

# ELLIN & TUCKER

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**TOWSON UNIVERSITY FOUNDATION, INC.**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**



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## INDEPENDENT AUDITORS' REPORT

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

### OPINION

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We audited the accompanying financial statements of Towson University Foundation, Inc. (Foundation), which comprise the Statements of Financial Position as of June 30, 2023 and 2022, 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, 2023 and 2022 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

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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

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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

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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

**INDEPENDENT AUDITORS' REPORT, CONTINUED**

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  
October 17, 2023

**STATEMENTS OF FINANCIAL POSITION**  
**Towson University Foundation, Inc.**  
**June 30, 2023 and 2022**

**ASSETS**

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 4,592,271	\$ 11,136,043
Accrued Interest Receivable	159,143	103,539
Investments (Note 5)	100,548,813	85,649,798
Contributions Receivable (Note 6)	6,492,454	6,080,553
Other Assets	110,131	161,575
Equipment	2,270	3,703
Charitable Trusts (Note 7)	114,318	139,797
	<u>112,019,400</u>	<u>103,275,008</u>
Total Assets	<u>\$ 112,019,400</u>	<u>\$ 103,275,008</u>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts Payable and Accrued Expenses	\$ 2,019,399	\$ 1,257,749
Scholarships Payable	<u>1,256,782</u>	<u>17,762</u>
	<u>3,276,181</u>	<u>1,275,511</u>
Total Liabilities	<u>3,276,181</u>	<u>1,275,511</u>

**NET ASSETS**

Without Donor Restrictions (Note 11)	4,163,468	3,255,255
With Donor Restrictions (Note 12)	<u>104,579,751</u>	<u>98,744,242</u>
	<u>108,743,219</u>	<u>101,999,497</u>
Total Net Assets	<u>108,743,219</u>	<u>101,999,497</u>
	<u>\$ 112,019,400</u>	<u>\$ 103,275,008</u>
Total Liabilities and Net Assets	<u>\$ 112,019,400</u>	<u>\$ 103,275,008</u>

*(See Independent Auditors' Report and Accompanying Notes)*

**STATEMENTS OF ACTIVITIES**  
**Towson University Foundation, Inc.**  
**For the Year Ended June 30, 2023**  
**(With Comparative Totals for the Year Ended June 30, 2022)**

	<b>2023</b>			<b>2022</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 650,384	\$ 6,956,845	\$ 7,607,229	\$ 8,555,981
Grants and Contracts	-	114,151	114,151	251,577
Special Programs	180	659,445	659,625	398,486
Investment Return, Net	722,218	6,364,668	7,086,886	(9,155,357)
Change in Value of Annuities	1,340	31,803	33,143	(21,641)
Sales	-	81,193	81,193	102,099
Miscellaneous	18,239	42,708	60,947	150,685
Special Fundraising	-	294,323	294,323	177,964
Gifts in Kind	-	-	-	12,050
Interfund Charges and Transfers	865,753	(865,753)	-	-
Net Assets Released from Restrictions	7,843,874	(7,843,874)	-	-
<b>Total Support and Revenue</b>	<b>10,101,988</b>	<b>5,835,509</b>	<b>15,937,497</b>	<b>471,844</b>
<b>FUNCTIONAL EXPENSES</b>				
University Programs, Support, and Scholarships	7,908,529	-	7,908,529	8,965,732
Management and General	791,764	-	791,764	719,424
Fundraising	493,482	-	493,482	488,504
<b>Total Functional Expenses</b>	<b>9,193,775</b>	<b>-</b>	<b>9,193,775</b>	<b>10,173,660</b>
Change in Net Assets	908,213	5,835,509	6,743,722	(9,701,816)
<b>NET ASSETS – BEGINNING OF YEAR</b>	<b>3,255,255</b>	<b>98,744,242</b>	<b>101,999,497</b>	<b>111,701,313</b>
<b>NET ASSETS – END OF YEAR</b>	<b>\$ 4,163,468</b>	<b>\$ 104,579,751</b>	<b>\$ 108,743,219</b>	<b>\$ 101,999,497</b>

*(See Independent Auditors' Report and Accompanying Notes)*

**STATEMENT OF ACTIVITIES**  
**Towson University Foundation, Inc.**  
**For the Year Ended June 30, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Contributions	\$ 240,804	\$ 8,315,177	\$ 8,555,981
Grants and Contracts	-	251,577	251,577
Special Programs	-	398,486	398,486
Investment Return, Net	(1,103,402)	(8,051,955)	(9,155,357)
Change in Value of Annuities	-	(21,641)	(21,641)
Sales	-	102,099	102,099
Miscellaneous	3,245	147,440	150,685
Special Fundraising	-	177,964	177,964
Gifts in Kind	12,050	-	12,050
Interfund Charges and Transfers	703,915	(703,915)	-
Net Assets Released from Restrictions	8,972,518	(8,972,518)	-
 Total Support and Revenue	 <u>8,829,130</u>	 <u>(8,357,286)</u>	 <u>471,844</u>
<b>FUNCTIONAL EXPENSES</b>			
University Programs, Support, and Scholarships	8,965,732	-	8,965,732
Management and General	719,424	-	719,424
Fundraising	488,504	-	488,504
 Total Functional Expenses	 <u>10,173,660</u>	 <u>-</u>	 <u>10,173,660</u>
 Change in Net Assets	 (1,344,530)	 (8,357,286)	 (9,701,816)
 <b>NET ASSETS – BEGINNING OF YEAR</b>	 <u>4,599,785</u>	 <u>107,101,528</u>	 <u>111,701,313</u>
 <b>NET ASSETS – END OF YEAR</b>	 <u>\$ 3,255,255</u>	 <u>\$ 98,744,242</u>	 <u>\$ 101,999,497</u>

*(See Independent Auditors' Report and Accompanying Notes)*

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

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

*(See Independent Auditors' Report and Accompanying Notes)*

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

	<b>University Programs, Support, and Scholarships</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Personnel	\$ -	\$ 423,796	\$ -	\$ 423,796
Scholarships and Awards	2,215,873	-	-	2,215,873
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
<b>Total Functional Expenses</b>	<b>\$ 8,965,732</b>	<b>\$ 719,424</b>	<b>\$ 488,504</b>	<b>\$ 10,173,660</b>

*(See Independent Auditors' Report and Accompanying Notes)*

**STATEMENTS OF CASH FLOWS**  
**Towson University Foundation, Inc.**  
**For the Years Ended June 30, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 6,743,722	\$ (9,701,816)
<b>Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:</b>		
Depreciation	1,433	739
Increase (Decrease) in Allowance for Uncollectible Pledges	199,076	(37,317)
Increase in Discount on Contributions Receivable	67,166	22,836
Restricted Contributions for Endowment	(2,154,516)	(3,222,689)
Realized Gain on Sale of Investments	(3,936,152)	(4,626,222)
Unrealized (Gain) Loss on Investments	(848,697)	16,356,283
<b>Net Changes in:</b>		
Receivables	(682,303)	(880,949)
Charitable Trusts	25,479	21,642
Accounts Payable, Accrued Expenses, and Scholarships Payable	2,000,670	573,651
Net Cash Provided by (Used in) Operating Activities	<u>1,415,878</u>	<u>(1,493,842)</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of Equipment	-	(4,300)
Purchase of Investments	(41,125,817)	(23,785,614)
Sale of Investments	31,011,651	29,364,593
Net Cash (Used in) Provided by Investing Activities	<u>(10,114,166)</u>	<u>5,574,679</u>
<b>FINANCING ACTIVITIES</b>		
Restricted Contributions for Endowment	2,154,516	3,222,689
Net Change in Cash and Cash Equivalents	(6,543,772)	7,303,526
<b>CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR</b>	<u>11,136,043</u>	<u>3,832,517</u>
<b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>	<u>\$ 4,592,271</u>	<u>\$ 11,136,043</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.

*(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.

**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.

**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.

*(See Independent Auditors' Report)*

**CASH AND INVESTMENTS**

As of June 30, 2023 and 2022, 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 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

*(See Independent Auditors' Report)*

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 October 17, 2023, 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:

	<b>2023</b>	<b>2022</b>
Cash and Cash Equivalents	\$ 4,592,271	\$ 11,136,043
Accrued Interest Receivable	159,143	103,539
Investments	100,548,813	85,649,798
Contributions Receivable	6,492,454	6,080,553
Other Assets	46,552	84,526
Charitable Trusts	114,318	139,797
Total Financial Assets	111,953,551	103,194,256
 <b>Financial Assets to Be Collected in More Than One Year:</b>		
Charitable Trusts	(114,318)	(139,797)
Other Assets	(46,449)	(51,059)

*(See Independent Auditors’ Report)*

	<b>2023</b>	<b>2022</b>
<b>Contractual or Donor-Imposed Restrictions:</b>		
Endowment Funds	(53,748,376)	(51,471,891)
Donor Contributions Restricted to Specific Purposes	(50,831,375)	(47,272,351)
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	7,213,033	4,259,158
Board-Designated Operating Reserves	(524,993)	(544,056)
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year after Board Designations	\$ 6,688,040	\$ 3,715,102

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.

**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.

*(See Independent Auditors’ Report)*

**NOTE 5 VALUATION OF INVESTMENTS**

Investments at June 30, 2023 and 2022 consisted of the following:

	<b>2023</b>		<b>2022</b>	
	<b>Cost</b>	<b>Market</b>	<b>Cost</b>	<b>Market</b>
Certificates of Deposit	\$ 1,596,440	\$ 1,578,812	\$ 691,546	\$ 689,682
Bond Mutual Funds	14,803,315	13,794,150	13,661,498	12,784,758
Stock Mutual Funds	36,635,442	54,099,001	24,723,686	42,113,517
University System of Maryland Foundation, Inc. Fund	7,665,821	12,987,182	7,588,760	12,323,387
Collateralized Loan Obligation Fund	-	-	3,436,926	3,298,526
Corporate Bonds and U.S. Treasury and Government Agency Securities	14,559,031	17,784,218	14,900,601	14,185,324
Common Stocks	161,470	305,450	161,470	254,604
	<u>\$ 75,421,519</u>	<u>\$ 100,548,813</u>	<u>\$ 65,164,487</u>	<u>\$ 85,649,798</u>

Investment income (loss) for the years ended June 30, 2023 and 2022 consisted of the following:

	<b>2023</b>	<b>2022</b>
Interest and Dividends	\$ 2,559,415	\$ 2,850,209
Realized Losses on Sale of Investments	(559,594)	(361,475)
Realized Gains on Sale of Investments	4,495,746	4,987,697
Unrealized Losses on Investments	(2,226,638)	(17,337,919)
Unrealized Gains on Investments	3,075,335	981,636
	<u>7,344,264</u>	<u>(8,879,852)</u>
Less: Investment Fees	(257,378)	(275,505)
Total	<u>\$ 7,086,886</u>	<u>\$ (9,155,357)</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

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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.

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, 2023 and 2022.

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

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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 Barings Investment Grade Collateralized Loan Obligation (CLO) Fund and 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.

Barings Investment Grade CLO Fund (CLO Fund): The Foundation held 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.

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.

The following tables set forth by level, within the fair value hierarchy, the Foundation’s assets at fair value as of June 30, 2023 and 2022:

	<b>2023</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
Certificates of Deposit	\$ 1,578,812	\$ -	\$ 1,578,812

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

	2023		
	Level 1	Level 2	Total
<b>Mutual Funds:</b>			
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>
<b>Common Stocks:</b>			
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>
<b>Fixed Income:</b>			
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>	<u>87,561,631</u>
USMF Fund			<u>12,987,182</u>
Total Investments			<u>\$100,548,813</u>

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

	<b>2022</b>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Certificates of Deposit	\$ 689,682	\$ -	\$ 689,682
<b>Mutual Funds:</b>			
Emerging Market	2,951,890	-	2,951,890
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>
<b>Common Stocks:</b>			
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>
<b>Fixed Income:</b>			
Corporate Bonds	-	6,868,969	6,868,969
Treasury Bonds	-	1,942,419	1,942,419
Agency Bonds	-	5,373,936	5,373,936
	<u>-</u>	<u>14,185,324</u>	<u>14,185,324</u>
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			<u>12,323,387</u>
Total Investments			<u>\$ 85,649,798</u>

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**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, 2023 and 2022 were as follows:

	<b>2023</b>	<b>2022</b>
Contributions Receivable	\$ 7,230,534	\$ 6,552,392
Less: Allowance for Uncollectible Pledges	(636,329)	(437,253)
Less: Discount to Present Value	(101,751)	(34,586)
Net Contributions Receivable	<u>\$ 6,492,454</u>	<u>\$ 6,080,553</u>

Contributions are due as follows:

Year Ending June 30,		\$ 3,222,555
	2024	2,241,126
	2025	1,035,831
	2026	447,886
	2027	283,136
	2028	<u>\$ 7,230,534</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 5.47% and 2.79% for the years ended June 30, 2023 and 2022, 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 \$114,318 and \$139,797 at June 30, 2023 and 2022, 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

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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, 2023 AND 2022**

	<b>With Donor Restrictions</b>	
	<b>2023</b>	<b>2022</b>
<b>Donor-Restricted Endowment Funds:</b>		
Original Donor-Restricted Gift Amount and Amounts Required to Be Maintained in Perpetuity by Donor	\$ 52,633,902	\$ 50,734,641
Accumulated Investment Gains	30,376,249	27,521,430
	<b>\$ 83,010,151</b>	<b>\$ 78,256,071</b>

*(See Independent Auditors' Report)*

**CHANGES IN ENDOWMENT FUNDS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	<b>With Donor Restrictions</b>
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
Investment Return, Net	6,431,280
Contributions	1,783,059
Other	116,201
Appropriation of Endowments for Expenditure	(3,576,460)
Endowment Funds, June 30, 2023	\$ 83,010,151

**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, 2023 and 2022.

**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.

*(See Independent Auditors' Report)*

**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 \$28,802 and \$25,980 during the years ended June 30, 2023 and 2022, respectively.

**NOTE 11 NET ASSETS WITHOUT DONOR RESTRICTIONS**

Net assets without donor restrictions at June 30, 2023 and 2022 were as follows:

	<b>2023</b>	<b>2022</b>
Board-Designated Scholarships	\$ 150,000	\$ 150,000
Board-Designated Grant Program	224,926	224,926
University Programs	150,067	169,130
Undesignated	3,638,475	2,711,199
	\$ 4,163,468	\$ 3,255,255

**NOTE 12 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at June 30, 2023 and 2022 were restricted for the following purposes:

	<b>2023</b>	<b>2022</b>
<b>Subject to Expenditure for Specified Purposes:</b>		
Scholarships and Other Student Support	\$ 1,958,058	\$ 1,757,194
University Program Support	18,395,725	17,916,837
<b>Subject to Foundation's Spending Policy and Appropriation:</b>		
Scholarships	16,629,392	15,065,754
University Program Support	13,848,200	12,532,566
Investment at Historical Value	53,748,376	51,471,891
	\$ 104,579,751	\$ 98,744,242

*(See Independent Auditors' Report)*