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

Consolidated Financial Report
June 30, 2022

Contents

RSM

RSM US LLP

Independent Auditor's Report

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

Opinion
We have audited the consolidated financial statements of The University of Maryland College Park Foundation, Inc. and Subsidiary (the Foundation), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

RSM US LLP

Gaithersburg, Maryland
October 26, 2022

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

Consolidated Statements of Financial Position
Years Ended June 30, 2022 and 2021

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	**$ 63,512,454**	$ 31,121,973
Contributions receivable, current portion	**66,889,804**	79,283,206
Short-term investments	**29,471,836**	31,386,415
Loan receivables	**90,033**	225,443
Total current assets	**159,964,127**	142,017,037
Investments:		
Endowment	**625,671,924**	598,858,551
Operating	**23,408,651**	23,775,067
Trust investments	**9,317,576**	10,637,530
Investment in Proton LLC	**3,750,000**	3,750,000
Investments held for split-interest agreements	**2,673,439**	5,031,701
Total investments	**664,821,590**	642,052,849
TDC—property and other assets	**32,062,976**	28,904,571
Other assets:		
Contributions receivable, long-term portion	**40,229,556**	46,594,330
Real estate holdings and property, net	**1,326,228**	1,351,589
Beneficial interest in split-interest agreements	**1,296,250**	1,855,263
Loan receivables	**6,456,665**	7,055,860
Total other assets	**49,308,699**	56,857,042
Total assets	**$ 906,157,392**	$ 869,831,499
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	**$ 3,062,419**	$ 2,812,042
Refundable advances	**1,353,442**	1,373,937
Total current liabilities	**4,415,861**	4,185,979
Other liabilities:		
TDC—liabilities	**10,709,967**	4,335,654
Split-interest agreements	**4,790,201**	5,802,108
Total other liabilities	**15,500,168**	10,137,762
Total liabilities	**19,916,029**	14,323,741
Commitments and contingencies (Note 13)		
Net assets:		
Without donor restrictions	**15,407,361**	2,975,164
With donor restrictions	**870,834,002**	852,532,594
Total net assets	**886,241,363**	855,507,758
Total liabilities and net assets	**$ 906,157,392**	$ 869,831,499

See notes to consolidated financial statements

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

Consolidated Statement of Activities
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	$ -	$ 100,551,674	100,551,674
Investment income, net of fees	(2,381,154)	4,399,714	2,018,560
Management fee appropriated from investments	5,320,953	-	5,320,953
Other income	698,440	-	698,440
Change in valuation of split-interest agreements	-	(2,618,443)	(2,618,443)
Allowance on active contribution receivables	-	(4,555,955)	(4,555,955)
Loss on rescinded contribution receivables	-	(10,509,252)	(10,509,252)
Net assets released from restrictions	68,966,330	(68,966,330)	-
Total support and revenue	72,604,569	18,301,408	90,905,977
Expenses:			
Program	57,680,199	-	57,680,199
General and administrative	2,492,173	-	2,492,173
Total expenses	60,172,372	-	60,172,372
Change in net assets	12,432,197	18,301,408	30,733,605
Net assets:			
Beginning	2,975,164	852,532,594	855,507,758
Ending	$ 15,407,361	$ 870,834,002	$ 886,241,363

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	1,408,042	12,743	1,420,785
Change in valuation of split-interest agreements	15,828	7,402,364	7,418,192
Loss on rescinded contribution receivables	-	(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.

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

Consolidated Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	**$ 30,733,605**	$ 124,998,541
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net realized and unrealized (gains) on investments	**(2,430,696)**	(119,228,846)
Depreciation	**25,361**	255,244
Increase (decrease) in discount on contributions receivable	**148,402**	(1,414,255)
(Decrease) increase in allowance for doubtful contributions	**(438,178)**	1,088,674
Contributions restricted for long-term investment	**(30,737,000)**	(47,913,000)
Changes in assets and liabilities:		
(Increase) decrease in:		
Beneficial interest in split-interest agreements	**2,618,443**	(7,418,192)
Contributions receivable	**19,047,952**	20,166,697
Other assets	**135,410**	(64,961)
TDC—property and other assets	**(3,158,405)**	-
Increase (decrease) in:		
Accounts payable and accrued expenses	**250,377**	1,181,873
Refundable advances	**(20,495)**	447,121
TDC—liabilities	**6,374,313**	-
Net cash provided by (used in) operating activities	**22,549,089**	(27,901,104)
Cash flows from investing activities:		
Purchases of investments	**(58,007,633)**	(56,382,437)
Sales of investments	**34,607,462**	17,865,168
Purchase and sales of property and equipment	**-**	(146,350)
Payments on loan receivables	**-**	(6,527,289)
Disbursements on loan receivables	**599,195**	-
Net cash used in investing activities	**(22,800,976)**	(45,190,908)
Cash flows from financing activities:		
Split-interest agreements	**1,905,368**	1,266,228
Capital lease principal payments	**-**	(91,359)
Contributions restricted for long-term investment	**30,737,000**	47,913,000
Net cash provided by financing activities	**32,642,368**	49,087,869
Net increase (decrease) in cash and cash equivalents	**32,390,481**	(24,004,143)
Cash and cash equivalents:		
Beginning	**31,121,973**	55,126,116
Ending	**$ 63,512,454**	$ 31,121,973

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 UMCP. 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, 2022.

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 consolidated financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC or the Codification). 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 could 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 contribution 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 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, 2022 and June 30, 2021. The trust investments at June 30, 2022 and 2021, 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 ($2,618,443) and $7,418,192 for fiscal years ended June 30, 2022 and 2021, 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 Internal Revenue Code (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.

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 and endowment: 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:

- 30 basis points for investment balance less than $350 million.
- 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 management fee at the FY22 rate of 1.1% 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 weighted average of 29 basis points of the market value to USMF for endowment investment management services for the fiscal years ended June 30, 2022 and 2021 respectively, in accordance with the terms of the investment management agreement.

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

The administrative fee charged to the endowments by USMF of $1,592,255 and $1,182,303 for the years ended June 30, 2022 and 2021, respectively, is included in investment income, net of fees in the consolidated statements of activities.

The management fee charged to the operating account by USMF of $68,995 and $69,187 for the years ended June 30, 2022 and 2021, 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.

Valuation of long-lived assets: Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less cost to sell.

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 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, 2022 and 2021, 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 had no net unrelated business income for the years ended June 30, 2022 and 2021.

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, 2022 or 2021, 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.

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

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, 2022, it follows the guidance outlined in ASC 958-810 for consolidation. The Foundation's ownership percentage in TDC was 78.01% and 79.26% at June 30, 2022 and 2021, respectively.

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 is fully funded.

JV Holdings is in development as of June 30, 2022, and, therefore, there were no earnings to be allocated to Southern Gateway.

Recent accounting pronouncements not yet adopted: In February 2016, the FASB issued Accounting Standards Update (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 statements 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 statements 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 the consolidated financial statements.

Reclassifications: Certain reclassifications to the 2021 balances have been made in the accompanying financial statements to make them consistent with the 2022 presentation. These reclassifications had no effect on previously reported change in net assets.

Subsequent events: The Foundation evaluated subsequent events through October 26, 2022, 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.

Note 2. Fair Value Measurements and Investments (Continued)

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.

The following tables present the financial investments carried at fair value as of June 30, 2022 and 2021, by the fair value hierarchy defined above:

	2022			
	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]	$ 29,471,836	$ -	$ -	$ 29,471,836
Long-term investments:				
Maryland Proton Treatment Center, LLC[3]	-	-	3,750,000	3,750,000
Investment in special strategies—USMF[4]	-	-	649,080,575	649,080,575
Trust investments—mutual and exchange traded funds [2]	9,317,576			9,317,576
Investments held for split-interest agreements[5]	2,673,439	-	-	2,673,439
Total investments at fair value	41,462,851	-	652,830,575	694,293,426
Beneficial interest in split-interest agreements[5]	-	-	1,296,250	1,296,250
Total assets at fair value	$ 41,462,851	$ -	$ 654,126,825	$ 695,589,676

Note 2. Fair Value Measurements and Investments (Continued)

	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

There were no transfers of assets between Levels 1, 2 or 3 classifications for the years ended June 30, 2022 and 2021.

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 2012, Foundation management received approval from the Foundation Board of Trustees to purchase 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.

Note 2. Fair Value Measurements and Investments (Continued)

In August 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.

(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 4.0% and 3.6% of the total investment held by USMF at June 30, 2022 and 2021, 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 12.1% and 15.7% of the total investment held by USMF at June 30, 2022 and 2021, 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 21.6% and 19.9% of the total investments held by USMF at June 30, 2022 and 2021, 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 (11.13%) to 0.16% for those investments on a lag. No performance adjustments are made to private risk 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 62.3% and 60.8% of the total investments held by USMF at June 30, 2022 and 2021, respectively.

The Foundation had no transfers in or out of Level 3 investments during the years ended June 30, 2022 and 2021.

Investment income, net of fees and management fees appropriated from investments consists of the following for the years ended June 30, 2022 and 2021:

	2022	2021
Realized and unrealized gains	$ 2,430,696	$ 119,228,846
Interest and dividends	8,741,652	7,224,911
Investment fees	(3,832,835)	(1,268,207)
Total investment income, net of fees	$ 7,339,513	$ 125,185,550
Management fees appropriated from investments	$ 5,320,953	$ 4,819,959

(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, 2022 and 2021:

	2022	2021
Land	$ 12,905,042	$ 10,147,763
Building and improvements	8,741,851	6,820,885
Predevelopment costs	305,498	344,043
	21,952,391	17,312,691
Less accumulated depreciation	(718,487)	(885,870)
Total included in TDC property and other assets	$ 21,233,904	$ 16,426,821

	2022	2021
Land UMCPF	$ 1,445,818	$ 1,445,818
Artwork UMCPF	100,000	100,000
	1,545,818	1,545,818
Less accumulated depreciation	(219,590)	(194,229)
Total UMCPF	$ 1,326,228	$ 1,351,589

Note 4. Contributions Receivable

As of June 30, 2022 and 2021, contributors have unconditionally promised to give $107,119,360 and $125,877,536 to the Foundation, respectively. Promised contributions are due as follows as of June 30, 2022 and 2021:

	2022	2021
Due within one year	$ 72,704,055	$ 85,516,595
Due within 2-5 years	46,393,854	51,536,877
More than five years	2,605,701	3,698,090
	121,703,610	140,751,562
Less allowance for doubtful accounts	(11,323,606)	(11,761,784)
Less discount to present value	(3,260,644)	(3,112,242)
Total contributions receivable, net	$ 107,119,360	$ 125,877,536

The discount rate used to calculate the present value component at June 30, 2022 and 2021, was 3.66% and 2.11%, 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, 2022 and 2021, was 4.75% and 3.25%, respectively.

At June 30, 2022 and 2021, the Foundation had outstanding conditional contributions of approximately $65,000,000 and $70,000,000.

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.

The Board of Trustees of the Foundation has interpreted the Maryland enacted version of 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 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, 2022 and 2021, is noted below:

(in thousands)

2022	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ 249	$ 675,648	$ 675,897
Total endowment funds	$ 249	$ 675,648	$ 675,897

(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

Changes in endowment net assets for the year ended June 30, 2022 and 2021:

(in thousands)

2022	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 249	$ 656,570	$ 656,819
Investment return	-	3,242	3,242
Gifts	-	30,737	30,737
Appropriation of endowment assets for expenditure	-	(14,266)	(14,266)
Transfers to reclass purpose	-	(635)	(635)
Endowment net assets, end of year	$ 249	$ 675,648	$ 675,897

Note 5. Endowments (Continued)

(in thousands)

2021	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

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 UPMIFA as of June 30, 2022 and 2021:

(in thousands)	2022	2021
Academic programs	$ 384,930	$ 386,217
Scholarship/fellowship	211,521	192,538
University advancement	47,866	47,644
Student support	11,933	10,768
Facility and advancement	5,594	5,070
Research	13,227	13,770
Athletics	577	563
	$ 675,648	$ 656,570

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 UPMIFA requires the Foundation to retain as a fund of perpetual duration. At year-end for fiscal year 2022, zero individual endowments had market values below their respective donated principal balances (donated principal or corpus) and at year-end for fiscal year 2021, zero individual endowments had market values below their respective donated principal balances (donated principal or corpus). These underwater endowments had market value deficits of $0 as of June 30, 2022 and 2021.

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.

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

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.

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.

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

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 0% 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.

   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.

In 2022 the Foundation began to transition to a new policy, which 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 corpus is less than 5.4% of the corpus, shall receive a proportional share of the full spendable income allocation based upon the pro-rata share of the excess market value over the corpus.

c. 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 from the prior fiscal year will automatically be carried over to the next fiscal year. An appeal to continue carrying over the unspent funds from prior years will be considered if a plan to spend the funds in the upcoming fiscal year is submitted.

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.

Note 8. Restricted Net Asset Activity

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

(in thousands)	2022	2021
Academic programs	$ 376,532	$ 374,545
Scholarship/fellowship	223,867	208,592
University advancement	74,825	90,383
Research	29,238	28,286
Student support	19,795	16,982
Facility advancement	34,581	6,904
Athletics	5,829	6,628
Time restricted	106,167	120,213
	$ 870,834	$ 852,533

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, 2022 and 2021:

(in thousands)	2022	2021
Facility advancement	$ 10,684	$ 46,446
Academic programs	13,098	11,389
Scholarship/fellowship	12,468	8,443
University advancement	24,343	11,311
Athletics	5,294	1,670
Research	1,920	2,350
Student support	1,159	1,715
	$ 68,966	$ 83,324

Note 9. 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. 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 2027 and thereafter for the above note receivable is as follows:

Years ending June 30:	
2023	$ 90,033
2024	92,874
2025	95,698
2026	98,609
2027	101,609
Thereafter	6,067,875
Total loan receivable payments	$ 6,546,698

Note 10. 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)	2022	2021
Cash and cash equivalents	$ 63,512,454	$ 31,121,973
Accounts receivable	-	61,181
Contributions receivable, current portion	66,889,804	79,283,206
Short-term investments	29,471,836	31,386,415
Endowment investments	625,671,924	598,858,551
Operating investments	23,408,651	23,775,067
Contributions receivable, long-term portion	40,229,556	46,594,330
Trust investments	9,317,576	10,637,530
Split-interest agreements	1,296,250	1,855,263
Loan receivables	6,546,698	7,055,860
Total financial assets, at year-end	866,344,749	830,629,376
Less those unavailable for general expenditures within one year:		
Net assets with donor restrictions	(870,834,002)	(852,532,594)
Loan receivable not expected to be collected in 2023	(6,456,665)	-
Financial assets available to meet general expenditures over the next 12 months	$ (10,945,918)	$ (21,903,218)

Note 11. Operating Leases

TDC has approximately 13,505 square feet of retail space available for lease. Future minimum rental receipts for the next five years through 2027 and thereafter are as follows:

Years ending June 30:	
2023	$ 394,168
2024	458,778
2025	535,833
2026	538,493
2027	541,232
Thereafter	21,470,831
	$ 23,939,335

Note 12. Related Party Transactions

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

Note 12. Related Party Transactions (Continued)

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, 2022 and 2021.

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 $1,018,217 and $1,050,231, for the fiscal years ended June 30, 2022 and 2021, respectively.

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

See Note 9 for an additional related party transaction.

Note 13. 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, 2022, 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. On April 30, 2022, an amendment was added to the revolving line of credit to increase the amount up to $15,000,000. There were no borrowings against the line as of June 30, 2022.

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.

Note 14. 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, 2022 and 2021:

- **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 14. Functional Expenses (Continued)

An analysis of expenses by functional and natural basis consists of the following as of June 30, 2022 and 2021:

	2022		
	Program	General and Administrative	Total
Transfer to UMCP	$ 41,855,287	$ -	$ 41,855,287
UMCP construction projects	7,574,169	-	7,574,169
Reimbursement to UMCP	-	1,018,217	1,018,217
Public relations and promotion	1,890,064	202,362	2,092,426
Other expenses	772,822	549,997	1,322,819
Office expenses	1,571,249	31,077	1,602,326
Occupancy	175,574	16,127	191,701
IT expenses	119,460	312,534	431,994
Fees for services	3,721,574	336,498	4,058,072
Depreciation	-	25,361	25,361
Total	$ 57,680,199	$ 2,492,173	$ 60,172,372

	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