

ELLIN & TUCKER

TOWSON UNIVERSITY FOUNDATION, INC.
FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021



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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, 2022 and 2021, 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, 2022 and 2021 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.

EMPHASIS OF MATTER – RESTATEMENT OF 2021 FINANCIAL STATEMENTS

As discussed in Note 13 to the financial statements, the Foundation restated its 2021 financial statements to correct an error related to the recording of contributions receivables. Our opinion is not modified with respect to this matter.

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.

INDEPENDENT AUDITORS' REPORT, CONTINUED

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.

INDEPENDENT AUDITORS' REPORT, CONTINUED

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.

The logo for Ellin & Tucker, featuring the company name in a blue, cursive script font.

ELLIN & TUCKER

Certified Public Accountants

Baltimore, Maryland

September 22, 2022

STATEMENTS OF FINANCIAL POSITION
Towson University Foundation, Inc.
June 30, 2022 and 2021

ASSETS

ASSETS	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 11,136,043	\$ 3,832,517
Accrued Interest Receivable	103,539	79,019
Investments (Note 5)	85,649,798	102,958,838
Contributions Receivable (Note 6)	6,080,553	5,115,527
Other Assets	161,575	255,691
Equipment	3,703	142
Charitable Trusts (Note 7)	139,797	161,439
	<u>103,275,008</u>	<u>112,403,173</u>
Total Assets	<u>\$ 103,275,008</u>	<u>\$ 112,403,173</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 1,257,749	\$ 698,210
Scholarships Payable	17,762	3,650
	<u>1,275,511</u>	<u>701,860</u>
Total Liabilities	<u>1,275,511</u>	<u>701,860</u>
NET ASSETS		
Without Donor Restrictions (Note 11)	3,255,255	4,599,785
With Donor Restrictions (Note 12)	98,744,242	107,101,528
	<u>101,999,497</u>	<u>111,701,313</u>
Total Net Assets	<u>101,999,497</u>	<u>111,701,313</u>
Total Liabilities and Net Assets	<u>\$ 103,275,008</u>	<u>\$ 112,403,173</u>

(See Independent Auditors' Report and Accompanying Notes)

STATEMENTS OF ACTIVITIES
Towson University Foundation, Inc.
For the Year Ended June 30, 2022
(With Comparative Totals for the Year Ended June 30, 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	
SUPPORT AND REVENUE				
Contributions	\$ 240,804	\$ 8,315,177	\$ 8,555,981	\$ 7,893,977
Grants and Contracts	-	251,577	251,577	84,193
Special Programs	-	398,486	398,486	247,917
Investment Return, Net	(1,103,402)	(8,051,955)	(9,155,357)	20,637,970
Change in Value of Annuities	-	(21,641)	(21,641)	45,560
Sales	-	102,099	102,099	11,651
Miscellaneous	3,245	147,440	150,685	24,501
Special Fundraising	-	177,964	177,964	78,383
Gifts in Kind	12,050	-	12,050	13,685
Interfund Charges and Transfers	703,915	(703,915)	-	-
Net Assets Released from Restrictions	8,972,518	(8,972,518)	-	-
Total Support and Revenue	8,829,130	(8,357,286)	471,844	29,037,837
FUNCTIONAL EXPENSES				
University Programs, Support, and Scholarships	8,965,732	-	8,965,732	4,909,824
Management and General	719,424	-	719,424	713,706
Fundraising	488,504	-	488,504	368,548
Total Functional Expenses	10,173,660	-	10,173,660	5,992,078
Change in Net Assets	(1,344,530)	(8,357,286)	(9,701,816)	23,045,759
NET ASSETS - BEGINNING OF YEAR	4,599,785	107,101,528	111,701,313	88,655,554
NET ASSETS - END OF YEAR	\$ 3,255,255	\$ 98,744,242	\$ 101,999,497	\$ 111,701,313

(See Independent Auditors' Report and Accompanying Notes)

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

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 403,547	\$ 7,490,430	\$ 7,893,977
Grants and Contracts	-	84,193	84,193
Special Programs	-	247,917	247,917
Investment Return, Net	1,101,181	19,536,789	20,637,970
Change in Value of Annuities	-	45,560	45,560
Sales	-	11,651	11,651
Miscellaneous	1,033	23,468	24,501
Special Fundraising	-	78,383	78,383
Gifts in Kind	13,685	-	13,685
Interfund Charges and Transfers	755,782	(755,782)	-
Net Assets Released from Restrictions	4,865,880	(4,865,880)	-
Total Support and Revenue	7,141,108	21,896,729	29,037,837
FUNCTIONAL EXPENSES			
University Programs, Support, and Scholarships	4,909,824	-	4,909,824
Management and General	713,706	-	713,706
Fundraising	368,548	-	368,548
Total Functional Expenses	5,992,078	-	5,992,078
Change in Net Assets	1,149,030	21,896,729	23,045,759
NET ASSETS - BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	3,450,755	82,223,929	85,674,684
Prior Period Adjustment (Note 13)	-	2,980,870	2,980,870
NET ASSETS - BEGINNING OF YEAR, AS RESTATED	3,450,755	85,204,799	88,655,554
NET ASSETS - END OF YEAR	\$ 4,599,785	\$ 107,101,528	\$ 111,701,313

(See Independent Auditors' Report and Accompanying Notes)

STATEMENT OF FUNCTIONAL EXPENSES
Towson University Foundation, Inc.
For the Year Ended June 30, 2022

	University Programs, Support, and Scholarships	Management and General	Fundraising	Total
Personnel	\$ -	\$ 423,796	\$ -	\$ 423,796
Scholarships and Awards	2,215,873	-	-	2,215,873
Special Events	-	-	-	-
Consultants	999,161	6,363	22,034	1,027,558
Public Relations and Promotions	461,611	-	142,620	604,231
Transfer of Equipment to Towson University	68,008	-	-	68,008
Financial Support to Towson University	1,259,361	93,058	117,042	1,469,461
Printing	124,783	344	9,213	134,340
Equipment	368,207	68,778	56,073	493,058
Bank Fees	45,954	16,481	55,038	117,473
Educational Programs	250,003	-	224	250,227
Contractual Services	352,221	1,072	289	353,582
Conferences	28,727	-	85	28,812
Advertising	4,268	-	-	4,268
Insurance	420,751	16,765	9	437,525
Travel	328,273	82	5,493	333,848
Office	9,603	5,896	200	15,699
Legal and Professional	-	48,853	-	48,853
Building	1,882,627	-	-	1,882,627
Dues and Memberships	36,702	6,475	5,761	48,938
Telephone	2,031	1,460	-	3,491
Postage	4,633	94	1,656	6,383
Depreciation	-	739	-	739
Occupancy	-	12,050	-	12,050
Miscellaneous	102,935	17,118	72,767	192,820
Total Functional Expenses	\$ 8,965,732	\$ 719,424	\$ 488,504	\$ 10,173,660

(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	\$ 224	\$ 398,687
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	39,111	109,575
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
Occupancy	-	13,685	-	13,685
Miscellaneous	24,555	11,006	29,759	65,320
Total Functional Expenses	\$ 4,909,824	\$ 713,706	\$ 368,548	\$ 5,992,078

(See Independent Auditors' Report and Accompanying Notes)

STATEMENTS OF CASH FLOWS
Towson University Foundation, Inc.
For the Years Ended June 30, 2022 and 2021

	2022	2021
OPERATING ACTIVITIES		
Change in Net Assets	\$ (9,701,816)	\$ 23,045,759
Adjustments to Reconcile Change in Net Assets to Net Cash (Used in) Provided by Operating Activities:		
Depreciation	739	851
(Decrease) Increase in Allowance for Uncollectible Pledges	(37,317)	192,817
Increase (Decrease) in Discount on Contributions Receivable	22,836	(5,200)
Restricted Contributions for Endowment	(3,222,689)	(2,217,892)
Realized Gain on Sale of Investments	(4,626,222)	(4,991,829)
Unrealized Loss (Gain) on Investments	16,356,283	(13,983,411)
Net Changes in:		
Receivables	(880,949)	(26,912)
Charitable Trusts	21,642	(45,560)
Accounts Payable, Accrued Expenses, and Scholarships Payable	573,651	(71,793)
Net Cash (Used in) Provided by Operating Activities	(1,493,842)	1,896,830
INVESTING ACTIVITIES		
Purchase of Equipment	(4,300)	-
Purchase of Investments	(23,785,614)	(25,599,024)
Sale of Investments	29,364,593	23,571,201
Net Cash Provided by (Used in) Investing Activities	5,574,679	(2,027,823)
FINANCING ACTIVITIES		
Restricted Contributions for Endowment	3,222,689	2,217,892
Net Change in Cash and Cash Equivalents	7,303,526	2,086,899
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	3,832,517	1,745,618
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 11,136,043	\$ 3,832,517

(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.

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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 September 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, which enhances the existing accounting presentation and disclosures related to in-kind contributions. The Foundation adopted this ASU as of and for the year ended June 30, 2022 with retrospective application for the financial statements for the year ended June 30, 2021. The adoption of this ASU did not materially impact the timing and measurement of contributed nonfinancial assets.

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

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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.

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, 2022 and 2021, 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

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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 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 22, 2022, 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:

	2022	2021
Cash and Cash Equivalents	\$ 11,136,043	\$ 3,832,517
Accrued Interest Receivable	103,539	79,019
Investments	85,649,798	102,958,838
Contributions Receivable	6,080,553	5,115,527
Other Assets	84,526	188,551
Charitable Trusts	139,797	161,439
Total Financial Assets	103,194,256	112,335,891

(See Independent Auditors' Report)

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

	2022	2021
Financial Assets to Be Collected in More Than One Year:		
Charitable Trusts	(139,797)	(161,439)
Other Assets	(51,059)	(54,973)
Contractual or Donor-Imposed Restrictions:		
Endowment Funds	(51,471,891)	(49,043,627)
Donor Contributions Restricted to Specific Purposes	(47,272,351)	(58,057,901)
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	4,259,158	5,017,951
Board-Designated Operating Reserves	(544,056)	(425,661)
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year after Board Designations	\$ 3,715,102	\$ 4,592,290

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 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.

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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.

NOTE 5 **VALUATION OF INVESTMENTS**

Investments at June 30, 2022 and 2021 consisted of the following:

	2022		2021	
	Cost	Market	Cost	Market
Certificates of Deposit	\$ 691,546	\$ 689,682	\$ 991,498	\$ 1,002,229
Bond Mutual Funds	13,661,498	12,784,758	14,118,084	14,593,603
Stock Mutual Funds	24,723,686	42,113,517	26,271,416	57,749,880
University System of Maryland Foundation, Inc. Fund	7,588,760	12,323,387	7,514,230	12,127,455
Collateralized Loan Obligation Fund	3,436,926	3,298,526	3,383,073	3,398,207
Corporate Bonds and U.S. Treasury and Government Agency Securities	14,900,601	14,185,324	13,674,421	13,786,464
Common Stocks	161,470	254,604	164,524	301,000
	<u>\$ 65,164,487</u>	<u>\$ 85,649,798</u>	<u>\$ 66,117,246</u>	<u>\$ 102,958,838</u>

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Investment income (loss) for the years ended June 30, 2022 and 2021 consisted of the following:

	2022	2021
Interest and Dividends	\$ 2,850,209	\$ 1,853,075
Realized Losses on Sale of Investments	(361,475)	(97,361)
Realized Gains on Sale of Investments	4,987,697	5,089,190
Unrealized Losses on Investments	(17,337,919)	(330,128)
Unrealized Gains on Investments	981,636	14,313,539
	(8,879,852)	20,828,315
Less: Investment Fees	(275,505)	(190,345)
 Total	 \$ (9,155,357)	 \$ 20,637,970

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, 2022 and 2021.

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 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 (CLO) 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

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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.

The following tables set forth by level, within the fair value hierarchy, the Foundation’s assets at fair value as of June 30, 2022 and 2021:

	2022		
	Level 1	Level 2	Total
Certificates of Deposit	\$ 689,682	\$ -	\$ 689,682
Mutual Funds:			
Emerging Market	2,951,891	-	2,951,891
Foreign Value	4,161,020	-	4,161,020
Bond	12,784,758	-	12,784,758
Exchange Traded	6,508,393	-	6,508,393
Blend	28,492,217	-	28,492,217
	<u>54,898,278</u>	<u>-</u>	<u>54,898,278</u>
Common Stocks:			
Basic Materials	6,717	-	6,717
Consumer Goods	30,782	-	30,782
Energy	9,737	-	9,737
Financial	26,054	-	26,054
Healthcare	55,738	-	55,738
Industrial Goods	11,063	-	11,063
Real Estate	8,236	-	8,236
Services	33,228	-	33,228
Technology	67,366	-	67,366
Utilities	5,680	-	5,680
	<u>254,601</u>	<u>-</u>	<u>254,601</u>

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

	2022		
	Level 1	Level 2	Total
Fixed Income:			
Corporate Bonds	-	6,868,969	6,868,969
Treasury Bonds	-	1,942,419	1,942,419
Agency Bonds	-	5,373,936	5,373,936
	-	14,185,324	14,185,324
Total Investments at Fair Value	<u>\$ 55,842,561</u>	<u>\$ 14,185,324</u>	70,027,885
CLO Fund			3,298,526
USMF Fund			12,323,387
Total Investments			<u>\$ 85,649,798</u>
	2021		
	Level 1	Level 2	Total
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	6,704,861	-	6,704,861
Blend	41,649,507	-	41,649,507
	72,343,483	-	72,343,483
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
	301,000	-	301,000

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

	2021		
	Level 1	Level 2	Total
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
	-	13,786,464	13,786,464
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			12,127,455
Total Investments			<u>\$ 102,958,838</u>

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, 2022 and 2021 were as follows:

	2022	2021
Contributions Receivable	\$ 6,552,392	\$ 5,601,847
Less: Allowance for Uncollectible Pledges	(437,253)	(474,570)
Less: Discount to Present Value	(34,586)	(11,750)
Net Contributions Receivable	<u>\$ 6,080,553</u>	<u>\$ 5,115,527</u>

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Contributions are due as follows:

Year Ending June 30,	2023	\$ 2,472,813
	2024	1,973,617
	2025	1,299,462
	2026	532,750
	2027	<u>273,750</u>
		<u><u>\$ 6,552,392</u></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 2.79% and 0.07% for the years ended June 30, 2022 and 2021, 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 \$139,797 and \$161,439 at June 30, 2022 and 2021, 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.

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:

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- (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, 2022 AND 2021

	With Donor Restrictions	
	2022	2021
Donor-Restricted Endowment Funds:		
Original Donor-Restricted Gift Amount and Amounts Required to Be Maintained in Perpetuity by Donor	\$ 50,734,641	\$ 47,958,499
Accumulated Investment Gains	27,521,430	38,166,593
	\$ 78,256,071	\$ 86,125,092

CHANGES IN ENDOWMENT FUNDS FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	With Donor Restrictions
Endowment Funds, July 1, 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
Investment Return, Net	(7,689,417)
Contributions	2,776,917
Other	(775)
Appropriation of Endowments for Expenditure	(2,955,746)
Endowment Funds, June 30, 2022	\$ 78,256,071

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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, 2022 and 2021.

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.

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

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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.

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 \$25,980 and \$24,345 during the years ended June 30, 2022 and 2021, respectively.

NOTE 11 NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions at June 30, 2022 and 2021 were as follows:

	2022	2021
Board-Designated Scholarships	\$ 150,000	\$ 150,000
Board-Designated Grant Program	224,926	100,000
University Programs	169,130	175,661
Undesignated	2,711,199	4,174,124
	\$ 3,255,255	\$ 4,599,785

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NOTE 12 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2022 and 2021 were restricted for the following purposes:

	2022	2021
Subject to Expenditure for Specified Purposes:		
Scholarships and Other Student Support	\$ 1,757,194	\$ 1,757,011
University Program Support	17,916,837	18,078,103
Subject to Foundation's Spending Policy and Appropriation:		
Scholarships	15,065,754	21,608,188
University Program Support	12,532,566	16,614,599
Investment at Historical Value	51,471,891	49,043,627
	\$ 98,744,242	\$ 107,101,528

NOTE 13 RESTATEMENT

The Foundation determined that an unconditional promise to give in the net amount of \$2,980,870 was not properly recorded as a contribution receivable as of June 30, 2020. As a result, the Foundation restated the prior year financial statements to correct this error. The effect of this restatement was to increase net assets with donor restrictions and contributions receivable as of July 1, 2020, by \$2,980,870. In addition, the Foundation decreased contribution revenue for the year ended June 30, 2021 by \$586,742.

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