

University of Maine Foundation

REPORT ON FINANCIAL STATEMENTS

For the Year Ended June 30, 2021
(With comparative information for the Year Ended June 30, 2020)
(With Independent Auditor's Report)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
University of Maine Foundation

We have audited the accompanying financial statements of University of Maine Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year 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.

Auditor's Responsibility

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

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

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

Opinion

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

To the Board of Directors of the
University of Maine Foundation
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Report on Summarized Comparative Information

We have previously audited the University of Maine Foundation's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 27, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Brantrier Chibodeau & Associates

Bangor, Maine

November 5, 2021

University of Maine Foundation
Statement of Financial Position
June 30, 2021 and 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 1,651,130	\$ 2,360,679
Other receivables	129,039	119,122
Promises to give, net	8,363,632	8,033,793
Short-term investments	25,130,218	23,481,115
Cash surrender value of life insurance	187,947	170,205
Long-term investments, endowment	310,056,194	228,116,879
Long-term investments, life income plans	5,872,679	4,817,714
Notes receivable	20,954	34,207
Equity in Buchanan Alumni House	2,662,346	2,679,331
Investment real estate	5,525,330	5,526,230
Property and equipment, net of accumulated depreciation of \$233,835 and \$286,916, respectively	149,277	115,282
Other assets	524,215	543,048
Irrevocable trusts	7,662,201	6,793,786
	\$ 367,935,162	\$ 282,791,391
LIABILITIES		
Accounts payable	\$ 271,694	\$ 335,829
Distributions due income beneficiaries	1,758,226	1,931,913
Accrued expenses	927,168	823,389
Deferred Revenue	133,006	-
Notes payable	-	718,600
Custodial accounts payable	3,998,249	3,177,473
	7,088,343	6,987,204
NET ASSETS		
Without donor restriction (note 10)	15,414,236	12,994,848
With donor restrictions	345,432,583	262,809,339
	360,846,819	275,804,187
	\$ 367,935,162	\$ 282,791,391

University of Maine Foundation
Statement of Activities
For the Year Ended June 30, 2021
(With comparative totals for June 30, 2020)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2021	2020
REVENUE, GAINS, OTHER SUPPORT AND RECLASSIFICATIONS				
Contributions	\$ 4,585,106	\$ 18,868,550	\$ 23,453,656	\$ 22,662,424
Net investment return	2,196,237	72,333,978	74,530,215	3,015,338
Net investment return, life income plans	317,545	1,001,128	1,318,673	42,206
Advancement services revenue	3,694,139	-	3,694,139	3,652,528
Gain from extinguishment of debt - Paycheck Protection Program	718,600	-	718,600	-
Other revenue and (losses) gains	(28,759)	1,514,831	1,486,072	118,628
Reinvestment of donor funds released	147,881	(147,881)	-	-
Net assets released from restrictions pursuant to endowment spending distribution	6,720,682	(6,720,682)	-	-
Net assets released from restrictions - other	4,226,680	(4,226,680)	-	-
Total revenue, gains, other support and reclassifications	<u>\$ 22,578,111</u>	<u>82,623,244</u>	<u>105,201,355</u>	<u>29,491,124</u>
EXPENSES AND LOSSES				
Program services	16,133,820	-	16,133,820	16,036,566
Management and general	1,003,406	-	1,003,406	1,050,797
Fundraising	3,021,497	-	3,021,497	3,272,790
Total expenses and losses	<u>20,158,723</u>	<u>-</u>	<u>20,158,723</u>	<u>20,360,153</u>
Change in net assets	2,419,388	82,623,244	85,042,632	9,130,971
NET ASSETS , BEGINNING OF YEAR	<u>12,994,848</u>	<u>262,809,339</u>	<u>275,804,187</u>	<u>266,673,216</u>
NET ASSETS, END OF YEAR	<u>\$ 15,414,236</u>	<u>\$ 345,432,583</u>	<u>\$ 360,846,819</u>	<u>\$ 275,804,187</u>

University of Maine Foundation
Statement of Functional Expenses
For the Year Ended June 30, 2021
(With comparative totals for June 30, 2020)

	Program Services	Management and General	Fundraising	Total Expenses	
				2021	2020
Salaries	\$ 959,377	\$ 542,279	\$ 1,865,322	\$ 3,366,978	\$ 3,174,546
Payroll taxes and employee benefits	306,154	173,050	595,243	1,074,447	1,091,740
Total compensation	1,265,531	715,329	2,460,565	4,441,425	4,266,286
Distributions in support of the University	10,400,304	-	-	10,400,304	9,527,984
Gifts transferred to University	3,783,272	-	-	3,783,272	4,068,408
Distributions to life income participants	317,545	-	-	317,545	334,863
Distributions, other	100,113	-	-	100,113	967,844
Fundraising and donor relations	-	-	41,709	41,709	79,002
Equity in earnings of Buchanan Alumni House	-	16,985	-	16,985	-
Post-retirement expense	-	16,698	-	16,698	24,038
Deferred compensation expense	-	74,586	-	74,586	73,029
Occupancy costs	64,902	36,685	126,187	227,774	226,844
Tax and audit	-	27,214	-	27,214	26,999
Insurance	17,620	9,960	34,258	61,838	56,964
Postage	17,233	9,741	33,506	60,480	52,886
Printing	29,317	16,571	57,000	102,888	91,406
Depreciation	10,862	6,140	21,119	38,121	54,899
Dues and subscriptions	10,452	5,908	20,321	36,681	29,094
Advertising and public relations	5,812	3,285	11,300	20,397	17,178
Telephone and internet	5,856	3,310	11,386	20,552	22,949
Legal	-	1,643	-	1,643	2,619
Miscellaneous	1,283	725	2,494	4,502	8,766
Meetings and entertainment	110	62	214	386	16,424
Supplies	17,109	9,671	33,264	60,044	66,938
Education and training	6,665	3,767	12,958	23,390	10,685
Auto expense	1,981	1,120	3,851	6,952	10,715
Travel	7,406	4,186	14,398	25,990	96,165
Technology software, repairs & maintenance	59,027	33,365	114,764	207,156	211,003
Property management	11,420	6,455	22,203	40,078	16,165
Total expenses by function	<u>\$16,133,820</u>	<u>\$ 1,003,406</u>	<u>\$ 3,021,497</u>	<u>\$ 20,158,723</u>	<u>\$ 20,360,153</u>

University of Maine Foundation
Statement of Cash Flows
For the Year Ended June 30, 2021
(With comparative totals for June 30, 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 85,042,632	\$ 9,130,971
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities		
Depreciation	38,121	54,899
Net realized and unrealized (gain) loss on sale and disposal of assets	(12,655)	2,142
Equity adjustment in the earnings of Buchanan Alumni House	16,985	(7,514)
Decrease in cash surrender value of life insurance policies	-	(7,101)
Noncash contributions	(1,758,410)	(1,048,493)
Net realized and unrealized gain on investments	(74,387,356)	(689,722)
Net realized and unrealized loss on real estate	44,664	122,401
Contributions to perpetual endowments	(11,426,568)	(4,832,943)
(Increase) decrease in operating assets		
Other receivables	(9,917)	(34,418)
Promises to give	(329,839)	3,365,111
Increase (decrease) in operating liabilities		
Accounts payable	(64,135)	(109,182)
Distributions due income beneficiaries	(173,687)	(58,875)
Accrued expenses	103,779	27,696
Deferred Revenue	133,006	-
Custodial funds	820,776	147,891
Total adjustments	(87,005,236)	(3,068,108)
Net cash (used) provided by operating activities	(1,962,604)	6,062,863
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturation of investments	22,374,910	13,257,830
Purchases of investments	(31,859,382)	(24,170,349)
Purchases of property and equipment	(72,116)	(37,756)
Principal payments on notes receivable	13,253	12,707
(Increase) decrease in other assets	(5,352)	12,717
Proceeds from the sale of property and equipment	18,480	-
Proceeds from the sale of other assets	24,955	3,800
Proceeds from sale of real estate	70,041	172,100
Proceeds from surrender of life insurance policy	-	736
Net cash used by investing activities	(9,435,211)	(10,748,215)
CASH FLOWS FROM FINANCING ACTIVITIES		
Collections of contributions restricted for endowment	11,426,568	4,832,943
Gain from extinguishment of debt - Paycheck Protection Program	(718,600)	-
Cash proceeds from life income plans	(175,000)	137,500
Noncash proceeds from life income plans	(150,000)	-
Payments to beneficiaries of split-interest agreements	305,298	(318,655)
Proceeds from notes payable	-	718,600
Net cash provided by financing activities	10,688,266	5,370,388
Net change in cash and cash equivalents	(709,549)	685,036
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,360,679	1,675,643
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,651,130	\$ 2,360,679

University of Maine Foundation
Notes to Financial Statements
June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The University of Maine Foundation was founded in 1934 and assists in the development activities of the University of Maine by encouraging gifts and bequests for scholarships, instruction, research, endowment, and other purposes that will benefit the University and other charitable organizations.

The Foundation's operations are supported by contributions without donor restrictions, a fee charged to the endowment pool, and advancement services contract revenue (Note 11). For the year ended June 30, 2021, \$2,734,768 was charged to the endowment pool for operations.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Basis of Accounting

The Foundation prepares its financial statements in accordance with generally accepted accounting principles, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificate of deposits, and all highly liquid debt instruments with original maturities of three months or less, except for investments with donor restrictions or deposits with trustees which are classified as long-term investments.

Collections

Various art and a Hummel collection donated to the Foundation have been capitalized. Capitalized items totaling \$358,377 are valued as of the date of gift and included with other assets on the statement of financial position. Gains and losses on the sale of art are reported in other revenue, gains and losses on the statement of activities.

Revenue and Revenue Recognition

Contributions received are recorded as without donor restriction or with donor restriction, depending on the existence or nature of any donor restrictions. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Unconditional promises to give to be received in future years are discounted at an appropriate discount rate commensurate with the risks involved and recorded as promises to give on the statement of financial position. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Contributions with donor restriction whose restrictions are met in the period they are received are reported as contributions without donor restrictions.

University of Maine Foundation
Notes to Financial Statements
June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment Real Estate

Investment real estate consists of donated assets recorded at the fair value as of the date of gift. Donated real estate may have donor restrictions; therefore, may be recorded as with or without donor restrictions. Realized gains and losses are recorded as other revenue, gains and losses on the statement of activities.

Custodial Funds

The Foundation holds assets for other entities for which the entity controls the spending. The custodial funds are reported by the Foundation as an asset and corresponding liability. Income to and disbursements from these funds are reported as increases or decreases to the corresponding asset and liability account of the Foundation.

Investments

The Foundation has applied the accounting guidance in Accounting Standards Codification (ASC) *Topic 820* which permits the use of net asset value (NAV) or its equivalent reported by each underlying alternative investment fund as a practical expedient to estimate the fair value of certain investments. Alternative investments, generally referred to as hedge funds, are redeemable or may be liquidated at NAV under the original terms of the subscription agreements or operations of the underlying assets. However, it is possible that these redemption rights may be restricted by the fund manager in the future in accordance with the underlying fund agreements, as applicable. Private investments consisting of investments in private equity or venture capital investment firms, while valued at NAV, are illiquid and not redeemable.

Changes in market conditions, the economic environment, or the funds' liquidity provisions may significantly impact the NAV of the funds, and consequently, the fair value of the Foundation's interest in such funds. Although certain investments may be sold in a secondary market, the secondary market is not public and not necessarily observable. It is therefore possible that if the Foundation were to sell its interest in the secondary market, the sale could occur at an amount materially different from the reported value.

The Foundation maintains a general pool of investments for its endowments. Investment income, including realized and unrealized gains and losses, investment management fees, and fee charged for Foundation operations are allocated monthly to the individual endowment funds.

Investment securities are stated at fair value based on quoted market prices within active markets. Investment income is reflected in the statement of activities as with or without donor restrictions based upon the existence and nature of any donor-imposed restrictions.

The Foundation also maintains short-term investments in a mix of money market, certificates of deposit and bonds. Short-term investments consist of funds with donor restrictions, board designated funds in the amount of \$315,883 designated for Vision for Tomorrow Campaign endowment matching funds, and operating reserve funds. Additionally, the Foundation is holding approximately \$15 million designated for the construction of the Ferland Engineering Education and Design Center. It is expected that those funds will be distributed to the University within the next year.

University of Maine Foundation
Notes to Financial Statements
June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets Held and Liabilities Under Split-interest agreements

The Foundation acts as trustee of various trusts and other life income arrangements initiated by donors under which the Foundation will receive benefits that are shared with the donor or third party beneficiaries. The arrangements include pooled life income plans, charitable remainder trusts, charitable lead trusts, and charitable gift annuities. The trusts are governed by the respective trust agreements, which generally provide for either an income stream or a future distribution of cash or other assets to us, in whole or in part, for a specified period or upon the occurrence of a specific event, respectively. If a trust is revocable, or if the maker of the trust reserves the right to replace us as the beneficiary of the trust, we record the assets placed in trust at fair value, with an equal and offsetting liability until such time that we receive distributions from the trust in accordance with its terms. If the trust is irrevocable, the trust assets are recorded at fair value, and a related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the trust liability is recorded as a contribution with donor restrictions until such amount is received via trust distribution or is expended in satisfaction of the donor-restricted purpose stipulated by the trust agreement, or both, if any. At that time, net assets with donor-imposed time or purpose restrictions are released to net assets without restrictions, and net assets with donor restrictions that are perpetual in nature are transferred to the endowment.

In subsequent years, the liability for future trust payments to the donor is reduced by payments made to the donor and is adjusted to reflect amortization of the discount and changes in actuarial assumptions at the end of the year. Split-interest agreements are stated at fair value at the time of donation. The carrying values of the assets are based on quoted market prices. Based on donor life expectancies future annuity obligations are discounted to the present value based upon a current rate of return (8%) and included in distributions due income beneficiaries on the statement of financial position.

Under charitable gift annuity contracts, we receive immediate and unrestricted title to contributed assets and agree to make fixed recurring payments over the stipulated period. Contributed assets are recorded at fair value on the date of receipt. The related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the annuity liability is recorded as a contribution without donor restrictions. In subsequent years, the liability for future annuity payments is reduced by payments made to the specified beneficiaries and is adjusted to reflect amortization of the discount and changes in actuarial assumptions at the end of the year.

Financial Instruments

The following methods and assumptions were used by the Foundation in estimating its fair value disclosures for financial instruments:

Cash, cash equivalents, accounts receivable, and short-term unconditional promises to give: The carrying values reported in the statement of financial position approximate fair values because of the short maturity of those instruments.

Notes receivable: The carrying value is based on fair value from expected cash flows of the notes receivable.

University of Maine Foundation
Notes to Financial Statements
June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (Continued)

Short-term and long-term investments: The fair values of investments are based on quoted market prices for those of similar investments stated at fair value. Investments without an active market are based on valuations provided by fund managers.

Life income plans: the fair values are based on quoted market prices.

Remainder interest, irrevocable trusts: The trustees provide the values based upon their records. Generally, the fair values are of investments based on quoted market prices.

Long-term unconditional promises to give: The fair value of promises to give that are due in more than one year is estimated by discounting (8%) the future cash flows using a current rate of return.

Concentration of Credit Risk

The Foundation manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Foundation has not experienced losses in any of these accounts. The Foundation investments in equity and debt securities that are owned and administered by the Foundation and is subject to many types of risk. Investment advisors who are supervised by a Board of Directors of the Foundation manage investments and seek to minimize risk by diversification of assets. Though the market value of investments is subject to fluctuations on a year-to-year basis, the Foundation's Board of Directors believe that the investment policy is prudent for the long-term objective of the organization.

Property and Equipment

Property and equipment with a useful life of more than one year and costing at least \$2,000 is capitalized and recorded at cost. Depreciation is provided on a straight-line method over the estimated useful lives of the assets. Vehicles and equipment are assumed to have useful lives of three, five and ten years. No depreciation is recorded in the year of acquisition.

Income Taxes

The Foundation is exempt from federal income taxes under the provision of Section 501(c)(3) of the Internal Revenue code. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Foundation's Form 990, Return of Organization Exempt from Income Tax, for the years ending June 30, 2018, 2019 and 2020 are subject to examination by the IRS, generally for three years after they are filed.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information only in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the Foundation's audited financial statements for the year ended June 30, 2020 from which the summarized information was derived.

University of Maine Foundation
Notes to Financial Statements
June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Functional Allocation of Expenses

The cost of providing the Foundation's various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated to both programs and support services. These expenses are allocated on the basis of estimates of time and effort.

2. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents and marketable securities.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing activities of fundraising and managing endowment in support of the University of Maine. The Foundation holds restricted assets in the form of contributions receivable and long-term investments for endowment that are not available to meet current operating needs.

The Foundation operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. While the Foundation has an operating reserve of \$5,473,412 that may be used at the discretion of the Board, it is not anticipated to be used in the year ending June 30, 2021 for general expenditures. Total financial assets available for expenditure within one year as of June 30, 2021 are as follows:

Cash and cash equivalents	\$ 1,651,130
Short-term investments	4,432,250
Long-term investments, endowment	
Board designated administrative fee for FY22 budget	2,839,165
Unrestricted funds	<u>2,512,316</u>
Total financial assets available for expenditure within one year	<u>\$11,434,861</u>

University of Maine Foundation
Notes to Financial Statements
June 30, 2021

3. PROMISES TO GIVE

Unconditional promises to give are recorded in the financial statements as promises to give in the year the promise is received. Promises to give exceeding one year are recorded at the present value of the future cash flows using a discount rate (8%) based on a current rate of return.

Promises to give as of June 30, 2021 are expected to be realized in the following periods, on a calendar year basis:

Within one year	\$ 7,894,666
Between one to five years	1,306,746
Over five years	<u>31,700</u>
Total	9,233,112
Less discounts to present value	(729,480)
Less allowance for uncollectible pledges	<u>(140,000)</u>
Net unconditional promises to give	<u>\$8,363,632</u>

The Foundation may receive conditional promises to give from bequests and revocable trusts. At this time, the University of Maine Foundation may not have been notified as such or provided with the financial information and, therefore, amounts expected to be received from these promises cannot be accurately estimated.

4. CASH SURRENDER VALUE OF LIFE INSURANCE

The Foundation owns life insurance policies on the lives of certain donors. The cash surrender value (value of the policies if they were cancelled as of the statement of financial position date) as of June 30, 2021 was \$187,947 and the total death benefit due to the Foundation upon the deaths of those insured for was \$1,338,840.

5. LONG-TERM INVESTMENTS, ENDOWMENT

The Foundation manages an investment pool of approximately 1,900 endowed and quasi-endowed funds on a unitized basis monthly. Most donor restricted funds support the University of Maine or organizations supporting the University or its students. However, \$5,144,930 of the funds with donor restrictions are designated for other charitable purposes.

The Foundation has established a specific set of investment objectives and guidelines for investment managers that attempt to provide a predictable stream of income while seeking to maintain the purchasing power of the endowment assets over the long-term. The investment policy establishes an achievable return objective and seeks to manage risk through diversification of asset classes. The current long-term return objective is to return 7.25%. Actual returns in any given year may vary from this amount.

University of Maine Foundation
Notes to Financial Statements
June 30, 2021

5. LONG-TERM INVESTMENTS, ENDOWMENT (CONTINUED)

Long-term investments, endowment as of June 30, 2021 were categorized as follows:

	Without Donor Restriction	With Donor Restrictions	Total
Board-designated Unrestricted funds	\$2,574,074	-	\$2,574,074
Donor-restricted	2,622,358	-	2,622,358
Original amount required to be maintained in perpetuity	-	181,868,298	181,868,298
Accumulated investment gains		118,993,215	118,993,215
Custodial funds	3,998,249	-	3,998,249
 Total funds	 \$9,194,681	 \$300,861,513	 \$310,056,194

Changes in Endowment net assets for the year ended June 30, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$7,163,180	\$220,953,699	\$228,116,879
Investment return, net	2,267,821	73,165,504	75,433,325
Contributions/additions	255,174	16,580,435	16,835,609
Distributions pursuant to spending policy	-	(6,720,682)	(6,720,682)
Foundation administrative fee	(80,446)	(2,608,814)	(2,689,260)
Other distributions	(411,048)	(508,629)	(919,677)
Total long-term investments, endowment	\$9,194,681	\$300,861,513	\$310,056,194

Endowment Spending Policy

The Foundation utilizes a spending policy for its pooled endowment in order to provide for the current and long-term needs of endowment recipients. The spending policy determines the endowment income to be distributed. For fiscal year beginning July 1, 2020, the Foundation Board approved a spending policy with a target spending rate of 4.5% consisting of a 3.25% distribution to the University and 1.25% administrative fee. Distributions are calculated as of September 30 of the previous year based on trailing twelve quarter average market value of the endowment pool.

Endowment spending is contingent upon a fund's market value exceeding its historic dollar value (principal). In accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA), a prudent expenditure may be allowed unless the donor has explicitly prohibited expenditure of principal.

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 requires the Foundation to retain as a fund of perpetual duration. There were no deficiencies of this nature at June 30, 2021.

University of Maine Foundation
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6. LONG-TERM INVESTMENTS, LIFE INCOME PLANS

The Foundation manages two Pooled Life Income Funds and a Charitable Gift Annuity program. Life Income Plans provide an income stream to the donor or the donor's designee (income beneficiary) with the Foundation receiving the assets of the plan upon the death of the income beneficiary.

Life Income Plans as of June 30, 2021 were categorized as follows:

Pooled Life Income Fund #1 (Growth)	\$ 837,606
Pooled Life Income Fund #2 (Income)	217,898
Charitable Gift Annuities	<u>4,817,175</u>
 Total long-term investments, life income plans	 <u>\$ 5,872,679</u>

The following summarizes the life income plan activity for the year ended June 30, 2021:

	Without Donor Restriction	With Donor Restrictions
Life income plans July 1, 2020	\$ -	\$4,817,714
Investment return (loss), net	362,134	1,001,128
Contributions/additions	-	289,142
Foundation administrative fees	(44,589)	
Distributions	(317,545)	-
Transfers due to terminations	-	(235,305)
	\$ -	\$5,872,679

7. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. A fair value hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Foundation. Unobservable inputs reflect assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

University of Maine Foundation
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7. FAIR VALUE MEASUREMENTS (CONTINUED)

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

A significant portion of our investment assets are classified within Level 1 because they comprise open-end mutual funds with readily determinable fair values based on daily redemption values. We may invest in some CDs traded in the financial markets. Those CDs and U.S. government obligations are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions, and are classified within Level 2. The fair values of beneficial interests in charitable gift annuities and perpetual trusts are determined by us using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets and are based on the fair values of trust investments as reported by the trustees. These are considered to be Level 3 measurements.

We use net asset value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital, as a practical expedient to estimate the fair values of certain hedge funds, private equity funds, funds of funds, and limited partnerships, which do not have readily determinable fair values. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy.

Information related to the Foundation's short-term investments as of June 30, 2021 measured at fair value on a recurring basis is as follows:

	Fair Value Measurements at Reporting Date Using				Liquidity
	Level 1	Level 2	Level 3	Total	
Short-term investments					
Money Market	\$ 18,745,889	\$ -	\$ -	\$ 18,745,889	Daily
Certificates of Deposit	2,733,456	-	-	2,733,456	Daily
Bonds	3,650,873			3,650,873	Daily
Total short-term investments	<u>\$25,130,218</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$25,130,218</u>	

University of Maine Foundation
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7. FAIR VALUE MEASUREMENTS (CONTINUED)

Information related to the Foundation's long-term investments, endowment at June 30, 2021 measured at fair value on a recurring basis is as follows:

	Fair Value Measurements at Reporting Date Using					Liquidity
	NAV	Level 1	Level 2	Level 3	Total	
Long-term investments, endowment						
U.S. equities:						
Small cap	\$ -	\$ 11,775,195	\$ -	\$ -	\$ 11,775,195	Daily
Blend	-	3,465,674	-	-	3,465,674	Daily
Large cap	69,310,604	-	-	-	69,310,604	Daily
Blend	12,231,364	-	-	-	12,231,364	Monthly
Total U.S. equities	81,541,968	15,240,869	-	-	96,782,837	
Non U.S. equities:						
Other developed	-	18,467,443	-	-	18,467,443	Daily
Emerging market	-	16,995,070	-	-	16,995,070	Daily
Other developed	19,631,815	-	-	-	19,631,815	Monthly
Emerging market	5,424,157	-	-	-	5,424,157	Quarterly
Total non U.S. equities	25,055,972	35,462,513	-	-	60,518,485	
Global Equities	14,601,062	-	-	-	14,601,062	Monthly
Global Equities	27,306,720	-	-	-	27,306,720	Quarterly
Total Global Equities	41,907,782	-	-	-	41,907,782	
U.S. fixed income:						
TIPS	-	7,813,735	-	-	7,813,735	Daily
Treasuries	-	27,547,601	-	-	27,547,601	Daily
Total U.S. fixed income	-	35,361,336	-	-	35,361,336	
Private Investments						
Venture capital	23,581,297	-	-	-	23,581,297	Illiquid
Secondaries	11,949,268	-	-	-	11,949,268	Illiquid
Buyout	630,277	-	-	-	630,277	Illiquid
Total private investments	36,160,842	-	-	-	36,160,842	
Alternative investments:						
Hedge funds						
Global long/short	4,576,131	-	-	-	4,576,131	Monthly
Global long/short	4,355,749	-	-	-	4,355,749	Quarterly
Credit-oriented	5,695,609	-	-	-	5,695,609	Quarterly
Multi-strategy	7,574,767	-	-	-	7,574,767	Semi-annually
Event-driven	9,566,954	-	-	-	9,566,954	Quarterly
Event-driven	7,468,437	-	-	-	7,468,437	Annually
Total hedge funds	39,237,647	-	-	-	39,237,647	
Cash	-	87,265	-	-	87,265	Daily
Total long term investments, endowment	\$ 223,904,211	\$86,151,983	\$ -	\$ -	\$310,056,194	

University of Maine Foundation
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June 30, 2021

7. FAIR VALUE MEASUREMENTS (CONTINUED)

Information related to the Foundation's long-term investments, life income plans at June 30, 2021 measured at fair value on a recurring basis is as follows:

	Fair Value Measurements at Reporting Date Using					Liquidity
	NAV	Level 1	Level 2	Level 3	Total	
Long-term investments, life income plans						
U.S. equities:						
Small cap	\$ -	\$ 182,558	\$ -	\$ -	\$ 182,558	Daily
Large cap index	-	317,393	-	-	317,393	Daily
Blend	-	53,730	-	-	53,730	Daily
Large cap	1,074,564	-	-	-	1,074,564	Daily
Blend	189,630	-	-	-	189,630	Monthly
Total U.S. equities	1,264,194	553,681	-	-	1,817,875	
Non U.S. equities:						
Other developed	-	286,312	-	-	286,312	Daily
Emerging market	-	263,484	-	-	263,484	Daily
Other developed	304,364	-	-	-	304,364	Monthly
Emerging market	84,094	-	-	-	84,094	Quarterly
Total non U.S. equities	388,458	549,796	-	-	938,254	
Global Equities:	226,369	-	-	-	226,369	Monthly
Global Equities	423,352	-	-	-	423,352	Quarterly
Total Global Equities	649,721	-	-	-	649,721	
U.S. fixed income:						
TIPS	-	121,141	-	-	121,141	Daily
Treasuries	-	477,770	-	-	477,770	Daily
Investment grade	-	518,248	-	-	518,248	Daily
High yield	-	116,369	-	-	116,369	Daily
Total U.S. fixed income	-	1,233,528	-	-	1,233,528	
Global Real Estate	-	42,061	-	-	42,061	Daily
Private Investments:						
Venture capital	365,595	-	-	-	365,595	Illiquid
Secondaries	185,257	-	-	-	185,257	Illiquid
Buyout	9,772	-	-	-	9,772	Illiquid
Total private investments	560,624	-	-	-	560,624	
Alternative investments:						
Hedge funds						
Global long/short	70,946	-	-	-	70,946	Monthly
Global long/short	67,530	-	-	-	67,530	Quarterly
Credit-oriented	88,302	-	-	-	88,302	Quarterly
Multi-strategy	117,436	-	-	-	117,436	Semi-annually
Event-driven	148,322	-	-	-	148,322	Quarterly
Event-driven	115,788	-	-	-	115,788	Annually
Total hedge funds	608,324	-	-	-	608,324	
Cash	-	22,292	-	-	22,292	Daily
Total long term investments, life income plans	\$3,471,321	\$2,401,358	\$ -	\$ -	\$5,872,679	

University of Maine Foundation
Notes to Financial Statements
June 30, 2021

7. FAIR VALUE MEASUREMENTS (CONTINUED)

Long-term investments measured at net asset value (NAV) per share, or its equivalent for the year ended June 30, 2021:

Investments, July 1, 2020	\$ 133,116,589
Purchases/contributions of investments	62,464,120
Investment return, net	55,350,393
Distributions/Redemptions	<u>(23,555,570)</u>
Investments, June 30, 2021	<u>\$227,375,532</u>

8. NOTES RECEIVABLE

Notes receivable would be considered past due if more than thirty days late. At June 30, 2021 all notes receivable are current. Notes receivable consist of the following:

Note receivable with University of Maine; due in biannual installments of \$7,284 including interest at 4.25%; unsecured. Matures November 2022.	<u>\$20,954</u>
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9. IRREVOCABLE TRUSTS

The Foundation has a beneficiary interest in various charitable trusts. Irrevocable trusts as of June 30, 2021 consist of the following:

Beneficiary interests in:	
Charitable remainder trusts	\$ 4,316,151
Charitable lead trusts	1,824,767
Perpetual trusts	<u>1,521,283</u>
Total beneficiary interest in irrevocable trusts	<u>\$ 7,662,201</u>

Unrealized gains of \$1,153,249 are reported in other revenue, gains on the statement of activities. Terminated trusts and trust payments of \$284,834 were received during the year ended June 30, 2021.

10. NET ASSETS

Net assets without donor restrictions are as follows:

Undesignated	\$ 5,027,702
Board designated	2,889,956
Custodial funds	3,998,249
Buildings, equipment and other assets	<u>3,498,329</u>
Total net assets without donor restrictions	<u>\$15,414,236</u>

University of Maine Foundation
Notes to Financial Statements
June 30, 2021

10. NET ASSETS (CONTINUED)

Net assets with donor restrictions are restricted as follows:

Subject to expenditure for specific purpose:
Short term investments

Engineering building construction	\$ 15,222,975
Other University Support	3,823,288
Non-University support	<u>68,516</u>
	<u>19,114,779</u>

Subject to the passage of time:

Life income plans and life insurance	4,313,500
Split interest agreements	6,470,918
Promises to give	<u>7,941,432</u>
	<u>18,725,850</u>

Endowments:

Scholarship support	194,254,268
Non-scholarship support	106,555,961
Promises to give	<u>420,918</u>
	<u>301,231,147</u>

Not subject to expenditure:

Beneficial interest in perpetual trusts	1,521,283
Donated real estate	<u>4,839,524</u>
	<u>6,360,807</u>

Total net assets with donor restrictions	<u><u>\$345,432,583</u></u>
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11. ADVANCEMENT SERVICES AGREEMENT

The Foundation has an agreement with the University of Maine System (UMS) to include all fundraising activities for the University of Maine. Per the agreement, the University agreed to pay an annual fee of \$2,927,924 (due by July 31) plus an amount equal to 1% market value of endowments managed by UMS for the University of Maine, \$756,451 for the fiscal year ended June 30, 2021 (due by September 30). The agreement continues year to year for three-year terms unless canceled by either party with written notice at which point the agreement would enter a final three-year term.

12. ACCRUED EXPENSES

Accrued expenses of the Foundation at June 30, 2021 consist of the following:

Durst education fund	\$ 10,731
Post-retirement benefits (total estimated future benefits of \$544,109 discounted to present value at 8%)	292,466
Deferred compensation liability	105,648
Payroll related	516,827
Other	<u>1,496</u>
Total accrued expenses	<u><u>\$927,168</u></u>

University of Maine Foundation
Notes to Financial Statements
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12. ACCRUED EXPENSES (CONTINUED)

The Foundation has a Supplemental Executive Retirement Plan (SERP) for the purpose of providing supplemental retirement benefits to a select group of management or highly compensated employees. The Foundation intends to contribute to the 457(b) Plan the maximum amount allowed by the Internal Revenue Code for the applicable calendar year, and credit required amounts to unfunded SERP accounts, an aggregate amount equal to two times the career average base salary. Interest is to accrue on unfunded credits based on the prime rate reported in The Wall Street Journal.

Contributions and credits under the current plan shall continue until the first to occur of: (a) December 31, 2028; or (b) separation from service. Distributions of vested benefits shall be paid based on the following vesting schedules as of June 30, 2021:

<u>Date</u>	<u>Amount Due</u>
December 31, 2023	\$ 16,429
June 30, 2025	251,994
December 31, 2028	81,478

The deferred compensation liability under this plan was estimated at \$105,648 as of June 30, 2021 and is included in accrued expenses.

13. NOTE PAYABLE

The Foundation received \$718,600 from Bangor Savings Bank on April 17, 2020 as part of the Small Business Association Paycheck Protection Program (PPP). During the year ended June 30, 2021 this note was forgiven, and the loan amount was recorded as a gain from extinguishment of debt – Payroll Protection Program.

14. OPERATING LEASE

The Foundation maintains a lease with the University of Maine for office space in Falmouth with options to renew for each year. The lease terms require semi-annual payments plus a pro rata share of telephone, internet, and janitorial services. Total lease payments were \$13,500 for the years ended June 30, 2021 and 2020. The minimum future payment under this non-cancelable lease for the year ended June 30, 2022 is \$13,500.

15. DEFINED CONTRIBUTION PLAN

The Foundation sponsors a defined contribution plan covering all full-time and regular part-time employees after completing one full year of service. The Foundation contributes 10% of eligible employees' gross salary to the plan each year. Pension expense that is reported in the schedule of functional expenses with payroll taxes and fringe benefits totaled \$315,277 for the year ended June 30, 2021

University of Maine Foundation
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16. BUCHANAN ALUMNI HOUSE

On October 19, 1999, the University of Maine Foundation and the University of Maine Alumni Association entered into an agreement as co-owners of the Buchanan Alumni House Buchanan Alumni House which was constructed solely from private funds. The owners did not create a partnership and each owns an undivided half interest in the building and land lease with a net asset value of \$2,662,346 at June 30, 2021

The Buchanan Alumni House provides office space for the Foundation and the Association to conduct their respective charitable and non-profit missions and serves campus visitors providing the University with function space to welcome and host alumni, prospective students, faculty, campus guests, and visiting dignitaries.

The Foundation and the Association, as the owners of Buchanan Alumni House, each paid \$16,667 and \$8,250 per month, respectively toward the costs of operating the facility for the year ended June 30, 2021

17. STATEMENT OF CASH FLOWS DISCLOSURES

During the year ended June 30, 2021, the Foundation received non-cash contributions of investment securities totaling \$1,770,268, land valued at \$108,400, other assets valued at \$12,000 and a life insurance policy with a cash surrender value of \$17,742.

18. COMMITMENTS

The Foundation committed an aggregate of \$48,900,000 with \$24,306,729 of committed capital to private investment funds. As of June 30, 2021, the remaining unfunded commitments to those funds were \$24,593,271. To the extent the Foundation has unfunded capital commitments to funds, the Foundation will be required to make additional capital contributions on an "as needed" basis.

19. SUBSEQUENT EVENTS

Subsequent events were evaluated through November 5, 2021, which is the date the financial statements were available to be issued, and has determined that there were no material subsequent events requiring adjustments to or disclosure in the financial statements, other than noted above.