

**ST. MARY'S COLLEGE OF MARYLAND
FOUNDATION, INC.**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020



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INDEPENDENT AUDITORS' REPORT

Board of Directors
St. Mary's College of Maryland Foundation, Inc.
St. Mary's City, Maryland

Report on Financial Statements

We have audited the accompanying financial statements of St. Mary's College of Maryland Foundation, Inc. (the Foundation), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 auditors' 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.

Board of Directors
St. Mary's College of Maryland Foundation, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
September 29, 2021

ST. MARY'S COLLEGE OF MARYLAND FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
ASSETS		
Cash	\$ 1,967,525	\$ 1,737,973
Investments	46,058,207	37,750,597
Investments - Gift Annuity	1,287,076	998,782
Accrued Interest Receivable	77,513	56,308
Other Assets	517,905	447,224
Promises to Give, Net	870,768	1,061,598
Property and Equipment, Net	1,201	1,201
Total Assets	\$ 50,780,195	\$ 42,053,683
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 245,009	\$ 48,784
Gift Annuity	735,144	698,886
Total Liabilities	980,153	747,670
NET ASSETS		
Without Donor Restrictions		
Undesignated	1,877,854	1,697,145
Board-Designated - Quasi-Endowment	201,847	201,847
Subtotal	2,079,701	1,898,992
With Donor Restrictions	47,720,341	39,407,021
Total Net Assets	49,800,042	41,306,013
Total Liabilities and Net Assets	\$ 50,780,195	\$ 42,053,683

See accompanying Notes to Financial Statements.

ST. MARY'S COLLEGE OF MARYLAND FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contributions	\$ 315,077	\$ 1,995,214	\$ 2,310,291	\$ 245,386	\$ 2,861,821	\$ 3,107,207
Donated Services	1,525,070	-	1,525,070	1,564,704	-	1,564,704
Event Revenue	9,272	-	9,272	85,685	-	85,685
Other Revenues	-	7,910	7,910	-	10,391	10,391
Investment Income	250,463	8,647,936	8,898,399	246,622	527,372	773,994
Net Assets Released from Restrictions	2,337,740	(2,337,740)	-	3,044,979	(3,044,979)	-
Total Support and Revenue	<u>4,437,622</u>	<u>8,313,320</u>	<u>12,750,942</u>	<u>5,187,376</u>	<u>354,605</u>	<u>5,541,981</u>
EXPENSES						
Program Services:						
Support to St. Mary's College of Maryland						
Academic Chair/Faculty Support	184,148	-	184,148	220,197	-	220,197
Alumni Activities	11,876	-	11,876	70,270	-	70,270
Center for the Study of Democracy	61,884	-	61,884	75,495	-	75,495
College Department/Division Support	644,584	-	644,584	1,426,895	-	1,426,895
Scholarships and Awards	1,171,390	-	1,171,390	964,475	-	964,475
Total Program Services	<u>2,073,882</u>	<u>-</u>	<u>2,073,882</u>	<u>2,757,332</u>	<u>-</u>	<u>2,757,332</u>
Supporting Services:						
Management and General	1,129,539	-	1,129,539	1,265,591	-	1,265,591
Fundraising	1,053,492	-	1,053,492	1,019,765	-	1,019,765
Total Supporting Services	<u>2,183,031</u>	<u>-</u>	<u>2,183,031</u>	<u>2,285,356</u>	<u>-</u>	<u>2,285,356</u>
Total Expenses	<u>4,256,913</u>	<u>-</u>	<u>4,256,913</u>	<u>5,042,688</u>	<u>-</u>	<u>5,042,688</u>
CHANGE IN NET ASSETS	180,709	8,313,320	8,494,029	144,688	354,605	499,293
Net Assets - Beginning of Year	<u>1,898,992</u>	<u>39,407,021</u>	<u>41,306,013</u>	<u>1,754,304</u>	<u>39,052,416</u>	<u>40,806,720</u>
NET ASSETS - END OF YEAR	<u>\$ 2,079,701</u>	<u>\$ 47,720,341</u>	<u>\$ 49,800,042</u>	<u>\$ 1,898,992</u>	<u>\$ 39,407,021</u>	<u>\$ 41,306,013</u>

See accompanying Notes to Financial Statements.

ST. MARY'S COLLEGE OF MARYLAND FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 8,494,029	\$ 499,293
Adjustments to Reconcile Change in Net Assets to Net Cash		
Used by Operating Activities:		
Contributions Received for Endowment	(757,436)	(561,000)
Contributions Received for Annuities	(130,000)	(50,000)
Change in Value of Gift Annuity	(240,050)	(8,789)
Change in Value of Perpetual Trust	(376,259)	4,148
Realized and Unrealized Gain on Investments	(7,471,930)	(155,206)
Discount and Allowance on Promises to Give	(9,012)	9,575
Bad Debt Expense	3,795	6,000
Effects of Changes in Operating Assets and Liabilities:		
Promises to Give	196,047	133,723
Accrued Interest Receivable	(21,205)	(45,085)
Other Assets	(70,681)	(268,166)
Accounts Payable and Accrued Expenses	196,225	11,026
Deferred revenue	-	(7,500)
Gift Annuity	36,258	2,338
Net Cash Used by Operating Activities	(150,219)	(429,643)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(18,859,597)	(21,368,838)
Proceeds from Sale of Investments	18,433,688	21,672,898
Net Cash (Used) Provided by Investing Activities	(425,909)	304,060
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions Received for Endowment	757,436	561,000
Contributions Subject to Annuity Agreements	130,000	50,000
Payments on Annuity Contracts	(81,756)	(76,603)
Net Cash Provided by Financing Activities	805,680	534,397
NET INCREASE IN CASH	229,552	408,814
Cash - Beginning of Year	1,737,973	1,329,159
CASH - END OF YEAR	\$ 1,967,525	\$ 1,737,973
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES		
Donated Securities	\$ 330,460	\$ 19,900

See accompanying Notes to Financial Statements.

ST. MARY'S COLLEGE OF MARYLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

St. Mary's College of Maryland Foundation, Inc. (the Foundation) is a nonprofit corporation founded in Maryland in 1971. The Foundation's principal activity is to provide support for the faculty and students of St. Mary's College of Maryland (the College). The Foundation raises funds and receives, holds, invests, manages, uses, disposes of, and administers property, as appropriate. All funds are used for the furtherance of the mission of the College.

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

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting, whereby, revenue is recognized when earned and expenses are recorded when incurred.

Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenue and expenses. Accordingly, actual results could differ from the estimates that were used.

Cash

All cash and investments, regardless of maturity, held by investment advisors, are considered investments.

Financial Risk

The Foundation invests in a professionally managed portfolio that contains fixed income, money market funds, equities, and alternative investments. Such investments are exposed to various risks such as market and credit. Specifically, during the fiscal year, the World Health Organization declared the spread of Coronavirus Disease, (COVID-19), a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. 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 financial statements. Additionally, due to the uncertainties surrounding the pandemic, future collections of receivables could be at risk.

ST. MARY'S COLLEGE OF MARYLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments with readily determinable fair values are reflected at fair value. The Foundation also holds positions in alternative investments. These alternative investments are recorded at estimated fair value based on net asset value and fund manager estimates. There are inherent limitations in any valuation technique for nonreadily marketable securities. Therefore, the value is not necessarily indicative of the amount that could be realized in a current transaction. Future events will also affect the estimates of fair value, and the effect of such events on the estimates of fair value could be material. To adjust the carrying value of the investments, unrealized gains and losses are reported in the statements of activities as a part of investment income. Interest and dividends from investments are recorded as investment income when earned.

Investment Pools

The Foundation maintains master investment accounts for its donor-restricted endowments and combines these assets into a common investment pool which closely resembles a mutual fund. The Foundation follows a unitization approach to the pool. Each endowment owns a number of units in the pool. Purchases and sales of shares in the pool are based upon the market value per share at the beginning of the quarter the transaction takes place. All net investment income (interest, dividends, realized and unrealized gains and losses, investment manager and Foundation service and administrative fees) from securities in the master investment accounts are allocated quarterly to the individual endowments based upon the number of units each endowment fund holds.

Promises to Give

Unconditional promises to give are recognized as revenue or gains in the period acknowledged. Conditional promises to give are only recognized when the conditions on which they depend are substantially met. Unconditional promises to give are carried at fair value less an estimate made for doubtful promises based on a review of all outstanding promises on a monthly basis. Management determines the allowance for doubtful promises by using the historical experience applied to an aging of promises. Promises are written off when deemed uncollectible. The provision for doubtful promises based on management's evaluation of the collection of promises was 0.33% of the gross value of the promises due beyond the year ended June 30, 2021, and 0.28% of the gross value of the promises due beyond the year ended June 30, 2020.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

ST. MARY'S COLLEGE OF MARYLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Purchased property and equipment are recorded at cost. Donated property and equipment are recognized at appraised value when received. Ownership of purchased or donated property and equipment is routinely transferred to the College. If not transferred, any item with an individual cost exceeding \$1,500 is capitalized, and depreciated using the straight-line method over estimated useful lives of the assets, ranging from five to ten years.

Impairment of Long-lived Assets

The Foundation accounts for the valuation of long-lived assets by reviewing for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the assets to future undiscounted net cash flows expected to be generated by the assets. 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 reported at the lower of the carrying amount or fair value, less costs to sell.

Gift Annuities Payable

Carrying amounts represent the present value of the contractual payments over the estimated remaining term.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions with donor restrictions that are received and expended in the same fiscal year are treated as revenue with donor restrictions and net assets released from restriction in that year.

ST. MARY'S COLLEGE OF MARYLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

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

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions that increases those net asset classes.

Event revenue is recognized when the particular event occurs.

Donated Services and Facilities

Donated services are recorded as revenue and expense in the financial statements for services received from the College. Donated services from the College are principally related to shared staff time. Contributed office space and facilities are also recorded using the agreed indirect cost rate provided by the College.

Service Fees

The Foundation applies an annual service fee of up to 2% on the total value of its endowed funds. The actual service fee rate is fixed annually at a level that is sufficient to cover the core Foundation expenses, including, but not limited to, insurance, accounting, legal, and investment management.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Those expenses include the Foundation office staff, and certain College personnel donated services. The financial statements also report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Donated services are allocated based on estimates of time and effort. Other expenses are charged directly to program services, general and administrative, or fundraising based on specific identification.

Income Taxes

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code as an organization, which is not a private foundation. The Foundation is generally exempt from federal and state income taxes. Unrelated business income may be subject to federal and state income taxes. Management believes that it has no material uncertain tax positions that would require recognition under the accounting codification guidance.

ST. MARY'S COLLEGE OF MARYLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principle

In 2014, the Financial Accounting Standards Board issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09's core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. The Foundation adopted ASU 2014-09 on July 1, 2020 which resulted in no significant changes to its financial statements.

NOTE 2 FAIR VALUE MEASUREMENTS

The Fair Value Topic of the FASB Codification (the Codification) defines fair value 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 and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access at the measurement date.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than observable quoted prices for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

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

ST. MARY'S COLLEGE OF MARYLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 FAIR VALUE MEASUREMENTS (CONTINUED)

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

In determining the appropriate levels, the Foundation performs a detailed analysis of the assets and liabilities that are subject to the fair value disclosures of the Codification.

	2021			Total
	Level 1	Level 2	Level 3	
Equities	\$ 23,109,098	\$ -	\$ -	\$ 23,109,098
Cash and Money Market Funds	801,747	-	-	801,747
Fixed Income Securities:				
U.S. Corporate Bonds	13,626,211	-	-	13,626,211
Foreign Exchange and Non-USD				
Fixed Income	93,117	-	-	93,117
Total Fixed Income Securities	<u>13,719,328</u>	<u>-</u>	<u>-</u>	<u>13,719,328</u>
Alternative Investments:				
Hedge Funds	120,763	-	-	120,763
Real Estate	41,270	-	-	41,270
Hard Assets	1,312,281	-	-	1,312,281
Total Alternative Investments	<u>1,474,314</u>	<u>-</u>	<u>-</u>	<u>1,474,314</u>
Interest Held in Perpetual Trust	<u>-</u>	<u>-</u>	<u>1,746,347</u>	<u>1,746,347</u>
	<u>\$ 39,104,487</u>	<u>\$ -</u>	<u>\$ 1,746,347</u>	40,850,834
Investments Measured at Fair Value				
Using Net Asset Value per Share				<u>6,494,449</u>
Total Investments				<u>\$ 47,345,283</u>
Gift Annuity Liability	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 735,144</u>	<u>\$ 735,144</u>

ST. MARY'S COLLEGE OF MARYLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 FAIR VALUE MEASUREMENTS (CONTINUED)

	2020			Total
	Level 1	Level 2	Level 3	
Equities	\$ 17,572,875	\$ -	\$ -	\$ 17,572,875
Cash and Money Market Funds	940,183	-	-	940,183
Fixed Income Securities:				
U.S. Corporate Bonds	12,415,530	-	-	12,415,530
Foreign Exchange and Non-USD Fixed Income	382,247	-	-	382,247
Total Fixed Income Securities	<u>12,797,777</u>	<u>-</u>	<u>-</u>	<u>12,797,777</u>
Alternative Investments:				
Hedge Funds	74,578	-	-	74,578
Real Estate	19,172	-	-	19,172
Hard Assets	1,206,415	-	-	1,206,415
Total Alternative Investments	<u>1,300,165</u>	<u>-</u>	<u>-</u>	<u>1,300,165</u>
Interest Held in Perpetual Trust	-	-	1,440,088	1,440,088
Total Assets	<u>\$ 32,611,000</u>	<u>\$ -</u>	<u>\$ 1,440,088</u>	34,051,088
Investments Measured at Fair Value Using Net Asset Value per Share				4,698,291
Total Investments				<u>\$ 38,749,379</u>
Gift Annuity Liability	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 698,886</u>	<u>\$ 698,886</u>

Following is a description of the valuation methodologies used for assets measured at fair value at June 30, 2021 and 2020.

The equity securities, cash and money market funds, fixed income securities, hedge funds, real estate and hard assets above classified as Level 1 are classified as such due to the underlying assets being publicly traded instruments with observable market-based inputs.

The interest held in perpetual trust are classified as Level 3 due to the fact that the valuation of these assets is based on significant unobservable inputs.

The following table provides a summary of changes in fair value of the Foundation's Level 3 financial assets for the years ended June 30:

	2021	2020
Beginning Balance	\$ 1,440,088	\$ 1,514,236
Distributions	(70,000)	(70,000)
Change in Value of Perpetual Trust	376,259	(4,148)
Ending Balance	<u>\$ 1,746,347</u>	<u>\$ 1,440,088</u>

ST. MARY'S COLLEGE OF MARYLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table provides a summary of changes in fair value of the Foundation's level 3 financial liabilities for the years ended June 30:

	2021	2020
Beginning Balance	\$ 698,886	\$ 696,548
Additions to Gift Annuity Liabilities	60,308	24,741
Reduction to Gift Annuity Liabilities	-	
Change in Value of Gift Annuity Liabilities	(24,050)	(22,403)
Ending Balance	<u>\$ 735,144</u>	<u>\$ 698,886</u>

Fair value measurements of investments in certain entities that calculate net asset value per share (or its equivalent) for the years ended June 30 are as follows:

	Net Asset Value 2021	Net Asset Value 2020	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Coatue Offshore Fund, Ltd., Class B	\$ -	\$ 16,525	N/A	Monthly	Due by Last Day of a Fiscal Month
Eton Park Overseas Fund, Ltd., Class E	180	364	N/A	Quarterly	65 Days
Grosvenor Alternative Investments	2,088,151	1,630,593	N/A	Quarterly	70 Days
CPI (Carlyle Property) Private Investors, LLC	-	-	1,000,000	Quarterly	95 Days
SOF XII Private Investors Offshore	-	-	500,000	Illiquid	10 Year Investment Horizon
EQT Infrastructure V Private	-	-	1,000,000	Illiquid	12 Year Investment Horizon
GSO Private Investors Offshore II	63,118	46,623	219,296	Illiquid	5 Year Investment Horizon
KKR Asian Fund II Private Investors	439,530	453,086	220	Illiquid	5 Year Investment Horizon
PEG GLOBAL PRIVATE EQUITY IX Offshore Special L.P.	223,947	-	806,856	Illiquid	7-10 Year Investment Horizon
PEG Global Private Equity Institutional Investors VIII Offshore Special L.P.	460,545	133,447	616,417	Illiquid	7-10 Year Investment Horizon
PEG Global Private Equity Institutional Investors VI Offshore Special L.P.	946,513	651,169	232,310	Illiquid	7-10 Year Investment Horizon
PEG Global Private Equity Institutional Investors V Offshore Special L.P.	1,934,409	1,438,068	59,391	Illiquid	7-10 Year Investment Horizon
Clarion Private Investors, LLC	338,056	328,416	N/A	Quarterly	95 Days
	<u>\$ 6,494,449</u>	<u>\$ 4,698,291</u>			

Hedge funds, real estate, and private investments use a variety of strategies, including hedged equity, global trading, market neutral, long and short biased, event driven, and global asset allocation. Hedge funds, real estate, and private investments can invest in a wide variety of both public and private securities including equities, fixed income, commodities, private placements, currencies, real estate, derivatives, and special situation investments.

ST. MARY'S COLLEGE OF MARYLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 FAIR VALUE MEASUREMENTS (CONTINUED)

During 2000, the Foundation became a named beneficiary to one-fourth of a trust held by a third-party. The trust is restricted to scholarships. Under the terms of the trust, the Foundation will receive a distribution each year of one-fourth of 5% of the value of the trust, even if the 5% is to be paid from the principal. The Foundation records one-fourth of the annual changes in the market value of the trust as investment income, which is reflected as contributions under net assets with donor restrictions on the statements of activities. The value of the Foundation's share of the trust was \$1,746,347 and \$1,440,088 as of June 30, 2021 and 2020, respectively. The Foundation received distributions of \$70,000 for each of the years ended June 30, 2021 and 2020.

Investment income consists of the following components for the years ended June 30:

	2021	2020
Interest and Dividends	\$ 810,160	\$ 614,147
Realized and Unrealized Gains	7,471,930	155,206
Change in Value of Gift Annuities	240,050	8,789
Change in Value of Interest in Perpetual Trust	376,259	(4,148)
Total	<u>\$ 8,898,399</u>	<u>\$ 773,994</u>

NOTE 3 PROMISES TO GIVE

Promises to give consists of the following at June 30:

	2021	2020
Planned Gifts	\$ 1,700,000	\$ 1,700,000
Restricted to Other Programs	361,750	512,027
Restricted to Scholarships	147,040	196,605
Unconditional Promises to Give Before Unamortized Discount and Allowance for Uncollectibles	2,208,790	2,408,632
Less: Unamortized Discount at 1.89% for FY17, 2.68% for FY18, 1.74% for FY19, 2.35% for FY20, 0.46% for FY21	1,337,293	1,345,933
Less: Allowance for Uncollectibles	729	1,101
Total Promises to Give	<u>\$ 870,768</u>	<u>\$ 1,061,598</u>

Promises to give are due to be collected in the following periods:

	2021	2020
Less Than One Year	\$ 284,187	\$ 299,342
One to Five Years	224,603	404,290
Five to Ten Years	-	5,000
More Than Ten Years	1,700,000	1,700,000
Total	<u>\$ 2,208,790</u>	<u>\$ 2,408,632</u>

ST. MARY'S COLLEGE OF MARYLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 3 PROMISES TO GIVE (CONTINUED)

The Foundation has \$3,552,071 and \$3,817,071 in conditional pledges as of June 30, 2021 and 2020, respectively. Due to the conditional nature of these pledges, they are not recorded in the Foundation's financial statements.

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment and accumulated depreciation are as follows at June 30:

	Estimated Useful Lives	2021	2020
Office Equipment and Other	3-7 years	\$ 14,001	\$ 14,001
Less Accumulated Depreciation		(12,800)	(12,800)
Total		<u>\$ 1,201</u>	<u>\$ 1,201</u>

Depreciation expense was \$0 for the years ended June 30, 2021 and 2020.

NOTE 5 ASSETS HELD IN CHARITABLE GIFT ANNUITIES

The Foundation has established 29 and 27 gift annuity programs for the years ended June 30, 2021 and 2020, respectively. The programs allow the Foundation to accept a gift from a donor in exchange for the Foundation agreeing to pay the donor's annuity payments until the donor's death. The Foundation evaluates each potential annuity prior to acceptance with the consideration of the age of the donor, terms of the annuity payments, required payments terms, and the gift acceptance policy.

Upon execution of the charitable gift annuities, the Foundation records an asset for the fair market value of charitable gift annuities, and a liability based upon the actuarial present value of amounts expected to be paid to the donors. The net of the gift annuity asset and liability is the remainder interest, the residual amount the Foundation expects to receive from the annuities. The present value is re-adjusted annually, with the value based on an actuarial calculation.

Gift annuities remainder interest expected to be paid out (based on life expectancy tables) in:

	2021	2020
Less Than One Year	\$ 88,711	\$ 80,371
One to Five Years	356,193	322,393
Over Five Years	290,240	296,122
Total	<u>\$ 735,144</u>	<u>\$ 698,886</u>

ST. MARY'S COLLEGE OF MARYLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 5 ASSETS HELD IN CHARITABLE GIFT ANNUITIES (CONTINUED)

The following table summarizes activity in the gift annuities for the years ended June 30:

Charitable Gift Annuities Balance at July 1, 2019	\$ 1,016,596
Contributions	50,000
Annuity Payments	(76,603)
Change in Value	8,789
Charitable Gift Annuities Balance at June 30, 2020	<u>998,782</u>
Contributions	130,000
Annuity Payments	(81,756)
Change in Value	240,050
Charitable Gift Annuities Balance at June 30, 2021	<u><u>\$ 1,287,076</u></u>

Pursuant to charitable gift annuity regulations COMAR 31.09.07.03, the Foundation maintains sufficient assets to equal the sum of the reserves on its outstanding annuity agreements, as noted above.

The reserves on the outstanding annuity agreements are consistent with the assumptions underlying the respective rates adopted by the American Council on Gift Annuities which were in effect at the time of the issuance of the respective annuity contracts.

The liabilities are determined based upon the donor's life expectancy and using a discount rate on the date of receipt, provided by Internal Revenue Service valuation tables. At the time of the donor's death, any remaining unamortized liability is recorded as additional donations.

NOTE 6 CONCENTRATION OF REVENUE RISK

For the years ended June 30, 2021 and 2020, the Foundation received approximately 33% and 43% of total contributions from two funding sources, respectively.

NOTE 7 NET ASSETS

Board-designated net assets without donor restrictions represent funds placed in an endowment for the following purposes and consist of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Anne Skone Weaver Endowed Scholarship Fund	\$ 56,924	\$ 56,924
Maurine Holbert Hogaboom Endowed Scholarship Fund	25,434	25,434
Goodpastor Lectureship Fund	95,000	95,000
Ruth Cooper Memorial Scholarship Fund	24,489	24,489
Total	<u><u>\$ 201,847</u></u>	<u><u>\$ 201,847</u></u>

ST. MARY'S COLLEGE OF MARYLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 7 NET ASSETS (CONTINUED)

Net assets with donor restrictions activity consists of the following:

	Balance, June 30, 2020	Additions	Investment Activity	Restriction Accomplished	Balance, June 30, 2021
Purpose Restricted	\$ 4,533,234	\$ 923,128	\$ -	\$ (419,517)	\$ 5,036,845
Interest in Perpetual Trust	1,440,088	-	376,259	(70,000)	1,746,347
Invested in Perpetuity	29,643,945	1,079,996	-	(27,184)	30,696,757
Endowment Earnings	3,789,754	-	8,271,677	(1,821,039)	10,240,392
Total	<u>\$ 39,407,021</u>	<u>\$ 2,003,124</u>	<u>\$ 8,647,936</u>	<u>\$ (2,337,740)</u>	<u>\$ 47,720,341</u>

	Balance, June 30, 2019	Additions	Investment Activity	Restriction Accomplished	Balance, June 30, 2020
Purpose Restricted	\$ 3,666,997	\$ 2,107,931	\$ (18)	\$ (1,241,676)	\$ 4,533,234
Interest in Perpetual Trust	1,514,236	-	(4,148)	(70,000)	\$ 1,440,088
Invested in Perpetuity	28,879,664	764,281	-	-	\$ 29,643,945
Endowment Earnings	4,991,519	-	531,538	(1,733,303)	\$ 3,789,754
Total	<u>\$ 39,052,416</u>	<u>\$ 2,872,212</u>	<u>\$ 527,372</u>	<u>\$ (3,044,979)</u>	<u>\$ 39,407,021</u>

The Foundation adopted a unitization approach to its common endowment investment pool. This approach closely resembles a mutual fund where each individual endowment fund owns shares in the pool. The investment income balance includes the net assets with donor restrictions, as well as net assets with donor restrictions held in perpetuity components of each fund. Investment income is only allocated to funds with a perpetuity component. An allocation of investment loss, in excess of the balance with donor restrictions in the fund, is absorbed by the Foundation's net assets without donor restrictions.

The Center for the Study of Democracy, jointly with Historic St. Mary's City, offers academic and civic engagement opportunities unique to the legacy of the College.

The Waterfront Program provides recreational and athletic opportunities to the College students.

Library support funds are restricted to support library acquisitions and other library resources.

Other programs include support for, but not limited to, the Art, Music, Theater, Biology, Chemistry, Physics, English and Archaeology departments, Athletics, Study Abroad, Museum Studies, Facilities, Faculty Innovation and Development, and Undergraduate Research.

Scholarships and awards are restricted contributions to assist the students of the College based on merit and/or financial need.

During the years ended June 30, 2021 and 2020, net assets were released from donor restriction when expenses satisfying the restricted purposes were incurred, or by occurrence of other events specified by donors.

ST. MARY'S COLLEGE OF MARYLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 7 NET ASSETS (CONTINUED)

Net assets with donor restrictions held in perpetuity represent donor-restricted contributions in which the donor has stipulated that the principal be maintained intact. Unless otherwise stated by the donor, investment income is recorded into net assets with donor restrictions to be used for specific purposes.

NOTE 8 ENDOWMENT NET ASSETS

Interpretation

The Foundation has interpreted the Maryland enacted version of Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. Management has interpreted UPMIFA as requiring the preservation of the fair value of original donor-restricted contributions as of the date of the gift, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions held in perpetuity (a) the original value of permanently restricted cash contributions and (b) the discounted value of future permanently restricted cash contributions, net of allowance for uncollectible pledges. The remaining portion of donor-restricted cash contributions are classified as net assets with donor restrictions until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted cash contributions:

- The purposes of the Foundation and donor-restricted endowment fund
- The duration and preservation of the fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other available financial resources
- Investment policies

The Foundation has adopted investment and spending policies for cash contributions in perpetuity that attempt to provide a predictable stream of funding to programs, while maintaining purchasing power. Additionally, we have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2021 and 2020, a fund with an original gift value of \$1,006,000, fair value of \$881,905 and \$780,887 and a deficiency of \$124,095 and \$255,113 were reported in net assets with donor restrictions.

ST. MARY'S COLLEGE OF MARYLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 8 ENDOWMENT NET ASSETS (CONTINUED)

Spending Policy

For the years ended June 30, 2021 and 2020, the Foundation approved a spending policy of 4.25% and applied a service fee of 1.50% to the earnings of the assets with donor restrictions held in perpetuity based on a twelve quarter rolling average. The service fee rate is fixed at a level that is sufficient to cover the core Foundation expenses, including, but not limited to, insurance, accounting, legal, and investment management. The earnings with donor restrictions held in perpetuity are used in accordance with either the donor's stated purpose or to support the Foundation's operations in general as described in Note 8 to the financial statements.

During the year ended June 30, 2021, the board resolved to set the spending rate to 4.25% and the service fee to 1.25% for fiscal year 2022.

Investment Policy

The Foundation's investment policy is approved by the joint investment advisory committee which was established by the Foundation's board of directors. The committee analyzes risk and return and determines target asset allocation. The committee selects investment advisors and provides them with the approved asset allocations. The portfolio must offer sufficient liquidity to meet payments of philanthropic endeavors and operating expenses. The Foundation's intent is to remain in perpetuity, and as such, the portfolio should support this goal.

Endowment fund activity, including funds designated by the board of directors to function as endowments as described in Note 7, for the years ended June 30, 2021 and 2020, consists of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, June 30, 2019	\$ 201,847	\$ 33,167,746	\$ 33,369,593
Contributions	-	566,925	566,925
Net Investment Gain	-	531,538	531,538
Appropriation of Endowment Assets for Expenditure	-	(1,734,379)	(1,734,379)
Endowment Net Assets, June 30, 2020	201,847	32,531,830	32,733,677
Contributions	-	1,087,356	1,087,356
Net Investment Gain	-	8,271,676	8,271,676
Appropriation of Endowment Assets for Expenditure	-	(1,845,723)	(1,845,723)
Endowment Net Assets, June 30, 2021	<u>\$ 201,847</u>	<u>\$ 40,045,139</u>	<u>\$ 40,246,986</u>

The balances with donor restrictions held in perpetuity above do not include pledges receivables of \$892,011 and \$901,871 for the years ended June 30, 2021 and 2020, respectively. The endowment assets are primarily comprised of the Foundation's investments, as detailed in Note 2. The remaining endowment assets are comprised of cash.

ST. MARY'S COLLEGE OF MARYLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 9 EXPENSES BY NATURE AND FUNCTION

Functional expenses by natural classification as of June 30, 2021 are as follows:

	2021								
	Program Services					Supporting Services:			Total Expenses
	College				Scholarships and Awards	Management and General	Fundraising		
	Academic Chair/Faculty Support	Alumni Activities	Center for the Study of Democracy	Department / Division Support					
Contractual Services	\$ -	\$ -	\$ 6,355	\$ 172,996	\$ -	\$ 104,005	\$ 158,500	\$ 441,856	
Meetings and events	-	11,347	22,162	98,542	-	49,883	639	182,573	
Operations	-	529	1,275	179,036	-	797,951	894,353	1,873,144	
Salary Support	184,148	-	32,092	157,771	-	102,700	-	476,711	
Scholarships/Awards/ Internships	-	-	-	-	1,171,390	-	-	1,171,390	
Gift to College	-	-	-	36,239	-	75,000	-	111,239	
Total	\$ 184,148	\$ 11,876	\$ 61,884	\$ 644,584	\$ 1,171,390	\$ 1,129,539	\$ 1,053,492	\$ 4,256,913	

	2020								
	Program Services					Supporting Services:			Total Expenses
	College				Scholarships and Awards	Management and General	Fundraising		
	Academic Chair/Faculty Support	Alumni Activities	Center for the Study of Democracy	Department / Division Support					
Contractual Services	\$ 2,500	\$ 6,500	\$ 8,358	\$ 210,691	\$ -	\$ 181,333	\$ 30,000	\$ 439,382	
Meetings and events	2,662	46,043	11,334	51,839	-	77,289	9,391	198,558	
Operations	1,453	17,727	998	107,836	-	789,675	980,374	1,898,063	
Salary Support	213,582	-	54,805	220,723	-	142,294	-	631,404	
Scholarships/Awards/ Internships	-	-	-	-	964,475	-	-	964,475	
Gift to College	-	-	-	835,806	-	75,000	-	910,806	
Total	\$ 220,197	\$ 70,270	\$ 75,495	\$ 1,426,895	\$ 964,475	\$ 1,265,591	\$ 1,019,765	\$ 5,042,688	

NOTE 10 RELATED PARTY TRANSACTIONS

The Foundation receives services from various individuals whose salaries and benefits are paid by the College. In addition, the College provided the Foundation available administrative office space and use of facilities. These donated services and facilities amounted to \$1,525,070 and \$1,564,704 for the years ended June 30, 2021 and 2020, respectively. Such amounts are recorded as both donated services revenue and supporting services expenses.

Additionally, the Foundation provides reimbursements to the College for expenses incurred on behalf of the Foundation and the Foundation supports the College for various programmatic expenses. These reimbursements and support amounted to \$1,892,859 and \$2,699,621 for the years ended June 30, 2021 and 2020, respectively. Such amounts are recorded as program expenses and supporting services expenses. At June 30, 2021 and 2020, the Foundation had a payable outstanding with the College in the amounts of \$204,629 and \$12,666, respectively, for such reimbursements. These amounts have been included in the accounts payable balance on the statements of financial position.

ST. MARY'S COLLEGE OF MARYLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 11 LIQUIDITY AND AVAILABILITY

The Foundation receives contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund scholarships, endowed chairs and professorships, and program support. In addition, the Foundation receives support without donor restrictions which fund programs, scholarships and general expenditures with the remainder funded investment income without donor restrictions, and appropriated earnings from gifts with donor restrictions.

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to prudently maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers investment income without donor restrictions and contributions without donor restriction to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses and fundraising expenses expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation's fiscal year.

The Foundation has the following financial assets available within one year of the balance sheet date to meet cash needs for general expenditure held in cash and short-term investments.

	<u>2021</u>	<u>2020</u>
Financial Assets at Year-End:		
Cash	\$ 1,967,525	\$ 1,737,973
Promises to Give	870,768	1,061,598
Investments	47,345,283	38,749,379
Donor Funded Life Insurance	454,651	446,191
Total	<u>50,638,227</u>	<u>41,995,141</u>
Less Amounts not Available for use within One Year:		
Net Assets with Donor Restrictions	(47,720,341)	(39,407,021)
Board-Designated Quasi-Endowment	(201,847)	(201,847)
Gift Annuities	(1,287,076)	(998,782)
	<u>(49,209,264)</u>	<u>(40,607,650)</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 1,428,963</u>	<u>\$ 1,387,491</u>

None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

ST. MARY'S COLLEGE OF MARYLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 11 LIQUIDITY AND AVAILABILITY (CONTINUED)

The Foundation's endowment funds consist of donor-restricted endowments and board-designated quasi-endowments. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure with the exception of the service fee applied to the funds. As described in Note 8, the endowment has a service fee of 1.5% for FY21 and FY20, and \$469,738 and \$468,138 of appropriations from the endowment and quasi-endowment will be available within the next 12 months for general expenditures for the years ended June 30, 2021 and 2020, respectively.

NOTE 12 SUBSEQUENT EVENTS

Management evaluated subsequent events through September 29, 2021, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2021, but prior to September 29, 2021, that provided additional evidence about conditions that existed at June 30, 2021, have been recognized in the financial statements for the year ended June 30, 2021. Events or transactions that provided evidence about conditions that did not exist at June 30, 2021, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2021.