

ELLIN & TUCKER

TOWSON UNIVERSITY FOUNDATION, INC.
FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Towson University Foundation, Inc.

OPINION

We audited the accompanying financial statements of Towson University Foundation, Inc. (Foundation), which comprise the Statements of Financial Position as of June 30, 2024 and 2023, the related Statements of Activities, Functional Expenses, and Cash Flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2024 and 2023 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINION

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

AUDITORS' RESPONSIBILITIES FOR THE AUDITS OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion,

forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance matters regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.



ELLIN & TUCKER
Certified Public Accountants

Baltimore, Maryland
September 23, 2024

STATEMENTS OF FINANCIAL POSITION
Towson University Foundation, Inc.
June 30, 2024 and 2023

ASSETS

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and Cash Equivalents	\$ 3,885,781	\$ 4,592,271
Accrued Interest Receivable	212,566	159,143
Investments (Note 5)	113,703,363	100,548,813
Contributions Receivable (Note 6)	4,176,098	6,492,454
Other Assets	123,294	110,131
Equipment	837	2,270
Charitable Trusts (Note 7)	123,482	114,318
	<u> </u>	<u> </u>
Total Assets	<u>\$ 122,225,421</u>	<u>\$ 112,019,400</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable and Accrued Expenses	\$ 1,457,315	\$ 2,019,399
Scholarships Payable	1,193,203	1,256,782
	<u> </u>	<u> </u>
Total Liabilities	<u>2,650,518</u>	<u>3,276,181</u>

NET ASSETS

Without Donor Restrictions (Note 11)	5,268,091	4,163,468
With Donor Restrictions (Note 12)	114,306,812	104,579,751
	<u> </u>	<u> </u>
Total Net Assets	<u>119,574,903</u>	<u>108,743,219</u>
	<u> </u>	<u> </u>
Total Liabilities and Net Assets	<u>\$ 122,225,421</u>	<u>\$ 112,019,400</u>

(See Independent Auditors' Report and Accompanying Notes)

STATEMENTS OF ACTIVITIES
Towson University Foundation, Inc.
For the Year Ended June 30, 2024 (With Comparative Totals for 2023)

	2024			
	Without Donor Restrictions	With Donor Restrictions	Total	2023
SUPPORT AND REVENUE				
Contributions	\$ 457,509	\$ 6,252,884	\$ 6,710,393	\$ 7,607,229
Grants and Contracts	-	-	-	114,151
Special Programs	-	777,614	777,614	659,625
Investment Return, Net	1,418,490	10,317,428	11,735,918	7,086,886
Change in Value of Annuities	-	9,164	9,164	33,143
Sales	-	57,151	57,151	81,193
Miscellaneous	17,717	463,837	481,554	60,947
Special Fundraising	-	506,724	506,724	294,323
Interfund Charges and Transfers	686,441	(686,441)	-	-
Net Assets Released From Restrictions	7,971,300	(7,971,300)	-	-
Total Support and Revenue	10,551,457	9,727,061	20,278,518	15,937,497
FUNCTIONAL EXPENSES				
University Programs, Support, and Scholarships	8,055,525	-	8,055,525	7,908,529
Management and General	916,750	-	916,750	791,764
Fundraising	474,559	-	474,559	493,482
Total Functional Expenses	9,446,834	-	9,446,834	9,193,775
Change in Net Assets	1,104,623	9,727,061	10,831,684	6,743,722
NET ASSETS – BEGINNING OF YEAR	4,163,468	104,579,751	108,743,219	101,999,497
NET ASSETS – END OF YEAR	\$ 5,268,091	\$ 114,306,812	\$ 119,574,903	\$ 108,743,219

(See Independent Auditors' Report and Accompanying Notes)

STATEMENT OF ACTIVITIES
Towson University Foundation, Inc.
For the Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 650,384	\$ 6,956,845	\$ 7,607,229
Grants and Contracts	-	114,151	114,151
Special Programs	180	659,445	659,625
Investment Return, Net	722,218	6,364,668	7,086,886
Change in Value of Annuities	1,340	31,803	33,143
Sales	-	81,193	81,193
Miscellaneous	18,239	42,708	60,947
Special Fundraising	-	294,323	294,323
Interfund Charges and Transfers	865,753	(865,753)	-
Net Assets Released From Restrictions	7,843,874	(7,843,874)	-
	<u>10,101,988</u>	<u>5,835,509</u>	<u>15,937,497</u>
FUNCTIONAL EXPENSES			
University Programs, Support, and Scholarships	7,908,529	-	7,908,529
Management and General	791,764	-	791,764
Fundraising	493,482	-	493,482
	<u>9,193,775</u>	<u>-</u>	<u>9,193,775</u>
Change in Net Assets	908,213	5,835,509	6,743,722
NET ASSETS – BEGINNING OF YEAR	<u>3,255,255</u>	<u>98,744,242</u>	<u>101,999,497</u>
NET ASSETS – END OF YEAR	<u><u>\$ 4,163,468</u></u>	<u><u>\$ 104,579,751</u></u>	<u><u>\$ 108,743,219</u></u>

(See Independent Auditors' Report and Accompanying Notes)

STATEMENT OF FUNCTIONAL EXPENSES

Towson University Foundation, Inc.

For the Year Ended June 30, 2024

	University Programs, Support, and Scholarships	Management and General	Fundraising	Total
Advertising	\$ 17,999	\$ -	\$ 800	\$ 18,799
Bank Fees	59,546	23,061	74,334	156,941
Building	3,100	-	-	3,100
Conferences	30,165	-	210	30,375
Consultants	703,334	11,175	30,345	744,854
Contractual Services	45,715	1,155	7,262	54,132
Depreciation	-	1,433	-	1,433
Dues and Memberships	52,418	4,575	5,570	62,563
Educational Programs	228,250	-	3,416	231,666
Equipment	799,415	73,364	14,263	887,042
Financial Support to Towson University	1,790,543	125,187	21,900	1,937,630
Insurance	8,084	15,138	550	23,772
Legal and Professional	-	56,246	-	56,246
Miscellaneous	111,862	48,625	27,899	188,386
Office	19,186	5,513	698	25,397
Personnel	-	548,024	-	548,024
Postage	1,137	143	3,669	4,949
Printing	110,915	837	54,476	166,228
Public Relations and Promotions	751,733	2,267	214,744	968,744
Scholarships and Awards	2,697,780	-	-	2,697,780
Telephone	1,544	-	-	1,544
Transfer of Equipment to Towson University	3,707	-	3,309	7,016
Travel	619,092	7	11,114	630,213
Total Functional Expenses	<u>\$ 8,055,525</u>	<u>\$ 916,750</u>	<u>\$ 474,559</u>	<u>\$ 9,446,834</u>

(See Independent Auditors' Report and Accompanying Notes)

STATEMENT OF FUNCTIONAL EXPENSES**Towson University Foundation, Inc.****For the Year Ended June 30, 2023**

	University Programs, Support, and Scholarships	Management and General	Fundraising	Total
Advertising	\$ 11,426	\$ -	\$ -	\$ 11,426
Bank Fees	42,005	15,985	62,161	120,151
Building	149,181	-	-	149,181
Conferences	25,914	4,350	-	30,264
Consultants	682,721	4,700	162,168	849,589
Contractual Services	214,056	1,548	10,126	225,730
Depreciation	-	1,433	-	1,433
Dues and Memberships	47,668	6,902	5,916	60,486
Educational Programs	323,482	-	984	324,466
Equipment	569,935	72,328	17,673	659,936
Financial Support to Towson University	1,088,857	103,759	2,378	1,194,994
Insurance	421,150	18,614	-	439,764
Legal and Professional	-	51,065	-	51,065
Miscellaneous	140,131	25,469	60,382	225,982
Office	62,901	3,861	430	67,192
Personnel	-	469,903	-	469,903
Postage	1,273	334	69	1,676
Printing	84,813	316	7,591	92,720
Public Relations and Promotions	805,774	5,913	154,923	966,610
Scholarships and Awards	2,574,614	-	-	2,574,614
Telephone	150	1,440	-	1,590
Transfer of Equipment to Towson University	48,481	-	-	48,481
Travel	613,997	3,844	8,681	626,522
Total Functional Expenses	<u>\$ 7,908,529</u>	<u>\$ 791,764</u>	<u>\$ 493,482</u>	<u>\$ 9,193,775</u>

(See Independent Auditors' Report and Accompanying Notes)

STATEMENTS OF CASH FLOWS
Towson University Foundation, Inc.
For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
OPERATING ACTIVITIES		
Change in Net Assets	\$ 10,831,684	\$ 6,743,722
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	1,433	1,433
(Decrease) Increase in Allowance for Uncollectable Pledges	(208,167)	199,076
(Decrease) Increase in Discount on Contributions Receivable	(67,548)	67,166
Restricted Contributions for Endowment	(2,779,160)	(2,154,516)
Realized Loss (Gain) on Sale of Investments	371,570	(3,936,152)
Unrealized Gain on Investments	(9,344,968)	(848,697)
Net Changes in:		
Receivables	2,525,485	(682,303)
Charitable Trusts	(9,164)	25,479
Accounts Payable, Accrued Expenses, and Scholarships Payable	<u>(625,663)</u>	<u>2,000,670</u>
Net Cash Provided by Operating Activities	<u>695,502</u>	<u>1,415,878</u>
INVESTING ACTIVITIES		
Purchase of Investments	(35,669,152)	(41,125,817)
Sale of Investments	<u>31,488,000</u>	<u>31,011,651</u>
Net Cash Used in Investing Activities	<u>(4,181,152)</u>	<u>(10,114,166)</u>
FINANCING ACTIVITIES		
Restricted Contributions for Endowment	<u>2,779,160</u>	<u>2,154,516</u>
Net Change in Cash and Cash Equivalents	(706,490)	(6,543,772)
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	<u>4,592,271</u>	<u>11,136,043</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	<u><u>\$ 3,885,781</u></u>	<u><u>\$ 4,592,271</u></u>

(See Independent Auditors' Report and Accompanying Notes)

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

NATURE OF FOUNDATION

Towson University Foundation, Inc. (Foundation), a non-profit corporation formed in 1970, manages funds received for the benefit of Towson University (University). The Foundation is organized to receive, hold, invest, manage, use, dispose of, and administer property of all kinds whether given absolutely, in trust, or by way of agency or otherwise for the benefit and promotion of the University or for all the education and support activities that may be conducted by the University.

In fulfilling its mission, the Foundation maintains three separate and distinct account types:

Endowment Accounts

Accounts established where the principal is retained in perpetuity and carried as net assets with donor restrictions. Income generated from the invested principal is used to fulfill the donor's intent, allow for associated fees, and continue the growth of the endowment in order to maintain its value over time. A scholarship endowment requires a \$25,000 minimum gift that may be accumulated over a three-year period. Non-scholarship endowments require a \$10,000 minimum gift and also may be accumulated over a three-year period. Amounts available for spending against the endowment are calculated annually as of June 30, subject to policies and procedures of the Foundation.

Scholarship/Award Accounts

Accounts established to accept gifts restricted by the donor for the presentation of scholarships and awards and whose gift amount does not qualify as an endowment or was not intended to be an endowment by the donor. The net assets are reported with donor restrictions until expended.

University Programs and Support Accounts

Accounts used for current activities and operations to support the University. These accounts result from gifts and fundraising events sponsored by various University departments and affiliated on-campus activity groups. Expenditures are reflected as University and/or department program services within the financial statements. The net assets are reported with or without donor restrictions until expended.

ACCOUNTING STANDARDS CODIFICATION

All references in the financial statements to the Codification refer to the Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles (GAAP) issued by

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the Financial Accounting Standards Board (FASB). The Codification is the single source of authoritative GAAP in the United States.

NEW ACCOUNTING STANDARDS ADOPTION

In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13 – Financial Instruments – Credit Losses (Topic 326) to modify the model for recognizing credit losses on financial instruments not measured at fair value. The modified model requires the immediate recognition of credit losses on financial instruments based on an estimate of expected losses, replacing the incurred loss method under previous guidance. The Foundation adopted the standard effective July 1, 2023. The adoption of ASU 2016-13 did not have a material impact on the Foundation's financial statements.

BASIS OF ACCOUNTING AND PRESENTATION

The financial statements were prepared on the accrual basis of accounting in accordance with GAAP. Under the accrual basis of accounting, support and revenue are recorded when earned, and expenses are recorded when incurred. Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions are comprised of operating funds (resources available for support of operations) and Board-designated funds (resources to be spent only for purposes approved by the Board). Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions.

USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

REVENUE RECOGNITION

Contributions, which include unconditional promises to give, are recorded as revenue in the period the promise is received and as contributions receivable in the Statements of Financial Position if receipt is expected within five years. Unconditional promises to give that are expected to be received after five years are not recorded as income until receipt is expected within five years and collection is not in doubt. Conditional promises to give are recorded as revenue when conditions of receipt are met, and the receivable is due within five years.

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CASH EQUIVALENTS

For purposes of the Statements of Cash Flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

CASH AND INVESTMENTS

As of June 30, 2024 and 2023, the Foundation had cash and investments, which are held by local banks and an investment management organization, in excess of statutory or private deposit insurance. The Foundation believes it is not exposed to any significant credit risk on cash.

Investments are reported at fair value in the Statements of Financial Position. Realized and unrealized gains and losses are included in the Statements of Activities. See Note 5 for a discussion of fair value measurements.

CONTRIBUTIONS

In accordance with the Not-for-Profit Entities Revenue Recognition Topic of the Codification, contributions received are recorded as support within net assets with donor restrictions or net assets without donor restrictions. All donor-restricted support is reported as an increase in support in net assets with donor restrictions, depending on the nature of the restriction.

EQUIPMENT

Furnishings and equipment above \$1,000 are recorded at cost if purchased or fair value at the date of the donation if received by gift. Lesser amounts are expensed. Furnishings and equipment (except for general ledger software and equipment used by the Foundation) are gifted to the University and expensed by the Foundation as acquired. Software and equipment are depreciated over their estimated useful lives ranging from three to five years using the straight-line method.

CHARITABLE TRUSTS

Charitable trusts represent the estimated net present value of charitable remainder trusts that name the Foundation as the beneficiary.

COLLECTIONS

The Foundation's collections consist of art objects and antiques held for educational, research, scientific, and curatorial purposes. Each of the items is catalogued, preserved, and cared for, and activities verifying its existence and assessing its condition are performed

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periodically. The Foundation estimates the value of the collections at approximately \$2,253,000. The collections, which were acquired through contributions since the Foundation's inception, are not recognized as assets in the Statements of Financial Position. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired or as decreases in net assets with donor restrictions if the net assets used to purchase the items are restricted by donors. Contributions of collection items are not reflected in the financial statements. Proceeds from deaccessions or insurance recoveries are used to acquire, preserve, or manage artifacts in the collection.

RISK AND UNCERTAINTIES

The Foundation invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, and such changes could materially affect amounts reported in the financial statements.

RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform with the current year presentation.

SUBSEQUENT EVENTS

The Foundation evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through September 23, 2024, the date the financial statements were available to be issued.

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NOTE 2 **LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Foundation's financial assets available to meet cash needs for general expenditures within one year of the Statements of Financial Position date were as follows:

	<u>2024</u>	<u>2023</u>
Cash and Cash Equivalents	\$ 3,885,781	\$ 4,592,271
Accrued Interest Receivable	212,566	159,143
Investments	113,703,363	100,548,813
Contributions Receivable	4,176,098	6,492,454
Other Assets	40,318	46,552
Charitable Trusts	<u>123,482</u>	<u>114,318</u>
 Total Financial Assets	 122,141,608	 111,953,551
 Financial Assets to Be Collected in More Than One Year:		
Charitable Trusts	(123,482)	(114,318)
Other Assets	(40,315)	(46,449)
 Contractual or Donor-Imposed Restrictions:		
Endowment Funds	(56,942,663)	(53,748,376)
Donor Contributions Restricted to Specific Purposes	<u>(57,364,149)</u>	<u>(50,831,375)</u>
 Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	 7,670,999	 7,213,033
 Board-Designated Operating Reserves	 <u>(464,201)</u>	 <u>(524,993)</u>
 Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year After Board Designations	 <u><u>\$ 7,206,798</u></u>	 <u><u>\$ 6,688,040</u></u>

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

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NOTE 3 **INCOME TAXES**

The Foundation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). In addition, the Internal Revenue Service determined the Foundation is not a private foundation within the meaning of Section 509(a) of the IRC.

The Foundation follows the provisions of Accounting for Uncertainty in Income Taxes under the Income Taxes Topic of the Codification. The Codification requires the Foundation's evaluation of tax positions, which includes maintaining its tax-exempt status and the taxability of any unrelated business income, and does not allow recognition of tax positions which do not meet a "more-likely-than-not" threshold of being sustained by the applicable tax authority. Management does not believe it took any tax positions that would not meet this threshold.

NOTE 4 **AFFILIATIONS**

The Foundation is a state university-affiliated foundation organized and operated for the benefit of, and to carry out the purpose of, the University, a constituent institution of the University System of Maryland, Inc.

The president of the University serves as an ex-officio member of the Foundation's Board.

NOTE 5 **VALUATION OF INVESTMENTS**

Investments at June 30, 2024 and 2023 consisted of the following:

	2024		2023	
	Cost	Market	Cost	Market
Certificates of Deposit	\$ 827,978	\$ 832,838	\$ 1,596,440	\$ 1,578,812
Bond Mutual Funds	17,255,415	16,635,093	14,803,315	13,794,150
Stock Mutual Funds	36,697,900	61,638,315	36,635,442	54,099,001
University System of Maryland Foundation, Inc. Fund	7,781,586	14,042,547	7,665,821	12,987,182
Corporate Bonds and U.S. Treasury and Government Agency Securities	20,302,368	20,191,071	18,352,316	17,784,218
Common Stocks	159,137	363,499	161,470	305,450
	<u>\$ 83,024,384</u>	<u>\$ 113,703,363</u>	<u>\$ 79,214,804</u>	<u>\$ 100,548,813</u>

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Investment income (loss) for the years ended June 30, 2024 and 2023 consisted of the following:

	<u>2024</u>	<u>2023</u>
Interest and Dividends	\$ 3,007,241	\$ 2,559,415
Realized Losses on Sale of Investments	(468,658)	(559,594)
Realized Gains on Sale of Investments	97,088	4,495,746
Unrealized Losses on Investments	(227,867)	(2,226,638)
Unrealized Gains on Investments	<u>9,572,835</u>	<u>3,075,335</u>
	11,980,639	7,344,264
Less: Investment Fees	<u>(244,721)</u>	<u>(257,378)</u>
Total	<u><u>\$ 11,735,918</u></u>	<u><u>\$ 7,086,886</u></u>

The Fair Value Measurements and Disclosures Section of the Codification establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 Quoted prices are available in active markets for identical investments as of the reporting date. The types of investments in Level 1 include listed equities and listed derivatives. As required by the Codification, the Foundation does not adjust the quoted price for these investments, even in situations where it holds a large position and a sale could reasonably impact the quoted price.
- Level 2 Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Generally, investments in this category include corporate bonds and loans, less liquid and restricted equity securities, and certain over-the-counter derivatives.
- Level 3 Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Generally, investments in this category include general and limited partnership interests in corporate private equity and real estate funds, mezzanine funds, funds of hedge funds, distressed debt and non-investment grade residual interests in securitizations, and collateralized debt obligations.

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In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

Below are descriptions of the valuation methodologies used for assets measured at fair value. There were no changes in the methodologies used at June 30, 2024 and 2023.

Mutual Funds and Common Stocks: Valued at quoted prices in an active market.

Corporate Bonds and U.S. Treasury and Government Agency Securities: Certain bonds and government securities are valued at the closing price reported in the market in which they are traded. Other bonds and government securities are valued based on yields currently available on comparable securities of issuers with similar credit ratings.

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

The Foundation follows Accounting Standards Update (ASU) 2015-07, Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share. ASU 2015-07 removes the requirement to categorize investments for which fair value is measured using the net asset value (NAV) of the investment as a practical expedient within the fair value hierarchy. ASU 2015-07 also removes the requirement to make certain disclosures for investments that are eligible to be measured at fair value using the NAV practical expedient.

The Foundation's investments in University System of Maryland Foundation, Inc. Commingled Fund are measured at fair value using the NAV as a practical expedient and are not categorized within the fair value hierarchy.

University System of Maryland Foundation, Inc. Commingled Fund (USMF Fund): The Foundation holds an interest in the USMF Fund. The University System of Maryland Foundation, Inc. has discretionary investment authority over the Foundation's interest and provides periodic value assessments of the USMF Fund, which are incorporated in the Foundation's financial statements. The USMF Fund's investments consist of equity and debt securities, private capital investment entities, off-shore investment vehicles, and other partnership investments. There are no redemption restrictions for withdrawing Foundation investments from the USMF Fund.

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The following tables set forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2024 and 2023:

	2024		
	Level 1	Level 2	Total
Certificates of Deposit	\$ 832,838	\$ -	\$ 832,838
Mutual Funds:			
Emerging Market	3,196,570	-	3,196,570
Foreign Value	6,091,069	-	6,091,069
Bond	16,635,093	-	16,635,093
Exchange Traded	19,957,889	-	19,957,889
Blend	32,392,787	-	32,392,787
	78,273,408	-	78,273,408
Common Stocks:			
Basic Materials	8,953	-	8,953
Consumer Goods	36,516	-	36,516
Energy	12,579	-	12,579
Financial	38,196	-	38,196
Healthcare	76,451	-	76,451
Industrial Goods	14,507	-	14,507
Real Estate	7,862	-	7,862
Services	61,373	-	61,373
Technology	101,749	-	101,749
Utilities	5,313	-	5,313
	363,499	-	363,499
Fixed Income:			
Corporate Bonds	-	7,842,496	7,842,496
Treasury Bonds	2,615,675	2,313,294	4,928,969
Agency Bonds	-	7,419,606	7,419,606
	2,615,675	17,575,396	20,191,071
Total Investments at Fair Value	\$ 82,085,420	\$ 17,575,396	99,660,816
USMF Fund			14,042,547
Total Investments			\$ 113,703,363

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	2023		
	Level 1	Level 2	Total
Certificates of Deposit	\$ 1,578,812	\$ -	\$ 1,578,812
Mutual Funds:			
Emerging Market	2,893,992	-	2,893,992
Foreign Value	5,758,005	-	5,758,005
Bond	13,794,150	-	13,794,150
Exchange Traded	17,849,354	-	17,849,354
Blend	27,597,650	-	27,597,650
	<u>67,893,151</u>	<u>-</u>	<u>67,893,151</u>
Common Stocks:			
Basic Materials	7,966	-	7,966
Consumer Goods	34,852	-	34,852
Energy	10,913	-	10,913
Financial	32,139	-	32,139
Healthcare	66,206	-	66,206
Industrial Goods	10,758	-	10,758
Real Estate	8,584	-	8,584
Services	45,451	-	45,451
Technology	83,825	-	83,825
Utilities	4,756	-	4,756
	<u>305,450</u>	<u>-</u>	<u>305,450</u>
Fixed Income:			
Corporate Bonds	-	7,000,825	7,000,825
Treasury Bonds	3,830,312	557,667	4,387,979
Agency Bonds	-	6,395,414	6,395,414
	<u>3,830,312</u>	<u>13,953,906</u>	<u>17,784,218</u>
Total Investments at Fair Value	<u>\$ 73,607,725</u>	<u>\$ 13,953,906</u>	87,561,631
USMF Fund			<u>12,987,182</u>
Total Investments			<u>\$100,548,813</u>

(See Independent Auditors' Report)

NOTE 6 CONTRIBUTIONS RECEIVABLE

The Foundation enters into agreements with donors involving future nonreciprocal transfers of cash. Such agreements are recorded as contribution revenue and receivables (pledges and planned gifts) if the agreement is, in substance, an unconditional promise to give. Management's estimate of any allowance is based on historical collection experience and a review of the current status of pledges receivable.

Contributions receivable at June 30, 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Contributions Receivable	\$ 4,638,464	\$ 7,230,534
Less: Allowance for Uncollectable Pledges	(428,163)	(636,329)
Less: Discount to Present Value	<u>(34,203)</u>	<u>(101,751)</u>
Net Contributions Receivable	<u>\$ 4,176,098</u>	<u>\$ 6,492,454</u>

Contributions are due as follows:

Year Ending June 30,	2025	\$ 2,748,527
	2026	1,067,480
	2027	494,821
	2028	322,136
	2029	<u>5,500</u>
		<u>\$ 4,638,464</u>

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using the one-year Treasury Bill rate of 5.11% and 5.47% for the years ended June 30, 2024 and 2023, respectively. Amortization of the discounts is included in contribution revenue.

NOTE 7 CHARITABLE TRUSTS

The Foundation is the beneficiary of certain charitable remainder trusts with estimated values of \$123,482 and \$114,318 at June 30, 2024 and 2023, respectively.

NOTE 8 ENDOWMENT FUNDS

The Foundation's endowment consists of various donor-restricted funds established to

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provide a source of income for ongoing donor-advised program expenses. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

INTERPRETATION OF RELEVANT LAW

The Board of Directors interprets the Maryland Uniform Prudent Management of Institutional Funds Act (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 Foundation classifies (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund as net assets with donor restriction. Additionally, any accumulation of donor-restricted endowment funds that are not required to be maintained in perpetuity is classified as restricted net assets until those amounts are appropriated for expenditure by the Foundation subject to the Board-approved spending policy. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) Duration and preservation of the fund
- (2) Purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) Possible effect of inflation and deflation
- (5) Expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) Investment policies of the Foundation

ENDOWMENT FUND COMPOSITION BY TYPE OF FUND AS OF JUNE 30, 2024 AND 2023:

	With Donor Restrictions	
	2024	2023
Donor-Restricted Endowment Funds:		
Original Donor-Restricted Gift Amount and Amounts Required to Be Maintained in Perpetuity by Donor	\$ 56,299,275	\$ 52,633,902
Accumulated Investment Gains	37,222,037	30,376,249
	<u>\$ 93,521,312</u>	<u>\$ 83,010,151</u>

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CHANGES IN ENDOWMENT FUNDS FOR THE YEARS ENDED JUNE 30, 2024 AND 2023:

	<u>With Donor Restrictions</u>
Endowment Funds, July 1, 2022	<u>\$ 78,256,071</u>
Investment Return, Net	6,431,280
Contributions	1,783,059
Other	116,201
Appropriation of Endowments for Expenditure	<u>(3,576,460)</u>
Endowment Funds, June 30, 2023	83,010,151
Investment Return, Net	10,275,281
Contributions	3,257,178
Other	421,666
Appropriation of Endowments for Expenditure	<u>(3,442,964)</u>
Endowment Funds, June 30, 2024	<u><u>\$ 93,521,312</u></u>

UNDERWATER ENDOWMENT FUNDS

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. No such deficiencies existed at June 30, 2024 and 2023.

RETURN OBJECTIVES AND RISK PARAMETERS

The Foundation established investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to preserve the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for donor-specified periods. Under these policies, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the portfolio's custom index, as defined by the indices represented by the portfolio's asset allocation, while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return approximating the spending rate plus the Consumer Price Index annually. Actual returns in any given year may vary from this amount.

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STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY

The Foundation has a Board-approved endowment spending policy that targets an amount not to exceed 7% (which is inclusive of spending for programmatic, administrative, and University support expenses) of its endowment fund's average fair market value over the prior 20 quarters through the fiscal year ending 12 months before the start of the fiscal year in which distribution is planned. In establishing this policy, the Foundation considers the long-term expected return on its endowment. Annually, the spending policy committee debates the prudence of the spending percentage, keeping in mind the seven prudence guidelines for appropriation as outlined in UPMIFA. Over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average rate of return approximating the spending rate plus the Consumer Price Index. This spending policy is consistent with the objective to maintain the purchasing power of the endowment assets in perpetuity or for a donor-specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 9 **GIFTS IN KIND**

No amounts were reflected in the financial statements for donated services, as no objective basis is available to measure the value of such services. However, a substantial number of volunteers donate significant amounts of time to the Foundation's program services, fundraising campaigns, and general administration.

Additionally, the Foundation utilizes facilities and equipment of the University under a contractual agreement renewed annually each July 1. The Foundation records gifts in kind for office space based on fair market rent specified in the agreement. This contractual agreement recognizes that the support provided by the Foundation to the University exceeds the value of the benefit received.

NOTE 10 **RETIREMENT PLANS**

The Foundation has a tax-deferred annuity (TDA) plan, pursuant to the requirements of IRC Section 403(b). The TDA plan allows eligible employees to tax defer a portion of their compensation.

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The Foundation also has a defined-contribution retirement plan, pursuant to the requirements of IRC Section 403(b). The Foundation makes contributions to this plan equal to 7.25% of compensation. The Foundation made contributions totaling \$31,405 and \$28,802 during the years ended June 30, 2024 and 2023, respectively.

NOTE 11 NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions at June 30, 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Board-Designated Scholarships	\$ 150,000	\$ 150,000
Board-Designated Grant Program	224,926	224,926
University Programs	89,275	150,067
Undesignated	4,803,890	3,638,475
	<u>\$ 5,268,091</u>	<u>\$ 4,163,468</u>

NOTE 12 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2024 and 2023 were restricted for the following purposes:

	<u>2024</u>	<u>2023</u>
Subject to Expenditure for Specified Purposes:		
Scholarships and Other Student Support	\$ 2,235,447	\$ 1,958,058
University Program Support	17,773,707	18,395,725
Subject to Foundation's Spending Policy and Appropriation:		
Scholarships	20,463,465	16,629,392
University Program Support	16,891,530	13,848,200
Investment at Historical Value	56,942,663	53,748,376
	<u>\$ 114,306,812</u>	<u>\$ 104,579,751</u>

(See Independent Auditors' Report)