

University of Central Missouri Foundation
A Component Unit of the University of Central Missouri

Independent Auditor's Report and Financial Statements

June 30, 2021 and 2020

University of Central Missouri Foundation
A Component Unit of the University of Central Missouri
June 30, 2021 and 2020

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Independent Auditor's Report

Board of Directors
University of Central Missouri Foundation
Warrensburg, Missouri

We have audited the accompanying financial statements of University of Central Missouri Foundation, a component unit of the University of Central Missouri, which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Board of Directors
University of Central Missouri Foundation
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of University of Central Missouri Foundation as of June 30, 2021 and 2020, 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.

BKD, LLP

Springfield, Missouri
September 13, 2021

University of Central Missouri Foundation
A Component Unit of the University of Central Missouri
Statements of Financial Position
June 30, 2021 and 2020

	2021	2020
Assets		
Cash	\$ 698,430	\$ 505,503
Investments	76,068,001	61,558,093
Accrued investment income	214,819	233,416
Contributions receivable, net	1,567,816	1,193,500
Notes receivable	1,928,363	2,154,000
Cash surrender value of life insurance	537,175	512,456
Beneficial interests in trusts	1,168,836	885,088
Prepaid expenses	9,712	21,078
Total assets	\$ 82,193,152	\$ 67,063,134
Liabilities and Net Assets		
Liabilities		
Accrued expenses and due to University	\$ 659,208	\$ 393,972
Annuities payable	1,272,478	1,392,061
Total liabilities	1,931,686	1,786,033
Net Assets		
Without donor restrictions	9,544,835	8,040,388
With donor restrictions	70,716,631	57,236,713
Total net assets	80,261,466	65,277,101
Total liabilities and net assets	\$ 82,193,152	\$ 67,063,134

University of Central Missouri Foundation
A Component Unit of the University of Central Missouri
Statements of Activities
Years Ended June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support						
Gifts	\$ 350,662	\$ 4,936,521	\$ 5,287,183	\$ 401,568	\$ 5,049,555	\$ 5,451,123
In-kind gifts	825,667	346,087	1,171,754	1,133,522	370,909	1,504,431
Other income	406	97,044	97,450	10,000	138,992	148,992
Net investment income	356,401	969,711	1,326,112	337,956	1,044,825	1,382,781
Net realized and unrealized gain (loss) on investments and beneficial interests in trusts	2,130,534	10,450,037	12,580,571	774,943	(217,883)	557,060
Change in donor restrictions	(38,459)	38,459	-	(6,583)	6,583	-
Net assets released from restrictions	3,453,858	(3,453,858)	-	2,955,847	(2,955,847)	-
Total revenues, gains, and other support	<u>7,079,069</u>	<u>13,384,001</u>	<u>20,463,070</u>	<u>5,607,253</u>	<u>3,437,134</u>	<u>9,044,387</u>
Expenses and Losses						
Foundation expenses						
General administrative	1,200,208	-	1,200,208	1,139,383	-	1,139,383
Fundraising	1,245,287	-	1,245,287	1,592,557	-	1,592,557
Total Foundation expenses	<u>2,445,495</u>	<u>-</u>	<u>2,445,495</u>	<u>2,731,940</u>	<u>-</u>	<u>2,731,940</u>
Expenses for University advancement						
Program expenses						
Scholarships	1,323,292	-	1,323,292	1,145,927	-	1,145,927
Academic support – TV	241,167	-	241,167	334,258	-	334,258
Student services – athletics	715,382	-	715,382	631,034	-	631,034
Instruction and other departmental	381,378	-	381,378	519,607	-	519,607
Support services						
Institutional support – facilities	467,908	-	467,908	105,250	-	105,250
Total expenses for University advancement	<u>3,129,127</u>	<u>-</u>	<u>3,129,127</u>	<u>2,736,076</u>	<u>-</u>	<u>2,736,076</u>
Actuarial (gain) loss on annuity obligations	-	(95,917)	(95,917)	-	342,237	342,237
Total expenses and losses	<u>5,574,622</u>	<u>(95,917)</u>	<u>5,478,705</u>	<u>5,468,016</u>	<u>342,237</u>	<u>5,810,253</u>
Change in Net Assets	1,504,447	13,479,918	14,984,365	139,237	3,094,897	3,234,134
Net Assets, Beginning of Year	<u>8,040,388</u>	<u>57,236,713</u>	<u>65,277,101</u>	<u>7,901,151</u>	<u>54,141,816</u>	<u>62,042,967</u>
Net Assets, End of Year	<u>\$ 9,544,835</u>	<u>\$ 70,716,631</u>	<u>\$ 80,261,466</u>	<u>\$ 8,040,388</u>	<u>\$ 57,236,713</u>	<u>\$ 65,277,101</u>

University of Central Missouri Foundation
A Component Unit of the University of Central Missouri
Statement of Functional Expenses
Year Ended June 30, 2021

	Expenses for University Advancement					Foundation Expenses				Total
	Scholarships	Academic Support – TV	Student Services – Athletics	Instruction and Other Departmental	Institutional Support – Facilities	University Advancement Total	General Administrative	Fundraising	Foundation Total	
Contributed services from University	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 539,577	\$ 285,394	\$ 824,971	\$ 824,971
Salaries and benefits	15,445	148,524	6,050	164,119	-	334,138	370,891	435,301	806,192	1,140,330
Travel	-	173	71,308	5,630	-	77,111	-	(856)	(856)	76,255
Professional services	-	35	255,319	16,188	134	271,676	134,067	130,591	264,658	536,334
Advertising and underwriting	-	228	64,891	(45)	-	65,074	45	(998)	(953)	64,121
Bad debts	-	-	-	-	-	-	46,322	-	46,322	46,322
Bank fees	-	-	-	-	-	-	39,047	8,080	47,127	47,127
Food and beverage	-	1,767	5,876	3,212	-	10,855	6,040	62,361	68,401	79,256
Fundraising events	-	-	-	-	-	-	-	90,352	90,352	90,352
In-kind gifts	-	50,758	60,347	58,858	-	169,963	696	118,995	119,691	289,654
Promotions and recruiting	-	-	50,598	45	-	50,643	13,850	37,967	51,817	102,460
University equipment	-	153	162,703	66,931	417	230,204	-	1,147	1,147	231,351
University capital projects	-	-	-	11,735	466,857	478,592	-	-	-	478,592
Office supplies, postage, memberships, and other	135	39,529	38,290	37,890	500	116,344	49,673	76,953	126,626	242,970
Scholarships and awards	1,307,712	-	-	16,815	-	1,324,527	-	-	-	1,324,527
	<u>\$ 1,323,292</u>	<u>\$ 241,167</u>	<u>\$ 715,382</u>	<u>\$ 381,378</u>	<u>\$ 467,908</u>	<u>\$ 3,129,127</u>	<u>\$ 1,200,208</u>	<u>\$ 1,245,287</u>	<u>\$ 2,445,495</u>	<u>\$ 5,574,622</u>

University of Central Missouri Foundation
A Component Unit of the University of Central Missouri
Statement of Functional Expenses
Year Ended June 30, 2020

	Expenses for University Advancement					Foundation Expenses				Total
	Scholarships	Academic Support – TV	Student Services – Athletics	Instruction and Other Departmental	Institutional Support – Facilities	University Advancement Total	General Administrative	Fundraising	Foundation Total	
Contributed services from University	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 630,720	\$ 502,761	\$ 1,133,481	\$ 1,133,481
Salaries and benefits	6,825	175,626	16,720	151,262	-	350,433	233,794	622,493	856,287	1,206,720
Travel	104	906	60,290	44,453	-	105,753	1,823	4,422	6,245	111,998
Professional services	-	22,900	177,625	19,840	6,939	227,304	150,621	132,974	283,595	510,899
Advertising and underwriting	-	3,061	27,570	1,358	-	31,989	-	(260)	(260)	31,729
Bad debts	-	-	-	-	-	-	11,852	-	11,852	11,852
Bank fees	-	-	-	-	-	-	37,360	7,695	45,055	45,055
Food and beverage	4,491	1,300	18,559	6,718	-	31,068	4,764	92,646	97,410	128,478
Fundraising events	-	-	(8,800)	-	-	(8,800)	-	14,626	14,626	5,826
In-kind gifts	-	82,577	93,369	46,568	15,877	238,391	41	132,518	132,559	370,950
Promotions and recruiting	-	115	25,935	1,065	-	27,115	13,958	27,963	41,921	69,036
University equipment	-	2,939	170,479	132,683	74,189	380,290	7,121	1,163	8,284	388,574
University capital projects	-	-	-	50,725	4,000	54,725	-	-	-	54,725
Office supplies, postage, memberships, and other	3,744	44,834	49,287	44,617	4,245	146,727	47,329	53,556	100,885	247,612
Scholarships and awards	1,130,763	-	-	20,318	-	1,151,081	-	-	-	1,151,081
	<u>\$ 1,145,927</u>	<u>\$ 334,258</u>	<u>\$ 631,034</u>	<u>\$ 519,607</u>	<u>\$ 105,250</u>	<u>\$ 2,736,076</u>	<u>\$ 1,139,383</u>	<u>\$ 1,592,557</u>	<u>\$ 2,731,940</u>	<u>\$ 5,468,016</u>

University of Central Missouri Foundation
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Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Operating Activities		
Change in net assets	\$ 14,984,365	\$ 3,234,134
Items not requiring (providing) operating activities cash flows		
Net realized and unrealized gain on investments	(12,580,571)	(557,060)
Actuarial (gain) loss on annuity obligations	(95,917)	342,237
Investment income restricted for long-term investment	(47,464)	(58,546)
Contributions restricted for long-term investment	(978,054)	(622,215)
Change in cash surrender value of life insurance	(24,719)	(29,727)
Issuance of annuity obligations	-	27,141
Changes in		
Contributions receivable, net	(374,316)	483,230
Accrued investment income	18,597	23,272
Prepaid expenses	11,366	(15,388)
Accrued expenses and due to University	265,236	(101,275)
Net cash provided by operating activities	1,178,523	2,725,803
Investing Activities		
Purchase of investments	(18,959,959)	(12,913,688)
Proceeds from sale or maturity of investments	15,667,955	11,070,425
Principal payments received on note receivable from University	225,637	216,169
Net cash used in investing activities	(3,066,367)	(1,627,094)
Financing Activities		
Payments on annuities payable	(196,374)	(194,361)
Proceeds from contributions restricted for long-term investment	807,712	541,176
Net cash provided by financing activities	611,338	346,815
Increase (Decrease) in Cash and Restricted Cash Equivalents	(1,276,506)	1,445,524
Cash and Restricted Cash Equivalents, Beginning of Year	2,416,493	970,969
Cash and Restricted Cash Equivalents, End of Year	\$ 1,139,987	\$ 2,416,493
Reconciliation of Cash and Restricted Cash Equivalents to the Statement of Financial Position		
Cash	\$ 698,430	\$ 505,503
Restricted cash equivalents included in investments	441,557	1,910,990
Total cash and restricted cash equivalents	\$ 1,139,987	\$ 2,416,493

University of Central Missouri Foundation
A Component Unit of the University of Central Missouri
Notes to Financial Statements
June 30, 2021 and 2020

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The University of Central Missouri Foundation (the “Foundation”) is a not-for-profit corporation formed in 1979 to promote the educational, benevolent, and research purposes of the University of Central Missouri (the “University”). The Foundation is a component unit of the University. The primary purpose of the Foundation is to solicit gifts from individuals and businesses for the benefit of the University. These gifts are utilized to provide scholarships to students and financial support to various University programs in order to continue to offer a high-quality education to the students of the University.

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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods. Actual results could differ from those estimates.

Investments and Net Investment Income

The Foundation measures securities, other than investments that qualify for the equity method of accounting, at fair value. Investments in private equity funds and hedge funds are recorded at net asset value (NAV), as a practical expedient, to determine fair value of the investments.

Net investment income includes dividend and interest income and investment expenses of \$110,523 and \$98,590 for the years ended June 30, 2021 and 2020, respectively. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method. Net investment income and net realized and unrealized gains and losses are reflected in the statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Management of Pooled Investments

The Foundation manages three separate investment pools designated as Pool A, Pool B, and Pool C. Pooled investments and allocation of pooled investment income are accounted for using the unit market value method. For Pool A, the annual earnings are accumulated and an annual payout is calculated based on a Board-approved spending rate that is applied to the average market value of Pool A funds.

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Notes to Financial Statements
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Earnings in excess of the annual payout are accumulated to be used as payouts for future years. The approved spending rate to fund programs, projects, and scholarships was 3.625 percent with a 1.5 percent administration fee and no reserve funding fee for the year ended June 30, 2021. The approved spending rate to fund programs, projects and scholarships was 3.66 percent with a 1.5 percent administration fee and no reserve funding fee for the year ended June 30, 2020.

Pool A consists of endowment funds, as well as other funds functioning as endowments, funds with donor restrictions, and funds without donor restrictions. These funds are invested for capital appreciation in anticipation of greater long-term returns recognizing that current yields from interest and dividends may be lower than the total payout. Using the total rate of return methodology, when ordinary income generated by Pool A is insufficient to provide the full amount of the total payout, the remainder may be appropriated from Pool A's accumulated undistributed realized gains. In no event will the payout cause the endowment funds to decrease below the original corpus of the endowment.

Pool B consists of funds from charitable remainder annuity trusts that are invested with a goal of meeting the specified distribution amounts as provided in the trust agreements.

Pool C consists of funds from charitable gift annuities that are invested with a goal of meeting the specified distribution amounts as provided in the gift annuity agreements.

The following is a summary of the Foundation's investment and spending policies for funds functioning as endowments:

The primary objectives of the investment policy are to: (A) maintain intergenerational equity as measured by achieving a real long-term return after total spending that at least equals inflation; (B) create investment returns to meet the current and future program or expenditure needs designated by donors; (C) create a flow of investment returns to assist the Board of Directors in funding operating expenses of the Foundation, including sufficiently building operating reserves for future use; and (D) maximize risk-adjusted returns. The objectives of the spending policy are to: (A) provide consistent funding for programs, projects, or scholarships as designated by the donor(s); (B) provide for annual assessments for operating reserves and expenses; and (C) provide for long-term growth of the corpus of the investments.

The portfolio should be diversified both as to fixed income and equity holdings; the purpose of such diversification is to provide reasonable assurance that no single security or class of securities will have a disproportionate impact on the total portfolio.

The equity component of the portfolio shall range from 30 percent to 70 percent, the fixed income component shall range from 20 percent to 50 percent, alternative investments shall range from 10 percent to 20 percent and cash and cash equivalents shall range from 0 percent to 5 percent.

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Notes to Financial Statements
June 30, 2021 and 2020

The Foundation's spending policy allows for an annual distribution to scholarship and continuing project funds based upon a calculated 12-quarter rolling average market value of the portfolio times the payout rate approved by the Board. The Committee to the Board reviews the performance of the Funds Functioning as Endowments portfolio each year and establishes a payout rate in January for the next fiscal year. The total distribution for spending may include appropriations for operating reserves and expenses.

The following is a summary of the Foundation's investment and spending policies for split-interest agreements intended to apply to the charitable gift annuity and trust investment assets:

The primary objectives of the investment policy are to: (A) invest the entire gift in order to make the required annuity payments; (B) maximize return within a reasonable and prudent level of risk; and (C) maintain an appropriate asset allocation that is compatible with the required annuity payments, while still having the potential to retain at least 50 percent of the initial gift if the donor(s) live to their life expectancy.

The equity component of the portfolio shall range from 35 percent to 75 percent, the fixed income component shall range from 20 percent to 50 percent, alternative investments shall range from 0 percent to 15 percent and the cash component shall range from 0 percent to 10 percent.

All spending will be based on the contractual requirements of each charitable gift annuity and trust agreement.

The following is a summary of the investment policy for expendable funds:

The primary objectives of the investment policy are: (A) the preservation of capital while attempting to keep up with inflation; (B) the maximization of returns with minimal levels of risk; and (C) the management of liquidity requirements.

The equity component of the portfolio shall range from 0 percent to 18 percent, the fixed income component shall range from 75 percent to 100 percent, alternative investments shall range from 0 percent to 7 percent and the cash component shall range from 0 percent to 5 percent.

Spending of expendable funds will be governed by the intent of donors.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. The Board of Directors has designated, from net assets without donor restrictions, net assets for Board-designated endowment funds.

University of Central Missouri Foundation
A Component Unit of the University of Central Missouri
Notes to Financial Statements
June 30, 2021 and 2020

Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Gifts

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as revenue and net assets without donor restrictions.

Gifts of land, buildings, equipment, and other long-lived assets are reported as revenue and net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as revenue and net assets with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets are reported when the long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

In-Kind Gifts

In-kind gifts are recorded as revenue and expense in the accompanying financial statements. These contributions consist of equipment, services, and materials and supplies, all of which are recorded at the estimated fair value.

Compensation and benefits for some University employees who provide services for the Foundation are paid by the University and are not reimbursed by the Foundation. The unreimbursed compensation and benefits for these employees is included in in-kind gifts in the accompanying statement of activities. In-kind gifts of compensation and benefits for the year ended June 30, 2021, totaled \$824,971, of which \$539,577 was recognized in general administrative expenses and \$285,394 was recognized in fundraising expenses. In-kind gifts of compensation and benefits for the year ended June 30, 2020, totaled \$1,133,481, of which \$630,719 was recognized in general administrative expenses and \$502,762 was recognized in fundraising expenses.

University of Central Missouri Foundation
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Notes to Financial Statements
June 30, 2021 and 2020

Income Taxes

The Internal Revenue Service has issued a determination letter that the Foundation is a nonprofit organization, as defined under Section 501(c)(3) of the Internal Revenue Code. As such, the Foundation is generally exempt from income taxes. It is, however, required to file the information return, federal Form 990, *Return of Organization Exempt from Income Tax*, and federal Form 990-T to report unrelated business income.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated between expenses for University advancement and Foundation expenses based on various methods.

Subsequent Events

The Foundation has evaluated subsequent events through September 13, 2021, the date the financial statements were available to be issued.

Note 2: Investments

Investments at June 30, 2021 and 2020, consisted of the following:

	2021		2020	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Money market				
mutual funds	\$ 441,557	\$ 441,557	\$ 1,910,990	\$ 1,910,990
Domestic equity	23,140,760	36,039,302	19,314,989	25,693,232
International equity	6,127,936	7,951,127	4,397,372	4,514,184
Fixed income	24,846,859	25,760,981	23,702,782	25,057,223
Alternative				
investment funds	5,442,526	5,875,034	4,508,478	4,382,464
	<u>\$ 59,999,638</u>	<u>\$ 76,068,001</u>	<u>\$ 53,834,611</u>	<u>\$ 61,558,093</u>

University of Central Missouri Foundation
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Notes to Financial Statements
June 30, 2021 and 2020

Note 3: Contributions Receivable

Contributions receivable consist of unconditional gifts to be received in future periods and are discounted to their present value based on anticipated payment streams. Unconditional contributions receivable with donor restrictions at June 30, 2021 and 2020, consisted of the following:

	2021	2020
Due within one year	\$ 1,046,500	\$ 1,057,000
Due in one to five years	628,595	174,500
Due in more than five years	-	11,845
	1,675,095	1,243,345
Less		
Allowance for uncollectible contributions	58,174	11,853
Unamortized discount	49,105	37,992
	\$ 1,567,816	\$ 1,193,500

Discount rates ranged from 0.8 percent to 3.4 percent and from 1.8 percent to 3.4 percent for 2021 and 2020, respectively.

Note 4: Conditional Gift

The Foundation has received the following conditional promises to give at June 30, 2021 and 2020, that are not recognized in the financial statements. At June 30, 2021, the Foundation had received a conditional promise to give \$500,000 for the construction of a wrestling practice room upon the University's Board of Governors approving the project's construction budget and plans. At June 30, 2020, the Foundation had received a conditional promise to give \$400,000 for the construction of the Aviation Education Terminal upon the Foundation raising at least \$400,000 in incremental funds to complete fundraising for the Aviation Education Terminal Project. During the year ended June 30, 2021, the Foundation met the fundraising condition and the \$400,000 promise was fulfilled.

Note 5: Planned Contributions (UNAUDITED)

The Foundation has been named in a number of wills as a beneficiary and has also been informed of other intentions to give. Such intentions to give, which cannot be recorded as contributions receivable until they become unconditional, aggregated approximately \$43,767,515 and \$8,002,201 at June 30, 2021 and 2020, respectively.

University of Central Missouri Foundation
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Notes to Financial Statements
June 30, 2021 and 2020

Note 6: Notes Receivable

	2021	2020
Note receivable from the University, unsecured, dated July 31, 2015, bearing interest at 4%, with fifteen annual payments of \$214,919, due July 31, 2030	\$ 1,743,185	\$ 1,882,793
Note receivable from the University, unsecured, dated December 31, 2017, bearing interest at 5%, with five annual payments of \$99,589, due December 31, 2022	185,178	271,207
	\$ 1,928,363	\$ 2,154,000

Note 7: Beneficial Interests in Trusts

The Foundation is named as the beneficiary of a unitrust held by third-party trustees totaling \$438,153 and \$285,034 at June 30, 2021 and 2020, respectively.

The Foundation is named as the beneficiary of a perpetual trust held by a third-party trustee. Under the terms of the trust, the Foundation is designated to receive the net income derived from trust assets on a quarterly basis, which is to be used for the purpose of scholarships and is recorded as temporarily restricted net assets. The Foundation is the beneficiary of the trust with the condition that the University continues to operate or maintain an accredited four-year college for a term in excess of 24 successive calendar months. The Foundation records its beneficial interest in the trust at fair value. Changes in the fair value of the Foundation's interest in the trust are reflected as unrealized gains or losses in the statement of activities in the year in which they take place. The unrealized gain on this trust was \$82,778 and \$19,771 for the years ended June 30, 2021 and 2020, respectively. The Foundation's share in the trust had a value of \$730,683 and \$600,055 at June 30, 2021 and 2020, respectively.

Note 8: Annuities Payable

The Foundation has entered into split-interest agreements, including a charitable remainder trust plan and a charitable gift annuity program. The Foundation has established a charitable remainder trust plan whereby donors may contribute assets to the Foundation in exchange for the right of a named beneficiary or beneficiaries to receive a fixed-dollar or a fixed-percentage annual return during their lifetimes. The Foundation has also established a charitable gift annuity program whereby, in exchange for a donor's contribution, the Foundation promises to make fixed payments for life to one or more annuitants. The amount paid is based on the age(s) of the annuitant(s), in accordance with the Foundation's rate schedule, which is based on actuarially determined life expectancy tables, trust asset growth assumptions, and discount rates ranging from 3.6 percent to 7.99 percent. The difference between the amount of the gift and the present value of the liability

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for future payments, determined on an actuarial basis, is recognized as a contribution at the date of the gift. The gifts are classified as either with or without donor restrictions based on how the remainder will be used at the termination of the annuity period per the individual agreements. The liability is revalued annually based upon actuarially computed present values, and any resulting actuarial gain or loss is recorded in the statements of activities and changes in net assets. The investments are held in separate accounts and follow the Investment and Spending Policies for Split-Interest Agreements as approved by the Board of Directors.

A summary of assets held and obligations related to split-interest agreements is as follows as of June 30:

	2021	2020
Assets		
Charitable remainder trusts/unitrusts (Pool B)	\$ 1,700,275	\$ 1,466,914
Charitable gift annuities (Pool C)	1,168,905	1,003,886
	\$ 2,869,180	\$ 2,470,800
Liabilities		
Split-interest agreement obligations	\$ 908,466	\$ 1,018,831

In addition to the obligations for the split-interest agreements, annuities payable also include the future obligation relating to the settlement of an estate gift. The present value of this liability was \$364,012 and \$373,230 at June 30, 2021 and 2020, respectively.

Note 9: Net Assets Without Donor Restrictions

Net assets without donor restrictions at June 30, 2021 and 2020, are designated for the following purposes:

	2021	2020
Undesignated	\$ 1,529,777	\$ 1,342,647
Board-designated operating reserve fund	2,620,233	2,620,233
Board-designated endowment funds	5,273,717	3,870,843
University President directed fund	121,108	206,665
	\$ 9,544,835	\$ 8,040,388

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Note 10: Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2021 and 2020, are restricted for the following purposes:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose		
Scholarships	\$ 8,010,465	\$ 7,846,769
Instruction and other departmental	10,680,125	8,933,249
Student services – athletics	748,840	603,856
Academic support – TV	432,868	338,451
Institutional support – facilities	4,914,621	4,312,119
Net accumulated earnings in excess of approved payout	<u>16,209,041</u>	<u>7,051,974</u>
	<u>40,995,960</u>	<u>29,086,418</u>
Perpetually restricted with the earnings subject to Foundation endowment spending policy		
Scholarships	25,702,458	24,378,662
Instruction and other departmental	3,853,890	3,597,770
Student services – athletics	124,078	120,528
Academic support – TV	-	13,090
Institutional support – facilities	<u>40,245</u>	<u>40,245</u>
	<u>29,720,671</u>	<u>28,150,295</u>
	<u>\$ 70,716,631</u>	<u>\$ 57,236,713</u>

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose, by occurrence of other events specified by donors, or Board-approved administrative allocations.

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Note 11: Endowment

The Foundation's endowment consists of approximately 589 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments (Board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including Board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's governing body has interpreted the State of Missouri Prudent Management of Institutional Funds Act (SPMIFA) as requiring 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, the Foundation classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before being reclassified as net assets without donor restrictions. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Foundation
7. Investment policies of the Foundation

The composition of net assets by type of endowment fund at June 30, 2021 and 2020, was:

	Without Donor Restrictions	2021 With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 59,852,805	\$ 59,852,805
Board-designated endowment funds	5,273,717	-	5,273,717
Total endowment funds	\$ 5,273,717	\$ 59,852,805	\$ 65,126,522

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	Without Donor Restrictions	2020 With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 47,114,417	\$ 47,114,417
Board-designated endowment funds	<u>3,870,843</u>	<u>-</u>	<u>3,870,843</u>
Total endowment funds	<u>\$ 3,870,843</u>	<u>\$ 47,114,417</u>	<u>\$ 50,985,260</u>

Changes in endowment net assets for the years ended June 30, 2021 and 2020, were:

	Without Donor Restrictions	2021 With Donor Restrictions	Total
Endowment net assets, beginning of year	<u>\$ 3,870,843</u>	<u>\$ 47,114,417</u>	<u>\$ 50,985,260</u>
Net investment return			
Net investment income	-	920,006	920,006
Net realized and unrealized gain (loss) on investments	<u>826,195</u>	<u>9,740,596</u>	<u>10,566,791</u>
Total net investment return	826,195	10,660,602	11,486,797
Gifts	68,380	3,126,864	3,195,244
Appropriation of assets for expenditure	(72,823)	(1,397,115)	(1,469,938)
Change in donor restrictions	581,122	363,819	944,941
Actuarial loss on annuity obligations	<u>-</u>	<u>(15,782)</u>	<u>(15,782)</u>
Endowment net assets, end of year	<u>\$ 5,273,717</u>	<u>\$ 59,852,805</u>	<u>\$ 65,126,522</u>

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	Without Donor Restrictions	2020 With Donor Restrictions	Total
Endowment net assets, beginning of year	<u>\$ 3,759,087</u>	<u>\$ 45,816,483</u>	<u>\$ 49,575,570</u>
Net investment return			
Net investment income	-	984,769	984,769
Net realized and unrealized gain on investments	<u>65,209</u>	<u>(181,560)</u>	<u>(116,351)</u>
Total net investment return	65,209	803,209	868,418
Gifts	113,054	1,548,412	1,661,466
Appropriation of assets for expenditure	(120,040)	(1,231,819)	(1,351,859)
Change in donor restrictions	53,533	198,255	251,788
Actuarial loss on annuity obligations	<u>-</u>	<u>(20,123)</u>	<u>(20,123)</u>
Endowment net assets, end of year	<u>\$ 3,870,843</u>	<u>\$ 47,114,417</u>	<u>\$ 50,985,260</u>

The Foundation has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. At June 30, 2021, funds with original gift values of \$25,000, fair values of \$24,974, and deficiencies of \$26 were reported in net assets with donor restrictions. At June 30, 2020, funds with original gift values of \$2,220,675, fair values of \$2,161,300, and deficiencies of \$59,375 were reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after investment of new restricted contributions and continued appropriation for certain purposes that were deemed prudent by the Foundation.

The Foundation's investment and spending policies are disclosed in the Management of Pooled Investments section of *Note 1*.

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Note 12: Transactions with the University

The Foundation incurs certain expenses for the direct advancement of University programs. Total expenses incurred by the Foundation for the advancement of the University were \$3,129,127 and \$2,736,076 for the years ended June 30, 2021 and 2020, respectively, and presented by purpose in the statements of activities. The amount due to the University for expenses not yet reimbursed by the Foundation was \$565,148 and \$176,730 at June 30, 2021 and 2020, respectively, and is included in accrued expenses and due to University on the accompanying statements of financial position.

Compensation and benefits for some University employees who provide services for the Foundation are reimbursed by the Foundation and are shown on the accompanying statements of activities as general administrative and fundraising expenses. Total compensation and benefits paid by the University and reimbursed by the Foundation were \$806,192 and \$856,287 for the years ended June 30, 2021 and 2020, respectively. The amount due to the University for compensation and benefits not yet reimbursed by the Foundation was \$91,658 and \$97,868 at June 30, 2021 and 2020, respectively, and is included in accrued expenses and due to University on the accompanying statements of financial position.

Compensation and benefits for some University employees who provide services for the Foundation are paid by the University and are not reimbursed by the Foundation. Compensation and benefits paid by the University were \$824,951 and \$1,133,481, based on the percentage of time related to the Foundation, for the years ended June 30, 2021 and 2020, respectively. The compensation and benefits for these employees is included in the accompanying statement of activities as in-kind gifts and general administrative and fundraising expenses.

Note 13: Disclosures About Fair Value of Assets

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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

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Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2021 and 2020:

	2021			
	Total Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Mutual funds				
Money market	\$ 441,557	\$ 441,557	\$ -	\$ -
Domestic equity	20,199,714	20,199,714	-	-
International equity	7,951,127	7,951,127	-	-
Common stock				
Domestic	12,221,260	12,221,260	-	-
Exchange traded funds				
Domestic	3,618,328	3,618,328	-	-
Fixed income investments				
Mortgage	1,213,069	-	1,213,069	-
Credit	12,968,431	46,462	12,921,969	-
U.S. Treasuries	5,106,857	5,106,857	-	-
Agencies	1,212,580	-	1,212,580	-
Asset backed securities	334,841	-	334,841	-
Taxable municipal bonds	2,648,237	-	2,648,237	-
Diversified taxable funds	595,147	595,147	-	-
Domestic preferred stock	1,344,938	1,344,938	-	-
Taxable high yield funds	168,510	168,510	-	-
Emerging markets	168,371	168,371	-	-
Alternative investment funds				
Hedge funds	5,781,479	5,781,479	-	-
Closely held funds	93,555	93,555	-	-
Total investments	<u>76,068,001</u>	<u>57,737,305</u>	<u>18,330,696</u>	<u>-</u>
Beneficial interests in trusts	<u>1,168,836</u>	<u>-</u>	<u>-</u>	<u>1,168,836</u>
Total assets	<u>\$ 77,236,837</u>	<u>\$ 57,737,305</u>	<u>\$ 18,330,696</u>	<u>\$ 1,168,836</u>

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	2020			
	Total Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Mutual funds				
Money market	\$ 1,910,990	\$ 1,910,990	\$ -	\$ -
Domestic equity	11,139,617	11,139,617	-	-
International equity	4,495,200	4,495,200	-	-
Common stock				
Domestic	8,127,046	8,127,046	-	-
International	18,984	18,984	-	-
Exchange traded funds				
Domestic	6,426,569	6,426,569	-	-
Fixed income investments				
Mortgage	2,191,446	-	2,191,446	-
Credit	12,612,978	47,920	12,565,058	-
U.S. Treasuries	4,823,303	4,823,303	-	-
Agencies	858,972	-	858,972	-
Asset backed securities	282,312	-	282,312	-
Taxable municipal bonds	3,137,813	-	3,137,813	-
Diversified taxable funds	601,332	601,332	-	-
Domestic preferred stock	349,978	349,978	-	-
Taxable high yield funds	102,138	102,138	-	-
Emerging markets	96,951	96,951	-	-
Alternative investment funds				
Hedge funds	4,382,464	4,382,464	-	-
Total investments	61,558,093	42,522,492	19,035,601	-
Beneficial interests in trusts	885,088	-	-	885,088
 Total assets	 \$ 62,443,181	 \$ 42,522,492	 \$ 19,035,601	 \$ 885,088

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Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended June 30, 2021 and 2020. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Beneficial Interest in Trusts

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

Note 14: Significant Estimates and Concentrations

Concentrations of Credit and Market Risk

The Foundation invests in various investment securities. Investment securities are subject to various risks, such as interest rate risk, credit risk, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements. The Foundation has established guidelines to mitigate these risks. These guidelines are periodically reviewed and modified when necessary.

Contributions

Approximately 18 percent of all contributions were received from one donor during the year ended June 30, 2021.

Approximately 39 percent of all contributions were received from two donors during the year ended June 30, 2020.

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Note 15: Liquidity and Availability

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs. In addition, the Foundation receives support without donor restrictions; such support has historically represented approximately 7 to 11 percent of annual program funding needs, with the remainder funded by investment income without donor restrictions and appropriated earnings from gifts with donor restrictions.

The Foundation considers investment income without donor restrictions, appropriated earnings from donor-restricted and Board-designated (quasi) endowments, contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, fundraising expenses and scholarship, academic enrichment, and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation's fiscal year.

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability
- Maintaining adequate liquid assets
- Maintaining sufficient reserves to provide reasonable assurance that long-term commitments and obligations under endowments with donor restrictions and quasi-endowments that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation

The Foundation's Finance Committee (the "Committee") meets annually to review and approve the annual operating budget and annual payout. Due to this timing, the Foundation strives to maintain financial assets available to meet general expenditures at a level that represents 100 percent of annual expenses for administrative, general, and fundraising expenses plus an amount that represents the next expected payment for the annual payout approved by the Committee, which typically represents approximately 51 percent of the expected annual cash needs.

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As of June 30, 2021 and 2020, the following table shows the total financial assets held by the University and the amounts of those financial assets that could readily be made available within one year to meet general expenditures:

	2021	2020
Financial assets at year-end		
Cash	\$ 698,430	\$ 505,503
Investments	76,068,001	61,558,093
Accrued investment income	214,819	233,416
Contributions receivable	1,567,816	1,193,500
Notes receivable	1,928,363	2,154,000
	<u>80,477,429</u>	<u>65,644,512</u>
Less amounts restricted or not available to be used within one year		
Donor-imposed restrictions on financial assets	69,010,620	55,839,169
Board-designated operating reserve fund	2,620,233	2,620,233
Board-designated endowment funds	5,273,717	3,870,843
University President directed fund	121,108	206,665
Notes receivable – due after one year	1,692,840	1,928,364
	<u>78,718,518</u>	<u>64,465,274</u>
Financial assets not available to meet general expenditures within one year		
	<u>\$ 1,758,911</u>	<u>\$ 1,179,238</u>

Note 16: Current Economic Conditions

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations, and cash flows of the Foundation. These uncertainties include market value fluctuations of investments, and uncertain levels of donor giving. The duration of these uncertainties and the ultimate financial efforts cannot be reasonably estimated at this time.