



University of Maine Foundation

FINANCIAL STATEMENTS

December 31, 2023 and 2022

With Independent Auditor's Report



UNIVERSITY OF MAINE FOUNDATION

Financial Statements

December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
University of Maine Foundation

Opinion

We have audited the accompanying financial statements of University of Maine Foundation (the Foundation), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

Berry Dunn McNeil & Parker, LLC

Bangor, Maine
September 26, 2024

UNIVERSITY OF MAINE FOUNDATION

Statements of Financial Position

December 31, 2023 and 2022

ASSETS

	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents	\$ 4,741,158	\$ 4,830,904
Promises to give, net	5,462,349	3,725,634
Short-term investments	18,664,280	12,970,975
Cash surrender value of life insurance policies	207,573	243,714
Long-term investments, endowment	340,868,093	283,941,621
Long-term investments, life income plans	5,929,282	5,169,887
Equity in Buchanan Alumni House	2,551,203	2,582,166
Investment real estate	5,449,702	5,558,422
Property and equipment, net of accumulated depreciation of \$328,866 and \$279,759	141,593	127,717
Other assets	1,155,216	593,643
Split-interest agreements	<u>5,410,686</u>	<u>6,490,622</u>
 Total assets	 <u>\$ 390,581,135</u>	 <u>\$ 326,235,305</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable, trade	\$ 2,835,340	\$ 693,572
Liabilities under split-interest agreements	2,138,025	2,038,483
Accrued expenses	1,284,582	1,170,131
Deferred revenue	1,946,790	1,891,002
Custodial accounts payable	<u>3,870,908</u>	<u>3,569,399</u>
 Total liabilities	 <u>12,075,645</u>	 <u>9,362,587</u>
Net assets		
Without donor restrictions	18,109,661	16,973,472
With donor restrictions	<u>360,395,829</u>	<u>299,899,246</u>
 Total net assets	 <u>378,505,490</u>	 <u>316,872,718</u>
 Total liabilities and net assets	 <u>\$ 390,581,135</u>	 <u>\$ 326,235,305</u>

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

UNIVERSITY OF MAINE FOUNDATION

Statement of Activities

Year Ended December 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue, gains, and other support			
Contributions	\$ 8,724,337	\$ 39,042,963	\$ 47,767,300
Contributions of nonfinancial assets	500	-	500
Net investment return	1,623,908	39,332,132	40,956,040
Net investment return, life income plans	323,236	349,832	673,068
Advancement services revenue	3,837,796	-	3,837,796
Other revenue and gains	6,355	208,083	214,438
Net assets released from restrictions pursuant to endowment spending distribution	7,813,864	(7,813,864)	-
Net assets released from restrictions - other	<u>10,622,563</u>	<u>(10,622,563)</u>	<u>-</u>
Total revenues, gains, and other support	<u>32,952,559</u>	<u>60,496,583</u>	<u>93,449,142</u>
Expenses			
Program services	26,733,956	-	26,733,956
Management and general	1,218,119	-	1,218,119
Fundraising	<u>3,864,295</u>	<u>-</u>	<u>3,864,295</u>
Total expenses	<u>31,816,370</u>	<u>-</u>	<u>31,816,370</u>
Change in net assets	1,136,189	60,496,583	61,632,772
Net assets, beginning of year	<u>16,973,472</u>	<u>299,899,246</u>	<u>316,872,718</u>
Net assets, end of year	<u>\$ 18,109,661</u>	<u>\$ 360,395,829</u>	<u>\$ 378,505,490</u>

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

UNIVERSITY OF MAINE FOUNDATION

Statement of Activities

Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue, gains (losses), and other support			
Contributions	\$ 7,025,468	\$ 17,931,383	\$ 24,956,851
Contributions of nonfinancial assets	19,218	-	19,218
Net investment loss, endowment	(1,279,887)	(47,200,971)	(48,480,858)
Net investment return (loss), life income plans	299,534	(1,304,965)	(1,005,431)
Advancement services revenue	3,745,055	-	3,745,055
Other losses	(4,033)	(587,022)	(591,055)
Net assets released from restrictions pursuant to endowment spending distribution	7,163,103	(7,163,103)	-
Net assets released from restrictions - other	<u>26,229,860</u>	<u>(26,229,860)</u>	<u>-</u>
Total revenues, gains (losses), and other support	<u>43,198,318</u>	<u>(64,554,538)</u>	<u>(21,356,220)</u>
Expenses			
Program services	38,823,313	-	38,823,313
Management and general	1,306,512	-	1,306,512
Fundraising	<u>3,575,227</u>	<u>-</u>	<u>3,575,227</u>
Total expenses	<u>43,705,052</u>	<u>-</u>	<u>43,705,052</u>
Change in net assets	(506,734)	(64,554,538)	(65,061,272)
Net assets, beginning of year	<u>17,480,206</u>	<u>364,453,784</u>	<u>381,933,990</u>
Net assets, end of year	<u>\$ 16,973,472</u>	<u>\$ 299,899,246</u>	<u>\$ 316,872,718</u>

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

UNIVERSITY OF MAINE FOUNDATION

Statement of Functional Expenses

Year Ended December 31, 2023

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries	\$ 950,287	\$ 591,480	\$ 2,251,190	\$ 3,792,957
Payroll taxes and employee benefits	<u>310,107</u>	<u>198,468</u>	<u>731,851</u>	<u>1,240,426</u>
Total compensation	1,260,394	789,948	2,983,041	5,033,383
Distributions in support of the University of Maine (University)	17,733,212	-	-	17,733,212
Gifts transferred to the University	6,967,792	-	-	6,967,792
Distributions to life income participants	323,236	-	-	323,236
Distributions, other	143,780	-	-	143,780
Fundraising and donor relations	-	-	160,176	160,176
Equity in earnings of Buchanan Alumni House	-	30,963	-	30,963
Post-retirement expense	-	31,395	-	31,395
Deferred compensation expense	-	127,601	-	127,601
Occupancy costs	57,645	36,893	136,042	230,580
Insurance	16,745	10,717	39,519	66,981
Postage	16,493	10,556	38,924	65,973
Printing	24,996	15,997	58,989	99,982
Depreciation	12,277	7,857	28,973	49,107
Dues and subscriptions	11,779	7,539	27,799	47,117
Advertising and public relations	8,856	5,668	20,900	35,424
Telephone and internet	4,992	3,194	11,779	19,965
Professional services	-	42,666	-	42,666
Miscellaneous	2,430	1,555	5,735	9,720
Meetings and entertainment	2,976	1,905	7,023	11,904
Supplies	16,532	10,580	39,015	66,127
Education and training	10,482	6,709	24,739	41,930
Auto expense	1,951	1,248	4,604	7,803
Travel	35,906	22,980	84,739	143,625
Technology software, repairs, and maintenance	58,625	37,520	138,355	234,500
Property management	<u>22,857</u>	<u>14,628</u>	<u>53,943</u>	<u>91,428</u>
Total expenses	<u>\$ 26,733,956</u>	<u>\$ 1,218,119</u>	<u>\$ 3,864,295</u>	<u>\$ 31,816,370</u>

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

UNIVERSITY OF MAINE FOUNDATION

Statement of Functional Expenses

Year Ended December 31, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries	\$ 884,424	\$ 579,669	\$ 2,085,305	\$ 3,549,398
Payroll taxes and employee benefits	<u>288,740</u>	<u>189,246</u>	<u>680,795</u>	<u>1,158,781</u>
Total compensation	1,173,164	768,915	2,766,100	4,708,179
Distributions in support of the University	30,980,924	-	-	30,980,924
Gifts transferred to the University	5,964,805	-	-	5,964,805
Distributions to life income participants	299,534	-	-	299,534
Distributions, other	118,586	-	-	118,586
Fundraising and donor relations	-	-	134,087	134,087
Equity in earnings of Buchanan Alumni House	-	42,346	-	42,346
Post-retirement expense	-	169,149	-	169,149
Deferred compensation expense	-	86,537	-	86,537
Occupancy costs	56,767	37,206	133,846	227,819
Insurance	14,915	9,776	35,168	59,859
Postage	17,805	11,670	41,981	71,456
Printing	30,697	20,120	72,379	123,196
Depreciation	11,893	7,795	28,041	47,729
Dues and subscriptions	8,677	5,687	20,459	34,823
Advertising and public relations	8,569	5,616	20,203	34,388
Telephone and internet	5,644	3,699	13,306	22,649
Professional services	-	51,919	-	51,919
Miscellaneous	3,308	2,168	7,800	13,276
Meetings and entertainment	2,523	1,653	5,948	10,124
Supplies	17,153	11,242	40,443	68,838
Education and training	9,087	5,956	21,425	36,468
Auto expense	2,220	1,455	5,234	8,909
Travel	28,202	18,484	66,495	113,181
Technology software, repairs, and maintenance	53,319	34,946	125,715	213,980
Property management	<u>15,521</u>	<u>10,173</u>	<u>36,597</u>	<u>62,291</u>
Total expenses	<u>\$ 38,823,313</u>	<u>\$ 1,306,512</u>	<u>\$ 3,575,227</u>	<u>\$ 43,705,052</u>

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

UNIVERSITY OF MAINE FOUNDATION

Statements of Cash Flows

Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ 61,632,772	\$(65,061,272)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	49,107	47,729
Net realized loss on sale of assets	3,239	2,705
Equity adjustment in the earnings of Buchanan Alumni House	30,963	42,346
Decrease (increase) in cash surrender value of life insurance policies	15,937	(8,790)
Noncash contributions	(5,382,987)	(1,242,569)
Net realized and unrealized (gains) losses on investments	(39,360,166)	52,097,000
Contributions restricted for endowments	(8,847,428)	(8,757,947)
(Increase) decrease in promises to give	(1,736,715)	577,053
Change in operating assets liabilities		
Other assets	(564,703)	(33,805)
Accounts payable	2,141,768	(1,113,885)
Liabilities under split-interest agreements	99,542	169,815
Accrued expenses	114,451	182,358
Deferred revenue	55,788	33,949
Custodial accounts payable	<u>301,509</u>	<u>(546,472)</u>
Net cash provided (used) by operating activities	<u>8,553,077</u>	<u>(23,611,785)</u>
Cash flows from investing activities		
Proceeds from sales and maturation of investments	77,189,461	45,430,084
Purchase of investments	(94,422,808)	(29,536,900)
Purchase of property and equipment	(62,983)	(44,490)
Purchase of real estate	-	(47,024)
Principal payments on note receivable	-	20,954
Proceeds from the sale of other assets	391	6,354
Proceeds from sale of real estate	108,720	5,050
Proceeds from cash surrender of life insurance policy	<u>20,204</u>	<u>22,447</u>
Net cash (used) provided by investing activities	<u>(17,167,015)</u>	<u>15,856,475</u>
Cash flows from financing activities		
Collections of contributions restricted for endowments	8,847,428	8,757,947
Payments to beneficiaries of split-interest agreements	<u>(323,236)</u>	<u>(299,534)</u>
Net cash provided by financing activities	<u>8,524,192</u>	<u>8,458,413</u>
Net change in cash and cash equivalents	(89,746)	703,103
Cash and cash equivalents, beginning of year	<u>4,830,904</u>	<u>4,127,801</u>
Cash and cash equivalents, end of year	<u>\$ 4,741,158</u>	<u>\$ 4,830,904</u>

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

UNIVERSITY OF MAINE FOUNDATION

Notes to Financial Statements

December 31, 2023 and 2022

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities

University of Maine Foundation (the Foundation) was founded in 1934 and assists in the development activities of the University of Maine (the University) 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 10). During the years ended December 31, 2023 and 2022, \$3,482,807 and \$3,024,127, respectively, were charged to the endowment pool for operations.

The Foundation received approximately 33% of total contributions from one donor in 2023. There were no significant concentrations in 2022.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) 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 basic financial statements on the accrual basis of accounting; consequently, revenues and gains, and other support 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 (CDs), 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 short-term investments and long-term investments.

Artwork

Various artwork valued at \$212,517 and a Hummel collection valued at \$133,510 donated to the Foundation have been capitalized as of December 31, 2023 and 2022. Capitalized items are valued based on appraised or market value as of the date of gift, and included with other assets on the statements of financial position. Gains and losses on the sale of artwork are reported in other revenue and gains (losses) on the statements of activities, and are restricted according to donor direction.

UNIVERSITY OF MAINE FOUNDATION

Notes to Financial Statements

December 31, 2023 and 2022

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Recently Adopted Accounting Pronouncement

Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, and related guidance as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost. The adoption of Topic 326 during the year ended December 31, 2023 did not have a material impact on the financial statements of the Foundation since there are no financial assets that are measured at amortized cost.

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 statements 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.

Investment Real Estate

Investment real estate consists of donated assets recorded at the fair value as of the date of the 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 and gains (losses) in the statements 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.

UNIVERSITY OF MAINE FOUNDATION

Notes to Financial Statements

December 31, 2023 and 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The Foundation has applied the accounting guidance in FASB Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, 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. The significant investment types carried at fair value based on NAV are as follows:

- Marketable equities consist of investment funds holding U.S. and non-U.S. stocks.
- 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 private equity and venture capital investments, while valued at NAV, are illiquid and not redeemable. The investments are often in the form of limited partnership interests or minority positions in direct private equity investments. Private investments measured at NAV typically have an investment life of 10-15 years receiving capital over the first half of the life of the fund and distributing capital to investors over the remaining life of the fund as companies are sold.

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 endowment. 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 income is reflected in the statements 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, bonds, and equity. Short-term investments consist of funds with donor restrictions and operating reserve funds.

UNIVERSITY OF MAINE FOUNDATION

Notes to Financial Statements

December 31, 2023 and 2022

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 the Foundation, 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 the Foundation as the beneficiary of the trust, the Foundation records the assets placed the trust at fair value, with an equal and offsetting liability until such time that the Foundation receives 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 of 5%, and included in liabilities under split-interest agreements in the statements of financial position.

Under charitable gift annuity contracts, the Foundation receives immediate and unrestricted title to contributed assets and agrees 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.

UNIVERSITY OF MAINE FOUNDATION

Notes to Financial Statements

December 31, 2023 and 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments

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

Cash, cash equivalents, and promises to give – The carrying values reported in the statements of financial position approximate fair values because of the short maturity of those instruments.

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

Life income plans – The fair values are based on quoted market prices. Investments without an active market are based on NAV as provided by fund managers.

Irrevocable trusts – The trustees provide the values based upon their records. Generally, the fair values are of investments based on quoted market prices.

Concentration of Credit Risk

The Foundation has significant investments in equity and debt securities that are owned and administered by the Foundation and is subject to many types of risk which may impact the Foundation's investments. Investment advisors who are supervised by a Board of Directors (the Board) 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 believe that the investment policy is prudent for the long-term objective of the Foundation.

Property and Equipment

Property and equipment with a useful life of more than one year and a cost of at least \$2,000 is capitalized and recorded at historical 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.

Income Taxes

The Foundation is exempt from 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 is subject to income-tax examinations by the U.S. federal or state tax authorities for the years ended after June 30, 2021.

UNIVERSITY OF MAINE FOUNDATION

Notes to Financial Statements

December 31, 2023 and 2022

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)**

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 statements 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. The Foundation holds restricted assets in the form of promises to give and long-term investments for endowment that are not available to meet current operating needs.

UNIVERSITY OF MAINE FOUNDATION

Notes to Financial Statements

December 31, 2023 and 2022

2. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (CONCLUDED)

The Foundation seeks to operate with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Total financial assets available for expenditure within one year as of December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 4,741,158	\$ 4,830,904
Short-term investments	4,485,457	3,107,808
Long-term investments, endowment		
Board-designated administrative fee for budget	3,629,054	3,380,539
Unrestricted funds	<u>2,397,888</u>	<u>2,121,054</u>
 Total financial assets available for expenditure within one year	 <u>\$ 15,253,557</u>	 <u>\$ 13,440,305</u>

3. PROMISES TO GIVE

Unconditional promises to give are recorded in the financial statements 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 of 6% based on a current rate of return. Promises to give are adjusted to an estimated fair value each year, through updated present value risk-adjusted discount rates. Discount amortization is included in contributions revenue.

Promises to give as of December 31, 2023 and 2022 are expected to be collected in the following periods, on a calendar year basis:

	<u>2023</u>	<u>2022</u>
Within one year	\$ 2,704,706	\$ 1,959,869
Between one to five years	3,184,687	1,972,865
Over five years	<u>10,500</u>	<u>21,100</u>
 Total	 <u>5,899,893</u>	 <u>3,953,834</u>
 Less discounts to present value	 (377,544)	 (188,200)
Less allowance for uncollectible pledges	<u>(60,000)</u>	<u>(40,000)</u>
 Net unconditional promises to give	 <u>\$ 5,462,349</u>	 <u>\$ 3,725,634</u>

The Foundation may receive conditional promises to give from bequests and revocable trusts. At this time, the 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.

UNIVERSITY OF MAINE FOUNDATION

Notes to Financial Statements

December 31, 2023 and 2022

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 statements of financial position date) as of December 31, 2023 and 2022, was \$207,573 and \$243,714, respectively, and the total death benefit due to the Foundation upon the deaths of those insured for was \$1,311,248 and \$1,338,840, respectively.

5. LONG-TERM INVESTMENTS, ENDOWMENT

The Foundation manages an investment pool of approximately 1,950 endowed and quasi-endowed funds on a unitized basis monthly. Most donor restricted funds support the University or organizations supporting the University or its students. However, \$6,903,312 and \$6,108,975 of the funds with donor restrictions are designated for other charitable purposes as of December 31, 2023 and 2022, respectively.

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.

Long-term investments, endowment as of December 31, 2023 were categorized as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated	\$ 2,718,250	\$ -	\$ 2,718,250
Unrestricted funds	2,397,888	-	2,397,888
Donor-restricted			
Original amount required to be maintained in perpetuity	-	204,776,876	204,776,876
Accumulated investment gains	-	127,104,171	127,104,171
Custodial funds	<u>3,870,908</u>	<u>-</u>	<u>3,870,908</u>
Total funds	<u>\$ 8,987,046</u>	<u>\$ 331,881,047</u>	<u>\$ 340,868,093</u>

UNIVERSITY OF MAINE FOUNDATION

Notes to Financial Statements

December 31, 2023 and 2022

5. LONG-TERM INVESTMENTS, ENDOWMENT (CONTINUED)

Long-term investments, endowment as of December 31, 2022 were categorized as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated	\$ 2,115,319	\$ -	\$ 2,115,319
Unrestricted funds	2,121,054	-	2,121,054
Donor-restricted			
Original amount required to be maintained in perpetuity	-	195,583,720	195,583,720
Accumulated investment gains	-	80,552,129	80,552,129
Custodial funds	<u>3,569,399</u>	<u>-</u>	<u>3,569,399</u>
 Total funds	 <u>\$ 7,805,772</u>	 <u>\$ 276,135,849</u>	 <u>\$ 283,941,621</u>

Changes in long-term investments, endowment net assets for the year ended December 31, 2023 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance, beginning of year	\$ 7,805,772	\$ 276,135,849	\$ 283,941,621
Investment income, net	1,149,869	38,855,787	40,005,656
Contributions/additions	448,122	28,848,049	29,296,171
Distributions pursuant to spending policy	-	(7,813,864)	(7,813,864)
Foundation administrative fee	(90,383)	(3,239,404)	(3,329,787)
Other distributions	<u>(326,334)</u>	<u>(905,370)</u>	<u>(1,231,704)</u>
 Balance, end of year	 <u>\$ 8,987,046</u>	 <u>\$ 331,881,047</u>	 <u>\$ 340,868,093</u>

UNIVERSITY OF MAINE FOUNDATION

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December 31, 2023 and 2022

5. LONG-TERM INVESTMENTS, ENDOWMENT (CONCLUDED)

Changes in long-term investments, endowment net assets for the year ended December 31, 2022 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance, beginning of year	\$ 9,429,528	\$ 319,612,690	\$ 329,042,218
Investment loss, net	(1,898,466)	(47,409,674)	(49,308,140)
Contributions/additions	607,478	14,409,259	15,016,737
Distributions pursuant to spending policy	-	(7,163,103)	(7,163,103)
Foundation administrative fee	(82,148)	(2,894,689)	(2,976,837)
Other distributions	<u>(250,620)</u>	<u>(418,634)</u>	<u>(669,254)</u>
Balance, end of year	<u>\$ 7,805,772</u>	<u>\$ 276,135,849</u>	<u>\$ 283,941,621</u>

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 the year ended December 31, 2023, the Foundation's 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. Historically, distributions were calculated as of September 30 of the previous year based on trailing 12-quarter average market value of the endowment pool. For distributions after July 1, 2023, the date used for this calculation will be June 30 of the previous year.

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 deficiencies of \$8,232 at December 31, 2023 and \$630,594 at December 31, 2022. This was the result of 125 funds with historical value of \$877,839 and market value of \$869,607. The Foundation's policy does not allow for spending from underwater funds.

UNIVERSITY OF MAINE FOUNDATION

Notes to Financial Statements

December 31, 2023 and 2022

6. LONG-TERM INVESTMENTS, LIFE INCOME PLANS

The Foundation manages two pooled life income funds and a charitable gift annuities 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 December 31, 2023 and 2022 were categorized as follows:

	<u>2023</u>	<u>2022</u>
Pooled life income fund #1 (growth)	\$ 795,156	\$ 718,917
Pooled life income fund #2 (income)	219,976	184,330
Charitable gift annuities	<u>4,914,150</u>	<u>4,266,640</u>
 Total long-term investments, life income plans	 <u>\$ 5,929,282</u>	 <u>\$ 5,169,887</u>

The following summarizes the life income plan activity for the years ended December 31:

	<u>2023</u>		<u>2022</u>	
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>With Donor Restrictions</u>
Balance, beginning of year	\$ -	\$ 5,169,887	\$ -	\$ 6,453,978
Investment return (loss), net	373,735	349,832	346,591	(1,304,965)
Contributions/additions	-	418,517	-	154,783
Foundation administrative fees	(50,499)	-	(47,057)	-
Distributions	<u>(323,236)</u>	<u>(8,954)</u>	<u>(299,534)</u>	<u>(133,909)</u>
 Balance, end of year	 <u>\$ -</u>	 <u>\$ 5,929,282</u>	 <u>\$ -</u>	 <u>\$ 5,169,887</u>

7. FAIR VALUE MEASUREMENT

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:

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7. FAIR VALUE MEASUREMENT (CONTINUED)

Level 1 - Valuations based on unadjusted quotes prices in active markets for identical assets or liabilities that the Foundation 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 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.

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. The Foundation may invest in some CDs traded in the financial markets. The fair values of beneficial interests in charitable gift annuities and perpetual trusts are determined by the Foundation 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.

The Foundation uses 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.

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Notes to Financial Statements

December 31, 2023 and 2022

7. FAIR VALUE MEASUREMENT (CONTINUED)

Information related to the Foundation's short-term investments and split-interest agreements as of December 31, 2023 and 2022, measured at fair value on a recurring basis is as follows:

2023:

	Fair Value Measurements at Reporting Date Using				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>Liquidity</u>
Short-term investments					
Money market	\$ 12,704,384	\$ -	\$ -	\$ 12,704,384	Daily
Certificates of deposit	2,296,017	-	-	2,296,017	Daily
Equity	<u>3,663,879</u>	<u>-</u>	<u>-</u>	<u>3,663,879</u>	Daily
Total short-term investments	<u>\$ 18,664,280</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,664,280</u>	
Split-interest agreements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,410,686</u>	<u>\$ 5,410,686</u>	

2022:

	Fair Value Measurements at Reporting Date Using				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>Liquidity</u>
Short-term investments					
Money market	\$ 8,466,769	\$ -	\$ -	\$ 8,466,769	Daily
Certificates of deposit	3,146,444	-	-	3,146,444	Daily
Bonds	229,605	-	-	229,605	Daily
Equity	<u>1,128,157</u>	<u>-</u>	<u>-</u>	<u>1,128,157</u>	Daily
Total short-term investments	<u>\$ 12,970,975</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,970,975</u>	
Split-interest agreements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,490,622</u>	<u>\$ 6,490,622</u>	

The following summarizes the activity within the split-interest agreements for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 6,490,622	\$ 7,044,987
Additions to split-interest agreements	184,955	1,088,999
Distributions from split-interest agreements	(1,233,844)	(806,515)
Change in value of split-interest agreements	<u>(31,047)</u>	<u>(836,849)</u>
Balance, end of year	<u>\$ 5,410,686</u>	<u>\$ 6,490,622</u>

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December 31, 2023 and 2022

7. FAIR VALUE MEASUREMENT (CONTINUED)

Information related to the Foundation's long-term investments, endowment, at December 31, 2023 measured at fair value on a recurring basis is as follows:

	Fair Value Measurements at Reporting Date Using					Liquidity
	<u>NAV</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	
Long-term investments, endowment						
U.S. equities	\$ <u>81,808,871</u>	\$ <u>37,475,210</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>119,284,081</u>	Daily
Non U.S. equities	\$ <u>-</u>	\$ <u>38,617,396</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>38,617,396</u>	Daily
Non U.S. equities	<u>16,697,173</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,697,173</u>	Monthly
Non U.S. equities	<u>4,747,101</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,747,101</u>	Quarterly
Total non U.S. equities	\$ <u>21,444,274</u>	\$ <u>38,617,396</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>60,061,670</u>	
Global equities	\$ <u>12,658,178</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>12,658,178</u>	Monthly
Global equities	<u>23,486,046</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,486,046</u>	Quarterly
Total global equities	\$ <u>36,144,224</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>36,144,224</u>	
U.S. fixed income	\$ <u>-</u>	\$ <u>27,521,386</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>27,521,386</u>	Daily
Private investments	\$ <u>55,902,696</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>55,902,696</u>	Illiquid
Alternative Investments	\$ <u>5,187,062</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>5,187,062</u>	Monthly
Alternative Investments	<u>13,448,524</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,448,524</u>	Quarterly
Alternative Investments	<u>9,206,732</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,206,732</u>	Semi-annually
Total Alternative Investments	\$ <u>27,842,318</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>27,842,318</u>	
Cash	\$ <u>-</u>	\$ <u>14,111,718</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>14,111,718</u>	Daily
Total long-term investments, endowment	\$ <u>223,142,383</u>	\$ <u>117,725,710</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>340,868,093</u>	

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7. FAIR VALUE MEASUREMENT (CONTINUED)

Information related to the Foundation's long-term investments, endowment, at December 31, 2022 measured at fair value on a recurring basis is as follows:

	Fair Value Measurements at Reporting Date Using					Liquidity
	<u>NAV</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	
Long-term investments, endowment						
U.S. equities	\$ 64,749,374	\$ 12,976,215	\$ -	\$ -	\$ 77,725,589	Daily
U.S. equities	<u>6,944,625</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,944,625</u>	Monthly
Total U.S. equities	<u>\$ 71,693,999</u>	<u>\$ 12,976,215</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,670,214</u>	
Non U.S. equities	\$ -	\$ 28,250,694	\$ -	\$ -	\$ 28,250,694	Daily
Non U.S. equities	14,576,349	-	-	-	14,576,349	Monthly
Non U.S. equities	<u>4,596,177</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,596,177</u>	Quarterly
Total non U.S. equities	<u>\$ 19,172,526</u>	<u>\$ 28,250,694</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,423,220</u>	
Global equities	\$ 10,739,091	\$ -	\$ -	\$ -	\$ 10,739,091	Monthly
Global equities	<u>18,050,301</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,050,301</u>	Quarterly
Total global equities	<u>\$ 28,789,392</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,789,392</u>	
U.S. fixed income	\$ -	\$ 32,909,937	\$ -	\$ -	\$ 32,909,937	Daily
Private investments	<u>\$ 50,967,924</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,967,924</u>	Illiquid
Alternative investments	\$ 4,994,049	\$ -	\$ -	\$ -	\$ 4,994,049	Monthly
Alternative investments	11,804,420	-	-	-	11,804,420	Quarterly
Alternative investments	<u>8,556,589</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,556,589</u>	Semi-annually
Total alternative investments	<u>\$ 25,355,058</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,355,058</u>	
Cash	\$ -	\$ 13,825,876	\$ -	\$ -	\$ 13,825,876	Daily
Total long-term investments, endowment	<u>\$ 195,978,899</u>	<u>\$ 87,962,722</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 283,941,621</u>	

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December 31, 2023 and 2022

7. FAIR VALUE MEASUREMENT (CONTINUED)

Information related to the Foundation's long-term investments, life income plans, at December 31, 2023 measured at fair value on a recurring basis is as follows:

	Fair Value Measurements at Reporting Date Using					Liquidity
	<u>NAV</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	
Long-term investments, life income plans						
U.S. equities	\$ <u>1,163,432</u>	\$ <u>802,682</u>	\$ -	\$ -	\$ <u>1,966,114</u>	Daily
Non U.S. equities	\$ -	\$ <u>549,191</u>	\$ -	\$ -	\$ <u>549,191</u>	Daily
Non U.S. equities	<u>237,456</u>	-	-	-	<u>237,456</u>	Monthly
Non U.S. equities	<u>67,510</u>	-	-	-	<u>67,510</u>	Quarterly
Total Non U.S. equities	\$ <u>304,966</u>	\$ <u>549,191</u>	\$ -	\$ -	\$ <u>854,157</u>	
Global equities	\$ <u>180,016</u>	\$ -	\$ -	\$ -	\$ <u>180,016</u>	Monthly
Global equities	<u>334,003</u>	-	-	-	<u>334,003</u>	Quarterly
Total global equities	\$ <u>514,019</u>	\$ -	\$ -	\$ -	\$ <u>514,019</u>	
U.S. fixed income	\$ -	\$ <u>1,052,403</u>	\$ -	\$ -	\$ <u>1,052,403</u>	Daily
Global real estate	\$ -	\$ <u>40,511</u>	\$ -	\$ -	\$ <u>40,511</u>	Daily
Private investments	\$ <u>795,011</u>	\$ -	\$ -	\$ -	\$ <u>795,011</u>	Illiquid
Alternative investments	\$ <u>73,767</u>	\$ -	\$ -	\$ -	\$ <u>73,767</u>	Monthly
Alternative investments	<u>191,256</u>	-	-	-	<u>191,256</u>	Quarterly
Alternative investments	<u>130,932</u>	-	-	-	<u>130,932</u>	Semi-annually
Total alternative investments	\$ <u>395,955</u>	\$ -	\$ -	\$ -	\$ <u>395,955</u>	
Cash	\$ -	\$ <u>311,112</u>	\$ -	\$ -	\$ <u>311,112</u>	Daily
Total long-term investments, life income plans	\$ <u><u>3,173,383</u></u>	\$ <u><u>2,755,899</u></u>	\$ -	\$ -	\$ <u><u>5,929,282</u></u>	

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December 31, 2023 and 2022

7. FAIR VALUE MEASUREMENT (CONTINUED)

Information related to the Foundation's long-term investments, life income plans, at December 31, 2022 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	\$ 959,193	\$ 459,413	\$ -	\$ -	\$ 1,418,606	Daily
U.S. equities	<u>102,877</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>102,877</u>	Monthly
Total U.S. equities	<u>\$ 1,062,070</u>	<u>\$ 459,413</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,521,483</u>	
Non U.S. equities	\$ -	\$ 418,504	\$ -	\$ -	\$ 418,504	Daily
Non U.S. equities	215,933	-	-	-	215,933	Monthly
Non U.S. equities	<u>68,087</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>68,087</u>	Quarterly
Non U.S. equities	<u>\$ 284,020</u>	<u>\$ 418,504</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 702,524</u>	
Global equities	\$ 159,088	\$ -	\$ -	\$ -	\$ 159,088	Monthly
Global equities	<u>267,396</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>267,396</u>	Quarterly
Total global equities	<u>\$ 426,484</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 426,484</u>	
U.S. fixed income	\$ -	\$ 1,080,109	\$ -	\$ -	\$ 1,080,109	Daily
Global real estate	\$ -	\$ 35,209	\$ -	\$ -	\$ 35,209	Daily
Private investments	\$ 755,036	\$ -	\$ -	\$ -	\$ 755,036	Illiquid
Alternative investments	\$ 73,982	\$ -	\$ -	\$ -	\$ 73,982	Monthly
Alternative investments	174,870	-	-	-	174,870	Quarterly
Alternative investments	<u>126,757</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>126,757</u>	Semi-annually
Total alternative investments	<u>\$ 375,609</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 375,609</u>	
Cash	\$ -	\$ 273,433	\$ -	\$ -	\$ 273,433	Daily
Total long-term investments, life income plans	<u>\$ 2,903,219</u>	<u>\$ 2,266,668</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,169,887</u>	

The following summarizes the activity of long-term investments measured at NAV per share, or its equivalent, for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Balance, January 1	\$ 198,882,118	\$ 254,397,622
Purchases/contributions of investments	6,618,495	9,349,424
Investment gain (loss)	30,562,800	(33,971,976)
Distributions/redemptions	<u>(9,747,647)</u>	<u>(30,892,952)</u>
Balance, December 31	<u>\$ 226,315,766</u>	<u>\$ 198,882,118</u>

UNIVERSITY OF MAINE FOUNDATION

Notes to Financial Statements

December 31, 2023 and 2022

7. FAIR VALUE MEASUREMENT (CONCLUDED)

The Foundation committed an aggregate of \$82,600,000 with \$61,600,000 of committed capital to private investment funds. As of December 31, 2023 and 2022, the remaining unfunded commitments to those funds were \$35,828,586 and \$21,448,182, respectively. 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.

8. SPLIT - INTEREST AGREEMENTS

The Foundation has a beneficiary interest in various charitable trusts. Split-interest agreements consist of the following as of December 31:

	<u>2023</u>	<u>2022</u>
Beneficiary interest in:		
Charitable remainder trusts	\$ 2,388,828	\$ 3,302,837
Charitable lead trusts	1,702,492	1,982,259
Perpetual trusts	<u>1,319,366</u>	<u>1,205,526</u>
Total split-interest agreements	<u>\$ 5,410,686</u>	<u>\$ 6,490,622</u>

Unrealized losses of \$60,198 and \$424,828 are reported in other revenue, and gains (losses) in the statements of activities for the years ended December 31, 2023 and 2022, respectively. Terminated trusts and trust payments of \$92,099 and \$962,719 were received during the years ended December 31, 2023 and 2022, respectively.

UNIVERSITY OF MAINE FOUNDATION

Notes to Financial Statements

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9. NET ASSETS

Net assets without donor restrictions are as follows at December 31:

	<u>2023</u>	<u>2022</u>
Undesignated	\$ 5,505,123	\$ 5,424,020
Board designated	8,747,073	7,734,298
Buildings, equipment, and other assets	<u>3,857,465</u>	<u>3,815,154</u>
Total net assets without donor restrictions	<u>\$ 18,109,661</u>	<u>\$ 16,973,472</u>

Net assets with donor restrictions are restricted as follows at December 31:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specific purpose	\$ <u>9,696,159</u>	\$ <u>5,016,525</u>
Subject to the passage of time	<u>11,421,143</u>	<u>12,303,921</u>
Endowment		
Scholarship support	205,741,636	\$ 179,637,592
Non-scholarship support	126,139,411	96,498,257
Promises to give	<u>1,503,013</u>	<u>537,710</u>
	<u>333,384,060</u>	<u>276,673,559</u>
Not subject to expenditure		
Beneficial interest in perpetual trusts	1,319,366	1,205,526
Donated real estate	<u>4,575,101</u>	<u>4,699,715</u>
	<u>5,894,467</u>	<u>5,905,241</u>
Total net assets with donor restrictions	<u>\$ 360,395,829</u>	<u>\$ 299,899,246</u>

UNIVERSITY OF MAINE FOUNDATION

Notes to Financial Statements

December 31, 2023 and 2022

10. ADVANCEMENT SERVICES AGREEMENT

The Foundation has an agreement with the University Maine System (UMS) to provide all fundraising activities to the University. Per the agreement, UMS agreed to pay an annual fee of \$2,927,924 (due by July 31, 2024 and 2023, respectively), plus an amount equal to 1% market value of endowments managed by UMS for the University of Maine, which amounted to \$965,659 and \$815,694 for its fiscal years ended June 30, 2023 and 2022, respectively, (due by September 30, 2024 and 2023). The annual payment is typically received in July of each year, at which time the Foundation recognizes an amount in deferred revenue and amortizes it over 12 months into the statements of activities. The balance in deferred revenue in the statements of financial position at December 31, 2023 and 2022, is comprised entirely of these transactions. 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.

11. ACCRUED EXPENSES

Accrued expenses of the Foundation at December 31, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Post-retirement benefits (total estimated future benefits of \$666,340 and \$565,914 discounted to present value at 6%)	\$ 457,891	451,458
Deferred compensation liability	233,786	151,185
Payroll and related taxes	581,636	556,706
Other	<u>11,269</u>	<u>10,782</u>
Total accrued expenses	<u>\$ 1,284,582</u>	<u>\$ 1,170,131</u>

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(f) 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.

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Notes to Financial Statements

December 31, 2023 and 2022

11. ACCRUED EXPENSES (CONCLUDED)

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 December 31, 2023:

<u>Date</u>	<u>Amount Due</u>
December 31, 2023	\$ 15,679
June 30, 2025	363,734
December 31, 2028	76,303

The deferred compensation liability under this plan was estimated at \$233,786 and \$151,185 as of December 31, 2023 and 2022, respectively, and is included in accrued expenses.

12. 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 which is reported in the statements of functional expenses with payroll taxes and employee benefits totaled \$364,825 and \$323,761 for the years ended December 31, 2023 and 2022.

13. BUCHANAN ALUMNI HOUSE

On October 19, 1999, the Foundation and the University of Maine Alumni Association (the Association) entered into an agreement as co-owners of the Buchanan Alumni House, which was constructed solely from private funds. This interest is valued based on the underlying activity of Buchanan Alumni House. 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 \$2,551,203 at December 31, 2023 and \$2,582,166 at December 31, 2022.

The Buchanan Alumni House provides office space for the Foundation and the Association to conduct their respective charitable and not-for-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 paid \$16,667 and \$8,250 per month, respectively, toward the costs of operating the facility for the years ended December 31, 2023 and 2022, respectively.

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14. STATEMENT OF CASH FLOWS DISCLOSURES

During the year ended December 31, 2023, the Foundation received non-cash contributions of investment securities totaling \$5,197,532 and a planned gift trust of \$184,955. During the year ended December 31, 2022, the Foundation received non-cash contributions of investment securities totaling \$1,223,351, and a life insurance policy with a cash surrender value of \$19,218.

15. SUBSEQUENT EVENTS

Subsequent events were evaluated through September 26, 2024, which is the date the financial statements were available to be issued, and have identified the following event.

Subsequent to December 31, 2023, the Foundation made a \$7,000,000 commitment to two alternative investment funds.