

UMKC Foundation

Independent Auditor's Report and Combined Financial Statements

June 30, 2020 and 2019



UMKC Foundation
June 30, 2020 and 2019

Contents

Independent Auditor’s Report.....	1
 Combined Financial Statements	
Statements of Financial Position	3
Statements of Activities.....	4
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Financial Statements	9

Independent Auditor's Report

Board of Directors
UMKC Foundation
Kansas City, Missouri

We have audited the accompanying combined financial statements of UMKC Foundation and UMKC Research Foundation, which comprise the combined statement of financial position as of June 30, 2020, and the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

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

Board of Directors
UMKC Foundation
Page 2

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of UMKC Foundation and UMKC Research Foundation as of June 30, 2020, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The 2019 combined financial statements before they were restated for the matter discussed in Note 11, were audited by other auditors, and their report thereon, dated May 28, 2020, expressed an unmodified opinion. Our opinion is not modified with respect to this matter.

BKD, LLP

Kansas City, Missouri
April 14, 2021

UMKC Foundation
Combined Statements of Financial Position
June 30, 2020 and 2019

Assets

	2020	2019
		<i>(Restated- Note 11)</i>
Cash and cash equivalents	\$ 3,817,323	\$ 1,369,049
Investments	46,789,130	44,547,259
Contributions receivable, net of allowance; 2020 - \$2,193,656, 2019 - \$84,822	19,150,873	94,222
Due from UMKC entities	1,283,054	522,539
Other receivables	65,096	2,158
Prepaid expenses	24,584	20,695
Art collection	10,600	10,600
Property and equipment, net of accumulated depreciation; 2020 - \$361,358, 2019 - \$334,358	9,000	36,000
Total assets	\$ 71,149,660	\$ 46,602,522

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 674,081	\$ 259,273
Due to UMKC entities	983,744	231,023
Notes payable	267,600	-
Total liabilities	1,925,425	490,296

Net Assets

Without donor restrictions - operating	(2,420,118)	1,148,603
Without donor restrictions - non-operating	1,851,151	(72,217)
Net assets without donor restrictions	(568,967)	1,076,386
With donor restrictions	69,793,202	45,035,840
Total net assets	69,224,235	46,112,226
Total liabilities and net assets	\$ 71,149,660	\$ 46,602,522

UMKC Foundation
Combined Statement of Activities
Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>		Total Without Donor Restrictions	With Donor Restrictions	Total
	Operating	Non-operating			
Revenues, Gains and Other Support					
Support provided by UMKC					
Cash transfers	\$ 1,517,725	\$ -	\$ 1,517,725	\$ -	\$ 1,517,725
In-kind contributions	1,254,588	-	1,254,588	-	1,254,588
Management fee on non-endowed gifts	532,417	-	532,417	-	532,417
Contributions	11,788,854	107,078	11,895,932	27,084,002	38,979,934
Net investment return	(3,049)	(85)	(3,134)	(156,047)	(159,181)
Management fee on endowed gifts	388,841	(388,841)	-	-	-
Other income	112,996	-	112,996	19,098	132,094
Net assets released from restrictions	-	2,205,216	2,205,216	(2,205,216)	-
	<u>15,592,372</u>	<u>1,923,368</u>	<u>17,515,740</u>	<u>24,741,837</u>	<u>42,257,577</u>
Expenses and Losses					
Program	14,494,347		14,494,347		14,494,347
Management and general	3,406,400		3,406,400		3,406,400
Fundraising	1,260,346		1,260,346		1,260,346
	<u>19,161,093</u>	<u>-</u>	<u>19,161,093</u>	<u>-</u>	<u>19,161,093</u>
Change in Net Assets Before Transfers	(3,568,721)	1,923,368	(1,645,353)	24,741,837	23,096,484
Transfers from UMKC Entities, net	-	-	-	15,525	15,525
Change in Net Assets	(3,568,721)	1,923,368	(1,645,353)	24,757,362	23,112,009
Net Assets, Beginning of Year	<u>1,148,603</u>	<u>(72,217)</u>	<u>1,076,386</u>	<u>45,035,840</u>	<u>46,112,226</u>
Net Assets, End of Year	<u>\$ (2,420,118)</u>	<u>\$ 1,851,151</u>	<u>\$ (568,967)</u>	<u>\$ 69,793,202</u>	<u>\$ 69,224,235</u>

UMKC Foundation
Combined Statement of Activities
Year Ended June 30, 2019 (Restated- Note 11)

	<u>Without Donor Restrictions</u>		<u>Total</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
	<u>Operating</u>	<u>Non-operating</u>	<u>Without Donor</u> <u>Restrictions</u>		
Revenues, Gains and Other Support					
Support provided by UMKC					
Cash transfers	\$ 1,500,000	\$ -	\$ 1,500,000	\$ -	\$ 1,500,000
In-kind contributions	1,176,099	-	1,176,099	-	1,176,099
Management fee on non-endowed gifts	178,475	-	178,475	-	178,475
Contributions	243,885	210,284	454,169	1,459,493	1,913,662
Net investment return	42,632	1,388	44,020	2,067,794	2,111,814
Management fee on endowed gifts	360,250	(360,250)	-	-	-
Other income	171,187	-	171,187	5,000	176,187
Net assets released from restrictions	-	2,049,186	2,049,186	(2,049,186)	-
	<u>3,672,528</u>	<u>1,900,608</u>	<u>5,573,136</u>	<u>1,483,101</u>	<u>7,056,237</u>
Expenses and Losses					
Program	1,056,650	1,748,171	2,804,821	-	2,804,821
Management and general	1,148,566	23,831	1,172,397	20,000	1,192,397
Fundraising	1,225,707	-	1,225,707	-	1,225,707
	<u>3,430,923</u>	<u>1,772,002</u>	<u>5,202,925</u>	<u>20,000</u>	<u>5,222,925</u>
Change in Net Assets Before Transfers	241,605	128,606	370,211	1,463,101	1,833,312
Transfers from UMKC Entities, net	202	-	202	42,744	42,946
Change in Net Assets	241,807	128,606	370,413	1,505,845	1,876,258
Net Assets, Beginning of Year	906,796	(200,823)	705,973	43,529,995	44,235,968
Net Assets, End of Year	<u>\$ 1,148,603</u>	<u>\$ (72,217)</u>	<u>\$ 1,076,386</u>	<u>\$ 45,035,840</u>	<u>\$ 46,112,226</u>

UMKC Foundation
Combined Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services	Support Services		Total
		Management and General	Fundraising	
Grants	\$ 13,554,086	\$ -	\$ -	\$ 13,554,086
Compensation and benefits	886,026	886,026	912,876	2,684,928
Professional fees	-	199,974	-	199,974
Professional fundraising	-	-	254,190	254,190
Other	-	4,564	8,475	13,039
Advertising and promotion	16,038	16,038	16,525	48,601
Office expense	36,783	38,623	37,138	112,544
Travel	-	16,698	16,698	33,396
Conferences, conventions and meetings	-	13,920	-	13,920
Depreciation	-	27,000	-	27,000
Insurance	-	3,760	3,760	7,520
Bad debt expense	-	2,117,534	-	2,117,534
Other expenses	1,414	82,263	10,684	94,361
Total expenses included in the expense section on the statement of activities	\$ 14,494,347	\$ 3,406,400	\$ 1,260,346	\$ 19,161,093

UMKC Foundation
Combined Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services	Support Services		Total
		Management and General	Fundraising	
Grants	\$ 1,935,671	\$ -	\$ -	\$ 1,935,671
Compensation and benefits	819,627	819,625	844,465	2,483,717
Professional fees	-	90,177	-	90,177
Professional fundraising	-	-	262,852	262,852
Other	-	11,781	21,879	33,660
Advertising and promotion	2,149	2,150	2,214	6,513
Office expense	45,384	46,759	45,384	137,527
Information technology	-	-	294	294
Travel	-	24,061	24,061	48,122
Conferences, conventions and meetings	-	20,464	-	20,464
Depreciation	-	27,000	-	27,000
Insurance	-	6,460	6,460	12,920
Other expenses	1,990	143,920	18,098	164,008
Total expenses included in the expense section on the statement of activities	<u>\$ 2,804,821</u>	<u>\$ 1,192,397</u>	<u>\$ 1,225,707</u>	<u>\$ 5,222,925</u>

UMKC Foundation
Combined Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Operating Activities		
Change in net assets	\$ 23,112,009	\$ 1,876,258
Items not requiring (providing) operating activities cash flows		
Depreciation	27,000	27,000
Net realized gain on investments	(346,960)	(594,964)
Net unrealized (gain) loss on investments	1,523,892	(688,479)
Provision for losses on uncollectible contributions	2,117,534	-
Contributions and investment income received restricted for long-term investment	(4,149,520)	(1,258,092)
Contributions received restricted for acquisition of long-lived assets	(17,482,707)	-
Transfer activity between Foundation and UMKC University	-	(42,946)
Changes in		
Contributions receivable	(21,140,600)	662,123
Due to/due from UMKC entities	(7,794)	-
Other receivables	(62,938)	-
Prepaid expenses	(3,889)	(8,806)
Accounts payable and accrued expenses	414,808	(284,773)
	<u>(15,999,165)</u>	<u>(312,679)</u>
Investing Activities		
Proceeds from disposition of investments	1,478,575	1,849,032
Purchases of investments	(4,897,378)	(2,398,845)
	<u>(3,418,803)</u>	<u>(549,813)</u>
Financing Activities		
Proceeds from contributions and investment income restricted for long-term investment	4,115,935	1,258,092
Proceeds from contributions restricted for acquisition of long lived assets	17,482,707	-
Proceeds from notes payable	267,600	-
	<u>21,866,242</u>	<u>1,258,092</u>
Increase in Cash and Cash Equivalents	2,448,274	395,600
Cash and Cash Equivalents, Beginning of Year	<u>1,369,049</u>	<u>973,449</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,817,323</u>	<u>\$ 1,369,049</u>

UMKC Foundation
Notes to Combined Financial Statements
June 30, 2020 and 2019

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

Nature of Operations

UMKC Foundation (the Foundation) is a not-for-profit 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 (University) and the Foundation, the Foundation provides fund development services to UMKC and for an additional 61 constituent groups 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 gift fee on non-endowed contributions to UMKC and the UMKC Foundation and constituent groups. The Foundation receives an annual management fee on endowments managed by the UMKC Foundation.

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 Foundations.

Principles of Combination

The accompanying financial statements have been prepared on a combined basis to include the accounts of the UMKC Foundation together with the accounts of the UMKC Research Foundation (beginning with the May 1, 2017 affiliation date). All intercompany transactions and accounts have been eliminated in the accompanying combined financial statements.

UMKC Foundation
Notes to Combined Financial Statements
June 30, 2020 and 2019

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.

Cash and Cash Equivalents

The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts, including endowment accounts are not considered to be cash and cash equivalents. At June 30, 2020 and 2019, cash equivalents consisted primarily of a money market account. At June 30, 2020, the Foundation's cash accounts exceeded federally insured limits by approximately \$3,581,000.

Investments and Net Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Alternative investments are valued using the most recent valuation available by the respective external fund manager. The fair value of certain alternative investments are recorded at net asset value (NAV), as a practical expedient based on the most recent valuations provided by the external investment managers, adjusted for cash receipts and disbursements through June 30. The Foundation compares this carrying value to the June 30 investment statements provided by the external investment managers and believes the carrying value of these financial instruments is a reasonable estimate of fair value. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value.

Investment return includes dividend, interest 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 combined statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

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.

UMKC Foundation
Notes to Combined Financial Statements
June 30, 2020 and 2019

Property and Equipment

Property and equipment acquisitions over \$1,000 are stated at cost, less accumulated depreciation. Depreciation is charged to expense on the straight-line basis over the estimated useful life of each asset.

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

Furniture, fixtures, and equipment	5-10 years
Computer equipment and software	3 years

Long-Lived Asset Impairment

The Foundation evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended June 30, 2020 and 2019.

Collections

All collections of works of art, historical treasures and similar assets are capitalized. Items added to the collections are capitalized at cost if purchased, or at estimated fair value on the acquisition date if donated. Collection items sold or removed are reported as gains or losses with or without donor restrictions depending on donor stipulations, if any, placed on the items at the time of acquisition. No collection items were sold or removed in 2020 or 2019.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor- or grantor- imposed restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. 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.

Contributions

Contributions are provided to the Foundation either with or without restrictions 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. The value recorded for each contribution is recognized as follows:

UMKC Foundation
Notes to Combined Financial Statements
June 30, 2020 and 2019

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Foundation overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

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 combined statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

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

Income Taxes

UMKC Foundation and UMKC Research Foundation are exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Foundations are subject to federal income tax on any unrelated business taxable income.

UMKC Foundation

Notes to Combined Financial Statements

June 30, 2020 and 2019

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the combined statements of activities. The combined statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fundraising categories based on time expended, review of underlying transactions and other methods.

Transfers Between Fair Value Hierarchy Levels

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the actual transfer date.

Reclassifications

Certain reclassifications have been made to the 2019 combined financial statements to conform to the 2020 financial statement presentation. These reclassifications had no effect on the change in net assets.

Change in Accounting Principles

On January 1, 2019, the Foundation adopted the Financial Accounting Standards Board Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (Topic 606), (ASU 2014-09) using a modified retrospective method of adoption to all contracts with customers not complete at January 1, 2019.

The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of promised goods or services to customers in amounts that reflect the consideration to which the Foundation expects to be entitled in exchange for those goods or services. Adoption of ASU 2014-09 did not have a material impact on the combined financial statements or notes to the combined financial statements.

On July 1, 2019, the Foundation adopted the Financial Accounting Standards Board Accounting Standards Update 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, using a modified prospective method of adoption to agreements that were not complete as of or entered into after the effective date.

The core guidance in ASU 2018-08 provided clarification on the determination of a contribution versus an exchange transaction. In addition, the standard clarified the requirements for determining whether a contribution is conditional. Adoption of ASU 2018-08 did not have a material impact on the combined financial statements or notes to the combined financial statements.

The Foundation elected the simultaneous release option under ASU 2018-08, which allows for donor restricted gifts that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received to be recorded as revenue without donor restrictions.

UMKC Foundation
Notes to Combined Financial Statements
June 30, 2020 and 2019

Paycheck Protection Program Loan

The Foundation received a PPP loan established by the CARES Act and has elected to account for the funding as long-term debt by applying ASC Topic 470, *Debt*; Subtopic 405-20, *Liabilities-Extinguishments of Liabilities*. The loan will remain a liability until it is forgiven, and the Foundation has been legally released or the Foundation repays the loan. If the loan is forgiven, the entity will reduce the liability by the amount forgiven and record a gain on extinguishment.

Note 2: Contributions Receivable

Contributions receivable consisted of the following:

	2020	2019
Due within one year	\$ 11,216,713	\$ 67,981
Due within one to five years	10,167,000	105,418
Due in more than five years	5,000	10,000
	21,388,713	183,399
Less		
Allowance for uncollectible contributions	2,193,656	84,822
Unamortized discount	44,184	4,355
	\$ 19,150,873	\$ 94,222

Discount rates ranged from .3 percent to 2.75 percent and from 1.75 percent to 2.75 percent for 2020 and 2019, respectively.

Note 3: Conditional Gifts

The Foundation has received the following conditional promises to give at June 30, 2020 and 2019 that are not recognized in the combined financial statements:

	2020	2019
Conditional promise to give upon the approval of and groundbreaking for construction projects	\$ 6,000,000	\$ -

UMKC Foundation
Notes to Combined Financial Statements
June 30, 2020 and 2019

Note 4: Property and Equipment

Property and equipment at June 30, 2020 and 2019 consists of:

	2020	2019
Medical reasearch equipment	\$ 351,318	\$ 351,318
Furniture and fixtures	8,730	8,730
Other equipment	10,310	10,310
	370,358	370,358
Less accumulated depreciation	(361,358)	(334,358)
	\$ 9,000	\$ 36,000

Note 5: Notes Payable

	2020	2019
Note payable, bank (A)	\$ 267,600	\$ -

(A) Promissory note through the SBA Paycheck Protection Program; loan due April 2023; payable \$15,062 monthly with interest payable monthly at 1.00 percent beginning November 2020. All or a portion of the loan may be eligible for forgiveness under the CARES Act.

Aggregate annual maturities of long-term debt and payments at June 30, 2020, are:

2021	\$ 120,499
2022	147,101
	\$ 267,600

UMKC Foundation
Notes to Combined Financial Statements
June 30, 2020 and 2019

Note 6: Net Assets

Net Assets With Donor Restrictions

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

	2020	2019
		<i>(Restated- Note 11)</i>
Subject to expenditure for specified purpose		
Academic programs	\$ 314,345	\$ 389,496
Alumni Society - Department of Ophthalmology	143,005	145,371
Scholarships	42,823	56,461
Piebenga lectureship	25,983	26,188
Ophthalmology research	187,197	1,222
Facilities	2,116,273	-
Promises to give, the proceeds from which have been restricted by donors for		
Academic programs	11,013,910	334,285
Facilities	10,340,034	13,250
	<u>24,183,570</u>	<u>966,273</u>
 Endowments		
Subject to endowment spending policy and appropriation		
Restricted by donors for		
Academic programs	42,511,265	40,823,812
UMKC Trustees scholar programs	1,927,214	2,002,198
Facilities and operations	243,467	259,560
Research	186,278	195,604
Other	741,408	788,393
	<u>45,609,632</u>	<u>44,069,567</u>
	<u>\$ 69,793,202</u>	<u>\$ 45,035,840</u>

UMKC Foundation
Notes to Combined Financial Statements
June 30, 2020 and 2019

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.

	2020	2019
		<i>(Restated- Note 11)</i>
Satisfaction or purpose restrictions		
Academic programs	\$ 38,000	\$ 32,847
Scholarships	24,025	-
Piebenga lectureship	-	1,807
Ophthalmology research	1,400	-
	63,425	34,654
 Restricted purpose spending-rate distributions and appropriations		
Academic programs	1,991,405	1,859,864
UMKC Trustees scholar programs	86,150	86,308
Facilities and operations	14,433	14,737
Research	7,927	9,551
Other	41,876	44,072
	2,141,791	2,014,532
 Total net assets released from restrictions	\$ 2,205,216	\$ 2,049,186

Note 7: Endowment

The Foundation's governing body is subject to the *State of Missouri's Prudent Management of Institutional Funds Act* (SPMIFA). As a result, the Foundation classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before being reclassified as net assets without donor restrictions.

Additionally, 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

UMKC Foundation
Notes to Combined Financial Statements
June 30, 2020 and 2019

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 Foundation's endowment consists of approximately 310 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The composition of net assets by type of endowment fund at June 30, 2020 and 2019, was:

	2020	2019
		<i>(Restated- Note 11)</i>
Donor-restricted endowment funds		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 41,884,207	\$ 37,806,704
Accumulated investment gains subject to appropriation	4,429,364	6,645,544
Underwater endowments	(703,939)	(382,681)
Total endowment funds	\$ 45,609,632	\$ 44,069,567

Change in endowment net assets for the years ended June 30, 2020 and 2019 were:

Endowment net assets as of June 30, 2018	\$ 42,747,924
Net investment return	2,055,089
Contributions	1,258,092
Appropriation of endowment assets for expenditure	(2,014,532)
Bad debt expense	(20,000)
Transfers from UMKC entities, net	42,994
Endowment net assets as of June 30, 2019	44,069,567
Net investment return	(158,609)
Contributions	3,833,730
Appropriation of endowment assets for expenditure	(2,141,789)
Bad debt expense	(8,792)
Transfers from UMKC entities, net	15,525
Endowment net assets as of June 30, 2020	\$ 45,609,632

UMKC Foundation
Notes to Combined Financial Statements
June 30, 2020 and 2019

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 price and yield results of the appropriate asset comparison index while assuming a moderate level of investment risk. The Foundation expects its endowment funds to provide an average rate of return of approximately 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 spending policy of appropriating for expenditure each year 4 percent of its endowment fund's average fair value over the prior 28 quarters through the year end preceding the year in which expenditure is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 4 percent annually. 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.

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.

UMKC Foundation
Notes to Combined Financial Statements
June 30, 2020 and 2019

At June 30, 2020 and 2019, funds with original gift values of \$9,276,637 and \$1,993,999; fair values of \$8,572,698 and \$1,611,320; and deficiencies of \$703,939 and \$382,681, respectively, were reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after investment of new restricted contributions and continued appropriation for certain purposes that was deemed prudent by the governing body.

The Foundation has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor stipulations or laws and regulations. The governing board appropriated for expenditure \$349,956 from underwater endowment funds during the year, which represents a percentage of the trailing twenty-eight quarter moving average consistent with the amount it generally draws from the endowment. The governing board also assessed an endowment management fee totaling \$82,792 on these funds during the year consistent with their fee policy or specific terms in their agreements with donors.

Note 8: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2020 and 2019, comprise the following:

	<u>2020</u>	<u>2019</u>
Cash	\$ 3,817,323	\$ 1,369,049
Investments	46,789,130	44,547,259
Contributions receivable	19,150,873	94,222
Other receivables	<u>65,096</u>	<u>2,158</u>
 Total financial assets	 <u>69,822,422</u>	 <u>46,012,688</u>
 Donor imposed restrictions		
Restricted funds	17,849,217	966,273
Endowments	45,609,632	44,069,567
	<u>63,458,849</u>	<u>45,035,840</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 6,363,573</u>	 <u>\$ 976,848</u>

The UMKC Foundation receives significant contributions and donations in support of the mission of UMKC. Some donations are restricted by donors to support students, faculty, programs or facilities at UMKC. The Foundation manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be fulfilled. The Foundation's endowment funds consist of donor-restricted endowments and funds designated by the board.

UMKC Foundation
Notes to Combined Financial Statements
June 30, 2020 and 2019

Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

To achieve these targets, the Foundation with assistance by its outsourced investment manager forecasts its future cash flows and monitors its liquidity regularly and monitors its reserves annually.

Note 9: Related Party Transactions

The Foundation, Research Foundation and the University are related parties that are financially interrelated Foundations. The University authorizes the Foundation to solicit contributions on its behalf. In the absence of donor restrictions, the Foundation has discretionary control over the amounts and timing of its distributions to the University.

The University's contributions to the Foundation were \$1,517,725 and \$1,500,000 for years ended June 30, 2020 and 2019, respectively.

The Foundation received contributed personnel services from the University in the amount of \$1,254,588 and \$1,176,099, for the years ending June 30, 2020 and 2019, respectively.

The Foundation had outstanding receivables due from the University of \$1,283,054 and \$522,539 as of June 30, 2020 and 2019, respectively. The Foundation had outstanding payables due to the University of \$983,744 and \$231,023 as of June 30, 2020 and 2019, respectively.

Note 10: 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. The hierarchy comprises three levels of inputs that may be used to measure fair value:

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

UMKC Foundation
Notes to Combined Financial Statements
June 30, 2020 and 2019

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying combined statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2020 and 2019:

	Fair Value	Fair Value Measurements Using			Investments Measured at NAV ^(A)
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
June 30, 2020					
Investments					
Money market funds	\$ 2,647,691	\$ 2,647,691	\$ -	\$ -	\$ -
Equity securities	20,203,238	20,203,238	-	-	-
Fixed income securities	9,315,551	9,315,551	-	-	-
Corporate bonds and asset backed securities	2,007,537	-	2,007,537	-	-
U.S. Treasury securities	1,323,455	-	1,323,455	-	-
Alternative investments (A)					
Private equity limited partnerships	7,533,859	-	-	-	7,533,859
Multi-strategy hedge funds	3,757,799	-	-	-	3,757,799
Total investments	\$ 46,789,130	\$ 32,166,480	\$ 3,330,992	\$ -	\$ 11,291,658
6/30/2019 (Restated- Note 11)					
Investments					
Money market funds	\$ 489,037	\$ 489,037	\$ -	\$ -	\$ -
Equity securities	20,855,355	20,855,355	-	-	-
Fixed income securities	9,170,693	9,170,693	-	-	-
Corporate bonds and asset backed securities	3,142,780	-	3,142,780	-	-
Alternative investments (A)					
Private equity limited partnerships	7,326,394	-	-	-	7,326,394
Multi-strategy hedge funds	3,563,000	-	-	-	3,563,000
Total investments	\$ 44,547,259	\$ 30,515,085	\$ 3,142,780	\$ -	\$ 10,889,394

(A) Certain investments that are measured at fair value using the net asset 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 reconciliation of the fair value hierarchy to the amounts presented in the combined statements of financial position.

UMKC Foundation
Notes to Combined Financial Statements
June 30, 2020 and 2019

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying combined statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2020.

Investments

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

Alternative Investments

Investments in certain entities measured at fair value using the net asset value per share as a practical expedient consist of the following:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Period Notice
June 30, 2020				
Private equity limited partnerships (A)	\$ 7,533,859	\$ 1,538,048	Weekly/ Quarterly	7-95 days
Multi-strategy hedge funds (B)	<u>3,757,799</u>	<u>-</u>	Quarterly	95 days
	<u>\$ 11,291,658</u>	<u>\$ 1,538,048</u>		
June 30, 2019 (Restated- Note 11)				
Private equity limited partnerships (A)	\$ 7,326,394	\$ 2,211,704	Weekly/ Quarterly	7-95 days
Multi-strategy hedge funds (B)	<u>3,563,000</u>	<u>-</u>	Quarterly	95 days
	<u>\$ 10,889,394</u>	<u>\$ 2,211,704</u>		

UMKC Foundation
Notes to Combined Financial Statements
June 30, 2020 and 2019

- (A) Private equity involves acquiring stakes in private companies. The Foundation primarily utilizes fund of funds to access these investments since this provides diversification and reduces risk. These investments are considered to be long-term endeavors and have limited liquidity. Investors make a dollar commitment identifying how much they will invest. During the “drawdown” period (typically the first several years), committed capital is called from investors. Capital is returned to investors as investments are divested through sales or loan maturity.

- (B) This class includes investments in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The funds’ composite portfolio includes investments in U.S. common stocks, global real estate projects and arbitrage investments. This redemption restriction has been in place for 95 days of advance notice prior to quarterly redemption windows.

UMKC Foundation
Notes to Combined Financial Statements
June 30, 2020 and 2019

Note 11: Restatement of Combined Financial Statements

During 2020, the Foundation corrected its classification of net assets with and without donor restrictions stemming from incorrect recording of net assets restricted for Ophthalmology Research. The 2019 combined financial statements and notes were restated to properly present the net assets that are with and without donor restriction through reclassification. As part of this change, the Foundation re-evaluated the donor restriction categories and reclassified donor restriction categories to better align with agreements intended purpose. The University also corrected the classification of endowment assets held in perpetuity to better align with the agreements intended purpose. The Endowment footnote (See *Note 7*) was restated to properly reclassify amounts between accumulated investment gains subject to appropriation and amounts required to be maintained in perpetuity. Additionally, the Foundation modified the Disclosures About Fair Value of Assets and Liabilities footnote (See *Note 10*) to properly account for direct ownership of investment assets. These assets will be reported in the fair value hierarchy based on their readily determinable fair value which include assets categorized as Level 1, Level 2, and assets valued at net asset value. These investments were previously recorded as Level 2 assets as of June 30, 2019. All corrections had no impact on the change in net assets or total investments. The following combined financial statement line items for 2019 were affected by the corrections:

	As Previously Reported	Effect of Error Correction	As Restated
Statement of Financial Position			
Net assets without donor restrictions - operating	\$ 1,605,935	\$ (457,332)	\$ 1,148,603
Net assets without donor restrictions - non-operating	(71,974)	(243)	(72,217)
Net assets with donor restrictions	44,578,265	\$ 457,574.60	45,035,840
Statement of Activities			
Contributions- without donor restrictions- operating	253,916	(10,031)	243,885
Contributions- total without donor restrictions	464,200	(10,031)	454,169
Contributions- with donor restrictions	1,449,462	10,031	1,459,493
Net investment return- without donor restrictions- operating	53,206	(10,574)	42,632
Net investment return- without donor restrictions- non- operating	2,572	(1,184)	1,388
Net investment return- total without donor restrictions	55,778	(11,758)	44,020
Net investment return- with donor restrictions	2,056,036	11,758	2,067,794
Net assets released from restrictions- without donor restrictions- non-operating	2,048,245	941	2,049,186
Net assets released from restrictions- total without donor restrictions	2,048,245	941	2,049,186
Net assets released from restrictions- with donor restrictions	(2,048,245)	(941)	(2,049,186)
Net Assets, Beginning of Year- without donor restrictions- operating	1,343,523	(436,727)	906,796
Net Assets, Beginning of Year- total without donor restrictions	1,142,700	(436,727)	705,973
Net Assets, Beginning of Year- with donor restrictions	43,093,268	436,727	43,529,995
Net Assets, End of Year- without donor restrictions- operating	1,605,935	(457,332)	1,148,603
Net Assets, End of Year- without donor restrictions- non-operating	(71,974)	(243)	(72,217)
Net Assets, End of Year- total without donor restrictions	1,533,961	(457,575)	1,076,386
Net Assets, End of Year- with donor restrictions	44,578,265	457,575	45,035,840

UMKC Foundation
Notes to Combined Financial Statements
June 30, 2020 and 2019

Note 12: 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

Approximately 90 percent of all contributions were received from two donors in 2020.

Note 13: Subsequent Events

Subsequent events have been evaluated through April 14, 2021, which is the date the combined financial statements were available to be issued.