




Emporia State University Foundation, Inc.

Independent Auditor's Report and Financial Statements

June 30, 2024 and 2023



Emporia State University Foundation, Inc.
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June 30, 2024 and 2023

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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, 2024 and 2023, 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, 2024 and 2023, 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 Mazars, LLP

**Kansas City, Missouri
September 19, 2024**

Emporia State University Foundation, Inc.
Statements of Financial Position
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and cash equivalents	\$ 1,739,150	\$ 1,256,714
Mortgages receivable	160,762	176,400
Investments	135,396,420	122,096,340
Contributions receivable, net of allowance; 2024 - \$490,521, 2023 - \$461,293	7,155,376	12,731,773
Beneficial interests in trusts	14,032,382	13,178,859
Property and equipment, net of accumulated depreciation; 2024 - \$2,046,894, 2023 - \$1,973,831	1,185,177	1,260,240
Other assets	114,504	152,398
Total assets	<u>\$ 159,783,771</u>	<u>\$ 150,852,724</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 361,648	\$ 478,483
Accrued expenses	329,011	272,973
Note payable	365,279	391,358
Annuity and trust obligations	893,840	976,356
Total liabilities	<u>1,949,778</u>	<u>2,119,170</u>
Net Assets		
Without donor restrictions	13,573,632	12,310,844
With donor restrictions	144,260,361	136,422,710
Total net assets	<u>157,833,993</u>	<u>148,733,554</u>
Total liabilities and net assets	<u>\$ 159,783,771</u>	<u>\$ 150,852,724</u>

Emporia State University Foundation, Inc.
Statement of Activities
Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions	\$ 437,395	\$ 7,520,153	\$ 7,957,548
Investment return, net	3,010,855	8,326,201	11,337,056
Change in beneficial interests in trusts	-	858,165	858,165
Gain (loss) on annuity and trust obligations	(3,038)	17,368	14,330
Other	7,004	23,887	30,891
Net assets released from restrictions	8,764,966	(8,764,966)	-
	<u>12,217,182</u>	<u>7,980,808</u>	<u>20,197,990</u>
Expenses and Losses			
Program	7,758,011	-	7,758,011
Management and general	1,482,471	-	1,482,471
Fundraising	1,713,912	143,157	1,857,069
	<u>10,954,394</u>	<u>143,157</u>	<u>11,097,551</u>
Change in Net Assets	1,262,788	7,837,651	9,100,439
Net Assets, Beginning of Year	<u>12,310,844</u>	<u>136,422,710</u>	<u>148,733,554</u>
Net Assets, End of Year	<u>\$ 13,573,632</u>	<u>\$ 144,260,361</u>	<u>\$ 157,833,993</u>

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
Loss on annuity and trust obligations	(12,377)	(45,035)	(57,412)
Other	7,035	26,246	33,281
Net assets released from restrictions	<u>7,736,970</u>	<u>(7,736,970)</u>	<u>-</u>
Total revenues, gains and other support	<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	<u>1,340,330</u>	<u>304,682</u>	<u>1,645,012</u>
Total expenses and losses	<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>\$ 12,310,844</u>	<u>\$ 136,422,710</u>	<u>\$ 148,733,554</u>

Emporia State University Foundation, Inc.
Statement of Functional Expenses
Year Ended June 30, 2024

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries	\$ 83,089	\$ 1,025,518	\$ 1,251,725	\$ 2,360,332
Scholarships	3,701,056	-	-	3,701,056
University projects	3,868,854	-	-	3,868,854
Supplies	-	14,139	8,073	22,212
Travel and training	-	56,673	68,293	124,966
Maintenance and contractual	649	140,267	194,545	335,461
Utilities and taxes	6,253	37,965	6,077	50,295
Advertising and promotion	560	19,768	70,292	90,620
Insurance	5,256	22,239	-	27,495
Interest expense	15,407	-	-	15,407
Professional services	-	83,424	31,623	115,047
Printing and publication	-	9,448	35,439	44,887
Postage	-	7,359	11,368	18,727
Rent	-	1,087	1,255	2,342
Depreciation	22,588	26,728	23,747	73,063
Equipment (noncapitalized)	-	7,154	5,837	12,991
Dues	-	9,425	1,863	11,288
Fees	-	17,650	-	17,650
Bad debts	-	-	146,922	146,922
Other	54,299	3,627	10	57,936
	<u>\$ 7,758,011</u>	<u>\$ 1,482,471</u>	<u>\$ 1,857,069</u>	<u>\$ 11,097,551</u>

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

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
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 and contractual	4,028	152,999	178,368	335,395
Utilities and taxes	5,586	37,562	6,685	49,833
Advertising and 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.
Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating Activities		
Change in net assets	\$ 9,100,439	\$ 14,950,867
Items not requiring (providing) operating activities cash flows		
Depreciation	73,063	72,943
Loss sale of equipment	2,000	-
Net realized and unrealized gains on investments	(5,853,381)	(2,479,782)
Gain (loss) on annuity and trust obligations	(14,330)	57,412
Change in beneficial interests in trusts	(858,165)	(900,764)
Provision for losses on uncollectible contributions	146,922	309,369
Contributions and investment income received restricted for long-term investment	(1,276,987)	(2,347,823)
Changes in		
Contributions receivable	5,226,705	(8,366,484)
Beneficial interests in trusts	4,642	9,628
Other assets	37,894	(22,736)
Accounts payable and accrued expenses	(60,797)	335,285
Net cash provided by operating activities	<u>6,528,005</u>	<u>1,617,915</u>
Investing Activities		
Principal payments received on mortgages receivable	15,638	28,951
Purchase of investments	(28,561,497)	(21,976,098)
Proceeds from the disposition of investments	21,114,798	18,819,007
Purchase of property and equipment	-	(50,228)
Net cash used in investing activities	<u>(7,431,061)</u>	<u>(3,178,368)</u>
Financing Activities		
Proceeds from contributions and investment income restricted for long-term investment	1,479,757	2,334,433
Payments on annuity and trust obligations	(140,058)	(81,848)
Proceeds from issuance of annuities and trust payables	71,872	-
Payments on notes payable	(26,079)	(25,084)
Net cash provided by financing activities	<u>1,385,492</u>	<u>2,227,501</u>
Increase in Cash and Cash Equivalents	482,436	667,048
Cash and Cash Equivalents, Beginning of Year	<u>1,256,714</u>	<u>589,666</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,739,150</u>	<u>\$ 1,256,714</u>
Supplemental Cash Flows Information		
Interest paid	\$ 15,407	\$ 16,402

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, 2024 and 2023, cash equivalents consisted primarily of a daily repurchase agreement that is subject to FDIC insurance limits. At June 30, 2024, the Foundation's cash accounts did not exceed federally insured limits.

Investments and Net Investment Return

The Foundation measures securities at fair value. The fair value of alternative investments, such as the limited partnerships, real estate partnerships and hedge funds are recorded at net asset value (NAV), as a practical expedient based on the most recent valuations (generally as of March 31) 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.

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.

Emporia State University Foundation, Inc.
Notes to Financial Statements
June 30, 2024 and 2023

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 credit losses, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions adjusted for current conditions and reasonable and supportable forecasts. Delinquent receivables are written off based on individual credit evaluation and specific circumstances.

Property and Equipment

Property and equipment acquisitions over \$2,000 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	15 to 40 years
Furniture and equipment	3 to 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, 2024 and 2023.

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 an operating reserve and a board-designated endowment.

Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other 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

Emporia State University Foundation, Inc.
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Nature of the Gift	Value Recognized
<i>Unconditional gifts, with or without restrictions</i>	
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.

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.

Contributed Nonfinancial Assets

In addition to receiving cash contributions, the Foundation receives contributions of 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 contributed nonfinancial assets donations as an expense or asset in its financial statements, and similarly increase contribution revenue by a like amount.

Scholarships and University Projects

Scholarship and university project expenses are recorded when submitted to the Foundation from ESU and approved. Authorized and unpaid scholarships or university project expenses are reported as liabilities in the statements of financial position.

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. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fundraising categories based on time expended, usage and other methods.

Emporia State University Foundation, Inc.
Notes to Financial Statements
June 30, 2024 and 2023

Revisions

Certain immaterial revisions have been made to the 2023 financial statement fair value disclosures in *Note 2. Investments and Disclosures About Fair Value of Assets* to correct the amounts in classification of Level 2 versus Level 3 of the fair value hierarchy of beneficial interest in trusts. These revisions did not have an impact on the financial statement line items.

Subsequent Events

Subsequent events have been evaluated through September 19, 2024, which is the date the financial statements were available to be issued.

Effective September 2024, the Foundation made an unconditional commitment to ESU totaling \$9,500,000 to be given over three years through the year ending June 30, 2027

Note 2. Investments and Disclosures About Fair Value of Assets

Investments at June 30 consisted of the following:

	<u>2024</u>	<u>2023</u>
Investments in marketable securities at fair value		
Money market accounts	\$ 1,799,974	\$ 973,938
Common stock	24,306	1,290,751
Fixed income mutual funds		
Intermediate-term bond	15,654,469	13,069,285
Other fixed income mutual funds	8,026	8,240
Equity mutual funds		
Domestic equities	33,212,587	25,579,983
International equities	27,456,047	24,867,668
Other equity mutual funds	7,513,809	5,963,632
Real estate	483,686	468,846
	<u>86,152,904</u>	<u>72,222,343</u>
Investments at net asset value		
Hedge funds and fixed income partnerships	16,624,793	17,919,451
Real estate partnerships	5,491,293	6,651,931
Limited partnerships	26,279,266	24,627,860
	<u>48,395,352</u>	<u>49,199,242</u>
Other assets	848,164	674,755
	<u>\$ 135,396,420</u>	<u>\$ 122,096,340</u>

Emporia State University Foundation, Inc.
Notes to Financial Statements
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Assets 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
- 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, 2024 and 2023:

	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, 2024				
Investments				
Money market accounts	\$ 1,799,974	\$ 1,799,974	\$ -	\$ -
Common stock	24,306	24,306	-	-
Fixed income mutual funds				
Intermediate-term bond	15,654,469	15,654,469	-	-
Other fixed income mutual funds	8,026	8,026	-	-
Equity mutual funds				
Domestic equities	33,212,587	33,212,587	-	-
International equities	27,456,047	27,456,047	-	-
Other equity mutual funds	7,513,809	7,513,809	-	-
Real estate	483,686	-	483,686	-
Total investments	86,152,904	85,669,218	483,686	-
Beneficial interests in trusts	14,032,382	-	1,852,698	12,179,684
	<u>\$ 100,185,286</u>	<u>\$ 85,669,218</u>	<u>\$ 2,336,384</u>	<u>\$ 12,179,684</u>

Emporia State University Foundation, Inc.
Notes to Financial Statements
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	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
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	<u>72,222,343</u>	<u>71,753,497</u>	<u>468,846</u>	<u>-</u>
Beneficial interests in trusts	<u>13,178,859</u>	<u>-</u>	<u>1,582,331</u>	<u>11,596,528</u>
	<u>\$ 85,401,202</u>	<u>\$ 71,753,497</u>	<u>\$ 2,051,177</u>	<u>\$ 11,596,528</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, 2024. 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, 2024 and 2023

Investments at Net Asset Value (NAV)

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

	<u>Net Asset Value</u>		<u>Unfunded Commitments</u>		<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>		
Hedge funds and fixed income partnerships (A)	\$ 16,624,793	\$ 17,919,451	N/A	N/A	Quarterly	100 days
Real estate partnerships (B)	5,491,293	6,651,931	N/A	N/A	Quarterly	90 days
Limited partnerships (C)	<u>26,279,266</u>	<u>24,627,860</u>	\$ 11,595,459	\$ 14,307,178	Monthly or at fund discretion	15 days to illiquid
Total alternative investments	<u>\$ 48,395,352</u>	<u>\$ 49,199,242</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.

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 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.

Emporia State University Foundation, Inc.
Notes to Financial Statements
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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, 2022	\$ 10,790,470
Unrealized appreciation on beneficial interest in trust	<u>806,058</u>
Balance, June 30, 2023	11,596,528
Unrealized appreciation on beneficial interest in trust	<u>583,156</u>
Balance, June 30, 2024	<u><u>\$ 12,179,684</u></u>

Unobservable (Level 3) Inputs

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

	Fair Value 6/30/2024	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Beneficial interests in trusts	\$ 12,179,684	Estimated value of the expected future cash flows	Fair value of the underlying assets as reported by the trustee	None
	Fair Value 6/30/2023	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Beneficial interests in trusts	\$ 11,596,528	Estimated value of the expected future cash flows	Fair value of the underlying assets as reported by the trustee	None

Emporia State University Foundation, Inc.
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Note 3. Contributions Receivable

Contributions receivable at June 30, 2024 and 2023 consisted of the following unconditional promises to give discounted at rates between 4.75% to 8.50% at June 30, 2024 and 2023:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	\$ 94,746	\$ 3,167,677	\$ 3,262,423
Due in one to five years	86,822	4,799,097	4,885,919
Due in more than five years	-	207,350	207,350
	<u>181,568</u>	<u>8,174,124</u>	<u>8,355,692</u>
Less			
Allowance for uncollectible contributions	9,629	480,892	490,521
Unamortized discount	6,951	702,844	709,795
	<u>\$ 164,988</u>	<u>\$ 6,990,388</u>	<u>\$ 7,155,376</u>
	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	10,660	617,783	628,443
	<u>\$ 174,447</u>	<u>\$ 12,557,326</u>	<u>\$ 12,731,773</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 \$14,032,382 and \$13,178,859, which represents the fair value of the trusts' assets at June 30, 2024 and 2023, respectively. The income from these trusts for June 30, 2024 and 2023 was \$637,384 and \$348,884, respectively.

Emporia State University Foundation, Inc.
Notes to Financial Statements
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Note 5. Property and Equipment

Property and equipment at June 30, 2024 and 2023 consisted of the following:

	<u>2024</u>	<u>2023</u>
Land	\$ 313,263	\$ 313,263
Buildings and improvements	2,753,205	2,755,205
Furniture and equipment	165,603	165,603
	<u>3,232,071</u>	<u>3,234,071</u>
Less accumulated depreciation	<u>2,046,894</u>	<u>1,973,831</u>
	<u>\$ 1,185,177</u>	<u>\$ 1,260,240</u>

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, 2024 and 2023 of \$139,454 and \$147,289, respectively, which represents the present value of the future annuity obligations. The liability has been determined using discount rates of 2.0% to 2.5%.

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 \$1,029,107 and \$1,076,398 as of June 30, 2024 and 2023, respectively, and included in the investments in the Foundation's statements of financial position. The Foundation has recorded a liability at June 30, 2024 and 2023 of \$754,386 and \$829,067, 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.

Emporia State University Foundation, Inc.
Notes to Financial Statements
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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% through June 2025 and thereafter variable based on index rates plus 2.98%. The note is secured by all pledges, accounts receivable and general intangibles. The balance of the note payable at June 30, 2024 and 2023 is \$365,279 and \$391,358, respectively.

Aggregate annual maturities of long-term debt at June 30, 2024, are:

2025	\$	27,167
2026		28,290
2027		29,459
2028		30,647
2029		31,942
Thereafter		217,774
	\$	<u>365,279</u>

Emporia State University Foundation, Inc.
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Note 8. Net Assets

Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2024 and 2023 were available for the following purposes:

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specific purpose		
Scholarships	\$ 4,827,634	\$ 2,158,626
Amounts available for the benefit of ESU departments and organization	15,114,163	9,201,260
Donor advised funds	1,975,249	1,806,954
Outside entities	17,778	16,747
Greatest need	664,104	170,446
Contributions receivable, the proceeds from which have been restricted by donors for		
Scholarships	1,491,942	2,340,004
Amounts available for the benefit of ESU departments and organization	5,498,446	10,217,071
Subject to the passage of time		
Beneficial interests in trusts	1,852,698	1,582,331
	<u>31,442,014</u>	<u>27,493,439</u>
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Scholarships	74,253,967	76,141,798
Amounts available for the benefit of ESU departments and organization	26,345,417	21,118,942
Greatest need	39,279	72,003
Total endowments	<u>100,638,663</u>	<u>97,332,743</u>
Not subject to spending policy or appropriation		
Beneficial interests in trusts	12,179,684	11,596,528
	<u>112,818,347</u>	<u>108,929,271</u>
Total net assets with donor restrictions	<u>\$ 144,260,361</u>	<u>\$ 136,422,710</u>

Emporia State University Foundation, Inc.
Notes to Financial Statements
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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.

	<u>2024</u>	<u>2023</u>
Satisfaction of purpose restrictions		
Scholarships	\$ 1,093,530	\$ 900,044
Amounts available for the benefit of ESU departments and organization	1,974,634	1,444,215
Donor advised funds	230,535	150,440
Greatest need	285,399	-
	<u>3,584,098</u>	<u>2,494,699</u>
Restricted-purpose spending-rate distributions and appropriations		
Scholarships	2,677,922	2,796,125
Amounts available for the benefit of ESU departments and organization	789,678	833,375
Internal management fee	1,713,268	1,612,771
	<u>5,180,868</u>	<u>5,242,271</u>
Net assets released from restrictions	<u>\$ 8,764,966</u>	<u>\$ 7,736,970</u>

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
6. Other resources of the Foundation
7. Investment policies of the Foundation

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

The composition of net assets by type of endowment fund at June 30, 2024 and 2023 was:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 3,794,636	\$ -	\$ 3,794,636
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	70,085,795	70,085,795
Accumulated investment gains	-	22,000,545	22,000,545
Term endowments	-	8,552,323	8,552,323
	<u>\$ 3,794,636</u>	<u>\$ 100,638,663</u>	<u>\$ 104,433,299</u>
Total endowment funds	<u>\$ 3,794,636</u>	<u>\$ 100,638,663</u>	<u>\$ 104,433,299</u>
	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 2,559,427	\$ -	\$ 2,559,427
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	68,879,050	68,879,050
Accumulated investment gains	-	19,820,031	19,820,031
Term endowments	-	8,633,662	8,633,662
	<u>\$ 2,559,427</u>	<u>\$ 97,332,743</u>	<u>\$ 99,892,170</u>
Total endowment funds	<u>\$ 2,559,427</u>	<u>\$ 97,332,743</u>	<u>\$ 99,892,170</u>

Emporia State University Foundation, Inc.
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Changes in endowment net assets for the years ended June 30, 2024 and 2023 were:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 2,559,427	\$ 97,332,743	\$ 99,892,170
Net investment return	202,539	7,769,869	7,972,408
Addition of contributions and collections on receivables	250	1,445,213	1,445,463
Appropriation of endowment assets for expenditure	(93,900)	(3,467,600)	(3,561,500)
Board restriction of unrestricted contributions	700,000	-	-
Transfer of endowment assets for expenditure	-	(200,346)	(200,346)
Transfer to board-designated endowment	200,346	-	200,346
Administration and management fees	(45,848)	(1,713,268)	(1,759,116)
Other changes	271,822	(527,948)	(256,126)
	<u>\$ 3,794,636</u>	<u>\$ 100,638,663</u>	<u>\$ 103,733,299</u>
	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 receivables	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>

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% to 8.00%. Actual returns and risk in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Foundation targets a diversified asset allocation that 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, 2024 and 2023, the Foundation appropriated 3.70% and 3.70%, respectively, of its endowment fund for expenditure. In addition, the Foundation assesses an annual administration fee of 1.81% and 1.60% for 2024 and 2023, 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, 2023 appropriation was June 30, 2022. The valuation date for the July 1, 2022 appropriation was June 30, 2021. 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% 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. The Foundation has a policy that permits spending from underwater endowment funds so long as neither the individual fund is more than 15% underwater or if 33% of the total number of endowment funds are more than 15% underwater, unless otherwise precluded by donor stipulations or laws and regulations.

At June 30, 2024 and 2023, there were no underwater endowments.

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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 \$5,411,923 and \$4,328,958 as of June 30, 2024 and 2023, respectively. There is also a quasi-endowment established by the governing board, valued at \$3,794,636 and \$2,559,427 as of June 30, 2024 and 2023, 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, 2024 and 2023, comprise the following:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 1,739,150	\$ 1,256,714
Contributions receivable	94,746	60,613
Appropriations from the endowment in accordance with the spending policy	4,620,900	4,080,600
Appropriation of the annual administration fee from the endowment in accordance with the spending policy	<u>2,174,911</u>	<u>2,038,544</u>
	<u>\$ 8,629,707</u>	<u>\$ 7,436,471</u>

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.

During the years ended June 30, 2024 and 2023, the Foundation received funding from the University of \$225,000 and \$300,000, respectively, for capital campaigns support. The Foundation made payments to the University for the years ended June 30, 2024 and 2023 of \$2,415,868 and \$2,004,113, respectively, which consisted of \$2,282,254 and \$1,905,158, respectively, for personnel services, and \$133,614 and \$98,955, respectively, for supplies and services.

During the years ended June 30, 2024 and 2023, the Foundation awarded the University \$3,868,854 and \$2,746,481, respectively, for reimbursement on university projects.

Emporia State University Foundation, Inc.
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The Foundation has outstanding pledge commitments from the board of trustees and management in the amount of \$818,614 and \$668,202 for the years ended June 30, 2024 and 2023, 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.

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 36% of all contributions receivable were from one donor in 2024. Approximately 60% of all contributions receivable in 2023 were from two donors.

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*.

Functional Allocation of Expenses

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