Gifts to the University

In fiscal year 2019, the Foundation received financial commitments of more than $3.59 million to support Frostburg State University. This reflects a 12.74 percent increase over last year’s commitments, signaling substantial sustained support from FSU’s many constituents.

A friend of the University left an estate gift totaling $1,495,838 to the Foundation, leading to more than half of giving attributed to friends. FSU alumni contributed roughly a quarter. Beyond realized bequests, which obviously made up the majority of giving, outright gifts accounted for nearly a third.

The Annual Fund had a successful year in which $154,448 was raised. Unrestricted gifts to the Annual Fund are the primary way for alumni and friends to help students achieve academic excellence through enriching experiences that will lead to their professional success. Students benefit from research and travel opportunities, on-campus cultural programming and the most up-to-date learning tools for their fields. Gifts to the Annual Fund also support faculty and staff in their professional growth and development as they enhance FSU’s reputation for quality teaching and academic rigor.
Independent Auditors’ Report
We have audited the accompanying financial statements of the Frostburg State University Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019, and 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Frostburg State University Foundation, Inc., as of June 30, 2019, and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters
Change in Accounting Standards
As described in Note 1 to the financial statements, in 2019, the Frostburg State University Foundation, Inc., adopted new accounting guidance, FASB Accounting Standards Update No. 2016-04, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to this matter.

Report on Supplementary Information
Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. The Schedules of Revenues by Services, Reimbursed Expenses to Frostburg State University Faculty or Staff, Fees Paid to Frostburg State University Faculty or Staff, and Schedule of Transfer to Frostburg State University on pages 28-32 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Turnbull, Hoover and Kahl
Oakland, Maryland
October 1, 2019

Management’s Financial Responsibility
The management of the FSU Foundation, Inc., assumes responsibility for the fair presentation of the financial statements, prepared in accordance with generally accepted accounting principles in the United States, and has the full responsibility for the statements’ integrity and accuracy.

The executive director, the director of Administration and Finance and the Board of Directors maintain a strong ethical climate, and we properly account for funds we hold and administer on behalf of our donors. We believe our internal controls provide reasonable assurances as to the integrity and the accuracy of those financial statements and other activities performed.

We recognize our fiduciary responsibility for the oversight of funds, contributed by donors for the benefit of Frostburg State University.

No events have occurred subsequent to the statement of the financial position, June 30, 2019, that would require adjustment to or disclosure in the financial statements.

John T. Short, Jr.
Executive Director, FSU Foundation
**FSUF Non-Endowed Funds**

As of June 30, 2019, Wilmington Trust had $872,755.97 under management with an income yield at market of 8.05 percent. The remainder of the $4.26 million in non-endowment restricted assets is invested with the University System of Maryland Foundation in quasi-endowments, deposited at BB&T or in certificates of deposit at ACT 1st Federal Credit Union, First Peoples Federal Credit Union, First United Bank & Trust, and Somerset Trust Company.

The assets are comprised of 437 separate funds supporting academic and administrative departments, alumni programs, special projects, and the operating fund.

**Purpose of the Endowment**

Since 1978, the University System of Maryland Foundation has managed and administered funds for the benefit of institutions and foundations affiliated with the University System of Maryland. Our investment objective is to generate returns sufficient to meet spending requirements while preserving the purchasing power of the endowment over time. The endowment pool is made up of several thousand individual endowment funds that support scholarships, research, faculty, academic programs, and various special initiatives.

**Investment Strategy**

Our portfolio positioning is premised on risk tolerances and return objectives of a traditional university endowment. Endowment funds are invested with a long-term perspective, and performance of the portfolio is assessed over varied market cycles. By locking up our capital, we aim to capture an extra risk premium, known as the illiquidity premium. This premium is expected to enhance the portfolio’s return, while also reducing its longer-term risk profile. To balance the portfolio’s need for current income, we invest a material amount of capital in shorter duration, liquid investments. Approximately 58 percent of our investments can be converted to cash within one year, with a portion of these assets being exchange-listed and traded. The portfolio is designed for long-term diversification among factors such as geographic, strategy, sector, liquidity, and instrument or investment vehicle type. While equity risk is a large component of our asset allocation, the portfolio is not designed to match U.S. equity market performance. Rather, the portfolio is constructed to provide less volatile year-over-year returns, capturing upside market potential while protecting funds from downside losses.

— USM Foundation

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**Endowment Summary Performance**

<table>
<thead>
<tr>
<th>As of June 30, 2019</th>
<th>1-year</th>
<th>3-year</th>
<th>5-year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>USMF Endowment</strong></td>
<td>6.8%</td>
<td>9.6%</td>
<td>6.1%</td>
</tr>
</tbody>
</table>

**Comparisons**

<table>
<thead>
<tr>
<th></th>
<th>1-year</th>
<th>3-year</th>
<th>5-year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy Benchmark</td>
<td>4.7%</td>
<td>7.3%</td>
<td>3.8%</td>
</tr>
<tr>
<td>60%/40% Strategy</td>
<td>7.0%</td>
<td>8.0%</td>
<td>5.1%</td>
</tr>
</tbody>
</table>

**Asset Allocation**

<table>
<thead>
<tr>
<th></th>
<th>MV $ millions</th>
<th>% of total</th>
<th>Target Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safe Assets</td>
<td>$49.6</td>
<td>3.5%</td>
<td>0% - 25%</td>
</tr>
<tr>
<td>Public Risk Assets</td>
<td>$678.2</td>
<td>48.0%</td>
<td>45% - 75%</td>
</tr>
<tr>
<td>Intermediate Assets</td>
<td>$213.5</td>
<td>15.1%</td>
<td>15% - 25%</td>
</tr>
<tr>
<td>Private Risk Assets</td>
<td>$471.4</td>
<td>33.4%</td>
<td>20% - 40%</td>
</tr>
<tr>
<td>Portfolio Overlay</td>
<td>-</td>
<td>0.0%</td>
<td>0% - 5%</td>
</tr>
</tbody>
</table>

Total USMF Endowment Pool = over $1.4 billion
Revenues and Expenses

- The Foundation provided approximately $2.25 million in total support to Frostburg State University this year.
  - Of the total support, scholarships and other student aid increased 12.6 percent from last year to $983,002. Of this, $588,678 came from endowed funds, an increase of 36 percent.
- Contributions have increased by approximately 44 percent over last year. This is in large part due to a very generous estate gift from James A. Jeffries of almost $1.5 million. There were no donor restrictions on this gift. Per the Foundation’s policies, the funds were invested in our Unrestricted Quasi-endowed fund. The revenues are recorded in the Operating category because the Board of Directors, with guidance from the FSU leadership team, will determine the best use of the spendable income going forward.
- Operating expenditures were reduced by more than 12 percent this year.
- The Foundation’s investments benefited from strong market performance this year, posting just over $1 million in investment income and an additional $0.5 million in unrealized gains.
- Not reflected in Foundation revenues are conditional promises to give from donors who have informed us that they have included us in their estate plan. These conditional promises to give have increased by more than 11 percent this year and now total more than $5.1 million. For more information on how you can leave your legacy for the benefit of Frostburg State University, visit www.frostburg.edu/plannedgiving.
Scholarships/Student Aid Support

In fiscal year 2019, generous donors provided new commitments of nearly $1 million in scholarships and financial aid support to Frostburg State University’s students. Of students enrolled at FSU, 72.6 percent receive some type of financial aid. Gifts supporting scholarships are critical to attracting and retaining the best students.

Alumni Giving

FSU’s alumni participation rate has been hovering around 5 percent for many years, even as the number of alumni continues to increase. Fiscal year 2019 was no exception; charitable financial support came from 4.7 percent of alumni, with a slight increase in the number of alumni who gave. Alumni participation is a factor in nationwide rankings such as U.S. News and World Report’s, which parents and students consider when making enrollment decisions.

In fiscal year 2019, graduates from the 1970s contributed the most. Graduates from the 1990s had the highest increase in giving between fiscal years 2018 and 2019.
Double the Donation
A matching gift from a donor’s company can increase the charitable gift to the FSU Foundation. If a company has such a program, a donor can request a matching gift form from the employer or login to their online portal. Most companies match dollar for dollar. Some will even double- or triple-match donors’ gifts. FSU will verify the completed form and return it to the company, which will then issue a matching gift to FSU.

Each company has its own guidelines for employees, spouses, retirees and widows/widowers. To find out if an employer has a matching gift program, visit www.frostburg.edu/match.

Planned Gifts
Planned, or estate, gifts are established after careful financial planning and are designed to leverage one’s philanthropic motivations within the parameters of the tax law. Planned gifts include gifts by will or revocable trust, life insurance policies, charitable remainder or annuity, charitable lead trusts, and gifts of retirement plan benefits. Additionally, charitable gift annuities provide life-income and significant tax savings, and are best suited for donors age 60 and older.

The Foundation staff has considerable expertise in these areas, as do colleagues at the University System of Maryland Foundation office. Donors who make gifts to ensure the future of Frostburg State University through planned giving are welcomed as members of the Old Main Society.

For more details, visit www.frostburg.edu/plannedgiving.

Easy Giving
Easy-giving options include monthly recurring electronic fund transfers, one-time and recurring credit card transactions, and online giving. Electronic stock gifts are also accepted. Recurring gifts can be established at www.frostburg.edu/waystogive. Call the Foundation office at 301.687.4068 for details.
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