

ELLIN & TUCKER

TOWSON UNIVERSITY FOUNDATION, INC.
FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020



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INDEPENDENT AUDITORS' REPORT

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying Statements of Financial Position of Towson University Foundation, Inc. as of June 30, 2021 and 2020, the related Statements of Activities, Functional Expenses, and Cash Flows for the years then ended, and the related notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY 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; this includes 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.

AUDITORS' RESPONSIBILITY

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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT, CONTINUED

OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Towson University Foundation, Inc. as of June 30, 2021 and 2020 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



ELLIN & TUCKER
Certified Public Accountants

Baltimore, Maryland
September 21, 2021

STATEMENTS OF FINANCIAL POSITION
Towson University Foundation, Inc.
June 30, 2021 and 2020

ASSETS

ASSETS	2021	2020
Cash and Cash Equivalents	\$ 3,832,517	\$ 1,745,618
Accrued Interest Receivable	79,019	94,139
Investments (Note 5)	102,958,838	81,955,775
Contributions Receivable (Note 6)	2,721,399	2,343,785
Other Assets	255,691	192,148
Equipment	142	993
Charitable Trusts (Note 7)	161,439	115,879
	\$ 110,009,045	\$ 86,448,337
Total Assets		

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 698,210	\$ 571,180
Scholarships Payable	3,650	202,473
	701,860	773,653
Total Liabilities		
 NET ASSETS		
Without Donor Restrictions (Note 11)	4,599,785	3,450,755
With Donor Restrictions (Note 12)	104,707,400	82,223,929
	109,307,185	85,674,684
Total Net Assets		
	\$ 110,009,045	\$ 86,448,337
Total Liabilities and Net Assets		

(See Independent Auditors' Report and Accompanying Notes)

STATEMENTS OF ACTIVITIES
Towson University Foundation, Inc.
For the Year Ended June 30, 2021
(With Comparative Totals for the Year Ended June 30, 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	
SUPPORT AND REVENUE				
Contributions	\$ 403,547	\$ 8,077,172	\$ 8,480,719	\$ 3,583,297
Grants and Contracts	-	84,193	84,193	95,783
Special Programs	-	247,917	247,917	427,702
Investment Return, Net	1,101,181	19,536,789	20,637,970	2,531,224
Change in Value of Annuities	-	45,560	45,560	8,596
Sales	-	11,651	11,651	164,905
Miscellaneous	1,033	23,468	24,501	166,869
Special Fundraising	-	78,383	78,383	217,543
Interfund Charges and Transfers	755,782	(755,782)	-	-
Net Assets Released from Restrictions	4,865,880	(4,865,880)	-	-
Total Support and Revenue	<u>7,127,423</u>	<u>22,483,471</u>	<u>29,610,894</u>	<u>7,195,919</u>
FUNCTIONAL EXPENSES				
University Programs, Support, and Scholarships	4,909,824	-	4,909,824	5,258,183
Management and General	700,021	-	700,021	659,826
Fundraising	368,548	-	368,548	711,301
Total Functional Expenses	<u>5,978,393</u>	<u>-</u>	<u>5,978,393</u>	<u>6,629,310</u>
Change in Net Assets	1,149,030	22,483,471	23,632,501	566,609
NET ASSETS - BEGINNING OF YEAR	<u>3,450,755</u>	<u>82,223,929</u>	<u>85,674,684</u>	<u>85,108,075</u>
NET ASSETS - END OF YEAR	<u>\$ 4,599,785</u>	<u>\$ 104,707,400</u>	<u>\$ 109,307,185</u>	<u>\$ 85,674,684</u>

(See Independent Auditors' Report and Accompanying Notes)

STATEMENT OF ACTIVITIES
Towson University Foundation, Inc.
For the Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 381,114	\$ 3,202,183	\$ 3,583,297
Grants and Contracts	-	95,783	95,783
Special Programs	-	427,702	427,702
Investment Return, Net	567,632	1,963,592	2,531,224
Change in Value of Annuities	-	8,596	8,596
Sales	-	164,905	164,905
Miscellaneous	762	166,107	166,869
Special Fundraising	20	217,523	217,543
Interfund Charges and Transfers	506,443	(506,443)	-
Net Assets Released from Restrictions	<u>5,271,425</u>	<u>(5,271,425)</u>	<u>-</u>
Total Support and Revenue	<u>6,727,396</u>	<u>468,523</u>	<u>7,195,919</u>
FUNCTIONAL EXPENSES			
University Programs, Support, and Scholarships	5,258,183	-	5,258,183
Management and General	659,826	-	659,826
Fundraising	<u>711,301</u>	<u>-</u>	<u>711,301</u>
Total Functional Expenses	<u>6,629,310</u>	<u>-</u>	<u>6,629,310</u>
Change in Net Assets	98,086	468,523	566,609
NET ASSETS - BEGINNING OF YEAR	<u>3,352,669</u>	<u>81,755,406</u>	<u>85,108,075</u>
NET ASSETS - END OF YEAR	<u>\$ 3,450,755</u>	<u>\$ 82,223,929</u>	<u>\$ 85,674,684</u>

(See Independent Auditors' Report and Accompanying Notes)

STATEMENT OF FUNCTIONAL EXPENSES
Towson University Foundation, Inc.
For the Year Ended June 30, 2021

	University Programs, Support, and Scholarships	Management and General	Fundraising	Total
Personnel	\$ -	\$ 398,463	\$ 225	\$ 398,688
Scholarships and Awards	2,218,599	-	-	2,218,599
Special Events	-	-	141	141
Consultants	361,799	32,600	135,675	530,074
Public Relations and Promotions	82,895	399	40,533	123,827
Transfer of Equipment to Towson University	123,256	-	4,170	127,426
Financial Support to Towson University	1,198,358	92,675	33,966	1,324,999
Printing	40,369	180	18,895	59,444
Equipment	129,296	65,271	32,622	227,189
Bank Fees	54,852	15,612	39,110	109,574
Educational Programs	153,169	-	-	153,169
Contractual Services	32,081	1,179	7,084	40,344
Conferences	12,527	318	220	13,065
Advertising	10,845	-	1,420	12,265
Insurance	419,739	16,987	-	436,726
Travel	6,109	573	214	6,896
Office	4,723	3,691	706	9,120
Legal and Professional	9,600	53,371	-	62,971
Building	46	-	-	46
Dues and Memberships	15,170	5,933	8,870	29,973
Telephone	1,954	578	-	2,532
Postage	9,882	334	14,938	25,154
Depreciation	-	851	-	851
Miscellaneous	24,555	11,006	29,759	65,320
Total Functional Expenses	\$ 4,909,824	\$ 700,021	\$ 368,548	\$ 5,978,393

(See Independent Auditors' Report and Accompanying Notes)

STATEMENT OF FUNCTIONAL EXPENSES
Towson University Foundation, Inc.
For the Year Ended June 30, 2020

	University Programs, Support, and Scholarships	Management and General	Fundraising	Total
Personnel	\$ -	\$ 398,847	\$ 83,520	\$ 482,367
Scholarships and Awards	2,150,424	-	-	2,150,424
Program Events	37,105	-	-	37,105
Special Events	-	-	661	661
Consultants	419,280	4,700	259,854	683,834
Public Relations and Promotions	442,204	106	143,411	585,721
Transfer of Equipment to Towson University	313,935	-	47,141	361,076
Financial Support to Towson University	1,161,769	89,289	6,695	1,257,753
Printing	90,515	863	3,245	94,623
Equipment	100,799	52,536	76,359	229,694
Bank Fees	42,024	15,684	35,759	93,467
Educational Programs	232,710	-	92	232,802
Contractual Services	37,680	3,360	8,693	49,733
Conferences	37,118	298	585	38,001
Advertising	590	-	64	654
Insurance	5,092	16,744	-	21,836
Travel	121,158	224	3,961	125,343
Office	12,234	4,944	1,282	18,460
Legal and Professional	-	52,769	-	52,769
Dues and Memberships	21,159	6,336	4,855	32,350
Telephone	2,392	1,440	-	3,832
Postage	7,733	259	522	8,514
Depreciation	-	1,348	-	1,348
Miscellaneous	22,262	10,079	34,602	66,943
Total Functional Expenses	\$ 5,258,183	\$ 659,826	\$ 711,301	\$ 6,629,310

(See Independent Auditors' Report and Accompanying Notes)

STATEMENTS OF CASH FLOWS
Towson University Foundation, Inc.
For the Years Ended June 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 23,632,501	\$ 566,609
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	851	1,348
Increase in Allowance for Uncollectible Pledges	192,817	90,664
Change in Discount on Contributions Receivable	(5,200)	(135,503)
Restricted Contributions for Endowment	(2,617,892)	(1,668,601)
Realized Gain on Sale of Investments	(4,991,829)	(197,063)
Unrealized Gain on Investments	(13,983,411)	(439,386)
Net Changes in:		
Receivables	(613,654)	912,787
Charitable Trusts	(45,560)	4,165
Accounts Payable, Accrued Expenses, and Scholarships Payable	(71,793)	(670,016)
Net Cash Provided by (Used in) Operating Activities	1,496,830	(1,534,996)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(25,599,024)	(18,323,195)
Sale of Investments	23,571,201	16,135,900
Net Cash Used in Investing Activities	(2,027,823)	(2,187,295)
CASH FLOWS FROM FINANCING ACTIVITIES		
Restricted Contributions for Endowment	2,617,892	1,668,601
Net Change in Cash and Cash Equivalents	2,086,899	(2,053,690)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,745,618	3,799,308
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,832,517	\$ 1,745,618

(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 of 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.

(See Independent Auditors' Report)

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

NEW ACCOUNTING STANDARDS UPDATE

In March 2019, the FASB issued Accounting Standards Update (ASU) 2019-03, Not-for-Profit Entities (Topic 958), which amends the definition of and enhances disclosure of collections held by not-for-profit entities. The Foundation adopted ASU 2019-03 effective July 1, 2020 using the modified prospective approach. The adoption of ASU 2019-03 did not materially impact the 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 as long as receipt is expected within five years. Unconditional promises to give which 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, 2021 and 2020, 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 periodically. The Foundation estimates the value of the collections at approximately \$2,253,000. The collections, which were acquired through contributions since the

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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.

SUBSEQUENT EVENTS

The Foundation evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through September 21, 2021, the date the financial statements were available to be issued.

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:

	2021	2020
Cash and Cash Equivalents	\$ 3,832,517	\$ 1,745,618
Accrued Interest Receivable	79,019	94,139
Investments	102,958,838	81,955,775
Contributions Receivable	2,721,399	2,343,785
Other Assets	188,551	119,526
Charitable Trusts	161,439	115,879
Total Financial Assets	109,941,763	86,374,722
 Financial Assets to Be Collected in More Than One Year:		
Charitable Trusts	(161,439)	(115,879)
Other Assets	(54,973)	(59,206)

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NOTES TO FINANCIAL STATEMENTS, CONTINUED
Towson University Foundation, Inc.

	2021	2020
Contractual or Donor-Imposed Restrictions:		
Endowment Funds	(48,243,627)	(45,577,133)
Donor Contributions Restricted to Specific Purposes	(56,463,773)	(36,646,796)
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	5,017,951	3,975,708
Board-Designated Operating Reserves	(425,661)	(303,382)
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year after Board Designations	\$ 4,592,290	\$ 3,672,326

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.

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 include 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.

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

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NOTE 5 VALUATION OF INVESTMENTS

Investments at June 30, 2021 and 2020 consisted of the following:

	2021		2020	
	Cost	Market	Cost	Market
Certificates of Deposit	\$ 991,498	\$ 1,002,229	\$ 802,493	\$ 831,101
Bond Mutual Funds	14,118,084	14,593,603	12,341,175	12,819,978
Stock Mutual Funds	26,271,416	57,749,880	22,781,676	42,733,443
University System of Maryland Foundation, Inc. Fund	7,514,230	12,127,455	7,469,191	9,583,235
Collateralized Loan Obligation Fund	3,383,073	3,398,207	3,317,918	3,189,837
Corporate Bonds and U.S. Treasury and Government Agency Securities	13,674,421	13,786,464	12,231,743	12,581,581
Common Stocks	164,524	301,000	153,394	216,600
	<u>\$ 66,117,246</u>	<u>\$ 102,958,838</u>	<u>\$ 59,097,590</u>	<u>\$ 81,955,775</u>

Investment income (loss) for the years ended June 30, 2021 and 2020 consisted of the following:

	2021	2020
Interest and Dividends	\$ 1,853,075	\$ 2,061,805
Realized Losses on Sale of Investments	(97,361)	(23,923)
Realized Gains on Sale of Investments	5,089,190	220,986
Unrealized Losses on Investments	(330,128)	(2,085,302)
Unrealized Gains on Investments	14,313,539	2,524,688
	<u>20,828,315</u>	<u>2,698,254</u>
Less: Investment Fees	(190,345)	(167,030)
Total	<u>\$ 20,637,970</u>	<u>\$ 2,531,224</u>

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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.

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.

The following are descriptions of the valuation methodologies used for assets measured at fair value:

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

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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 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 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 Barings Investment Grade Collateralized Loan Obligation Fund and University System of Maryland Foundation, Inc. Comingled Fund are measured at fair value using the NAV as a practical expedient and are not categorized within the fair value hierarchy.

Barings Investment Grade CLO Fund (CLO Fund): The Foundation holds an interest in the CLO Fund. The CLO Fund invests primarily in a portfolio of debt tranches of cash flow collateralized loan obligations. Collateralized loan obligations are securitizations issued by bankruptcy remote, special purpose investment vehicles that are formed to acquire and manage investments and collateralized primarily by corporate loans that are senior in the underlying obligator's capital structure to other debt issued. Redemptions from the CLO Fund are available monthly and require 30 days advanced notice.

University System of Maryland Foundation, Inc. Comingled 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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NOTES TO FINANCIAL STATEMENTS, CONTINUED
Towson University Foundation, Inc.

The following tables set forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2021 and 2020:

	2021		Total
	Level 1	Level 2	
Certificates of Deposit	\$ 1,002,229	\$ -	\$ 1,002,229
Mutual Funds:			
Emerging Market	4,682,099	-	4,682,099
Foreign Value	4,713,414	-	4,713,414
Bond	14,593,602	-	14,593,602
Exchange Traded Blend	6,704,861	-	6,704,861
	<u>41,649,507</u>	<u>-</u>	<u>41,649,507</u>
	<u>72,343,483</u>	<u>-</u>	<u>72,343,483</u>
Common Stocks:			
Basic Materials	8,174	-	8,174
Consumer Goods	32,464	-	32,464
Energy	4,464	-	4,464
Financial	31,105	-	31,105
Healthcare	42,611	-	42,611
Industrial Goods	9,413	-	9,413
Real Estate	20,879	-	20,879
Services	44,949	-	44,949
Technology	101,710	-	101,710
Utilities	5,231	-	5,231
	<u>301,000</u>	<u>-</u>	<u>301,000</u>
Fixed Income:			
Corporate Bonds	-	6,637,546	6,637,546
Treasury Bonds	-	3,013,364	3,013,364
Agency Bonds	-	4,135,554	4,135,554
	<u>-</u>	<u>13,786,464</u>	<u>13,786,464</u>
Total Investments at Fair Value	<u>\$ 73,646,712</u>	<u>\$ 13,786,464</u>	87,433,176
CLO Fund			3,398,207
USMF Fund			<u>12,127,455</u>
Total Investments			<u>\$ 102,958,838</u>

(See Independent Auditors' Report)

NOTES TO FINANCIAL STATEMENTS, CONTINUED
Towson University Foundation, Inc.

	2020		Total
	Level 1	Level 2	
Certificates of Deposit	\$ 831,101	\$ -	\$ 831,101
Mutual Funds:			
Emerging Market	3,330,739	-	3,330,739
Foreign Value	3,193,927	-	3,193,927
Bond	12,819,978	-	12,819,978
Exchange Traded	5,041,605	-	5,041,605
Blend	31,167,172	-	31,167,172
	<u>55,553,421</u>	<u>-</u>	<u>55,553,421</u>
Common Stocks:			
Basic Materials	9,720	-	9,720
Consumer Goods	28,570	-	28,570
Financial	22,953	-	22,953
Healthcare	31,800	-	31,800
Industrial Goods	4,032	-	4,032
Real Estate	7,932	-	7,932
Services	37,048	-	37,048
Technology	70,315	-	70,315
Utilities	4,230	-	4,230
	<u>216,600</u>	<u>-</u>	<u>216,600</u>
Fixed Income:			
Corporate Bonds	-	8,287,441	8,287,441
Treasury Bonds	-	1,322,951	1,322,951
Agency Bonds	-	2,971,189	2,971,189
	<u>-</u>	<u>12,581,581</u>	<u>12,581,581</u>
Total Investments at Fair Value	<u>\$ 56,601,122</u>	<u>\$ 12,581,581</u>	69,182,703
CLO Fund			3,189,837
USMF Fund			<u>9,583,235</u>
Total Investments			<u>\$ 81,955,775</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.

Contributions receivable at June 30, 2021 and 2020 were as follows:

	2021	2020
Contributions Receivable	\$ 3,201,847	\$ 2,636,616
Less: Allowance for Uncollectible Pledges	(474,570)	(281,753)
Less: Discount to Present Value	(5,878)	(11,078)
Net Contributions Receivable	<u>\$ 2,721,399</u>	<u>\$ 2,343,785</u>

Contributions are due as follows:

Year Ending June 30, 2022	\$ 1,193,102
2023	791,211
2024	674,867
2025	339,667
2026	203,000
	<u>\$ 3,201,847</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 0.07% and 0.16% for the years ended June 30, 2021 and 2020, 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 \$161,439 and \$115,879 at June 30, 2021 and 2020, respectively.

NOTE 8 ENDOWMENT FUNDS

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

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INTERPRETATION OF RELEVANT LAW

The Board of Directors interpreted 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, 2021 AND 2020

	With Donor Restrictions	
	2021	2020
Donor-Restricted Endowment Funds:		
Original Donor-Restricted Gift Amount and Amounts Required to Be Maintained in Perpetuity by Donor	\$ 47,958,499	\$ 45,204,875
Accumulated Investment Gains	38,166,593	21,748,241
	\$ 86,125,092	\$ 66,953,116

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CHANGES IN ENDOWMENT FUNDS FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	With Donor Restrictions
Endowment Funds, July 1, 2019	\$ 66,918,492
Investment Return, Net	2,013,116
Contributions	784,895
Other	(1,714)
Appropriation of Endowments for Expenditure	(2,761,673)
Endowment Funds, June 30, 2020	66,953,116
Investment Return, Net	19,184,261
Contributions	2,709,472
Other	44,151
Appropriation of Endowments for Expenditure	(2,765,908)
Endowment Funds, June 30, 2021	\$ 86,125,092

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, 2021 and 2020.

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 considered 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 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 provide additional real growth through new gifts and investment return.

NOTE 9 DONATED SERVICES

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. 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.

The Foundation also has a defined-contribution retirement plan, pursuant to the

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requirements of IRC Section 403(b). The Foundation makes contributions to this plan equal to 7.25% of compensation. The Foundation made contributions totaling \$24,345 and \$24,443 during the years ended June 30, 2021 and 2020, respectively.

NOTE 11 NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions at June 30, 2021 and 2020 were as follows:

	2021	2020
Board-Designated Scholarships	\$ 150,000	\$ 150,000
Board-Designated Grant Program	100,000	-
University Programs	175,661	153,382
Undesignated	4,174,124	3,147,373
	\$ 4,599,785	\$ 3,450,755

NOTE 12 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2021 and 2020 were restricted for the following purposes:

	2021	2020
Subject to Expenditure for Specified Purposes:		
Scholarships and Other Student Support	\$ 1,757,011	\$ 1,666,937
University Program Support	16,483,975	13,166,386
Subject to Foundation's Spending Policy and Appropriation:		
Scholarships	21,608,188	12,406,903
University Program Support	16,614,599	9,406,570
Investment at Historical Value	48,243,627	45,577,133
	\$ 104,707,400	\$ 82,223,929

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