



UNITED NEGRO COLLEGE FUND, INC.

Financial Statements

March 31, 2025 and 2024

(With Independent Auditors' Report Thereon)

UNITED NEGRO COLLEGE FUND, INC.

Table of Contents

	Page(s)
Independent Auditors' Report	1-2
Financial Statements:	
Statements of Financial Position as of March 31, 2025 and 2024	3
Statement of Activities for the year ended March 31, 2025	4
Statement of Functional Expenses for the year ended March 31, 2025	5-6
Statements of Cash Flows for the years ended March 31, 2025 and 2024	7
Notes to Financial Statements	8-31



KPMG LLP
Suite 900
8350 Broad Street
McLean, VA 22102

Independent Auditors' Report

The Board of Directors and Members
United Negro College Fund, Inc.:

Opinion

We have audited the financial statements of the United Negro College Fund, Inc. (the Organization), which comprise the statement of financial position as of March 31, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of March 31, 2025, and the results of its operations and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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. generally accepted accounting principles, 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 Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 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 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 Organization'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 Organization'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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 16, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2024, is consistent in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

McLean, Virginia
September 25, 2025

UNITED NEGRO COLLEGE FUND, INC.

Statements of Financial Position

March 31, 2025 and 2024

Assets	2025	2024
Cash and cash equivalents (notes 2b and 4)	\$ 56,073,619	39,298,929
Short-term investments (notes 5 and 9)	165,400,397	215,485,040
GMSP short-term investments (notes 5 and 9)	48,175,720	52,654,715
Receivable for unsettled investment trades	16,684	8,000,000
Pledges receivable, net (note 6)	144,400,132	233,953,475
Accrued investment income	1,405,863	3,321,864
Long term investments (notes 7 and 9)	374,910,910	252,874,666
GMSP long term investments (notes 8 and 9)	51,228,378	63,303,296
Property and equipment, net (note 10)	34,880,146	32,037,790
Collections acquired (note 11)	1,414,250	1,414,250
Other assets (note 20)	14,520,822	14,683,760
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Total assets	\$ 892,426,921	917,027,785
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Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses (note 20)	\$ 15,426,649	17,359,866
Accrued wages, vacation, and other related expenses	6,289,646	6,882,715
Payable for unsettled investment trades (note 8)	62,221	—
Accrued distribution to member institutions	9,368,416	9,723,051
Accrued return of funds to the Gates Foundation (note 12)	—	6,000,000
Deferred revenue (note 2m)	3,213,246	4,276,524
Line of credit (note 13)	—	—
Bonds payable (note 14)	22,277,470	23,326,218
	<hr/>	<hr/>
Total liabilities	56,637,648	67,568,374
	<hr/> <hr/>	<hr/> <hr/>
Net assets:		
Without donor restrictions:		
Undesignated	34,848,355	33,317,865
Board designated – operating reserve (note 21)	20,410,866	19,306,056
Board designated – member distribution reserve (note 21)	5,528,372	5,238,515
	<hr/>	<hr/>
Total without donor restrictions	60,787,593	57,862,436
With donor restrictions (note 15)	775,001,680	791,596,975
	<hr/>	<hr/>
Total net assets	835,789,273	849,459,411
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Commitments and contingencies (note 20)		
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Total liabilities and net assets	\$ 892,426,921	917,027,785
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See accompanying notes to financial statements.

UNITED NEGRO COLLEGE FUND, INC.

Statement of Activities

Year ended March 31, 2025

(with summarized financial information for fiscal year 2024)

	2025			2024 Total
	Without donor restrictions	With donor restrictions	Total	
Revenue, gains, and other support:				
Support:				
Contributions for grants and scholarships	\$ —	75,393,515	75,393,515	168,248,184
Contributions and gifts (notes 2 and 18)	49,248,385	—	49,248,385	43,201,491
Bequests and legacies	8,490,794	1,601,077	10,091,871	14,863,623
Gifts-in-kind and donated services (note 17)	—	1,054,759	1,054,759	2,079,815
Total support	<u>57,739,179</u>	<u>78,049,351</u>	<u>135,788,530</u>	<u>228,393,113</u>
Investment income:				
Interest and dividends	5,747,966	12,190,900	17,938,866	21,540,047
Amortization of investment premium and discount	—	254,467	254,467	321,320
Realized gains	1,269,332	3,642,953	4,912,285	2,078,619
Unrealized gains	2,064,478	8,855,929	10,920,407	19,410,311
Total investment income	<u>9,081,776</u>	<u>24,944,249</u>	<u>34,026,025</u>	<u>43,350,297</u>
Net assets released from restrictions (note 15)	<u>119,588,895</u>	<u>(119,588,895)</u>	<u>—</u>	<u>—</u>
Total revenue, gains, and other support	<u>186,409,850</u>	<u>(16,595,295)</u>	<u>169,814,555</u>	<u>271,743,410</u>
Expenses:				
Program services:				
GMSP	15,093,227	—	15,093,227	18,580,309
Scholarships and special projects	99,385,148	—	99,385,148	118,174,367
Distributions to member institutions	23,997,206	—	23,997,206	21,591,447
Institutional services	3,737,538	—	3,737,538	1,982,880
Other program services	1,110,520	—	1,110,520	1,688,751
Total program services	<u>143,323,639</u>	<u>—</u>	<u>143,323,639</u>	<u>162,017,754</u>
Supporting services:				
Management and general	16,786,541	—	16,786,541	11,348,088
Fundraising	23,374,513	—	23,374,513	20,988,943
Total supporting services	<u>40,161,054</u>	<u>—</u>	<u>40,161,054</u>	<u>32,337,031</u>
Total expenses	<u>183,484,693</u>	<u>—</u>	<u>183,484,693</u>	<u>194,354,785</u>
Change in net assets	2,925,157	(16,595,295)	(13,670,138)	77,388,625
Net assets, beginning of year	<u>57,862,436</u>	<u>791,596,975</u>	<u>849,459,411</u>	<u>772,070,786</u>
Net assets, end of year	<u>\$ 60,787,593</u>	<u>775,001,680</u>	<u>835,789,273</u>	<u>849,459,411</u>

See accompanying notes to financial statements.

UNITED NEGRO COLLEGE FUND, INC.

Statement of Functional Expenses

Year ended March 31, 2025

(with summarized financial information for 2024)

	Program services – assistance to member and nonmember institutions					Total program services
	GMSF	Scholarships and special projects	Distribution to member institutions	Institutional services	Other program services	
Distributions:						
Capital and operational support	\$ —	—	23,997,206	—	—	23,997,206
Grants and scholarships	13,074,301	57,625,190	—	6,352	7,500	70,713,343
Total distributions	13,074,301	57,625,190	23,997,206	6,352	7,500	94,710,549
Expenses before depreciation, amortization, and bad debt expense						
Salaries and wages	884,273	9,232,331	—	2,532,477	146,340	12,795,421
Employee benefits	214,338	2,494,099	—	538,471	39,466	3,286,374
Advertisements and promotions	—	550,008	—	3,587	7,980	561,575
Professional and consulting fees	230,413	13,388,007	—	373,748	687,207	14,679,375
Information technology support	306,921	1,518,691	—	(265,707)	867	1,560,772
Office supplies and other expenses	25,268	1,372,107	—	195,796	304	1,593,475
Telephone	500	11,651	—	8,566	1,317	22,034
Postage and shipping	464	64,684	—	4,977	189	70,314
Occupancy	79,593	1,132,875	—	204,135	11,925	1,428,528
Printing and publications	14,747	206,249	—	29,124	20,203	270,323
Travel	48,378	1,838,713	—	101,986	48,298	2,037,375
Meetings	90,958	2,502,451	—	(2,081)	95,445	2,686,773
Equipment rental and maintenance	1,044	1,063,108	—	6,107	1,064	1,071,323
Interest expense	—	—	—	—	—	—
Indirect cost recovery	122,029	6,384,077	—	—	42,414	6,548,520
Total expenses before depreciation, amortization, and bad debts	15,093,227	99,384,241	23,997,206	3,737,538	1,110,519	143,322,731
Depreciation and amortization expense	—	—	—	—	—	—
Bad debt expense	—	907	—	—	—	907
Total expenses	\$ 15,093,227	99,385,148	23,997,206	3,737,538	1,110,519	143,323,638

UNITED NEGRO COLLEGE FUND, INC.

Statement of Functional Expenses

Year ended March 31, 2025

(with summarized financial information for 2024)

	Supporting services			Total program service and supporting service expenses	
	Management and general	Fund- raising	Total supporting services	2025	2024
Distributions:					
Capital and operational support	\$ —	—	—	23,997,206	21,591,447
Grants and scholarships	—	930	930	70,714,273	78,051,637
Total distributions	—	930	930	94,711,479	99,643,084
Expenses before depreciation, amortization, and bad debt expense					
Salaries and wages	11,100,509	10,013,243	21,113,752	33,909,173	31,038,053
Employee benefits	2,454,357	2,357,684	4,812,041	8,098,415	8,010,904
Advertisements and promotions	83,192	273,690	356,882	918,457	592,734
Professional and consulting fees	6,954,839	2,885,677	9,840,516	24,519,891	24,502,605
Information technology support	(1,897,431)	239,212	(1,658,219)	(97,447)	(98,604)
Office supplies and other expenses	315,181	506,215	821,396	2,414,871	1,434,635
Telephone	385,606	25,270	410,876	432,910	392,503
Postage and shipping	47,348	1,257,884	1,305,232	1,375,546	1,513,221
Occupancy	(205,139)	942,840	737,701	2,166,229	2,307,073
Printing and publications	128,404	3,722,236	3,850,640	4,120,963	4,019,511
Travel	1,250,383	727,674	1,978,057	4,015,432	3,965,692
Meetings	633,496	353,576	987,072	3,673,845	3,212,124
Equipment rental and maintenance	80,014	58,593	138,607	1,209,930	185,359
Interest expense	871,085	—	871,085	871,085	906,503
Indirect cost recovery	(6,548,520)	—	(6,548,520)	—	195
Total expenses before depreciation, amortization, and bad debts	15,653,324	23,364,724	39,018,048	182,340,778	181,625,592
Depreciation and amortization expense	1,133,218	—	1,133,218	1,133,218	1,048,570
Bad debt expense	—	9,789	9,789	10,696	11,680,623
Total expenses	\$ <u>16,786,542</u>	<u>23,374,513</u>	<u>40,161,055</u>	<u>183,484,692</u>	<u>194,354,785</u>

See accompanying notes to financial statements.

UNITED NEGRO COLLEGE FUND, INC.

Statements of Cash Flows

Years ended March 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Change in net assets	\$ (13,670,138)	77,388,625
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Realized gains on investments	(4,912,285)	(2,078,619)
Unrealized (gains) losses on investments	(10,920,407)	(19,410,311)
Amortization of investment premium and discount	(254,467)	(321,320)
Bad debt expense	10,696	11,680,623
Depreciation and amortization	1,133,218	1,048,570
Contributions restricted for investment in endowment funds	(7,135,714)	(8,914,254)
(Increase) decrease in assets:		
Pledges receivable	89,329,228	1,769,294
Provision for uncollectible	—	(5,171,538)
Accrued investment income	1,916,001	(1,045,548)
Other assets	162,938	(9,612,272)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(1,933,217)	3,353,648
Accrued wages, vacation, and other related personnel expenses	(593,068)	925,554
Accrued return of funds to the Gates Foundation	(6,000,000)	(10,000,000)
Deferred revenue	(1,063,278)	(3,294,583)
Accrued distributions to member institutions	(354,635)	864,516
Net cash provided by operating activities	<u>45,714,872</u>	<u>37,182,385</u>
Cash flows from investing activities:		
Purchases of investments	(400,214,074)	(450,644,723)
Proceeds from sales of investments	368,824,640	408,027,716
Purchase of property and equipment	(3,637,713)	(6,955,715)
Net cash used in by investing activities	<u>(35,027,147)</u>	<u>(49,572,722)</u>
Cash flows from financing activities:		
Repayments of bonds payable	(1,048,748)	(1,008,748)
Contributions restricted for investment in endowment funds	7,135,714	8,914,254
Net cash provided by financing activities	<u>6,086,966</u>	<u>7,905,506</u>
Increase (decrease) in cash and cash equivalents	16,774,691	(4,484,831)
Cash and cash equivalents, beginning of year	<u>39,298,928</u>	<u>43,783,759</u>
Cash and cash equivalents, end of year	\$ <u><u>56,073,619</u></u>	\$ <u><u>39,298,928</u></u>
Cash paid for interest	\$ 871,085	906,503

See accompanying notes to financial statements.

UNITED NEGRO COLLEGE FUND, INC.

Notes to Financial Statements

March 31, 2025 and 2024

(1) Organization

The United Negro College Fund, Inc. (UNCF) is organized as a not-for-profit entity established to assist its 37 current member institutions of higher education to raise funds from the public for their mutual support.

All participating member institutions receive unrestricted support and revenues pursuant to a formula. Support and revenue, net of expenses, raised in accordance with joint campaign agreements are distributed 75% to the member institutions conducting the campaign. The remaining 25% is included in the regular campaign formula distribution to all member institutions. Member institutions participate in both regular and joint campaigns.

In addition, UNCF administers grants, scholarships, and other programs that benefit students, member institutions, and non-member institutions, as stipulated by donors.

In the March 2022 meeting, the Board of Directors of UNCF approved a six-year capital campaign with a goal of \$1 billion. The funds raised will enhance UNCF's endowed scholarships, increase the endowments for member institutions, provide more support for institutional capacity building, and fortify UNCF's operations and programs. The campaign is currently in its silent phase, with plans to go public once approximately 80% of the goal has been achieved. During the "silent phase," solicitations will be limited to a select number of prospective donors. The campaign raised approximately \$27 million and \$126.3 million in fiscal years 2025 and 2024, respectively. As of the end of fiscal year 2025, \$550.4 million has been raised towards the \$1 billion goal. The funds raised that have met all the accounting recognition criteria are reported as revenue on the statement of activities.

During the fiscal year ended March 31, 2000, UNCF received a grant from the Bill and Melinda Gates Foundation (the Foundation) to administer the Gates Millennium Scholars Program (GMSP) to provide scholarships, fellowships, and leadership opportunities to low-income students. See note (12) Gates Millennium Scholars Program for details.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying financial statements of UNCF are presented in conformity with accounting principles generally accepted in the United States of America and have been prepared on the accrual basis of accounting.

(b) Cash Equivalents

Cash equivalents are liquid investments with original maturities at the date of purchase of three months or less and consist primarily of money market funds and repurchase agreements used for overnight investment purposes. Cash equivalents that are to be used for the long-term purposes of UNCF are classified as investments. Cash equivalents are valued at their carrying amount, which approximates fair value due to their short maturities.

(c) Investments

Investments are reported at fair value based on quoted market prices or, in the case of alternative investments, at estimated values provided by the fund managers or general partners based on quoted market prices, if available, at estimated fair value utilizing net asset values or other valuation methods.

UNITED NEGRO COLLEGE FUND, INC.

Notes to Financial Statements

March 31, 2025 and 2024

Net asset value is used as a practical expedient to estimate the fair value of certain of these funds. Net asset value, in many instances, may not equal fair value.

Investments classified as short-term are available for operations in the next fiscal year. The cost assigned to investments received by gift is the fair value at the date the gift is received. Unrealized and realized gains and losses are included in the accompanying statements of activities.

UNCF has authorized its investment managers to utilize financial future derivative instruments to either hedge risk or alter the exposure to certain asset classes. UNCF has established procedures to monitor and manage the use of these derivative instruments and the related market, interest and counterparty credit risks. These derivative instruments are recognized at fair value, using quoted market prices for similar instruments, within investments in the statements of financial position.

Investment income is reported net of related expenses, such as custodial fees, commission, investment advisory fees, and direct internal investment expenses.

(d) Pledges Receivable

Pledges receivable consist primarily of amounts due from unconditional promises to give by various donors. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises to give are received. Amortization of the discounts is included in contributions and gifts revenue. An allowance for uncollectible pledges receivable is provided based on Management's judgment, including such factors as prior collection history, type of contribution, and nature of fund-raising activity.

(e) Property and Equipment

Property and equipment are recorded at cost, or if donated, such assets are recorded at the estimated fair value at the date of receipt. Depreciation is computed using the straight-line method over estimated useful lives ranging from three to ten years. Buildings are depreciated over an estimated useful life of 40 years. Leasehold improvements are amortized over the lesser of the lease's remaining life or the improvements' estimated useful life. Property and equipment purchased with donor-restricted funds are reported as net assets without donor restriction upon acquisition of the assets, and the assets are placed in service.

Expenditures for repairs and maintenance are charged to expenses as incurred. UNCF follows the policy of capitalizing interest as a component of property and equipment constructed for its own use and depreciation or amortization of an asset begins when the asset is available for its intended use.

(f) Capitalized Software

Certain costs to develop or obtain internal-use software are capitalized under FASB ASC Topic 350-40, *Accounting for the Costs of Software for Internal Use*. After all substantial testing and deployment are completed and the software is ready for its intended use, internally developed software costs are amortized using the straight-line method over the software's estimated useful life.

The capitalized software in development included in the property and equipment section of the accompanying statement of position for FY2025 and 2024 were \$10,009,865 and \$8,875,000,

UNITED NEGRO COLLEGE FUND, INC.

Notes to Financial Statements

March 31, 2025 and 2024

respectively. These investments pertain to the costs incurred for developing the Enterprise Data Management Platform, which will serve as a centralized hub for all data distribution channels, supporting the organization's strategic goals and the HBCUv online community learning platform. The amortization will begin once the software is fully developed, tested, and operational.

(g) Impairment of Long-Lived Assets

UNCF reviews the carrying amounts of assets whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the asset's carrying amount is reduced by a charge to its current fair value to the accompanying statements of activities.

(h) Collections Acquired

Accessions of collection items are capitalized at cost if the items are purchased or at their fair value on the accession date if the items are contributed. Gains or losses from deaccessions of these items are reflected in the accompanying statement of activities as changes in the appropriate net asset classes, depending on the existence and type of donor-imposed restrictions.

(i) Distributions to Member Institutions

UNCF accrues expenses due to member institutions and, occasionally, nonmember institutions of higher education up to the amount by which support and collections of pledges, including the values attributed to gifts-in-kind, exceed program, fundraising, and administrative expenses. Regular distributions and other distributions, such as joint campaigns and designated gifts, are made on an ongoing basis.

(j) Net Assets – Without Donor Restrictions

Net assets without donor restrictions consist of undesignated and board-designated net assets and include gifts, grants, investment income, or other resources where donors have not specified any purpose for which such resources are to be used. Undesignated net assets are funds currently available to support UNCF's daily operations. Board-designated net assets consist of funds without restriction designated by the Board of Directors for member distribution and operating reserves.

(k) Net Assets – With Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. The organization is permitted to use or expend the donated assets in accordance with donor restrictions. When a time and/or purpose restriction expires or is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions.

The net assets with donor restrictions category include gifts and bequests where donors have stipulated that the principal be maintained permanently by UNCF. These gifts are invested by UNCF's Management. Generally, no permanent restrictions have been placed on UNCF's investment earnings. However, donors specify most of the earnings to support scholarships or program development. Net gains with no permanent restrictions and that are not specified by the donors to support scholarships or program development may be used for general purposes at the discretion of the Board of Directors.

UNITED NEGRO COLLEGE FUND, INC.

Notes to Financial Statements

March 31, 2025 and 2024

FASB ASC Topic 958-205, *Reporting Endowment Funds*, provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UNCF is subject to the State of New York's UPMIFA and has adopted FASB ASC Topic 958-205, as required. UNCF has interpreted the State of New York's UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, UNCF classifies as net assets with donor restrictions held in perpetuity (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment.

The associated gains and income on donor-restricted endowment funds are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by UNCF in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, UNCF considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of UNCF.
- (2) The purposes for which UNCF will appropriate funds from the donor-restricted endowment fund.
- (3) General economic conditions.
- (4) The possible effect of inflation and deflation.
- (5) The expected total return from income and the appreciation of investments.
- (6) Other resources of UNCF.
- (7) The investment policies of UNCF.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires UNCF to retain as a fund of perpetual duration. UNCF had no such deficits on March 31, 2025, and 2024.

(I) Endowment Investment and Spending Policies

Endowment assets include donor-restricted funds that UNCF must hold in perpetuity or for a donor-specified period. UNCF and amounts designated by the Board to be subject to these policies has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments.

Preservation of capital is foremost, followed by preservation of purchasing power and growth of assets. The investment policy establishes an achievable return objective through the diversification of asset classes. The current long-term return objective is to attain an average annual real return (net of investment and management fees) of 5% above the Consumer Price Index (CPI). It is recognized that the real return objective will be difficult to attain in every period, but it should be attainable over the long-term. To satisfy its long-term rate-of-return objectives, UNCF relies on a total return strategy designed to deliver superior risk-adjusted returns in which investment returns are achieved through

UNITED NEGRO COLLEGE FUND, INC.

Notes to Financial Statements

March 31, 2025 and 2024

both capital appreciation (realized and unrealized) and current yield (interest and dividends). UNCF targets a diversified asset allocation that emphasizes equity-based investments more to achieve its long-term return objectives within prudent risk parameters.

UNCF's fiscal policy governs using resources in the various endowed funds for program expenses and administrative costs. Endowment funds are used for specified purposes or over the specified time period designated by the donors. The amount of endowment funds available for use is based on the realized and unrealized cumulative investment income gains and losses in excess of the respective endowment's principal balance multiplied by 5% of the average 3-year market value. With respect to any endowment restrictions, these funds are used to support new initiatives or new one-time or short-term (2–3 years) activities, subject to the submission of a business plan that has been reviewed and endorsed by executive Management and approved by UNCF's Board of Directors. Once approval of an initiative or activity is obtained from the Board of Directors, the use of the endowment funds is incorporated into the operating budget process, and distributions are based on the budgeted amounts.

(m) Revenue Recognition

Revenue is recognized during the period in which it is earned. Revenue received in advance and not yet earned is deferred to the applicable period. Deferred revenue amounted to \$3,213,246 and \$4,276,524 as of the year ended March 31, 2025 and 2024.

(n) Donated Services

The value of certain services provided to and/or paid on behalf of UNCF's programs that are susceptible to objective measurement or valuation has been reflected in the financial statements (see note 17). Additionally, many volunteers have donated significant time to UNCF's program services and fundraising campaigns. Although the value of these services is significant, UNCF does not record such value in its financial statements since the criteria for recognition are not met in accordance with FASB ASC Topic 958-605-25, *Not-For-Profit Entities – Revenue Recognition*.

(o) Expenses

UNCF recognizes expenses during the period in which they are incurred. Expenses paid in advance and not yet incurred are deferred to the applicable period.

(p) Functional Allocation of Expenses

The costs of providing various programs and supporting services have been summarized on a functional basis in the accompanying statement of activities. The statement of functional expenses presents expenses by function and natural classification. Certain categories of expenses are attributable to both program services and supporting activities. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The allocated expenses include occupancy, salaries and benefits, and cost of technology, which are allocated based on square-footage, estimates of time and effort, and direct consumption methodology, respectively.

(q) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the

UNITED NEGRO COLLEGE FUND, INC.

Notes to Financial Statements

March 31, 2025 and 2024

date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(r) Financial Instruments and Credit Risk

Financial instruments that potentially subject UNCF to concentrations of credit risk consist principally of investments, pledges receivable, and certain revenue sources. The UNCF invests in creditworthy financial institutions. By policy, UNCF's approach has been to utilize Tier 1 banks, which are subject to greater regulatory scrutiny, possess ample capital, and have advanced risk management capabilities to minimize risks caused by concentration. Credit risk with respect to pledges receivable is generally limited, except as follows, because UNCF receives large multi-year pledge donations and has maintained long-term relationships with these donors. Approximately 80% of pledges receivable for the fiscal year ended March 31, 2025, were from five major donors.

As of March 31, 2025, UNCF had no other significant concentration of credit risk, except as described in note 4.

(s) Fair Value Measurements

UNCF follows FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, which requires additional footnote disclosures about the inputs used to develop the measurements of fair value and the effect of certain measurements reported in the accompanying statements of activities and as described in note 9.

(t) Recent Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, as amended, which, along with related amendments, replaced existing capital and operating lease reporting and disclosure requirements. ASU No. 2016-02 requires, among other changes to the lease accounting guidance, lessees to recognize most leases on the statement of financial position through both a right-of-use asset and a corresponding lease liability, and additional qualitative and quantitative disclosures. ASU No. 2016-02 was effective for UNCF in fiscal year 2024. The adoption of this standard did not have a material impact on the financial statements of UNCF.

In September 2020, the FASB issued ASU No. 2020-- 07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, Not-For-Profit Entities (Topic 958)*. This ASU increases transparency around contributed nonfinancial assets (also known as "gifts-in-kind") received by not-for-profit organizations, including transparency on how those assets are used and how they are valued. It also addresses the presentation and disclosure of contributed nonfinancial assets. The adoption of this standard did not have a material impact on the financial statements of UNCF.

(u) Summarized Financial Information for 2024

The accompanying financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with UNCF's financial statements for the year ended March 31, 2024, from which the summarized information was derived.

UNITED NEGRO COLLEGE FUND, INC.

Notes to Financial Statements

March 31, 2025 and 2024

(3) Income Taxes

UNCF is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. UNCF has analyzed its unrelated business activities for March 31, 2025 and 2024 and determined that no significant income taxes are due for such activities. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements. Management reviews its tax position under applicable laws and has determined that there are no material uncertain tax positions that require recognition in the financial statements. UNCF files IRS Form 990 annually and is still open to examination by taxing authorities for fiscal year 2018 and later.

(4) Uninsured Cash Balances

UNCF places its cash and cash equivalents with high-credit quality financial institutions that are federally insured for \$250,000 and \$500,000 under the Federal Depository Insurance Corporation Act (FDICA) and the Securities Investor Protection Corporation (SIPC), respectively. Amounts held in excess of the FDICA limits were \$54,376,852 and \$37,602,181 on March 31, 2025 and 2024, respectively. Amounts above the SIPC limits were \$52,705,925 and \$36,358,364 on March 31, 2025 and 2024, respectively. UNCF has not experienced losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

(5) Short-Term Investments

Short-term investments are held, invested, and managed by UNCF and financial institutions, subject to guidelines established by UNCF, GMSP, and its respective Investment Committees. Short-term investments, at fair value, consist of the following at March 31:

	2025	
	UNCF	GMSP
Money market funds	\$ 125,582,786	48,175,720
Certificates of deposit, commercial paper, and other short-term investments	39,817,611	—
Total short-term investments	\$ 165,400,397	48,175,720
	2024	
	UNCF	GMSP
Money market funds	\$ 56,499,053	52,654,715
Certificates of deposit, commercial paper, and other short-term investments	158,985,987	—
Total short-term investments	\$ 215,485,040	52,654,715

UNITED NEGRO COLLEGE FUND, INC.

Notes to Financial Statements

March 31, 2025 and 2024

(6) Pledges Receivable

Pledges receivable are unconditional promises to pay certain amounts and consist of the following at March 31:

	2025	2024
Unconditional pledges receivable before unamortized discount and allowance for uncollectible amounts	\$ 153,613,989	255,890,979
Less:		
Unamortized discount	(5,725,509)	(9,277,618)
Allowance for uncollectible amounts	(3,488,348)	(12,659,886)
Net unconditional pledges receivable	\$ 144,400,132	233,953,475

Management evaluates the collectability of its receivables and records an allowance for estimated uncollectible amounts. Pledges due beyond one year were discounted at an annual rate ranging from 1.26% to 5.4%. The discount will be recognized as contributions and gifts revenue in fiscal years 2025 through 2033, as the discount is amortized using an effective yield over the duration of the contributions.

The expected future cash receipts for UNCF are as follows:

	2025	2024
Amounts due in:		
Less than one year	\$ 58,101,230	117,712,282
One to seven years	95,512,759	138,178,697
Pledges receivable before discount and allowance	\$ 153,613,989	255,890,979

(7) Long-Term Investments

Investments held for long-term purposes and at fair value consist of the following at March 31:

	2025	2024
Fixed income	\$ 4,046,439	5,126,824
U.S. and global equities	196,075,406	101,768,574
Cash equivalents	2,910,274	11,191,049
Hedge funds	65,790,806	42,965,056
Designated fixed income	28,583,410	31,081,096
Private equities	77,504,575	60,742,067
Total long-term investments	\$ 374,910,910	252,874,666

UNITED NEGRO COLLEGE FUND, INC.

Notes to Financial Statements

March 31, 2025 and 2024

Investments held for long-term purposes include investments for which the Board of Directors and member institutions have earmarked the proceeds from liquidating such investments to be utilized primarily for distribution equalization in low-income years and endowment funds for which donors have stipulated that the principal remain intact.

Investments in various funds held in fixed income, U.S. and global equities, hedge funds, designated fixed income and private equities are valued based on UNCF's share of net assets in the underlying investment portfolios. The respective investment managers value the underlying investment portfolios at quoted market prices or estimated fair values for positions for which there is a limited market. Management reviews and evaluates the values provided by the fund managers and general partners and agrees with the valuation methods and assumptions used in determining the fair value of these alternative investments.

During fiscal year 2016, UNCF received a restricted contribution in the form of private stock valued at \$29,967,200. This contribution is included in investments valued using NAV as a practical expedient (see note 9), along with UNCF's other holdings of illiquid private equities. The fair value of the stock at March 31, 2025 and 2024 was \$24,814,857 and \$24,589,428, respectively.

In 2023, UNCF launched an ambitious strategic initiative as part of its \$1 billion Capital Campaign, aiming to raise \$185 million. This initiative aims to establish a \$5 million matching endowment for each of its 37 HBCU member institutions. Once these endowments are in place, the plan is to distribute the annual returns from pooled investments directly to these institutions. This funding will empower its member institutions by supporting general operations, driving infrastructure development, and funding targeted initiatives designed to enhance their educational capacity and operational effectiveness.

As of March 31, 2025, UNCF has made significant progress, successfully raising \$100 million, which has been strategically invested in marketable securities. This investment has already generated income, allowing \$4 million to be distributed equally among the 37 institutions. The remaining balance is reflected in UNCF's long-term level 1 investment strategy.

(8) GMSP Long-Term Investments

Investments in this portfolio are all fixed-income securities, are held for long-term purposes and at fair value, and are composed of the following at March 31:

	<u>2025</u>	<u>2024</u>
U.S. government securities	\$ 46,533,753	39,173,947
Commercial mortgage-backed securities	284,555	301,716
Asset-backed securities	6,068	26,844
Corporate debt securities	604	13,455,583
Cash equivalents	<u>4,403,398</u>	<u>10,345,206</u>
Total investments held for long-term purposes	51,228,378	63,303,296
(Payable) for unsettled investment trades	<u>(45,537)</u>	<u>—</u>
Total GMSP investments held for long-term purposes – net of receivable	<u>\$ 51,182,841</u>	<u>63,303,296</u>

UNITED NEGRO COLLEGE FUND, INC.

Notes to Financial Statements

March 31, 2025 and 2024

As a dedicated defeasance portfolio, these securities have definite stated maturity and predictable cash flows. GMSP long-term investments are accounted for based on the trade date. Consequently, \$45,537 and \$0 were payable for unsettled trades as of March 31, 2025 and 2024, respectively. These investment payables are reported separately in the accompanying statements of financial position.

(9) Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). UNCF utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market-corroborated, or generally unobservable. UNCF primarily applies the market approach for recurring fair value measurements and endeavors to utilize the best available information. Accordingly, UNCF utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

UNCF classifies fair value balances based on the observability of those inputs. UNCF's assessment of the significance of a particular input to fair value measurements requires judgment and may impact the valuation of assets and liabilities, as well as their placement within the fair value hierarchy levels. Also, the time between the contract's inception and performance may affect the fair value. The determination of fair value may, therefore, affect the timing of revenue recognition and change in net assets.

FASB ASC Topic 820 establishes a fair value hierarchy that gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are as follows:

Level 1 Inputs: Valuation based on quoted prices in active markets for identical assets or liabilities that a reporting entity can access at the measurement date, and where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 Inputs: Valuation based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Inputs include quoted prices for similar assets or liabilities in active markets, as well as quoted prices for identical or similar assets or liabilities in markets that are not active, i.e., markets with few transactions, where prices are not current or vary substantially over time.

Level 3 Inputs: Valuation based on inputs that are unobservable for an asset or liability and shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. This input, therefore, reflects UNCF's and other independent third parties, if and where available, assumptions about what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. This classification does not imply a lack of liquidity in the investment. UNCF has a target allocation of approximately 24% nonmarketable alternative investments (private equity). Further, 60% and 50% of the UNCF long-term portfolio have monthly or better liquidity, while approximately 19% and 26% of this portfolio have quarterly liquidity via its marketable alternative investments held at March 31, 2025 and 2024, respectively. UNCF carefully monitors these positions by conducting periodic asset allocation and performance reviews. There were no level 3 investments noted in 2025 and 2024.

UNITED NEGRO COLLEGE FUND, INC.

Notes to Financial Statements

March 31, 2025 and 2024

All short-term investments (see note 5) are classified as Level 1 investments under the FASB ASC Topic 820 hierarchy.

The following tables present UNCF's long-term investments (see note 7) that are measured at fair value on a recurring basis as of March 31, 2025 and 2024:

	<u>Level 1</u>	<u>NAV</u>	<u>2025 Totals</u>
Investments:			
U.S. and global equities	\$ 112,531,855	—	112,531,855
Designated fixed income	28,583,410	—	28,583,410
Cash equivalents	2,910,274	—	2,910,274
Investments valued using NAV as a practical expedient	—	230,885,371	230,885,371
Total	\$ 144,025,539	230,885,371	374,910,910

	<u>Level 1</u>	<u>NAV</u>	<u>2024 Totals</u>
Investments:			
U.S. and global equities	\$ 9,994,205	—	9,994,205
Designated fixed income	31,081,096	—	31,081,096
Cash equivalents	11,191,049	—	11,191,049
Investments valued using NAV as a practical expedient	—	200,608,316	200,608,316
Total	\$ 52,266,350	200,608,316	252,874,666

The following table presents the GMSP's long-term investments (see note 8) that are measured at fair value on a recurring basis as of March 31, 2025 and 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>2025 Totals</u>
Investments:			
U.S. government securities	\$ 46,533,753	—	46,533,753
Commercial mortgage backed securities	—	284,555	284,555
Asset-backed securities	—	6,068	6,068
Corporate debt securities	604	—	604
Cash equivalents	4,403,398	—	4,403,398
Total	\$ 50,937,755	290,623	51,228,378

UNITED NEGRO COLLEGE FUND, INC.

Notes to Financial Statements

March 31, 2025 and 2024

	Level 1	Level 2	2024 Totals
Investments:			
U.S. government securities	\$ 39,173,947	—	39,173,947
Commercial mortgage backed securities	—	301,716	301,716
Asset-backed securities	—	26,844	26,844
Corporate debt securities	13,455,583	—	13,455,583
Cash equivalents	10,345,206	—	10,345,206
Total	\$ 62,974,736	328,560	63,303,296

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate that value:

Equities – UNCF’s holdings of equity securities refer to both *U.S.* and *Global Equities* and thus represent the publicly listed shares on regulated exchanges of various companies or commingled investment funds holding these types of securities. As publicly listed securities, prices and thus valuations are readily available via regular trading between specialists, market makers, and multiple principals and agents. Bid and offer quotes are continuously available. The commingled investment funds are valued using net asset value.

Fixed Income – *Fixed Income* and *designated fixed income* securities are comprised of U.S. and global government bills, notes and bonds (including agency issues, Treasury Inflation Protection Securities and various zero-coupon issues) and also various types of corporate bonds (including asset-backed securities, both residential and commercial mortgage-backed securities and debentures) or commingled investment funds holding these types of securities. Some of the designated fixed-income securities are readily determinable marketable securities whose quoted prices are available in the open market. The remaining fixed-income securities are based on net asset values as a practical expedient for fair value.

Alternative Investments – UNCF’s alternative investments fall into one of two categories – *Private Equity* and *Hedge Funds*. Individual holdings within the alternative investments may include investments in both nonmarketable (unlisted) and marketable (listed, publicly traded) securities. UNCF’s alternative investments are held in various classes of investments. Given the absence of market quotations for some of these investments, fair value is estimated using net asset value as a practical expedient.

While these financial instruments contain varying degrees of risk, UNCF’s exposure with respect to each such investment is limited to its carrying amount (fair value as described above) in each investment. The financial statements of the investees are audited annually by nationally recognized independent auditors. In addition, UNCF has implemented a system whereby its own master custodian performs monthly and/or quarterly reconciliations with all of its outside managers, as well as a comprehensive annual review timed to coincide with UNCF’s fiscal year-end.

Cash Equivalents – Cash Equivalents are invested in traditional money market funds that target a stable, daily net asset value and are regulated under the Investment Company Act 1940. These conventional money market funds are restricted to invest only in those securities permissible under Rule 2a-7 of the

UNITED NEGRO COLLEGE FUND, INC.

Notes to Financial Statements

March 31, 2025 and 2024

Investment Company Act of 1940 and typically refer to the high-quality rated debt instruments of various issuers that have maturities of 3-months or less, with a weighted average maturity of 60 days or less and with no more than 5% in any one issuer. These money market instruments include Treasury Bills, Certificates of Deposit, commercial paper, repurchase agreements, and other acceptable short-term debt instruments.

Investment Derivatives – UNCF’s investment managers may employ derivatives to manage market risks, arbitrage mispricing of securities, or replicate long or short positions cost-effectively. In no instance are derivatives used for speculative or leveraged positions. All derivative investments are carried at fair value and are reported in investments on the statement of financial position. The derivatives are held with two different counterparties and are subject to master netting agreements. The master netting agreements enable UNCF to offset net positions by counterparty and available collateral. Financial futures contracts had a fair value of \$(2,891,688) and \$(3,528,384) at March 31, 2025 and 2024, respectively. The fair value for these contracts is reported as GMSP long-term investments.

Methodology and Process

UNCF’s Management and UNCF’s investment advisor, both working in conjunction, (i) perform ongoing due diligence on outside managers, including, among other things, vetting, monitoring developments involving operations, firewalls, and best practices, and compliance oversight; (ii) ensures proper benchmarking where applicable against certain indexes (e.g., MSCI EAFE, MSCI Emerging Markets, Barclays Aggregate Bond Index, HFR, S&P 500 Index, and Dow Jones Industrial Average, among others); and (iii) reports on changes in overall market conditions. The investment advisor and UNCF Management also have regular calls with the Management of outside fund managers, conduct periodic in-person and on-site meetings, and hold frequent and ad hoc meetings with the investment committee as necessary.

UNCF’s Management and the investment advisor also analyze and report to the investment committee on the portfolios’ overall performance and compliance. Finally, UNCF Management and the advisor make regular proactive recommendations for the investment committee to consider improving the general Management and performance of the portfolio.

The following table summarizes UNCF’s investments with a reported NAV as of March 31, 2025:

<u>Investment type</u>	<u>Fair value</u>	<u>Redemption frequency</u>	<u>Redemption notice period (days)</u>
U.S. and global equities	\$ 83,543,551	Daily, monthly, quarterly	1–60 days
Hedge funds	65,790,806	Monthly, quarterly, annually	8–95 days
Fixed income	4,046,439	Daily, quarterly, annually	10–90 days
Private equities	77,504,575	N/A	N/A
	<u>\$ 230,885,371</u>		

UNITED NEGRO COLLEGE FUND, INC.

Notes to Financial Statements

March 31, 2025 and 2024

The following table summarizes UNCF's investments with a reported NAV as of March 31, 2024:

<u>Investment type</u>	<u>Fair value</u>	<u>Redemption frequency</u>	<u>Redemption notice period (days)</u>
U.S. and global equities	\$ 91,774,369	Daily, monthly, quarterly	1–60 days
Hedge funds	42,965,056	Monthly, quarterly, annually	8–95 days
Fixed income	5,126,824	Daily, quarterly, annually	10–90 days
Private equities	<u>60,742,067</u>	N/A	N/A
	<u>\$ 200,608,316</u>		

UNCF's investments in U.S. and global equities, and fixed-income asset classes, which are recorded at net asset value, and represent investments in various commingled investment funds and other marketable securities.

UNCF's investments in hedge funds seek to provide investors with maximum capital appreciation while limiting downside risk. It does so by investing in a diversified group of hedge funds and fund-of-funds. Where hedge funds take direct positions, fund-of-funds invest with underlying sub-managers that employ various hedging strategies, typically by simultaneously investing in long and short positions in various securities. These funds may utilize leverage to magnify the effects of securities selection, particularly in terms of price movements. Additionally, most of UNCF's hedge fund positions were out of the mandatory lock-up periods.

UNCF's investments in private equities seek to provide investors with reasonable returns compared to comparable market indexes, utilizing a pool of nonmarketable private equity funds. The funds have different lock-up structures, leading to varying withdrawal restrictions or possible capital redemptions. The typical cycle provides for an initial investment period usually ranging anywhere from 1-5 years, followed by a growth and management phase that typically runs anywhere from 2-10 years or longer. Over this period, capital is periodically called and distributed according to the realization/distribution of investment earnings and/or returns.

UNCF does not intend to sell any funds at an amount different from the net asset value per share. Outstanding funding commitments for nonmarketable alternative investments, based on the terms of the underlying investment agreements, amounted to \$12,305,410 and \$12,411,774 as of March 31, 2025 and 2024, respectively.

UNITED NEGRO COLLEGE FUND, INC.

Notes to Financial Statements

March 31, 2025 and 2024

(10) Property and Equipment

Property and equipment utilized at the national headquarters and regional field offices are summarized as follows:

	<u>2025</u>	<u>2024</u>
Land	\$ 6,350,000	6,350,000
Building and improvements	23,505,042	23,370,276
Furniture and fixtures	1,065,438	1,050,360
Computers and equipment	4,031,701	3,542,131
Capital Project	<u>11,857,178</u>	<u>8,955,716</u>
Total property and equipment	46,809,359	43,268,483
Less accumulated depreciation and amortization	<u>(11,929,213)</u>	<u>(11,230,693)</u>
	<u>\$ 34,880,146</u>	<u>32,037,790</u>

Depreciation and amortization expenses for the fiscal years ended March 31, 2025, and 2024 were \$1,133,218 and \$1,048,570, respectively.

(11) Collections Acquired

UNCF's collection items, amounting to \$6,929,250, consisted of donated works of art received from the Estate of Benny Andrews Foundation, Inc. An independent appraisal was used to measure the fair value at the date of the gift. Following the donor's intent through March 31, 2021, UNCF distributed \$5,515,000 of this artwork to member colleges and other entities. As of March 31, 2025, UNCF held the remaining \$1,414,250 of this collection within a secure environment for future planned distribution.

(12) Gates Millennium Scholars Program

During the fiscal year ended March 31, 2000, UNCF received a grant from the Bill and Melinda Gates Foundation (the Foundation) for \$1 billion over 20 years or approximately \$50,000,000 per year to administer the GMSP.

The grant aims to provide scholarships, fellowships, and leadership opportunities for approximately 20,000 outstanding low-income African-American, Native-American, Hispanic-American, and Asian-American students to attend the undergraduate and graduate educational institutions of their choice. This grant is conditioned on UNCF's successful annual administration of the GMSP as determined by the administration agreement and the Foundation.

In the fiscal year that ended on March 31, 2015, the Gates Foundation requested the UNCF, in its role as GMSP Administrator, to create a plan for winding down the program. The plan needed to show student enrollment projections and scholarship and administrative expenses until the program's end in the spring of 2029. The GMSP staff, in collaboration with partner organizations and UNCF's leadership, submitted the final plan to the Foundation in February 2017. As of March 31, 2025 and 2024, the plan accepted by the Foundation anticipates \$23,425,201 and \$35,207,258 in scholarship expenses and \$10,144,972 and \$12,902,566 in administrative expenses, respectively.

UNITED NEGRO COLLEGE FUND, INC.

Notes to Financial Statements

March 31, 2025 and 2024

In May 2019, the original grant agreement between the Foundation and UNCF to administer the GMSP was amended and restated. The revised agreement kept the purpose of the original grant, modified the reporting schedule and due dates, and added a payment schedule for the return of terminal surplus funds. The UNCF has agreed to return a portion of the anticipated terminal surplus funds, totaling \$39 million, over five years. The funds will be paid to the Foundation in September of each year as follows: \$5 million in 2020, \$8 million in 2021, \$10 million in 2022, \$10 million in 2023, and \$6 million in 2024, and any remaining surplus funds to be distributed at the end of the program in 2029. As of March 31, 2025, UNCF completed the full payment of \$39 million as scheduled.

UNCF invests and holds GMSP funds in separate investment accounts, and all investment gains, losses, interest, and dividends earned are restricted for the grant (see notes 8 and 9).

Following FASB ASC Topic 958-605-25, revenue recognition is based on the unconditional/conditional promise to give. The restated grant agreement requires the UNCF to adhere to specific performance metrics. If performance metrics are not met, the grant agreement may be terminated, and any unspent funds, including the accumulated returns on invested assets, will be returned to the Foundation.

In addition, the agreement also outlines general conditions that stipulate (i) in the event of a modification, enlargement, frustration, or the impossibility of achieving the purposes of the grant agreement and/or (ii) UNCF's continued failure to perform any of its duties under the restated grant agreement and/or (iii) UNCF's failure to submit an acceptable annual budget and/or (iv) a significant leadership or other material change that may adversely threaten the administration and success of the GMSP; the Foundation has the discretion to cancel the grant agreement, suspend any further payments outstanding under the grant agreement, and/or require that any portion of the funds, including the accumulated returns on invested assets, that were distributed but unexpended to be repaid or transferred to another administrator.

Due to the conditions placed in the restated grant agreement, the funding was treated as a conditional promise to give. Therefore, the funding received was not recorded as revenue in the year it was received, but rather as a liability (refundable advances from a donor), with revenue being recognized in the year when the conditions are met. Returns on GMSP investments are recognized as revenue and an increase in temporarily restricted net assets when the underlying investments generate such returns. As of March 31, 2017, all relevant conditions placed on the grant agreement had been met, or Management determined that it was remote that they would not be met. Therefore, all amounts received from the Foundation were recognized as revenue.

(13) Line of Credit

UNCF established a revolving line of credit (LOC) with Investors Bank for a maximum amount of \$4,000,000. In February 2023, Investors Bank became Citizens Bank. The LOC had a yearly renewable cycle, subject to no material changes in UNCF's financial condition. Amendment No. 4 of the LOC expired on the maturity date of October 31, 2021. The LOC was renewed on October 28, 2021, as Amendment No. 5 under the reestablished agreement, with a maturity date of October 31, 2023. UNCF had not borrowed against the line of credit since its inception and decided not to renew it when it came due, in order to avoid the cost of maintenance. The line of credit arrangement includes restrictive covenants. At the end of each fiscal year, UNCF must maintain unrestricted and temporarily restricted cash plus investments, excluding assets designated for the GMSP, to fund a long-term debt ratio of 1.25x. Additionally, UNCF is

UNITED NEGRO COLLEGE FUND, INC.

Notes to Financial Statements

March 31, 2025 and 2024

subject to certain financial reporting covenants. UNCF was in compliance with its financial covenants as of March 31, 2025.

(14) Bonds Payable

(a) Series 2010 Bonds

On June 14, 2010, UNCF signed a Purchase and Sale Agreement to acquire approximately 50,000 square feet of commercial condominium units in a building to be constructed for the relocation of its headquarters. The total net acquisition cost was expected to be \$28,965,000. The acquisition and build-out of the space have been financed through the issuance of \$26,000,000 in tax-exempt bonds (Series 2010 Bonds) and a contribution of approximately \$2,900,000 drawn from UNCF's long-term investment fund.

These tax-exempt bonds were issued on December 23, 2010, and bear interest at a fixed percentage rate between 5% and 6.875%, with maturities ranging from one to thirty years.

As provided by the Indenture Trust, UNCF exercised the option of defeasance on the Series 2010 Bonds. On August 6, 2015, \$31,565,000 of the District of Columbia special obligation bonds (Series 2015 Bonds) with an interest rate of 3.61% were issued to advance refund of \$25,195,000 of the Series 2010 outstanding bonds. The net proceeds of \$30,931,769 (after payment of \$633,231 in underwriting fees and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future bond debt service payments through July 1, 2020. As a result, the bonds are defeased and the liability for those bonds and related unamortized deferred financing costs have been removed from the financial statements.

(b) Series 2015 Bonds

The Series 2015 Bonds are special obligations of the District of Columbia (the District), the principal of, redemption premium, if any, and interest on which are payable solely from the revenues received under the Loan Agreement for the Series 2015 Bonds between the District and UNCF (Loan Agreement) and, to the extent provided in the Indenture Trust, dated August 1, 2015, between the District and the Trustee, pursuant to which the Series 2015 Bonds are currently issued and outstanding. Investors Bank purchased the Series 2015 Bonds under and upon the terms and conditions outlined in the Bond Purchase and Continuing Covenants Agreement as of August 6, 2015, between Investors Bank and UNCF. Investors Bank was acquired by Citizens Bank in FY2024. However, this acquisition did not affect the terms and conditions of the original agreement. Actual interest expenses incurred in 2024 amounted to \$906,503 and are included in the accompanying statements of activities.

To evidence and secure its obligations under the Loan Agreement, UNCF has executed a promissory note (Series 2015 Note) in the principal amount of \$31,565,000.

Commencing September 1, 2015, principal and interest payments are due monthly, with all outstanding amounts related to the 2015 Series Note due on August 1, 2040. The Series 2015 Note is an unconditional general obligation of UNCF.

UNITED NEGRO COLLEGE FUND, INC.

Notes to Financial Statements

March 31, 2025 and 2024

At March 31, 2025, the total amounts outstanding on the Series 2015 Bonds were as follows:

Year ending March 31:	
2026	\$ 1,120,000
2027	1,160,000
2028	1,200,000
2029	1,250,000
2030	1,295,000
Thereafter	16,655,000
Deferred financing cost	<u>(402,530)</u>
	<u>\$ 22,277,470</u>

(c) Restrictive Covenants

UNCF must maintain a liquidity ratio of 1.25 to 1. Compliance will be based solely on the assets of UNCF, exclusive of the GMSP. Additionally, UNCF is subject to certain financial reporting covenants. UNCF complied with all of its financial covenants as of March 31, 2025 and 2024.

(d) Deferred Financing Costs

UNCF's bond financing costs for the years ended March 31, 2025 and 2024, such as underwriter fees, legal fees, and other direct expenses, amounted to \$402,530 and \$428,782, respectively, and are included in the accompanying statements of financial position. These costs are amortized using the straight-line method, which approximates the effective interest method over the maturity of the respective debt. Amortization expenses amounted to \$26,252 for the years ended March 31, 2025 and 2024.

(15) Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the unspent portion of contributions and gifts received by UNCF, which have been restricted by the donor to be used for the purposes summarized below:

	2025	2024
Scholarships and special projects	\$ 549,911,662	564,105,550
Perpetual in nature	126,574,838	119,038,751
GMSP	<u>98,515,180</u>	<u>108,452,674</u>
	<u>\$ 775,001,680</u>	<u>791,596,975</u>

UNITED NEGRO COLLEGE FUND, INC.

Notes to Financial Statements

March 31, 2025 and 2024

Net assets with donor restrictions were released from restrictions for the following purposes:

	<u>2025</u>	<u>2024</u>
Scholarships and special projects	\$ 104,495,668	119,863,070
GMSP	<u>15,093,227</u>	<u>18,580,309</u>
	<u>\$ 119,588,895</u>	<u>138,443,379</u>

(16) Endowment Net Asset Classifications

UNCF's endowments consist of 209 programs established for the purpose of funding scholarships. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Changes in endowment net assets for the year ended March 31, 2025, are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>		
	<u>Board designated</u>	<u>Purpose restricted</u>	<u>Perpetual in nature</u>	<u>Total</u>
Net assets, beginning of year	\$ 12,544,424	52,255,843	119,038,751	183,839,018
Investment return:				
Investment income	163,128	677,073	—	840,201
Net realized and unrealized Gain	<u>3,017,443</u>	<u>9,655,633</u>	<u>—</u>	<u>12,673,076</u>
Total investment losses	3,180,571	10,332,706	—	13,513,277
Contributions	—	—	7,536,087	7,536,087
Appropriation of endowment income for expenditure	<u>(971,561)</u>	<u>(7,314,942)</u>	<u>—</u>	<u>(8,286,503)</u>
Net assets, end of year	\$ <u>14,753,434</u>	<u>55,273,607</u>	<u>126,574,838</u>	<u>196,601,879</u>

UNITED NEGRO COLLEGE FUND, INC.

Notes to Financial Statements

March 31, 2025 and 2024

Changes in endowment net assets for the year ended March 31, 2024, are as follows:

	Without donor restrictions	With donor restrictions		Total
	Board designated	Purpose restricted	Perpetual in nature	
Net assets, beginning of year	\$ 8,770,983	34,958,819	110,124,497	153,854,299
Investment return:				
Investment income	186,680	655,283	—	841,963
Net realized and unrealized Gain	<u>4,175,646</u>	<u>21,367,443</u>	<u>—</u>	<u>25,543,089</u>
Total investment losses	4,362,326	22,022,726	—	26,385,052
Contributions	—	—	8,914,254	8,914,254
Appropriation of endowment income for expenditure	<u>(588,885)</u>	<u>(4,725,702)</u>	<u>—</u>	<u>(5,314,587)</u>
Net assets, end of year	<u>\$ 12,544,424</u>	<u>52,255,843</u>	<u>119,038,751</u>	<u>183,839,018</u>

(17) Gifts-In-Kind and Donated Services

UNCF has received renewable one-year subscriptions to Bloomberg Terminal services as donations for its member institutions. Eight of these institutions are currently utilizing the services. Bloomberg determines the market value of these services on an annual basis. As of March 31, 2025, and 2024, the fair value of these specialized services and other goods was reflected in the statement of activities as \$1,054,759 and \$2,079,815, respectively.

(18) Other Fundraising Activities

(a) Special Events

UNCF raised \$21,722,887 and \$21,764,325 in contributions from special fundraising events and incurred related direct expenses of \$8,222,434 and \$7,852,445 in fiscal years 2025 and 2024, respectively. These amounts are reported in the accompanying statements of activities as contributions and gifts, net of the related direct expenses.

(b) Direct Mail

UNCF raised \$13,901,317 and \$4,908,808 in contributions through its direct mail campaigns and incurred related direct expenses of \$14,119,375 and \$5,159,982 in fiscal years 2025 and 2024, respectively.

UNITED NEGRO COLLEGE FUND, INC.

Notes to Financial Statements

March 31, 2025 and 2024

(19) Retirement Plans

All full and part-time employees are eligible to participate in the retirement plan on the first day of employment. After completing one year of service, employees are eligible to receive employer contributions to the retirement plan. The plan consists of participant-voluntary and contributory tax-deferred annuity plans through Teachers Insurance and Annuity Association and/or the College Retirement Equities Funds (TIAA-CREF). UNCF contributes an additional matching amount of up to 7% of an employee's annual salary based on the percentage they defer.

UNCF also has supplemental agreements with certain current and past key executives. To meet these obligations, UNCF maintains annuity contracts amounting to \$2,402,588 and \$2,296,519 as of March 31, 2025, and 2024, respectively, and these are included within other assets in the accompanying statements of financial position. The liabilities associated with these agreements amounted to \$1,056,753 and \$1,484,172 as of March 31, 2025, and 2024, respectively, and are included within accrued wages, vacation, and other related personnel expenses in the accompanying statements of financial position. UNCF believes it has sufficient operating cash to cover any shortfalls between the annuity contracts and the liabilities owed under these agreements.

UNCF's expenses related to the retirement plan and the supplemental agreements were \$1,556,743 and \$1,368,489 for 2025 and 2024, respectively.

(20) Commitments and Contingencies

UNCF leases space for its office facilities throughout the United States with remaining lease terms of from month-to-month to approximately 20 years. None of the leases meet the requirements to be classified as finance leases and are accounted for as operating leases. UNCF has determined that it is reasonably certain to exercise extension options for certain leases. Accordingly, the period covered by such extension options is recognized as part of the right-of-use assets and lease liabilities for certain leases.

UNCF has a commitment under one lease for office space, with improvements that are still under construction by the lessor. The right-of-use asset and related liability for this lease will be recorded when the underlying asset is made available by the lessor for use by UNCF.

The individual lease contracts do not provide information about the rate implicit in the lease. Therefore, UNCF has elected to use a risk-free discount rate for all affected leases and the short-term lease practical expedient for all short-term leases.

Lease information as of and for the years ended March 31, 2025, and 2024 is as follows:

	<u>2025</u>	<u>2024</u>
Right-of-use lease assets under operating lease	\$ 8,140,559	8,040,224
Lease liabilities under the operating lease:		
Current portion	\$ 486,430	290,722
Long-term portion	<u>8,419,875</u>	<u>7,955,679</u>
Total operating lease liabilities	<u>\$ 8,906,305</u>	<u>8,246,401</u>

UNITED NEGRO COLLEGE FUND, INC.

Notes to Financial Statements

March 31, 2025 and 2024

Right-of-use lease assets and lease liabilities are recorded in other assets and accounts payable and accrued expenses in the statements of financial position, respectively.

At March 31, 2025 and 2024, aggregate net minimum annual rental commitments under the noncancelable operating leases, having an initial or remaining term of more than one year, are as follows:

	Rental commitment	
	2025	2024
Year ending March 31:		
2026	\$ 916,230	718,540
2027	942,174	733,457
2028	867,033	735,803
2029	799,145	726,913
2030	636,769	561,309
Thereafter	<u>9,625,192</u>	<u>10,030,854</u>
Total operating lease	13,786,543	13,506,876
Less present value adjustment	<u>4,880,238</u>	<u>5,260,475</u>
Total lease liabilities	<u>\$ 8,906,305</u>	<u>8,246,401</u>

Rent expenses under these leases amounted to \$702,986 and \$760,088 for the years ended March 31, 2025, and 2024, respectively.

Other

UNCF is a party to various legal actions and claims arising in the ordinary course of its business. UNCF's Management believes that its ultimate disposition will not adversely affect UNCF's financial position or the results of its operations.

UNITED NEGRO COLLEGE FUND, INC.

Notes to Financial Statements

March 31, 2025 and 2024

(21) Liquidity and Availability of Resources

UNCF's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

	<u>March 31, 2025</u>	<u>March 31, 2024</u>
Cash and cash equivalents	\$ 56,073,619	39,298,929
Short-term investments	213,576,117	268,139,755
Long-term investments	426,139,289	316,177,962
Accrued investment income	1,422,547	11,321,864
Receivables, net	144,400,132	233,953,475
Assets held for supplemental employee benefits, net	1,176,230	812,348
Assets held for partner organizations, net	<u>(715,888)</u>	<u>(158,132)</u>
Total financial assets, end of year	<u>842,072,046</u>	<u>869,546,201</u>
Less those unavailable for general expenditure within one year, due to:		
Time restricted pledges due in greater than one year	(95,512,759)	(138,178,697)
Perpetual and term endowments and accumulated earnings, net	(181,848,446)	(171,294,594)
Purpose restricted grants, net	(481,352,530)	(466,790,345)
Unfunded capital commitments	(12,305,410)	(12,411,774)
Distribution commitments to UNCF member institutions	(9,368,416)	(9,723,051)
Operating reserve	(20,410,866)	(19,306,056)
Member distribution reserve	(5,528,372)	(5,238,515)
Return of funds to the Gates Foundation	<u>—</u>	<u>(6,000,000)</u>
Total financial assets unavailable for general expenditures within one year	<u>(806,326,799)</u>	<u>(828,943,032)</u>
Total financial assets available for general expenditures within one year	<u>\$ 35,745,247</u>	<u>40,603,169</u>

UNCF ensures that its current-year revenue sufficiently covers its operating expenses for the year. It also has donor-restricted assets available for general expenditure within one year in the ordinary course of operations. Therefore, these assets have been included in the information above. Additionally, UNCF holds sufficient cash and easily accessible investments to cover expected expenses for operations, capital projects, and member distributions.

UNITED NEGRO COLLEGE FUND, INC.

Notes to Financial Statements

March 31, 2025 and 2024

As part of its liquidity management plan, UNCF sets aside reserves for operations and member distributions, with the approval of the Board of Governance. The fair market values of the operating and member distributions reserves were \$20.4 million and \$5.5 million, respectively, as of March 31, 2025, and \$19.3 million and \$5.2 million, respectively, as of March 31, 2024. These reserves are established with the objective of setting aside funds to be used in the event of financial distress or an immediate liquidity need resulting from circumstances outside the typical life cycle of converting financial assets to cash or settling financial liabilities. UNCF's target for the operating reserve is a total of \$40 million, which was determined based on Management's judgment about the appropriate amount of funds to have set aside in addition to working capital. The operating reserve and member distribution reserve balances are held in long-term investment accounts. They are presented as board-designated net assets without restriction on the statements of financial position.

(22) Related Parties

UNCF receives contributions from donor organizations, representatives on its Board of Directors, and from the Board members themselves. During the years ended March 31, 2025, and 2024, respectively, UNCF received \$5,621,401 and \$7,729,489 in contributions from such related parties. The contributions receivable from these related parties were \$589,300 and \$595,127 as of March 31, 2025, and 2024, respectively.

(23) Subsequent Events

Risks and Uncertainties

Due to the level of uncertainty related to changes in interest rates, market volatility, and credit risks, it is at least reasonably possible that changes in these risks could materially affect the fair value of investments reported in the accompanying statements of financial position as of March 31, 2025, and 2024.

Management reviewed its outstanding contributions and gifts at March 31, 2025 and does not believe that the market conditions will have a material effect on the financial position of UNCF. However, Management believes that the diversification of UNCF's invested assets among various asset classes should mitigate the impact of dramatic change on any one category. Further, because the values of UNCF's investments have and will fluctuate in response to changing market conditions, the amount of losses recognized in subsequent periods, if any, cannot be determined. These trends may also affect donors' ability to fulfill their pledges on time.

Management's Evaluation

In accordance with FASB ASC Topic 855, *Subsequent Events*, Management has evaluated any events or transactions occurring after March 31, 2025, the statement of financial position date, through September 25, 2025 the date the financial statements were available to be issued, and noted that except for the above, there have been no such events or transactions which would require adjustments to or disclosure in UNCF's financial statements for the year ended March 31, 2025.