

BOWIE STATE UNIVERSITY FOUNDATION, INC.

**Financial Statements Together with
Report of Independent Public Accountants**

For the Years Ended June 30, 2021 and 2020

Type text here



SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

JUNE 30, 2021 AND 2020

CONTENTS

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS	1
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	5
Statements of Functional Expenses	7
Statements of Cash Flows	9
Notes to the Financial Statements	10
SUPPLEMENTARY INFORMATION	
Schedules of Funds Transferred to/from University System of Maryland Foundation, Inc.	23



SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

Report on the Financial Statements

We have audited the accompanying statements of financial position of Bowie State University Foundation, Inc. (the Foundation) as of June 30, 2021 and 2020, and the related statements of activities, and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

Opinion

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, 2021 and 2020, the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of funds transferred to/from University System of Maryland Foundation, Inc. are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Owings Mills, Maryland
December 3, 2021

SB & Company, LLC

BOWIE STATE UNIVERSITY FOUNDATION, INC.

Statement of Financial Position

As of June 30, 2021, with Comparative 2020 Totals

	2021			Total	2020 Totals
	Without Donor Restrictions	With Donor Restrictions	With Donor Restrictions to Be Held in Perpetuity		
ASSETS					
Cash and cash equivalents	\$ 162,119	\$ 2,810,851	\$ -	\$ 2,972,970	\$ 1,845,397
Investments	25,683,433	3,362,603	7,225,151	36,271,187	8,872,726
Pledges receivable, net	-	2,263,171	-	2,263,171	450,176
Total Assets	\$ 25,845,552	\$ 8,436,625	\$ 7,225,151	\$ 41,507,328	\$ 11,168,299
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable and accrued expenses	\$ 39,716	\$ 719,590	\$ -	759,306	\$ 347,534
Net Assets					
Without donor restrictions	25,805,836	-	-	25,805,836	623,309
With donor restrictions	-	7,717,035	7,225,151	14,942,186	10,197,456
Total Net Assets	25,805,836	7,717,035	7,225,151	40,748,022	10,820,765
Total Liabilities and Net Assets	\$ 25,845,552	\$ 8,436,625	\$ 7,225,151	\$ 41,507,328	\$ 11,168,299

The accompanying notes are an integral part of this financial statement.

BOWIE STATE UNIVERSITY FOUNDATION, INC.

**Statement of Financial Position
As of June 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	With Donor Restrictions to Be Held in Perpetuity	Total
ASSETS				
Cash and cash equivalents	\$ 188,701	\$ 1,656,696	\$ -	\$ 1,845,397
Investments	531,931	2,378,006	5,962,789	8,872,726
Pledges receivable, net	-	450,176	-	450,176
Total Assets	\$ 720,632	\$ 4,484,878	\$ 5,962,789	\$ 11,168,299
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	\$ 97,323	\$ 250,211	\$ -	\$ 347,534
Net Assets				
Without donor restrictions	623,309	-	-	623,309
With donor restrictions	-	4,234,667	5,962,789	10,197,456
Total Net Assets	623,309	4,234,667	5,962,789	10,820,765
Total Liabilities and Net Assets	\$ 720,632	\$ 4,484,878	\$ 5,962,789	\$ 11,168,299

The accompanying notes are an integral part of this financial statement.

BOWIE STATE UNIVERSITY FOUNDATION, INC.

**Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2021, with Comparative 2020 Totals**

	2021			Total	2020 Totals
	Without Donor Restrictions	With Donor Restrictions	With Donor Restrictions to Be Held in Perpetuity		
Supports and Revenue					
Contributions	\$ 25,000,000	3,850,392	\$ -	\$ 28,850,392	\$ 1,276,430
Investment income, net	69,378	2,044,830	-	2,114,208	64,264
Special events	-	19,500	-	19,500	21,773
Other revenue	127,150	64,974	-	192,124	204,802
Transfer	-	(1,262,362)	1,262,362	-	50
Total	25,196,528	4,717,334	1,262,362	31,176,224	1,567,269
Net Assets Released from Restrictions					
Satisfaction of program restrictions	1,234,966	(1,234,966)	-	-	-
Total Support and Revenue	26,431,494	3,482,368	1,262,362	31,176,224	1,567,269
Expenses					
Program services	980,621	-	-	980,621	1,029,516
Management and general	173,401	-	-	173,401	219,128
Fundraising	94,945	-	-	94,945	26,188
Total Expenses	1,248,967	-	-	1,248,967	1,274,832
Changes in net assets	25,182,527	3,482,368	1,262,362	29,927,257	292,437
Net assets, beginning of year	623,309	4,234,667	5,962,789	10,820,765	10,528,328
Net Assets, End of Year	\$ 25,805,836	\$ 7,717,035	\$ 7,225,151	\$ 40,748,022	\$ 10,820,765

The accompanying notes are an integral part of this financial statement.

BOWIE STATE UNIVERSITY FOUNDATION, INC.

**Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	With Donor Restrictions to Be Held in Perpetuity	Total
Supports and Revenue				
Contributions	\$ -	\$ 1,276,430	\$ -	\$ 1,276,430
Investment income, net	5,021	59,243	-	64,264
Special events	-	21,773	-	21,773
Other revenue	119,245	85,557	-	204,802
Transfer	15,000	(14,950)	-	50
Total	139,266	1,428,053	-	1,567,319
Net Assets Released from Restrictions				
Satisfaction of program restrictions	1,140,950	(1,140,950)	-	-
Total Support and Revenue	1,280,216	287,103	-	1,567,319
Expenses				
Program services	1,029,516	-	-	1,029,516
Management and general	219,128	-	-	219,128
Fundraising	26,188	-	-	26,188
Total Expenses	1,274,832	-	-	1,274,832
Changes in net assets	5,334	287,103	-	292,487
Net assets, beginning of year	617,975	3,947,564	5,962,789	10,528,328
Net Assets, End of Year	\$ 623,309	\$ 4,234,667	\$ 5,962,789	\$ 10,820,815

The accompanying notes are an integral part of this financial statement.

BOWIE STATE UNIVERSITY FOUNDATION, INC.

**Statement of Functional Expenses
For the Year Ended June 30, 2021, with Comparative 2020 Totals**

	2021				2020 Totals
	Program Services	Management and General	Fundraising	Total	
Personnel costs	\$ -	\$ 73,000	\$ -	\$ 73,000	\$ 110,273
Scholarships and awards	635,468	-	58,408	693,876	387,241
Conferences and meetings	-	-	-	-	3,313
Contractual services	167,233	3,616	28,627	199,476	417,513
Other fees	7,693	13,887	-	21,580	13,880
Advertising	2,100	-	-	2,100	871
Postage	157	970	-	1,127	11,371
Printing and promotions	265	-	-	265	12,979
Professional services	4,953	15,877	-	20,830	27,656
Equipments replacement and purchases	1,781	-	7,844	9,625	26,828
Subscriptions and dues	127,150	-	-	127,150	119,236
Membership dues	24,437	4,406	-	28,843	10,129
Supplies	9,384	1,645	66	11,095	6,311
Travel	-	-	-	-	18,451
Bad debt	-	60,000	-	60,000	108,780
Total	\$ 980,621	\$ 173,401	\$ 94,945	\$ 1,248,967	\$ 1,274,832

The accompanying notes are an integral part of this financial statement.

BOWIE STATE UNIVERSITY FOUNDATION, INC.**Statement of Functional Expenses
For the Year Ended June 30, 2020**

	Program Services	Management and General	Fundraising	Total
Personnel costs	\$ 44,109	\$ 66,164	\$ -	\$ 110,273
Scholarships and awards	379,920	-	7,321	387,241
Conferences and meetings	1,205	2,108	-	3,313
Contractual services	398,551	2,109	16,853	417,513
Other fees	7,514	6,366	-	13,880
Advertising	871	-	-	871
Postage	10,570	801	-	11,371
Printing and promotions	10,965	-	2,014	12,979
Professional services	-	27,656	-	27,656
Equipments replacement and purchases	26,828	-	-	26,828
Subscriptions and dues	119,236	-	-	119,236
Membership dues	6,585	3,544	-	10,129
Supplies	4,711	1,600	-	6,311
Travel	18,451	-	-	18,451
Bad debt	-	108,780	-	108,780
Total	\$ 1,029,516	\$ 219,128	\$ 26,188	\$ 1,274,832

The accompanying notes are an integral part of this financial statement.

BOWIE STATE UNIVERSITY FOUNDATION, INC.**Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ 29,927,257	\$ 292,487
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Bad debt expense	60,000	108,780
Unrealized (gain) loss on investments, net	(1,547,304)	465,639
Realized gain on investments, net	(284,067)	(457,967)
Effects from changes in non-cash operating assets and liabilities:		
Pledges receivable	(1,872,995)	345,716
Accounts payable and accrued expenses	411,772	(218,086)
Net Cash from Operating Activities	<u>26,694,663</u>	<u>536,569</u>
Cash Flows from Investing Activities		
Proceeds from sales of investments	938,136	396,778
Purchases of investments	(26,505,226)	(201,775)
Net Cash from Investing Activities	<u>(25,567,090)</u>	<u>195,003</u>
Changes in Cash and Cash Equivalents	1,127,573	731,522
Cash and cash equivalents, beginning of year	1,845,397	1,113,875
Cash and Cash Equivalents, End of Year	<u>\$ 2,972,970</u>	<u>\$ 1,845,397</u>

The accompanying notes are an integral part of these financial statements.

BOWIE STATE UNIVERSITY FOUNDATION, INC.

Notes to the Financial Statements

June 30, 2021 and 2020

1. BACKGROUND OF THE ORGANIZATION

The Bowie State University Foundation, Inc. (the 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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.

Cash and Cash Equivalents

Cash and cash equivalents include cash and highly liquid investments, which have a maturity of ninety days or less. Cash equivalents as of June 30, 2021 and 2020, consisted of money market accounts.

Investment Valuation and Income Recognition

Investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The endowed investments are maintained under a trust agreement with the University System of Maryland (USM) Foundation, Inc. The USM Foundation, Inc., determines the valuation policies for the trust utilizing information provided by the investment advisors and custodians.

BOWIE STATE UNIVERSITY FOUNDATION, INC.

Notes to the Financial Statements June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment Valuation and Income Recognition (continued)

The Foundation's participation in the trust is stated at the Foundation's share of aggregate fair value, which includes accumulated investment income (losses) plus realized and unrealized investment gains and losses, less distributions and allocated administrative expenses.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Unrealized gains and losses include the Foundation's gains and losses on investments bought and sold as well as held during the year.

Fair Value Measurements

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That 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 under generally accepted accounting principles are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability; and
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

BOWIE STATE UNIVERSITY FOUNDATION, INC.

Notes to the Financial Statements June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Financial instruments consist of cash equivalents, investments, receivables and payables. The carrying value of the Foundation's financial instruments in the accompanying statements of financial position approximated their respective estimated fair values as of June 30, 2021 and 2020. Fair values are estimated based on current market rates, prices or liquidation value.

Pledges Receivable, net

Pledges receivable represents unconditional promises to give from various contributors including individuals, businesses and foundations. The pledges that were collectible greater than one year were discounted at 1.2% and 0.60% as of June 30, 2021 and 2020, respectively. The Foundation records an allowance for doubtful accounts equal to estimated losses that will be incurred in the collection of receivables.

The estimated losses are based on historical collection experience and the review of the current status of existing receivables. Management recorded an allowance of \$111,899 and \$108,780 as of June 30, 2021 and 2020, respectively.

Net Assets

Net assets without donor restrictions are assets and contributions that are not restricted by donors or for which restrictions have expired.

Net assets with donor restrictions are those whose use by the Foundation has been restricted by donors, primarily for a specific time period or purpose. When a donor restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Net assets with donor restrictions perpetually held represent the principal balances and specified earnings that are to be held in perpetuity, as restricted by donors. Certain earnings are used as specified by donors. The Foundation's Board of Directors has adopted the University System of Maryland's application of the spendable income formula to determine income available for spending available for appropriation. Earnings that are available for spending are transferred to net assets with donor restrictions which provide funding for all endowment fund expenses.

BOWIE STATE UNIVERSITY FOUNDATION, INC.

Notes to the Financial Statements June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Supports and Revenue

Contributions received are recorded as support with or without restrictions, depending on the existence and/or nature of any donor-imposed restrictions.

Gifts of cash and other assets are reported as restricted supports if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when some stipulated time restriction ends or the purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and changes in net assets and statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services that benefit from those costs. Management and general expenses include those expenses that are not directly identified with any other specific function but provide for the overall support and direction of the Foundation. The allocation of personnel costs is based on the total direct costs incurred by each program, as a percentage of total direct program costs.

Income Taxes

The Foundation is a not-for-profit organization exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is recognized as such by the Internal Revenue Service. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a)(1).

Accounting principles generally accepted in the United States of America establish guidelines for recognizing, measuring, and disclosing tax return positions in financial statements. Management has evaluated the tax positions of the Foundation and determined that the application of these accounting principles had no material impact on its financial statements. Accordingly, no adjustments for unrecognized tax benefits or related interest or penalties were required as of June 30, 2021 and 2020.

If applicable, the Foundation would recognize accrued interest and penalties related to unrecognized tax benefits in the statements of activities and changes in net assets. Management is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits would significantly increase or decrease during the next twelve months. As of June 30, 2021, the statute of limitations for fiscal years 2018 through 2021 remains open with the U.S. Federal jurisdiction or the various states and local jurisdictions in which the Foundation files tax returns.

BOWIE STATE UNIVERSITY FOUNDATION, INC.

Notes to the Financial Statements June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Liquidity and Availability of Resources

The following reflects the Foundation's financial assets as of June 30, 2021 and 2020, reduced by amounts not available for general use within one year because of donor-imposed restrictions.

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 2,972,970	\$ 1,845,397
Investments	36,271,187	8,872,726
Pledges receivable, net due within 12 months	<u>1,811,753</u>	<u>145,430</u>
Financial assets, at year-end	41,055,910	10,863,553
Less those unavailable for general expenditures within one year, due to:		
Donor restrictions	<u>14,942,186</u>	<u>10,197,456</u>
Financial assets available to meet cash needs for general expenses within one year	<u>\$ 26,113,724</u>	<u>\$ 666,097</u>

The Foundation manages its liquidity following two guiding principles: operating within a prudent range of financial soundness and stability and maintaining adequate liquid assets to fund near-term operating needs.

Implemented Accounting Pronouncements

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirement in Topic 820 by removing, modifying, and adding disclosure requirements. The Foundation implemented ASU 2018-13 for the year ended June 30, 2021, and it did not have a material impact on the financial statements.

Subsequent Events

The Foundation evaluated subsequent events and transactions through December 3, 2021, the date these financial statements were available for issue, and has determined that no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure.

BOWIE STATE UNIVERSITY FOUNDATION, INC.

Notes to the Financial Statements June 30, 2021 and 2020

3. INVESTMENTS

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2021 and 2020.

Certificates of Deposit: Valued at the purchase price plus accrued interest.

USM Foundation Investments: Valued at the net asset value (NAV) per share of the underlying investments.

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, 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 following tables set forth by level, the fair value hierarchy of the Foundation's investments at fair value as of June 30:

	2021			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ 591,369	\$ -	\$ -	\$ 591,369
USM Foundation investments	-	-	35,773,378	35,773,378
Total	\$ 591,369	\$ -	\$ 35,773,378	\$ 36,364,747

	2020			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ 581,979	\$ -	\$ -	\$ 581,979
USM Foundation investments	-	-	8,290,747	8,290,747
Total	\$ 581,979	\$ -	\$ 8,290,747	\$ 8,872,726

BOWIE STATE UNIVERSITY FOUNDATION, INC.

Notes to the Financial Statements June 30, 2021 and 2020

3. INVESTMENTS (continued)

The Foundation's investments as of June 30, consisted of the following:

	2021	
	Cost	Fair Value
Certificates of deposit	\$ 580,559	\$ 591,369
USM Foundation investments	29,159,014	35,679,818
Total	\$ 29,739,573	\$ 36,271,187

	2020	
	Cost	Fair Value
Certificates of deposit	\$ 571,261	\$ 581,979
USM Foundation investments	5,808,560	8,290,747
Total	\$ 6,379,821	\$ 8,872,726

Earnings on investments for the years ended June 30, were as follows:

	2021	2020
Interest and dividend income	\$ 388,030	\$ 135,827
Unrealized gains (losses), net	1,547,304	(465,639)
Realized gains, net	284,067	457,966
Less: investment fees	(105,193)	(63,890)
Total	\$ 2,114,208	\$ 64,264

BOWIE STATE UNIVERSITY FOUNDATION, INC.

Notes to the Financial Statements June 30, 2021 and 2020

3. INVESTMENTS (continued)

Changes in Fair Value of Level 3 Assets

Financial instruments classified as Level 3 in the fair value hierarchy represent the Foundation's investments in financial instruments in which management has used at least one significant unobservable input in the valuation model. The following table sets forth a summary of certain changes in the fair value of the Plan's level 3 assets for the year ended June 30, 2021:

	<u>USM Foundation</u>
Transfers in	\$ -
Transfers out	-
Purchases	26,505,226
Sales	(938,136)

Quantitative Information about Significant Unobservable Inputs Used in Level 3 Fair Value Measurements

Unobservable inputs include (a) NAV as a practical expedient for alternative investment vehicles that are private; (b) capital account activity during the gap period of the most recent investor statement and USM Foundation's year end; and (c) known performance adjustments for alternative investments that hold securities with observable fair valuations. Due to the limited availability of valuation data as of the USM Foundation's year end, management utilizes the most recent NAV, which may be on a month to quarter lag.

4. PLEDGES RECEIVABLE

Pledges receivable as of June 30, 2021 and 2020, included the following unconditional promises to give:

	<u>2021</u>	<u>2020</u>
Amounts due in less than one year	\$ 1,952,888	\$ 260,116
Amounts due in two to five years	321,418	214,746
Amounts due in six to ten years	130,000	90,000
Total	2,404,306	564,862
Less: Discount at 1.2% and 0.6%, respectively	29,236	5,906
Allowance for doubtful accounts	111,899	108,780
Pledges Receivable, Net	\$ 2,263,171	\$ 450,176

BOWIE STATE UNIVERSITY FOUNDATION, INC.

Notes to the Financial Statements June 30, 2021 and 2020

4. PLEDGES RECEIVABLE (continued)

Planned Gift

The Foundation has been named as the sole beneficiary of two life insurance policies and an IRA account. These policies had a face amount of \$1,212,550 as of June 30, 2021, and this amount was not recorded in the accompanying statements of financial position as it is deemed to be a conditional promise to give. The Foundation is working to grow its planned gifts in the future.

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Time restricted	\$ 3,543,929	\$ 1,645,141
Unspent endowment earnings	2,420,875	1,814,749
Other	1,752,231	774,777
Total	\$ 7,717,035	\$ 4,234,667

6. NET ASSETS WITH DONOR RESTRICTIONS TO BE HELD IN PERPETUITY

Net assets with donor restrictions to be held in perpetuity were available for the following purposes as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Scholarships	\$ 6,081,063	\$ 4,818,701
Lectureship	42,739	42,739
Internship	53,260	53,260
Faculty development	35,338	35,338
Other	1,012,751	1,012,751
Total	\$ 7,225,151	\$ 5,962,789

BOWIE STATE UNIVERSITY FOUNDATION, INC.

Notes to the Financial Statements June 30, 2021 and 2020

7. ENDOWMENTS

Endowments consist of funds established to support programs and activities of the Foundation. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds.

Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted the 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 and board-designated endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies net assets with donor restrictions to be held in perpetuity as a) the original value of gifts donated to the permanent endowment and b) the original value of subsequent gifts to the permanent endowment. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted and board-designated endowment funds:

- a. The duration and preservation of the fund
- b. The purposes of the Foundation and the board-restricted endowment fund
- c. General economic conditions
- d. The possible effects of inflation and deflation
- e. The expected total return from income and the appreciation of investments
- f. The investment policies of the Foundation

Return Objectives and Risk Parameters

The Foundation attempts to preserve the capital of gifts donated to the permanent endowment. The endowment assets are invested in a manner that is intended to preserve capital, while withstanding interim fluctuations in market values and rates of return within the portfolio.

Spending Policy

The Foundation has a spending rate policy for endowment funds in order to preserve the purchasing power of the assets, to protect against erosion of nominal principal and to promote stability and predictability of annual budgeting. The spending rate determines the amount to be distributed for current spending. If the agreement with the donor so provides, any amounts remaining after annual distributions are reinvested and become part of the corpus. If the agreement is silent as to earnings in excess of distributions, then under the Foundation's policy, any amounts remaining after the distributions are reinvested and available for future spending.

BOWIE STATE UNIVERSITY FOUNDATION, INC.

Notes to the Financial Statements June 30, 2021 and 2020

7. ENDOWMENTS (continued)

Strategies Employed for Achieving Objectives

The Foundation relies on a strategy in which investment returns and capital preservation are achieved through diversifying investments.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that 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 \$53,619 and \$7,707, as of June 30, 2021 and 2020, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new donor contributions, which were to be held to perpetuity and appropriated for certain programs that were deemed prudent by the Board of Directors.

Composition of Endowment Net Assets

As of June 30, the composition of endowment net assets were as follows:

	2021			Total
	Without Donor Restrictions	With Donor Restrictions	With Donor Restrictions to Be Held in Perpetuity	
Donor-restricted endowment funds	\$ -	\$ 2,420,875	\$ 7,225,151	\$ 9,646,026
Board-designated endowment funds	640,939	-	-	640,939
Total Funds	\$ 640,939	\$ 2,420,875	\$ 7,225,151	\$ 10,286,965

	2020			Total
	Without Donor Restrictions	With Donor Restrictions	With Donor Restrictions to Be Held in Perpetuity	
Donor-restricted endowment funds	\$ -	\$ 1,814,749	\$ 5,962,789	\$ 7,777,538
Board-designated endowment funds	489,438	-	-	489,438
Total Funds	\$ 489,438	\$ 1,814,749	\$ 5,962,789	\$ 8,266,976

BOWIE STATE UNIVERSITY FOUNDATION, INC.

Notes to the Financial Statements June 30, 2021 and 2020

7. ENDOWMENTS (continued)

As of June 30, the changes in endowment net assets were as follows:

	2021			Total
	Without Donor Restrictions	With Donor Restrictions	With Donor Restrictions to Be Held in Perpetuity	
Endowment net assets, beginning of the year	\$ 489,438	\$ 1,814,749	\$ 5,962,789	\$ 8,266,976
Net investment return	157,405	1,958,183	-	2,115,588
Contributions	-	365,821	-	365,821
Appropriation of endowment assets for expenditure	(5,904)	(455,516)	-	(461,420)
Transfers	-	(1,262,362)	1,262,362	
Endowment Net Assets, End of the Year	\$ 640,939	\$ 2,420,875	\$ 7,225,151	\$ 10,286,965

	2020			Total
	Without Donor Restrictions	With Donor Restrictions	With Donor Restrictions to Be Held in Perpetuity	
Endowment net assets, beginning of the year	\$ 486,337	\$ 1,656,847	\$ 5,962,789	\$ 8,105,973
Net investment return	7,904	47,269	-	55,173
Contributions	-	268,765	-	268,765
Appropriation of endowment assets for expenditure	(4,803)	(158,132)	-	(162,935)
Endowment Net Assets, End of the Year	\$ 489,438	\$ 1,814,749	\$ 5,962,789	\$ 8,266,976

8. RELATED PARTIES

The management and administration of certain Foundation operations are performed by employees of BSU. BSU charged the Foundation \$73,000 and \$110,273, for these services during the years ended June 30, 2021 and 2020, respectively. These amounts are recorded as personnel costs in the accompanying statements of functional expenses. The Foundation did not pay rent for the years ended June 30, 2021 and 2020.