

UMKC Foundation

Independent Auditor's Report and Combined Financial Statements

June 30, 2021 and 2020



UMKC Foundation
June 30, 2021 and 2020

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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 statements of financial position as of June 30, 2021 and 2020, and the related combined statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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
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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 and UMKC Research Foundation as of June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in *Note 11* to the combined financial statements, the 2020 combined financial statements have been restated to correct misstatements. Our opinion is not modified with respect to this matter.

BKD, LLP

Kansas City, Missouri
March 18, 2022

UMKC Foundation
Combined Statements of Financial Position
June 30, 2021 and 2020

Assets

	<u>2021</u>	<u>2020</u> <i>(Restated - Note 11)</i>
Cash and cash equivalents	\$ 1,403,321	\$ 3,817,323
Investments	55,841,403	46,789,130
Contributions receivable, net of allowance; 2021 - \$2,172,102, 2020 - \$2,995,550	20,265,905	26,660,666
Due from UMKC entities	1,153,291	1,283,054
Other receivables	90,681	65,096
Prepaid expenses	13,532	24,584
Art collection	10,600	10,600
Property and equipment, net of accumulated depreciation; 2021 - \$0, 2020 - \$361,358	-	9,000
	<u> </u>	<u> </u>
Total assets	<u>\$ 78,778,733</u>	<u>\$ 78,659,453</u>

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 773,247	\$ 674,081
Due to UMKC entities	-	983,744
Notes payable	<u>279,735</u>	<u>267,600</u>
	<u> </u>	<u> </u>
Total liabilities	<u>1,052,982</u>	<u>1,925,425</u>

Net Assets

Without donor restrictions - operating	(16,309,879)	(4,362,932)
Without donor restrictions - non-operating	<u>15,718,769</u>	<u>2,992,071</u>
	<u> </u>	<u> </u>
Net assets without donor restrictions	<u>(591,110)</u>	<u>(1,370,861)</u>
	<u> </u>	<u> </u>
With donor restrictions	<u>78,316,861</u>	<u>78,104,889</u>
	<u> </u>	<u> </u>
Total net assets	<u>77,725,751</u>	<u>76,734,028</u>
	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 78,778,733</u>	<u>\$ 78,659,453</u>

UMKC Foundation
Combined Statement of Activities
Year Ended June 30, 2021

	<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	\$ 962,530	\$ -	\$ 962,530	\$ -	\$ 962,530
In-kind contributions	1,638,268	-	1,638,268	-	1,638,268
Management fee on non-endowed gifts	709,738	-	709,738	-	709,738
Contributions	19,735,736	12,855	19,748,591	4,609,079	24,357,670
Net investment return	225,257	6,030	231,287	8,675,880	8,907,167
Management fee on endowed gifts	456,201	(456,201)	-	-	-
Other income	112,996	-	112,996	91,027	204,023
Net assets released from restrictions	-	13,164,014	13,164,014	(13,164,014)	-
	<u>23,840,726</u>	<u>12,726,698</u>	<u>36,567,424</u>	<u>211,972</u>	<u>36,779,396</u>
Expenses and Losses					
Program	33,245,581	-	33,245,581	-	33,245,581
Management and general	1,168,362	-	1,168,362	-	1,168,362
Fundraising	1,373,730	-	1,373,730	-	1,373,730
	<u>35,787,673</u>	<u>-</u>	<u>35,787,673</u>	<u>-</u>	<u>35,787,673</u>
Change in Net Assets	(11,946,947)	12,726,698	779,751	211,972	991,723
Net Assets, Beginning of Year	<u>(4,362,932)</u>	<u>2,992,071</u>	<u>(1,370,861)</u>	<u>78,104,889</u>	<u>76,734,028</u>
Net Assets, End of Year	<u>\$ (16,309,879)</u>	<u>\$ 15,718,769</u>	<u>\$ (591,110)</u>	<u>\$ 78,316,861</u>	<u>\$ 77,725,751</u>

UMKC Foundation
Combined Statement of Activities
Year Ended June 30, 2020 (Restated – Note 11)

	Without Donor Restrictions		Total		Total
	Operating	Non-operating	Without Donor Restrictions	With Donor Restrictions	
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	12,024,454	107,078	12,131,532	25,948,904	38,080,436
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	-	3,346,136	3,346,136	(3,346,136)	-
	<u>15,827,972</u>	<u>3,064,288</u>	<u>18,892,260</u>	<u>22,465,819</u>	<u>41,358,079</u>
Expenses and Losses					
Program	15,870,867	-	15,870,867	-	15,870,867
Management and general	4,208,294	-	4,208,294	-	4,208,294
Fundraising	1,260,346	-	1,260,346	-	1,260,346
	<u>21,339,507</u>	<u>-</u>	<u>21,339,507</u>	<u>-</u>	<u>21,339,507</u>
Change in Net Assets Before Transfers	(5,511,535)	3,064,288	(2,447,247)	22,465,819	20,018,572
Transfers from UMKC Entities, net	-	-	-	15,525	15,525
Change in Net Assets	(5,511,535)	3,064,288	(2,447,247)	22,481,344	20,034,097
Net Assets, Beginning of Year	<u>1,148,603</u>	<u>(72,217)</u>	<u>1,076,386</u>	<u>55,623,545</u>	<u>56,699,931</u>
Net Assets, End of Year	<u>\$ (4,362,932)</u>	<u>\$ 2,992,071</u>	<u>\$ (1,370,861)</u>	<u>\$ 78,104,889</u>	<u>\$ 76,734,028</u>

UMKC Foundation
Combined Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services	Support Services		Total
		Management and General	Fundraising	
Grants	\$ 32,159,997	\$ -	\$ -	\$ 32,159,997
Compensation and benefits	977,265	977,265	1,006,879	2,961,409
Professional fees	-	79,052	-	79,052
Professional fundraising	-	-	243,754	243,754
Other	-	6,162	11,444	17,606
Advertising and promotion	9,369	9,369	9,653	28,391
Office expense	45,617	46,999	45,617	138,233
Rent/Occupancy	21,497	22,148	21,497	65,142
Travel	-	1,391	1,391	2,782
Depreciation	-	9,000	-	9,000
Insurance	-	694	694	1,388
Bad debt expense	-	(15,554)	-	(15,554)
Other expenses	31,836	31,836	32,801	96,473
	<u>31,836</u>	<u>31,836</u>	<u>32,801</u>	<u>96,473</u>
Total expenses included in the expense section on the statement of activities	<u>\$ 33,245,581</u>	<u>\$ 1,168,362</u>	<u>\$ 1,373,730</u>	<u>\$ 35,787,673</u>

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

	Program Services	Support Services		Total
		Management and General	Fundraising	
		<i>(Restated - Note 11)</i>		
Grants	\$ 14,930,606	\$ -	\$ -	\$ 14,930,606
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	-	2,919,428	-	2,919,428
Other expenses	1,414	82,263	10,684	94,361
	<u>1,414</u>	<u>82,263</u>	<u>10,684</u>	<u>94,361</u>
Total expenses included in the expense section on the statement of activities	<u>\$ 15,870,867</u>	<u>\$ 4,208,294</u>	<u>\$ 1,260,346</u>	<u>\$ 21,339,507</u>

UMKC Foundation
Combined Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
		<i>(Restated - Note 11)</i>
Operating Activities		
Change in net assets	\$ 991,723	\$ 20,034,097
Items not requiring (providing) operating activities cash flows		
Depreciation	9,000	27,000
Net realized gain on investments	(751,823)	(346,960)
Net unrealized (gain) loss on investments	(6,894,520)	1,523,892
Provision for (gains) losses on uncollectible contributions	(15,554)	2,117,534
Contributions and investment income received restricted for long-term investment	(2,936,321)	(4,149,520)
Contributions received restricted for acquisition of long-lived assets	(7,095,146)	(17,482,707)
Forgiveness of Paycheck Protection Program loan	(267,600)	-
Changes in		
Contributions receivable	6,410,315	(18,062,688)
Due to/due from UMKC entities	(853,981)	(7,794)
Other receivables	(25,585)	(62,938)
Prepaid expenses	11,052	(3,889)
Accounts payable and accrued expenses	99,166	414,808
Net cash used in operating activities	(11,319,274)	(15,999,165)
Investing Activities		
Proceeds from disposition of investments	771,546	1,478,575
Purchases of investments	(2,177,476)	(4,897,378)
Net cash used in investing activities	(1,405,930)	(3,418,803)
Financing Activities		
Proceeds from contributions and investment income restricted for long-term investment	2,936,321	4,115,935
Proceeds from contributions restricted for acquisition of long-lived assets	7,095,146	17,482,707
Proceeds from notes payable	279,735	267,600
Net cash provided by financing activities	10,311,202	21,866,242
Increase (Decrease) in Cash and Cash Equivalents	(2,414,002)	2,448,274
Cash and Cash Equivalents, Beginning of Year	3,817,323	1,369,049
Cash and Cash Equivalents, End of Year	\$ 1,403,321	\$ 3,817,323

UMKC Foundation
Notes to Combined Financial Statements
June 30, 2021 and 2020

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, 2021 and 2020

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, 2021 and 2020, cash equivalents consisted primarily of a money market account. At June 30, 2021, the Foundation's cash accounts exceeded federally insured limits by approximately \$1,160,000.

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, 2021 and 2020

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, 2021 and 2020.

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 2021 or 2020.

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.

UMKC Foundation
Notes to Combined Financial Statements
June 30, 2021 and 2020

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:

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.

UMKC Foundation
Notes to Combined Financial Statements
June 30, 2021 and 2020

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.

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 2020 combined financial statements to conform to the 2021 financial statement presentation. These reclassifications had no effect on the change in net assets.

Paycheck Protection Program (PPP) 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 Foundation will reduce the liability by the amount forgiven and record a gain on extinguishment.

UMKC Foundation
Notes to Combined Financial Statements
June 30, 2021 and 2020

Note 2: Contributions Receivable

Contributions receivable consisted of the following:

	<u>2021</u>	<u>2020</u> <i>(Restated- Note 11)</i>
Due within one year	\$ 16,528,492	\$ 13,663,946
Due within one to five years	5,261,763	14,883,552
Due in more than five years	802,500	1,206,000
	<u>22,592,755</u>	<u>29,753,498</u>
Less		
Allowance for uncollectible contributions	2,172,102	2,995,550
Unamortized discount	154,748	97,282
	<u>\$ 20,265,905</u>	<u>\$ 26,660,666</u>

Discount rates ranged from .3 percent to 2.75 percent for 2021 and 2020.

Note 3: Conditional Gifts

The Foundation has received the following conditional promises to give at June 30, 2021 and 2020 that are not recognized in the combined financial statements:

	<u>2021</u>	<u>2020</u>
Conditional promise to give upon the approval of and groundbreaking for construction projects	<u>\$ 1,145,000</u>	<u>\$ 6,000,000</u>

UMKC Foundation
Notes to Combined Financial Statements
June 30, 2021 and 2020

Note 4: Property and Equipment

Property and equipment at June 30, 2021 and 2020 consists of:

	2021	2020
Medical research equipment	\$ -	\$ 351,318
Furniture and fixtures	-	8,730
Other equipment	-	10,310
	-	370,358
Less accumulated depreciation	-	(361,358)
	\$ -	\$ 9,000

Note 5: Notes Payable

	2021	2020
Note payable, bank (A)	\$ 279,735	\$ 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 of the loan was forgiven under the CARES Act during 2021. New promissory note through SBA Paycheck Protection Program received on February 11, 2021; loan due February 2026; payable \$6,567 monthly with interest payable monthly at 1.00 beginning July 2022. The loan 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, 2021, are:

2022	\$ -
2023	78,804
2024	78,804
2025	78,804
2026	43,323

UMKC Foundation
Notes to Combined Financial Statements
June 30, 2021 and 2020

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:

	2021	2020
		<i>(Restated- Note 11)</i>
Subject to expenditure for specified purpose		
Academic programs	\$ 1,915,540	\$ 314,345
Alumni Society - Department of Ophthalmology	143,454	143,005
Scholarships	3,134	681,053
Piebenga lectureship	30,963	25,983
Ophthalmology research	237,953	187,197
Research	890,411	-
Facilities	4,698,600	2,456,648
Other	539,983	-
Promises to give, the proceeds from which have been restricted by donors for		
Academic programs	5,281,068	11,395,090
Facilities	8,844,606	17,291,936
	22,585,712	32,495,257
Endowments		
Subject to endowment spending policy and appropriation		
Restricted by donors for		
Academic programs	30,794,347	26,167,379
Scholarships	20,229,889	16,163,326
UMKC Trustees scholar programs	2,261,133	1,927,214
Facilities and operations	274,045	243,467
Research	214,217	186,278
Other	1,155,624	921,968
	54,929,255	45,609,632
	<u>\$ 77,514,967</u>	<u>\$ 78,104,889</u>

UMKC Foundation
Notes to Combined Financial Statements
June 30, 2021 and 2020

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.

	2021	2020
		<i>(Restated- Note 11)</i>
Satisfaction or purpose restrictions		
Academic programs	\$ 5,252,204	\$ 131,120
Facilities	4,984,308	979,000
Scholarships	666,863	74,025
Ophthalmology research	-	20,200
Research	778	-
Alumni	3,976	-
	<u>10,908,129</u>	<u>1,204,345</u>
Restricted purpose spending-rate distributions and appropriations		
Academic programs	1,246,953	1,991,405
Scholarships	843,669	-
UMKC Trustees scholar programs	95,224	86,150
Facilities and operations	14,452	14,433
Research	6,927	7,927
Other	48,660	41,876
	<u>2,255,885</u>	<u>2,141,791</u>
Total net assets released from restrictions	<u>\$ 13,164,014</u>	<u>\$ 3,346,136</u>

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.

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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
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 325 individual funds established for a variety of purposes. The endowment includes 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, 2021 and 2020, was:

	2021	2020
		<i>(Restated- Note 11)</i>
Donor-restricted endowment funds		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 44,685,504	\$ 42,046,532
Accumulated investment gains subject to appropriation	10,558,635	4,267,039
Underwater endowments	(314,884)	(703,939)
Total endowment funds	\$ 54,929,255	\$ 45,609,632

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

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	<u>15,525</u>
Endowment net assets as of June 30, 2020	45,609,632
Net investment return	8,650,614
Contributions	2,936,321
Appropriation of endowment assets for expenditure	(2,261,065)
Bad debt expense	<u>(6,247)</u>
Endowment net assets as of June 30, 2021	<u><u>\$ 54,929,255</u></u>

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.

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The Foundation has a spending policy of appropriating for expenditure each year 3.75 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.

At June 30, 2021 and 2020, funds with original gift values of \$1,354,397 and \$9,276,637; fair values of \$1,039,513 and \$8,572,698; and deficiencies of \$314,884 and \$703,939, 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 \$43,127 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 \$12,493 on these funds during the year consistent with their fee policy or specific terms in their agreements with donors.

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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, 2021 and 2020, comprise the following:

	<u>2021</u>	<u>2020</u> <i>(Restated- Note 11)</i>
Cash	\$ 1,403,321	\$ 3,817,323
Investments	55,841,403	46,789,130
Contributions receivable	20,265,905	26,660,666
Other receivables	<u>90,681</u>	<u>65,096</u>
 Total financial assets	 <u>77,601,310</u>	 <u>77,332,215</u>
 Donor-imposed restrictions		
Restricted funds	23,387,606	32,495,257
Endowments	<u>54,929,255</u>	<u>45,609,632</u>
	<u>78,316,861</u>	<u>78,104,889</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ (715,551)</u>	 <u>\$ (772,674)</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. 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.

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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 \$962,530 and \$1,517,725 for the years ended June 30, 2021 and 2020, respectively.

The Foundation received contributed personnel services from the University in the amount of \$1,638,268 and \$1,254,588, for the years ended June 30, 2021 and 2020, respectively.

The Foundation had outstanding receivables due from the University of \$1,153,291 and \$1,283,054 as of June 30, 2021 and 2020, respectively. The Foundation had outstanding payables due to the University of \$0 and \$983,744 as of June 30, 2021 and 2020, respectively.

The Foundation had outstanding receivables from board members of \$14,782,000 and \$19,378,000 as of June 30, 2021 and 2020, respectively. The Foundation received contributions from board members of approximately \$12,982,000 and \$29,545,000 as of June 30, 2021 and 2020, 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 are significant to the fair value of the assets or liabilities

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Recurring Measurements

The following table presents the fair value measurements of assets 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, 2021 and 2020:

	Fair Value Measurements Using				Investments Measured at NAV^(A)
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
June 30, 2021					
Investments					
Money market funds	\$ 1,295,090	\$ 1,295,090	\$ -	\$ -	\$ -
Equity securities	27,170,034	27,170,034	-	-	-
Fixed income securities	9,335,897	9,335,897	-	-	-
Corporate bonds and asset backed securities	2,037,694	-	2,037,694	-	-
U.S. Treasury securities	1,146,916	-	1,146,916	-	-
Alternative investments (A) partnerships	10,460,351	-	-	-	10,460,351
Multi-strategy hedge funds	4,395,421	-	-	-	4,395,421
Total investments	\$ 55,841,403	\$ 37,801,021	\$ 3,184,610	\$ -	\$ 14,855,772
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) 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

(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.

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Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying 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, 2021.

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, 2021				
Private equity limited partnerships (A)	\$ 10,460,351	\$ 1,757,321	Weekly/ Quarterly	7-95 days
Multi-strategy hedge funds (B)	<u>4,395,421</u>	<u>-</u>	Quarterly	95 days
	<u><u>\$ 14,855,772</u></u>	<u><u>\$ 1,757,321</u></u>		
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><u>\$ 11,291,658</u></u>	<u><u>\$ 1,538,048</u></u>		

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- (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.

Note 11: Restatement of Combined Financial Statements

During 2021, the Foundation corrected its recording of contributions stemming from incorrect recording of pledges historically. The 2020 combined financial statements and notes were restated to properly present the pledges receivable, contribution revenue, grant expense and net assets related to this error. The University also corrected the classification of endowment assets held in perpetuity to better align with the agreements intended purpose for scholarships and academic programs. These corrections had an impact on the change in net assets for 2020. This also resulted to changes in the following footnotes: Contributions Receivable (*Note 2*), Net Assets (*Note 6*), Endowment (*Note 7*) and Liquidity and Availability (*Note 8*). The following combined financial statement line items for 2020 were affected by the corrections:

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	As Previously Reported	Effect of Error Correction	As Restated
Statement of Financial Position			
Contributions receivable, net of allowance	\$ 19,150,873	\$ 7,509,793	\$ 26,660,666
Total assets	71,149,660	7,509,793	78,659,453
Net assets without donor restrictions - operating	(2,420,118)	(1,140,920)	(3,561,038)
Net assets without donor restrictions - non-operating	1,851,151	1,140,920	2,992,071
Net assets with donor restrictions	69,793,202	7,509,793	77,302,995
Total net assets	69,224,235	7,509,793	76,734,028
Total liabilities and net assets	71,149,660	7,509,793	78,659,453
Statement of Activities			
Contributions - without donor restrictions - operating	11,788,854	235,600	12,024,454
Contributions - total without donor restrictions	11,895,932	235,600	12,131,532
Contributions - with donor restrictions	27,084,002	(1,135,098)	25,948,904
Contributions - total	38,979,934	(899,498)	38,080,436
Net assets released from restrictions - without donor restrictions - non-operating	2,205,216	1,140,920	3,346,136
Net assets released from restrictions - without donor restrictions - total	2,205,216	1,140,920	3,346,136
Net assets released from restrictions - with donor restrictions	(2,205,216)	(1,140,920)	(3,346,136)
Total revenues, gains and other support - without donor restrictions - operating	15,592,372	235,600	15,827,972
Total revenues, gains and other support - without donor restrictions - non-operating	1,923,368	1,140,920	3,064,288
Total revenues, gains and other support - total without donor restrictions	17,515,740	1,376,520	18,892,260
Total revenues, gains and other support - with donor restrictions	24,741,837	(2,276,018)	22,465,819
Total revenues, gains and other support - total	42,257,577	(899,498)	41,358,079
Program expenses - without donor restrictions - operating	14,494,347	1,376,520	15,870,867
Program expenses - without donor restrictions - total	14,494,347	1,376,520	15,870,867
Program expenses - total	14,494,347	1,376,520	15,870,867
Total expenses and losses - without donor restrictions- operating	19,161,093	1,376,520	20,537,613
Total expenses and losses - without donor restrictions- total	19,161,093	1,376,520	20,537,613
Total expenses and losses - total	19,161,093	1,376,520	20,537,613
Change in net assets before transfers - without donor restrictions- operating	(3,568,721)	(1,140,920)	(4,709,641)
Change in net assets before transfers - without donor restrictions- non-operating	1,923,368	1,140,920	3,064,288
Change in net assets before transfers - with donor restrictions	24,741,837	(2,276,018)	22,465,819
Change in net assets before transfers - total	23,096,484	(2,276,018)	20,820,466
Change in net assets - without donor restrictions - operating	(3,568,721)	(1,140,920)	(4,709,641)
Change in net assets - without donor restrictions- non-operating	1,923,368	1,140,920	3,064,288
Change in net assets - with donor restrictions	24,757,362	(2,276,018)	22,481,344
Change in net assets - total	23,112,009	(2,276,018)	20,835,991
Net Assets, Beginning of Year - with donor restrictions	45,035,840	9,785,811	54,821,651
Net Assets, Beginning of Year- total	46,112,226	9,785,811	55,898,037
Net Assets, End of Year - without donor restrictions- operating	(2,420,118)	(1,140,920)	(3,561,038)
Net Assets, End of Year - without donor restrictions- non-operating	1,851,151	1,140,920	2,992,071
Net Assets, End of Year - with donor restrictions	69,793,202	7,509,793	77,302,995
Net Assets, End of Year - total	69,224,235	7,509,793	76,734,028
Statement of Functional Expenses			
Grants - Program Services	13,554,086	1,376,520	14,930,606
Grants - Total	13,554,086	1,376,520	14,930,606
Total Expense - Program Services	14,494,347	1,376,520	15,870,867
Total Expense - Total	19,161,093	1,376,520	20,537,613
Statement of Cash Flows			
Change in net assets	23,112,009	(2,276,018)	20,835,991
Contributions receivable	(21,140,600)	2,276,018	(18,864,582)

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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 30 percent of all contributions were received from two donors in 2021.
Approximately 71 percent of outstanding pledges receivable were from three donors in 2021.
Approximately 81 percent of all contributions were received from two donors in 2020.
Approximately 90 percent of outstanding pledges receivable were from two donors in 2020.

Note 13: Subsequent Events

Subsequent events have been evaluated through March 18, 2022, which is the date the combined financial statements were available to be issued.