



FROSTBURG STATE UNIVERSITY
FOUNDATION, INC.

Annual Report



FISCAL YEAR 2017 | JULY 1, 2016 ~ JUNE 30, 2017

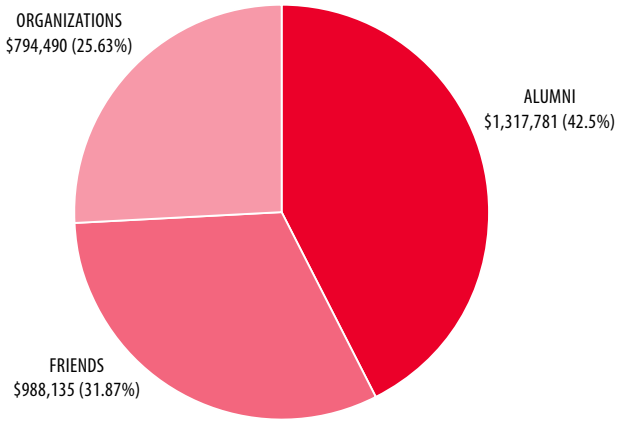
Gifts to the University

In fiscal year 2017, the Foundation received financial commitments totaling more than \$3.1 million to support Frostburg State University. This reflects a significant increase over last year's reported contributions, signaling substantial support from FSU's many constituents.

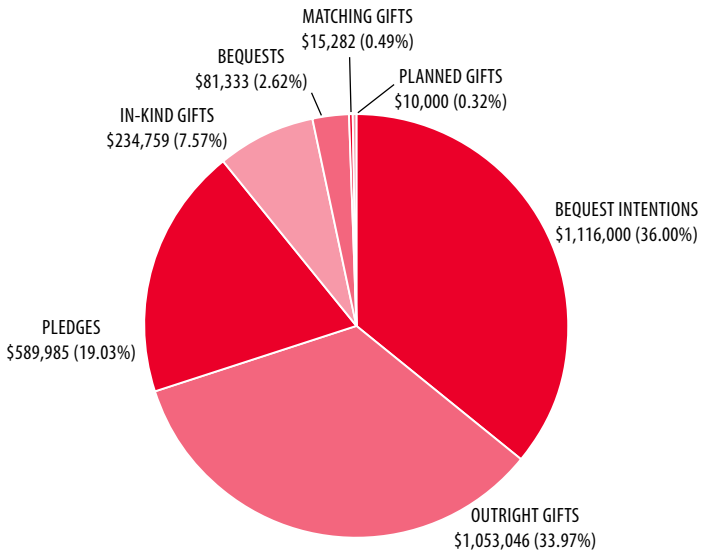
FSU alumni contributed nearly half of total fundraising, organizations a quarter, and friends of the University roughly a third. Bequest intentions totaling \$1,116,000 made up the largest gift category, and while these funds will not be realized for years to come, their importance toward growing the endowment cannot be overstated. Outright gifts of \$1,053,046 and new pledges of \$589,985 were also recorded. Bequests left to the Foundation total \$81,333 and will benefit the University for years to come.

The Annual Fund had a successful year in which \$154,483 was raised. Unrestricted gifts to the Annual Fund are the primary way for alumni, parents 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.





GIFTS BY SOURCE
TOTAL \$3,100,405



GIFTS BY TYPE
TOTAL \$3,100,405

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, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

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 Frostburg State University Foundation, Inc., as of June 30, 2017 and 2016, 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 MATTER

Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. The Schedules of Functional Expenses, Schedules of Revenues by Activities, Reimbursed Expenses to Frostburg State University Faculty or Staff, Fees Paid to Frostburg State University Faculty or Staff, and Schedule of Transfers to Frostburg State University are available on request. 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.

Bernie Kahl, C.P.A.

Turnbull, Hoover and Kahl
Oakland, Maryland
September 29, 2017

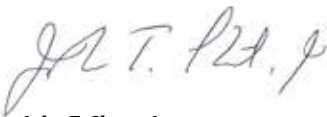
Management's Financial Responsibility

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, 2017, that would require adjustment to or disclosure in the financial statements.



John T. Short, Jr.

Executive Director, FSU Foundation

FSUF Operating Fund

As of June 30, 2017 Wilmington Trust had \$743,635.07 under management with an income yield at market of 9.83 percent. The remainder of the \$2.19 million in non-endowed restricted assets is invested with the University System of Maryland Foundation or deposited at BB&T.

The assets are comprised of 415 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 so that distributions can be made to support the spending activities of the system institutions and to preserve capital as adjusted for inflation. The endowment pool is comprised of almost 4,000 individual endowment accounts of 20 institutions. Distributions to these institutions support students, faculty, research, facilities and special initiatives.

Investment Strategy

The Investment Committee meets quarterly to evaluate the overall performance of the endowment. In fiscal year 2017 a new asset class, Intermediate Assets, was added to the portfolio. The intermediate asset class represents private, finite life investment vehicles whose term is generally longer than public risk assets, but shorter than private risk assets. Since there is modest illiquidity within these investments, they seek to earn returns above market lending rates, but not as high as private risk assets. There were no other changes to the Asset Classes or the investment policy in fiscal year 2017

– USM Foundation



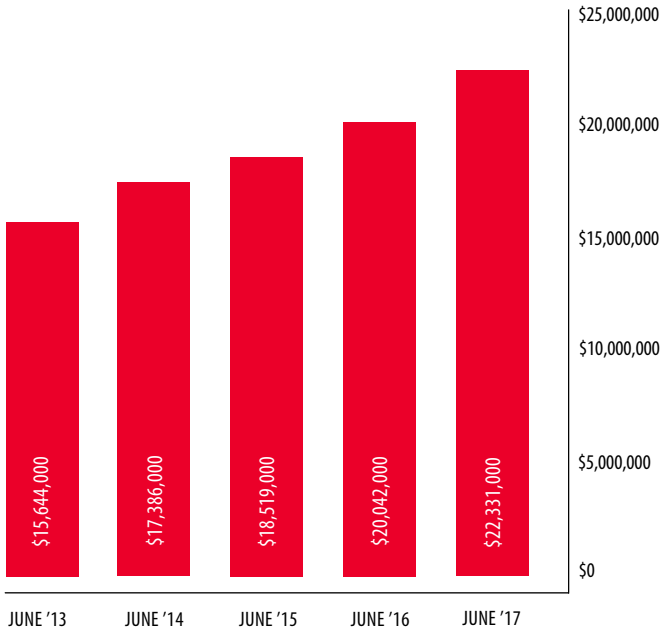
ENDOWMENT SUMMARY PERFORMANCE

<i>As of June 30, 2017</i>	<i>1-year</i>	<i>3-year</i>	<i>5-year</i>
USMF Endowment	12.9%	4.9%	6.8%
<i>Comparisons</i>			
Composite Benchmark	10.3%	2.8%	6.6%
80%/20% Strategy	14.7%	4.5%	8.9%

ASSET ALLOCATION

	<i>MV \$ millions</i>	<i>% of total</i>	<i>Target Range</i>
Safe Assets	\$25.2	2.30%	0%-25%
Intermediate Assets	\$76.2	6.9%	15%-25%
Portfolio Overlay	—	0.00%	0%-5%
Public Risk Assets	\$640.3	58.2%	45%-75%
Private Risk Assets	\$358.1	32.6%	20%-40%

Total USMF Endowment Pool = \$1,099.8 million



HISTORICAL GROWTH OF FSU FOUNDATION ENDOWMENT

Revenues and Expenses

The Foundation provided more than \$2.18 million in total support of Frostburg State University this year. That represents a 10.3 percent increase from fiscal year 2016. Of the total support, \$876,500, a 4.5 percent increase, was given in scholarships, student aid and work study.

Total revenue increased 16 percent from last year. This is in part due to strong market performance by our investments. We posted more than \$2 million in interest and dividends and have an additional \$700,000 in unrealized gains.

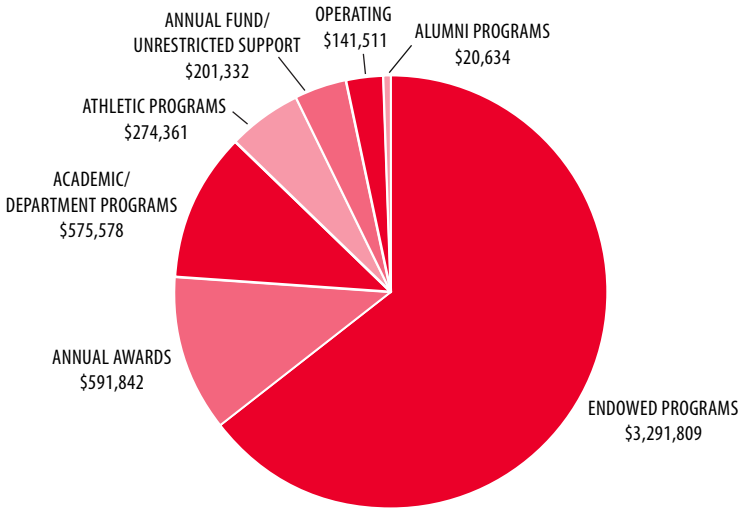
Annual Fund/Unrestricted Support increased by more than 27 percent compared to fiscal year 2016. A large portion of these funds is used to provide Foundation Opportunity Grants. This program offers funding to FSU faculty, staff and students for innovative initiatives in the following areas:

- Enhancing experiential and applied learning opportunities for students both inside and outside the classroom
- Improving learning technology, tools, and equipment so that students learn in a modern environment
- Improving student persistence to graduation
- Providing for educational and cultural enrichment of the University and the community
- Improving student health and wellness
- Enhancing the University's practices and reputation regarding environmental protection and sustainability.



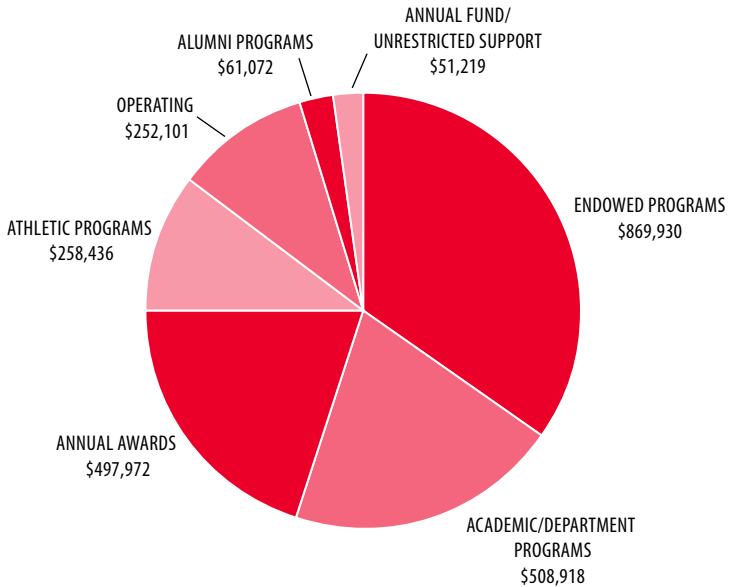
REVENUES

TOTAL \$5,097,067



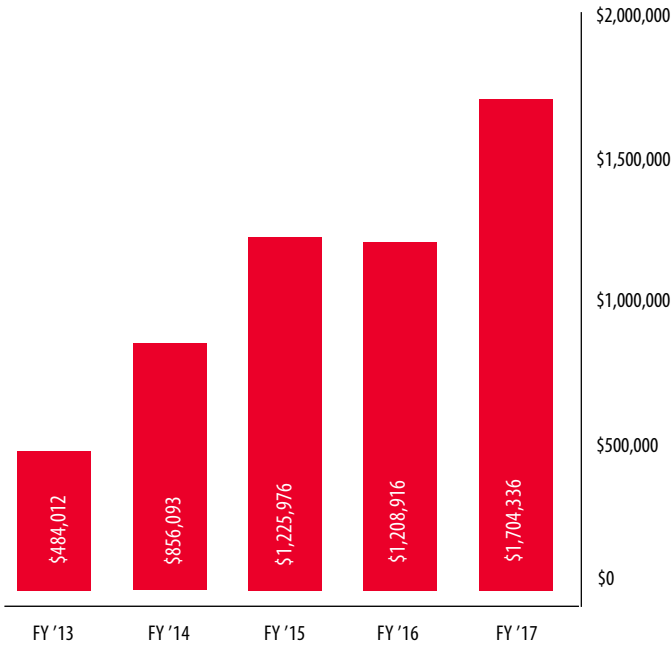
PROGRAM EXPENDITURES

TOTAL \$2,499,648



Scholarships/Student Aid Support

In fiscal year 2017, generous donors provided new commitments of more than \$1.7 million in scholarships and financial aid support to Frostburg State University's students. About 74 percent of students enrolled at FSU receive some type of financial aid. Gifts supporting scholarships are critical to attracting and retaining the best students.

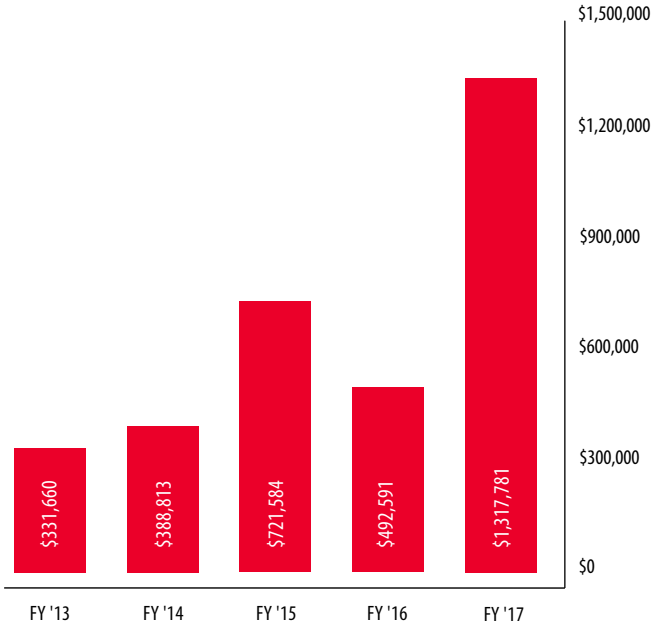


SCHOLARSHIPS/STUDENT AID SUPPORT

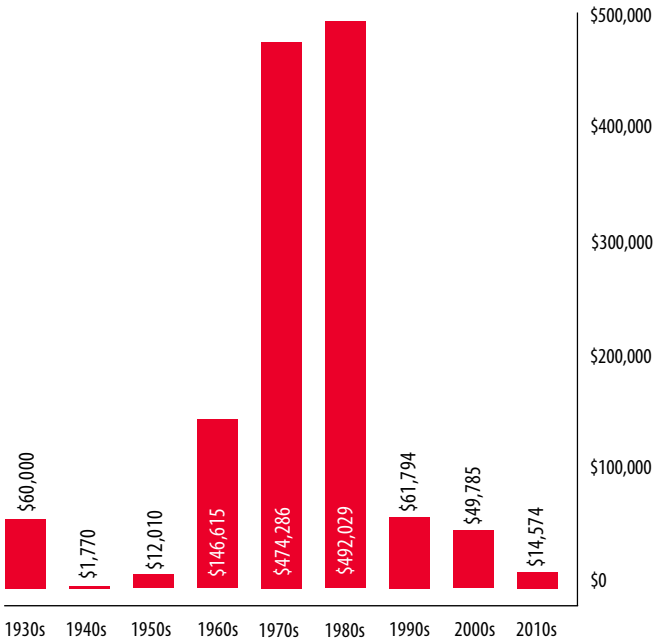
Alumni Giving

For many years, FSU's alumni participation rate, which is determined by financial support, has been hovering around five percent. Fiscal year 2017 was no exception, although we achieved a six-year high of 5.49 percent. 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 2017, graduates from the 1980s contributed the most for the second year in a row. However, graduates from the 1970s had the highest increase in giving between fiscal year 2016 and 2017, significantly closing the gap.



FSU ALUMNI GIVING



ALUMNI GIVING BY DECADE FY2017

Double Your Donation

A matching gift from your company can increase your charitable gift to the FSU Foundation. If your company has such a program, request a matching gift form from your employer and send it completed and signed with your gift. 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 your 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 your employer has a matching gift program, visit www.frostburg.edu/match.

Planned Gifts

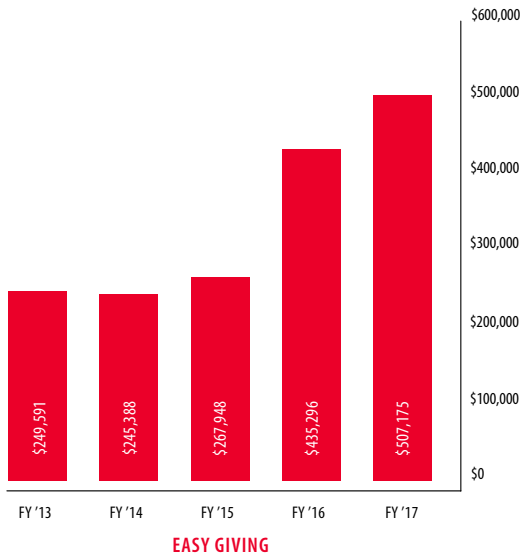
Planned, or estate, gifts are established after careful financial planning and are designed to leverage one's philanthropic motivations within the parameters of the tax law. Planned gifts include gifts by will or revocable trust, life insurance policies, charitable remainder or annuity, charitable lead 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 the FSU Planned Giving website at 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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THE FSU FOUNDATION, INC.



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