University of Northern Iowa Foundation
University of Northern Iowa Properties Corporation
University of Northern Iowa Research Foundation

Combined Financial Statements
June 30, 2020

Contents

RSM

Independent Auditor's Report

RSM US LLP

Board of Trustees
University of Northern Iowa Foundation
University of Northern Iowa Properties Corporation
University of Northern Iowa Research Foundation

Report on the Financial Statements
We have audited the accompanying combined financial statements of University of Northern Iowa Foundation, University of Northern Iowa Properties Corporation and University of Northern Iowa Research Foundation, which comprise the combined statement of financial position as of June 30, 2020 and 2019, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements (collectively, 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 audit 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 Northern Iowa Foundation, University of Northern Iowa Properties Corporation and University of Northern Iowa Research Foundation as of June 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Des Moines, Iowa
October 21, 2020

University of Northern Iowa Foundation
University of Northern Iowa Properties Corporation
University of Northern Iowa Research Foundation

Combined Statements of Financial Position
June 30, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	$ 3,536,673	$ 4,142,887
Investments, at fair value	154,614,168	149,134,503
Pledges receivable, net	13,407,747	6,663,807
Life insurance, cash value	1,462,377	1,424,166
Capital improvements, net	69,605	110,414
Other	1,117,842	1,180,667
Total assets	$ 174,208,412	$ 162,656,444
Liabilities and Net Assets		
Liabilities:		
Accounts payable, accrued expenses and other liabilities	$ 678,858	$ 625,758
Annuities payable	1,483,382	1,560,028
Annuity trusts payable	580,732	627,607
Unitrusts payable	314,930	277,083
Total liabilities	3,057,902	3,090,476
Net assets:		
Without donor restrictions	9,754,562	9,641,892
With donor restrictions	161,395,948	149,924,076
Total net assets	171,150,510	159,565,968
Total liabilities and net assets	$ 174,208,412	$ 162,656,444

See notes to combined financial statements.

University of Northern Iowa Foundation
University of Northern Iowa Properties Corporation
University of Northern Iowa Research Foundation

Combined Statement of Activities
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, support and reclassifications:			
Contribution revenue	$ 3,751,763	$ 25,658,774	$ 29,410,537
Investment gains, net	158,009	10,387	168,396
Miscellaneous income	41,142	1,149	42,291
Change in donor intent	49,912	(49,912)	-
Net assets released from restrictions	13,588,420	(13,588,420)	-
Total revenues, support and reclassifications	17,589,246	12,031,978	29,621,224
Expenses and adjustments:			
Scholarship expenses	5,357,423	-	5,357,423
Programming expenses	6,212,060	339,363	6,551,423
Administrative expenses	2,303,841	-	2,303,841
Fundraising expenses	3,549,962	-	3,549,962
Present value liability actuarial adjustment	53,290	220,743	274,033
Total expenses and adjustments	17,476,576	560,106	18,036,682
Change in net assets	112,670	11,471,872	11,584,542
Net assets, beginning of year	9,641,892	149,924,076	159,565,968
Net assets, end of year	$ 9,754,562	$ 161,395,948	$ 171,150,510

See notes to combined financial statements.

University of Northern Iowa Foundation
University of Northern Iowa Properties Corporation
University of Northern Iowa Research Foundation

Combined Statement of Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, support and reclassifications:			
Contribution revenue	$ 3,003,584	$ 12,481,677	$ 15,485,261
Investment gains, net	676,429	5,954,319	6,630,748
Miscellaneous income	44,479	4,058	48,537
Change in donor intent	243,199	(243,199)	-
Net assets released from restrictions	15,011,622	(15,011,622)	-
Total revenues, support and reclassifications	18,979,313	3,185,233	22,164,546
Expenses and adjustments:			
Scholarship expenses	5,416,712	-	5,416,712
Programming expenses	7,341,111	272,670	7,613,781
Administrative expenses	2,464,060	-	2,464,060
Fundraising expenses	3,627,399	-	3,627,399
Present value liability actuarial adjustment	31,207	260,767	291,974
Total expenses and adjustments	18,880,489	533,437	19,413,926
Change in net assets	98,824	2,651,796	2,750,620
Net assets, beginning of year	9,543,068	147,272,280	156,815,348
Net assets, end of year	$ 9,641,892	$ 149,924,076	$ 159,565,968

See notes to combined financial statements.

University of Northern Iowa Foundation
University of Northern Iowa Properties Corporation
University of Northern Iowa Research Foundation

Combined Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	$ 11,584,542	$ 2,750,620
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	40,809	40,809
Donated assets	(897,352)	(1,137,835)
Investment losses (gains), net	1,513,851	(4,757,300)
Losses (gains) in cash value of life insurance	75,442	(46,697)
Losses (gains) on sale of donated assets	3,841	(13,765)
Net cash proceeds from purchase and sale of donated assets without donor restriction	5,249	12,863
Change in annuity and unitrust obligations	321,139	322,948
Uncollectible pledges	348,877	275,301
Net contributions restricted for long-term investment	(6,255,015)	(2,346,232)
Changes in assets and liabilities:		
Pledges receivable	(7,092,817)	57,225
Other assets	6,200	86,400
Accounts payable, accrued expenses and other liabilities	53,100	(30,986)
Net cash used in operating activities	(292,134)	(4,786,649)
Cash flows from investing activities:		
Purchases of investments	(47,754,826)	(46,405,863)
Sales of investments	40,761,310	50,914,458
Cash proceeds from sale of donated assets	544,994	476,450
Net cash (used in) provided by investing activities	(6,448,522)	4,985,045
Cash flows from financing activities:		
Net contributions restricted for long-term investments	6,255,015	2,346,232
Net cash proceeds from termination of restricted life insurance policies and annuities	15,426	102,184
Payments of annuities, annuity trusts and unitrust payables	(422,239)	(399,495)
Cash proceeds from sale of restricted donated assets	286,240	597,660
Net cash provided by investing activities	6,134,442	2,646,581
Net increase (decrease) in cash and cash equivalents	(606,214)	2,844,977
Cash and cash equivalents:		
Beginning of year	4,142,887	1,297,910
End of year	$ 3,536,673	$ 4,142,887

See notes to combined financial statements.

Note 1. Organization and Summary of Significant Accounting Policies

Organization: The University of Northern Iowa Foundation (the Foundation) is organized and operated exclusively for educational and scientific purposes. It is authorized to accept, hold, administer, invest and disburse monies for the direct benefit of the University of Northern Iowa (the University).

The University of Northern Iowa Properties Corporation is organized to receive, hold, manage and administer real property and tangible personal property for the use and benefit of the Foundation.

The University of Northern Iowa Research Foundation is organized to advance, develop, increase and extend the progress of science and useful arts through encouraging and assisting investigation, research and education at the University. This is accomplished by furnishing the means, methods and agencies by which ideas, creations, discoveries, inventions and processes may be protected and the uses thereof determined and safeguarded for the public, and to manage, license and dispose of proprietary rights in ideas, creations, discoveries and inventions and processes of any nature.

Basis of combination: The accompanying combined financial statements (collectively, the financial statements) include the activities of the Foundation, University of Northern Iowa Properties Corporation and University of Northern Iowa Research Foundation (collectively, the Organization). All material transactions between these entities have been eliminated. Combined financial statements are presented because the entities share the objectives of promoting and benefiting the University.

Basis of accounting: The Organization classifies its activities and net assets into two categories: net assets without donor restrictions or net assets with donor restrictions, based on the absence or existence of external (donor) imposed restrictions. The accounts of the Organization are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified into funds established according to their nature and purpose. Separate funds are maintained for each purpose; however, in the accompanying financial statements, funds that have similar characteristics have been combined.

Contributions and net assets: Contributions received and unconditional promises to give are recorded as increases in net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. The Board of Trustees (the Board) of the Foundation may designate a portion of its net assets without donor restrictions for various purposes. A description of the two net asset categories follows:

Net assets without donor restrictions include contributions for which there are no donor imposed restrictions. They include net assets designated to carry out the general mission of the Foundation, plant net assets for the construction and maintenance of the University's capital projects and net assets that have not yet been designated by the Board as to where they will be spent.

Net assets with donor restrictions include contributions for which donor imposed restrictions have not been met and charitable gift annuities and charitable remainder trusts for which proceeds have not been realized. Purpose restrictions include support for student scholarships, department programs and capital projects.

In addition net assets with donor restrictions include contributions for which donor imposed restrictions require investment in perpetuity and only the agreed upon payout be made available to carry out the mission of the Foundation. Also included are charitable gift annuities and charitable remainder trusts in which the donor has restricted the use of the Foundation's interest in the assets in perpetuity.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents: The Foundation considers all highly liquid equity instruments purchased with a maturity of three months or less to be cash equivalents. The Foundation maintains cash balances at various financial institutions. From time to time, the cash balances may exceed the amounts insured by the Federal Deposit Insurance Corporation, however the Foundation has not experienced any losses in such accounts and management believes the Foundation is not exposed to any significant credit risk related to those accounts.

Investments: Investments are managed by the Foundation Treasurer and external managers, in accordance with the Board's policy. The Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the combined statements of financial position. The Foundation reports the fair value of market alternatives, also known as alternative investments, using the practical expedient. The practical expedient allows for the use of net asset value (NAV), either as reported by the investee fund or as adjusted by the Foundation based on various factors, to determine fair value, under certain conditions. The fair value of the investment is based on a combination of audited financial statements of the investees and monthly or quarterly statements received from the investees. The practical expedient may not be used on funds intended to liquidate, or in the process of liquidation. Such funds are valued based on the fund manager's expectation of liquidation proceeds.

Unrealized gains and losses and management fees are included in investment return in the change in net assets in the combined statements of activities. Purchases and sales of securities are recorded on trade dates and realized gains and losses are determined on the basis of average cost of securities.

Investments may be exposed to various risks, such as interest rate, market and credit risks. As a result, it is at least reasonably possible that changes in risks in the near term could affect investment balances, and those effects could be significant.

Beneficial interest in trust: The fair value of recorded beneficial interest in a noncustodial perpetual trust is recorded based on the fair value of the underlying assets and is included in investments on the combined statements of financial position.

Pledges receivable: Pledges receivable are recorded at their net present value using an effective interest rate, less an allowance for doubtful pledges. Conditional promises to give are not recorded until the condition is met.

Other assets: Included in other assets is prairie land received by the Organization valued at approximately $790,000 at June 30, 2020 and 2019.

Impairment of long-lived assets: Long-lived assets held for use, such as capital improvements and land, are reviewed for impairment whenever events or circumstances indicate that the carrying amount of the asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. No long-lived assets were determined to be impaired during the years ended June 30, 2020 and 2019.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Contribution of nonmonetary assets and donated services: Donated securities, equipment, artwork and other nonmonetary assets are recorded in the financial statements at their estimated fair value at the date of receipt based primarily on publicly available information. The Foundation's policy is to sell donated securities soon after receipt to be able to use the funds for their specified purpose, unless management determines that the security should be retained as an investment. The Foundation's policy is to transfer donated equipment, artwork, museum pieces and other nonmonetary assets to the University.

The Foundation recognizes revenue for certain services received at the fair value based on the current rate for such services. These include professional assistance donated by doctors, consultants and other specialized service providers. The Foundation recorded salaries and benefits of University employees that perform duties for the Foundation without compensation from the Foundation as well as office space and equipment costs for the years ended June 30, 2020 and 2019. The fair value of the nonmonetary assets and donated services is reflected in revenue and included in expenses in the following functional categories:

	2020	2019
Programming	$ 87,474	$ 212,743
Fundraising	1,616,885	1,630,522
	$ 1,704,359	$ 1,843,265

In addition, the Foundation receives donated services from unpaid volunteers who assist in fundraising and special projects. No amounts have been recognized in the combined statements of activities since these services are not specialized services that would otherwise be purchased.

University commitments: From time to time the administration of the University asks the Foundation to raise funds and provide financial support for given projects. Such requests are not recorded as liabilities of the Foundation until the Board votes to accept them.

Capital improvements: Purchased or constructed buildings, equipment and tenant improvements are recorded at cost. Depreciation and amortization is provided using the straight-line method over the estimated useful lives of the assets, which vary from five to 20 years.

Split interest agreements: Contributions received under lifetime charitable gift annuity, remainder and unitrust agreements are recorded at fair value at the inception of the trust and a liability is recorded equal to the present value of the expected future payments to the life tenant. Annuity and life income obligations are determined annually based on the ages and life expectancies of the donors using applicable interest rates, at the date of the contribution, established by the Internal Revenue Service. Beneficial interest in trusts are recorded at fair value at the inception of the trust, based upon the underlying assets.

Income taxes: The Organization is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code. Thus, no provision for income taxes is included in the accompanying financial statements.

The Organization is subject to federal and state income taxes to the extent it has unrelated business income. In accordance with the guidance for uncertainty in income taxes, management has evaluated their material tax positions and determined that there are no income tax effects with respect to its financial statements.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

The Organization recognizes any interest and penalties related to income taxes. There were no interest or penalties related to income taxes that have been accrued or recognized as of and for the years ended June 30, 2020 and 2019.

The Organization follows the accounting guidance for accounting for uncertainty in income taxes. The Organization recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority. The Organization applied the uncertain tax position guidance to all tax positions for which the statute of limitations remained open and determined there were no material unrecognized tax benefits as of that date. The Organization does not believe there is any uncertainty with respect to its tax position which would result in a material change to the financial statements.

Endowments: The Foundation’s endowment funds consist of numerous individual funds established to support the mission of the University. These funds include both donor-restricted endowment funds and funds designated by the Foundation’s Board to function as endowments. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board has interpreted the state Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation has classified as net assets with donor restrictions (a) the original value of gifts donated to the endowment to be held in perpetuity, (b) the original value of subsequent gifts to the endowment to be held in perpetuity and (c) accumulations to the endowment to be held in perpetuity 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 funds are purpose restricted and maintained with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effects of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization and (7) the investment policies of the Foundation.

Investment return objectives, risk parameters and strategies: The Foundation has adopted endowment investment and spending policies which have been approved by the Board. The objective is to provide a predictable stream of funding to programs supported by endowment funds while maintaining the purchasing power of those assets over the long-term. The investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds annual distributions with acceptable levels of risk.

Endowment assets are invested in a well-diversified asset mix, which includes public and private equities, private real estate, hedge funds, fixed income funds and cash. This diversified asset allocation is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make distributions, while growing the funds, if possible. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to reduce risk to the overall fund.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Spending policy: The Foundation's Board recognizes their fiduciary responsibility to prudently manage the funds that have been and will be given to the Foundation. Spending from these funds is intended to benefit the University in perpetuity; therefore, the spending policy is intended to achieve a balance between preserving the purchasing power of the endowment principal and maximizing current distributions to support the programs designated by the contributors. The Foundation uses a 12-quarter rolling average model which allows spending within a 4% to 6% band at a rate determined annually by the Board.

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 or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature, which result primarily from unfavorable market fluctuations and continued appropriations deemed prudent by the Foundation's Board, are reported as net assets with donor restrictions.

Fair value measurements: The Foundation accounts for its investments at fair value. The Foundation estimates fair value using the guidance established by the accounting guidance for Fair Value Measurements, which defines fair value as 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 in its principal market, or in the absence of a principal market, the most advantageous market for the asset or liability. In accordance with the guidance, the Foundation has categorized its investments, based on the priority of the inputs to the valuation technique which give the highest priority to quoted prices in active markets and the lowest priority to unobservable inputs, into a three-level fair value hierarchy. These levels are:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Valuation is based upon significant unobservable inputs that reflect the Foundation's own assumptions, including discount cash flow models. Level 3 investments also include beneficial interests in trusts as the Foundation has no redemption rights with respect to trust assets and is valued based on the underlying trust assets, which are primarily publicly traded.

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 certain reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. Accordingly, actual results could differ from those estimates.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Recent accounting pronouncements: The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU applies to all Not-for-Profit Entities and business entities that receive or make contributions. The guidance clarifies how entities determine whether to account for a transfer of assets (or a reduction, settlement or cancellation of a liability) as an exchange transaction or a contribution. The new guidance also clarifies that a contribution is conditional if the agreement includes both a barrier (or barriers) that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the promisor's obligation to transfer assets. This ASU is effective for annual periods beginning after December 15, 2018. The Foundation adopted the ASU during the year ended June 30, 2020, with no significant impact on the financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The Organization is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*, which adds disclosure requirements to Topic 820 for the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. The standard is effective for fiscal years beginning after December 15, 2019. The Organization is evaluating the potential impact that the adoption will have on the financial statements.

Note 2. Functional Expenses

The costs of providing programs and other services have been summarized on a functional basis in the combined statements of activities. Program services functional expense classification represent the purpose of the grant made to the University. Accordingly, certain costs have been allocated among the programs and the supporting services benefited based on square footage or actual hours worked by Foundation employees.

The functional expenses for the year ending June 30, 2020, are summarized below:

	Program Services	Administrative Expenses	Fundraising Expenses	Total
Present value liability actuarial adjustments	$ 274,033	$ -	$ -	$ 274,033
Uncollectible pledges	348,877	-	-	348,877
Building, equipment and maintenance	1,958,160	51,136	86,184	2,095,480
Conferences and travel	643,188	9,817	149,047	802,052
Grants	370,510	-	-	370,510
Information technology	34,542	2,663	33,475	70,680
Insurance	46,577	10,905	5,878	63,360
Meals and entertainment	312,147	15,232	202,756	530,135
Duties and licenses	137,208	80,323	80,825	298,356
Occupancy	-	101,452	73,363	174,815
Office expenses	149,250	44,791	217,377	411,418
Professional services	584,313	112,581	402,782	1,099,676
Royalty payments	26,524	-	-	26,524
Salaries, wages and fringe benefits	1,940,127	1,874,941	2,298,275	6,113,343
Scholarships	5,357,423	-	-	5,357,423
	$ 12,182,879	$ 2,303,841	$ 3,549,962	$ 18,036,682

The functional expenses for the year ending June 30, 2019, are summarized below:

	Program Services	Administrative Expenses	Fundraising Expenses	Total
Present value liability actuarial adjustments	$ 291,974	$ -	$ -	$ 291,974
Uncollectible pledges	275,301	-	-	275,301
Building, equipment and maintenance	1,758,902	74,425	70,747	1,904,074
Conferences and travel	739,605	3,093	199,312	942,010
Grants	440,041	-	-	440,041
Information technology	64,399	2,134	2,312	68,845
Insurance	35,752	5,781	4,369	45,902
Meals and entertainment	331,759	21,021	304,970	657,750
Duties and licenses	908,586	55,955	92,885	1,057,426
Occupancy	-	146,211	-	146,211
Office expenses	347,333	40,828	256,334	644,495
Professional services	941,665	195,053	455,584	1,592,302
Royalty payments	29,883	-	-	29,883
Salaries, wages and fringe benefits	1,740,555	1,919,559	2,240,886	5,901,000
Scholarships	5,416,712	-	-	5,416,712
	$ 13,322,467	$ 2,464,060	$ 3,627,399	$ 19,413,926

Note 3. Liquidity and Availability

The Foundation receives substantial donor restricted gifts to establish endowments that will exist in perpetuity and contributions with time and purpose restrictions. The income generated from donor restricted endowments may be donor restricted or without donor restriction as to use in accordance with the gift agreement. In addition, the Foundation receives support without donor restrictions through its Annual Fund with the remainder funded by investment income without donor restrictions, gift fees and appropriated earnings from gifts with donor restrictions.

Investment income without donor restrictions, earnings appropriated from endowments with donor restrictions, board designated endowments (quasi-endowments), contributions without donor restrictions and contributions with donor restrictions for use in current activities and programs are considered to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, fundraising expenses and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during, and included in the budget for, a fiscal year.

The Foundation manages its cash available to meet general expenditures following three guiding principles:

(a) Operating within a prudent range of financial soundness and stability,

(b) Maintaining a sufficient level of asset liquidity, and

(c) Monitoring and maintaining reserves to provide reasonable assurance that long term grant commitments and obligations related to endowments with donor restrictions and quasi endowments will continue to be met.

	2020	2019
Financial assets at year end:		
Cash and cash equivalents	$ 3,536,673	$ 4,142,887
Investments, at fair value	154,614,168	149,134,503
Pledges receivable, net	13,407,747	6,663,807
Other receivables included in other assets	173,875	109,632
Total financial assets	171,732,463	160,050,829
Investment portfolio line of credit (see Note 11)	3,000,000	5,000,000
Total available resources	174,732,463	165,050,829
Less amounts not available to be used within one year:		
Investments earmarked for net asset restrictions	147,520,038	142,784,125
Investments in nonliquid securities	136,995	1,826,482
Pledge receivables for restricted gifts	13,267,480	6,635,928
Other receivables for restricted assets, net	140,054	75,122
Pledge receivables due after one year, net	113,885	12,281
Financial assets not available to be used within one year	161,178,452	151,333,938
Financial assets available to meet general expenditures within one year	$ 13,554,011	$ 13,716,891

Note 4. Investments

A summary of the investments held at June 30, 2020 and 2019, segregated by the valuation inputs under the fair value hierarchy, is as follows:

	June 30, 2020			
	Level 1	Level 2	Level 3	Total
Investments:				
Equities	$ 59,633,846	$ -	$ -	$ 59,633,846
Mutual funds	14,693,599	-	-	14,693,599
Fixed income	33,868,814	-	-	33,868,814
Money market	7,874,597	-	-	7,874,597
Living trusts and gift annuities:				
Fixed income	1,311,000	-	-	1,311,000
Equities	2,527,582	-	-	2,527,582
Beneficial interest in trust	-	-	1,361,344	1,361,344
Other	-	111,110	-	111,110
	$ 119,909,438	$ 111,110	$ 1,361,344	121,381,892
Market alternatives, at NAV:				
Real estate investments				1,528,055
Fund of funds				13,389,708
Commonfund limited partnerships				630,387
Other limited partnerships				17,641,980
				33,190,130
Total				$ 154,572,022

Note 4. Investments (Continued)

	June 30, 2019			
	Level 1	Level 2	Level 3	Total
Investments:				
Equities	$ 55,117,289	$ -	$ -	$ 55,117,289
Mutual funds	14,675,662	-	-	14,675,662
Fixed income	28,164,641	-	-	28,164,641
Money market	8,307,753	-	-	8,307,753
Living trusts and gift annuities:				
Fixed income	1,749,438	-	-	1,749,438
Equities	3,052,273	-	-	3,052,273
Beneficial interest in trust	-	-	1,433,803	1,433,803
Other	-	121,001	-	121,001
	$ 111,067,056	$ 121,001	$ 1,433,803	112,621,860
Market alternatives, at NAV:				
Real estate investments				3,711,029
Fund of funds				12,706,528
Commonfund limited partnerships				990,554
Other limited partnerships				19,104,532
				36,512,643
Total				$ 149,134,503

The following table provide a summary of changes in fair value of the Foundation's investments classified as Level 3 within the fair value hierarchy for the years ended June 30, 2020 and 2019:

	2020	2019
Beginning balance	$ 1,433,803	$ 1,452,162
Contributions	2,000	-
Unrealized losses	(74,459)	(18,359)
Ending balance	$ 1,361,344	$ 1,433,803

The following table provides a summary of market alternatives at June 30, 2020 and 2019, by net asset class, whose fair value is calculated using NAV per share, or its equivalent:

			June 30, 2020		
Description	2020 Fair Value	2019 Fair Value	Unfunded Commitments (Approximate)	Redemption Frequency (If Available)	Redemption Notice Period
Real estate investments (a)	$ 1,528,055	$ 3,711,029	$ 1,343,000	Not allowed	Not applicable
Fund of funds (b)	13,389,708	12,595,803	2,559,000	See below	See below
Commonfund limited partnerships (c)	630,387	990,554	154,000	Not allowed	Not applicable
Other limited partnerships (d)	17,641,980	19,215,257	4,751,000	See below	See below
	$ 33,190,130	$ 36,512,643	$ 8,807,000		

Note 4. Investments (Continued)

(a) Represents fund of funds investments with a concentration in real estate with no particular geographic concentration. Redemptions are not allowed; distributions, if any, are based on the sales of the underlying assets.

(b) Includes funds of funds invested in private investment companies and hedge funds with no particular industry or geographic concentration. Approximately $3,933,000 of the fund is subject to quarterly redemption notices between 65-90 days. Approximately $5,793,000 of the funds are redeemable semi-annually with a 105 day notice. Redemptions are not allowed for the remaining funds.

(c) Represents limited partnership investments focused on private equity and emerging markets. Redemptions are not allowed; distributions, if any, are based on the sales of the underlying assets.

(d) Partnership investments are primarily swaps, debt and equity securities, options, foreign currency and private investment pools, distressed securities and securitized assets with no particular industry or geographic concentration. Approximately $7,284,000 is subject to quarterly redemption with a 60 day notice. Approximately $3,516,000 is subject to semi-annually redemption notice with a 90 day notice. Redemptions are not allowed for the remaining funds.

Market alternatives are redeemable with the investee fund at NAV under the original terms of the subscription agreement but are subject to significant redemption and other restrictions that would limit the Foundation's ability to redeem out of the fund at a report date NAV. Due to the nature of these investments, changes in market conditions and the overall economic environment may significantly impact the NAV of the funds, and therefore the value of the Foundation's interest. It is therefore reasonably possible that, if the Foundation were to sell all or a portion its market alternatives, the transaction value could be significantly different than the fair value reported as of June 30.

Interest, dividends, realized and unrealized gains and losses and management fees are recognized and allocated to the various designated funds based on each individual funds' average balance. The following summarizes the investment return and its classification on the combined statements of activities for the years ended June 30, 2020 and 2019:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	$ 370,501	$ 2,375,770	$ 2,746,271
Realized and unrealized losses	(84,875)	(1,428,976)	(1,513,851)
Management fees	(127,617)	(936,407)	(1,064,024)
	$ 158,009	$ 10,387	$ 168,396

Note 4. Investments (Continued)

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	$ 387,325	$ 2,609,923	$ 2,997,248
Realized and unrealized gains	437,077	4,320,223	4,757,300
Management fees	(147,973)	(975,827)	(1,123,800)
	$ 676,429	$ 5,954,319	$ 6,630,748

Note 5. Pledges Receivable

Unconditional promises to give are included in the financial statements as pledges receivable and revenue of the appropriate net asset category. Unconditional promises are recorded at their net realizable value at the time the promise is made. Those promises expected to be collected in more than one year are discounted at various rates based on the length of time the payments are to be received. Unconditional promises are expected to be realized in the following periods:

	2020	2019
In one year or less	$ 3,940,255	$ 2,322,236
Between one year and five years	8,294,781	3,380,566
More than five years	1,840,494	1,542,517
	14,075,530	7,245,319
Less discounts to net present value (interest rates 0.31% to 5.3%)	(359,707)	(375,618)
Less allowance for uncollectible pledges	(308,076)	(205,894)
	$ 13,407,747	$ 6,663,807

Pledges receivable at June 30, 2020 and 2019, have the following restrictions:

	2020	2019
Net assets without donor restrictions:		
Undesignated	$ 140,267	$ 23,953
Net assets with donor restrictions:		
Scholarships and department programs	4,862,525	3,969,862
Building, equipment and leasehold improvements	6,726,640	1,777,167
Endowments—scholarships and department programs	1,678,315	892,825
	$ 13,407,747	$ 6,663,807

The Foundation also maintains a planned giving program through which contributors promise to give amounts to be donated upon their death. These promises are not reflected in the financial statements because they are subject to retraction at the discretion of the contributor. Any amounts reflected as income in the financial statements are the amounts received during the year. For the years ended June 30, 2020 and 2019, conditional promises to give total approximately $156,370,000 and $140,000,000, respectively.

Conditional promises to give are only recognized when the conditions on which they depend are substantially met and the promises become unconditional.

Note 6. Capital Improvements

Components of capital improvements include the following as of June 30, 2020 and 2019:

	2020	2019
Tenant improvements	$ 277,414	$ 277,414
Less accumulated depreciation	(207,809)	(167,000)
Net capital improvements	$ 69,605	$ 110,414

Note 7. Recurring Obligations—Split Interest Agreements

The Foundation is obligated to pay approximately $267,000 under existing lifetime charitable gift annuities based on original contributions of approximately $3,449,000 and $87,000 under charitable remainder annuity trust agreements based on original contributions of $1,432,000. The Foundation is obligated under charitable remainder unitrust agreements to make payments based on trust income or on a fixed percentage of the asset values. The Foundation's obligation for the unitrust agreements was approximately $42,000 and $50,000 during the years ended June 30, 2020 and 2019, respectively. Asset values for all split interest agreements were approximately $3,549,000 and $4,459,000 as of June 30, 2020 and 2019, respectively.

In accordance with state law, to qualify and provide charitable gift annuities an organization must be in continuous operation for three years and have a minimum value of unrestricted assets equal to the lesser of $300,000 or five times the total amount of outstanding annuities ($11,895,000 at June 30, 2020). The Foundation was in compliance with all aforementioned state requirements during both the years ended June 30, 2020 and 2019.

Note 8. Related-Party Transactions

As disclosed in Note 1, the University compensates Foundation for a portion of employee salaries and fringe benefits, which are not reimbursed by the Foundation and provides office space, equipment maintenance, telephone support and other miscellaneous office supplies. Total unreimbursed amounts recorded as revenue and expense during the years ended June 30, 2020 and 2019, were approximately $1,578,000 and $1,683,000, respectively. At June 30, 2020 and 2019, approximately $200,000 and $99,000, respectively, were due from the University for accrued vacation and sick leave and were included in pledges receivable. At June 30, 2020 and 2019, approximately $98,000 and $170,000, respectively, due to the University were included in accounts payable.

Note 9. Restrictions on Net Assets

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

	2020	2019
Purpose restrictions accomplished:		
Scholarships and department programs	$ 13,505,735	$ 14,475,030
Plant	82,685	536,592
Total net assets with donor restrictions released	$ 13,588,420	$ 15,011,622

Note 9. Restrictions on Net Assets (Continued)

Net assets with donor restrictions are available for the following purposes or periods:

	2020	2019
Scholarships and department programs	$ 45,267,299	$ 47,029,239
Plant	8,876,492	2,582,814
Charitable gift annuities	48,301	29,464
Charitable remainder trust annuities	190,084	194,580
Charitable remainder unitrusts	976,136	1,786,136
Endowment, held in perpetuity	103,705,293	95,912,464
Life insurance fund	970,999	955,576
Beneficial interest in trust	1,361,344	1,433,803
Total net assets with donor restrictions	$ 161,395,948	$ 149,924,076

Net assets without donor restrictions that are quasi-restricted by the board, are quasi-restricted for scholarships and department programs. The total board designated net assets as of June 30, 2020 and 2019, are $3,160,961 and $2,995,761, respectively.

The following schedule provides information on net assets with donor restriction and board-designated endowments. The composition of and changes in endowments as of and for the years ended June 30, 2020 and 2019, are as follows:

	June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 2,995,761	$ 112,308,836	$ 115,304,597
Contributions, net	269,318	7,855,222	8,124,540
Investment return (loss)	(803)	44,597	43,794
Change in donor intent	(53,051)	341,199	288,148
Amounts appropriated for expenditure	(46,489)	(5,245,936)	(5,292,425)
Other changes	(3,775)	(102,646)	(106,421)
Endowment net assets, end of year	$ 3,160,961	$ 115,201,272	$ 118,362,233
Endowment net assets consist of the following:			
Donor-restricted funds	$ -	$ 115,201,272	$ 115,201,272
Board-designated funds	3,160,961	-	3,160,961
	$ 3,160,961	$ 115,201,272	$ 118,362,233

Note 9. Restrictions on Net Assets (Continued)

	June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 2,899,512	$ 109,727,543	$ 112,627,055
Contributions, net	29,774	2,926,316	2,956,090
Investment return	131,856	4,884,890	5,016,746
Change in donor intent	(20,484)	73,381	52,897
Amounts appropriated for expenditure	(44,897)	(5,299,492)	(5,344,389)
Other changes	-	(3,802)	(3,802)
Endowment net assets, end of year	$ 2,995,761	$ 112,308,836	$ 115,304,597
Endowment net assets consist of the following:			
Donor-restricted funds	$ -	$ 112,308,836	$ 112,308,836
Board-designated funds	2,995,761	-	2,995,761
	$ 2,995,761	$ 112,308,836	$ 115,304,597

From time to time, the fair value of endowment funds associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration, underwater endowments. As of June 30, 2020 and 2019, approximately $1,275,000 and $613,000, respectively, of the Foundation's donor restricted endowment funds were underwater. As of June 30, 2020 and 2019, the fair value of the underwater endowment funds were approximately $22,431,000 and $9,393,000 on original gift amounts of $23,706,000 and $10,006,000, respectively.

Note 10. Risks and Uncertainties

The COVID-19 pandemic is currently impacting communities, foundations, in addition to the global financial markets. This pandemic has resulted in social distancing, travel bans, governmental stay-at-home orders, and quarantines, and these may limit access to the University's facilities, students, suppliers, management, support staff and professional advisors. At this time it is not possible to fully assess the impact of the COVID-19 pandemic on the Organization's operations and capital requirements, but the aforementioned factors, among other things, may impact our operations, financial condition, investment return and ability to fulfill mission to provide resources for the direct benefit of the University, as well as our overall ability to react timely and mitigate the impact of this event. Depending on its severity and longevity, the COVID-19 pandemic may have a material adverse effect on the Organization's operations.

Note 11. Commitments and Contingencies

The Foundation entered into an agreement with a bank effective August 2013 which would provide the Foundation with liquidity and flexibility in managing their investment portfolio. The agreement allows the Foundation borrowings, if needed, up to $5,000,000 via a variable rate advance, fixed rate advance or letter of credit at a rate of LIBOR plus 1.25%, reset daily. The maximum borrowing amount is subject to a borrowing base calculation, which limited the maximum borrowing at June 30, 2020, to $3,000,000. The agreement is collateralized by the Foundation's investment accounts held with the bank. No borrowings were outstanding at both June 30, 2020 and 2019. No interest expense was incurred for the years ending June 30, 2020 and 2019.

Note 12. Subsequent Events

The Organization evaluated subsequent events through October 21, 2020, the date the financial statements were available to be issued. The Organization is not aware of any subsequent events which would require recognition, or disclosure in the financial statements.