



Emporia State University Foundation, Inc.

Independent Auditor's Report and Financial Statements

June 30, 2023 and 2022



Emporia State University Foundation, Inc.
June 30, 2023 and 2022

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Independent Auditor's Report

Board of Trustees
Emporia State University Foundation, Inc.
Emporia, Kansas

Opinion

We have audited the financial statements of Emporia State University Foundation, Inc. (the Foundation), which comprise the statements of financial position as of June 30, 2023 and 2022, 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, 2023 and 2022, 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 within one year after the date that these financial statements are available to be issued.

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 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.

FORVIS,LLP

Kansas City, Missouri
September 29, 2023

Emporia State University Foundation, Inc.
Statements of Financial Position
June 30, 2023 and 2022

Assets

	2023	2022
Cash and cash equivalents	\$ 1,256,714	\$ 589,666
Mortgages receivable	176,400	205,351
Investments	122,096,340	116,459,467
Contributions receivable, net of allowance; 2023 - \$461,293, 2022 - \$238,128	12,731,773	4,661,268
Beneficial interests in trusts	13,178,859	12,287,723
Property and equipment, net of accumulated depreciation; 2023 - \$1,973,831, 2022 - \$1,953,157	1,260,240	1,282,955
Other assets	152,398	129,662
Total assets	\$ 150,852,724	\$ 135,616,092

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 478,483	\$ 205,564
Accrued expenses	272,973	212,428
Note payable	391,358	416,442
Annuity and trust obligations	976,356	998,971
Total liabilities	2,119,170	1,833,405

Net Assets

Without donor restrictions	12,310,844	10,681,556
With donor restrictions	136,422,710	123,101,131
Total net assets	148,733,554	133,782,687
Total liabilities and net assets	\$ 150,852,724	\$ 135,616,092

Emporia State University Foundation, Inc.
Statement of Activities
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions	\$ 1,995,435	\$ 14,648,285	\$ 16,643,720
Investment return, net	1,378,633	5,832,971	7,211,604
Change in beneficial interests in trusts	-	900,764	900,764
Gain on annuity and trust obligations	(12,377)	(45,035)	(57,412)
Other	7,035	26,246	33,281
Net assets released from restrictions	7,736,970	(7,736,970)	-
	<u>11,105,696</u>	<u>13,626,261</u>	<u>24,731,957</u>
Expenses and Losses			
Program	6,648,706	-	6,648,706
Management and general	1,487,372	-	1,487,372
Fundraising	1,340,330	304,682	1,645,012
	<u>9,476,408</u>	<u>304,682</u>	<u>9,781,090</u>
Change in Net Assets	1,629,288	13,321,579	14,950,867
Net Assets, Beginning of Year	<u>10,681,556</u>	<u>123,101,131</u>	<u>133,782,687</u>
Net Assets, End of Year	<u><u>\$ 12,310,844</u></u>	<u><u>\$ 136,422,710</u></u>	<u><u>\$ 148,733,554</u></u>

Emporia State University Foundation, Inc.
Statement of Activities
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions	\$ 950,881	\$ 7,702,464	\$ 8,653,345
Investment loss	(683,136)	(4,040,229)	(4,723,365)
Change in beneficial interests in trusts	-	(1,500,445)	(1,500,445)
Loss on annuity and trust obligations	26,352	93,827	120,179
Other	18,439	26,032	44,471
Net assets released from restrictions	6,919,510	(6,919,510)	-
	<u>7,232,046</u>	<u>(4,637,861)</u>	<u>2,594,185</u>
Expenses and Losses			
Program	6,825,034	-	6,825,034
Management and general	1,233,250	-	1,233,250
Fundraising	1,120,331	25,099	1,145,430
	<u>9,178,615</u>	<u>25,099</u>	<u>9,203,714</u>
Change in Net Assets	(1,946,569)	(4,662,960)	(6,609,529)
Net Assets, Beginning of Year	<u>12,628,125</u>	<u>127,764,091</u>	<u>140,392,216</u>
Net Assets, End of Year	<u>\$ 10,681,556</u>	<u>\$ 123,101,131</u>	<u>\$ 133,782,687</u>

Emporia State University Foundation, Inc.
Statement of Functional Expenses
Year Ended June 30, 2023

	Program Services	Management and General	Fundraising	Total Expenses
Salaries	\$ 83,626	\$ 983,266	\$ 944,951	\$ 2,011,843
Scholarships	3,693,212	-	-	3,693,212
University projects	2,746,481	-	-	2,746,481
Supplies	-	14,518	4,609	19,127
Travel and training	-	45,584	65,706	111,290
Maintenance/contractual services	4,028	152,999	178,368	335,395
Utilities and taxes	5,586	37,562	6,685	49,833
Advertising/promotion	161	29,282	39,257	68,700
Insurance	11,083	17,696	-	28,779
Interest expense	16,402	-	-	16,402
Professional services	-	77,546	32,886	110,432
Printing and publication	-	8,548	22,698	31,246
Postage	-	7,501	8,525	16,026
Rent	-	1,401	-	1,401
Depreciation	22,551	26,684	23,708	72,943
Equipment (noncapitalized)	-	48,866	5,531	54,397
Dues	-	12,959	1,973	14,932
Fees	-	21,106	257	21,363
Bad debts	-	-	309,369	309,369
Other	65,576	1,854	489	67,919
	<u>\$ 6,648,706</u>	<u>\$ 1,487,372</u>	<u>\$ 1,645,012</u>	<u>\$ 9,781,090</u>

Emporia State University Foundation, Inc.
Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services	Management and General	Fundraising	Total Expenses
Salaries	\$ 22,919	\$ 857,347	\$ 882,599	\$ 1,762,865
Scholarships	3,142,313	-	-	3,142,313
University projects	3,434,229	-	-	3,434,229
Supplies	5,795	12,451	2,515	20,761
Travel and training	-	34,868	69,174	104,042
Maintenance/contractual services	3,122	119,313	32,997	155,432
Utilities and taxes	5,063	34,883	8,609	48,555
Advertising/promotion	1,366	13,145	30,369	44,880
Insurance	4,786	19,466	-	24,252
Interest expense	17,397	-	-	17,397
Professional services	-	54,786	32,482	87,268
Printing and publication	-	9,798	13,186	22,984
Postage	-	8,443	5,985	14,428
Rent	-	1,745	1,092	2,837
Depreciation	21,344	26,092	23,718	71,154
Equipment (noncapitalized)	4,500	9,406	5,648	19,554
Dues	-	12,947	2,950	15,897
Fees	1,887	16,638	4,029	22,554
Bad debts	-	-	30,077	30,077
Other	160,313	1,922	-	162,235
	<u>\$ 6,825,034</u>	<u>\$ 1,233,250</u>	<u>\$ 1,145,430</u>	<u>\$ 9,203,714</u>

Emporia State University Foundation, Inc.
Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
Operating Activities		
Change in net assets	\$ 14,950,867	\$ (6,609,529)
Items not requiring (providing) operating activities cash flows		
Depreciation	72,943	71,154
Net realized and unrealized (gains) losses on investments	(2,479,782)	14,655,120
Gain (loss) on annuity and trust obligations	57,412	(120,179)
Change in beneficial interests in trusts	(900,764)	1,500,445
Provision for losses on uncollectible contributions	309,369	30,077
Contributions and investment income received restricted for long-term investment	(2,347,823)	(2,752,573)
Changes in		
Contributions receivable	(8,366,484)	885,895
Beneficial interests in trusts	9,628	1,147
Other assets	(22,736)	(13,703)
Accounts payable and accrued expenses	335,285	(440,797)
Net cash provided by operating activities	1,617,915	7,207,057
Investing Activities		
Principal payments received on mortgages receivable	28,951	26,985
Purchase of investments	(21,976,098)	(36,633,449)
Proceeds from the disposition of investments	18,819,007	27,300,515
Purchase of property and equipment	(50,228)	(20,200)
Net cash used in investing activities	(3,178,368)	(9,326,149)
Financing Activities		
Proceeds from contributions and investment income restricted for long-term investment	2,334,433	2,572,638
Payments on annuity and trust obligations	(81,848)	(91,798)
Payments on notes payable	(25,084)	(24,089)
Net cash provided by financing activities	2,227,501	2,456,751
Increase in Cash and Cash Equivalents	667,048	337,659
Cash and Cash Equivalents, Beginning of Year	589,666	252,007
Cash and Cash Equivalents, End of Year	\$ 1,256,714	\$ 589,666
Supplemental Cash Flows Information		
Interest paid	\$ 16,402	\$ 17,397

Emporia State University Foundation, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

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

Nature of Operations

Emporia State University Foundation, Inc. (the Foundation) provides scholarships to students and various other types of support to Emporia State University (ESU) and its Alumni. The Foundation is supported primarily through donor contributions. The Foundation is a separately administered organization that is a component unit of Emporia State University and the State of Kansas. The Foundation's financial statements are included in summary form in the State of Kansas' comprehensive annual financial report.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts, including endowment accounts are not considered to be cash and cash equivalents. At June 30, 2023 and 2022, cash equivalents consisted primarily of a daily repurchase agreement that is subject to FDIC insurance limits. At June 30, 2023, the Foundation's cash accounts did not exceed federally insured limits.

Investments and Net Investment Return

The Foundation measures securities at fair value. Alternative investments are valued using the most recent valuation available by the respective external fund manager. The fair value of certain alternative investments, such as the limited partnerships, are recorded at net asset value (NAV), as a practical expedient based on the most recent valuations provided by external investment managers, adjusted for cash receipts and disbursements through June 30. The Foundation compares this carrying value to the June 30 investment statements provided by the external investment managers and believes the carrying value of these financial instruments is a reasonable estimate of fair value. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses.

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Notes to Financial Statements

June 30, 2023 and 2022

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 with donor restrictions and then released from restriction. Other investment return is reflected in the statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

The Foundation maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts.

Mortgages Receivable

Mortgages receivable are stated at the amounts loaned to other organizations plus any accrued and unpaid interest. If necessary, the Foundation will record an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Delinquent receivables are written off based on individual credit evaluation and specific circumstances.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings and improvements	10 - 40 years
Furniture and equipment	3 - 10 years

Long-lived Asset Impairment

The Foundation evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended June 30, 2023 and 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. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment. Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are

Emporia State University Foundation, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed 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 restrictions</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 restrictions</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

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

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the 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 that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Emporia State University Foundation, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

Conditional contributions and investment income having donor stipulations which are satisfied in the period the gift is received and the investment income is earned are recorded as revenue with donor restriction and then released from restriction.

In-kind Contributions

In addition to receiving cash contributions, the Foundation receives in-kind contributions of stock gifts, auction items and equipment for the Foundation from various donors. It is the policy of the Foundation to record the estimated fair value of certain in-kind donations as an expense or asset in its financial statements, and similarly increase contribution revenue by a like amount.

Income Taxes

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

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the program, management and general and fundraising categories based on time expended, usage and other methods.

Subsequent Events

Subsequent events have been evaluated through September 29, 2023, which is the date the financial statements were available to be issued.

Emporia State University Foundation, Inc.
Notes to Financial Statements
June 30, 2023 and 2022

Note 2: Investments

Investments at June 30 consisted of the following:

	2023	2022
Investments in marketable securities at fair value		
Money market accounts	\$ 973,938	\$ 1,009,920
Common stock	1,290,751	-
Fixed income mutual funds		
Intermediate-term bond	13,069,285	13,166,842
Other fixed income mutual funds	8,240	855,031
Equity mutual funds		
Domestic equities	25,579,983	20,938,115
International equities	24,867,668	23,775,723
Other equity mutual funds	5,963,632	6,020,024
Real estate	468,846	415,486
Total investments at fair value	72,222,343	66,181,141
Investments at net asset value		
Hedge funds and fixed income partnerships	17,919,451	16,857,777
Real estate partnerships	6,651,931	6,628,585
Limited partnerships	24,627,860	25,998,172
Total investments at net asset value	49,199,242	49,484,534
Other assets	674,755	793,792
	\$ 122,096,340	\$ 116,459,467

Investments 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 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. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

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Notes to Financial Statements

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- 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

Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying 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	Fair Value Measurements Using		
		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 accounts	\$ 973,938	\$ 973,938	\$ -	\$ -
Common stock	1,290,751	1,290,751	-	-
Fixed income mutual funds				
Intermediate-term bond	13,069,285	13,069,285	-	-
Other fixed income mutual funds	8,240	8,240	-	-
Equity mutual funds				
Domestic equities	25,579,983	25,579,983	-	-
International equities	24,867,668	24,867,668	-	-
Other equity mutual funds	5,963,632	5,963,632	-	-
Real estate	468,846	-	468,846	-
Total investments	72,222,343	71,753,497	468,846	-
Beneficial interests in trusts	13,178,859	-	228,016	12,950,843
	<u>\$ 85,401,202</u>	<u>\$ 71,753,497</u>	<u>\$ 696,862</u>	<u>\$ 12,950,843</u>

Emporia State University Foundation, Inc.
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	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2022				
Investments				
Money market accounts	\$ 1,009,920	\$ 1,009,920	\$ -	\$ -
Fixed income mutual funds				
Intermediate-term bond	13,166,842	13,166,842	-	-
Other fixed income mutual funds	855,031	855,031	-	-
Equity mutual funds				
Domestic equities	20,938,115	20,938,115	-	-
International equities	23,775,723	23,775,723	-	-
Other equity mutual funds	6,020,024	6,020,024	-	-
Real estate	415,486	-	415,486	-
Total investments	66,181,141	65,765,655	415,486	-
Beneficial interests in trusts	12,287,723	-	227,658	12,060,065
	<u>\$ 78,468,864</u>	<u>\$ 65,765,655</u>	<u>\$ 643,144</u>	<u>\$ 12,060,065</u>

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 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. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

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.

Emporia State University Foundation, Inc.
Notes to Financial Statements
June 30, 2023 and 2022

Investments at Net Asset Value (NAV)

Except as described below, the fair value of alternative investments has been estimated using the net asset value per share of the investments as a practical expedient. Alternative investments held at June 30, 2023 and 2022 consist of the following:

	Net Asset Value		Unfunded Commitments		Redemption Frequency	Redemption Notice Period
	2023	2022	2023	2022		
Hedge funds and fixed income partnerships (A)	\$ 17,919,451	\$ 16,857,777	N/A	N/A	Quarterly	100 days
Real estate partnerships (B)	6,651,931	6,628,585	N/A	N/A	Quarterly	90 days
Limited partnerships (C)	<u>24,627,860</u>	<u>25,998,172</u>	\$ 14,307,178	\$ 8,196,859	Monthly or at fund discretion	15 days to illiquid
Total alternative investments	<u>\$ 49,199,242</u>	<u>\$ 49,484,534</u>				

- (A) This category includes investments in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. Some examples of the strategies fund of hedge funds invest in include long/short equity, long/short credit, event driven, global macro and multi-strategy. The Foundation's hedge funds have initial lock-up periods ranging from zero to one year, and thereafter require 100 days of advance notice prior to quarterly redemption windows.
- (B) The Foundation's real estate investment consists of an open-end real estate product that invests across all major property types using public REITS, private open-end core real estate funds and a portfolio of directly held properties. This investment provides investors with quarterly redemptions. Redemption payments may be delayed in the event of extraordinary circumstances.
- (C) This category includes investments in limited partnerships. Each partnership operates in accordance with the terms of a limited partnership agreement and continue to operate year to year unless dissolved in accordance with the agreements. The partnerships' investment objectives vary, but generally seek to maximize risk adjusted returns over the long-term horizon by employing a strategy under which the partnership invest in multiple asset classes, including traditional assets (such as marketable equity, fixed income and other securities) and alternative assets (such as real estate, commodities, natural resources, private equity and venture capital investments). 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.

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Beneficial Interests in Trusts

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement, which is equivalent to the fair value of the trust assets. Beneficial interests are classified within Level 2 of the hierarchy if the fair values of the underlying investments are determined through quoted market prices or other observable inputs and the Foundation expects to have the ability to redeem the trust assets in the near term. Beneficial interests in which the Foundation will never have the ability to redeem are classified within Level 3 of the hierarchy.

Level 3 Reconciliation

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statements of financial position using significant unobservable (Level 3) inputs at June 30:

	Beneficial Interests in Trusts
Balance, June 30, 2021	\$ 13,533,445
Unrealized depreciation on investments	(1,473,380)
Balance, June 30, 2022	12,060,065
Unrealized appreciation on investments	890,778
Balance, June 30, 2023	\$ 12,950,843
Total gains or losses for the period included in change in net assets attributable to the change in unrealized gains or losses related to assets and liabilities still held at the reporting date	
Year ended June 30, 2022	\$ (1,473,380)
Year ended June 30, 2023	\$ 890,778

Realized and unrealized gains and losses for items reflected in the table above are included in investment return (loss) on the statements of activities.

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Unobservable (Level 3) Inputs

The following tables present quantitative information about unobservable inputs used in recurring Level 3 fair value measurements.

	Fair Value 6/30/2023	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Beneficial interests in trusts	\$ 12,950,843	Estimated value of the expected future cash flows	Fair value of the underlying assets as reported by the trustee	None
	Fair Value 6/30/2022	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Beneficial interests in trusts	\$ 12,060,065	Estimated value of the expected future cash flows	Fair value of the underlying assets as reported by the trustee	None

Note 3: Contributions Receivable

Contributions receivable at June 30, 2023 and 2022 consisted of the following unconditional promises to give discounted at rates between 8.50 percent to 4.75 percent at June 30, 2023 and 4.75 percent at June 30, 2022:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	\$ 60,613	\$ 8,394,626	\$ 8,455,239
Due in one to five years	130,358	5,232,329	5,362,687
Due in more than five years	-	3,583	3,583
	<u>190,971</u>	<u>13,630,538</u>	<u>13,821,509</u>
Less			
Allowance for uncollectible contributions	5,864	455,429	461,293
Unamortized discount	<u>10,660</u>	<u>617,783</u>	<u>628,443</u>
	<u>\$ 174,447</u>	<u>\$ 12,557,326</u>	<u>\$ 12,731,773</u>

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	2022		Total
	Without Donor Restrictions	With Donor Restrictions	
Due within one year	\$ 63,489	\$ 1,867,765	\$ 1,931,254
Due in one to five years	187,826	3,230,164	3,417,990
Due in more than five years	-	64,310	64,310
	<u>251,315</u>	<u>5,162,239</u>	<u>5,413,554</u>
Less			
Allowance for uncollectible contributions	10,492	227,636	238,128
Unamortized discount	<u>28,157</u>	<u>486,001</u>	<u>514,158</u>
	<u>\$ 212,666</u>	<u>\$ 4,448,602</u>	<u>\$ 4,661,268</u>

Note 4: Beneficial Interests in Trusts

The Foundation is the beneficiary under various trusts administered by outside parties. Under the terms of the trusts, the Foundation has the irrevocable right to receive income earned on the trust assets in perpetuity or the rights to the trust assets after some future event. The estimated value of the expected future cash flows is \$13,178,859 and \$12,287,723, which represents the fair value of the trusts' assets at June 30, 2023 and 2022, respectively. The income from these trusts for 2023 and 2022 was \$348,884 and \$367,514, respectively.

Note 5: Property and Equipment

Property and equipment at June 30, 2023 and 2022 consisted of the following:

	2023	2022
Land	\$ 313,263	\$ 313,263
Buildings and improvements	2,755,205	2,706,452
Furniture and equipment	<u>165,603</u>	<u>216,397</u>
	3,234,071	3,236,112
Less accumulated depreciation	<u>1,973,831</u>	<u>1,953,157</u>
	<u>\$ 1,260,240</u>	<u>\$ 1,282,955</u>

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Note 6: Annuities and Trusts Payable

The Foundation has been the recipient of several gift annuities which require future payments to the donor or their named beneficiaries. The assets received from the donor are recorded at fair value. The Foundation has recorded a liability at June 30, 2023 and 2022 of \$147,289 and \$164,025, respectively, which represents the present value of the future annuity obligations. The liability has been determined using discount rates of 1.8 percent to 2.5 percent.

The Foundation administers various charitable remainder trusts. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for the Foundation's use. Assets held in the charitable remainder trusts are recorded at fair value of \$1,076,398 and \$1,080,525 as of June 30, 2023 and 2022, respectively, and included in the investments in the Foundation's statements of financial position. The Foundation has recorded a liability at June 30, 2023 and 2022 of \$829,067 and \$834,946, respectively, which represents the present value of the future obligations to make distributions to the designated beneficiaries. On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments is calculated using discount rates provided by the Internal Revenue Service and applicable mortality tables.

Note 7: Note Payable

The Foundation has a note payable that is due in May 2035. The note is payable at \$3,457 monthly, including interest at 4 percent through June 2025 and thereafter variable based on index rates plus 2.98 percent. The note is secured by all pledges, accounts receivable and general intangibles. The balance of the note payable at June 30, 2023 and 2022 is \$391,358 and \$416,442, respectively.

Aggregate annual maturities of long-term debt at June 30, 2023, are:

2024	\$ 26,049
2025	27,167
2026	28,290
2027	29,459
2028	30,647
Thereafter	249,746
	<u>\$ 391,358</u>

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Note 8: Net Assets

Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2023 and 2022 were available for the following purposes:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specific purpose		
Scholarships	\$ 2,158,626	\$ 2,096,891
Amounts available for the benefit of ESU departments and organization	9,201,260	7,614,338
Donor advised funds	1,806,954	1,782,742
Outside entities	16,747	15,785
Greatest need	170,446	-
Contributions receivable, the proceeds from which have been restricted by donors for		
Scholarships	2,340,004	1,763,178
Amounts available for the benefit of ESU departments and organization	10,217,071	2,685,425
Subject to the passage of time		
Beneficial interests in trusts	<u>1,582,331</u>	<u>1,497,253</u>
	<u>27,493,439</u>	<u>17,455,612</u>
 Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Scholarships	76,141,798	73,450,473
Amounts available for the benefit of ESU departments and organization	21,118,942	21,332,654
Greatest need	<u>72,003</u>	<u>71,922</u>
Total endowments	<u>97,332,743</u>	<u>94,855,049</u>
 Not subject to spending policy or appropriation		
Beneficial interests in trusts	<u>11,596,528</u>	<u>10,790,470</u>
	<u>108,929,271</u>	<u>105,645,519</u>
 Total net assets with donor restrictions	<u><u>\$ 136,422,710</u></u>	<u><u>\$ 123,101,131</u></u>

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Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2023	2022
Satisfaction of purpose restrictions		
Scholarships	\$ 900,044	\$ 1,119,985
Amounts available for the benefit of ESU departments and organization	1,444,215	2,461,645
Donor advised funds	150,440	706,280
	2,494,699	4,287,910
 Restricted-purpose spending-rate distributions and appropriations		
Scholarships	2,796,125	2,058,377
Amounts available for the benefit of ESU departments and organization	833,375	573,223
Internal management fee	1,612,771	-
	5,242,271	2,631,600
Net assets released from restrictions	\$ 7,736,970	\$ 6,919,510

Note 9: Endowment

The Foundation's governing body is subject to the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA) and, thus, 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 reclassifying those net assets to net assets without donor restrictions.

Additionally, in accordance with UPMIFA, 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

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

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 2,533,923	\$ 94,855,049	\$ 97,388,972
Net investment return	146,562	5,545,669	5,692,231
Addition of contributions and collections on pledges	4,989	2,007,174	2,012,163
Appropriation of endowment assets for expenditure	(87,500)	(3,629,500)	(3,717,000)
Administration and management fees	(38,547)	(1,612,771)	(1,651,318)
Other changes	-	167,122	167,122
	<u>\$ 2,559,427</u>	<u>\$ 97,332,743</u>	<u>\$ 99,892,170</u>
	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 2,350,845	\$ 98,436,974	\$ 100,787,819
Net investment loss	(197,973)	(3,936,028)	(4,134,001)
Addition of contributions and collections on pledges	312,737	2,583,594	2,896,331
Appropriation of endowment assets for expenditure	(65,600)	(2,631,600)	(2,697,200)
Other changes	133,914	402,109	536,023
	<u>\$ 2,533,923</u>	<u>\$ 94,855,049</u>	<u>\$ 97,388,972</u>

Investment and Spending Policies

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those donor-restricted endowment funds the Foundation must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the Foundation's policies, endowment assets are invested in a manner that is expected to produce long-term investment returns of approximately 7.00 percent to 8.00 percent. Actual returns and risk in any given year may vary from this amount.

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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 limits its dependency on any one asset class to achieve its long-term return objectives within prudent risk constraints.

The Foundation has a policy (the spending policy) of appropriating for expenditure each year a percent of its endowment fund's market value on the valuation date factored by the prior 12 quarter rolling average market value. During the years ended June 30, 2023 and 2022, the Foundation appropriated 3.7 percent and 3.5 percent, respectively, of its endowment fund for expenditure. In addition, the Foundation assesses an annual administration fee of 1.60 percent and 0 percent for 2023 and 2022, respectively, on its endowment fund's market value on the valuation date factored by the prior 12 quarter rolling average market value. The valuation date for the July 1, 2022 appropriation was June 30, 2021. The valuation date for the July 1, 2023 appropriation was June 30, 2022. In establishing these policies, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current strategy to allow its endowment to grow at an average of 2.00 percent annually. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment returns.

Underwater Endowments

The governing body of the Foundation has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of

- a) the original value of initial and subsequent gift amounts donated to the fund and
- b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

At June 30, 2023 and 2022, there were no underwater endowments. The Foundation has a policy that permits spending from underwater endowment funds so long as neither the individual fund or the endowment as a whole is more than 15 percent underwater, unless otherwise precluded by donor stipulations or laws and regulations.

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Note 10: Liquidity and Availability

The Foundation is substantially supported by restricted contributions. Because a donor’s restriction requires resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to its donors. Thus, certain financial assets may not be available for general expenditures within one year. As part of the Foundation’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Foundation invests cash in excess of daily requirements in short-term investments. Annually, the board designates any operating surplus to its liquidity reserves, which was \$4,328,958 and \$6,745,390 as of June 30, 2023 and 2022, respectively. There is also a quasi-endowment established by the governing board, valued at \$1,434,921 and \$1,437,008 as of June 30, 2023 and 2022, respectively. Although the Foundation does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditures as part of its annual budget approval and appropriation process, amounts from its quasi-endowment could be made available if necessary.

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:

	2023	2022
Cash and cash equivalents	\$ 1,256,714	\$ 589,666
Contributions receivable	174,447	212,665
Appropriations from the endowment in accordance with the spending policy	4,080,600	4,200,300
Appropriation of the internal management fee from the endowment in accordance with the spending policy	2,038,544	1,881,214
	\$ 7,550,305	\$ 6,883,845

Note 11: Related Party Transactions

The Foundation is a component unit of Emporia State University. The purpose of the Foundation is to aid, foster and promote the development and welfare of Emporia State University in Emporia, Kansas, and the education and welfare of its students, faculty and alumni, and to acquire property of all kinds for purposes stated above. The Foundation is dependent on the existence of Emporia State University. All personnel of the Foundation are considered employees of the State of Kansas. The personnel positions at the Foundation are either funded by the State or are the responsibility of the Foundation. The Foundation reimburses the University for the payroll and related costs of personnel positions not funded by the State. The Foundation purchases services, supplies and materials from the University, as well as from outside vendors.

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During the years ended June 30, 2023 and 2022, the Foundation received funding from the University of \$300,000 and \$300,000, respectively, for capital campaigns support. The Foundation made payments to the University for the years ended June 30, 2023 and 2022 of \$2,004,113 and \$1,849,803, respectively, which consisted of \$1,905,158 and \$1,758,382, respectively, for personnel services, and \$98,955 and \$91,421, respectively, for supplies and services.

The Foundation has outstanding pledge commitments from the board of trustees and management in the amount of \$668,202 and \$994,162 for the years ended June 30, 2023 and 2022, respectively.

Note 12: Retirement Plans

Foundation employees participate in two separate programs as employees of the State of Kansas. Employees classified as University support staff participate in the “Kansas Public Employees Retirement System” (KPERS). Benefit provisions are established by state statute and provide retirement, disability and death benefits to benefit eligible employees. KPERS issues a publicly available annual financial report that includes its financial statements and required supplementary information and is available upon request from KPERS.

Other eligible employees are required to participate in the Kansas Board of Regents (Regents) defined contribution retirement plan, which was authorized by K.S.A. 74-4925. This defined contribution program is funded through contributions by the Foundation and individual employees. The Regents have selected several companies to provide investment options to participants. Benefits under these plans depend solely on the contributed amounts and the returns earned on the investment of those contributions. All contributions are fully vested with the first contribution.

Employees may also elect to participate, up to the maximum dollar amount permitted by the Internal Revenue Code, in a voluntary tax-sheltered annuity program. The voluntary plan permits employees to designate a part of their earnings into tax-sheltered investments and thus defer federal and state income taxes on their contributions and the accumulated earnings under the plan. Participation and the level of employee contributions are voluntary. The employer is not required to make contributions to the plan.

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Note 13: Significant Concentrations and Estimates

Accounting principles generally accepted in the United States of America require disclosure of certain significant uncertainties and current vulnerabilities due to certain concentrations. Those matters include the following:

Investments

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statements of financial position.

Contributions Receivable

Approximately 60 percent of all contributions receivable in 2023 were from two donors. Approximately 29 percent of all contributions receivable were from one donor in 2022.

Beneficial Interests in Trusts

Estimates related to the valuation of beneficial interests in trusts are described in *Note 4*.

Annuities and Trusts Payable

Estimates related to the valuation of annuities and trusts payable are described in *Note 6*.

Net Assets with Donor Restrictions

Estimates related to the classification of net assets with donor restrictions and related release from restrictions are described in *Note 1* and *Note 8*.

Functional Allocation of Expenses

Significant estimates relating to the allocation of expenses on a functional basis are described in *Note 1*.