The University of Maryland College Park Foundation, Inc. and Subsidiary

Consolidated Financial Report
June 30, 2021

Contents

RSM US LLP

Independent Auditor's Report

Board of Directors
The University of Maryland College Park Foundation, Inc.

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of The University of Maryland College Park Foundation, Inc. and Subsidiary (the Foundation), which comprise the consolidated statement of financial position as of June 30, 2021, the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of 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.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The University of Maryland College Park Foundation, Inc. and Subsidiary as of June 30, 2021, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matter

The financial statements of the Foundation, as of and for the year ended June 30, 2020, were audited by other auditors, whose report, dated October 23, 2020, expressed an unmodified opinion on those statements.

RSM US LLP

Washington, D.C.
November 12, 2021

The University of Maryland College Park Foundation, Inc. and Subsidiary

Consolidated Statements of Financial Position
Years Ended June 30, 2021 and 2020

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	**$ 31,121,973**	$ 55,126,116
Contributions receivable, current portion	**79,283,206**	97,390,858
Short-term investments	**31,386,415**	30,723,803
Other assets	**204,534**	139,573
Total current assets	**141,996,128**	183,380,350
Investments:		
Endowment	**598,858,551**	444,003,287
Operating	**23,775,067**	23,822,390
Trust investments	**10,637,530**	9,181,764
Investment in Proton LLC	**3,750,000**	3,750,000
Investments held for split-interest agreements	**5,031,701**	4,211,905
Total investments	**642,052,849**	484,969,346
Other assets:		
Contributions receivable, long-term portion	**46,594,330**	48,327,794
Real estate holdings and property, net	**30,277,069**	30,385,963
Beneficial interest in split-interest agreements	**1,855,263**	1,038,055
Loan receivables	**7,055,860**	528,571
Total other assets	**85,782,522**	80,280,383
Total assets	**$ 869,831,499**	$ 748,630,079
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	**$ 3,861,396**	$ 2,679,523
Refundable advances	**1,373,937**	926,816
Total current liabilities	**5,235,333**	3,606,339
Other liabilities:		
Capital lease liability	**3,286,300**	3,377,659
Split-interest agreements	**5,802,108**	11,136,864
Total other liabilities	**9,088,408**	14,514,523
Total liabilities	**14,323,741**	18,120,862
Commitments and contingencies (Notes 13 and 15)		
Net assets:		
Without donor restrictions	**2,975,164**	4,800,674
With donor restrictions	**852,532,594**	725,708,543
Total net assets	**855,507,758**	730,509,217
Total liabilities and net assets	**$ 869,831,499**	$ 748,630,079

See notes to consolidated financial statements

The University of Maryland College Park Foundation, Inc. and Subsidiary

Consolidated Statement of Activities
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	$ -	$ 92,229,669	$ 92,229,669
Investment income, net of fees	925,845	119,439,746	120,365,591
Management fee appropriated from investments	4,819,959	-	4,819,959
Other program income	3,983	-	3,983
Sales and services	450,290	-	450,290
Other income	953,769	12,743	966,512
Change in valuation of split-interest agreements	15,828	7,402,364	7,418,192
Loss on rescinded pledges	-	(8,936,333)	(8,936,333)
Net assets released from restrictions	83,324,138	(83,324,138)	-
Total support and revenue	90,493,812	126,824,051	217,317,863
Expenses:			
Program	88,464,946	-	88,464,946
General and administrative	3,854,376	-	3,854,376
Total expenses	92,319,322	-	92,319,322
Change in net assets	(1,825,510)	126,824,051	124,998,541
Net assets:			
Beginning	4,800,674	725,708,543	730,509,217
Ending	$ 2,975,164	$ 852,532,594	$ 855,507,758

See notes to consolidated financial statements.

T The University of Maryland College Park Foundation, Inc. and Subsidiary

Consolidated Statement of Activities
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Contributions	$ -	$ 76,351,309	$ 76,351,309
Investment income, net of fees	2,882,141	(2,278,520)	603,621
Management fee appropriated from investments	4,554,022	-	4,554,022
Other program income	14,014	-	14,014
Sales and services	376,876	-	376,876
Other income	1,430,289	20,265	1,450,554
Courses and conferences	4,900	-	4,900
Change in valuation of split-interest agreements	(4,164)	(981,047)	(985,211)
Rescinded pledges	-	(409,494)	(409,494)
Net assets released from restrictions	56,531,304	(56,531,304)	-
Total revenues	65,789,382	16,171,209	81,960,591
Expenses:			
Program	62,170,515	-	62,170,515
General and administrative	3,837,260	-	3,837,260
Total expenses	66,007,775	-	66,007,775
Change in net assets	(218,393)	16,171,209	15,952,816
Net assets:			
Beginning	5,019,067	709,537,334	714,556,401
Ending	$ 4,800,674	$ 725,708,543	$ 730,509,217

See notes to consolidated financial statements.

The University of Maryland College Park Foundation, Inc. and Subsidiary

Consolidated Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	$ **124,998,541**	$ 15,952,816
Adjustment to reconcile change in net assets to net cash (used in) provided by operating activities:		
Net realized and unrealized (gains) losses on investments	**(119,228,846)**	1,527,453
Depreciation	**255,244**	269,868
Decrease in discount on contributions receivable	**(1,414,255)**	(2,515,088)
Increase in allowance for doubtful contributions	**1,088,674**	2,427,438
Contributions restricted for long-term investment	**(47,913,000)**	(26,408,537)
Changes in assets and liabilities:		
(Increase) decrease:		
Beneficial interest in split-interest agreements	**(7,418,192)**	985,211
Contributions receivable	**20,166,697**	43,502,014
Other assets	**(64,961)**	146,761
Increase (decrease) in:		
Accounts payable and accrued expenses	**1,181,873**	(6,211,579)
Refundable advances	**447,121**	(259,216)
Net cash (used in) provided by operating activities	**(27,901,104)**	29,417,141
Cash flows from investing activities:		
Purchases of investments	**(56,382,437)**	(68,610,992)
Sales of investments	**17,865,168**	17,259,204
Investment in subsidiary	**-**	(4,877,955)
Proceeds from sale of investments in rental property	**-**	7,000,000
Purchase and sales of property and equipment	**(146,350)**	560,604
Loan receivables	**(6,527,289)**	18,339
Net cash used in investing activities	**(45,190,908)**	(48,650,800)
Cash flows from financing activities:		
Split-interest agreements	**1,266,228**	(361,776)
Capital lease principal payments	**(91,359)**	(88,698)
Contributions restricted for long-term investment	**47,913,000**	26,408,537
Net cash provided by financing activities	**49,087,869**	25,958,063
Net (decrease) increase in cash and cash equivalents	**(24,004,143)**	6,724,404
Cash and cash equivalents:		
Beginning	**55,126,116**	48,401,712
Ending	$ **31,121,973**	$ 55,126,116
Supplemental schedules of noncash investing and financing activities:		
Investment in rental property, net contributed to investment in subsidiary	$ **-**	$ 3,780,362
Other liabilities reclassified to investment in rental property, net	$ **-**	$ 400,000
Other assets reclassified from investment in rental property, net	$ **-**	$ 1,788,298
Capital contribution payable included in investment in subsidiary and other accrued liabilities	$ **-**	$ 2,052,044

See notes to consolidated financial statements

Note 1. Nature of Activities and Significant Accounting Policies

The University of Maryland College Park Foundation, Inc. (the Foundation or UMCPF), an independent foundation incorporated in 1999, manages funds received for the benefit of The University of Maryland College Park (the University or UMCP).

The Terrapin Development Company, LLC (TDC) was formed as a limited liability company under the laws of the state of Maryland with the Foundation being the sole manager and sole member. On July 1, 2017, the Operating Agreement was amended to admit The University of Maryland, College Park (UMCP) as a class A member. This operating agreement amendment effectively transferred $2 million in cash and approximately $28.5 million of the Foundation's tenant deposits, land, buildings and capital lease assets to TDC, as part of a strategic real estate development plan created in cooperation with the University. UMCP plans to eventually contribute 28.5 acres of property to TDC in the future as market conditions warrant; however, UMCP had not contributed any real property to TDC nor made any unconditional promise to give such assets as of June 30, 2021.

TDC's capital structure consists of real estate assets and cash contributed by both the Foundation and the planned contribution of property by the University. TDC's Board of Directors consists of five members appointed by the Foundation and four members appointed by the University. Effective July 1, 2017, the day-to-day operations and property management of the aforementioned real estate assets formerly held by UMCPF are being managed by an independent staff selected by and reporting directly to TDC's Board of Directors. Each member's interest in the company is based on the terms of the operating agreement.

A summary of the Foundation's significant accounting policies follows:

Principles of consolidation: The accompanying consolidated financial statements include the accounts of the Foundation and the TDC. All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of presentation: The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Not-for-Profit Entities topics of the Codification, Balance Sheet and Income Statement, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions: Net assets without donor restrictions generally result from support derived from providing services and receiving unconditional contributions without donor restrictions, less expenses incurred in providing services, raising contributions, and performing administrative functions. These funds are for the use of the Foundation's supporting activities. The Board of Trustees have designated certain net assets without donor restrictions as a quasi-endowment.

Net assets with donor restrictions: Net assets with donor restrictions generally result from unconditional contributions and other inflows of assets, the use of which is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Generally, the donors of these assets permit the Foundation to use the income earned on these assets for general or specific purposes.

Unrealized and realized gains and losses, dividends, and interest from investing in income-producing assets may be included in one of these net asset classifications depending on donor restrictions.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Cash and cash equivalents: Cash and short-term investments with maturities at dates of purchase of three months or less are classified as cash equivalents, except that any such investments purchased with funds on deposit, funds held in trusts or by external endowment investment managers are classified with the deposits and investments, respectively. Cash equivalents include short-term U.S. Treasury securities and other short-term, highly liquid investments and are carried at cost plus accrued interest, which approximates fair value.

Financial risk: The Foundation maintains its cash in bank deposit accounts and money market accounts, which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant financial risk on cash balances.

The Foundation invests in a professionally managed portfolio that contains various securities that are exposed to risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the consolidated financial statements.

Contributions receivable: Unconditional promises to give with payments due in future periods are reported as donor restricted support when the funds are promised. Amounts due are recorded at the net realizable value discounted using a rate of return that a market participant would expect to receive over the payment period at the date the pledge is received. An allowance for uncollectible promises is recorded for promises which may become uncollectible in future periods. Amounts deemed to be uncollectible have been written off. The contributions receivable balance is based on management's best estimate of the present value of the amounts expected to be collected. The amounts the Foundation will ultimately realize could differ from the amounts assumed in arriving at the present value and allowance for doubtful accounts.

Valuation of investments: The Foundation carries its investments at fair value to the extent that market quotations are readily available and reliable. To the extent that market quotations are not available or are considered to be unreliable, fair value is estimated by the University System of Maryland Foundation's (USMF) investment manager under the general oversight of the Board of Trustees of the UMCP Foundation after consideration of factors considered to be relevant, including but not limited to, the type of investment, position size, marketability, (or absence thereof) cost, restrictions on transfer, and available quotations of similar instruments. Due to the uncertainty inherent in the valuation process, such estimates of fair value may differ significantly from the values that would have been obtained had a ready market for the investments existed, and the differences could be material. Additionally, changes in the market environment and other events that may occur over the life of the investments may cause the gains or losses ultimately realized on these investments to be different than the valuations currently assigned. There is no single standard for determining fair value in good faith, as fair value depends upon circumstances of each individual case. In general, fair value is the amount that the Foundation might reasonably expect to receive upon the current sale of the investment in an arms-length transaction in the investment's principal market.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

The change in realized and unrealized gains or losses on investment securities is reflected in the consolidated statements of activities. All gains and losses arising from investments are accounted for on a specific identification basis calculated as of the transaction date. For endowment assets, which are all held in a pool, investment gains or losses are distributed monthly among the individual endowment funds on the basis of the number of units of the pool held by each individual endowment account.

Trust investments: Trust investments consist of funds held by the Foundation on behalf of other individuals, entities or institutions. These funds may be held in separate accounts or commingled and managed in the endowment pool of the Foundation as agreed upon with the owner(s) of the asset(s).

In January 2015, UMCPF signed a Funds Management Agreement with the trustee of a Charitable Remainder Unitrust whose ultimate beneficiary is UMCPF. In August of 2016, the Trustee of the Unitrust transferred $9 million to UMCPF to be held and invested per the terms of the Funds Management Agreement. In June 2020, UMCPF signed an updated Funds Management Agreement extending through December 31, 2022, with a two-year renewal option. These Unitrust funds were the only funds held for others by UMCPF as of June 30, 2020 and June 30, 2019. The trust investments at June 30, 2021 and 2020, consisted of marketable securities held in an investment account for the Charitable Remainder Unitrust discussed in the above paragraph.

Investments held for split-interest agreements and beneficial interest in split-interest agreements: The Foundation receives unconditional contributions in the form of charitable gift annuities and charitable remainder unitrusts, for which the Foundation acts as trustee and holds the assets. The value of the asset is based on the fair value of the underlying trust investments. When the trust's obligations to all beneficiaries expire, the remaining assets will revert to the Foundation to be used according to the donor's wishes.

Contributions received in the form of irrevocable split-interest agreements (charitable gift annuities and charitable trusts) which the Foundation does not hold the assets are recorded as contribution support at the present value of amounts expected to transfer to the Foundation at the estimated date of death of the current beneficiaries, which is estimated using Internal Revenue Service mortality tables and discount rates commensurate with the risks involved, ranging from 1.2% to 6.2%. Any subsequent changes in the value of the split-interest obligations are recorded as change in value of split-interest obligations in the consolidated statements of activities.

During the life of the beneficiary or for the specified period of time, the Foundation pays the donor, or other specified parties, amounts as determined in the donor agreement. Upon fulfillment of the beneficiary payments or termination of the trust, the remaining assets are available to the Foundation to be used according to the donor's wishes.

Amortization of the related discount and revaluation of expected cash flows are recognized as changes in the value of split-interest agreements in the year in which they occur. The change in valuation of split-interest agreements was $7,418,192 and ($985,211) for fiscal years ended June 30, 2021 and 2020, respectively.

The Foundation recognizes a liability for the portion of the proceeds under the split-interest agreements to be paid to beneficiaries under the terms of the agreements. The estimated liabilities expected terms are based on IRA actuarial tables and discount rates. The discount rates used to compute the present value of these liabilities are the original discount rates used at the time of the gift under IRC Section 75206(a) and ranged from 1.2% to 6.2%.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Real estate holdings and property: Real estate holdings and property are stated at cost, except for contributions of property for which it is recorded at fair value based on valuations performed. Equipment purchased by The University of Maryland College Park Foundation, Inc. becomes the property of The University of Maryland. Capital equipment of $1,000 and over are reported to the University for inventory control purposes.

Real estate investments are being depreciated using the straight-line method over the assets' estimated useful lives once construction is substantially completed and the assets are placed in service. The estimated useful lives are as follows:

	Years
Building	39
Capital lease asset	30
Land improvements	15

Functional allocation of expenses: The Foundation expends certain funds considered as general and administrative in nature. These funds are either on behalf of UMCP or its related programs and supporting activities or for the Foundation's business operations and have been classified as such. The costs of providing the Foundation's programs and activities have been summarized on a functional basis in the consolidated statements of activities and Note 16.

Administrative fees: Foundation management designates investments from all net asset classes into operating and endowment categories. Administrative fees are charged by the Foundation to cover operating expenses as follows, depending on the type of investment portfolio into which the assets are placed:

Investments—operating: The Foundation's operating accounts are not assessed charges to fund the operating budget. Instead, to cover the operating budget and other financial obligations of the Foundation, the Foundation retains all investment earnings on operating funds.

On July 1, 2018, a five-year agreement was executed; whereby, USMF would charge an annual fee on the market value of funds as of March 31 of the previous fiscal year (both operating and endowment) as follows:

- 27.5 basis points for investment balance between $350 million to $500 million.
- 25 basis points for amounts over $500 million.

Professional investment fees are deducted by the investment manager prior to the distribution of income. In addition, the Foundation annually assesses each endowment account a fee for management and administration expenses at the rate of 1.6% of the market value of assets managed. If an individual endowment account is underwater (cumulative cash contributions exceed market value) at the spendable income valuation date, no fee is assessed by the Foundation. The Foundation paid 30 basis points (0.30%) of the market value to USMF for endowment investment management services for the fiscal years ended June 30, 2021 and June 30, 2020 respectively, in accordance with the terms of the investment management agreement.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

The management fee charged to the operating account by USMF of $69,187 and $68,010 for the years ended June 30, 2021 and 2020, respectively, is included in investment income, net of fees in the consolidated statements of activities. In no event, shall the fees collected by USMF from the Foundation exceed the actual costs associated with investment management services provided by USMF in accordance with the terms of the investment management agreement.

Investments—endowment: The management fee charged to the endowments by USMF of $1,182,303 and $1,131,880 for the years ended June 30, 2021 and 2020, respectively, is included in investment income, net of fees in the consolidated statements of activities.

Classification of gifts: The Foundation reports unconditional gifts of cash and other assets as restricted support held in separate accounts if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished in subsequent reporting periods, donor restricted net assets are reclassified to support without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Unconditional contributions for which donors have stipulated restrictions, but which are met within the same reporting period, are reported as support without donor restrictions.

Estimates: The preparation of the consolidated financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Income taxes: The Foundation is organized and operated exclusively for charitable and educational purposes within the meaning of the provisions of Section 501(c)(3) of the Internal Revenue Code (IRC) and has been determined to not be a private foundation. Since the Foundation had no material net unrelated business income for the years ended June 30, 2021 and 2020, no provision for income taxes has been made. TDC LLC has elected to be treated as a pass-through entity for income tax purposes and all taxable items flow through to its members. The Foundation will be filing a form 990T for its share of taxable income (if any).

The FASB issued guidance on accounting for uncertainty in income taxes clarifies the accounting for uncertainty of income tax positions. This guidance defines the threshold for recognizing tax return positions in the financial statements as “more likely than not” that the position is sustainable, based on its technical merits. This guidance also provides guidance on the measurement, classification and disclosure of tax return positions in the financial statements. No asset or liability has been recorded as of June 30, 2021 or 2020, for uncertain tax positions.

Estate gifts: The Foundation is the beneficiary under various wills and other agreements, the total realizable amounts of which are not presently determinable. The Foundation’s share of such amounts is not recorded until the Foundation has an irrevocable right to the bequest and the proceeds are measurable.

Terrapin Development Company consolidation: On January 23, 2017, TDC was formed as a limited liability company under the laws of the State of Maryland. On July 1, 2017, an Amended and Restated Operating agreement was then signed transferring control of this master LLC to TDC. As the Foundation has a controlling interest in TDC as of June 30, 2021, it follows the guidance outlined in ASC 958-810 for consolidation. The Foundation’s ownership percentage in TDC was 79.26% and 79.18% at June 30, 2021 and 2020, respectively.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Investment in subsidiary: On April 29, 2019, Property V LLC entered into an Agreement to form a Joint Venture and Agreement of Sale (the Agreement) with a third party related to the future development of the real estate held by Property V LLC. Pursuant to the agreement, Property V LLC will sell the real estate and improvements to the planned joint venture for $7,000,000, plus reimbursement of costs incurred of $1,000,000, which will be paid in installments. On March 27, 2020, the real estate and improvements were sold to College Park JV, LLC for a sales price of $7,000,000. In conjunction with the sale, Property V LLC obtained an 11.3% interest in JV Holdings through its wholly owned subsidiary, Southern Gateway. The sale was accounted for as an exchange of the owned real estate asset for the equity interest, therefore, no gain or loss was recognized.

Southern Gateway's committed capital contribution to JV Holdings is $6,930,000, and was fully funded as of June 30, 2021.

JV Holdings is in development as of June 30, 2021, and, therefore, there were no earnings to be allocated to Southern Gateway.

Adoption of new accounting pronouncement: In August 2018, the FASB issued Accounting Standards Update (ASU) 2018-13, *Fair Value Measurement (Topic 820) Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement.* The ASU is intended to improve fair value disclosure requirements by removing disclosures that are not cost-beneficial, clarifying disclosures' specific requirements, and adding relevant disclosure requirements. The guidance allows a not-for-profit entity to not report the full Level 3 roll forward (i.e., in lieu of the Level 3 roll forward disclosure requirement, nonpublic entities can separately disclose changes during the period attributable to the following): a) purchases and issues, and b) the amounts of any transfers into or out of Level 3 of the fair value hierarchy and the reasons for those transfers. Transfers into Level 3 should be disclosed and discussed separately from transfers out of Level 3. This ASU was adopted during the year ended June 30, 2021.

Recent accounting pronouncements not yet adopted: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the consolidated statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the consolidated statement of activities. The new standard is effective for fiscal years beginning after December 15, 2021. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958).* The ASU improves the transparency of contributed nonfinancial assets which requires a nonprofit to present these assets as a separate line item in the consolidated statement of activities. Information that shows the contributed nonfinancial assets disaggregated by category will be required to be disclosed. In addition, the ASU requires that for each type of contributed nonfinancial asset the following will be disclosed: (a) policy (if any) on liquidating rather than using the contributed nonfinancial assets, (b) qualitative considerations on whether the contributed nonfinancial assets were liquidated or used during the reporting period and, if used, a description of how the asset was employed should be included, (c) any donor-imposed restrictions related to contributed nonfinancial assets, (d) valuation methods and inputs utilized to determine a fair value measure at initial recognition, and (e) the principal or most advantageous market utilized to determine fair value if it is a market in which the nonprofit is restricted by the donor from selling or utilizing the contributed nonfinancial assets. The ASU is effective for reporting periods beginning after June 15, 2021. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Subsequent events: The Foundation evaluated subsequent events through November 12, 2021, which is the date the consolidated financial statements were available to be issued.

Note 2. Fair Value Measurements and Investments

FASB ASC 820, Fair Value Measurement, defines fair value, requires disclosures about fair value measurements, and establishes a three-level hierarchy for fair value measurements based on the inputs to the valuations of an asset or liability at the measurement date. Fair value is defined as 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 following three-level hierarchy classifies the inputs used to determine fair value:

Level 1: Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in this category include listed equities and listed mutual funds.

Level 2: Pricing inputs include market data which is readily available, regularly distributed or updated, reliable, verifiable, not proprietary, provided by multiple, independent sources that are actively involved in the relevant market. Investments which are generally included in this category include less liquid and restricted equity securities and fixed income securities.

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 judgment or estimation. Investments that are included in this category generally include investments in private equity and investment funds as well as offshore hedge funds. In addition, the Foundation depends on USMF’s investment office and the general partner or the investment manager of the investment for pricing information. In general, the investment funds and partnerships that are within Level 3 are subject to annual audits.

An investment’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes “observable” requires significant judgment on the part of UMCPF and USMF. The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the perceived risk of that investment.

Some of the Foundation’s investments may be illiquid and the Foundation may not be able to vary the portfolio in response to changes in economic and other market conditions. Some of the investments that are purchased and sold are traded in private, unregistered transactions and are, therefore, subject to restrictions on resale or otherwise have no established trading market. In addition, if the Foundation is required to liquidate all or a portion of its portfolio quickly, the Foundation may realize significantly less than the value at which it previously recorded those investments.

Note 2. Fair Value Measurements and Investments (Continued)

The following tables present the financial investments carried at fair value as of June 30, 2021 and 2020, by the fair value hierarchy defined above:

	2021			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets:				
Short-term investments				
Mutual funds[1]	$ 31,386,415	$ -	$ -	$ 31,386,415
Long-term investments:				
Maryland Proton Treatment Center, LLC[3]	-	-	3,750,000	3,750,000
Investment in special strategies – USMF[4]	-	-	622,633,618	622,633,618
Trust investments – mutual and exchange traded funds [2]	10,637,530			10,637,530
Investments held for split-interest agreements[5]	5,031,701	-	-	5,031,701
Total investments at fair value	47,055,646	-	626,383,618	673,439,264
Beneficial interest in split-interest agreements[5]	-	559,014	1,296,249	1,855,263
Total assets at fair value	$ 47,055,646	$ 559,014	$627,679,867	$ 675,294,527

	2020			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets:				
Short-term investments				
Mutual funds[1]	$ 34,933,143	$ -	$ -	$ 34,933,143
Long-term investments				
Bonds[2]	-	100,000	-	100,000
Maryland Proton Treatment Center, LLC[3]	-	-	3,750,000	3,750,000
Investment in special strategies – USMF[4]	-	-	467,725,677	467,725,677
Trust investments – mutual and exchange traded funds [2]	9,181,764	-	-	9,181,764
Investments held for split-interest agreements[5]	4,211,905	-	-	4,211,905
Total investments at fair value	48,326,812	100,000	471,475,677	519,902,489
Beneficial interest in split-interest agreements[5]	-	586,178	451,877	1,038,055
Total assets at fair value	$ 48,326,812	$ 686,178	$471,927,554	$ 520,940,544

There were no transfers of assets between Levels 1, 2 or 3 classifications for the years ended June 30, 2021 and 2020.

Note 2. Fair Value Measurements and Investments (Continued)

The following is a description of the Foundation's valuation methodologies for assets measured at fair value:

(1) Mutual funds include amounts invested in accounts with investment brokerage institutions, which are readily convertible to known amounts of cash. The Foundation invests in these assets to preserve principle and maintain liquidity for distributions required by charitable gift annuity and charitable trust agreements entered into by the Foundation. Investments held at these institutions are not insured by federal agencies and therefore, bear a risk of loss. UMCPF has classified these investments as Level 1.

(2) The fair value of the bonds is based upon other than quoted prices with observable inputs. These investments fluctuate in value based upon changes in interest rates. UMCPF has classified these investments as Level 2.

(3) Bonds – Maryland Proton Treatment Center Holding, LLC (MPTC)

a. In December of 2012, Foundation management received approval from the Foundation Board of Trustees to purchase ten (10) Class A-1 Equity Units (shares) in MPTC, a Delaware Limited Liability Company for $1,000,000. In May of 2013, Foundation management received approval from the Foundation Board of Trustees to purchase a $5,000,000 Maryland Proton Treatment Center, LLC Senior Secured Note (Note) that matures and is payable in full on March 31, 2018. In April of 2016, MPTC notified the Foundation that a technical default condition existed in its lending agreement with a third-party.

In August of 2018, MPTC was re-capitalized using a municipal bond offering. All equity positions and bond holder positions were reduced in value, and the Foundation's position was reduced by 48%. The converted bonds will pay interest starting at various future dates depending on the type and subordination. The effect of these transactions are recorded in the consolidated financial statements for the fiscal year ending June 30, 2018, as a realized loss on investments. On September 24, 2018, these converted bonds were transferred into the Foundation's investment account at Woodbury Financial Services and are being held for future use.

Note 2. Fair Value Measurements and Investments (Continued)

(4) Investments in special strategies are invested by USMF on behalf of UMCPF in a unitized portfolio, which utilizes an array of different investment strategies. The Foundation invests in the unitized portfolio to benefit from economies of scale to gain access to the underlying investment strategies. The Foundation has a unitized ownership interest in this portfolio and does not have direct ownership of the underlying investments in the portfolio. USMF has not classified itself as an investment company. The investment in special strategies-USMF is presented as Level 3 in the fair value hierarchy as the portfolio does not trade in an active market, pricing inputs are unobservable and the portfolio is subject to certain redemption restrictions consistent with those of the underlying investments in the portfolio, as discussed below, and subject to the discretion of the management of USMF. The fair value of the special strategies-USMF investment has been estimated using the net asset value per share of the portfolio based on unobservable inputs and relies on underlying general partners and investment managers for pricing information. The components of and a description of the investment strategies, as disclosed by USMF, of the special strategies-USMF portfolio are as follows:

Managed accounts investing in money market funds and short-term investments: These include amounts invested in accounts with depository institutions and managed accounts, which are readily convertible to known amounts of cash. Valuation is based on quoted market prices. Money market and short-term investments are unitized to maintain liquidity for spending needs and unfunded commitment liability. Total deposits maintained at these institutions at times exceed the amount insured by federal agencies and therefore, bear a risk of loss. The unitized portfolio has not experienced such losses on these funds. Money market funds and short-term investments represents approximately 3.6% and 5.8% of the total investment held by USMF at June 30, 2021 and 2020, respectively.

Investments in equity securities and mutual funds: In general, equity securities and mutual funds traded on national securities exchange are valued at the last quoted sales price, except securities traded on the NASDAQ Stock Market, Inc. (NASDAQ), which are valued in accordance with the NASDAQ Official Closing Price. The unitized portfolio invests in equity securities to gain exposure to the overall direction of global equity markets. Equity Securities and Mutual Funds represents approximately 15.7% and 17.0% of the total investment held by USMF at June 30, 2021 and 2020, respectively.

Separately managed accounts: Separately managed accounts represent vehicles that are managed by external investment managers that trade and hold securities on the USMF’s behalf. The investments held in these separately managed accounts are largely publicly traded common stock and fixed income securities that are easily converted into cash, however, the vehicle through which they invest is a separately managed account with a fair value that is not observable, but maintains observable inputs that external managers use to determine the fair value of the portfolio and, therefore, warrants a Level 2 classification. One of the separately managed accounts invests in hedge funds with unobservable inputs and is, therefore, classified as Level 3. Separately managed accounts represent approximately 19.9% and 21.1% of the total investments held by USMF at June 30, 2021 and 2020, respectively.

Note 2. Fair Value Measurements and Investments (Continued)

Private investments: Private investments measured at NAV consists of investments in partnership-based structures where the general partner or investment manager generally values their investments at fair value. The fair value of these investments has been estimated either by using the NAV per share of the investments or the ownership percentage of the fund's net assets as allowed as a practical expedient under fair value guidance. The private investments offer exposure to intermediate assets, public equity, liquid credit, diversifying strategies and/or private market, through the private investment structure as further discussed within the footnotes.

Due to the limited availability of valuation data as of the USMF's year-end, management utilizes the most recent NAV or ownership percentage which may be on a month to quarter lag. Management adjusts the net asset value or ownership percentage to be more representative of the year-end fair value by including capital contributions and redemptions or returns of capital during the gap period. Management will also adjust for known performance adjustments for private investments that hold publicly traded securities. Performance adjustments ranged from 0.38% to 5.95% for those investments on a one-month lag. No performance adjustments are made to investments on a quarter lag given the lack of observability of investment performance at the time of report issuance.

The USMF believes the carrying value of private investments in the consolidated statements of financial position is a reasonable estimate of its ownership interest in the private investment funds. As part of the Foundation's overall valuation process, management evaluates these third-party methodologies to ensure that they are representative of exit prices in the security's principal markets. Management performs a retroactive review of its fair value estimates by comparing to actual year-end statements received subsequent to year-end. Private Investments represents approximately 60.8% and 56.0% of the total investments held by USMF at June 30, 2021 and 2020, respectively.

The Foundation had no transfers in or out of Level 3 investments during the years ended June 30, 2021 and 2020. The Foundation purchased $50,903,563 and $62,313,963 of Level 3 investments during the years ended June 30, 2021 and 2020, respectively.

Investment income, net of fees and management fees appropriated from investments consists of the following for the years ended June 30, 2021 and 2020:

	2021	2020
Realized and unrealized gains (loss)	$ 119,228,846	$ (1,527,453)
Interest and dividends	7,224,911	7,827,783
Investment fees	(1,268,207)	(1,240,087)
Total investment income, net of fees	$ 125,185,550	$ 5,060,243
Management fees appropriated from investments	$ 4,819,959	$ 4,554,022

(5) Split-interest agreement assets include assets held by the Foundation and others through irrevocable agreements. The Level 1 assets are marketable securities held by the Foundation. Level 2 assets are retained life estate agreements whereby grantors executed deeds giving the Foundation a remainder interest in each grantor's respective residential real property, while the grantors retained the right to occupy and maintain the properties during their respective lifetimes. The fair value is based on the life estate's independently appraised value of the residential property. The Level 3 asset represents a beneficial interest in trust.

Note 3. Real Estate Holdings and Property

Real estate holdings and property and accumulated depreciation consist of the following at June 30, 2021 and 2020:

	2021	2020
Land	$ 11,860,144	$ 11,860,144
Investment in subsidiary	10,710,361	10,710,361
Buildings and improvements	5,901,261	5,663,552
Real estate under capital lease	3,286,300	3,377,659
Artwork	100,000	100,000
	31,858,066	31,711,716
Less accumulated depreciation	(1,580,997)	(1,325,753)
Total	$ 30,277,069	$ 30,385,963

Note 4. Contributions Receivable

As of June 30, 2021 and 2020, contributors have unconditionally promised to give $128,877,536 and $145,718,652 to the Foundation, respectively. Promised contributions are due as follows as of June 30, 2021 and 2020:

	2021	2020
Due within one year	$ 85,516,595	$ 103,746,930
Due within 2-5 years	51,536,877	51,579,925
More than five years	3,698,090	5,591,403
	140,751,562	160,918,258
Less allowance for doubtful accounts	(11,761,784)	(10,673,109)
Less discount to present value	(3,112,242)	(4,526,497)
Total contributions receivable, net	$ 125,877,536	$ 145,718,652

The discount rate used to calculate the present value component at June 30, 2021 and 2020, was 2.11% and 2.18%, respectively, for those contributions due in zero to five years and for contributions due in more than five years, the discount rate used to calculate the present value component at June 30, 2021 and 2020, was 3.25% and 3.25%, respectively.

At June 30, 2021 and 2020, the Foundation had outstanding conditional contributions of approximately $70,000,000 and $68,000,000.

Note 5. Endowments

The Foundation’s endowment consists of over 1,200 individual accounts established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowment funds. The net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Note 5. Endowments (Continued)

The Board of Trustees of the Foundation has interpreted the Maryland Uniform Prudent Management of Institutional Funds Act (MUPMIFA) 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 as donor restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Endowment net asset composition by type of fund as of June 30, 2021 and 2020, is noted below:

(in thousands)

2021	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ 249	$ 656,570	$ 656,819
Total endowment funds	$ 249	$ 656,570	$ 656,819

(in thousands)

2020	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ 249	$ 503,707	$ 503,956
Total endowment funds	$ 249	$ 503,707	$ 503,956

Changes in endowment net assets for the year ended June 30, 2021 and 2020:

2021			
(in thousands)	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 249	$ 503,707	$ 503,956
Investment return	-	115,212	115,212
Gifts	-	47,913	47,913
Appropriation of endowment assets for expenditure	-	(10,305)	(10,305)
Transfers to reclass purpose	-	43	43
Endowment net assets, end of year	$ 249	$ 656,570	$ 656,819

2020			
(in thousands)	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 249	$ 491,455	$ 491,704
Investment return	-	(3,208)	4,338
Gifts	-	26,221	26,221
Appropriation of endowment assets for expenditure	-	(10,940)	(10,940)
Transfers to reclass purpose	-	179	179
Endowment net assets, end of year	$ 249	$ 503,707	$ 503,956

Note 6. Donor Restricted Net Assets—Endowment Funds

The portion of endowment funds that is required to be retained either by explicit donor stipulation or by MUPMIFA as of June 30, 2021 and 2020:

(in thousands)	2021	2020
Academic programs	$ 386,217	$ 324,273
Scholarship/fellowship	192,538	133,546
University advancement	47,644	28,899
Student support	10,768	7,260
Facility and advancement	5,070	4,037
Research	13,770	5,375
Athletics	563	317
	$ 656,570	$ 503,707

Underwater endowment funds: 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 MUPMIFA requires the Foundation to retain as a fund of perpetual duration. At year end for fiscal year 2021, zero (0) individual endowments had market values below their respective donated principal balances (donated principal or corpus) and at year end for fiscal year 2020, seventy-seven (77) individual endowments had market values below their respective donated principal balances (donated principal or corpus). These underwater endowments had market value deficits of $0, and $213,441 as of June 30, 2021 and 2020, respectively. These deficits resulted from unfavorable coronavirus market fluctuations that occurred after the investment of new donor restricted contributions, and continued appropriation for certain programs that was deemed prudent by the Board or the donor. Future market gains restored this deficiency.

Return objectives and risk parameters: The Foundation has adopted investment and spending policies for the endowment that seek to provide a steady and sustainable distribution of funds to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. The return objectives of the Foundation are aligned with those of USMF, the custodian.

USMF has adopted investment and spending policies for the Endowment that seek to provide a steady and sustainable distribution of funds to support operations at various institutions. The Investment Committee governs according to fundamental investment principles, approved by the Board of Trustees and the Investment Committee, on which the Foundation is represented, with the objective of achieving superior risk-adjusted returns in order to grow the corpus of the capital base and provide capital for spending distributions for constituents. Specifically, the goal of the Endowment is to achieve returns in excess of inflation plus spending plus fees. Within the context of risk-taking, specific risk metrics are outlined for staff and the Investment Committee to reassess the portfolio's positioning if these levels are breached.

Strategies employed for achieving objectives: To satisfy its objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The Foundation, through its own-managed funds and USMF managed funds, targets a diversified asset allocation to achieve its long-term objectives within prudent risk constraints.

Note 6. Donor Restricted Net Assets—Endowment Funds (Continued)

USMF employs a diversified asset allocation that allows for investment in public risk assets (liquid investments), private risk assets (illiquid portion of the portfolio), intermediate assets (private assets with shorter, finite illiquidity periods), and safe assets (cash and U.S. government securities). In addition, on an as needed basis to further protect capital, assets may be allocated to the portfolio overlay class (liquid, exchange traded instruments that aim to hedge against undesired risk).

The asset allocation target ranges inclusive of these securities is as follows:

Asset Class	Policy Target	Minimum	Maximum
Safe assets	2 %	0 %	25 %
Intermediate assets	15 %	5 %	25 %
Portfolio overlay	0 %	0 %	5 %
Public risk assets	48 %	40 %	75 %
Private risk assets	35 %	20 %	40 %

The endowment portfolio is constructed based on the following principles:

Allocation: The overall goal of the investment committee in establishing the asset class ranges is to create balance across the portfolio between sources of return, liquidity timeliness, and types of risk. The purpose and definition of each asset class and sub-class is as follows:

a. Safe assets are defined as investments with little-to-no principal risk. These assets are U.S. government securities and cash. This portion of the portfolio is in place to provide capital preservation and stability during volatile periods as well as facilitate spending and capital call requirements. Maintaining safe assets minimizes the risk of becoming forced sellers of assets during moments of market stress.

b. Intermediate assets represent private, finite life investment vehicles whose term is generally longer than public risk assets, but shorter than private risk assets. Since there is modest liquidity within these investments, they seek to earn returns above market lending rates, but not as high as private risk assets. Many strategies within this asset class have a credit or contractual yield orientation, with lower correlations top public equity markets. These include strategies such as direct lending, distressed lending/sales, and niche credit opportunities. In many cases, collateral is attached to these investments and/or they seek a higher priority of payments within a stressed or distressed environment. They offer idiosyncratic return /risk profiles that are generally more predictable and consistent; thereby aiming to reduce overall portfolio risk in tandem with earning attractive returns.

c. The portfolio overlay is another line of defense for capital preservation. Allocation towards this asset class will be infrequent and in line with protecting the entire portfolio from unwanted risks and market shocks. This is achieved through a number of liquid exchange traded instruments that aim to hedge against undesired risks. The target allocation is set to zero percent because allocating capital to this asset class will only be on an as needed, opportunistic basis.

d. Public risk assets define the liquid investments. These investments are traded in liquid markets/ exchanges. Within this section of the portfolio, a number of uncorrelated objectives across equity and credit managers and instruments are sought.

Note 6. Donor Restricted Net Assets—Endowment Funds (Continued)

Orientations vary as they seek growth, value, momentum, inflation protection, and/or catalyst driven events. Some of these investments will track closely to market indices, with a goal to earn or exceed the benchmark return, but with less risk than the benchmark. Other investments will closely follow a market benchmark, as they seek to offer broad diversification for the aggregate portfolio, while still earning high risk adjusted returns, while muting general equity market volatility when possible.

e. Private risk assets are the illiquid portion of the portfolio, serving as the primary return enhancement over broad public equity markets. Because of the long-term nature of the endowment's capital, the portfolio can hold illiquid investments that may take years for profit realization. While the use of capital is sacrificed during this timeframe, these investments are held to higher hurdles of performance, as they are expected to earn a significant return premium over public market equivalent investments. These investments seek to invest in the debt and/or equity of businesses as well as physical assets. A wide variety of strategies are utilized across varied geographies, sectors, and liquidity profiles, so as to achieve market and vintage year diversification.

Diversification: By allocating funds to asset classes whose returns are not highly correlated over time, the Investment Committee aims to mitigate some of the volatility inherent in equities and thereby provide greater stability in spending distributions than might be possible with a more concentrated portfolio. Although such diversification means the endowment may not reap all of the benefits of equity bull markets, it will also avoid the full brunt of bear markets. No more than 5% of the Fund's assets may be invested in one fund and no more than 10% of the Fund's assets may be invested in one manager. The Investment Committee, however, may make an exception in special circumstances.

Rebalancing: In order to reap the benefits of diversification, portfolio holdings will be rebalanced as necessary to ensure that the actual portfolio asset allocation does not deviate materially from policy target allocations ranges.

Note 7. Spending Policy and Relationship of Spending Policy to Investment Objectives

The Foundation has a spending rate rule for its investments held for endowment in order to preserve 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.

The Foundation's policy of appropriating as of July 1, 2021, was based on the following:

a. All endowed funds in existence before July 1st will be eligible for full spendable income as determined annually by the Board of Trustees (currently 4%), the following July 1st based on the preceding December 31st market value of the endowed fund.

b. Endowed funds whose market value as of the measurement date minus the greater of corpus or historical dollar value (HDV) is less than 5.8% of the greater of corpus or HDV, shall receive a proportional share of the full spendable income allocation based upon the pro-rata share of the excess market value over the greater of corpus or HDV.

c. Newly created individual endowment funds that have been funded at a minimum endowment levels but have been invested for less than one year receive partial spendable income of 75%, 50% or 25% of the full spending rate based upon the financial quarter in which the gift was received, Q1, Q2 or Q3, respectively.

Note 7. Spending Policy and Relationship of Spending Policy to Investment Objectives (Continued)

d. Endowed funds whose market value as of the measurement date is less than the corpus value, i.e., underwater – shall not receive any spendable income without written donor consent until such time the market value as of the measurement date exceeds the corpus value.

Any available spendable income balance at fiscal year-end will automatically be carried over to future years as long as there is spending history recorded in the account in the last two years.

However, based upon this annual review of endowment activity for the two prior consecutive fiscal periods if it is determined there has been no spending from an endowment account, the policy adopted by the board of trustees requires the unspent amounts to be un-allocated and not made available for spending purposes from the endowment; thereby increasing the market value on which all future spendable income allocations will be determined.

An appeal to continue carrying over the unspent funds will be considered if an explanation in writing is received by an account administrator of record on the endowed account, as to why spending has not occurred in the past and a future use of the requested carryover of funds is established.

Note 8. Restricted Net Asset Activity

Donor restricted net assets: Net assets with donor restrictions are restricted for the following purposes at June 30 2021 and 2020:

(in thousands)	2021	2020
Academic programs	$ 374,545	$ 300,352
Scholarship/fellowship	208,592	149,595
University advancement	90,383	91,085
Research	28,286	16,466
Student support	16,982	12,390
Facility advancement	6,904	10,203
Athletics	6,628	3,225
Time restricted	120,213	142,393
	$ 852,533	$ 725,709

Note 8. Restricted Net Asset Activity (Continued)

Net assets released from restrictions: Net assets were released from donor restrictions when expenses were incurred to satisfy the restricted purposes or by occurrence of other events as specified by donors. Expenditures on donor restricted funds are released out of the appreciation related to those funds to the extent allowed by the donors. Such net assets were released as follows during the years ended June 30 2021 and 2020:

(in thousands)	2021	2020
Facility advancement	$ 46,446	$ 12,858
Academic programs	12,412	12,867
Scholarship/fellowship	8,443	12,627
University advancement	11,311	9,514
Athletics	1,670	4,511
Research	2,350	1,736
Student support	1,716	2,418
	$ 84,348	$ 56,531

Note 9. Charitable Gift Annuity Requirements

As required by the state of Maryland, the Foundation internally reserves cash and investments associated with annuity liabilities of approximately $1,901,000 and $1,951,000 as of June 30, 2021 and 2020, respectively.

Note 10. Loan Receivables

On May 21, 2021, the Foundation entered into a loan agreement with The University of Maryland Alumni Association, Inc. (borrower) in the amount of $6,641,859. An officer of the borrower is also an officer at the Foundation and the president of the Foundation is on the Board of Governors of the borrower. The receivable is included with other receivables long-term on the accompanying consolidated statements of financial position. Payments commenced on June 1, 2021, and are due on the first day of every month thereafter, until and including May 1, 2061. The loan shall bear interest at a fixed rate of 3.00% per annum. Future loan receivable payments for the next five years through 2026 and thereafter for the above note receivable and others are as follows:

Years ending June 30:	
2022	$ 509,125
2023	90,132
2024	92,874
2025	95,698
2026	98,609
Thereafter	6,169,422
Total loan receivable payments	$ 7,055,860

Note 11. Liquidity and Availability

The Foundation manages its investment pool to ensure liquidity is sufficient to meet its spending needs. The portfolio's allocation to public risk assets provides market exposure and the liquidity needed to support recurring program expenditures as they become due. Liquidity is managed through the construct of the investment policy highlighted in Note 8.

Funds available to meet general expenditures within one year are as follows:

(in thousands)	2021	2020
Cash and cash equivalents	$ 31,121,973	$ 55,126,116
Accounts receivable	61,181	21,442
Contributions receivable, current portion	79,283,206	97,390,858
Short-term investments	31,386,415	30,723,803
Endowment investments	598,858,551	444,003,287
Operating investments	23,775,067	23,822,390
Contributions receivable, long-term portion	46,594,330	48,327,794
Trust investments	10,637,530	9,181,764
Split-interest agreements	1,855,263	1,038,055
Loan receivables	7,055,860	528,571
Total financial assets, at year-end	830,629,376	710,164,080
Less those unavailable for general expenditures within one year:		
Net assets with donor restrictions	(852,532,594)	(725,708,543)
Loan receivable not expected to be collected in 2022	(6,546,735)	-
Financial assets available to meet general expenditures over the next 12 months	$ (28,449,953)	$ (15,544,463)

Note 12. Capital Lease Obligation

UMCPF previously entered into a 30-year lease of commercial real estate located on Baltimore Avenue (U.S. Route 1) in downtown College Park to facilitate the development of a mixed-use space in cooperation with the University and a private food service operator. The Foundation paid for renovations that restored the space to operating condition and then sub-leased the space to the private food service operator as part of the University and foundation's strategic plans to improve the quality of services and amenities available to the students, faculty and staff of the University and the city of College Park.

Future minimum lease payments are as follows:

Years ending June 30:	
2022	$ 105,903
2023	241,742
2024	248,994
2025	256,464
2026	264,158
Thereafter	6,950,513
Total minimum lease payments	8,067,774
Less amount representing interest	(4,781,474)
	$ 3,286,300

Note 12. Capital Lease Obligation (Continued)

UMCPF recorded straight-line depreciation expense of $255,244 and $269,868 for the years ended June 30, 2021 and 2020, respectively.

Note 13. Operating Leases

TDC has approximately 16,150 square feet of retail space available for lease. Future minimum rental receipts for the next five years through 2026 and thereafter are as follows:

Years ending June 30:		
2022	$	407,033
2023		409,468
2024		411,975
2025		414,558
2026		417,218
Thereafter		21,188,403
	$	23,248,655

TDC also has a parking license agreement with a third-party to use the surface parking lots owned by TDC, as well as those licensed by UMD to TDC, through August 31, 2022. TDC earns monthly rent in exchange for use of the surface parking lots equal to 50% of the modified gross revenues, as defined, for the month. For the years ended June 30, 2021 and 2020, TDC has earned revenue of $32,472, and $151,108, respectively, of which $0 is receivable as of June 30, 2021 and 2020, respectively.

Rent expense: During the year ended June 30, 2020, TDC Property I LLC entered into a lease agreement with an unrelated party. The lease requires equal monthly payments based on an annual rent amount which includes annual rent escalations as defined in the lease agreement. For the years ended June 30, 2021 and 2020, $77,146 and $30,648, respectively, was recorded as rent expense.

Expected annual payments for the next five years and thereafter are as follows:

Years ending June 30:		
2022	$	79,069
2023		81,441
2024		83,885
2025		86,401
2026		88,993
Thereafter		349,435
	$	769,224

Note 14. Related Party Transactions

Various members of the Foundation may also be members of the Board of Trustees of the investment manager, USMF.

The Foundation has no employees. The University tracks and administers all payroll and fringe benefit costs for its employees who substantially support the Foundation. The Foundation reimburses the University for the salary and benefit costs on an annual basis, estimating the salary costs of individuals devoting effort to the Foundation, and applying a 33% fringe rate in addition to the salary costs for fiscal years ended June 30, 2021 and 2020.

Note 14. Related Party Transactions (Continued)

The Foundation supports commitments for fund raising expenses of the University, as per the affiliation agreement with UMCP. The amount paid by the Foundation to the University was $1,050,231, and $987,682 for the fiscal years ended June 30, 2021 and 2020, respectively.

The Foundation receives significant support in the form of contributions from Board members.

See Note 10 for an additional related party transaction.

Note 15. Commitments and Contingencies

During the course of its operations, the Foundation may be exposed to various forms of litigation, claims and assessments. As of June 30, 2021, management was not aware of any matters that could have a material effect on its financial position, change in net assets, or cash flows.

On April 29, 2021, the Foundation entered into a revolving line of credit agreement with Capital One, National Association in the amount of $10,000,000. The line bears interest at one-month LIBOR plus 1.50%. Under terms of the line of credit, the Foundation must comply with usual and customary covenants including but not limited to limitations on additional debt without prior written consent of the Bank, and no merger or change of control without the Bank's prior written approval. There were no borrowings against the line as of June 30, 2021.

On January 30, 2020, the World Health Organization (WHO) announced an outbreak of a novel strain of coronavirus (COVID-19). As a result of the risks to the international community, on March 11, 2020, the WHO declared COVID-19 a global pandemic. The extent of the impact of this outbreak on the operational and financial performance of the Foundation will depend on certain developments, including the duration and spread of the outbreak. COVID-19 presents potential material uncertainty and risk with respect to the Foundation, its performance, and its financial results.

At June 30, 2021, the Foundation had signed a design build agreement for construction projects. Subsequent to June 30, 2021, the Foundation transferred the design build agreement to the University.

Note 16. Functional Expenses

The Foundation reports expenses as program and general and administrative. Expenses are allocated on a reasonable basis that is consistently applied. The following are functional expenses for the years ended June 30, 2021 and 2020:

- **Program:** These assist various programs to promote the interest of the individual colleges/schools, to support activities and facilities of the buildings, to aid with the various costs associated with maintaining and improving different departments, to award students scholarships, to fund the purchases of equipment needed for the different campus fields of studies, and to support the athletics programs.

- **General and administrative:** These expenses relate to the day-to-day operation of the administrative and accounting offices of the organization.

Note 16. Functional Expenses (Continued)

An analysis of expenses by functional and natural basis consists of the following as of June 30, 2021 and 2020:

	2021		
	Program	General and Administrative	Total
Transfer to UMCP	$ 44,377,851	$ -	$ 44,377,851
UMCP construction projects	38,354,873	67,590	38,422,463
Reimbursement to UMCP	-	1,050,231	1,050,231
Public relations and promotion	832,454	93,563	926,017
Other expenses	605,011	898,565	1,503,576
Office expenses	704,576	47,502	752,078
Occupancy	49,110	53,330	102,440
IT expenses	405,492	103,974	509,466
Fees for services	3,135,579	1,284,377	4,419,956
Depreciation	-	255,244	255,244
Total	$ 88,464,946	$ 3,854,376	$ 92,319,322

	2020		
	Program	General and Administrative	Total
Transfer to UMCP	$ 45,987,931	$ -	$ 45,987,931
UMCP construction projects	9,404,003	103,402	9,507,405
Reimbursement to UMCP	-	987,683	987,683
Public relations and promotion	2,060,060	255,327	2,315,387
Other expenses	975,284	816,362	1,791,646
Office expenses	479,193	17,500	496,693
Occupancy	123,806	48,081	171,887
IT expenses	419,706	86,894	506,600
Fees for services	2,720,532	1,252,143	3,972,675
Depreciation	-	269,868	269,868
Total	$ 62,170,515	$ 3,837,260	$ 66,007,775