prepaid inheritance paid to a descendent of a family member/limited partner. The partnership shall continue until December 31, 2037, unless terminated sooner.

Private equity funds: Substantially all of the Associations' investments in private equity represent interests in multiple funds of funds private equity investment vehicles managed by the Associations' principal investment manager and another designated investment manager. The investment funds typically pursue such strategies as investments in venture capital, buyouts, subordinated debt, restructuring and distressed debt and securities, recapitalizations and other situations.

In each underlying fund, securities with no readily available market are initially valued at cost, with subsequent adjustments to values which reflect either the basis of meaningful third party transactions in the private market or the fair value deemed appropriate by relevant market participants. The fund of funds then obtains and

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Fair Value Measurements (Continued)

independently evaluates its share of the valuation from the underlying investment managers.

The private equity vehicles have terms ranging from 12 to 15 years with respective expiration dates from 2017 to 2022. The investment managers have up to three to five consecutive one-year extensions at their discretion. Interests in these vehicles are subject to significant restrictions on transferability.

Under the terms of these private equity investment contracts, the Associations are obligated to remit additional funding periodically as capital calls are exercised. At June 30, 2011, the Associations' had uncalled commitments of approximately $13,100,000, which represents 48 percent of the original commitments. The Associations expect the remaining commitments to be called over the next several years.

Private realty and resources funds: Substantially, all of the investments in private realty and resources are through fund of funds private realty and resources investment vehicles managed by the Associations' principal investment manager. The investment funds typically pursue such strategies as investments in commercial and residential real estate, oil and natural gas exploration and production, timberland, and other natural resources. The valuation for underlying investments within each fund is determined in the same manner as private equity funds.

The invested private realty and resources vehicles have terms ranging from 13 to 15 years with respective expiration dates from 2017 to 2021 to 2023. The investment manager has up to seven consecutive one-year extensions at their discretion. Interests in these vehicles are subject to significant restrictions on transferability. The remaining commitments under the terms of the private realty and resources funds amounted to $5,000,000 as of June 30, 2011, representing 64 percent of the original commitments. The Associations expect the remaining commitments to be exercised over the next several years.

Hedge funds: The Associations invest in hedge funds through an offshore fund of funds vehicle managed by the Associations' principal investment manager. This investment vehicle employs directly, or through other managers, in the following strategies: capital structure arbitrage, event arbitrage, fixed income arbitrage, hedged equity investing, special situations investing and possibly derivative investments, as well as buying and selling securities for hedging purposes. Valuation of interests in underlying investment funds is based on an amount equal to the vehicle's pro-rata interest in the net assets, which are at fair value, as reported by the management of the investment fund monthly, as adjusted for manager and incentive fees, if applicable.

The vehicle has no set termination date. Following the initial three-year lock-up period, the Associations are currently subject to an additional three-year lock-up period, during which share redemptions are permitted on December 31 of each year with 100 days' advance written notice. Early redemptions within a lock-up period are subject to a 20 percent gate, which prohibits redemption exceeding 20 percent of the total fund's value. Shares in the vehicle are not registered for public sale. The Associations perform due diligence procedures to review the valuations of the alternative investments described above.

Interest in third-party trusts: The Associations' staff estimates their beneficial interest in the third-party trusts using the discounted cash flow method of the expected future income for a specified term or in perpetuity based on the donors' life expectancy and the expected investment return.

Note 5. In-Kind Contributions

The Foundation contributes the use of its houses to the Naval Academy Athletic Association, which are valued at an annual amount of $418,747 and $373,575 in 2011 and 2010, respectively. Contributed services related to

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

property management of the Foundation's houses are donated by the Naval Academy Athletic Association and are valued at an annual amount of $62,919 and $77,983 in 2011 and 2010, respectively.

During 2011 and 2010, the Associations received non-cash donations of assets for use by the Naval Academy valued at $98,340 and $176,070, respectively, which have been shown as temporarily restricted contributions and support to the Naval Academy (program expense) in the accompanying consolidated statements of activities.

Note 6. Property And Equipment

Property and equipment at June 30, 2011 and 2010, is summarized as follows:

	2011	2010
Land	**$ 753,197**	$ 753,197
Buildings and improvements	**8,007,070**	7,971,483
Furniture and equipment	**1,151,592**	1,143,051
Computer equipment and software	**614,124**	507,016
	10,525,983	10,374,747
Less accumulated depreciation and amortization	**(4,006,937)**	(3,644,027)
	$ 6,519,046	$ 6,730,720

Depreciation expense was $362,910 and $344,478 for the years ended June 30, 2011 and 2010, respectively.

Note 7. Life Memberships

In 1976, the Alumni Association started its life membership program, which enables midshipmen to pay a specified life membership fee prior to graduation. In exchange for this fee, members receive a subscription to *Shipmate* magazine and various other service benefits and opportunities. The Alumni Association records the midshipmen's fees as deposits on life memberships until the respective class graduation. At June 30, 2011 and 2010, the Alumni Association held $596,418 and $548,925, respectively, of midshipmen life membership fees. After graduation, the fees are reclassified as unamortized life membership deferred revenue and are amortized over an assumed 61-year remaining life expectancy of the graduating midshipmen. During the years ended June 30, 2011 and 2010, $547,209 and $581,915, respectively, relating to the graduating classes of 2011 and 2010, were reclassified as unamortized life memberships deferred revenue. Payments from alumni who join the life membership program after graduation are recorded as deferred revenue and amortized over an assumed remaining life expectancy of 55 years.

The unamortized life memberships deferred revenue represents the deferred revenue from life membership cash receipts rather than the liability to service the life members over their life expectancies.

Note 8. Notes And Loan Payable

The Foundation has a $10,000,000 note from a bank under an unsecured, open-end revolving line of credit

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

expiring in December 2011 for short term cash flow needs of restricted projects. Principal is due on demand. Interest, which is due in monthly installments, is based on the 30-day London Interbank Offered Rate (LIBOR) index rate plus 0.6 percent. At June 30, 2011 and 2010, the 30-day LIBOR index rate was .19 percent and .35 percent, respectively.

The note is guaranteed by the Naval Academy Athletic Association, Inc. Interest expense of $20,459 and $48,863 was recorded during the years ended June 30, 2011 and 2010, respectively. The Foundation repaid $1,890,000 and $4,010,000 of the principal in fiscal years 2011 and 2010, respectively. The outstanding balance of this note was $1,000,000 and $2,890,000 as of June 30, 2011 and 2010, respectively.

In October 2006, the Associations obtained an $8,000,000 note from a bank under an unsecured, open-end revolving line of credit expiring in October 2011 for use as an operating line of credit. During fiscal years 2011 and 2010, the Associations repaid $500,000 and $3,050,000, respectively, of the principal. Principal was due on demand. Interest was based on the 30-day LIBOR index rate plus .5 percent and was payable monthly. Interest expense of $862 and $11,948 was recorded during the years ended June 30, 2011 and 2010, respectively. The outstanding balance of this note at June 30, 2010, was $500,000. There was no outstanding balance at June 30, 2011.

Note 9. Net Assets Released From Restrictions And Changes In Donors' Intent

Net assets of $11,872,998 and $10,879,309 for the years ended June 30, 2011 and 2010, respectively, were released from donor restrictions due to the passage of time or by incurring expenses satisfying the restricted purpose specified by the donors. Amounts shown as changes in donors' intent for the year ended June 30, 2011, represent reclassifications of $1,650,634 from unrestricted net assets and $414,389 from permanently restricted net assets to temporarily restricted net assets. Amounts shown as changes in donors' intent for the year ended June 30, 2010, represent reclassifications of $4,226,269 from unrestricted net assets and $881,610 from permanently temporarily restricted net assets to temporarily restricted net assets.

Note 10. Retirement Plans

403(b) savings plan: The Alumni Association maintains a deferred annuity retirement plan under Section 403(b) of the Internal Revenue Code for all eligible employees. On a discretionary basis, the Alumni Association matches employee's contributions up to 5 percent of base salary. An independent trustee holds the assets of the Plan. During the year ended June 30, 2011, the Alumni Association made contributions of $89,011 on behalf of its eligible employees. The Alumni Association did not make contributions during the year ended June 30, 2010.

457 plans: The Alumni Association has agreements with seven key employees to provide certain retirement and other payments to them as part of retention planning. These non-qualified plans are administered under Sections 457(b), e(11) and (f) of the Internal Revenue Code. The payments are either deferred or contingent on the employee meeting certain conditions.

At June 30, 2011 and 2010, the Alumni Association's liability for these plans was $728,153 and $612,350, respectively. Total retirement expense under these plans for the years ended June 30, 2011 and 2010, was $116,500 and $90,000, respectively.

Note 11. Temporarily Restricted Net Assets

Temporarily restricted net assets represent funds to be received in future years from split-interest agreements,

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

pledges, and amounts to be spent on behalf of the Naval Academy. A portion of net assets is restricted for use on projects specified by the donor. These purpose-restricted assets are released when expended on the specified project. In addition, pledges to be received in future years are classified as temporarily restricted based on an implied time restriction.

	2011	2010
Naval Academy Centers of Excellence:		
Academic	$ 39,081,574	$ 31,296,262
Admissions	7,803,058	6,518,074
Athletics	11,655,391	10,716,581
Character (ethics)	12,018,509	10,339,660
Leadership	11,691,850	9,704,284
Support to the Naval Academy not yet assigned to a center of excellence	7,672,581	666,264
Purpose restricted assets	89,922,963	69,241,125
Time restricted assets	10,928,632	17,974,870
Total temporarily restricted net assets	$100,851,595	$ 87,215,995

Note 12. Permanently Restricted Net Assets

Permanently restricted net assets at June 30, 2010 and 2009, are invested to fund the following:

	2011	2010
Endowments supporting U.S. Naval Academy	$ 50,117,210	$ 49,887,126
Endowments supporting athletics and scholarship	6,137,561	5,654,773
Endowments supporting operations	2,759,320	2,753,407
Total permanently restricted net assets	$ 59,014,091	$ 58,295,306

Note 13. Endowment Funds

ASC 958-205, Endowments for Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and the Enhanced Disclosures for All Endowment Funds provides guidance on net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). ASC 958-205 also improves disclosures about an organization's endowed funds (both donor restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA. The Associations have added the required disclosures in the consolidated financial statements, which is a requirement for any organization with endowment funds.

The Associations' endowment consists of approximately 72 individual funds established for a variety of purposes. These endowment funds are donor-restricted. The Associations do not have any board-designated endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13. Endowment Funds (Continued)

Interpretation of relevant law: The Board of Trustees of the Association and the Board of Directors of the Foundation have interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Associations classify as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. 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 Associations in a manner consistent with the standard of prudence prescribed by UPMIFA. Accordingly, the Associations consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Return objectives and risk parameters: The Associations' return objective is to preserve and enhance the purchasing power of the endowment investments over time, net of costs and withdrawals. This goal is synonymous with the pursuit of time-weighted net return on the investments that equals or exceeds inflation (as measured by the Consumer Price Index), plus spending from the investments. To satisfy this return objective, the Associations utilize a multi-asset class diversified portfolio that relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Associations are prepared to incur risks consistent with the pursuit of the return objective. Risk will be measured based on both an absolute and a relative basis. Absolute metrics relate to declines in the inflation-adjusted market value of the portfolio. On a relative basis, the portfolio will be measured against portfolios of similar size and composition.

Endowment spending policy: The Associations operate a spending policy to regulate the use of proceeds from endowment investments. The policy provides for the spending of up to five percent of the 12-quarter moving average of the market value of pooled investment funds. The policy further states that when the average investment return of the most recent four quarters is negative, the spending rate will be reduced to four percent. The reduced spending rate of four percent was implemented during 2003 following an extended period of below-average investment performance and has continued through fiscal year 2011.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13. Endowment Funds (Continued)

Changes in endowed net assets for the fiscal years ended June 30, 2011 and 2010, are as follows:

	Year Ended June 30, 2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (824,251)	$ 12,258,746	$ 58,295,306	**$ 69,729,801**
Interest and dividends – net of investment expense	-	2,018,801	-	**2,018,801**
Net appreciation	730,564	8,387,091	482,788	**9,600,443**
Change in value	-	6,747	126,083	**132,830**
Contributions	-	-	524,303	**524,303**
Amounts appropriated for expenditure	-	(1,162,018)	-	**(1,162,018)**
Change in donor intent	-	(103,277)	(414,389)	**(517,666)**
Endowment net assets, end of year	$ (93,687)	$ 21,406,090	$ 59,014,091	**$ 80,326,494**

	Year Ended June 30, 2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (1,023,908)	$ 7,072,709	$ 56,224,991	$ 62,273,792
Interest and dividends – net of investment expense	-	1,519,333	-	1,519,333
Net appreciation	199,657	5,085,871	188,877	5,474,405
Change in value	-	-	258,909	258,909
Contributions	-	-	2,504,139	2,504,139
Amounts appropriated for expenditure	-	(1,885,547)	-	(1,885,547)
Change in donor intent	-	466,380	(881,610)	(415,230)
Endowment net assets, end of year	$ (824,251)	$ 12,258,746	$ 58,295,306	$ 69,729,801

INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION

To the Board of Trustees
The United States Naval Academy Alumni Association, Inc.

To the Board of Directors
United States Naval Academy Foundation, Inc.
Annapolis, Maryland

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplementary information which follows is presented for purpose of additional analysis of the basic consolidated financial statements, rather than to present the financial position and changes in net assets of the individual entities. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and in our opinion is fairly stated, in all material respects in relation to the basic consolidated financial statements taken as a whole.

McGladrey & Pullen, LLP

Baltimore, Maryland
October 11, 2011

STATEMENTS OF FINANCIAL POSITION

June 30, 2011 and 2010

	2011	2010
Assets		
Cash and cash equivalents	$ 1,226,090	$ 2,003,692
Accounts receivable and other current assets	268,737	415,102
Contributions receivable, net	1,239,109	1,949,797
Investments	61,926,103	54,010,508
Property and equipment, net	3,351,096	3,450,877
Interest in third-party trusts	351,627	363,667
Intercompany receivables	1,639,633	1,373,812
Total assets	$ 70,002,395	$ 63,567,455
Liabilities And Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 1,315,555	$ 1,100,610
Deposits on life memberships	596,418	548,925
Class savings accounts	2,591,093	2,529,848
Deferred income and deposits	971,869	963,343
Note payable	-	500,000
Split-interest agreements	1,232,798	1,250,769
Accrued key employees' retirement	728,153	612,350
Unamortized life memberships deferred revenue	14,188,831	13,802,282
Total liabilities	21,624,717	21,308,127
Net assets		
Unrestricted	7,566,329	4,711,117
Temporarily restricted	18,883,055	15,627,790
Permanently restricted	21,928,294	21,920,421
Total net assets	48,377,678	42,259,328
Total liabilities and net assets	$ 70,002,395	$ 63,567,455

STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains, and other support:				
Contributions	$ 878,775	$ 39,120	$ 79,325	$ **997,220**
Membership dues	269,904	-	-	**269,904**
Life member amortization	294,703	-	-	**294,703**
Merchandise sales	43,534	-	-	**43,534**
Net investment income	2,872,524	5,673,383	-	**8,545,907**
Publications and advertising	210,692	-	-	**210,692**
House activities	124,344	-	-	**124,344**
Intercompany support	1,748,482	-	-	**1,748,482**
Career transition services	625,272	-	-	**625,272**
Homecoming and conference fees	181,132	-	-	**181,132**
Royalties	573,058	-	-	**573,058**
Travel income	55,420	-	-	**55,420**
Other	48,272	-	-	**48,272**
Other support:				
Change in value of split-interest agreements	117,901	94,597	38,493	**250,991**
Changes in donors' intent	(13,969)	122,331	(109,945)	**(1,583)**
Equity loans to endowments	188,111	(188,111)	-	-
Net assets released from restrictions	2,486,055	(2,486,055)	-	-
Total revenue, gains and other support	10,704,210	3,255,265	7,873	**13,967,348**
Expenses:				
Support to the Naval Academy	2,447,286	-	-	**2,447,286**
Audit and accounting	53,761	-	-	**53,761**
Awards and gifts	15,080	-	-	**15,080**
Bad debt expense	15,518	-	-	**15,518**
Conferences	145,353	-	-	**145,353**
Cost of goods	28,951	-	-	**28,951**
Depreciation	185,013	-	-	**185,013**
Equipment rental	182,232	-	-	**182,232**
Insurance	98,789	-	-	**98,789**
Legal fees	73,697	-	-	**73,697**
Licenses	134,070	-	-	**134,070**
Membership dues	4,813	-	-	**4,813**
Miscellaneous	45,388	-	-	**45,388**
Occupancy	183,784	-	-	**183,784**
Postage and shipping	122,370	-	-	**122,370**
Printing and publications	452,355	-	-	**452,355**
Professional and contract services	592,808	-	-	**592,808**
Salaries and benefits	2,944,265	-	-	**2,944,265**
Shared information management	(197,789)	-	-	**(197,789)**
Supplies	72,155	-	-	**72,155**
Telephone	83,133	-	-	**83,133**
Training	47,676	-	-	**47,676**
Travel and transportation	118,290	-	-	**118,290**
Total expenses	7,848,998	-	-	**7,848,998**
Change in net assets	2,855,212	3,255,265	7,873	**6,118,350**
Net assets at beginning of year	4,711,117	15,627,790	21,920,421	**42,259,328**
Net assets at end of year	$ 7,566,329	$ 18,883,055	$ 21,928,294	**$ 48,377,678**

STATEMENTS OF FINANCIAL POSITION

June 30, 2011 and 2010

	2011	2010
Assets		
Cash and cash equivalents	$ 1,576,572	$ 1,541,165
Accounts receivable and other current assets	92,713	129,709
Contributions receivable, net	20,027,248	26,695,058
Investments	104,661,457	86,290,324
Property and equipment, net	3,167,950	3,279,843
Interest in third-party trusts	2,863,245	2,380,457
Total assets	$132,389,185	$120,316,556
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 286,789	$ 151,914
Deferred income	7,148	2,765
Notes payable	1,000,000	2,890,000
Split-interest agreements	6,151,165	5,846,413
Intercompany payables	1,639,633	1,373,812
Total liabilities	9,084,735	10,264,904
Net assets		
Unrestricted	9,088,773	6,956,249
Temporarily restricted	77,129,880	66,720,518
Permanently restricted	37,085,797	36,374,885
Total net assets	123,304,450	110,051,652
Total liabilities and net assets	$132,389,185	$120,316,556

STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains, and other support:				
Contributions	$ 9,648,883	$ 5,491,226	$ 444,978	**$ 15,585,087**
Fund administrative fee	1,081,243	-	-	**1,081,243**
Net investment income	1,128,290	11,649,820	482,788	**13,260,898**
Intercompany support	(1,748,482)	-	-	**(1,748,482)**
Other	-	-	-	-
Other support:				
Change in value of split-interest agreements	(274,467)	494,978	87,590	**308,101**
Changes in donors' intent	(1,508,774)	1,814,801	(304,444)	**1,583**
Equity loans to endowments	542,453	(542,453)	-	-
Net assets released from restrictions	8,499,010	(8,499,010)	-	-
Total revenue, gains and other support	17,368,156	10,409,362	710,912	**28,488,430**
Expenses:				
Support to the Naval Academy	8,301,138	-	-	**8,301,138**
Audit and accounting	65,708	-	-	**65,708**
Awards and gifts	3,100	-	-	**3,100**
Bad debt expense	1,474,974	-	-	**1,474,974**
Conferences	79,626	-	-	**79,626**
Consulting-Advantage	422,863	-	-	**422,863**
Depreciation	177,897	-	-	**177,897**
Donor cultivation	87,417	-	-	**87,417**
Equipment rental	51,320	-	-	**51,320**
Insurance	21,810	-	-	**21,810**
Legal fees	89,969	-	-	**89,969**
Membership dues	7,115	-	-	**7,115**
Miscellaneous	155,522	-	-	**155,522**
Occupancy	72,968	-	-	**72,968**
Postage and shipping	63,406	-	-	**63,406**
Printing and publications	62,285	-	-	**62,285**
Professional and contract services	375,992	-	-	**375,992**
Salaries and benefits	3,367,936	-	-	**3,367,936**
Shared information management	197,790	-	-	**197,790**
Supplies	23,515	-	-	**23,515**
Training	20,194	-	-	**20,194**
Travel and transportation	113,087	-	-	**113,087**
Total expenses	15,235,632	-	-	**15,235,632**
Change in net assets	2,132,524	10,409,362	710,912	**13,252,798**
Net assets at beginning of year	6,956,249	66,720,518	36,374,885	**110,051,652**
Net assets at end of year	$ 9,088,773	$ 77,129,880	$ 37,085,797	**$123,304,450**

THE UNITED STATES NAVAL ACADEMY ALUMNI ASSOCIATION, INC. (AS OF 30 JUNE 2011)

BOARD OF TRUSTEES

UNITED STATES NAVAL ACADEMY FOUNDATION, INC. (AS OF 30 JUNE 2011)

BOARD OF DIRECTORS

Chairmen Emeritus

Emeritus Members

*Indicates Trustee, Athletic & Scholarship Programs

United States Naval Academy Alumni Association

Mission of The United States Naval Academy Alumni Association

To serve and support the United States, the Naval Service, the Naval Academy, and its Alumni:

By furthering the highest standards at the Naval Academy;

By seeking out, informing, encouraging and assisting outstanding, qualified young men and women to pursue careers as officers in the Navy and Marine Corps through the Naval Academy; and

By initiating and sponsoring activities which will perpetuate the history, traditions, memories and growth of the Naval Academy and bind Alumni together in support of the highest ideals of command, citizenship and government.

United States Naval Academy Foundation

Mission of the United States Naval Academy Foundation

To support, promote and advance the mission of the Naval Academy by working in conjunction with Academy leadership to identify strategic institutional priorities and by raising, managing and disbursing private gift funds that provide a margin of excellence in support of the nation's premier leadership institution.

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