

# ELLIN & TUCKER

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**BOWIE STATE UNIVERSITY FOUNDATION, INC.  
FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Bowie State University Foundation, Inc.

### OPINION

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We audited the accompanying financial statements of Bowie State University Foundation, Inc. (Foundation), which comprise the Statement of Financial Position as of June 30, 2022, the related Statements of Activities, Functional Expenses, and Cash Flows for the year 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 the results of its operations and its cash flows for the year 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 audit 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 Audit 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 audit. We believe the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

### OTHER MATTER

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The financial statements of the Foundation for the year ended June 30, 2021 were audited by other auditors, who expressed an unmodified opinion on those statements on December 3, 2021. As discussed in Note 10 to the financial statements, the Foundation adjusted its 2021 financial statements to correct an error related to the recording of scholarships payable. The other auditors reported on the financial statements before the retrospective adjustment.

### EMPHASIS OF MATTER – ADJUSTMENT OF 2021 FINANCIAL STATEMENTS

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As part of our audit of the 2022 financial statements, we also audited the adjustments to the 2021 financial statements to correct the errors described in Note 10. In our opinion, such adjustments are appropriate and were properly applied. We were not engaged to audit, review, or apply any procedures to the Foundation's 2021 financial statements other than with respect to the adjustment and, accordingly, do not express an opinion or any other form of assurance on the 2021 financial statements as a whole.

## INDEPENDENT AUDITORS' REPORT, CONTINUED

### **RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS**

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

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

### **AUDITORS' RESPONSIBILITIES FOR THE AUDIT 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.

**INDEPENDENT AUDITORS' REPORT, CONTINUED**

- 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 audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

ELLIN & TUCKER

Certified Public Accountants

Baltimore, Maryland

November 1, 2022

**STATEMENTS OF FINANCIAL POSITION**  
**Bowie State University Foundation, Inc.**  
**For the Years Ended June 30, 2022 and 2021**

	<u>ASSETS</u>			
	<u>2022</u>	<u>2021</u> <u>As Previously</u> <u>Stated</u>	<u>Adjustment</u>	<u>2021 Adjusted</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 4,659,723	\$ 2,972,970	\$ -	\$ 2,972,970
Investments (Note 4)	38,477,302	36,271,187	-	36,271,187
Contributions Receivable (Note 5)	2,018,451	2,263,171	-	2,263,171
Other Assets	197,758	-	-	-
Grants Receivable	500,000	-	-	-
	<u>\$ 45,853,234</u>	<u>\$ 41,507,328</u>	<u>\$ -</u>	<u>\$ 41,507,328</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
Accounts Payable and Accrued Expenses	<u>\$ 1,099,722</u>	<u>\$ 759,306</u>	<u>\$ 253,592</u>	<u>\$ 1,012,898</u>
<b>NET ASSETS</b>				
Without Donor Restrictions (Note 8)	24,893,469	25,805,836	-	25,805,836
With Donor Restrictions (Note 9)	<u>19,860,043</u>	<u>14,942,186</u>	<u>(253,592)</u>	<u>14,688,594</u>
	<u>44,753,512</u>	<u>40,748,022</u>	<u>(253,592)</u>	<u>40,494,430</u>
	<u>\$ 45,853,234</u>	<u>\$ 41,507,328</u>	<u>\$ -</u>	<u>\$ 41,507,328</u>

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

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

	<b>2022</b>			<b>2021</b> <b>Adjusted Total</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ -	\$ 5,937,423	\$ 5,937,423	\$ 28,200,392
Grants and Contracts	-	-	-	650,000
Special Programs	-	20,423	20,423	19,500
Investment Return, Net	358,967	61,877	420,844	2,114,208
Miscellaneous	-	296,508	296,508	192,124
Net Assets Released from Restrictions	1,144,782	(1,144,782)	-	-
Total Support and Revenue	<u>1,503,749</u>	<u>5,171,449</u>	<u>6,675,198</u>	<u>31,176,224</u>
<b>FUNCTIONAL EXPENSES</b>				
University Programs, Support, and Scholarships	1,988,100	-	1,988,100	1,234,213
Management and General	326,025	-	326,025	173,401
Fundraising	101,991	-	101,991	94,945
Total Functional Expenses	<u>2,416,116</u>	<u>-</u>	<u>2,416,116</u>	<u>1,502,559</u>
Change in Net Assets	(912,367)	5,171,449	4,259,082	29,673,665
<b>NET ASSETS – BEGINNING OF YEAR</b>	<u>25,805,836</u>	<u>14,688,594</u>	<u>40,494,430</u>	<u>10,820,765</u>
<b>NET ASSETS – END OF YEAR</b>	<u>\$ 24,893,469</u>	<u>\$ 19,860,043</u>	<u>\$ 44,753,512</u>	<u>\$ 40,494,430</u>

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

**STATEMENT OF ACTIVITIES**  
**Bowie State University Foundation, Inc.**  
**For the Year Ended June 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	2021 As Previously Stated	Adjustment	2021 Adjusted
<b>SUPPORT AND REVENUE</b>					
Contributions	\$ 25,000,000	\$ 3,200,392	\$ 28,200,392	\$ -	\$ 28,200,392
Grants and Contracts	-	650,000	650,000	-	650,000
Special Programs	-	19,500	19,500	-	19,500
Investment Return, Net	69,378	2,044,830	2,114,208	-	2,114,208
Miscellaneous	127,150	64,974	192,124	-	192,124
Net Assets Released from Restrictions	1,234,966	(1,234,966)	-	-	-
<b>Total Support and Revenue</b>	<b>26,431,494</b>	<b>4,744,730</b>	<b>31,176,224</b>	<b>-</b>	<b>31,176,224</b>
<b>FUNCTIONAL EXPENSES</b>					
University Programs, Support, and Scholarships	980,621	-	980,621	253,592	1,234,213
Management and General	173,401	-	173,401	-	173,401
Fundraising	94,945	-	94,945	-	94,945
<b>Total Functional Expenses</b>	<b>1,248,967</b>	<b>-</b>	<b>1,248,967</b>	<b>253,592</b>	<b>1,502,559</b>
<b>Change in Net Assets</b>	<b>25,182,527</b>	<b>4,744,730</b>	<b>29,927,257</b>	<b>(253,592)</b>	<b>29,673,665</b>
<b>NET ASSETS – BEGINNING OF YEAR</b>	<b>623,309</b>	<b>10,197,456</b>	<b>10,820,765</b>	<b>-</b>	<b>10,820,765</b>
<b>NET ASSETS – END OF YEAR</b>	<b>\$ 25,805,836</b>	<b>\$ 14,942,186</b>	<b>\$ 40,748,022</b>	<b>\$ (253,592)</b>	<b>\$ 40,494,430</b>

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



**STATEMENT OF FUNCTIONAL EXPENSES**  
**Bowie State 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	\$ -	\$ 39,140	\$ -	\$ 39,140
Scholarships and Awards	1,381,279	-	-	1,381,279
Supplies	13,370	915	2,307	16,592
Bad Debt	-	140,000	-	140,000
Printing	1,230	-	-	1,230
Equipment	27,575	-	37,644	65,219
Postage	-	14,934	-	14,934
Contractual Services	352,913	87,589	54,572	495,074
Conferences	-	548	-	548
Advertising	1,887	-	-	1,887
Travel	7,670	-	-	7,670
Professional Services	142,489	30,616	-	173,105
Dues and Subscriptions	19,102	9,194	-	28,296
Postage	342	3,089	-	3,431
Miscellaneous	40,243	-	7,468	47,711
<b>Total Functional Expenses</b>	<b>\$ 1,988,100</b>	<b>\$ 326,025</b>	<b>\$ 101,991</b>	<b>\$ 2,416,116</b>

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

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

	<b>University Programs, Support, and Scholarships</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>2021 As Previously Stated</b>	<b>Adjustment</b>	<b>2021 Adjusted</b>
Personnel	\$ -	\$ 73,000	\$ -	\$ 73,000	\$ -	\$ 73,000
Scholarships and Awards	635,468	-	58,408	693,876	253,592	947,468
Supplies	9,384	1,645	66	11,095	-	11,095
Bad Debt	-	60,000	-	60,000	-	60,000
Printing	265	-	-	265	-	265
Equipment	1,781	-	7,844	9,625	-	9,625
Postage	157	970	-	1,127	-	1,127
Contractual Services	167,233	3,616	28,627	199,476	-	199,476
Advertising	2,100	-	-	2,100	-	2,100
Professional Services	4,953	15,877	-	20,830	-	20,830
Dues and Subscriptions	127,150	-	-	127,150	-	127,150
Membership Dues	24,437	4,406	-	28,843	-	28,843
Miscellaneous	7,693	13,887	-	21,580	-	21,580
<b>Total Functional Expenses</b>	<b>\$ 980,621</b>	<b>\$ 173,401</b>	<b>\$ 94,945</b>	<b>\$ 1,248,967</b>	<b>\$ 253,592</b>	<b>\$ 1,502,559</b>

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

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

	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 4,259,082	\$ 29,673,665
<b>Adjustments to Reconcile Change in Net Assets to</b>		
<b>Net Cash Provided by Operating Activities:</b>		
(Decrease) Increase in Allowance for Uncollectible Pledges	(52,932)	60,000
Change in Discount on Contributions Receivable	51,664	-
Restricted Contributions for Endowment	(2,837,588)	(365,821)
Realized Gain on Sale of Investments	(2,698,239)	(284,067)
Unrealized Loss (Gain) on Investments	2,499,657	(1,547,304)
<b>Net Changes in:</b>		
Contributions Receivable	245,988	(1,872,995)
Grants Receivable	(500,000)	-
Other Assets	(197,758)	-
Accounts Payable, Accrued Expenses, and Scholarships Payable	86,824	665,364
Net Cash Provided by Operating Activities	856,698	26,328,842
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Investments	(2,989,746)	(26,505,226)
Sale of Investments	982,213	938,136
Net Cash Used in Investing Activities	(2,007,533)	(25,567,090)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Restricted Contributions for Endowment	2,837,588	365,821
Net Change in Cash and Cash Equivalents	1,686,753	1,127,573
<b>CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR</b>	2,972,970	1,845,397
<b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>	\$ 4,659,723	\$ 2,972,970

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

**NOTE 1**    **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**NATURE OF FOUNDATION**

Bowie State University Foundation, Inc. (Foundation) is a non-profit organization incorporated in the state of Maryland. The Foundation was formed to foster and promote the growth, progress and general welfare of Bowie State University (BSU) and to receive and administer gifts and donations for such purposes.

The Foundation exists solely for the purpose of securing and administering private funds in support of academic programs, student scholarships, faculty development, public service initiatives, and other priorities of BSU. Gifts of cash, securities, and other properties are given to the Foundation absolutely or in trust by individuals, corporations, and philanthropic foundations solely for the benefit of BSU.

**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.

*(See Independent Auditors' Report)*

**USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of supports and revenue and expenses during the reporting periods. 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.

**CASH EQUIVALENTS**

The Foundation maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The Foundation believes it is not exposed to any significant credit risk on cash. The Foundation considers all highly liquid investments with original maturities of less than three months to be cash equivalents.

**INVESTMENTS**

Investments are reported at fair value in the Statements of Financial Position. Changes in the market value are recorded as unrealized gain and loss, which are reflected in the Statements of Activities during the periods in which the changes occurred. Realized gain and loss are also reflected in the Statements of Activities during the period when the investments were sold. See Note 4 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.

*(See Independent Auditors' Report)*

**INCOME TAXES**

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

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.

**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 November 11, 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:

	<b>2022</b>	<b>2021</b>
Cash and Cash Equivalents	\$ 4,659,723	\$ 2,972,970
Investments	38,477,302	36,271,187
Contributions Receivable	2,018,451	2,263,171
Total Financial Assets	45,155,476	41,507,328

*(See Independent Auditors’ Report)*

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**Bowie State University Foundation, Inc.**

	<b>2022</b>	<b>2021</b>
<b>Contractual or Donor-Imposed Restrictions:</b>		
Endowment Funds	(10,102,908)	(7,225,151)
Donor Contributions Restricted to Specific Purposes	(9,757,135)	(7,463,443)
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	25,295,433	26,818,734
Board-Designated Operating Reserves	(23,956,342)	(23,590,939)
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year after Board Designations	\$ 1,339,091	\$ 3,227,795

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 AFFILIATIONS**

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

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

**NOTE 4 INVESTMENTS**

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

	<b>2022</b>		<b>2021</b>	
	<b>Cost</b>	<b>Market</b>	<b>Cost</b>	<b>Market</b>
Certificates of Deposit University System of Maryland Foundation, Inc. Fund	\$ 585,682	\$ 596,181	\$ 580,559	\$ 591,369
	33,859,663	37,881,121	29,159,014	35,679,818
	\$ 34,445,345	\$ 38,477,302	\$ 29,739,573	\$ 36,271,187

*(See Independent Auditors’ Report)*

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

	<b>2022</b>	<b>2021</b>
Interest and Dividends	\$ 625,304	\$ 388,030
Realized Gain on Investments	2,698,239	1,547,304
Unrealized (Loss) Gain on Investments	(2,499,657)	284,067
	823,886	2,219,401
Less: Investment Fees	(403,042)	(105,193)
 Total	 \$ 420,844	 \$ 2,114,208

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

*(See Independent Auditors' Report)*



measurement in its entirety requires judgment and considers factors specific to the investment.

Below is a description of the valuation methodology used for assets measured at fair value. There was no change in the methodology used at June 30, 2022 and 2021.

Certificates of Deposit: Valued at purchase price plus accrued interest. These assets are classified as Level 1 within the fair value hierarchy.

The method 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 method is appropriate and consistent with other market participants, 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.

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 Foundation's investments in the University System of Maryland Foundation, Inc. Commingled Fund are measured at fair value using NAV as a practical expedient. These investments are no longer required to be categorized within the fair value hierarchy.

**NOTE 5 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:

	<b>2022</b>	<b>2021</b>
Contributions Receivable	\$ 2,158,318	\$ 2,404,306
Less: Allowance for Uncollectible Pledges	(58,967)	(111,899)
Less: Discount to Present Value	(80,900)	(29,236)
Net Contributions Receivable	\$ 2,018,451	\$ 2,263,171

*(See Independent Auditors' Report)*

Contributions are due as follows:

Year Ending June 30,	2023	\$	681,295
	2024		488,289
	2025		527,280
	2026		377,404
	2027		64,700
	Thereafter		<u>19,350</u>
			<u>\$ 2,158,318</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 2.8% and 1.2% for the years ended June 30, 2022 and 2021, respectively. Amortization of the discounts is included in contribution revenue.

**NOTE 6**    **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:

- (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

*(See Independent Auditors’ Report)*

- (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**

	<b>With Donor Restrictions</b>	
	<b>2021</b>	<b>2020</b>
<b>Donor-Restricted Endowment Funds:</b>		
Original Donor-Restricted Gift Amount and Amounts Required to Be Maintained in Perpetuity by Donor	\$ 9,896,840	\$ 7,225,151
Accumulated Investment Gains	2,240,071	2,420,875
	\$ 12,136,911	\$ 9,646,026

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

	<b>With Donor Restrictions</b>
Endowment Funds, July 1, 2020	\$ 7,777,538
Investment Return, Net	1,958,183
Contributions	365,821
Appropriation of Endowments for Expenditure	(455,516)
Endowment Funds, June 30, 2021	9,646,026
Investment Return, Net	100,332
Contributions	2,837,588
Appropriation of Endowments for Expenditure	(447,035)
Endowment Funds, June 30, 2022	\$ 12,136,911

**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. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature that were reported in net assets with donor restrictions were \$106,084 and \$53,619, as of June 30, 2022 and 2021, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new donor contributions, which were to be held in perpetuity and appropriated for certain programs that were deemed prudent by the Board

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of Directors.

**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 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 determines the amount to be distributed for current spending. 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 7 RELATED PARTIES**

The management and administration of certain Foundation operations are performed by employees of BSU. BSU charged the Foundation approximately \$39,000 and \$73,000 for these services during the years ended June 30, 2022 and 2021, respectively. These amounts were recorded as personnel costs in the accompanying Statements of Functional Expenses. The Foundation did not pay rent for the years ended June 30, 2022 and 2021. No amounts

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were reflected in the financial statements for donated services, as no objective basis is available to measure the value of such services.

Additionally, the Foundation utilizes facilities and equipment of BSU under a contractual agreement renewed annually. This contractual agreement recognizes that the support provided by the Foundation to BSU exceeds the value of the benefit received.

**NOTE 8 NET ASSETS WITHOUT DONOR RESTRICTIONS**

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

	<b>2022</b>	<b>2021</b>
Board-Designated - Endowment Funds	\$ 659,579	\$ 640,939
Board-Designated - Student Success	12,694,587	12,500,000
Board-Designated - Academic Innovation	6,082,903	6,000,000
Board-Designated - Long-Term Viability	4,519,273	4,450,000
Undesignated	937,127	2,214,897
	\$ 24,893,469	\$ 25,805,836

**NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS**

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

	<b>2022</b>	<b>2021</b>
<b>Subject to Expenditure for Specified Purposes:</b>		
Time Restricted	\$ 3,638,288	\$ 3,543,929
Other	3,878,776	1,752,231
<b>Subject to Foundation's Spending Policy and Appropriation:</b>		
Scholarships	2,240,071	2,167,283
<b>Investment at Historical Value</b>	10,102,908	7,225,151
	\$ 19,860,043	\$ 14,688,594

**NOTE 10 PRIOR PERIOD ADJUSTMENT**

The Foundation determined scholarships payable of \$253,592 were not properly recorded as of June 30, 2021. As a result, the Foundation adjusted the prior year financial statements to correct this error. The effect of this adjustment was to increase scholarships payable as of June 30, 2021 and record scholarship expense during the year ended June 30, 2021.

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