

UMKC FOUNDATION

COMBINED FINANCIAL STATEMENTS
AS OF JUNE 30, 2019 AND 2018 AND
FOR THE FISCAL YEARS THEN ENDED
WITH INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

Board of Directors
UMKC Foundation
Kansas City, Missouri

We have audited the accompanying combined financial statements of

UMKC FOUNDATION

which comprise the combined statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, changes in net assets, and cash flows for the years then ended and the related notes to the combined 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.

Auditors' Responsibility

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

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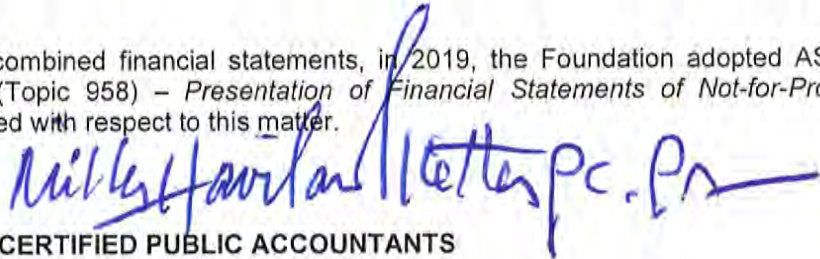
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Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of UMKC Foundation as of June 30, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note A of the combined financial statements, in 2019, the Foundation adopted ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.



Miles Hamilton Hetter PC, PA

CERTIFIED PUBLIC ACCOUNTANTS

Westwood, Kansas
May 28, 2020

UMKC FOUNDATION
 COMBINED STATEMENTS OF FINANCIAL POSITION
 AS OF JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Cash	\$ 1,369,049	\$ 973,449
Investments	44,547,259	42,671,057
Pledges and accounts receivable	618,919	1,281,042
Prepaid expenses	20,695	11,889
Art collection	10,600	10,600
Fixed assets, net	<u>36,000</u>	<u>63,000</u>
TOTAL ASSETS	<u>\$ 46,602,522</u>	<u>\$ 45,011,037</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable and accrued liabilities	<u>\$ 490,296</u>	<u>\$ 775,069</u>
TOTAL LIABILITIES	<u>490,296</u>	<u>775,069</u>
<u>NET ASSETS (DEFICIT)</u>		
Without donor restrictions - operating	1,605,935	1,343,523
Without donor restrictions - non-operating	(71,974)	(200,823)
Net assets with donor restrictions	<u>44,578,265</u>	<u>43,093,268</u>
TOTAL NET ASSETS	<u>46,112,226</u>	<u>44,235,968</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 46,602,522</u>	<u>\$ 45,011,037</u>

The accompanying notes are an integral part of these financial statements.

UMKC FOUNDATION
COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions		Total	With	Total
	Operating	Non-operating	Without Donor Restrictions	Donor Restrictions	
REVENUES AND SUPPORT					
UMKC contract revenue					
UMKC contract	\$ 1,176,099	\$ -	\$ 1,176,099	\$ -	\$ 1,176,099
UMKC support	1,500,000	-	1,500,000	-	1,500,000
Management fee on non-endowed gifts	178,475	-	178,475	-	178,475
Foundation management fee	360,250	(360,250)	-	-	-
Investment income, net	53,206	2,572	55,778	2,056,036	2,111,814
Other income	171,187	-	171,187	5,000	176,187
Contributions	253,916	210,284	464,200	1,449,462	1,913,662
Net assets released from restrictions	-	2,048,245	2,048,245	(2,048,245)	-
TOTAL REVENUES AND SUPPORT	3,693,133	1,900,851	5,593,984	1,462,253	7,056,237
EXPENSES					
Program services	1,056,650	1,748,171	2,804,821	-	2,804,821
Management & general	1,148,566	23,831	1,172,397	20,000	1,192,397
Fundraising	1,225,707	-	1,225,707	-	1,225,707
TOTAL EXPENSES	3,430,923	1,772,002	5,202,925	20,000	5,222,925
CHANGE IN NET ASSETS BEFORE TRANSFERS	262,210	128,849	391,059	1,442,253	1,833,312
Transfers from UMKC Entities, net	202	-	202	42,744	42,946
Net assets (deficit) beginning of year	1,343,523	(200,823)	1,142,700	43,093,268	44,235,968
NET ASSETS (DEFICIT) END OF YEAR	\$ 1,605,935	\$ (71,974)	\$ 1,533,961	\$ 44,578,265	\$ 46,112,226

The accompanying notes are an integral part of these financial statements.

UMKC FOUNDATION
COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions		Total	With	Total
	Operating	Non-operating	Without Donor Restrictions	Donor Restrictions	
REVENUES AND SUPPORT					
UMKC contract revenue					
UMKC contract	\$ 1,121,870	\$ -	\$ 1,121,870	\$ -	\$ 1,121,870
UMKC support	2,000,000	-	2,000,000	-	2,000,000
Management fee on non-endowed gifts	197,633	-	197,633	-	197,633
Foundation management fee	334,638	(334,638)	-	-	-
Investment income, net	8,224	87	8,311	3,148,646	3,156,957
Other income	2,648	-	2,648	72,720	75,368
Contributions	97,564	42,183	139,747	1,658,249	1,797,996
Net assets released from restrictions	-	2,199,484	2,199,484	(2,199,484)	-
TOTAL REVENUES AND SUPPORT	3,762,577	1,907,116	5,669,693	2,680,131	8,349,824
EXPENSES					
Program services	989,715	1,748,100	2,737,815	-	2,737,815
Management & general	1,087,918	120,798	1,208,716	1,200	1,209,916
Fundraising	1,466,832	-	1,466,832	-	1,466,832
TOTAL EXPENSES	3,544,465	1,868,898	5,413,363	1,200	5,414,563
OTHER EXPENSE - return of contribution	-	-	-	1,000,000	1,000,000
CHANGE IN NET ASSETS BEFORE TRANSFERS	218,112	38,218	256,330	1,678,931	1,935,261
Reclassifications	565,662	(765,662)	(200,000)	200,000	-
Transfers from (to) UMKC Entities, net	177,440	(88,953)	88,487	(62,247)	26,240
Net assets beginning of year	382,309	615,574	997,883	41,276,584	42,274,467
NET ASSETS (DEFICIT) END OF YEAR	\$ 1,343,523	\$ (200,823)	\$ 1,142,700	\$ 43,093,268	\$ 44,235,968

The accompanying notes are an integral part of these financial statements.

**UMKC FOUNDATION
 COMBINED STATEMENTS OF CASH FLOWS
 FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Change in net assets before transfers	<u>\$ 1,833,312</u>	<u>\$ 1,935,261</u>
Adjustments to reconcile change in net assets before transfers to net cash used in operating activities:		
Realized gain on investments	(594,964)	(1,203,114)
Unrealized gain on investments	(688,479)	(1,295,585)
Contributions restricted to endowment	(1,258,092)	(1,413,693)
Depreciation	27,000	31,629
Net changes in operating assets and liabilities:		
Pledges and accounts receivable	662,123	(581,486)
Prepaid expenses	(8,806)	(37)
Accounts payable and accrued liabilities	(284,773)	383,839
Total adjustments	<u>(2,145,991)</u>	<u>(4,078,447)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(312,679)</u>	<u>(2,143,186)</u>
Cash Flows from Investing Activities		
Proceeds from sales of investments	1,849,032	3,707,556
Investment purchases	<u>(2,398,845)</u>	<u>(2,316,923)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(549,813)</u>	<u>1,390,633</u>
Cash Flows from Financing Activities		
Contributions restricted to endowment	<u>1,258,092</u>	<u>1,413,693</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>1,258,092</u>	<u>1,413,693</u>
INCREASE IN CASH	395,600	661,140
CASH AT BEGINNING OF YEAR	<u>973,449</u>	<u>312,309</u>
CASH AT END OF YEAR	<u>\$ 1,369,049</u>	<u>\$ 973,449</u>
Supplemental Disclosures:		
Transfer activity between the Foundation and UMKC entities, net	<u>\$ 42,946</u>	<u>\$ 26,240</u>

The accompanying notes are an integral part of these financial statements.

**UMKC FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The UMKC Foundation (the "Foundation") is a nonprofit public benefit foundation organized under the laws of the State of Missouri. The Foundation's sole purpose is to benefit the University of Missouri-Kansas City (UMKC) by supporting (through funds raised, held and administered by the Foundation) academic programs and educational opportunities that will enhance UMKC over and above those which are funded with state support, student fees and tuition. The Foundation is dedicated to advancing the mission of UMKC: to be a leader in life and health sciences; to deepen and expand strength in the visual and performing arts; to develop a professional workforce and collaborate in urban issues and education; and to create a vibrant learning and campus life experience.

Under an affiliation agreement between The Curators of the University of Missouri (the "University") and the Foundation, the Foundation provides fund development services to UMKC and for an additional 61 constituent organizations under the UMKC umbrella. Under a transition plan between the Foundation and the University, the University pays the Foundation a fee for the fundraising services provided by the Foundation to UMKC equal to an amount agreed to by the University and the Foundation, less the aggregate wages, benefits and expenses which are incurred by the University with respect to the employees of the University who continue to provide services to the Foundation and any expenses paid by the University to third-parties on behalf of the Foundation. The Foundation also receives a management fee on non-endowed contributions to UMKC and constituent organizations. Revenues received by the Foundation for services provided to UMKC under this agreement during the years ended June 30, 2019 and 2018, have been reported as "UMKC contract revenues".

The Foundation and its employees have the primary responsibility for the solicitation of contributions from private sources for the support of UMKC. The Foundation solicits contributions which are made to the Foundation and held and administered by the Foundation for the benefit of UMKC. The Foundation also solicits contributions which are made directly to UMKC or to one of its schools or other supporting organizations.

For the years ended June 30, 2019 and 2018, the Foundation made grants from earnings of its endowment funds held by the Foundation to support various UMKC programs in the amounts of \$1,935,671 and \$1,810,600, respectively.

**UMKC FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of Accounting and Presentation

The accompanying combined financial statements include the accounts of the UMKC Foundation together with the accounts of the UMKC Research Foundation [beginning with the May 1, 2017 affiliation date], a Missouri not-for-profit corporation. Grants and other transfers between and among the entities have been eliminated in the combination of these financial statements, along with all other intercompany transactions and balances.

These combined financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or the passage of time as well as net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the Foundation. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled or both.

Cash

Cash includes demand deposit accounts at financial institutions, specifically excluding certain cash held by the bank serving as the Foundation's custodian, which is reported as investments. From time to time the Foundation maintains cash balances with financial institutions in excess of the Federal Depositor Insurance Corporation (FDIC) limits. The Foundation has suffered no loss as a result of this risk.

**UMKC FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Pledges and Accounts Receivable

Pledges and accounts receivable consist of pledge receivables and assets held by the University in the Foundation Agency account. The pledge receivables are unconditional promises to give (pledges) through private donations from corporations, alumni, and various other supporters of the Foundation. Support is recognized when a pledge is received and all donor conditions are met.

Unconditional promises to give in future periods are recognized as support in the period the promises are received. Promises to give that are expected to be collected within one year are recorded at their net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the promises received. Amortization of the discounts is included in contributions.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are carried at fair value, based on quoted market prices representing the net asset value of shares held in the portfolio at year end. At the date of receipt, donated investments are reported at fair value, which is then treated as the cost. Investment income from investment of restricted funds is added to the respective restricted net assets to the extent restricted. Investment securities are exposed to various interest rate, market and credit risks. Due to the level of uncertainty relating to changes in the value of investment securities, it is at least possible that changes in risks in the near term would materially affect the amounts reported in the statements of financial position.

Contributions

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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. Contributions for which donor restrictions are met within the same period as received are reported as contributions in net assets without donor restriction.

Cost Allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Costs are allocated based on review of underlying transactions in each expense account.

**UMKC FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Income Taxes

UMKC Foundation and UMKC Research Foundation are not-for-profit organizations as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to Section 501(c)(3) of the Internal Revenue Code, as evidenced by the determination letters dated June 2007 and January 1987. Income tax returns filed by the Foundations on Form 990 are subject to examination by the Internal Revenue Service (IRS) for three years after the date filed, with the result that the June 30 and April 30 fiscal years 2019, 2018, 2017 and 2016 remain open as of May 28, 2020, although no returns have been selected for examination by the IRS. Management has evaluated tax positions taken or expected to be taken in the course of preparing the Foundations' tax returns with assistance from the Foundations' tax preparers to determine whether its tax positions are more likely than not to be sustained by applicable taxing authorities; likely tax positions are reported in these financial statements, and management is not aware of any unlikely tax positions, with the result that no unlikely tax positions are reported.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Change in Accounting Principle

On August 18, 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has implemented ASU 2016-14 and has adjusted the presentation of the financial statements accordingly. The ASU has been applied retrospectively to all periods presented which increased net assets without donor restrictions by \$371,656 and decreased net assets with donor restrictions by \$371,656 resulting from the reclassifications of underwater endowment funds as required under ASU 2016-14.

Subsequent Events

Subsequent events have been evaluated through May 28, 2020, which is the date the accompanying financial statements were available to be issued.

UMKC FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE B - FUNDRAISING NET PRODUCTION

During the years ended June 30, 2019 and 2018, the overall fundraising efforts of the Foundation produced pledges and planned gift commitments on behalf of the Foundation itself, and on behalf of UMKC and its schools and other supporting organizations, as follows:

	<u>2019</u>	<u>2018</u>
Contributions and commitments for future contributions to the Foundation	\$ 1,913,662	\$ 1,797,996
Contributions and commitments for future contributions to UMKC (including its several schools and other supporting organizations)	<u>1,142,355</u>	<u>7,380,803</u>
Total pledge commitments	3,056,017	9,178,799
Planned gift commitments	<u>717,505</u>	<u>8,781,007</u>
Total commitments	3,773,522	17,959,806
Outright gifts during period	19,134,307	19,964,589
Other philanthropic support	20,000,000	-
Net production	<u>\$ 42,907,829</u>	<u>\$ 37,924,395</u>

Summary of Endowments, Quasi-Endowments and Effective Endowments for the Benefit of UMKC

As of June 30, 2019 and 2018, the cumulative fundraising efforts to date have resulted in asset balances held in investment and cash accounts of the UMKC Foundation, UMKC, the University of Missouri Curators and other supporting organizations, specifically excluding outstanding pledges, grants, bequests and other receivables, summarized as follows:

Held by or for UMKC Foundation		
Investments	\$ 43,805,205	\$ 42,329,389
Assets held by University of Missouri	<u>102,017</u>	<u>213,637</u>
Total amounts audited	<u>43,907,222</u>	<u>42,543,026</u>
Held by University of Missouri for UMKC (other auditors)	<u>152,799,604</u>	<u>151,228,776</u>
Held elsewhere for UMKC (unaudited)	87,104,407	83,546,188
Held by or for affiliate supporting organization accounts (unaudited)	<u>70,689,195</u>	<u>68,193,677</u>
Total amounts unaudited	<u>157,793,602</u>	<u>151,739,865</u>
Total endowments, quasi-endowments and effective endowments from all sources for the benefit of UMKC	<u>\$ 354,500,428</u>	<u>\$ 345,511,667</u>

UMKC FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE C - INVESTMENTS

The Foundation's investments are reported at fair value in the accompanying statement of financial position. The methods used to measure fair value may produce an amount 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 measure the fair value of certain financial instruments could result in a different fair value at the reporting date.

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs are unobservable and have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 3 inputs were available to the Foundation. At June 30, 2019 and 2018, all investments are classified at Level 2.

The Foundation's policy is to recognize transfers between Level 1 and Level 2 and into and out of Level 3 at the end of the reporting period. For the years ended June 30, 2019 and 2018, there were no transfers between Level 1 and Level 2 or into and out of Level 3.

The fair value measurements for the assets reported at fair value on a recurring basis are all classified at Level 2 as follows:

	2019		2018	
	Fair Value	Cost	Fair Value	Cost
Prairie Capital	\$ 44,395,334	\$ 41,693,687	\$ 42,526,112	\$ 40,849,647
Midwest Trust	124,011	121,361	117,609	117,609
American Century	27,914	23,187	27,336	23,187
Total Level 2 assets	<u>\$ 44,547,259</u>	<u>\$ 41,838,235</u>	<u>\$ 42,671,057</u>	<u>\$ 40,990,443</u>

At June 30, 2019 and 2018, the underlying investments held in the fund include the following approximate composition:

	2019	2018
Cash and cash equivalents	1%	2%
Common stocks and mutual funds	47%	51%
Fixed income funds and securities	28%	35%
Alternative investments	24%	12%

**UMKC FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS**

NOTE C - INVESTMENTS - continued

The following is a summary of net investment gain for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ 957,807	\$ 838,278
Realized gains	594,964	1,203,114
Unrealized gains	<u>688,479</u>	<u>1,295,585</u>
	2,241,250	3,336,977
Less: investment management fees	<u>(129,436)</u>	<u>(180,020)</u>
Net investment gain	<u>\$ 2,111,814</u>	<u>\$ 3,156,957</u>

Investment gain is reported in the statements of activities as follows:

Without donor restrictions	\$ 55,778	\$ 8,311
With donor restrictions	<u>2,056,036</u>	<u>3,148,646</u>
	<u>\$ 2,111,814</u>	<u>\$ 3,156,957</u>

The Foundation has commitments related to certain alternative investments. Unfunded commitments as of June 30, 2019, related to these investments is scheduled as follows:

	<u>Commitment</u>	<u>Called</u>	<u>Unfunded Commitment</u>
Golub Capital Partners Intl 11 LP	\$ 1,000,000	\$ 600,000	\$ 400,000
RCP Fund XII Cayman Feeder, L.P.	750,000	172,500	577,500
Legacy Venture IX, LLC	1,000,000	60,000	940,000
RCP Direct III Cayman Feeder LP	<u>375,000</u>	<u>80,796</u>	<u>294,204</u>
	<u>\$ 3,125,000</u>	<u>\$ 913,296</u>	<u>\$ 2,211,704</u>

**UMKC FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS**

NOTE D - PLEDGES AND ACCOUNTS RECEIVABLE

At June 30, 2019 and 2018, pledges and accounts receivable are summarized as follows:

	<u>2019</u>	<u>2018</u>
Pledges Receivable		
Receivable in less than one year	\$ 67,981	\$ 60,053
Receivable in one to five years	105,418	180,830
Receivable in more than five years	10,000	-
Total Pledges Receivable	<u>183,399</u>	<u>240,883</u>
Less: Allowance for doubtful pledges	(84,822)	(62,654)
Less: Discount on pledges	(4,355)	(5,107)
Pledges Receivable, net	<u>94,222</u>	<u>173,122</u>
Assets held by the University	522,639	1,105,963
Other receivables	<u>2,058</u>	<u>1,957</u>
 Total pledges and accounts receivable	 <u>\$ 618,919</u>	 <u>\$ 1,281,042</u>

The promises to give are reported at the net present value of expected future cash flows utilizing discount rates from 1.75% to 2.75%.

Assets held by the University represent cash gifts that are deposited with the University for the convenience of the Foundation prior to investment by the Foundation in its investment accounts held at an outside financial institution.

NOTE E - ENDOWMENT

Endowment Overview

The Foundation's endowment consists of approximately 310 individual funds established for a variety of purposes. Its endowment includes only donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**UMKC FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS**

NOTE E - ENDOWMENT - continued

Interpretation of State Law

The Foundation has interpreted the State of Missouri's Prudent Management of Institutional Funds Act (SPMIFA) as requiring that it act prudently with respect to each endowment in determining whether to appropriate funds for expenditure from the endowment or accumulate funds in the endowment. As a result of this interpretation, absent explicit donor stipulations to the contrary, the Foundation classifies the following as assets with donor restrictions to be retained in perpetuity: 1) the original value of gifts donated to the endowment; 2) the original value of subsequent gifts to the endowment; and 3) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. On occasion, absent explicit donor stipulations to the contrary, the Foundation has determined that it is prudent to continue funding certain programs even though the only funds available in the endowments used to fund such programs have been classified as with donor restrictions. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us 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:

- Duration and preservation of the fund;
- Purposes of the Foundation and the fund;
- General economic conditions;
- Possible effect of inflation and deflation;
- Expected total return from investment income and appreciation or depreciation of investments;
- Other resources of the Foundation; and
- Investment policies of the Foundation.

Funds with Deficiencies

From time-to-time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors (underwater endowments). The Foundation has interpreted SPMIFA to permit spending from underwater endowment in accordance with prudent measures required under law. At June 30, 2019 and 2018, funds with original gift values of \$1,993,999 and \$1,977,519, fair values of \$1,611,320 and 1,605,863, and deficiencies of \$382,679 and \$371,656 were reported in net assets with donor restrictions, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new donor restricted contributions and continued appropriation for certain programs that was deemed prudent by the Foundation.

UMKC FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE E - ENDOWMENT - continued

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s). Under this policy, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the appropriate asset comparison index while assuring a moderate level of investment risk. The Foundation manages its investments on the total return basis with the expectation that over the long-term investment returns will exceed the Foundation's spending rate of 4.5%

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation's objective is to manage its endowment funds to provide ongoing support for endowed programs for perpetuity. The investment implication which is to provide a prudent approach to spending and reinvestment, using a spending formula, is intended to provide protection against inflation over time. The spending formula adopted by the governing board in June 2013 distributes annually 4.5% of the trailing 28-quarter average of the endowment's total market value at the close of business on December 31 each year, with the understanding that this spending rate over the long-term will not exceed total real return (return net of inflation) from investments. Distribution from each Endowment shall be made in two equal installments, generally in July and January following the fiscal year for which the distribution was

Following is a summary of transactions reflected in the statement of activities as

	<u>2019</u>	<u>2018</u>
Endowment funds transferred at fair value		
From other UMKC related entities	\$ 43,196	\$ 27,496
To/From non-endowed foundation funds	(202)	(79,889)
Transfers from UMKC entities, net	<u>\$ 42,994</u>	<u>\$ (52,393)</u>

**UMKC FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS**

NOTE E - ENDOWMENT - continued

Endowment balances with donor restrictions were comprised of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Academic Programs	\$ 40,823,812	\$ 39,694,614
UMKC Trustees Scholar Programs	2,002,198	1,799,873
Facilities and Operations	259,560	262,104
Research	195,604	195,902
Other	788,393	795,431
Total Endowment Net Assets	<u>\$ 44,069,567</u>	<u>\$ 42,747,924</u>

For the years ended June 30, 2019 and 2018, changes in endowment net assets are as follows:

Balance as of June 30, 2017	\$ 41,209,743
Contributions	1,413,693
Investment Income	3,145,786
Appropriation of endowment assets	(1,968,905)
Other expense - return of contribution	(1,000,000)
Transfers to UMKC Entities, net	<u>(52,393)</u>
Balance as of June 30, 2018	42,747,924
Contributions	1,258,092
Investment Income	2,055,089
Appropriation of endowment assets	(2,014,532)
Bad debt expense	(20,000)
Transfers from UMKC Entities, net	<u>42,994</u>
Balance as of June 30, 2019	<u>\$ 44,069,567</u>

**UMKC FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS**

NOTE F - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2019 and 2018 were available for the following purposes:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Academic Programs	\$ 304,827	\$ 318,624
Alumni Society - Department of Ophthalmology	120,000	-
Scholarships	56,461	-
Piebenga lectureship	26,188	26,720
Ophthalmology research	1,222	-
	<u>508,698</u>	<u>345,344</u>
Endowments:		
Accumulated gains subject to spending policy and appropriation	6,988,090	7,319,189
Funds restricted in perpetuity	37,464,156	35,800,391
Underwater endowments	(382,679)	(371,656)
	<u>44,069,567</u>	<u>42,747,924</u>
 Total Net Assets With Donor Restrictions	 <u>\$ 44,578,265</u>	 <u>\$ 43,093,268</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence or other events specified by donors. The following net assets were released from restrictions during the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Satisfaction of purpose restrictions:		
Academic Programs	\$ 31,906	\$ 230,579
Piebenga lectureship	1,807	-
	<u>33,713</u>	<u>230,579</u>
Appropriation of endowment assets		
Academic Programs	1,859,864	1,816,254
UMKC Trustees Scholar Programs	86,308	82,351
Facilities and Operations	14,737	14,306
Research	9,551	7,932
Other	44,072	48,062
	<u>2,014,532</u>	<u>1,968,905</u>
 Total Net Assets Released from Restrictions	 <u>\$ 2,048,245</u>	 <u>\$ 2,199,484</u>

**UMKC FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS**

NOTE G - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following:

Cash	\$ 1,369,049
Investments	44,547,259
Pledges and accounts receivable	618,919
Financial assets at year-end	<u>46,535,227</u>
Less assets unavailable for general expenditures within on year, due to:	
Donor restrictions	<u>44,578,265</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,956,962</u></u>

NOTE H - SUBSEQUENT EVENTS

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Foundation, COVID-19 may impact various parts of its fiscal year 2020-2021 operations and financial results, including a potential reduction in revenue due to volatility in the investment market. Management believes the Foundation is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

Subsequent to year end, in April 2020, the Foundation entered into a note payable with a bank under the Small Business Administration's Payroll Protection Act program. The uncollateralized note has a principal balance of \$267,600, matures April 2022, and bears interest at 1%. Interest is payable monthly, and the principal balance is payable in 18 equal monthly installments of \$15,062 beginning in November 2020. The Foundation expects to qualify for forgiveness of a portion of this loan as funds are expended for the covered purposes outlined in the program.

UMKC FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE I - SCHEDULE OF FUNCTIONAL EXPENSES

For the years ending June 30, 2019 and 2018, functional expenses are summarized as follows:

	2019			2018				
	Total	Program Services	Supporting Services Management & General	Fundraising	Total	Program Services	Supporting Services Management & General	Fundraising
Grants	\$ 1,935,671	\$ 1,935,671	\$ -	\$ -	\$ 1,810,600	\$ 1,810,600	\$ -	\$ -
Compensation & benefits	2,483,717	819,627	819,625	844,465	2,637,291	870,306	870,306	896,679
Professional fees	90,177	-	90,177	-	52,662	-	52,662	-
Professional fundraising	262,852	-	-	262,852	385,438	-	-	385,438
Other	33,660	-	11,781	21,879	134,059	-	46,921	87,138
Advertising & promotion	6,513	2,149	2,150	2,214	12,100	3,993	3,993	4,114
Office expense	137,527	45,384	46,759	45,384	149,027	49,179	50,669	49,179
Information technology	294	-	-	294	-	-	-	-
Travel	48,122	-	24,061	24,061	61,829	-	30,914	30,915
Conferences, conventions & meetings	20,464	-	20,464	-	28,390	-	29,390	-
Depreciation	27,000	-	27,000	-	31,629	-	31,629	-
Insurance	12,920	-	6,460	6,460	6,711	-	3,355	3,356
Other expenses	164,008	1,990	143,920	18,098	103,827	3,737	90,077	10,013
TOTAL OPERATING EXPENSES	\$ 5,222,925	\$ 2,804,821	\$ 1,192,397	\$ 1,225,707	\$ 5,414,563	\$ 2,737,815	\$ 1,209,916	\$ 1,466,832