



UCA Foundation

**Financial Statements
June 30, 2023 and 2022
(With Independent Auditor's Report Thereon)**

University of Central Arkansas Foundation, Inc.

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
University of Central Arkansas Foundation, Inc.
Conway, Arkansas

Opinion

We have audited the financial statements of the **University of Central Arkansas Foundation, Inc. (the Foundation)**, which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

The Board of Directors
University of Central Arkansas Foundation, Inc.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

A handwritten signature in black ink that reads "Landmark PLC". The signature is written in a cursive, flowing style.

Little Rock, Arkansas
November 3, 2023

Financial Statements

University of Central Arkansas Foundation, Inc.

Statements of Financial Position June 30, 2023 and 2022

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 1,262,730	\$ 3,232,970
Investments	71,582,545	53,113,094
Contributions receivable, net	7,322,405	8,997,994
Related party receivable	92,506	-
Investment in direct financing lease, net	7,073,150	7,356,745
Property and equipment, net	3,451,735	3,601,592
TOTAL ASSETS	\$ 90,785,071	\$ 76,302,395
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 8,350	\$ 13,883
Accrued interest	57,246	57,246
Long term debt, net	2,579,610	2,682,046
Obligations under annuity agreements	50,347	59,613
Amount held for University	9,110,231	8,219,507
Total Liabilities	11,805,784	11,032,295
Net Assets		
Without donor restrictions	12,882,693	11,739,236
With donor restrictions	66,096,594	53,530,864
Total Net Assets	78,979,287	65,270,100
TOTAL LIABILITIES AND NET ASSETS	\$ 90,785,071	\$ 76,302,395

See accompanying notes to financial statements.

University of Central Arkansas Foundation, Inc.

Statements of Activities Years Ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
SUPPORT, REVENUE, GAINS(LOSSES), AND RECLASSIFICATIONS						
Contributions and grants	\$ 3,233,274	\$ 11,426,898	\$ 14,660,172	\$ 3,677,293	\$ 5,326,327	\$ 9,003,620
Contributions of nonfinancial assets	165,888	-	165,888	124,541	-	124,541
Special events and other income	607,405	1,988,826	2,596,231	320,794	27,283	348,077
Membership dues and sponsorships	1,125,725	34,293	1,160,018	1,054,246	39,118	1,093,364
Lease income	293,196	-	293,196	293,197	-	293,197
Royalty income	21,956	-	21,956	22,321	-	22,321
Investment return (loss)	1,590,033	2,502,796	4,092,829	(1,616,454)	(3,863,999)	(5,480,453)
Change in fair value of annuity obligations	(2,467)	-	(2,467)	(1,992)	-	(1,992)
Net assets released from restrictions	3,387,083	(3,387,083)	-	3,360,152	(3,360,152)	-
Total Support, Revenue, Gains (Losses) and Reclassifications	<u>10,422,093</u>	<u>12,565,730</u>	<u>22,987,823</u>	<u>7,234,098</u>	<u>(1,831,423)</u>	<u>5,402,675</u>
EXPENSES						
Program services	8,598,697	-	8,598,697	7,766,118	-	7,766,118
Management and general	575,565	-	575,565	539,414	-	539,414
Fundraising	104,374	-	104,374	114,340	-	114,340
Total Expenses	<u>9,278,636</u>	<u>-</u>	<u>9,278,636</u>	<u>8,419,872</u>	<u>-</u>	<u>8,419,872</u>
CHANGE IN NET ASSETS	1,143,457	12,565,730	13,709,187	(1,185,774)	(1,831,423)	(3,017,197)
NET ASSETS, BEGINNING OF YEAR	<u>11,739,236</u>	<u>53,530,864</u>	<u>65,270,100</u>	<u>12,925,010</u>	<u>55,362,287</u>	<u>68,287,297</u>
NET ASSETS, END OF YEAR	<u>\$ 12,882,693</u>	<u>\$ 66,096,594</u>	<u>\$ 78,979,287</u>	<u>\$ 11,739,236</u>	<u>\$ 53,530,864</u>	<u>\$ 65,270,100</u>

See accompanying notes to financial statements.

University of Central Arkansas Foundation, Inc.

Statements of Functional Expenses Years Ended June 30, 2023 and 2022

	2023				2022			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Scholarships	\$ 1,547,500	\$ -	\$ -	\$ 1,547,500	\$ 1,570,874	\$ -	\$ -	\$ 1,570,874
Special events	373,186	-	91,232	464,418	393,592	-	101,281	494,873
Workshops and conferences	107,226	-	-	107,226	121,386	-	-	121,386
Salaries and benefits	821,289	202,268	-	1,023,557	421,163	177,855	-	599,018
Professional fees	2,600,191	88,032	-	2,688,223	1,684,589	81,362	-	1,765,951
Subscriptions	67,717	-	-	67,717	80,483	-	-	80,483
Travel	345,461	11,250	-	356,711	304,972	6,000	-	310,972
Advertising	71,361	-	-	71,361	62,876	-	-	62,876
Athletics	91,142	-	-	91,142	115,517	-	-	115,517
Sponsorships	382,057	-	-	382,057	228,550	-	-	228,550
Equipment	1,149,928	-	-	1,149,928	746,615	-	-	746,615
Supplies	858,744	5,034	13,142	876,920	1,821,801	2,570	12,206	1,836,577
Insurance	22,299	-	-	22,299	23,647	-	-	23,647
Interest	-	112,717	-	112,717	-	112,373	-	112,373
Depreciation	-	149,857	-	149,857	-	149,857	-	149,857
Other	160,596	6,407	-	167,003	190,053	9,397	853	200,303
TOTAL EXPENSES	\$ 8,598,697	\$ 575,565	\$ 104,374	\$ 9,278,636	\$ 7,766,118	\$ 539,414	\$ 114,340	\$ 8,419,872

See accompanying notes to financial statements.

University of Central Arkansas Foundation, Inc.

Statements of Cash Flows Years Ended June 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change In Net Assets	\$ 13,709,187	\$ (3,017,197)
Adjustments to Reconcile Change in Total Net Assets to Net Cash Provided by (Used for) Operating Activities		
Depreciation	149,857	149,857
Amortization of debt issuance costs	1,748	1,748
Net (appreciation) depreciation in fair value of investments	(4,092,829)	7,251,942
Change in fair value of annuity obligations	2,467	1,992
Changes in operating assets and liabilities:		
Contributions receivable	1,675,589	(886,067)
Accounts receivable	(92,506)	-
Investment in direct financing lease	(169,855)	(169,732)
Accounts payable	(5,533)	7,366
Obligations under annuity agreements	(11,733)	(12,801)
Amounts held for University	890,724	(20,180,925)
Net Cash Provided by (Used for) Operating Activities	12,057,116	(16,853,817)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments received on direct financing lease	453,450	226,600
Proceeds from sale and maturity of investments	35,324,130	28,737,211
Purchases of investments	(49,700,752)	(10,570,997)
Net Cash (Used for) Provided by Investing Activities	(13,923,172)	18,392,814
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long term debt	(104,184)	(100,133)
Net Cash Used for Financing Activities	(104,184)	(100,133)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,970,240)	1,438,864
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,232,970	1,794,106
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,262,730	\$ 3,232,970

See accompanying notes to financial statements.

University of Central Arkansas Foundation, Inc.

Notes to Financial Statements June 30, 2023 and 2022

NOTE 1: NATURE OF ACTIVITIES

The University of Central Arkansas Foundation, Inc. (the Foundation) is an Arkansas non-profit corporation organized for educational and charitable purposes in order to strengthen and further the goals of the University of Central Arkansas (the University).

The activities of the Foundation are the responsibility of the Board of Directors (the Board) of the Foundation.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Financial Statement Presentation

The financial statements of the Foundation have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles.

The Foundation reports information regarding its financial position and activities according to the following two classes of net assets:

Net Assets without Donor Restriction—Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net Assets with Donor Restrictions—Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with original maturities of three months or less. All cash and cash equivalent accounts were properly insured as of June 30, 2023 and 2022.

Investments

The Foundation's investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly fashion between market participants at the measurement date. Changes in fair value are recorded in the period in which they occur. See Note 3 for further discussion of fair value measurements. Realized gains and losses on sales of securities are recognized on the transaction trade dates. Dividend income is recorded on the ex-dividend date, and interest income is accrued as it is earned. Investment return presented on the statement of activities includes dividends, interest, other investment income, as well as realized and unrealized gains and losses, and is net of investment expenses.

Contributed investment securities are recorded based on the average of the high and low market prices on the date the investment securities are received. Generally, the Foundation liquidates contributed investment securities on the same day they are received, or as soon as reasonably possible thereafter. The difference between the initial recorded value and the sales proceeds is included in investment return on the statement of activities.

University of Central Arkansas Foundation, Inc.

Notes to Financial Statements June 30, 2023 and 2022

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are reported at historical cost, while contributed property and equipment are recorded at their estimated fair value at the date of receipt. Contributions of property and equipment are reported as support without donor restrictions, unless the donor has restricted the use of the contributed asset for specific purposes. Major renewals and improvements greater than \$1,000 are capitalized, while normal repairs and maintenance are expensed in the period incurred.

Charitable Gift Annuities

The Foundation has established a charitable gift annuity program where donors may contribute assets to the Foundation in exchange for a promise by the Foundation to pay certain amounts for a specified period of time to the donor or to donor-specified beneficiaries.

Included in in the accompanying financial statements as obligations under annuity agreements, the estimated obligation under these agreements total approximately \$50,000 and \$60,000 as of June 30, 2023 and 2022, respectively. This liability is revalued annually using assumptions about life expectancy and discounted cash flows. This valuation method uses unobservable and significant inputs to determine the fair value of the obligation, which as discussed further in Note 3 is considered a level 3 fair value technique.

Support and Revenue Recognition

Contributions, including unconditional promises to give, are recognized as support in the statement of activities in the period received or when the Foundation becomes aware that a promise to give has been made, whichever occurs first. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return are not recognized until the conditions on which they depend have been met.

Contributions that are restricted by the donor are recorded as increases in net assets with donor restrictions. When a restriction expires (that is, when a 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.

Special events include ticket sales to events and fundraisers hosted by the Foundation and is recognized as revenue in the period in which the related event occurs.

Membership dues include annual memberships for the alumni association and Women's Giving Circle group and is recognized as revenue over the period of the membership.

Sponsorships are financial support provided in exchange for name recognition at events and is recognized as revenue over the term of the sponsorship. The Foundation also receives royalties based on textbook sales and is recognized as revenue when earned.

University of Central Arkansas Foundation, Inc.

Notes to Financial Statements June 30, 2023 and 2022

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Support and Revenue Recognition (Continued)

The Foundation recognizes contributed nonfinancial assets within support, which typically consist of contributed services from the University as well as members of the community, and contributed items for use during fundraising events, either for consumption at the events or as auction items. The value of the contributed services provided by the University is determined based on the costs of the salaries and benefits that are paid by the University for services rendered on behalf of the Foundation. The Foundation estimates the fair value of professional services provided by members of the community on the basis of current rates for similar services. The Foundation estimates the fair value of the fundraising event items contributed on the basis of wholesale values that would be received for selling similar products in the United States. There are generally no specific donor restrictions associated with the gifts.

Functional Expenses

Expenses associated with certain activities and functions necessary for the support of programs provided by the Foundation are considered supporting services expenses. Supporting services include various costs associated with administration, maintenance and other general functions of the Foundation. The Foundation allocates its expenses on a functional basis among various programs and supporting services. Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service according to their natural expenditure classification. Salaries and benefits are common to several functions and are allocated to programs and supporting services based on estimates of time worked. Other expenses are allocated based on other meaningful measures for the particular type of expenditure.

Estimates

The preparation of these financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Accordingly, actual results could differ from those estimates.

Income Taxes

The Foundation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation.

Accounting standards require the Foundation to evaluate tax positions and recognize a tax liability (or asset) if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Foundation has analyzed the tax positions taken and has concluded that as of June 30, 2023, there are no uncertain positions taken or expected to be taken that would require the recognition of a liability (or asset) or disclosure in the financial statements. The Foundation may be subject to audit by the Internal Revenue Service; however, there are currently no audits for any tax periods in progress.

University of Central Arkansas Foundation, Inc.

Notes to Financial Statements June 30, 2023 and 2022

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases*. The new guidance requires lessees to record a right-of-use asset and a corresponding liability equal to the present value of future rental payments on their statement of financial position for all leases with a term greater than one year. The new guidance also requires enhanced disclosures for both lessees and lessors and is effective for the Foundation on July 1, 2022. The Foundation elected the relief package of practical expedients of which there is no requirement to reassess the existence of leases, their classification and initial direct costs. As of June 30, 2023, implementation of this standard did not have a significant impact on the Foundation's financial statements.

NOTE 3: INVESTMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

- | | |
|---------|---|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access. |
| Level 2 | Inputs to the valuation methodology include the following: <ul style="list-style-type: none">• Quoted prices for similar assets or liabilities in active markets• Quoted prices for identical or similar assets or liabilities in inactive markets• Inputs other than quoted prices that are observable for the asset or liability• Inputs that are derived principally from or corroborated by observable market data by correlation or other means• If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. |
| Level 3 | Inputs to the valuation methodology are unobservable and significant to the fair value measurement. |

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

University of Central Arkansas Foundation, Inc.

Notes to Financial Statements June 30, 2023 and 2022

NOTE 3: INVESTMENTS (Continued)

The following is a description of the valuation methodologies used for assets measured at fair value.

The fair values of mutual funds are determined based on the daily closing price as reported by the fund. These funds are required to publish their daily net asset value (NAV) and to transact at that price.

The fair values of exchange traded funds are determined based on the closing price as reported by the fund. The funds are priced continuously throughout the day but are required to publish their daily NAV at market close based on the value of the underlying securities.

The fair values of equities are determined based on the closing price reported on the active market in which the individual securities are traded.

The fair values of U.S. Treasury obligations, government-sponsored entity obligations and bonds are determined based on pricing models maximizing the use of observable inputs for similar securities.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

University of Central Arkansas Foundation, Inc.

Notes to Financial Statements June 30, 2023 and 2022

NOTE 3: INVESTMENTS (Continued)

The following table presents assets measured at fair value on a recurring basis at June 30, 2023:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Mutual funds				
Allocation 50%-70% equity	\$ 65,506	\$ 65,506	\$ -	\$ -
Foreign large blend	151,961	151,961	-	-
Foreign large value	729,007	729,007	-	-
Foreign small blend	20,480	20,480	-	-
High yield bond	30,003	30,003	-	-
Inflation protected bond	464,452	464,452	-	-
Institutional government money market	4,851,555	4,851,555	-	-
Intermediate core-plus bond	486,515	486,515	-	-
Intermediate core bond	129,165	129,165	-	-
Large blend	1,822,378	1,822,378	-	-
Large growth	237,213	237,213	-	-
Large value	879,775	879,775	-	-
Medium value	1,337,192	1,337,192	-	-
Mid cap growth	73,085	73,085	-	-
Mid cap value	60,876	60,876	-	-
Non-traditional bond	622,342	622,342	-	-
Small value	976,274	976,274	-	-
World allocation	47,702	47,702	-	-
World bond	40,747	40,747	-	-
World large stock blend	280,542	280,542	-	-
Total mutual funds	<u>13,306,770</u>	<u>13,306,770</u>	<u>-</u>	<u>-</u>
Exchange traded funds				
Corporate bond	815,741	815,741	-	-
Foreign large blend	9,722	9,722	-	-
Large blend	6,208,694	6,208,694	-	-
Large growth	5,651,913	5,651,913	-	-
Large value	4,217,976	4,217,976	-	-
Medium blend	895,275	895,275	-	-
Medium growth	1,017,321	1,017,321	-	-
Medium value	1,039,440	1,039,440	-	-
Multisector bond	1,029,663	1,029,663	-	-
Short term bond	4,791,572	4,791,572	-	-
Short term government	1,814,489	1,814,489	-	-
Small blend	55,619	55,619	-	-
Small growth	726,524	726,524	-	-
Small value	918,930	918,930	-	-
Ultrashort bond	1,086,183	1,086,183	-	-
Total exchange traded funds	<u>30,279,062</u>	<u>30,279,062</u>	<u>-</u>	<u>-</u>

(Continued)

University of Central Arkansas Foundation, Inc.

Notes to Financial Statements June 30, 2023 and 2022

NOTE 3: INVESTMENTS (Continued)

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments (Continued)				
Equity securities				
Consumer discretionary	\$ 772,406	\$ 772,406	\$ -	\$ -
Consumer staples	333,870	333,870	-	-
Energy	596,908	596,908	-	-
Financial services	2,359,374	2,359,374	-	-
Health care	1,455,520	1,455,520	-	-
Industrials	846,507	846,507	-	-
Information technology	1,975,799	1,975,799	-	-
Materials	111,139	111,139	-	-
Real estate	363,080	363,080	-	-
Restaurants	138,993	138,993	-	-
Telecommunication services	557,457	557,457	-	-
Utilities	75,034	75,034	-	-
Total equity securities	<u>9,586,087</u>	<u>9,586,087</u>	<u>-</u>	<u>-</u>
U.S. Treasury obligations	<u>15,225,975</u>	<u>-</u>	<u>15,225,975</u>	<u>-</u>
U.S. Government bonds	<u>111,949</u>	<u>-</u>	<u>111,949</u>	<u>-</u>
Government-sponsored entity obligations	<u>1,818,465</u>	<u>-</u>	<u>1,818,465</u>	<u>-</u>
Municipal bond	<u>343,959</u>	<u>-</u>	<u>343,959</u>	<u>-</u>
Corporate bonds	<u>910,278</u>	<u>-</u>	<u>910,278</u>	<u>-</u>
	<u>\$ 71,582,545</u>	<u>\$ 53,171,919</u>	<u>\$ 18,410,626</u>	<u>\$ -</u>

University of Central Arkansas Foundation, Inc.

Notes to Financial Statements June 30, 2023 and 2022

NOTE 3: INVESTMENTS (Continued)

The following table presents assets measured at fair value on a recurring basis at June 30, 2022:

Investments	Fair Value	Level 1	Level 2	Level 3
Mutual funds				
Allocation 50%-70% equity	\$ 59,971	\$ 59,971	\$ -	\$ -
Foreign large blend	148,561	148,561	-	-
Foreign large value	152,851	152,851	-	-
Foreign small blend	18,195	18,195	-	-
High yield bond	28,398	28,398	-	-
Inflation protected bond	466,642	466,642	-	-
Intermediate core-plus bond	500,016	500,016	-	-
Intermediate core bond	137,326	137,326	-	-
Large blend	1,539,671	1,539,671	-	-
Large growth	178,841	178,841	-	-
Large value	886,274	886,274	-	-
Medium value	1,045,252	1,045,252	-	-
Mid cap growth	65,420	65,420	-	-
Mid cap value	53,681	53,681	-	-
Non-traditional bond	585,761	585,761	-	-
Small value	443,028	443,028	-	-
World allocation	44,781	44,781	-	-
World large stock blend	237,796	237,796	-	-
Total mutual funds	6,592,465	6,592,465	-	-
Exchange traded funds				
Corporate bond	1,073,326	1,073,326	-	-
Foreign large blend	9,082	9,082	-	-
Large blend	4,632,190	4,632,190	-	-
Large growth	3,660,111	3,660,111	-	-
Large value	3,894,839	3,894,839	-	-
Medium blend	829,265	829,265	-	-
Medium growth	786,655	786,655	-	-
Medium value	1,056,993	1,056,993	-	-
Multisector bond	977,159	977,159	-	-
Short term bond	5,096,341	5,096,341	-	-
Short term government	1,852,757	1,852,757	-	-
Small blend	99,439	99,439	-	-
Small growth	639,148	639,148	-	-
Small value	975,846	975,846	-	-
Ultrashort bond	1,085,100	1,085,100	-	-
Total exchange traded funds	26,668,251	26,668,251	-	-

(Continued)

University of Central Arkansas Foundation, Inc.

Notes to Financial Statements June 30, 2023 and 2022

NOTE 3: INVESTMENTS (Continued)

Investments (Continued)	Fair Value	Level 1	Level 2	Level 3
Equity securities				
Consumer discretionary	\$ 632,514	\$ 632,514	\$ -	\$ -
Consumer staples	478,747	478,747	-	-
Energy	346,617	346,617	-	-
Financial services	2,296,308	2,296,308	-	-
Health care	1,282,879	1,282,879	-	-
Industrials	712,519	712,519	-	-
Information technology	1,661,467	1,661,467	-	-
Materials	94,679	94,679	-	-
Real estate	459,340	459,340	-	-
Telecommunication services	599,396	599,396	-	-
Utilities	86,443	86,443	-	-
Total equity securities	<u>8,650,909</u>	<u>8,650,909</u>	<u>-</u>	<u>-</u>
U.S. Treasury obligations	<u>7,681,932</u>	<u>-</u>	<u>7,681,932</u>	<u>-</u>
U.S. Government bonds	<u>119,104</u>	<u>-</u>	<u>119,104</u>	<u>-</u>
Government-sponsored entity obligations	<u>1,761,993</u>	<u>-</u>	<u>1,761,993</u>	<u>-</u>
Municipal bond	<u>520,357</u>	<u>-</u>	<u>520,357</u>	<u>-</u>
Corporate bonds	<u>1,118,083</u>	<u>-</u>	<u>1,118,083</u>	<u>-</u>
	<u>\$ 53,113,094</u>	<u>\$ 41,911,625</u>	<u>\$ 11,201,469</u>	<u>\$ -</u>

NOTE 4: CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable at June 30 include the following:

	2023	2022
Contributions receivable	\$ 7,796,111	\$ 9,719,182
Less unamortized discount on long-term contributions receivable	(255,696)	(476,992)
Less allowance for uncollectible contributions receivable	<u>(218,010)</u>	<u>(244,196)</u>
	<u>\$ 7,322,405</u>	<u>\$ 8,997,994</u>

University of Central Arkansas Foundation, Inc.

Notes to Financial Statements June 30, 2023 and 2022

NOTE 4: CONTRIBUTIONS RECEIVABLE, NET (Continued)

Contributions receivable at June 30 are expected to be collected as follows:

	2023	2022
Amounts due in:		
Less than one year	\$ 5,176,105	\$ 4,224,072
One to five years	2,596,792	5,285,396
Thereafter	23,214	209,714
	\$ 7,796,111	\$ 9,719,182

Contributions receivable which are scheduled to be received after one year are reported at the present value of estimated future cash flows using a discount rate of five percent.

NOTE 5: PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following as of June 30:

	Estimated Useful Lives	2023	2022
	Buildings	40	\$ 3,796,033
Furniture and equipment	5	274,658	274,658
		4,070,691	4,070,691
Accumulated depreciation		(903,877)	(754,020)
		3,166,814	3,316,671
Land	n/a	180,000	180,000
Works of Art	n/a	104,921	104,921
Property and equipment, net		\$ 3,451,735	\$ 3,601,592

NOTE 6: LONG TERM DEBT

The Foundation is a party to a note payable with a financial institution which was used to fund the purchase of a scoreboard for the University. The note payable bears interest at a fixed rate of 4.07%, with principal and interest payments of \$7,012 due monthly. The note matures in September 2029.

The Foundation is also a party to a note payable with a financial institution to fund the renovation and addition to the Buffalo Alumni Hall. The note payable bears interest at a fixed rate of 3.89%, with principal and interest payments of \$126,426 due annually. Final payment of the remaining outstanding principal and interest is due in October 2024.

University of Central Arkansas Foundation, Inc.

Notes to Financial Statements June 30, 2023 and 2022

NOTE 6: LONG TERM DEBT (Continued)

Debt issuance costs totaling approximately \$8,700 is amortized over the life of the related obligation using the straight-line method, which approximates the effective interest method. Debt issuance costs net of accumulated amortization, which totaled approximately \$5,200 and \$3,500 as of June 30, 2023 and 2022, respectively, is reported as a direct deduction from the carrying amount of long term debt.

Both notes are secured by certain property and equipment of the Foundation. Scheduled principal payments of long-term debt for the next five years and thereafter are as follows:

2024	\$ 109,099
2025	2,146,736
2026	72,233
2027	75,228
2028	78,348
Thereafter	101,150
	<u>\$ 2,582,794</u>

NOTE 7: AMOUNT HELD FOR UNIVERSITY

The Foundation acts as an agent to the University for assets owned by the University. The Crow/White Estate fund, the Donna Stephens Estate fund, the Firestone Estate fund, and the Van Vleck Estate fund are the property of the University, but are held, administered and invested by the Foundation.

The amounts held as of June 30 are as follows:

	<u>2023</u>	<u>2022</u>
Crow/White estate	\$ 8,146,038	\$ 7,395,311
Donna Stephens estate	329,374	296,740
Firestone estate	582,021	527,456
Van Vleck estate	52,798	-
	<u>\$ 9,110,231</u>	<u>\$ 8,219,507</u>

NOTE 8: ENDOWMENTS

The Foundation's endowment consists of approximately 300 individual funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary.

University of Central Arkansas Foundation, Inc.

Notes to Financial Statements June 30, 2023 and 2022

NOTE 8: ENDOWMENTS (Continued)

As a result of this interpretation, the Foundation classifies as net assets with donor restrictions the original value of gifts donated to the donor-restricted endowment, the original value of subsequent gifts to the donor-restricted endowment and accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instruments at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that will be released from restriction remains in net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation and (7) the Foundation's investment and spending policies.

The Foundation has adopted investment and spending policies, approved by the Board, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distribution to meet the operating needs of the Foundation, while growing the funds if possible. Investment risk is measured in terms of the total endowment funds; investment assets and allocation between asset classes and strategies are managed to not expose the funds to unacceptable levels of risk.

The Foundation has a spending policy of appropriating for distribution each year 5% of the trailing three-year average market value of the endowment pool as measured at December 31. In establishing this spending policy, the Foundation considers the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation.

Changes in donor-restricted endowment net assets for the years ended June 30 are as follows:

	2023		2022	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Endowment net assets, beginning of year	\$ 3,078,512	\$ 40,178,962	\$ 4,925,930	\$ 41,791,938
Contributions	1,001,484	7,638,800	1,268,295	5,186,658
Investment return, net	815,812	1,567,849	(2,316,457)	(5,590,232)
Appropriation of endowment assets for expenditure	(891,190)	(1,276,835)	(799,256)	(1,209,402)
Endowment net assets, end of year	<u>\$ 4,004,618</u>	<u>\$ 48,108,776</u>	<u>\$ 3,078,512</u>	<u>\$ 40,178,962</u>

University of Central Arkansas Foundation, Inc.

Notes to Financial Statements June 30, 2023 and 2022

NOTE 8: ENDOWMENTS (Continued)

During the year ended June 30, 2023, the Foundation had funds with underwater endowment net assets as a result of unfavorable market performance. The fair value of these underwater endowments totaled approximately \$6,100,000 with an original gift amount of approximately \$6,300,000, resulting in deficiencies of approximately \$200,000 as of June 30, 2023.

NOTE 9: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of endowment income and contributions received with donor-imposed restrictions limiting the Foundation's use of contributed assets to a later period, a specific purpose or both. The amounts are transferred to net assets without donor restrictions in the period the donor-imposed restrictions expire, or the donor-stipulated purpose has been fulfilled by the Foundation.

The following is a summary of net assets with donor restrictions at June 30:

	2023	2022
Net Assets Restricted in Perpetuity		
University programs	\$ 15,170,809	\$ 14,916,113
Scholarships	28,191,065	21,854,354
Athletics	116,350	114,750
	\$ 43,478,224	\$ 36,885,217
Net Assets Restricted for a Specific Purpose		
University programs	\$ 6,755,531	\$ 4,479,710
Scholarships	7,975,720	2,415,619
Athletics	91,008	31,136
	\$ 14,822,259	\$ 6,926,465
Net Assets Restricted to Passage of Time		
University programs	\$ 5,704,374	\$ 7,479,185
Scholarships	799,755	780,287
Athletics	1,291,982	1,459,710
	\$ 7,796,111	\$ 9,719,182

University of Central Arkansas Foundation, Inc.

Notes to Financial Statements June 30, 2023 and 2022

NOTE 10: RELATED PARTY TRANSACTIONS

The Foundation contributed to the University approximately \$7,629,000 and \$7,135,000 during the years ended June 30, 2023 and 2022, respectively, to be used for purposes as required by endowment agreements and/or donors for specific programs.

Employees of the University are provided to oversee the operations of the Foundation. The Foundation reimbursed the University approximately \$261,000 and \$226,000 for salary expenses during the years ended June 30, 2023 and 2022, respectively.

Operating Lease

The Foundation rents a portion of the Buffalo Alumni Hall building to the University. The term of the lease is through September 2024. Lease income from this agreement totaled approximately \$123,000 during the years ended June 30, 2023 and 2022, respectively. The Foundation recognized a related party receivable of approximately \$92,500 from the University related to this lease agreement for the year ended June 30, 2023.

Scheduled receipt of lease payments for the remainder of the lease term are as follows:

2024	\$	123,341
2025		123,341
	\$	<u>246,682</u>

Direct Financing Lease

The Foundation entered into a lease agreement with the University related to the newly constructed Greek Village properties, which the Foundation agreed to service the cost to construct the three fraternity residential facilities through internal borrowing from the Foundation's endowment funds, approved by the board and not to exceed \$7,900,000. The loan carries a 4.5% interest rate which was based on similar instruments at the time of authorization. The Foundation and the University have agreed to repayment of the loan through a direct financing lease whereby the University will make biannual payments to the Foundation over the course of thirty years. At the end of this period or when the total amount of construction costs has been recovered by the Foundation, ownership of the facilities will be transferred to the University. Payments began in July 2020 and are scheduled to conclude in January 2050.

The following lists the components of the net investment in the direct financing lease as of June 30:

	<u>2023</u>	<u>2022</u>
Minimum lease payments receivable	\$ 11,659,239	\$ 12,112,689
Less: Unearned income	(4,586,089)	(4,755,944)
Investment in direct financing lease, net	<u>\$ 7,073,150</u>	<u>\$ 7,356,745</u>

University of Central Arkansas Foundation, Inc.

Notes to Financial Statements June 30, 2023 and 2022

NOTE 10: RELATED PARTY TRANSACTIONS (Continued)

Direct Financing Lease (Continued)

Scheduled receipt of lease payments for the next five years and thereafter are as follows:

2024	\$	680,175
2025		422,272
2026		422,272
2027		422,272
2028		422,272
Thereafter		9,289,976
		\$ 11,659,239

NOTE 11: CONTRIBUTED NONFINANCIAL ASSETS

For the year ended June 30, 2023, contributed nonfinancial assets recognized within the statement of activities included:

	Revenue Recognized	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Travel and Supplies	\$ 45,167	Athletics, Arts, and General and Administrative	No associated donor restrictions	The Foundation estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Clothing	\$ 2,100	Career Services Enhancement Program	No associated donor restrictions	The Foundation estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Equipment	\$ 24,800	Arts	No associated donor restrictions	The Foundation estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Food	\$ 5,164	Food Pantry Program and Alumni Relations	No associated donor restrictions	The Foundation estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Furniture	\$ 2,158	Greek Housing	No associated donor restrictions	The Foundation estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Services	\$ 86,499	General and Administrative and Athletics	No associated donor restrictions	Contributed services are valued at the estimated fair value based on current rates for similar services

University of Central Arkansas Foundation, Inc.

Notes to Financial Statements June 30, 2023 and 2022

NOTE 11: CONTRIBUTED NONFINANCIAL ASSETS (Continued)

For the year ended June 30, 2022, contributed nonfinancial assets recognized within the statement of activities included:

	<u>Revenue Recognized</u>	<u>Utilization in Programs/Activities</u>	<u>Donor Restrictions</u>	<u>Valuation Techniques and Inputs</u>
Art	\$ 4,500	General and Administrative	No associated donor restrictions	The Foundation estimated the fair value on the basis of appraisals performed by qualified independent appraisers.
Travel and Supplies	\$ 16,183	Athletics	No associated donor restrictions	The Foundation estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Clothing	\$ 5,130	Career Services Enhancement Program	No associated donor restrictions	The Foundation estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Equipment	\$ 10,850	Athletics	No associated donor restrictions	The Foundation estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Food	\$ 5,022	Food Pantry Program and General and Administrative	No associated donor restrictions	The Foundation estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Furniture	\$ 952	Greek Housing	No associated donor restrictions	The Foundation estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Services	\$ 81,904	General and Administrative and Athletics	No associated donor restrictions	Contributed services are valued at the estimated fair value based on current rates for similar services

University of Central Arkansas Foundation, Inc.

Notes to Financial Statements June 30, 2023 and 2022

NOTE 12: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Foundation monitors its liquidity so that it is able to meet its operating needs and contractual commitments while maximizing the investment of its excess operating cash. The Foundation has the following financial assets that could readily be made available within one year of the statements of financial position to fund expenses without limitations:

	2023	2022
Cash and cash equivalents	\$ 1,262,730	\$ 3,232,970
Contributions receivable, net	7,322,405	8,997,994
Investments, net	71,582,545	53,113,094
Total financial assets	80,167,680	65,344,058
Less endowment fund cash, cash equivalents and investments	(52,113,394)	(43,257,474)
Less other restrictions	(17,987,818)	(13,351,902)
Less investments held for University	(9,110,231)	(8,219,507)
Financial assets available to meet cash needs for general expenditures within one year	\$ 956,237	\$ 515,175

The operations of the Foundation are primarily funded by income generated from investing its endowments and contributions. As explained in Note 9 to the financial statements, certain assets have been restricted by the donor in perpetuity. The Foundation structures its financial assets to be available as general expenditures, liabilities and other obligations become due. The Foundation can adjust the timing of disbursements to the University when necessary. Additionally, the Foundation has board designated endowments of approximately \$4,000,000 that can be used for general operations as deemed necessary with approval by the board.

NOTE 13: RISKS AND UNCERTAINTIES

Market disruptions associated with current geopolitical events have had a global impact, and uncertainty exists as to their implications. Such disruptions can adversely affect assets and thus performance of the investments; at this time, an aggregate effect on assets and performance cannot be reasonably estimated. Management is continuing to monitor these developments and evaluate other impacts they may have on the investments.

NOTE 14: CONCENTRATIONS

During the year ended June 30, 2023, the Foundation received approximately 62% of contributions from one donor.

University of Central Arkansas Foundation, Inc.

Notes to Financial Statements June 30, 2023 and 2022

NOTE 15: SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 3, 2023, the date the financial statements were available to be issued.