




UMKC Foundation

Independent Auditor's Report and Combined Financial Statements

June 30, 2023 and 2022



UMKC Foundation
June 30, 2023 and 2022

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Independent Auditor's Report

Board of Directors
UMKC Foundation
Kansas City, Missouri

Opinion

We have audited the combined financial statements of UMKC Foundation and UMKC Research Foundation (the Foundations), which comprise the combined statements of financial position as of June 30, 2023 and 2022, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of UMKC Foundation and UMKC Research Foundation as of June 30, 2023 and 2022, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Combined Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Combined Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

FORVIS,LLP

Kansas City, Missouri
January 29, 2024

UMKC Foundation
Combined Statements of Financial Position
June 30, 2023 and 2022

Assets

	2023	2022
Cash and cash equivalents	\$ 929,616	\$ 1,136,486
Investments	62,544,579	53,712,820
Contributions receivable, net of allowance; 2023 - \$516,264, 2022 - \$639,412	24,956,741	5,570,335
Due from UMKC entities	1,182,016	833,239
Other receivables	96,297	75,262
Prepaid expenses	34,338	11,745
Art collection	10,600	10,600
Total assets	\$ 89,754,187	\$ 61,350,487

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 240,917	\$ 212,787
Total liabilities	240,917	212,787

Net Assets

Without donor restrictions	2,007,886	1,976,490
With donor restrictions	87,505,384	59,161,210
Total net assets	89,513,270	61,137,700
Total liabilities and net assets	\$ 89,754,187	\$ 61,350,487

UMKC Foundation
Combined Statement of Activities
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Support provided by UMKC			
Cash transfers	\$ 653,700	\$ -	\$ 653,700
Contributions of nonfinancial assets	1,753,591	-	1,753,591
Management fee on non-endowed gifts	722,049	-	722,049
Contributions	26,195,671	27,000,975	53,196,646
Contributions of stock	-	307,536	307,536
Net investment return	275,135	4,356,335	4,631,470
Management fee on endowed gifts	529,061	(529,061)	-
Other income	2,768	247,005	249,773
Net assets released from restrictions	3,038,616	(3,038,616)	-
	<u>33,170,591</u>	<u>28,344,174</u>	<u>61,514,765</u>
Expenses and Losses			
Program	30,143,931	-	30,143,931
Management and general	1,543,868	-	1,543,868
Fundraising	1,451,396	-	1,451,396
	<u>33,139,195</u>	<u>-</u>	<u>33,139,195</u>
Change in Net Assets	31,396	28,344,174	28,375,570
Net Assets, Beginning of Year	<u>1,976,490</u>	<u>59,161,210</u>	<u>61,137,700</u>
Net Assets, End of Year	<u>\$ 2,007,886</u>	<u>\$ 87,505,384</u>	<u>\$ 89,513,270</u>

UMKC Foundation
Combined Statement of Activities
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Support provided by UMKC			
Cash transfers	\$ 725,000	\$ -	\$ 725,000
Contributions of nonfinancial assets	1,705,281	-	1,705,281
Management fee on non-endowed gifts	580,943	-	580,943
Contributions	6,849,741	937,144	7,786,885
Contributions of stock	-	1,387,048	1,387,048
Net investment loss	(6,506)	(2,571,806)	(2,578,312)
Management fee on endowed gifts	475,832	(475,832)	-
Other income	326,981	573,787	900,768
Net assets released from restrictions	18,204,098	(18,204,098)	-
	<u>28,861,370</u>	<u>(18,353,757)</u>	<u>10,507,613</u>
Expenses and Losses			
Program	25,895,253	-	25,895,253
Management and general	(208,472)	-	(208,472)
Fundraising	1,408,883	-	1,408,883
	<u>27,095,664</u>	<u>-</u>	<u>27,095,664</u>
Change in Net Assets	1,765,706	(18,353,757)	(16,588,051)
Net Assets, Beginning of Year	<u>210,784</u>	<u>77,514,967</u>	<u>77,725,751</u>
Net Assets, End of Year	<u>\$ 1,976,490</u>	<u>\$ 59,161,210</u>	<u>\$ 61,137,700</u>

UMKC Foundation
Combined Statement of Functional Expenses
Year Ended June 30, 2023

	Program Services	Support Services		Total
		Management and General	Fundraising	
Grants	\$ 28,985,460	\$ -	\$ -	\$ 28,985,460
Compensation and benefits	1,025,891	1,025,891	1,056,977	3,108,759
Professional fees	-	86,765	-	86,765
Professional fundraising	-	-	201,885	201,885
Other	-	18,381	34,136	52,517
Advertising and promotion	18,124	18,124	18,673	54,921
Office expense	57,619	59,364	57,619	174,602
Rent/Occupancy	22,900	23,594	22,900	69,394
Travel	-	19,667	19,667	39,334
Conferences, conventions and meetings	-	18,041	-	18,041
Insurance	-	4,570	4,570	9,140
Uncollectable pledges expense	-	231,063	-	231,063
Other expenses	33,937	38,408	34,969	107,314
Total expenses included in the expense section on the statement of activities	\$ 30,143,931	\$ 1,543,868	\$ 1,451,396	\$ 33,139,195

UMKC Foundation
Combined Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services	Support Services		Total
		Management and General	Fundraising	
Grants	\$ 24,868,519	\$ -	\$ -	\$ 24,868,519
Compensation and benefits	911,011	911,011	938,617	2,760,639
Professional fees	-	98,920	-	98,920
Professional fundraising	-	-	257,958	257,958
Other	-	43,711	76,664	120,375
Advertising and promotion	3,061	3,061	3,154	9,276
Office expense	53,625	55,250	53,625	162,500
Rent/Occupancy	24,974	25,731	24,974	75,679
Travel	-	11,846	11,846	23,692
Conferences, conventions and meetings	-	1,431	-	1,431
Insurance	-	6,949	6,949	13,898
Uncollectable pledges recovery	-	(1,400,445)	-	(1,400,445)
Other expenses	34,063	34,063	35,096	103,222
	<u>34,063</u>	<u>34,063</u>	<u>35,096</u>	<u>103,222</u>
Total expenses included in the expense section on the statement of activities	<u>\$ 25,895,253</u>	<u>\$ (208,472)</u>	<u>\$ 1,408,883</u>	<u>\$ 27,095,664</u>

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

	2023	2022
Operating Activities		
Change in net assets	\$ 28,375,570	\$ (16,588,051)
Items not requiring (providing) operating activities cash flows		
Net realized (gain) loss on investments	191,407	(899,089)
Net unrealized (gain) loss on investments	(3,531,668)	5,311,222
Provision for gains on uncollectible contributions	231,063	(1,400,445)
Contributions and investment income received restricted for long-term investment	(7,143,808)	(2,856,258)
Contributions received restricted for acquisition of long-lived assets	(37,310,259)	(68,585)
Forgiveness of Paycheck Protection Program loan	-	(279,735)
Changes in		
Contributions receivable	1,711,526	16,096,015
Due to/due from UMKC entities	(348,777)	320,052
Other receivables	(21,035)	15,419
Prepaid expenses	(22,593)	1,787
Accounts payable and accrued expenses	28,130	(560,460)
Net cash used in operating activities	(17,840,444)	(908,128)
Investing Activities		
Proceeds from disposition of investments	1,696,923	1,383,251
Purchases of investments	(7,188,421)	(3,666,801)
Net cash used in investing activities	(5,491,498)	(2,283,550)
Financing Activities		
Proceeds from contributions and investment income restricted for long-term investment	7,078,122	2,856,258
Proceeds from contributions restricted for acquisition of long-lived assets	16,046,950	68,585
Net cash provided by financing activities	23,125,072	2,924,843
Decrease in Cash and Cash Equivalents	(206,870)	(266,835)
Cash and Cash Equivalents, Beginning of Year	1,136,486	1,403,321
Cash and Cash Equivalents, End of Year	\$ 929,616	\$ 1,136,486

UMKC Foundation

Notes to Combined Financial Statements

June 30, 2023 and 2022

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). UMKC Research Foundation purpose is solely to raise funds for the development and support of the University of Missouri – Kansas City Vision Research Center. These funds are used to encourage and support basic research, clinical study, clinical care, and treatment and support the education of physicians. These combined statements report the separate income and expenses of UMKC Research Foundation for the benefits of its investors and potential investors. UMKC Research Foundation benefits as a quasi-subsubsidiary when the larger fundraising campaign periods of the University combine with its efforts. The two entities also benefit by a commonality of board members. Election of and removal of board members of UMKC Research Foundation is subject to approval of the Board of Directors of the

UMKC Foundation

Notes to Combined Financial Statements

June 30, 2023 and 2022

UMKC Foundation. All funds raised by both entities exclusively benefit the University of Missouri-Kansas City. All intercompany transactions and accounts have been eliminated in the accompanying combined financial statements.

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 combined 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, 2023 and 2022, cash equivalents consisted primarily of a money market account. At June 30, 2023, the Foundation's cash accounts exceeded federally insured limits by approximately \$714,400.

Investments and Net Investment Return

The Foundations measure securities, other than investments that qualify for the equity method of accounting, at fair value. Alternative investments are recorded at net asset value (NAV), as a practical expedient to determine fair value of investments, based on the most recent valuations provided by the external investment managers, adjusted for cash receipts and disbursements through June 30. The Foundations compare 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.

UMKC Foundation
Notes to Combined Financial Statements
June 30, 2023 and 2022

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.

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 2023 or 2022.

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:

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

UMKC Foundation
Notes to Combined Financial Statements
June 30, 2023 and 2022

Nature of the Gift	Value Recognized
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.

Grants

Grant expenses are recorded when approved. Grants authorized and unpaid at year end are reported as liabilities on the combined financial statements of financial position.

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.

Paycheck Protection Program (PPP) Loan

The Foundation received two PPP loans 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 loans remained a liability until forgiven, and the Foundation was legally released or the Foundation repays the loans. The Foundation has recognized the

UMKC Foundation
Notes to Combined Financial Statements
June 30, 2023 and 2022

forgiveness of the loans and accrued interest as a net gain on debt extinguishment in the accompanying combined statement of activities for the year ended June 30, 2022.

Note 2: Contributions Receivable

Contributions receivable consisted of the following:

	<u>2023</u>	<u>2022</u>
Due within one year	\$ 12,297,216	\$ 2,311,072
Due within one to five years	13,143,224	3,622,374
Due in more than five years	<u>406,440</u>	<u>415,140</u>
	25,846,880	6,348,586
Less		
Allowance for uncollectible contributions	516,264	639,412
Unamortized discount	<u>373,875</u>	<u>138,839</u>
	<u>\$ 24,956,741</u>	<u>\$ 5,570,335</u>

Discount rates ranged from 3.01 percent to .3 percent for 2023 and 2022.

Note 3: Conditional Gifts

The Foundation has received the following conditional promises to give at June 30, 2023 and 2022 that are not recognized in the combined financial statements:

	<u>2023</u>	<u>2022</u>
Conditional promise to give upon the approval of and groundbreaking for construction projects	<u>\$ 13,846,300</u>	<u>\$ 1,125,000</u>

UMKC Foundation
Notes to Combined Financial Statements
June 30, 2023 and 2022

Note 4: Net Assets

Net Assets With Donor Restrictions

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

	2023	2022
Subject to expenditure for specified purpose		
Academic programs	\$ 3,258,206	\$ 314,472
Alumni Society - Department of Ophthalmology	139,142	138,141
Piebenga lectureship	32,053	29,500
Ophthalmology research	239,040	256,196
Other	2,865	31,611
Promises to give, the proceeds from which have been restricted by donors for		
Academic programs	863,254	747,215
Scholarships	1,307,957	340,205
Research	300,000	596,510
Facilities	21,460,305	2,578,528
Other	1,086,447	1,454,073
	<u>28,689,269</u>	<u>6,486,451</u>
Endowments		
Subject to endowment spending policy and appropriation		
Restricted by donors for		
Academic programs	28,236,187	29,338,274
Scholarships	26,768,594	19,707,442
UMKC Trustees scholar programs	2,218,213	2,103,207
Facilities and operations	254,286	247,909
Research	142,254	137,607
Other	1,196,581	1,140,320
	<u>58,816,115</u>	<u>52,674,759</u>
	<u>\$ 87,505,384</u>	<u>\$ 59,161,210</u>

UMKC Foundation
Notes to Combined Financial Statements
June 30, 2023 and 2022

Note 5: 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
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 330 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, 2023 and 2022, was:

	2023	2022
Donor-restricted endowment funds		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 52,205,508	\$ 47,681,960
Accumulated investment gains subject to appropriation	7,091,918	5,662,001
Underwater endowments	(\$481,310)	(669,202)
Total endowment funds	\$ 58,816,115	\$ 52,674,759

UMKC Foundation
Notes to Combined Financial Statements
June 30, 2023 and 2022

Change in endowment net assets for the years ended June 30, 2023 and 2022 were:

Endowment net assets as of June 30, 2021	\$ 54,929,255
Net investment loss	(2,613,401)
Contributions	2,856,258
Appropriation of endowment assets for expenditure	(2,496,983)
Uncollectable pledges expense	<u>(370)</u>
Endowment net assets as of June 30, 2022	52,674,759
Net investment return	4,356,336
Contributions	7,143,808
Appropriation of endowment assets for expenditure	(2,415,294)
Uncollectable pledges expense	(75,242)
Change in restriction	<u>(2,868,252)</u>
Endowment net assets as of June 30, 2023	<u><u>\$ 58,816,115</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. 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 8 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.

UMKC Foundation
Notes to Combined Financial Statements
June 30, 2023 and 2022

The Foundation has a spending policy of appropriating for expenditure each year a 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. The Foundation has established the following rate structure:

<u>Fiscal Year Ending</u>	<u>Rate</u>
June 30, 2020	4.500%
June 30, 2021	4.375%
June 30, 2022	4.250%
June 30, 2023	4.125%
June 30, 2024	4.000%

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 to 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, 2023 and 2022, funds with original gift values of \$5,509,494 and \$7,829,315; fair values of \$5,028,184 and \$7,160,113; and deficiencies of \$481,310 and \$669,202, 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 expenditures of \$192,319 and \$287,291 from underwater endowment funds during the years ended June 30, 2023 and 2022, respectively, which represents a percentage of the trailing 28 quarter moving average consistent with the amount it generally draws from the endowment. The governing board also assessed an endowment management fee totaling \$64,267 and \$72,730 on these funds during the years ended

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June 30, 2023 and 2022, respectively, consistent with their fee policy or specific terms in their agreements with donors.

Note 6: 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, 2023 and 2022, comprise the following:

	<u>2023</u>	<u>2022</u>
Cash	\$ 929,616	\$ 1,136,486
Investments	62,544,579	53,712,820
Contributions receivable	24,956,741	5,570,335
Other receivables	<u>96,297</u>	<u>75,262</u>
Total financial assets	<u>88,527,233</u>	<u>60,494,903</u>
Donor-imposed restrictions		
Restricted funds	28,689,269	6,486,451
Endowments	<u>58,816,115</u>	<u>52,674,759</u>
	<u>87,505,384</u>	<u>59,161,210</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,021,849</u>	<u>\$ 1,333,693</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 7: Related Party Transactions

The Foundation, UMKC 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 \$653,700 and \$725,000 for the years ended June 30, 2023 and 2022, respectively.

The Foundation received contributed personnel services and rent from the University in the amount of \$1,753,591 and \$1,705,281, for the years ended June 30, 2023 and 2022, respectively.

The Foundation had outstanding receivables due from the University of \$1,182,016 and \$833,239 as of June 30, 2023 and 2022, respectively. The Foundation had no outstanding payables due to the University as of June 30, 2023 and 2022.

The Foundation had outstanding receivables from board members of \$519,217 and \$870,700 as of June 30, 2023 and 2022, respectively. The Foundation received contributions from board members of approximately \$306,000 and \$318,000 as of June 30, 2023 and 2022, respectively.

Note 8: 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 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, 2023 and 2022:

	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, 2023					
Investments					
Money market funds	\$ 741,523	\$ 741,523	\$ -	\$ -	\$ -
Equity securities	35,302,319	35,302,319	-	-	-
Fixed income securities	10,570,890	10,570,890	-	-	-
Corporate bonds and asset backed securities	1,712,503	-	1,712,503	-	-
U.S. Treasury securities	1,275,899	-	1,275,899	-	-
Alternative investments (A)					
Private equity limited partnerships	8,844,647	-	-	-	8,844,647
Multi-strategy hedge funds	4,096,798	-	-	-	4,096,798
Total investments	<u>\$ 62,544,579</u>	<u>\$ 46,614,732</u>	<u>\$ 2,988,402</u>	<u>\$ -</u>	<u>\$ 12,941,445</u>
June 30, 2022					
Investments					
Money market funds	\$ 1,182,525	\$ 1,182,525	\$ -	\$ -	\$ -
Equity securities	24,551,338	24,551,338	-	-	-
Fixed income securities	8,821,825	8,821,825	-	-	-
Corporate bonds and asset backed securities	1,807,310	-	1,807,310	-	-
U.S. Treasury securities	1,199,400	-	1,199,400	-	-
Alternative investments (A)					
Private equity limited partnerships	12,240,198	-	-	-	12,240,198
Multi-strategy hedge funds	3,910,224	-	-	-	3,910,224
Total investments	<u>\$ 53,712,820</u>	<u>\$ 34,555,688</u>	<u>\$ 3,006,710</u>	<u>\$ -</u>	<u>\$ 16,150,422</u>

(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, 2023.

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, 2023				
Private equity limited partnerships (A)	\$ 8,844,647	\$ 2,669,404	Weekly/ Quarterly	7-95 days
Multi-strategy hedge funds (B)	<u>4,096,798</u>	<u>-</u>	Quarterly	95 days
	<u><u>\$ 12,941,445</u></u>	<u><u>\$ 2,669,404</u></u>		
June 30, 2022				
Private equity limited partnerships (A)	\$ 12,240,198	\$ 855,000	Weekly/ Quarterly	7-95 days
Multi-strategy hedge funds (B)	<u>3,910,224</u>	<u>-</u>	Quarterly	95 days
	<u><u>\$ 16,150,422</u></u>	<u><u>\$ 855,000</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 9: 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 54 percent of all contributions were received from one donor in 2023.
 Approximately 77 percent of outstanding pledges receivable were from one donor in 2023.
 Approximately 33 percent of all contributions were received from two donors in 2022.
 Approximately 45 percent of outstanding pledges receivable were from two donors in 2022.

Note 10: Contributed Nonfinancial Assets

For the years ended June 30, 2023 and 2022, contributed nonfinancial assets recognized within the combined statements of activities included:

	2023	2022
Contributed services	\$ 1,684,196	\$ 1,629,603
In-kind rent	69,395	75,678

The nonfinancial assets listed above were recognized within revenue. It is the Foundations’ policies to record contributed services at their estimated fair value which is allocated based on time expended for employees involved. In-kind rent is recorded at the value estimated for use of the space based on square footage based upon comparable rates for similar space. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

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Contributed services and in-kind rent will be used for the mission of the Foundation.

Note 11: Subsequent Events

Subsequent events have been evaluated through January 29, 2024, which is the date the combined financial statements were available to be issued.