

University of Central Oklahoma Foundation

Financial Report
June 30, 2021

Contents

Independent auditor's report	1
<hr/>	
Financial statements	
Statements of financial position	2
Statements of activities	3
Statements of functional expenses	4
Statements of cash flows	5
Notes to financial statements	6-21



Independent Auditor's Report

RSM US LLP

Board of Trustees
University of Central Oklahoma Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of University of Central Oklahoma Foundation (the Foundation), which comprise the statements of financial position as of June 30, 2021 and 2020, the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of University of Central Oklahoma Foundation as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

RSM US LLP

Oklahoma City, Oklahoma
October 15, 2021

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

University of Central Oklahoma Foundation

Statements of Financial Position
June 30, 2021 and 2020

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 48,914	\$ 363,148
Investments	50,446,332	40,816,261
Contributions receivable, net	781,492	810,699
Land and other investment assets, net	464,810	503,649
Beneficial interest in assets held by others	369,552	302,600
	<hr/>	<hr/>
Total assets	\$ 52,111,100	\$ 42,796,357
	<hr/> <hr/>	<hr/> <hr/>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 871,057	\$ 80,353
Custodial funds	599,162	499,807
Note payable	316,374	372,938
Total liabilities	1,786,593	953,098
	<hr/>	<hr/>
Net assets:		
Without donor restrictions	5,771,936	4,505,398
With donor restrictions	44,552,571	37,337,861
Total net assets	50,324,507	41,843,259
	<hr/>	<hr/>
Total liabilities and net assets	\$ 52,111,100	\$ 42,796,357
	<hr/> <hr/>	<hr/> <hr/>

See notes to financial statements.

University of Central Oklahoma Foundation

Statements of Activities

Years Ended June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support:						
Contributions and grants	\$ 1,793,741	\$ 3,734,179	\$ 5,527,920	\$ 4,077,017	\$ 2,010,178	\$ 6,087,195
Interest and dividends, net	112,676	604,558	717,234	172,879	520,597	693,476
Net realized and unrealized investment gains (losses)	(258,522)	6,275,059	6,016,537	(7,967)	(155,951)	(163,918)
Other income	7,898	-	7,898	-	-	-
Rental income	60,636	-	60,636	60,641	-	60,641
Change in beneficial interest in assets held by others	-	82,782	82,782	-	6,635	6,635
Net assets released from restrictions	3,481,868	(3,481,868)	-	2,654,255	(2,654,255)	-
Total revenues and support	5,198,297	7,214,710	12,413,007	6,956,825	(272,796)	6,684,029
Expenses:						
Program services	2,672,652	-	2,672,652	3,935,036	-	3,935,036
General and administrative	769,899	-	769,899	1,186,067	-	1,186,067
Fundraising	489,208	-	489,208	622,783	-	622,783
Total expenses	3,931,759	-	3,931,759	5,743,886	-	5,743,886
Change in net assets	1,266,538	7,214,710	8,481,248	1,212,939	(272,796)	940,143
Net assets at beginning of year	4,505,398	37,337,861	41,843,259	3,292,459	37,610,657	40,903,116
Net assets at end of year	\$ 5,771,936	\$ 44,552,571	\$ 50,324,507	\$ 4,505,398	\$ 37,337,861	\$ 41,843,259

See notes to financial statements.

University of Central Oklahoma Foundation

Statements of Functional Expenses
Years Ended June 30, 2021 and 2020

	2021				2020			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
Scholarships, tuition and UCO advancement	\$ 2,003,911	\$ 102,500	-	\$ 2,106,411	\$ 1,927,017	\$ 471,910	\$ -	\$ 2,398,927
Personnel	35,114	457,566	489,208	981,888	-	462,686	622,783	1,085,469
Miscellaneous expenses	261,980	26,288	-	288,268	270,013	-	-	270,013
Specialized supplies and materials	119,816	22,515	-	142,331	115,431	11,060	-	126,491
General supplies	79,186	14,770	-	93,956	63,983	33,649	-	97,632
Professional services	-	62,191	-	62,191	65,100	106,815	-	171,915
Safety and security	45,122	-	-	45,122	85,424	-	-	85,424
UCO contributions - furniture and equipment	25,293	17,577	-	42,870	167,639	8,155	-	175,794
Rent	39,511	-	-	39,511	-	33,565	-	33,565
Depreciation	-	38,839	-	38,839	13,986	38,839	-	52,825
UCO contributions - maintenance and repairs	38,036	-	-	38,036	1,170,426	153	-	1,170,579
Travel	13,076	9,904	-	22,980	55,907	15,536	-	71,443
Taxes and fees	208	13,683	-	13,891	-	142	-	142
Bad debt	10,000	-	-	10,000	-	-	-	-
Interest	-	4,066	-	4,066	110	3,557	-	3,667
Library equipment and supplies	1,399	-	-	1,399	-	-	-	-
Total expenses	\$ 2,672,652	\$ 769,899	\$ 489,208	\$ 3,931,759	\$ 3,935,036	\$ 1,186,067	\$ 622,783	\$ 5,743,886

See notes to financial statements.

University of Central Oklahoma Foundation

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

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 8,481,248	\$ 940,143
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net realized and unrealized investment (losses) gains	(6,016,537)	163,918
Loss on disposal of assets	-	17,937
Change in beneficial interest in assets held by others	(82,782)	(6,635)
Contributions restricted for long-term investment	(3,205,378)	(1,035,765)
Provision for uncollectible contributions receivable	10,000	-
Depreciation expense	38,839	38,839
Change in discount on contributions receivable	(23,052)	5,533
Noncash contributions of investments	(91,664)	(1,334,534)
Proceeds from sales of noncash contributions of investments	84,249	1,196,597
Change in operating assets and liabilities:		
Contributions receivable	42,259	429,879
Accounts payable and accrued liabilities	790,704	63,266
Custodial funds	99,355	52,437
Net cash provided by operating activities	127,241	531,615
Cash flows from investing activities:		
Purchases of investments	(5,822,172)	(8,581,158)
Proceeds from sales and maturities of investments	2,216,053	7,015,704
Proceeds from distribution of beneficial interest in assets held by others:	15,830	15,423
Net cash used in investing activities	(3,590,289)	(1,550,031)
Cash flows from financing activities:		
Contributions restricted for long-term investment	3,205,378	1,035,765
Principal payments on note payable	(56,564)	(53,822)
Net cash provided by financing activities	3,148,814	981,943
Net decrease in cash and cash equivalents	(314,234)	(36,473)
Cash and cash equivalents at beginning of year	363,148	399,621
Cash and cash equivalents at end of year	\$ 48,914	\$ 363,148
Supplemental disclosures of cash flow information:		
Interest paid	\$ 4,066	\$ 3,667
In-kind contributions	\$ 1,268,460	\$ 1,356,130
In-kind expenses	\$ (1,260,875)	\$ (1,350,009)

See notes to financial statements.

University of Central Oklahoma Foundation

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Nature of activities: The University of Central Oklahoma Foundation (the Foundation), a nonprofit organization, was incorporated on December 10, 1975, under the laws of the state of Oklahoma for charitable, benevolent, and educational purposes. The Foundation, through the contributions it receives, provides support to and funds for the University of Central Oklahoma (the University) projects and programs which cannot be funded by appropriations or grants from state and federal governments, or for which existing appropriations are inadequate.

Operations: The Foundation acts primarily as a fundraising organization, soliciting, receiving, managing, and disbursing contributions on behalf of the University. Distributions of amounts held in the funds of the Foundation are subject to the approval of the Foundation and the availability of monies. Accordingly, the accompanying financial statements generally reflect expenditures which have been submitted to and approved by the Foundation as of the financial reporting date.

Basis of presentation: The financial statement presentation follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) and has been prepared on the accrual basis of accounting and, accordingly, reflects all significant receivables, payables, and other assets and liabilities.

Revenue recognition: Contributions, including unconditional promises to give, are recognized as revenues in the period received by the Foundation. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Transfers of assets under conditional promises which are received by the Foundation prior to fulfilling these conditions are recorded as a liability until the conditions are substantially met. Contributions of assets other than cash are recorded at their estimated fair value on the gift date. Contributions to be received after one year are recorded at the present value of their estimated future cash flows using a discount rate which is commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in the same net asset class as the original contribution. An allowance is recognized for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors.

Contributions are reported as increases in the appropriate category of net assets. Expenses are reported as decreases in net assets without donor restrictions. Absent explicit donor stipulations to the contrary, restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or placed in service. Gifts of property and equipment are recorded as support without restrictions unless explicit donor stipulations specify how the assets must be used, in which case the gift is recorded as support with donor restrictions. Expirations of restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Contributions received from donors with general use restrictions for the University as a whole, or for specific colleges or departments within the University, are reflected as without donor restrictions to the extent that the University, colleges, or departments have expended sufficient dollars which meet these general use restrictions. Contributions which are received and whose restrictions are met in the same period are recognized as contributions without donor restrictions.

The Foundation recognizes all services received from personnel of the University that directly benefit the Foundation. The amount of in-kind contributions was determined based on the cost recognized for services provided by the University. In-kind expenses are allocated on a functional basis consistent with the allocation of resources expended on all other programs and activities. The Foundation recorded approximately \$1,300,000 and \$1,400,000 for in-kind contributions and related in-kind expenses for the periods ended June 30, 2021 and 2020, respectively.

University of Central Oklahoma Foundation

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Income and gains on investments are reported as increases in net assets with donor restrictions if the terms of the gift that gave rise to the investment require such amounts be added to permanent endowment principal. Income and gains are reported as increases in net assets with donor restrictions if the terms of the gift impose restrictions on the use of the income and/or the income is related to a donor-restricted endowment fund, and as increases in net assets without donor restrictions in all other cases.

Net asset classification: The Foundation follows the ASC's guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The State of Oklahoma enacted the Uniform Prudent Management of Institutional Funds Act (OK UPMIFA) effective November 1, 2007. Net assets and revenues and gains and losses are classified based on the existence or absence of donor-imposed restrictions:

- **Without donor restriction:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. Contributions received with time and/or purpose restrictions which are fully expended in the same period are classified as without donor restriction.
- **With donor restriction:** Net assets subject to stipulations imposed by donors, and grantors. Certain donor-imposed restrictions are temporary in nature and will be met, either by actions of the Foundation and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, and require the foundation to maintain the contributed resources in perpetuity. Generally, the donors of assets with perpetual restrictions permit the Foundation to use all or part of the income earned on these resources for general or specific purposes.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Cash and cash equivalents: The Foundation considers all highly liquid investments with a maturity of three months or less when purchased, excluding cash and cash equivalent funds held in the Foundation's investment portfolio, to be cash equivalents.

Investments: Marketable securities are stated at fair market value and consist primarily of cash and cash equivalent funds, mutual funds and common and preferred stock. Investments acquired by gift or bequest are recorded at fair market value at the date donated. Fair value is determined by quoted market prices, if available, or by a reasonable estimate of fair value provided by an investment manager. The Foundation has investments in various investment securities, which in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Further, due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes could materially affect the amounts reported in the Foundation's financial statements. Investments are carried at fair value, and realized gains and losses on sales of investments are calculated on the first-in, first-out basis.

University of Central Oklahoma Foundation

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Land and other investment assets: Land and other investment assets are carried at cost or fair value on the contribution date, if donated, net of accumulated depreciation and consist primarily of real property and forms of real property interests donated to or purchased by the Foundation. The Foundation holds these assets until such time that they are transferred to the University for its use or they are sold. No attempt is made by the Foundation's management to revalue the real property assets at subsequent dates prior to transfer or sale due to the prohibitive cost of obtaining periodic appraisals. The Foundation evaluates these investments for impairment when events or changes in circumstances are identified that may have a significant adverse effect on the fair value of the assets. If the fair value of the asset is less than the carrying value, then the asset is considered impaired. If this occurs, the Foundation performs an evaluation to determine whether this impairment is other than temporary. If the impairment is determined to be temporary, then no impairment is recognized. If the impairment is determined to be other than temporary, the investment is written down to its estimated fair value. Once impairment is recognized, the asset will not be written back to original cost, even if the investment subsequently increases in fair value. No impairment was recognized during the years ended June 30, 2021 or 2020.

Beneficial interest in assets held by others: The Foundation follows the ASC Topic, Transfers of Assets to Not-for-Profit Entity or Charitable Trust that Raises or Holds Contributions for Others, which requires a not-for-profit organization that transfers assets to a community foundation and specifies itself as the beneficiary to recognize its beneficial interest in the assets transferred (see Note 4). The Foundation carries its beneficial interest in the assets held by the Oklahoma City Community Foundation, Inc. (the Community Foundation) at fair value.

Collections: The Foundation does not include either the cost or the value of its collections in the statement of financial position, nor does it recognize gifts of collection items as revenues in the statement of activities (see Note 5).

Custodial funds: Custodial liabilities represent assets held on behalf of the University of Central Oklahoma Alumni Association (the Alumni Association) and other campus organizations for which the Foundation acts as a custodian. The assets held are invested, and investment income, distributions, and other revenues and expenses of these funds increase and/or decrease the carrying value of the asset and custodial funds liability. For financial reporting purposes, distributions from the custodial funds and contributions to the custodial funds are not included in the expenses and revenue of the University. The related assets are distributable to the organizations upon request.

Administrative fee income: The Foundation assesses administrative fees on certain funds managed and receives an administrative fee for certain services it provides. The income from these fees is used to provide for the general and administrative expenses of the Foundation.

Functional allocation of expenses: The costs of providing various programs and other activities have been summarized in the statements of activities. Costs are allocated between program services, general and administrative and fundraising based on management's evaluation of the resources expended in the related activities. General and administrative expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Foundation.

Income tax: The Foundation is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code (the Code) and has been determined not to be a private foundation under section 509(a) of the Code. Generally, all revenue earned outside the purpose for which the Foundation is created is taxable as earned income.

University of Central Oklahoma Foundation

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Accounting for uncertain tax positions: The ASC provides guidance on the accounting for uncertainty in income taxes. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Foundation's tax return to determine whether the tax positions are "more-likely-than-not" of being sustained "when examined" by the applicable tax authority. Tax positions not deemed to meet the "more-likely-than-not" threshold would be recorded as a tax benefit or expense and asset/liability in the current year. Management has determined that there are no material uncertain income tax positions.

Concentration of credit risk: The Foundation maintains cash in bank deposit accounts that, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk on cash or cash equivalents. During the years ended June 30, 2021 and 2020, the Foundation had no concentration of contributions. At June 30, 2021 and 2020, net contributions receivable of 45% and 65%, respectively, are due from one donor.

Fair value measurements: The Foundation follows ASC Topic 820, Fair Value Measurements, which provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The inputs to the three levels of the fair value hierarchy under Topic 820 are described as follows:

Level 1: Unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from, or corroborated by, observable market data by correlation to other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Unobservable and significant to the fair value measurement.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. All transfers between fair value hierarchy levels are recognized by the Foundation at the beginning of each reporting period. Financial assets and liabilities carried at fair value on a recurring basis include investments, beneficial interest in assets held by others, and custodial funds liability. The Foundation has no assets or liabilities carried at fair value on a nonrecurring basis at June 30, 2021 or 2020.

Recently issued accounting pronouncements: In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This guidance affects any entity that enters into a lease transaction. The primary change from this guidance is that the lessee should recognize the assets and liabilities that arise from all leases over 12 months in length. If the lease is 12 months or less in length, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and liabilities. If this election is made, the lessee should recognize the lease expense on a straight-line basis over the lease term. This amendment is effective for the Foundation for the year ending June 30, 2023. Early adoption is permitted. The Foundation is currently evaluating the effect implementation of ASU No. 2016-02 will have on its financial statements.

University of Central Oklahoma Foundation

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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 disclosures of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management's estimate of contributions receivable and the related allowance for doubtful accounts is based on consideration of all relevant available information and an analysis of the collectability of individual contributions, which arise primarily from pledges at the financial statement date.

Significant estimates: Estimates that are particularly susceptible to significant change include the valuation of investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments and beneficial interests, it is reasonably possible that changes in the values of these assets will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position. Significant fluctuations in fair values could occur from year to year, and the amounts the Foundation will ultimately realize could differ materially.

Reclassifications: Amounts previously shown have been reclassified to conform to the current year presentation, with no effect to change in net assets.

Subsequent events: Management has evaluated subsequent events through October 15, 2021, the date the financial statements were available to be issued. Subsequent to June 30, 2021, the Foundation received payment from a donor's estate in the amount of \$1,609,647. The donation was an unrestricted contribution for the football program at UCO. The leaders in athletics decided to use the funds to set up a quasi-endowment for the benefit of the football program so that it can generate earnings and perpetuate the fund for future use.

Note 2. Investments

The Foundation's investments at June 30 are summarized as follows:

	2021	2020
Cash and cash equivalent funds	\$ 3,465,525	\$ 1,992,120
Mutual funds:		
Equity	23,114,151	17,087,702
Fixed income	19,675,093	18,022,455
Other	79,940	7,878
Other investments	4,111,623	3,706,106
	<u>\$ 50,446,332</u>	<u>\$ 40,816,261</u>

University of Central Oklahoma Foundation

Notes to Financial Statements

Note 2. Investments (Continued)

Investment performance at June 30 consists of the following:

	2021	2020
Interest and dividends:		
Interest	\$ 161,319	\$ 255,402
Dividends	755,840	655,878
Investment management fees	(199,925)	(217,804)
Net interest and dividends	717,234	693,476
Net realized and unrealized investment gains (losses)	6,016,537	(163,918)
Total investment performance	<u>\$ 6,733,771</u>	<u>\$ 529,558</u>

Note 3. Fair Value Measurements

The methods and assumptions used to estimate the fair value of each financial instrument, including a description of the methodologies used for classifications within the fair value hierarchy, are as follows:

Investments: Cash and cash equivalents, mutual funds and common stocks are stated at fair value as provided by the investment manager or custodian. Fair values are based on quoted market prices, when available and are classified as Level 1 in the fair value hierarchy. Investment held at net asset value are carried at fair value which is based on the net asset value per share (NAV) as provided by the fund manager and/or adjusted by the Foundation. The Foundation uses management agreements, analyst notes, audited financial statements, and underlying investment holdings to evaluate the fund manager's valuation methodology (i.e., in determining whether the fund manager follows ASC 820) and considers various other factors including contributions and withdrawals to the fund and monitoring unaudited interim reporting to determine if any adjustment to the NAV is necessary.

Beneficial interest in assets held by others: The fair value of the asset is determined using the income approach (expected future cash flows) and is based on the fair value of the assets held by the Community Foundation and reported to the Foundation. The Foundation's interest is in a pooled investment fund held and managed by the Community Foundation, which the Foundation does not have the ability to redeem.

Based on the methodology of determining fair value of beneficial interest in assets held by others and the non-redeemable nature of the assets, they are categorized as Level 3 within the hierarchy.

Custodial funds: The fair value of the liability is determined using the income approach (expected future cash flows) and is based on the fair value of the investment assets held by the Foundation for the benefit of the recipient agencies. The specific assets held for the benefit of the agencies have been classified within the hierarchy for investments (as discussed above). The related and associated liability is classified as Level 3 in the hierarchy because there is no market for a similar liability, and certain principal inputs are unobservable and significant to the overall fair value measurement.

University of Central Oklahoma Foundation

Notes to Financial Statements

Note 3. Fair Value Measurements (Continued)

Assets and liabilities carried at fair value are classified within the fair value hierarchy as follows:

	As of June 30, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Marketable securities:				
Cash and cash equivalents	\$ 3,465,525	\$ -	\$ -	\$ 3,465,525
Mutual funds:				
Equity	23,114,151	-	-	23,114,151
Fixed income	19,675,093	-	-	19,675,093
Other	79,940	-	-	79,940
Fixed income securities	-	250,250	-	250,250
Total investments held at fair value	46,334,709	250,250	-	46,584,959
Commingled trust and pooled funds (a)	-	-	-	3,861,373
Total investments	46,334,709	250,250	-	50,446,332
Beneficial interest in assets held by others	-	-	369,552	369,552
Total assets measured at fair value on a recurring basis	\$ 46,334,709	\$ 250,250	\$ 369,552	\$ 50,815,884
Liabilities, custodial funds	\$ -	\$ -	\$ 599,162	\$ 599,162
As of June 30, 2020				
	Level 1	Level 2	Level 3	Total
Assets:				
Marketable securities:				
Cash and cash equivalents	\$ 1,992,120	\$ -	\$ -	\$ 1,992,120
Mutual funds:				
Equity	17,087,702	-	-	17,087,702
Fixed income	18,022,455	-	-	18,022,455
Other	7,878	-	-	7,878
Fixed income securities	-	244,251	-	244,251
Total investments held at fair value	37,110,155	244,251	-	37,354,406
Commingled trust and pooled funds (a)	-	-	-	3,461,855
Total investments	37,110,155	244,251	-	40,816,261
Beneficial interest in assets held by others	-	-	302,600	302,600
Total assets measured at fair value on a recurring basis	\$ 37,110,155	\$ 244,251	\$ 302,600	\$ 41,118,861
Liabilities, custodial funds	\$ -	\$ -	\$ 499,807	\$ 499,807

(a) In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

University of Central Oklahoma Foundation

Notes to Financial Statements

Note 3. Fair Value Measurements (Continued)-

The following table summarizes the changes in the fair value of the Foundation's Level 3 financial assets and liabilities:

	Assets		Liabilities	
	Beneficial		Custodial	
	Interest in Assets	Interest in Assets	Custodial	Custodial
	Held by Others	Held by Others	Funds	Funds
June 30, 2020				
Contributions	\$	-	\$	62,500
Distributions		(15,423)		(5,992)
June 30, 2021				
Distributions		(15,830)		(12,378)

The following table summarizes the valuation techniques and significant unobservable inputs used for the Foundation's investments that are categorized within Level 3 of the fair value hierarchy at June 30:

Investment Type	Fair Value at		Valuation Techniques	Unobservable Input
	2021	2020		
Beneficial interest in assets held by others	\$ 369,552	\$ 302,600	Discounted cash flows (a)	Market risk discount (b)
Custodial funds	599,162	499,807	Discounted cash flows (a)	Market risk discount (b)

Fair value of the asset/liability is the expected future cash inflows/ outflows, which are based on the fair value of the underlying investment assets, and at this time management believes no discount to the fair values is appropriate.

- (a) Represents amounts used when reporting entity has determined that market participants would take into account these returns when pricing the investments.
- (b) Significant increases or decreases in any of the above unobservable inputs in isolation may result in a significantly lower or higher fair value measurement.

University of Central Oklahoma Foundation

Notes to Financial Statements

Note 3. Fair Value Measurements (Continued)

The Foundation's investments in certain entities that calculate net asset value per share, which are measured at fair value, include the following:

	Fair Value		Redemption Frequency	Redemption Notice Period	Unfunded Commitment
	June 30				
	2021	2020			
Commingled trust and pooled funds:					
Growth funds (a)	\$ 2,370,490	\$ 2,093,791	Monthly	20 days	\$ 1,593,516
Multi-strategy funds (b)	317,096	247,397	Quarterly	45 days	-
Multi-strategy funds (c)	696,954	574,147	Quarterly	105 days	-
Real estate funds (d)	476,833	546,520	N/A	N/A	600,000
	<u>\$ 3,861,373</u>	<u>\$ 3,461,855</u>			<u>\$ 2,193,516</u>

- (a) This class is invested in funds with the objective of achieving maximum capital appreciation by investing in equity securities of United States and foreign companies that are well positioned to benefit from demand for their services, including companies that can innovate or grow rapidly relative to their peers in the market.
- (b) This class is invested in funds with the objective of providing superior capital appreciation by allocating its assets among a variety of proprietary investment strategies to capture alpha from systematic inefficiencies and idiosyncratic opportunities across asset classes and market cycles.
- (c) This class is invested in funds with the objective of providing capital appreciation by identifying early signs of long-term changes in the marketplace and focusing on those companies that may benefit from opportunities created by these changes by examining technological advances, product innovation, economic plans, demographics, social attitudes, and other factors, which can lead to investments in small and medium-sized companies.
- (d) This class is invested in funds in which substantially all of their assets in a either a master fund which seeks to provide liquidity to new borrowers with a primary strategy of to invest in public and private real estate, or investment in private equity real estate funds.

University of Central Oklahoma Foundation

Notes to Financial Statements

Note 4. Beneficial Interest in Assets Held by Others

The statements of financial position at June 30, 2021 and 2020 include beneficial interest in assets held by others and net assets with donor restrictions of \$369,552 and \$302,600, respectively. The statements of activities for the years ended June 30, 2021 and 2020 include an increase of \$82,782 and \$6,635, respectively, related to the change in value of the Foundation's beneficial interest in assets held by others. The Foundation received distributions of \$15,830 and \$15,423 related to the reciprocal transfers for the years ended June 30, 2021 and 2020, respectively. In addition to the funds discussed above, the Community Foundation maintains other assets that have been contributed by various donors to the Community Foundation for the benefit of the Foundation. Annually, distributions from the funds are paid to the Foundation according to the Community Foundation's spending policy. The Community Foundation maintains variance power over these funds. Variance power assures donors that if the charitable purpose of their contribution becomes impractical or impossible, the distributions will be directed to similar purposes in the community. The Community Foundation also maintains legal ownership of the funds. These funds are not included as assets of the Foundation. The earnings from these funds are paid to the Foundation each year in accordance with the Community Foundation's spending policy. For the years ended June 30, 2021 and 2020, the Foundation received \$17,599 and \$17,000, respectively, from these funds. At June 30, 2021 and 2020, the fair value of the funds is approximately \$418,000 and \$337,000, respectively. The Foundation has no remainder interest in the corpus of these funds.

Note 5. Collections

The Foundation maintains various collections of African art, crystals, artifacts, memorabilia, and similar assets. These collections are maintained for public exhibition, education, research, and furtherance of public service rather than for financial gain. These assets are protected, kept unencumbered, cared for, and preserved by the University. As a matter of policy, the proceeds of items in the collections that are sold are used to acquire other items for collection.

Note 6. Note Payable

The Foundation entered into an agreement with the Edmond Economic Development Authority (the EEDA) for the financing and construction of a music building. Under this agreement, the Foundation received proceeds from the sale of a Series 2000 note in the amount of \$1,135,000. The note is secured by a first mortgage lien on the land and music building (see Note 10). The Foundation makes monthly payments of principal and interest of \$5,053 for 25 years with an adjustable interest rate equal to the five-year rate on U.S. Treasury obligations. The rate adjusts every five years during the term of the obligation on the anniversary date. The rate was last adjusted in February 2016 to 1.693%. In addition, the Foundation pays the EEDA an annual administration fee of 1/8th of 1% of the outstanding principal balance on the note.

Maturities of long-term debt are as follows at June 30, 2021:

2022	\$	59,195
2023		59,399
2024		59,603
2025		59,808
2026		60,014
Thereafter		18,355
	\$	<u>316,374</u>

The Foundation incurred interest expense of \$4,100 and \$3,600 during the years ended June 30, 2021 and 2020, respectively.

University of Central Oklahoma Foundation

Notes to Financial Statements

Note 7. Leases

The Foundation entered into a lease agreement with the University whereby the University agreed to lease the music facility for a period of 25 years. The lease commenced in January 2002 and will terminate at the end of the 300th month. In accordance with the agreement, the monthly rent adjusts every 5 years to mirror the change in the interest rate paid by the Foundation. Effective February 1, 2016, the rent per month was adjusted to \$5,053. In addition, the University agreed to pay the Foundation an additional sum of \$1,200 per year plus the EEDA's annual administrative fee which is 1/8th of 1% of the declining principal balance of the loan on the property (see Note 6). This lease may be cancelled at the end of any year should funding for the lease not be approved by the Regional University System of Oklahoma and budgeted and approved by the University's administration.

The Foundation utilizes certain property and equipment of the University for no charge. The Foundation had rent expense of approximately \$40,000 and \$33,000 during the years ended June 30, 2021 and 2020, respectively.

Note 8. Contributions Receivable

Unconditional contributions receivable, including amounts due under pledge agreements with donors at June 30 are summarized as follows:

	2021	2020
Less than one year	\$ 110,708	\$ 218,082
One year to five years	770,532	689,417
More than five years	-	26,000
	<u>881,240</u>	<u>933,499</u>
Less unamortized discount (0.25% to 5.25%)	(99,748)	(122,800)
	<u>\$ 781,492</u>	<u>\$ 810,699</u>

Gross unconditional contributions receivable at June 30 are comprised of the following:

	2021	2020
Contributions receivable with donor restrictions:		
Scholarships and awards	\$ 871,337	\$ 863,750
University support	9,903	53,250
University facilities	-	16,499
Total contributions receivable with donor restrictions	<u>\$ 881,240</u>	<u>\$ 933,499</u>

No provision has been made to establish an allowance for doubtful accounts as the Foundation believes all contributions to be fully collectible.

Conditional promises to give totaling approximately \$5,838,000 and \$6,528,000 at June 30, 2021 and 2020, respectively, have been estimated based on information provided to the Foundation and primarily result from the Foundation being named in wills and contingent gifts and are not recorded in the financial statements. Additional conditional promises to give cannot be estimated due to the insufficiency of information available to the Foundation.

University of Central Oklahoma Foundation

Notes to Financial Statements

Note 9. Land and Other Investment Assets

The carrying value of the Foundation's land and other investment assets as of June 30 is as follows:

	2021	2020
Land	\$ 60,000	\$ 60,000
Buildings	1,151,836	1,151,861
Mineral interests	1,600	1,600
	<u>1,213,436</u>	<u>1,213,461</u>
Less accumulated depreciation	(748,626)	(709,812)
	<u>\$ 464,810</u>	<u>\$ 503,649</u>

Depreciation is based on the estimated useful life of the assets using the straight-line method. Depreciable other investment assets consist of three buildings, and the useful lives are estimated at 30 years.

Depreciation expense of approximately \$39,000 was recognized on other investment assets during each of the years ended June 30, 2021 and 2020.

Note 10. Related Parties

Substantially all expenses are for the benefit of the students, faculty or activities of the University. Transactions between the Foundation and the University are covered under a written agreement between the Foundation and the University. Under this agreement, the University agrees to provide certain administrative services and office space to the Foundation in exchange for scholarships, endowments, grants, and payment of services for the benefit of the University (see Note 1).

The Foundation has entered into a lease agreement with the University (see Note 7) resulting in rental income of \$60,640 during the each of the years ended June 30, 2021 and 2020, which is included in rental income in the statement of activities.

During 2011, the Foundation approved a policy to loan funds to the University. Under the policy, all loans would be made with an original maturity of one year and an interest rate equal to the rate incurred by the Foundation plus an additional fifty basis points. The policy limits the borrowing amount to half of the Foundation's available line of credit. As of June 30, 2021, the Foundation does not have an available line of credit. At both June 30, 2021 and 2020, the Foundation has not entered into any loan agreements with the University.

From time to time the Foundation will advance funds to the University and/or pay expenses which are later reimbursed by the University. There were no advances or payments during each of the years ended June 30, 2021 and 2020.

University of Central Oklahoma Foundation

Notes to Financial Statements

Note 11. Net Asset Composition

Net assets are available for the following programs and purposes at June 30:

	2021	2020
Net assets with donor restrictions:		
Perpetual in nature		
Original donor-restricted endowment gift amount and amounts required to be retained by donor:		
Scholarships and awards	\$ 22,812,214	\$ 20,613,174
Foundation operations and university support	2,673,181	2,611,257
Endowed chairs	4,986,267	4,681,842
Total perpetual net assets	<u>\$ 30,471,662</u>	<u>\$ 27,906,273</u>
Purpose or time restrictions:		
Scholarships and awards	\$ 9,701,109	\$ 5,916,401
Foundation operations and university support	2,491,521	2,428,067
Endowed chairs	1,888,279	1,087,120
Total purpose or time restrictions	<u>14,080,909</u>	<u>9,431,588</u>
Total net assets with donor restrictions	<u>\$ 44,552,571</u>	<u>\$ 37,337,861</u>

Expirations of temporary restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. During the years ended June 30, 2021 and 2020, the Foundation released restrictions of net assets with donor restrictions for the following purposes:

	2021	2020
University advancement/special projects	\$ 1,259,158	\$ 1,115,846
Scholarships, awards and endowed chairs	1,961,846	1,127,227
Foundation operations and other	260,864	411,182
	<u>\$ 3,481,868</u>	<u>\$ 2,654,255</u>

Note 12. Endowment Disclosures

The Foundation's endowment consists of approximately 400 individual donor-restricted endowment funds and 14 other donor-restricted funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Other endowment funds consist of contributions which were restricted by the donor for scholarships but have been designated as an endowment to provide scholarships for future periods rather than fully expending such amounts in the current year. All of the endowment funds held by the Foundation are managed and controlled by the Foundation in accordance with the following policies.

Interpretation of relevant law: The Board of Trustees (the Trustees) of the Foundation has interpreted OK UPMIFA as requiring the preservation of the original gift amount as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

University of Central Oklahoma Foundation

Notes to Financial Statements

Note 12. Endowment Disclosures (Continued)

As a result of this interpretation, the Foundation classifies as net assets with donor restrictions in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor imposed restrictions in perpetuity is classified as net assets with donor imposed restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by OK UPMIFA. In accordance with OK UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

- 1) The duration and preservation of the fund
- 2) The purposes of the Foundation and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effects of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Foundation
- 7) The investment policies of the Foundation

Endowment net asset composition by type of fund at June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 38,398,149	\$ 38,398,149
Other endowment funds	-	960,001	960,001
Total endowment funds	<u>\$ -</u>	<u>\$ 39,358,150</u>	<u>\$ 39,358,150</u>

Endowment net asset composition by type of fund at June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 30,387,741	\$ 30,387,741
Other endowment funds	-	803,238	803,238
Total endowment funds	<u>\$ -</u>	<u>\$ 31,190,979</u>	<u>\$ 31,190,979</u>

University of Central Oklahoma Foundation

Notes to Financial Statements

Note 12. Endowment Disclosures (Continued)

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at June 30, 2019	\$ -	\$ 31,161,606	\$ 31,161,606
Investment return:			
Interest and dividends	-	685,696	685,696
Investment fees	-	(165,099)	(165,099)
Net realized and unrealized investment gains	-	(155,951)	(155,951)
Total investment return	-	364,646	364,646
Contributions	-	1,101,065	1,101,065
Appropriations	-	(1,436,338)	(1,436,338)
Endowment net assets at June 30, 2020	-	31,190,979	31,190,979
Investment return:			
Interest and dividends	-	755,840	755,840
Investment fees	-	(150,727)	(150,727)
Net realized and unrealized investment gains	-	6,275,059	6,275,059
Total investment return	-	6,880,172	6,880,172
Contributions	-	2,628,952	2,628,952
Appropriations	-	(1,341,953)	(1,341,953)
Endowment net assets at June 30, 2021	\$ -	\$ 39,358,150	\$ 39,358,150

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in net assets with donor restrictions and totaled \$0 and \$24, at June 30, 2021 and 2020, respectively. These deficiencies resulted from unfavorable market fluctuations. As a result, appropriations were limited to appropriations that were deemed prudent and necessary for the programs of the Foundation.

Return objectives and risk parameters: The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity as well as other endowment funds with a donor restricted purpose (i.e., scholarships) that are board-designated for endowment. Under this policy, as approved by the Trustees, the endowment assets are invested with the primary objective of realizing appreciation on investment values and the secondary goal of providing current income to support University programs. The asset allocation policies (see below) reflect and are consistent with the investment objectives and risk tolerances expressed through the investment policy. These policies, developed after examining the historical relationships of risk and return among asset classes, are designed to provide the highest probability of meeting or exceeding the return objectives at the lowest level of risk. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives: 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 capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

University of Central Oklahoma Foundation

Notes to Financial Statements

Note 12. Endowment Disclosures (Continued)

Spending policy and how the investment objectives relate to spending policy: Generally, the Foundation has a policy of appropriating for distribution semiannually based on a 5.50% annualized rate (2.75% each semiannual period). The distribution rate is applied to the value of the endowment fund assets, including certain income producing real estate holdings, over an average of three years (i.e., using the average of the last six semiannual values of endowment assets). In the event that any endowment account has a fair value which is less than the historic gift value, the Trustees meet and specifically evaluate and approve the spending policy amount prior to distribution. The spending policy is evaluated annually (and/or semiannually), based on market fluctuations and historical trends to ensure that it remains in accordance with the long-term objectives of the Foundation. For both of the years ended June 30, 2021 and 2020, the Trustees approved a spending policy distribution of 2.75% for each semiannual distribution period.

Note 13. Liquidity and Availability

Financial assets are considered unavailable when liquid or not convertible to cash within one year, donor restricted for endowment, including accumulated and unappropriated earnings, designated by the Board for endowment and/or other purposes, or include donor purpose or time restrictions which are not anticipated to be fulfilled within one year. The following reflects the Foundation's financial assets, reduced by amounts not available for general expenditures within one year for the years ended June 30, 2021 and 2020:

	2021	2020
Financial assets at year end:		
Cash and cash equivalents	\$ 48,914	\$ 363,148
Investments	50,446,332	40,816,261
Contributions receivable, net	781,492	810,699
Total financial assets	<u>51,276,738</u>	<u>41,990,108</u>
Less amounts unavailable for general expenditure within one year:		
Endowments with donor restrictions not available for expenditure	(30,471,662)	(27,906,273)
Purpose restricted funds, net of amounts available for spending within one year	<u>(11,658,453)</u>	<u>(7,282,733)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 9,146,623</u>	<u>\$ 6,801,102</u>

The Foundation invests its excess cash funds with a goal of maintaining liquidity sufficient to cover one year of general expenditures. The Foundation's management monitors the budget and cash needs throughout the year and will recommend to the Board additional designations for endowment or other purposes, when deemed appropriate and approved by the Board.