



Members of the Board of Directors
University of Central Arkansas Foundation
201 Donaghey Avenue
Conway, Arkansas 72035

We have audited the financial statements of the **University of Central Arkansas Foundation (the Foundation)** as of and for the year ended June 30, 2022, and have issued our report thereon dated October 28, 2022. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated August 3, 2022, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with the Board of Directors' oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve the Board of Directors or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of the financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Foundation solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to the Board of Directors' responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to the Board of Directors.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to the Board of Directors.

Compliance with All Ethics Requirements Regarding Independence

We have performed certain services that are above and beyond those required to be performed as part of an audit under professional standards, referred to as "nonattest services".

Compliance with All Ethics Requirements Regarding Independence (*Continued*)

Specifically, we have performed the following:

- Assisted management in preparing the financial statements and related notes of the Foundation in conformity with accounting principles generally accepted in the United States of America.
- Proposed adjusting entries in connection with drafting the financial statements.
- Assisted in preparing the depreciation schedule for the Foundation's property and equipment.
- Prepared the Foundation's related federal and state information returns.

All nonattest services were subject to supervisory review by members of the audit engagement team and the engagement partner. Management has reviewed, approved and accepted responsibility for the accuracy and completeness of all nonattest services we provided to the Foundation.

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

Significant Risks Identified

We have identified the following significant risks:

- Identification of and accounting for support with donor restrictions and resulting net assets with donor restrictions
- Improper revenue recognition
- Management override of controls

We obtained an understanding of the design and implementation of policies and procedures related to these areas of risk and we planned tailored audit procedures to address the identified risks. Based on our audit procedures, we did not identify any other significant risks to the Foundation.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant policies adopted by the Foundation is included in Note 2 to the financial statements.

As discussed in Note 2 to the financial statements, the Foundation adopted the provisions of the Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2020-07 *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. The purpose of ASU No. 2020-07 is to enhance the presentation and disclosure of contributed nonfinancial assets (gifts in-kind).

No other new accounting policies were adopted during the year ended June 30, 2022 and the application of existing policies has not been changed. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effects of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Qualitative Aspects of the Entity's Significant Accounting Practices (Continued)

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimate affecting the financial statements is as follows:

The reported amounts of the Foundation's investments are determined using estimates of fair values. The methods and assumptions used by management in estimating fair values are described in Notes 2 and 3 to the financial statements.

We evaluated the key factors and assumptions used to develop this estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements are Notes 8 and 9 to the financial statements, which describe balances and transactions related to endowment funds and net assets. In addition, as disclosed in the Note 13, domestic and global financial markets and operations were adversely affected by the COVID-19 pandemic and current geopolitical events. Management is unable to accurately predict how these events will continue to impact the Foundation.

Significant Unusual Transactions

For the purposes of this communication, professional standards require us to communicate to the Board significant unusual transactions identified during our audit. There were no significant unusual transactions identified as a result of our audit procedures.

Identified or Suspected Fraud

We have not identified, nor have we obtained information that indicates fraud may have occurred.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

Uncorrected and Corrected Misstatements (Continued)

Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures and the financial statements as a whole. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting or auditing matter, which could be significant to the Foundation's financial statements or auditor's report. No such disagreements arose during the course of the audit.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. There were no circumstances noted that would affect the form and content of our auditor's report.

Representations Requested from Management

We have requested certain written representations from management, which are included in **Attachment A** dated October 28, 2022.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with the Foundation, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating conditions affecting the Foundation, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Foundation's auditors.

This information is intended solely for the use of the Foundation's Board of Directors and management of the Foundation and is not intended to be and should not be used by anyone other than these specified parties.

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

Little Rock, Arkansas
October 28, 2022

October 28, 2022

Landmark PLC
Certified Public Accountants
201 East Markham, Suite 500
Heritage West Building
Little Rock, Arkansas 72201

This representation letter is provided in connection with your audit of the financial statements of the **University of Central Arkansas Foundation** (the "Foundation"), which comprise the statements of financial position as of June 30, 2022 and 2021 and the related statement of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of October 28, 2022:

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated August 3, 2022, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- No events have occurred subsequent to the date of the financial statements for which U.S. GAAP requires adjustment or disclosure in the financial statements.

Financial Statements (*Continued*)


- We are not aware of any pending or threatened litigation, claims or assessments or un-asserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims or assessments.
- We have complied with all contractual agreements, grants and donor restrictions.
- We have maintained an appropriate composition of assets in amounts needed to comply with all donor restrictions.
- We have accurately presented the Foundation's position regarding taxation and tax-exempt status.
- The bases used for allocation of functional expenses are reasonable and appropriate.
- We have included in the financial statements all assets and liabilities under the Foundation's control.
- We have designed, implemented and maintained adequate internal controls over the receipt and recording of contributions.
- Reclassifications between net asset classes are proper.
- The Board of Directors' interpretations concerning whether laws place restrictions on net appreciation of donor-restricted endowments are reasonable and have been disclosed to you.
- Methods and significant assumptions used by management to determine fair values, their consistency in application, and the completeness and adequacy of fair value information for financial statement measurement and disclosure purposes are appropriate.
- With respect to the preparation of the financial statements and related notes, maintaining the depreciation schedule, assistance with routine accounting entries and tax services performed by you, we have performed the following:
 - Made all management decisions and performed all management functions;
 - Assigned a competent individual to oversee the services;
 - Evaluated the adequacy of the services performed;
 - Evaluated and accepted responsibility for the result of the service performed; and
 - Established and maintained internal controls, including monitoring ongoing activities.
- There are no guarantees, whether written or oral, under which the Foundation is contingently liable, which would be required to be recorded or disclosed in accordance with U.S. GAAP.

Information Provided

- We have provided you with:
 - Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation and other matters.
 - Additional information that you have requested from us for the purpose of the audit.
 - Unrestricted access to persons within the Foundation from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have provided to you our analysis of the Foundation's ability to continue as a going concern, including significant conditions and events present, and if necessary, our analysis of management's plans, and our ability to achieve those plans.
- We have no knowledge of any fraud or suspected fraud that affects the Foundation and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others when the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the Foundation's financial statements communicated by employees, former employees, grantors, analysts, regulators or others.
- We have no knowledge of any instances of noncompliance or suspected noncompliance with laws, regulations, contracts, and grant agreements whose effects should be considered when preparing financial statements.
- We have disclosed to you the identity of the Foundation's related parties and all the related-party relationships and transactions of which we are aware.
- The Foundation has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- We are responsible for compliance with the laws, regulations and provisions of contracts and agreements applicable to us.
- The Foundation is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. There have been no activities of which we are aware that would jeopardize the Foundation's tax-exempt status, nor has the Foundation engaged in activities subject to tax on unrelated business income or excise or other tax.

Information Provided (*Continued*)

- We are not aware of any pending or threatened litigation, claims or assessments or un-asserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims or assessments.
- We have complied with all restrictions on resources (including donor restrictions) and all aspects of contracts and agreements that would have a material effect on the financial statements in the event of noncompliance. This includes complying with donor requirements to maintain a specific asset composition necessary to satisfy their restrictions.



Chad Hearne, Executive Director



UCA Foundation

**Financial Statements
June 30, 2022 and 2021
(With Independent Auditor's Report Thereon)**

University of Central Arkansas Foundation, Inc.

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of the **University of Central Arkansas Foundation, Inc. (the Foundation)**, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS we:

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

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

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

Little Rock, Arkansas
October 28, 2022

Financial Statements

University of Central Arkansas Foundation, Inc.

Statements of Financial Position June 30, 2022 and 2021

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 3,232,970	\$ 1,794,106
Investments	53,113,094	78,531,250
Contributions receivable, net	8,997,994	8,111,927
Investment in direct financing lease, net	7,356,745	7,413,613
Property and equipment, net	3,601,592	3,751,449
TOTAL ASSETS	\$ 76,302,395	\$ 99,602,345
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 13,883	\$ 6,517
Accrued interest	57,246	57,246
Long term debt, net	2,682,046	2,780,431
Obligations under annuity agreements	59,613	70,422
Amount held for University	8,219,507	28,400,432
Total Liabilities	11,032,295	31,315,048
Net Assets		
Without donor restrictions	11,739,236	12,925,010
With donor restrictions	53,530,864	55,362,287
Total Net Assets	65,270,100	68,287,297
TOTAL LIABILITIES AND NET ASSETS	\$ 76,302,395	\$ 99,602,345

See accompanying notes to financial statements.

University of Central Arkansas Foundation, Inc.

Statements of Activities Years Ended June 30, 2022 and 2021

	2022			2021		
	Without	With	Total	Without	With	Total
	Donor Restriction	Donor Restriction		Donor Restriction	Donor Restriction	
SUPPORT, REVENUE, GAINS(LOSSES), AND RECLASSIFICATIONS						
Contributions and grants	\$ 3,677,293	\$ 5,326,327	\$ 9,003,620	\$ 3,554,421	\$ 5,246,915	\$ 8,801,336
Contributions of nonfinancial assets	124,541	-	124,541	99,695	-	99,695
Special events	320,794	27,283	348,077	331,579	1,765	333,344
Membership dues and sponsorships	1,054,246	39,118	1,093,364	890,307	32,973	923,280
Lease income	293,197	-	293,197	274,541	-	274,541
Royalty income	22,321	-	22,321	13,737	-	13,737
Investment return	(1,616,454)	(3,863,999)	(5,480,453)	3,158,495	6,403,376	9,561,871
Change in fair value of annuity obligations	(1,992)	-	(1,992)	(51,381)	-	(51,381)
Net assets released from restrictions	3,360,152	(3,360,152)	-	2,030,986	(2,030,986)	-
Total Support, Revenue, Gains (Losses) and Reclassifications	<u>7,234,098</u>	<u>(1,831,423)</u>	<u>5,402,675</u>	<u>10,302,380</u>	<u>9,654,043</u>	<u>19,956,423</u>
EXPENSES						
Program services	7,766,118	-	7,766,118	6,093,443	-	6,093,443
Management and general	539,414	-	539,414	368,711	-	368,711
Fundraising	114,340	-	114,340	11,098	-	11,098
Total Expenses	<u>8,419,872</u>	<u>-</u>	<u>8,419,872</u>	<u>6,473,252</u>	<u>-</u>	<u>6,473,252</u>
CHANGE IN NET ASSETS	(1,185,774)	(1,831,423)	(3,017,197)	3,829,128	9,654,043	13,483,171
NET ASSETS, BEGINNING OF YEAR	<u>12,925,010</u>	<u>55,362,287</u>	<u>68,287,297</u>	<u>9,095,882</u>	<u>45,708,244</u>	<u>54,804,126</u>
NET ASSETS, END OF YEAR	<u>\$ 11,739,236</u>	<u>\$ 53,530,864</u>	<u>\$65,270,100</u>	<u>\$ 12,925,010</u>	<u>\$ 55,362,287</u>	<u>\$68,287,297</u>

See accompanying notes to financial statements.

University of Central Arkansas Foundation, Inc.

Statements of Functional Expenses Years Ended June 30, 2022 and 2021

	2022				2021			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Scholarships	\$ 1,570,874	\$ -	\$ -	\$ 1,570,874	\$ 1,424,779	\$ -	\$ -	\$ 1,424,779
Special events	393,592	-	101,281	494,873	148,805	-	-	148,805
Workshops and conferences	121,386	-	-	121,386	86,644	-	-	86,644
Salaries and benefits	421,163	177,855	-	599,018	616,457	159,182	-	775,639
Professional fees	1,684,589	81,362	-	1,765,951	1,370,585	87,352	-	1,457,937
Subscriptions	80,483	-	-	80,483	54,422	-	-	54,422
Travel	304,972	6,000	-	310,972	51,419	37	455	51,911
Advertising	62,876	-	-	62,876	69,503	-	4,275	73,778
Athletics	115,517	-	-	115,517	114,314	-	-	114,314
Sponsorships	228,550	-	-	228,550	42,120	-	-	42,120
Equipment	746,615	-	-	746,615	1,015,703	-	-	1,015,703
Supplies	1,821,801	2,570	12,206	1,836,577	1,015,383	765	3,955	1,020,103
Insurance	23,647	-	-	23,647	21,849	-	-	21,849
Interest	-	112,373	-	112,373	-	80,033	-	80,033
Depreciation	-	149,857	-	149,857	-	31,586	-	31,586
Other	190,053	9,397	853	200,303	61,460	9,756	2,413	73,629
TOTAL EXPENSES	\$ 7,766,118	\$ 539,414	\$ 114,340	\$ 8,419,872	\$ 6,093,443	\$ 368,711	\$ 11,098	\$ 6,473,252

See accompanying notes to financial statements.

University of Central Arkansas Foundation, Inc.

Statements of Cash Flows Years Ended June 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change In Net Assets	\$ (3,017,197)	\$ 13,483,171
Adjustments to Reconcile Change in Total Net Assets to Net Cash (Used for) Provided by Operating Activities		
Depreciation	149,857	31,586
Amortization of debt issuance costs	1,748	1,748
Net depreciation (appreciation) in fair value of investments	7,251,942	(8,701,196)
Change in fair value of annuity obligations	1,992	51,381
Changes in operating assets and liabilities:		
Contributions receivable	(886,067)	18,672,000
Investment in direct financing lease	(169,732)	(169,732)
Accounts payable	7,366	(1,158,625)
Accrued interest	-	57,246
Obligations under annuity agreements	(12,801)	(12,800)
Amounts held for University	(20,180,925)	163,937
Net Cash (Used for) Provided by Operating Activities	(16,853,817)	22,418,716
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments received on direct financing lease	226,600	453,450
Purchase of property and equipment	-	(2,686,039)
Proceeds from sale and maturity of investments	28,737,211	22,582,918
Purchases of investments	(10,570,997)	(45,130,573)
Net Cash Provided by (Used for) Investing Activities	18,392,814	(24,780,244)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of long term debt	-	1,115,922
Debt issuance costs	-	(8,739)
Principal payments on long term debt	(100,133)	(58,580)
Net Cash (Used for) Provided by Financing Activities	(100,133)	1,048,603
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,438,864	(1,312,925)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,794,106	3,107,031
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 3,232,970	\$ 1,794,106
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Non-cash Investing and Financing Activity		
Property and equipment transferred to investment in direct financing lease	\$ -	\$ 7,697,331

See accompanying notes to financial statements.

University of Central Arkansas Foundation, Inc.

Notes to Financial Statements June 30, 2022 and 2021

NOTE 1: NATURE OF ACTIVITIES

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Financial Statement Presentation

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

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

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

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

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with original maturities of three months or less. All cash and cash equivalent accounts were properly insured as of June 30, 2022 and 2021.

Investments

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

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

University of Central Arkansas Foundation, Inc.

Notes to Financial Statements June 30, 2022 and 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

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

Charitable Gift Annuities

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

Included in in the accompanying financial statements as obligations under annuity agreements, the estimated obligation under these agreements total approximately \$60,000 and \$70,000 as of June 30, 2022 and 2021, respectively. This liability is revalued annually using assumptions about life expectancy and discounted cash flows. This valuation method uses unobservable and significant inputs to determine the fair value of the obligation, which as discussed further in Note 3 is considered a level 3 fair value technique.

Support and Revenue Recognition

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

Contributions that are restricted by the donor are recorded as increases in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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

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

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

University of Central Arkansas Foundation, Inc.

Notes to Financial Statements June 30, 2022 and 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Support and Revenue Recognition (Continued)

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

Functional Expenses

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

Estimates

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

Income Taxes

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

Accounting standards require the Foundation to evaluate tax positions and recognize a tax liability (or asset) if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Foundation has analyzed the tax positions taken and has concluded that as of June 30, 2022, there are no uncertain positions taken or expected to be taken that would require the recognition of a liability (or asset) or disclosure in the financial statements. The Foundation may be subject to audit by the Internal Revenue Service; however, there are currently no audits for any tax periods in progress.

University of Central Arkansas Foundation, Inc.

Notes to Financial Statements June 30, 2022 and 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncements

In September 2020, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets, (Topic 958)*, requiring a not-for-profit entity to disclose a disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets and for each category of contributed nonfinancial assets and additional disclosures regarding the contributed nonfinancial assets. Management adopted ASU 2020-07 during the fiscal year ended June 30, 2022.

Recently Issued Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases*. The new guidance requires lessees to record a right-of-use asset and a corresponding liability equal to the present value of future rental payments on their statement of financial position for all leases with a term greater than one year and is effective for the Foundation on July 1, 2022. Management of the Foundation has not yet determined the significance of the impact of implementation of this standard or any related amendments will have on the Foundation's financial statements.

Reclassifications

Certain amounts previously reported in the 2021 financial statements have been reclassified to conform to presentation in the 2022 financial statements.

NOTE 3: INVESTMENTS

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

- | | |
|---------|---|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access. |
| Level 2 | Inputs to the valuation methodology include the following: <ul style="list-style-type: none">• Quoted prices for similar assets or liabilities in active markets• Quoted prices for identical or similar assets or liabilities in inactive markets• Inputs other than quoted prices that are observable for the asset or liability• Inputs that are derived principally from or corroborated by observable market data by correlation or other means |

University of Central Arkansas Foundation, Inc.

Notes to Financial Statements June 30, 2022 and 2021

NOTE 3: INVESTMENTS (Continued)

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

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

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

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

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

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

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

University of Central Arkansas Foundation, Inc.

Notes to Financial Statements June 30, 2022 and 2021

NOTE 3: INVESTMENTS (Continued)

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

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

(Continued)

University of Central Arkansas Foundation, Inc.

Notes to Financial Statements June 30, 2022 and 2021

NOTE 3: INVESTMENTS (Continued)

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

University of Central Arkansas Foundation, Inc.

Notes to Financial Statements June 30, 2022 and 2021

NOTE 3: INVESTMENTS (Continued)

The following table presents assets measured at fair value on a recurring basis at June 30, 2021:

Investments	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds				
Allocation 50%-70% equity	\$ 67,203	\$ 67,203	\$ -	\$ -
Financial services	244,875	244,875	-	-
Foreign large blend	189,945	189,945	-	-
Foreign small blend	23,709	23,709	-	-
High yield bond	71,259	71,259	-	-
Inflation protected bond	607,921	607,921	-	-
Intermediate core-plus bond	545,252	545,252	-	-
Intermediate core bond	135,653	135,653	-	-
Large blend	1,751,095	1,751,095	-	-
Large growth	206,945	206,945	-	-
Large value	1,098,008	1,098,008	-	-
Medium value	960,985	960,985	-	-
Mid cap growth	83,023	83,023	-	-
Mid cap value	74,252	74,252	-	-
Non-traditional bond	627,476	627,476	-	-
Small value	1,726,326	1,726,326	-	-
Ultra short	1,200,599	1,200,599	-	-
World allocation	47,344	47,344	-	-
World large stock blend	290,013	290,013	-	-
Total mutual funds	<u>9,951,883</u>	<u>9,951,883</u>	<u>-</u>	<u>-</u>
Exchange traded funds				
Corporate bond	1,466,348	1,466,348	-	-
Foreign large blend	22,241	22,241	-	-
Large blend	5,730,879	5,730,879	-	-
Large growth	4,562,758	4,562,758	-	-
Large value	4,391,912	4,391,912	-	-
Medium blend	1,377,984	1,377,984	-	-
Medium growth	1,292,178	1,292,178	-	-
Medium value	1,291,867	1,291,867	-	-
Multisector bond	1,360,841	1,360,841	-	-
Short term bond	6,362,538	6,362,538	-	-
Short term government	7,395,630	7,395,630	-	-
Small blend	148,500	148,500	-	-
Small growth	1,254,552	1,254,552	-	-
Small value	1,167,423	1,167,423	-	-
Ultrashort bond	5,648,672	5,648,672	-	-
Total exchange traded funds	<u>43,474,323</u>	<u>43,474,323</u>	<u>-</u>	<u>-</u>

(Continued)

University of Central Arkansas Foundation, Inc.

Notes to Financial Statements June 30, 2022 and 2021

NOTE 3: INVESTMENTS (Continued)

Investments (Continued)	Fair Value	Level 1	Level 2	Level 3
Equity securities				
Consumer discretionary	\$ 875,825	\$ 875,825	\$ -	\$ -
Consumer staples	526,037	526,037	-	-
Energy	232,233	232,233	-	-
Financial services	2,511,068	2,511,068	-	-
Health care	1,398,010	1,398,010	-	-
Industrials	1,122,724	1,122,724	-	-
Information technology	1,966,059	1,966,059	-	-
Materials	119,681	119,681	-	-
Real estate	58,802	58,802	-	-
Telecommunication services	825,925	825,925	-	-
Utilities	88,389	88,389	-	-
Total equity securities	<u>9,724,753</u>	<u>9,724,753</u>	<u>-</u>	<u>-</u>
U.S. Treasury obligations	<u>8,292,935</u>	<u>-</u>	<u>8,292,935</u>	<u>-</u>
U.S. Government bonds	<u>137,236</u>	<u>-</u>	<u>137,236</u>	<u>-</u>
Government-sponsored entity obligations	<u>1,745,044</u>	<u>-</u>	<u>1,745,044</u>	<u>-</u>
Municipal bond	<u>2,502,574</u>	<u>-</u>	<u>2,502,574</u>	<u>-</u>
Corporate bonds	<u>2,702,502</u>	<u>-</u>	<u>2,702,502</u>	<u>-</u>
	<u>\$ 78,531,250</u>	<u>\$ 63,150,959</u>	<u>\$ 15,380,291</u>	<u>\$ -</u>

NOTE 4: CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable at June 30 include the following:

	2022	2021
Contributions receivable	\$ 9,719,182	\$ 8,957,919
Less unamortized discount on long-term contributions receivable	(476,992)	(640,786)
Less allowance for uncollectible contributions receivable	<u>(244,196)</u>	<u>(205,206)</u>
	<u>\$ 8,997,994</u>	<u>\$ 8,111,927</u>

University of Central Arkansas Foundation, Inc.

Notes to Financial Statements June 30, 2022 and 2021

NOTE 4: CONTRIBUTIONS RECEIVABLE, NET (Continued)

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

	2022	2021
Amounts due in:		
Less than one year	\$ 4,224,072	\$ 3,276,231
One to five years	5,285,396	5,255,236
Thereafter	209,714	426,452
	\$ 9,719,182	\$ 8,957,919

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

NOTE 5: PROPERTY AND EQUIPMENT, NET

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

	Estimated Useful Lives	2022	2021
	Buildings	40	\$ 3,796,033
Furniture and equipment	5	274,658	274,658
		4,070,691	4,070,691
Accumulated depreciation		(754,020)	(604,163)
		3,316,671	3,466,528
Land	n/a	180,000	180,000
Works of Art	n/a	104,921	104,921
Property and equipment, net		\$ 3,601,592	\$ 3,751,449

NOTE 6: LONG TERM DEBT

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

The Foundation is also a party to a note payable with a financial institution to fund the renovation and addition to the Buffalo Alumni Hall. The note payable bears interest at a fixed rate of 3.89%, with principal and interest payments of \$126,426 due annually beginning November 2021, and final payment of the remaining outstanding principal and interest due in October 2024.

University of Central Arkansas Foundation, Inc.

Notes to Financial Statements June 30, 2022 and 2021

NOTE 6: LONG TERM DEBT (Continued)

Debt issuance costs totaling approximately \$8,700 is being amortized over the life of the related obligation using the straight-line method, which approximates the effective interest method. Debt issuance costs net of accumulated amortization, which totaled approximately \$3,500 and \$1,700 as of June 30, 2022 and 2021, respectively, is reported as a direct deduction from the carrying amount of long term debt.

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

2023	\$ 104,829
2024	109,100
2025	2,146,735
2026	72,233
2027	75,228
Thereafter	178,853
	<u>\$ 2,686,978</u>

NOTE 7: AMOUNT HELD FOR UNIVERSITY

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

The amounts held as of June 30 are as follows:

	<u>2022</u>	<u>2021</u>
Crow/White estate	\$ 7,395,311	\$ 8,103,786
Donna Stephens estate	296,740	329,631
Firestone estate	527,456	587,015
Windgate building fund	-	19,380,000
	<u>\$ 8,219,507</u>	<u>\$28,400,432</u>

NOTE 8: ENDOWMENTS

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

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

University of Central Arkansas Foundation, Inc.

Notes to Financial Statements June 30, 2022 and 2021

NOTE 8: ENDOWMENTS (Continued)

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

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

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

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

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

	2022		2021	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Endowment net assets, beginning of year	\$ 4,925,930	\$ 41,791,938	\$ 2,010,371	\$ 33,856,812
Contributions	1,268,295	5,186,658	994,490	2,850,472
Investment return, net	(2,316,457)	(5,590,232)	2,618,831	6,277,461
Appropriation of endowment assets for expenditure	(799,256)	(1,209,402)	(697,762)	(1,192,807)
Endowment net assets, end of year	<u>\$ 3,078,512</u>	<u>\$ 40,178,962</u>	<u>\$ 4,925,930</u>	<u>\$ 41,791,938</u>

University of Central Arkansas Foundation, Inc.

Notes to Financial Statements June 30, 2022 and 2021

NOTE 8: ENDOWMENTS (Continued)

During the year ended June 30, 2022, the Foundation had funds with underwater endowment net assets as a result of unfavorable market performance. The fair value of these underwater endowments totaled approximately \$10,800,000 with an original gift amount of approximately \$11,500,000, resulting in deficiencies of approximately \$700,000 as of June 30, 2022.

NOTE 9: NET ASSETS WITH DONOR RESTRICTIONS

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

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

	2022	2021
Net Assets Restricted in Perpetuity		
University programs	\$ 14,916,113	\$ 11,981,014
Scholarships	21,854,354	20,350,031
Athletics	114,750	74,502
	\$ 36,885,217	\$ 32,405,547
Net Assets Restricted for a Specific Purpose		
University programs	\$ 4,479,710	\$ 8,491,773
Scholarships	2,415,619	5,452,337
Athletics	31,136	54,711
	\$ 6,926,465	\$ 13,998,821
Net Assets Restricted to Passage of Time		
University programs	\$ 7,479,185	\$ 6,237,949
Scholarships	780,287	1,098,020
Athletics	1,459,710	1,621,950
	\$ 9,719,182	\$ 8,957,919

University of Central Arkansas Foundation, Inc.

Notes to Financial Statements June 30, 2022 and 2021

NOTE 10: RELATED PARTY TRANSACTIONS

The Foundation contributed to the University approximately \$7,135,000 and \$6,135,000 during the years ended June 30, 2022 and 2021, respectively, to be used for purposes as required by endowment agreements and/or donors for specific programs.

Employees of the University are provided to oversee the operations of the Foundation. The Foundation reimbursed the University approximately \$600,000 and \$776,000 for salary expense for the years ended June 30, 2022 and 2021, respectively.

The Foundation rents a portion of the Buffalo Alumni Hall building to the University. Lease income from this agreement totaled approximately \$123,000 and \$105,000 during the years ended June 30, 2022 and 2021, respectively.

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

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

	2022	2021
Minimum lease payments receivable	\$ 12,112,689	\$ 12,339,413
Less: Unearned income	(4,755,944)	(4,925,800)
Investment in direct financing lease, net	\$ 7,356,745	\$ 7,413,613

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

2023	\$ 680,175
2024	453,450
2025	422,272
2026	422,272
2027	422,272
Thereafter	9,712,248
	\$ 12,112,689

University of Central Arkansas Foundation, Inc.

Notes to Financial Statements June 30, 2022 and 2021

NOTE 11: CONTRIBUTED NONFINANCIAL ASSETS

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

	<u>Revenue Recognized</u>	<u>Utilization in Programs/Activities</u>	<u>Donor Restrictions</u>	<u>Valuation Techniques and Inputs</u>
Art	\$ 4,500	General and Administrative	No associated donor restrictions	The Foundation estimated the fair value on the basis of appraisals performed by qualified independent appraisers.
Travel and Supplies	\$ 16,183	Athletics	No associated donor restrictions	The Foundation estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Clothing	\$ 5,130	Career Services Enhancement Program	No associated donor restrictions	The Foundation estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Equipment	\$ 10,850	Athletics	No associated donor restrictions	The Foundation estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Food	\$ 5,022	Food Pantry Program and General and Administrative	No associated donor restrictions	The Foundation estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Furniture	\$ 952	Greek Housing	No associated donor restrictions	The Foundation estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Services	\$ 28,892	General and Administrative	No associated donor restrictions	Contributed services are valued at the estimated fair value based on current rates for similar services

University of Central Arkansas Foundation, Inc.

Notes to Financial Statements June 30, 2022 and 2021

NOTE 11: CONTRIBUTED NONFINANCIAL ASSETS (Continued)

For the year ended June 30, 2021, contributed nonfinancial assets recognized within the statement of activities included:

	<u>Revenue Recognized</u>	<u>Utilization in Programs/Activities</u>	<u>Donor Restrictions</u>	<u>Valuation Techniques and Inputs</u>
Art	\$ 2,838	General and Administrative	No associated donor restrictions	The Foundation estimated the fair value on the basis of appraisals performed by qualified independent appraisers.
Clothing	\$ 3,940	Diversity and Theatre Programs	No associated donor restrictions	The Foundation estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Equipment	\$ 4,820	Athletics	No associated donor restrictions	The Foundation estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Food	\$ 1,373	Athletics and Food Pantry Programs	No associated donor restrictions	The Foundation estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Furniture	\$ 17,051	Greek Housing	No associated donor restrictions	The Foundation estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Services	\$ 69,673	Athletics Program and General and Administrative	No associated donor restrictions	Contributed services are valued at the estimated fair value based on current rates for similar services.

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Notes to Financial Statements June 30, 2022 and 2021

NOTE 12: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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

	2022	2021
Cash and cash equivalents	\$ 3,232,970	\$ 1,794,106
Contributions receivable, net	8,997,994	8,111,927
Investments, net	53,113,094	78,531,250
Total financial assets	65,344,058	88,437,283
Less endowment fund cash, cash equivalents and investments	(43,257,474)	(46,717,868)
Less other restrictions	(13,351,902)	(13,570,359)
Less investments held for University	(8,219,507)	(28,400,432)
Financial assets available to meet cash needs for general expenditures within one year	\$ 515,175	\$ (251,376)

The operations of the Foundation are primarily funded by income generated from investing its endowments and contributions. As explained in Note 9 to the financial statements, certain assets have been restricted by the donor in perpetuity. The Foundation structures its financial assets to be available as general expenditures, liabilities and other obligations become due. The Foundation can adjust the timing of disbursements to the University when necessary. Additionally, the Foundation has board designated endowments of approximately \$3,000,000 that can be used for general operations as deemed necessary with approval by the board.

NOTE 13: RISKS AND UNCERTAINTIES

The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of the COVID-19 pandemic on the Foundation and financial results will depend on future developments, including the duration of the outbreak and the related impact on consumer confidence and spending, all of which are highly uncertain.

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

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NOTE 14: SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 28, 2022, the date the financial statements were available to be issued.