

Missouri State University Foundation

Independent Auditor's Report and Financial Statements

June 30, 2021

Independent Auditor's Report

Board of Trustees
Missouri State University Foundation
Springfield, Missouri

We have audited the accompanying financial statements of Missouri State University Foundation, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Missouri State University Foundation as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the June 30, 2020, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 30, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BKD, LLP

Springfield, Missouri
December 6, 2021

Missouri State University Foundation
Statement of Financial Position
June 30, 2021 (with Comparative Totals for June 30, 2020)

Assets

	2021	2020
Cash and cash equivalents	\$ 21,752,613	\$ 23,070,670
Accounts receivable, net	36,717	5,679
Prepaid expenses	2,278,522	2,479,293
Investments	134,869,647	103,499,829
Investments held in trust	2,176,599	1,799,253
Investments held for resale	133,734	139,181
Pledges receivable, net	27,956,697	34,130,834
Cash value of life insurance	410,847	410,884
Deposits	-	3,000,000
Due from Missouri State University	1,600,000	-
Construction in progress	71,165	150,443
Real estate and equipment, at cost	4,828,045	4,527,134
Accumulated depreciation	(3,105,361)	(2,942,504)
Total assets	\$ 193,009,225	\$ 170,270,696

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 2,582,967	\$ 3,053,292
Deferred revenue	805,002	992,549
Annuity obligations	348,586	430,612
Funds managed for Missouri State University	199,762	199,762
Total liabilities	3,936,317	4,676,215

Net Assets

Without donor restrictions	10,765,282	10,298,508
With donor restrictions		
Purpose restrictions or time-restricted for future periods	104,395,101	89,801,818
Perpetual in nature	73,912,525	65,494,155
Net assets with donor restrictions	178,307,626	155,295,973
Total net assets	189,072,908	165,594,481
Total liabilities and net assets	\$ 193,009,225	\$ 170,270,696

Missouri State University Foundation
Statement of Activities
Year Ended June 30, 2021 (with Comparative Totals for the
Year Ended June 30, 2020)

	Without Donor Restrictions	With Donor Restrictions - Purpose or Time- Restricted	2021 With Donor Restrictions - Perpetual in Nature	Total With Donor Restrictions	Total	2020
Revenues, Gains, and Other Support						
Contributions	\$ 372,911	\$ 9,448,425	\$ 8,258,567	\$ 17,706,992	\$ 18,079,903	\$ 36,050,455
Investment return, net	2,137,759	21,293,522	-	21,293,522	23,431,281	(722,384)
Gain (loss) on assets held in trust	-	324,433	145,443	469,876	469,876	(54,144)
Life insurance cash value decrease	(2,193)	2,156	-	2,156	(37)	(13,170)
Rental income	668,840	-	-	-	668,840	673,683
Other income	801,025	1,485,768	26,803	1,512,571	2,313,596	2,080,723
Personnel paid by affiliate	3,190,929	-	-	-	3,190,929	3,121,416
Net assets released from restrictions	17,768,875	(17,768,875)	-	(17,768,875)	-	-
Total revenues, gains, and other support	<u>24,938,146</u>	<u>14,785,429</u>	<u>8,430,813</u>	<u>23,216,242</u>	<u>48,154,388</u>	<u>41,136,579</u>
Expenses and Losses						
Instruction and academic program support	5,879,080	-	-	-	5,879,080	4,870,315
Student services	2,111,148	-	-	-	2,111,148	3,319,293
Institutional support	6,970,197	-	-	-	6,970,197	4,556,248
Scholarships	2,294,623	-	-	-	2,294,623	2,558,923
Rental expenses	540,720	-	-	-	540,720	540,568
Capital projects - Missouri State University	6,673,777	-	-	-	6,673,777	2,861,580
Total expenses	<u>24,469,545</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,469,545</u>	<u>18,706,927</u>
Actuarial loss on trust and annuity obligations	1,827	9,287	3,220	12,507	14,334	24,279
Provision for uncollectible pledges	-	182,859	9,223	192,082	192,082	699,437
Total expenses and losses	<u>24,471,372</u>	<u>192,146</u>	<u>12,443</u>	<u>204,589</u>	<u>24,675,961</u>	<u>19,430,643</u>
Change in Net Assets	466,774	14,593,283	8,418,370	23,011,653	23,478,427	21,705,936
Net Assets, Beginning of Year	<u>10,298,508</u>	<u>89,801,818</u>	<u>65,494,155</u>	<u>155,295,973</u>	<u>165,594,481</u>	<u>143,888,545</u>
Net Assets, End of Year	<u>\$ 10,765,282</u>	<u>\$ 104,395,101</u>	<u>\$ 73,912,525</u>	<u>\$ 178,307,626</u>	<u>\$ 189,072,908</u>	<u>\$ 165,594,481</u>

Missouri State University Foundation
Statement of Cash Flows
Year Ended June 30, 2021 (with Comparative Totals for the
Year Ended June 30, 2020)

	<u>2021</u>	<u>2020</u>
Operating Activities		
Change in net assets	\$ 23,478,427	\$ 21,705,936
Items not requiring (providing) operating activities cash flows		
Depreciation	162,857	144,382
Transfer of real estate for services	-	44,482
Noncash contribution to University	3,684	-
Net realized and unrealized (gains) losses on investments	(21,673,209)	3,337,656
Net realized and unrealized (gains) losses on investments held in trust	(469,876)	54,144
Actuarial loss on trust and annuity obligations	14,334	24,279
Noncash gifts	(412,800)	(3,243,854)
(Gain) loss on sale of securities	2,484	(18,433)
Contributions restricted for long-term investment	(7,359,513)	(4,880,198)
Other income restricted for long-term investment	(26,803)	(31,562)
Changes in		
Accounts receivable	668,962	390
Prepaid expenses	200,771	(77,751)
Pledges receivable	6,174,137	(15,397,169)
Accounts payable and accrued expenses	(470,325)	1,905,801
Deposits	3,000,000	(3,000,000)
Due from Missouri State University	(1,600,000)	-
Deferred revenue	(887,547)	944,672
Annuity obligations	(96,360)	(101,727)
Net cash provided by operating activities	<u>709,223</u>	<u>1,411,048</u>
Investing Activities		
Proceeds from sale of investments	167,711,723	99,797,059
Purchase of investments	(177,408,332)	(97,885,594)
Proceeds from sale of investments held in trust	92,530	92,677
Purchases of real estate and equipment	(304,595)	(148,724)
Construction in progress transfer (acquisitions)	79,278	(109,456)
Increase in cash value of life insurance	37	13,170
Net cash provided by (used in) investing activities	<u>(9,829,359)</u>	<u>1,759,132</u>
Financing Activities		
Proceeds from sale of securities restricted for investment in endowment and capital	415,763	3,266,232
Proceeds from contributions restricted for investment in endowment	7,359,513	4,880,198
Other income restricted for investment	26,803	31,562
Net cash provided by financing activities	<u>7,802,079</u>	<u>8,177,992</u>
Increase (Decrease) in Cash and Cash Equivalents	(1,318,057)	11,348,172
Cash and Cash Equivalents, Beginning of Year	<u>23,070,670</u>	<u>11,722,498</u>
Cash and Cash Equivalents, End of Year	<u>\$ 21,752,613</u>	<u>\$ 23,070,670</u>

Missouri State University Foundation

Notes to Financial Statements

June 30, 2021

Note 1: Summary of Significant Accounting Principles

Purpose of the Foundation

The purpose of the Missouri State University Foundation (the “Foundation”), previously Southwest Missouri State University Foundation, is to be the legal vehicle to receive, manage, and distribute all private gifts, with or without donor restrictions, for the benefit of Missouri State University (the “University”), or its successors, or any institution of higher learning with which it may merge. The Foundation provides funds from private sources to a variety of University departments and programs.

The Board of Trustees, which governs the Foundation, is separate and distinct from the Board of Governors, the governing body of the University.

The Foundation’s primary source of revenue is from contributions and their investment return.

Description of 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 governing board has designated, from net assets without donor restrictions, net assets for a Board-designated endowment.

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.

Cash and Cash Equivalents

The Foundation considers all liquid investments with original maturities of three months or less, except as described below, to be cash equivalents. At June 30, 2021, cash equivalents consisted primarily of money market accounts with brokers.

Uninvested cash and cash equivalent accounts included in investment accounts, including funds held in trust by others, are not considered to be cash equivalents.

At June 30, 2021, the Foundation’s cash accounts exceeded federally insured limits by \$153,988. Cash and cash equivalents of \$16,691,477 are held in treasury securities that are not subject to federally insured limits.

Missouri State University Foundation

Notes to Financial Statements

June 30, 2021

Contributions and Pledges Receivable

Gifts of cash and other assets received are either with or without donor stipulations placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts with or without 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 at estimated fair value 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 with donor restrictions to net assets without donor restrictions 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, with or without restriction, gifts depend on the Foundation overcoming a donor-imposed barrier to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

Conditional Contributions

The Foundation received conditional contributions to provide funds to conduct specific research or programs and had recognized a portion of these funds at June 30, 2021. The conditional contribution received but not recognized in the financial statements at June 30, 2021, was \$772,494 and is included in deferred revenue on the statement of financial position.

Conditional contributions having donor stipulations which are satisfied in the period the contribution is recorded are reported as revenue and net assets without donor restrictions.

In-Kind Contributions

In addition to receiving cash contributions, the Foundation receives in-kind contributions of services, software licensing, books, livestock, and equipment from various donors. It is the policy of the Foundation to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase contribution revenue by the same amount. For the year ended June 30, 2021, \$5,471,957 was received in in-kind contributions.

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Notes to Financial Statements
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Real Estate and Equipment

Buildings, improvements, and equipment are recorded at cost, less accumulated depreciation and amortization. Annual depreciation is computed using the straight-line basis over the estimated life of each asset. At June 30, 2021, real estate and equipment includes building costs of \$3,661,926, land of \$132,000, tenant remodeling improvements of \$83,695, and equipment of \$950,424.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Real estate	15 – 40 years
Equipment	5 – 20 years

Valuation of Gifts of Property

Gifts of real and personal property are reported at their estimated fair value as of the date the property is received. Fair value is determined either by a staff member of the University with expertise in the valuation of the particular property, or by appropriate documentation furnished by the donor.

Income Taxes

The Foundation is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income. The Foundation files tax returns in the U.S. federal jurisdiction. With a few exceptions, the Foundation is no longer subject to U.S. federal examinations by tax authorities for years before 2018.

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Comparative Amounts

The financial statements include certain prior year summarized 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 the Foundation's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

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Notes to Financial Statements
June 30, 2021

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. Functional expenses table (*Note 12*) presents the natural classification detail of expenses by function. Certain costs have been allocated among the program and support services categories based on various methods.

Note 2: Pooled Investments

Funds treated as endowment by the Foundation are managed as a pooled investment fund. This pool includes funds from the with or without donor restrictions net asset classes. The various subsidiary accounts purchase shares in the investment pool when additions are received. The investment pool is operated on a unit market basis. The following schedule summarizes data related to the investment pool for the year ended June 30, 2021:

Pooled investments at market value	\$ 110,505,219
Number of pool shares	419,440
Market value per pool share	\$ 263
Fiscal year return	25.77%
Interest and dividend earnings	\$ 1,714,535
Net gains	\$ 21,678,874

Note 3: Endowment

The Foundation's endowment consists of approximately 1,140 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body 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.

Missouri State University Foundation

Notes to Financial Statements

June 30, 2021

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 as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as net assets with donor restrictions – purpose or time-restricted for future periods until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. 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, was:

	Without Donor Restrictions	With Donor Restrictions - Purpose or Time-Restricted	With Donor Restrictions - Perpetual in Nature	Total
Donor-restricted endowment funds	\$ -	\$ 37,387,071	\$ 73,179,604	\$ 110,566,675
Board-designated endowment funds	3,589,818	-	-	3,589,818
Total endowment funds	\$ 3,589,818	\$ 37,387,071	\$ 73,179,604	\$ 114,156,493

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Notes to Financial Statements
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Changes in endowment net assets for the year ended June 30, 2021, were:

	Without Donor Restrictions	With Donor Restrictions - Purpose or Time-Restricted	With Donor Restrictions - Perpetual in Nature	Total
Endowment net assets, beginning of year	\$ 3,040,545	\$ 19,699,303	\$ 64,903,457	\$ 87,643,305
Investment return, net				
Investment income	-	1,905,918	-	1,905,918
Net appreciation (depreciation)	543,095	21,470,741	-	22,013,836
Total investment return, net	543,095	23,376,659	-	23,919,754
Contributions	-	-	8,249,344	8,249,344
Other income	-	27,360	26,803	54,163
Appropriation of endowment assets for expenditure	-	(5,384,944)	-	(5,384,944)
Other additions	6,178	(331,307)	-	(325,129)
Endowment net assets, end of year	\$ 3,589,818	\$ 37,387,071	\$ 73,179,604	\$ 114,156,493

Underwater Endowments

The governing body of the Foundation has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of:

- a) the original value of initial and subsequent gift amounts donated to the fund and
- b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

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, there were no funds which were underwater.

The Foundation has a policy that does not permit spending from underwater endowment funds.

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Notes to Financial Statements

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Investment and Spending Policies

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Foundation must hold in perpetuity or for donor-specified periods, as well as those of Board-designated endowment funds. Under the Foundation's policies, endowment assets are invested in a manner that is intended to produce results that exceed the endowment's financial requirement over time, while assuming a moderate level of investment risk. The Foundation expects its endowment funds to provide a rate of return of approximately 6.4 percent annually over time. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Foundation has a policy (the spending policy) of appropriating for expenditure each year 5.7 percent of its endowment fund's average fair value over the prior 36 months through the month-end preceding the month in which expenditure is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. The Foundation expects the current spending policy to allow its endowment to grow at a rate approximating the inflationary rate over the long term. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Note 4: Investments and Net Investment Return

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 return includes dividend and interest income and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of activities as with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

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The Foundation maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

The Foundation has significant investments in marketable securities, which are subject to price fluctuation. These instruments could potentially subject the Foundation to significant concentrations of market risk. This risk is controlled through a diversified portfolio and regular monitoring procedures.

Investments are summarized as follows at June 30, 2021:

Accrued income	\$ 136,706
Money market accounts	1,843,974
U.S. Treasury bills	22,523,198
U.S. equity mutual funds	43,551,282
Non-U.S. equity mutual funds	36,991,974
U.S. Treasury securities	12,671,024
Corporate bonds	6,445,188
Hedge funds	4,308,285
Private equity	6,394,516
Other	3,500
	<u>\$ 134,869,647</u>

During the year ended June 30, 2021, investment return consists of the following:

Investment income	\$ 2,055,486
Realized and unrealized losses on investments reported at fair value	21,673,209
Investment expenses	<u>(297,414)</u>
	<u>\$ 23,431,281</u>

Investments held in trust are deposited with The Northern Trust Company, BancorpSouth Wealth Management, and Bank of America, N.A.

Investment expenses incurred for the year ended June 30, 2021, totaled \$297,414.

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Alternative Investments

The fair value of alternative investments has been estimated using the net asset value per share of the investments. Additional information about these investments is described in *Note 11*.

Alternative investments held at June 30, 2021, consist of the following:

		June 30, 2021	
	Fair Value	Unfunded Commitments	Redemption Notice Period
Private equity funds	\$ 6,394,516	\$ 7,032,536	N/A

Note 5: Related Party Transactions

The Foundation received contributed personnel services from the University of \$3,190,929 for the year ended June 30, 2021. The contributed personnel services are based on costs incurred by the University. The Foundation receives administrative support outside of personnel services from the University without charge.

The University pays the Foundation for space occupied by various University departments within the Kenneth E. Meyer Alumni Center. Rental payments for the year ended June 30, 2021, were \$535,766 and are included in rental income. Accounts payable and accrued expenses include \$841,828 due to the University at June 30, 2021.

In 1982 the University's Board of Governors authorized the transfer of its endowment fund of \$199,762 to the Foundation for management purposes. This balance is shown on the Foundation's statement of financial position as funds managed for Missouri State University. All investment earnings from these funds have been recorded in the accounting records of the Foundation. All endowment additions since 1982, including gifts, student fees designated for endowment, and other income, have been recorded in the Foundation accounting records.

Note 6: Other Assets and Liabilities

Investments Held for Resale

Investments held for resale consist of tangible personal property and publicly traded common stock which are carried at the fair value as of the date received. These investments totaled \$133,734 at June 30, 2021.

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Notes to Financial Statements
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Due from Missouri State University and Term Promissory Note

On August 21, 2020, the Foundation entered into a Term Promissory Note in the amount of \$1,600,000 with the Community Foundation of the Ozarks, Inc. with a term of one year and an interest rate of 2.0 percent. The Term Promissory Note is included in accounts payable and accrued expenses in the statement of financial position at June 30, 2021. In a related transaction, the Foundation received a note receivable in the amount of \$1,600,000 from the University. Both the Term Promissory Note and the note receivable were paid in full during August 2021.

New Market Tax Credits

On May 20, 2020, the Foundation funded \$3,000,000 to the Missouri Development Finance Board and received \$1,500,000 in New Market Tax Credits to support the University's JVIC IV project. This transaction, allowed under Section 45D of the Internal Revenue Code of 1986 as amended (section 45D) allows the Foundation to sell tax credit to private investors. As of June 30, 2021, the Foundation had \$700,000 available in tax credits available for sale.

Note 7: Split-Interest Agreements, Gift Annuities, and Charitable Remainder Trusts

The Foundation is one beneficiary of a perpetual split-interest trust which is held by others. The fair value of the Foundation's interest in the trust at June 30, 2021, is \$116,328. The income received by the Foundation from this trust was \$5,249 for this fiscal year. The Foundation is also the beneficiary of four charitable remainder trusts with a fair value at June 30, 2021, of \$2,060,271.

The Foundation has entered into annuity agreements with various individuals whereby the annuitants have given certain assets to the Foundation on the condition that the Foundation pay stipulated amounts periodically to the annuitants during their lifetime. Any assets remaining upon the death of the annuitants become the property of the Foundation and available for its use, subject to the restrictions of the annuity agreement, if any. There was no revenue recognized by the Foundation under these agreements during the year ended June 30, 2021.

The annuity obligation at June 30, 2021, of \$348,586 was calculated over the terms of the agreements based on the rates for government securities with similar maturities.

Note 8: Pledges Receivable

Pledges receivable are a credit risk to the extent donors choose not to complete their pledge payments. Discount rates ranged from .147 percent to 2.854 percent. Pledges receivable consist of the following unconditional promises to give at June 30, 2021:

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Due within one year	\$ 10,048,766
Due in one to five years	14,235,047
Due in more than five years	8,502,283
	32,786,096
Less: Allowance for doubtful accounts	3,844,499
Unamortized discount	984,900
	4,829,399
	\$ 27,956,697

Pledges are included in the following net asset classification:

With donor restrictions - purpose restrictions or time-restricted for future periods	\$ 24,189,650
With donor restrictions - perpetual in nature	3,767,047
	\$ 27,956,697

Refer to *Note 14* for additional disclosures regarding significant concentrations and uncertainties within the pledges receivable balance at June 30, 2021.

Note 9: Leases

Noncancelable leases for space in the Kenneth E. Meyer Alumni Center expire in various years through 2027. Several of these leases contain renewal options for periods ranging from one to six years. Future minimum lease income at June 30, 2021, is as follows: 2022 – \$624,670; 2023 – \$14,535 – for a total future lease income of \$639,205.

Note 10: Net Assets with Donor Restrictions

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

Any purpose, time restricted	\$ 23,161
Instruction and academic program support	24,994,359
Student services	5,857,359
Institutional support	22,212,226
Scholarships	45,428,676
Public service and Broadcast services	5,879,320
	\$ 104,395,101

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Net assets with donor restrictions that are perpetual in nature at June 30, 2021, are restricted to investments in perpetuity, the revenue from which is expendable to support:

Instruction and academic program support	\$ 17,148,544
Student services	1,215,485
Institutional support	1,999,095
Scholarships	52,906,009
Public service and Broadcast services	<u>643,392</u>
	<u><u>\$ 73,912,525</u></u>

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Purpose restrictions accomplished	
Academic and student support program expenses	\$ 9,949,670
Capital program expenses and debt service	7,729,777
Other program expenses	<u>89,428</u>
	<u><u>\$ 17,768,875</u></u>

Note 11: Disclosures About Fair Value of Assets and Liabilities

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 that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying statement 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.

	Fair Value Measurements Using				
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV (A)
Assets					
Cash equivalents	\$ 4,010	\$ 4,010	\$ -	\$ -	\$ -
Investments					
U.S. Treasury bills	22,523,198	22,523,198			-
Money market funds	1,843,974	1,843,974	-	-	-
U.S. equity mutual funds	43,551,282	43,551,282	-	-	-
Non-U.S. equity mutual funds	36,991,974	36,991,974	-	-	-
U.S. Treasury securities	12,671,024	-	12,671,024	-	-
Corporate bonds	6,445,188	-	6,445,188	-	-
Hedge funds	4,308,285	-	-	-	4,308,285
Private equity	6,394,516	-	-	-	6,394,516
Other	3,500	3,500	-	-	-
Total investments	<u>134,732,941</u>	<u>104,913,928</u>	<u>19,116,212</u>	<u>-</u>	<u>10,702,801</u>
Investments held in trust					
Mutual funds	1,305,918	1,305,918	-	-	-
Other	870,681	481,809	272,544	116,328	-
Total assets	<u>\$ 136,913,550</u>	<u>\$ 106,705,665</u>	<u>\$ 19,388,756</u>	<u>\$ 116,328</u>	<u>\$ 10,702,801</u>
Liabilities					
Annuity obligations	\$ 348,586	\$ -	\$ -	\$ 348,586	\$ -

(A) Certain investments that are measured using the net assets value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliations of the fair value hierarchy to the amounts presented in the statements of financial position.

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Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include cash equivalents, money market funds, equity securities, hedge funds, and mutual funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. Inputs used to value Level 2 securities include interest rates for similar debt securities and Treasury obligations with similar maturities.

Investments Held in Trust

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 investments are classified as Level 1, Level 2, and Level 3 of the hierarchy. The Level 3 investments are the Foundation's beneficial interest in trusts. Fair value is determined based on the market value of the securities held in the trusts and the Foundation's proportional beneficial interest.

Cash Equivalents

The carrying amount approximates fair value.

Note 12: Functional Expenses

As described in *Note 1*, the financial statements report certain categories of expenses that are attributed to more than one program or supporting function. The tables below present expenses by both their nature and their function. Program and support services expenses consist of the following:

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Program Services

	Instruction and Academic	Student Services	Scholarships	Institutional Support	Capital Projects	Total Program Services
Personnel	\$ 364,060	\$ 309,973	\$ -	\$ 19,139	\$ -	\$ 693,172
Utilities	-	-	-	-	-	-
Travel	5,130	7,574	-	1,798	-	14,502
Educational supplies and service agreements	2,551,415	217	-	1,567	406,307	2,959,506
Supplies, services, and other	430,465	190,529	-	178,149	-	799,143
Broadcast services	892,105	-	-	-	-	892,105
Fundraising	676	43,603	-	29,091	-	73,370
Transfer to university	1,635,229	1,559,252	2,294,623	82,386	6,267,470	11,838,960
Total expenses	\$ 5,879,080	\$ 2,111,148	\$ 2,294,623	\$ 312,130	\$ 6,673,777	\$ 17,270,758

Support Services

	Rental Expenses	Institutional Support	Total Support Services	Total Program and Support Services
Personnel	\$ 117,445	\$ 2,942,967	\$ 3,060,412	\$ 3,753,584
Utilities	116,655	-	116,655	116,655
Travel	-	9,705	9,705	24,207
Educational supplies and service agreements	-	540	540	2,960,046
Supplies, services, and other	306,620	381,788	688,408	1,487,551
Broadcast services	-	-	-	892,105
Fundraising	-	228,238	228,238	301,608
Transfer to university	-	3,094,829	3,094,829	14,933,789
Total expenses	\$ 540,720	\$ 6,658,067	\$ 7,198,787	\$ 24,469,545

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Note 13: Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of June 30, 2021, comprise the following:

Financial assets at year-end	
Cash and cash equivalents	\$ 21,752,613
Accounts receivable, net	36,717
Pledges receivable, net	27,956,697
Investments	<u>134,869,647</u>
 Total financial assets at year-end	 <u>184,615,674</u>
 Less amounts restricted or not available to be used within one year	
Pledges receivable, due after one year	19,108,675
Investments held in custodial and noncustodial annuities and trusts	45,038
Endowment with donor restrictions	110,566,675
Investments in nonliquid securities	<u>3,500</u>
 Financial assets not available to meet general expenditures within one year	 <u>129,723,888</u>
 Financial assets available to meet general expenditures within one year	 <u>\$ 54,891,786</u>

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. In addition, the Foundation receives support without donor restrictions. Contributions and the income generated from endowments are used to provide scholarships, faculty support, improve facilities, and to support student programs. Such support has historically represented a significant 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 to meet ongoing obligations, major and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include instruction and academic program support, student services, institutional support, scholarships, rental expenses, and capital projects expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation's fiscal year.

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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, and
- 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 strives to maintain financial assets available to meet general expenditures at a level that represents 100 percent of annual expenses.

Note 14: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Contributions and Pledges Receivable

Approximately 32 percent of total contributions received during the year ended June 30, 2021, was from two donors, each individually greater than 10 percent of total contributions. Approximately 55 percent of the net pledges receivable balance outstanding at June 30, 2021, was due from three donors, all individually greater than 10 percent.

Investments

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statement of financial position.

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Note 15: 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 effects cannot be reasonably estimated at this time.

Note 16: Subsequent Events

Subsequent events have been evaluated through December 6, 2021, which is the date the financial statements were available to be issued.