



Arkansas State University System Foundation, Inc.

**Consolidated Financial Statements
June 30, 2021 and 2020
(With Independent Auditor's Report Thereon)**

Arkansas State University System Foundation, Inc.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Arkansas State University System Foundation, Inc.
Jonesboro, Arkansas

We have audited the accompanying consolidated financial statements of **Arkansas State University System Foundation, Inc.** and its controlled affiliate (collectively, the Organization), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

To the Board of Directors
Arkansas State University System Foundation, Inc.

Opinion

In our opinion, the consolidated financial statements referred to on the preceding page present fairly, in all material respects, the financial position of **Arkansas State University System Foundation, Inc.** and its controlled affiliate as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Landmark PLC

Little Rock, Arkansas
September 24, 2021

Financial Statements

Arkansas State University System Foundation, Inc.

Consolidated Statements of Financial Position June 30, 2021 and 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 9,385,171	\$ 11,876,860
Certificates of deposit	4,520,022	5,015,763
Prepaid expenses	35,984	19,835
Contributions receivable, net	5,948,943	7,290,530
Investments, at fair value	114,385,899	86,437,782
Property and equipment, net	2,005,806	1,734,996
Other assets	100,082	99,442
	\$ 136,381,907	\$ 112,475,208
TOTAL ASSETS		
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 47,250	\$ 121,324
Annuity obligations	16,000	16,000
Due to Arkansas State University campuses	98,904	6,348,701
Due to Alumni Association	160	40
Amounts held on behalf of Arkansas State University related entities	16,269,603	13,435,546
Note payable	28,619	-
Total Liabilities	16,460,536	19,921,611
Net Assets		
Without donor restrictions		
Undesignated	926,471	2,049,701
Board designated	7,447,451	4,742,823
Total without donor restrictions	8,373,922	6,792,524
With donor restrictions		
Restricted as to purposes	15,362,714	10,992,001
Restricted in perpetuity	96,184,735	74,769,072
Total with donor restrictions	111,547,449	85,761,073
Total Net Assets	119,921,371	92,553,597
TOTAL LIABILITIES AND NET ASSETS	\$ 136,381,907	\$ 112,475,208

See accompanying notes to consolidated financial statements.

Arkansas State University System Foundation, Inc.

Consolidated Statement of Activities Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Contributions	\$ 397,995	\$ 11,425,176	\$ 11,823,171
Investment return, net	1,459,519	18,058,947	19,518,466
Other income	216,690	376,597	593,287
Net assets released from restrictions	4,058,344	(4,058,344)	-
Total Revenue and Other Support	6,132,548	25,802,376	31,934,924
EXPENSES			
Program services	4,388,368	-	4,388,368
Management and general supporting services	162,782	-	162,782
Change in split-interest agreements	-	16,000	16,000
Total Expenses	4,551,150	16,000	4,567,150
INCREASE IN NET ASSETS	1,581,398	25,786,376	27,367,774
NET ASSETS AT BEGINNING OF YEAR	6,792,524	85,761,073	92,553,597
NET ASSETS AT END OF YEAR	\$ 8,373,922	\$ 111,547,449	\$ 119,921,371

See accompanying notes to consolidated financial statements.

Arkansas State University System Foundation, Inc.

Consolidated Statement of Activities Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Contributions	\$ 397,769	\$ 5,256,676	\$ 5,654,445
Investment return, net	352,193	2,302,866	2,655,059
Other income	180,435	169,700	350,135
Net assets released from restrictions	3,566,721	(3,566,721)	-
Total Revenue and Other Support	4,497,118	4,162,521	8,659,639
EXPENSES			
Program services	4,418,017	-	4,418,017
Management and general supporting services	131,176	-	131,176
Change in split-interest agreements	-	16,000	16,000
Total Expenses	4,549,193	16,000	4,565,193
(DECREASE) INCREASE IN NET ASSETS	(52,075)	4,146,521	4,094,446
NET ASSETS AT BEGINNING OF YEAR	6,844,599	81,614,552	88,459,151
NET ASSETS AT END OF YEAR	\$ 6,792,524	\$ 85,761,073	\$ 92,553,597

See accompanying notes to consolidated financial statements.

Arkansas State University System Foundation, Inc.

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

	2021			2020		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Academic activities	\$ 525,372	\$ -	\$ 525,372	\$ 823,500	\$ -	\$ 823,500
Administrative support	202,541	-	202,541	350,490	-	350,490
Student activities	47,702	-	47,702	21,139	-	21,139
Transfers - ASU	468,807	-	468,807	463,798	-	463,798
Transfers - scholarships	1,197,423	-	1,197,423	1,160,193	-	1,160,193
Transfers - supplies and services	755,778	-	755,778	754,194	-	754,194
Transfers - payroll	366,939	-	366,939	206,310	-	206,310
Transfers - fixed assets	-	-	-	30,000	-	30,000
Transfers - other	172,676	-	172,676	83,693	-	83,693
Salaries and benefits	350,365	87,591	437,956	337,924	84,481	422,405
Depreciation	44,891	11,223	56,114	42,414	10,604	53,018
Other	255,874	63,968	319,842	144,362	36,091	180,453
TOTAL EXPENSES	\$ 4,388,368	\$ 162,782	\$ 4,551,150	\$ 4,418,017	\$ 131,176	\$ 4,549,193

See accompanying notes to consolidated financial statements.

Arkansas State University System Foundation, Inc.

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

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Total Net Assets	\$ 27,367,774	\$ 4,094,446
Adjustments to Reconcile Increase in Total Net Assets to Net Cash Provided by Operating Activities		
Depreciation expense	56,114	53,018
Contributions restricted for long-term investments	8,341,806	1,085,473
Contributed property from Three Rivers acquisition	(139,000)	-
Contributions of property and equipment	(152,924)	(15,550)
Gain/loss on sale of fixed assets	-	1,405
Net appreciation in fair value of investments	(17,576,381)	(30,634)
Change in value of split-interest agreements	16,901	19,190
Interest and dividends restricted for long-term purposes	1,320,192	1,673,188
Changes in operating assets and liabilities:		
Contributions receivable, net	1,341,587	3,790,701
Prepaid expenses	(16,149)	37,846
Other assets	(640)	(387)
Accounts payable	(74,074)	13,360
Annuity obligations	-	(4,000)
Due to Arkansas State University campuses	(6,249,797)	(3,064)
Due to Alumni Association	120	(1,723)
Amounts held on behalf of Arkansas State University related entities	2,834,057	(53,154)
Net Cash Provided by Operating Activities	17,069,586	10,660,115
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of certificates of deposit	(1,022,808)	(1,280,259)
Proceeds from maturity of certificates of deposit	1,518,549	1,230,701
Proceeds from Three Rivers acquisition	(393,459)	-
Purchases of investments	(11,008,454)	(3,289,682)
Proceeds from sale of investments	1,013,276	585,941
Purchases of property and equipment	(35,000)	(24,864)
Net Cash Used by Investing Activities	(9,927,896)	(2,778,163)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	35,125	-
Payments on note payable	(6,506)	(13,179)
Contributions restricted for long-term investments	(8,341,806)	(1,085,473)
Interest and dividends restricted for long-term purposes	(1,320,192)	(1,673,188)
Net Cash Used by Financing Activities	(9,633,379)	(2,771,840)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,491,689)	5,110,112
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	11,876,860	6,766,748
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 9,385,171	\$ 11,876,860

Arkansas State University System Foundation, Inc.

Notes to Consolidated Financial Statements June 30, 2021 and 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations

Arkansas State University System Foundation, Inc. (the Foundation) is an Arkansas nonprofit corporation chartered on March 7, 1977. The Foundation's primary purpose is to receive, solicit, accept, hold and administer private gifts for the Arkansas State University System, its campuses and related entities (collectively, thereafter referred to as "the University") by advancing higher education, research and allied supportive activities through the promotion of private financial support. The Foundation is considered a component unit of Arkansas State University System and is presented in the University's consolidated financial statements.

Arkansas State University Real Estate Foundation, Inc. was organized as a nonprofit corporation under the laws of the State of Arkansas in 2012, to operate for the benefit of, to perform the functions of, or to carry out the purposes of the Foundation. The Foundation is the sole corporate member of Arkansas State University Real Estate Foundation, Inc. Collectively, the Foundation and Arkansas State University Real Estate Foundation, Inc. are hereinafter referred to as "the Organization."

The activities of the Arkansas State University Real Estate Foundation, Inc. are the responsibility of the Board of Directors, subject to the Foundation's powers and responsibilities. The Board of Directors is approved and appointed by the corporate member. The Board of Directors serve three year terms and appointments are staggered.

In February 2019, College of the Ouachitas (the College) signed a merger agreement with the University which became effective on January 1, 2020 and the College became Arkansas State University Three Rivers. Due to this merger, the Organization merged (structured as an acquisition) with the related Arkansas State University Three Rivers Foundation (Three Rivers) during the year ended June 30, 2021. At February 1, 2021, the fair value of the assets acquired from Three Rivers included approximately \$190,000 real property and approximately \$658,000 in cash, investments and endowments, all recorded on the consolidated statements of net assets at fair value.

Basis of Accounting and Financial Statement Presentation

These consolidated financial statements include the balances and transactions of the Foundation and Arkansas State University Real Estate Foundation, Inc. and have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Intercompany transactions, if any, have been eliminated in consolidation.

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

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

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

Arkansas State University System Foundation, Inc.

Notes to Consolidated Financial Statements June 30, 2021 and 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents and Certificates of Deposit

Cash and cash equivalents include demand deposit accounts held at multiple financial institutions. For purposes of presentation in the consolidated statements of cash flows, cash equivalents are defined as liquid securities with original maturities of three months or less.

The Organization has two agreements with one financial institution to sweep funds from its checking accounts into repurchase agreements. The funds are swept daily and are secured by U.S. treasury obligations, U.S. government securities and municipal securities. These funds are considered cash equivalents.

At times during the years ended June 30, 2021 and 2020, cash and cash equivalents and certificates of deposit exceeded amounts insured by the Federal Deposit Insurance Corporation (FDIC) or the Securities Investor Protection Corporation (SIPC) and were not collateralized. In the event of an institutional failure, account balances exceeding FDIC or SIPC insurance limits may not be recoverable. For the years ended June 30, 2021 and 2020, the Organization's balances maintained at financial institutions and investment banking firms totaled approximately \$13,934,000 and \$17,039,000, respectively. Of these balances, approximately \$1,025,000 and \$1,019,000, respectively were not insured or collateralized at June 30, 2021 and 2020.

Investments

The Organization's investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly fashion between market participants at the measurement date. Changes in fair value are recorded in the period in which they occur. See Note 2 for further discussion of fair value measurements. Realized gains and losses on sales of securities are recognized on the transaction trade dates. Dividend income is recorded on the ex-dividend date, and interest income is accrued as it is earned. Investment return presented on the consolidated statements of activities includes dividends, interest, other investment income, as well as realized and unrealized gains and losses, and is net of investment expenses.

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

Property and Equipment

Purchased property and equipment are recorded at historical cost, while contributed property and equipment are recorded at their estimated fair value at the date of receipt. Contributions of property and equipment are reported as unrestricted support, unless the donor has restricted the use of the contributed asset for specified purpose. Major renewals and improvements in excess of \$2,500 are capitalized, while normal repairs and maintenance are expensed in the period incurred. Depreciation is provided using the straight-line method over the estimated useful lives of the depreciable assets, which range from 3 to 30 years.

Arkansas State University System Foundation, Inc.

Notes to Consolidated Financial Statements June 30, 2021 and 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

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

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Promises to give which are scheduled to be received after one year are discounted at a rate commensurate with the risks involved. Amortization of the discount is recorded as additional support over the term of the related promise to give. The Organization uses the allowance method to determine uncollectible contributions receivable. The allowance is based on historical experience and management's analysis of the specific promises made.

Donated Services

Donated services are recognized as contributions only if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by individuals possessing those skills and would typically be purchased if not provided by donation. During the years ended June 30, 2021 and 2020, employees of the University were provided to the Organization to oversee the operations. For the years ended June 30, 2021 and 2020, the Organization reimbursed the University approximately \$110,000 for salary expense. The University contributed in-kind salary expense of approximately \$328,000 and \$312,000 for the years ended June 30, 2021 and 2020, respectively. These in-kind contributions are included in contributions and expenses in the consolidated statements of activities.

Functional Expenses

The Organization allocates its expenses on a functional basis among program and supporting services. Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service according to their natural expenditure classification. Other expenses that are common to several functions are allocated to program and supporting services. Those expenses include certain salaries and benefits, depreciation and various other expenses. Salaries and benefits are allocated based on estimates of time worked while depreciation and other expenses are allocated based on estimated use.

Arkansas State University System Foundation, Inc.

Notes to Consolidated Financial Statements June 30, 2021 and 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

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

Income Taxes

The Foundation and the Arkansas State University Real Estate Foundation are tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code and are not private foundations within the meaning of Section 509(a) of the Code.

Accounting standards require the Organization to evaluate tax positions and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Organization has analyzed the tax positions taken and has concluded that as of June 30, 2021 and 2020, there are no uncertain positions taken or expected to be taken that would require the recognition of a liability (or asset) or disclosure in the consolidated financial statements. The Organization may be subject to audit by the Internal Revenue Service; however there are currently no audits for any tax periods in progress.

Recently Issued Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases*. The new guidance requires lessees to record a right-of-use asset and a corresponding liability equal to the present value of future rental payments on their statement of financial position for all leases with a term greater than one year and is effective for the Organization on July 1, 2021. Management of the Organization has not yet determined the significance of the impact of implementation of this standard or any related amendments will have on the Organization's financial statements.

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets, (Topic 958)*. The new guidance requires contributed nonfinancial assets to be presented as a separate line item in the statement of activities apart from contributions of cash and other financial assets. The guidance also requires a disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets, whether the contributed nonfinancial assets were monetized or utilized and if utilized, a description of the programs or other activities in which those assets were used. If monetized, the standard requires disclosure of the Organization's policy regarding monetizing rather than utilizing contributed nonfinancial assets as well as the valuation techniques used by management to arrive at fair value. Disclosure of any donor-imposed restrictions associated with the contributed nonfinancial assets is also required. This standard is effective for the Organization on July 1, 2021. Management of the Organization has not yet determined the significance of the impact of implementation of this standard or any related amendments will have on the Organization's financial statements.

Arkansas State University System Foundation, Inc.

Notes to Consolidated Financial Statements June 30, 2021 and 2020

NOTE 2: FAIR VALUE MEASUREMENTS

Entities with total assets of \$100 million or more are generally required to disclose certain information about the estimated fair value of financial instruments held as of the reporting date. The fair value of a financial instrument is the current amount that would be exchanged between willing parties other than in a forced liquidation. Disclosures about the fair value of financial instruments are based on pertinent information available to management. Accordingly, management's estimate of fair value may not necessarily be indicative of amounts that could be realized upon disposition of the financial instruments. The Organization's financial instruments include cash and cash equivalents, certificates of deposit, contributions receivable, investments, accounts payable, annuity obligations, amounts due to related entities and a note payable. The carrying amount reported in the consolidated statements of financial position for cash and cash equivalents, certificates of deposit, accounts payable, and amounts due to related entities approximate their fair value due to the short maturity of those instruments. The carrying amount of the note payable approximates fair value because the Organization can obtain similar debt at the same terms.

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

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include the following:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

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

Not Classified No readily determinable fair value measurement of investments. Measured at fair value using the net asset value per share (or its equivalent) practical expedient. Investments not classified in the fair value hierarchy.

Arkansas State University System Foundation, Inc.

Notes to Consolidated Financial Statements June 30, 2021 and 2020

NOTE 2: FAIR VALUE MEASUREMENTS (Continued)

The Organization uses appropriate valuation techniques based on available inputs to measure the fair value of assets. When available, the Organization measures fair value using Level 1 inputs, because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

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

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in valuation methodologies used at June 30, 2021 and 2020.

The fair values of mutual funds are determined based on the net asset value of shares held by the Organization at year end. Mutual funds held by Organization are open ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

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

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

The fair values of bonds and treasuries are based upon quotes from independent pricing vendors based upon independent pricing models or other model-based valuation techniques such as the present value of the stream of expected cash flows adjusted for the securities credit rating and other factors such as credit loss assumptions.

The fair values of partnership interests are estimated at the net asset value of the units held by the Organization at year end, as reported by the investment manager and within valuation guidelines stipulated in respective investment agreements, given the absence of market quotations. Net asset value is used as a practical expedient as permitted under generally accepted accounting principles.

The fair value of guaranteed investment contract is determined by the insurance company by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

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

Arkansas State University System Foundation, Inc.

Notes to Consolidated Financial Statements June 30, 2021 and 2020

NOTE 2: FAIR VALUE MEASUREMENTS (Continued)

The following tables set forth, by level, within the fair value hierarchy, amounts recorded in the Organization's financial statements at fair value at June 30, 2021 and 2020:

	2021				Total
	Level 1	Level 2	Level 3	Not Classified	
Mutual funds					
Real estate	\$ 1,663,585	\$ -	\$ -	\$ -	\$ 1,663,585
International equities	3,194,380	-	-	-	3,194,380
Money market	1,676,437	-	-	-	1,676,437
Fixed income	8,029,630	-	-	-	8,029,630
Alternative assets	656,709	-	-	-	656,709
Exchange traded funds					
U.S. equities	22,377,367	-	-	-	22,377,367
International equities	21,418,829	-	-	-	21,418,829
Real assets	8,390,638	-	-	-	8,390,638
Fixed income	11,352,498	-	-	-	11,352,498
Equity securities					
U.S. equities	17,854,361	-	-	-	17,854,361
International equities	6,264,394	-	-	-	6,264,394
Partnership interest					
Private real estate	-	-	-	1,100,127	1,100,127
Private equity	-	-	-	1,960,708	1,960,708
Mezzanine debt	-	-	-	2,154,200	2,154,200
Private secondary debt and financing	-	-	-	1,157,723	1,157,723
Hedge Fund	-	-	-	5,052,579	5,052,579
Guaranteed investment contract	-	-	81,734	-	81,734
Total	\$ 102,878,828	\$ -	\$ 81,734	\$ 11,425,337	\$ 114,385,899

(Continued)

Arkansas State University System Foundation, Inc.

Notes to Consolidated Financial Statements June 30, 2021 and 2020

NOTE 2: FAIR VALUE MEASUREMENTS (Continued)

	2020				Total
	Level 1	Level 2	Level 3	Not Classified	
Mutual funds					
Real estate	\$ 2,559,464	\$ -	\$ -	\$ -	\$ 2,559,464
International equities	1,810,010	-	-	-	1,810,010
Money market	1,752,757	-	-	-	1,752,757
Fixed income	5,794,492	-	-	-	5,794,492
Alternative assets	6,856,209				6,856,209
Exchange traded funds					
U.S. equities	10,969,936			-	10,969,936
International equities	6,950,819	-	-	-	6,950,819
Real assets	6,010,614	-	-	-	6,010,614
Fixed income	18,491,076	-	-	-	18,491,076
Equity securities					
U.S. equities	12,542,196	-	-	-	12,542,196
International equities	6,222,365				6,222,365
Partnership interest					
Private real estate	-	-	-	1,836,051	1,836,051
Private equity	-	-	-	1,807,764	1,807,764
Mezzanine debt	-	-	-	1,883,720	1,883,720
Private secondary debt and financing	-	-	-	866,204	866,204
Guaranteed investment contract	-	-	84,105	-	84,105
Total	\$ 79,959,938	\$ -	\$ 84,105	\$ 6,393,739	\$ 86,437,782

NOTE 3: CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable at June 30 are as follows:

	2021	2020
Amounts due in		
Less than one year	\$ 809,276	\$ 1,996,459
One to five years	5,619,035	5,906,377
Five to ten years	100,000	4,312
	6,528,311	7,907,148
Less unamortized discount	(196,119)	(215,828)
Less allowance for uncollectible receivables	(383,249)	(400,790)
Contributions receivable, net	\$ 5,948,943	\$ 7,290,530

Arkansas State University System Foundation, Inc.

Notes to Consolidated Financial Statements June 30, 2021 and 2020

NOTE 3: CONTRIBUTIONS RECEIVABLE, NET (Continued)

Contributions receivable which are scheduled to be received after one year are discounted using Treasury Bill rates for similar term investments. The applicable rates at June 30, 2021 and 2020, respectively were 0.19% to 0.97%. At June 30, 2021, one donor represented 78% of contributions receivable and one donor represented 62% of contribution revenue. At June 30, 2020, two donors represented 84% of contributions receivable.

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment at June 30 consists of the following:

	<u>2021</u>	<u>2020</u>
Land	\$ 110,092	\$ 110,092
Vehicles	130,145	95,145
Building	1,380,075	1,088,150
Works of art	915,823	915,823
Furnishings and equipment	139,975	139,975
	<u>2,676,110</u>	<u>2,349,185</u>
Accumulated depreciation	<u>(670,304)</u>	<u>(614,189)</u>
Total	<u>\$ 2,005,806</u>	<u>\$ 1,734,996</u>

NOTE 5: ENDOWMENTS

The Organization's endowments consist of approximately 400 individual funds established for a variety of purposes. The endowments include both donor-restricted endowment funds and a fund designated by the Board of Directors (the Board). 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 Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Organization classifies as net assets with donor restrictions the original value of gifts donated to the endowments, the original value of subsequent gifts to the endowments, accumulations to the endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund and the remaining amount of investment return less appropriated expenditures at the end of each year. However, by Board policy, any appreciation is considered an asset of the individual endowment fund and is not appropriated for general use.

Arkansas State University System Foundation, Inc.

Notes to Consolidated Financial Statements June 30, 2021 and 2020

NOTE 5: ENDOWMENTS (Continued)

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

The Organization has adopted investment and spending policies, approved by the Board, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, real estate funds and partnership interests that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution to meet the needs of the University 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 not expose the fund to unacceptable levels of risk.

The Organization has a spending policy of appropriating for distribution each year 4% of its endowment funds' average fair value of the prior five calendar year-ends for most of its endowments. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions and the possible effects of inflation.

The Organization expects the current spending policy to allow its endowment funds to grow at an average nominal rate of 3% annually, which is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

Distributions for endowment funds three years old or less are limited to actual cash yield; endowment funds less than \$10,000 will not be allowed to spend; and any "underwater" endowment funds will be limited to 3% of the rolling five year average fair value measured at calendar year-end.

Arkansas State University System Foundation, Inc.

Notes to Consolidated Financial Statements June 30, 2021 and 2020

NOTE 5: ENDOWMENTS (Continued)

Changes in endowment net assets as of June 30, 2021, are as follows:

	Board Designated Endowment Funds	Restricted Endowment Funds	Total
Endowment net assets July 1, 2020	\$ 4,742,823	\$ 75,764,757	\$ 80,507,580
Contributions	319,222	8,558,935	8,878,157
Investment return, net	1,459,519	16,918,115	18,377,634
Other income	216,690	2,200	218,890
Transfers in	799,805	-	799,805
Appropriation of endowments for expenditure	(90,608)	(3,621,213)	(3,711,821)
Change in split-interest agreements	-	(16,000)	(16,000)
Endowment net assets, June 30, 2021	<u>\$ 7,447,451</u>	<u>\$ 97,606,794</u>	<u>\$ 105,054,245</u>

Changes in endowment net assets as of June 30, 2020, are as follows:

	Board Designated Endowment Funds	Restricted Endowment Funds	Total
Endowment net assets, July 1, 2019	\$ 4,764,341	\$ 73,465,318	\$ 78,229,659
Contributions	11,033	1,767,490	1,778,523
Investment return, net	107,053	1,691,429	1,798,482
Other income	-	27,682	27,682
Appropriation of endowments for expenditure	(139,604)	(1,171,162)	(1,310,766)
Change in split-interest agreements	-	(16,000)	(16,000)
Endowment net assets, June 30, 2020	<u>\$ 4,742,823</u>	<u>\$ 75,764,757</u>	<u>\$ 80,507,580</u>

Arkansas State University System Foundation, Inc.

Notes to Consolidated Financial Statements June 30, 2021 and 2020

NOTE 6: NET ASSETS WITH DONOR RESTRICTIONS

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

Net assets with donor restrictions are available for the following purposes at June 30, 2021:

	Restricted as to Purposes	Restricted in Perpetuity
Facilities	\$ 5,710,380	\$ 6,007,269
Institutional support	6,171,941	19,354,739
Faculty/staff support	84,595	17,284,240
Research	177,920	2,089,964
Scholarships and awards	1,512,154	48,260,106
Student services	663,212	783,850
Community outreach	1,042,512	2,404,567
Total	\$ 15,362,714	\$ 96,184,735

Net assets with donor restrictions are available for the following purposes at June 30, 2020:

	Restricted as to Purposes	Restricted in Perpetuity
Facilities	\$ 2,448,271	\$ 4,116,954
Institutional support	5,322,539	12,429,504
Faculty/staff support	84,980	16,979,413
Research	208,955	2,395,243
Scholarships and awards	1,230,228	36,246,312
Student services	562,318	651,623
Community outreach	1,134,710	1,950,023
Total	\$ 10,992,001	\$ 74,769,072

Arkansas State University System Foundation, Inc.

Notes to Consolidated Financial Statements June 30, 2021 and 2020

NOTE 7: DUE TO ARKANSAS STATE UNIVERSITY CAMPUSES

During the year ended June 30, 2019, the Organization received a contribution on behalf of the University to fund the construction and equipping of a building on the campus of the University. The Organization recorded a liability to the University in Due to Arkansas State University campuses on the consolidated statements of financial position for the remaining amounts unspent on the construction and equipping of the building.

NOTE 8: AMOUNTS HELD ON BEHALF OF ARKANSAS STATE UNIVERSITY RELATED ENTITIES

The Organization acts in an agency capacity for funds received and held for Arkansas State University System; Arkansas State University – Jonesboro; Arkansas State University – Beebe; Arkansas State University Alumni Association; and Arkansas State University Red Wolves Foundation, Inc. (the Agencies). The Organization has no discretion over the use of these funds. Any resources received in connection with such agency transactions are recorded as liabilities rather than contributions. No revenue or expense is recorded in the consolidated statements of activities for activity in these funds.

NOTE 9: MANAGEMENT AGREEMENTS

The Agencies and the Organization have a memorandum of understanding whereby the Agencies loan certain endowment funds to the Organization for the purpose of maximizing the investment yield and increasing the funds available for the Agency's programs. The funds are managed with an asset allocation similar to that of the Organization. The Organization receives a management fee from the Agencies as compensation for managing the endowment funds. For the years ended June 30, 2021 and 2020, the Organization received management fees totaling approximately \$1,016,000 and \$838,000, respectively.

NOTE 10: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization monitors its liquidity so that it is able meet its operating needs and contractual commitments while maximizing the investment of its excess operating cash.

The Organization has the following financial assets that could readily be made available within one year of the consolidated statements of financial position to fund expenses without limitations:

Arkansas State University System Foundation, Inc.

Notes to Consolidated Financial Statements June 30, 2021 and 2020

NOTE 10: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)

	2021	2020
Cash and cash equivalents	\$ 9,385,171	\$ 11,876,860
Certificates of deposit	4,520,022	5,015,763
Contributions receivable, net	5,948,943	7,290,530
Investments, at fair value	114,385,899	86,437,782
	134,240,035	110,620,935
Less cash and cash equivalents held on behalf of Arkansas State University related entities	(485,931)	(458,642)
Less certificates of deposit with maturity greater than one year	(1,525,287)	-
Less contributions due in more than one year	(5,719,035)	(5,910,689)
Less endowment assets	(105,054,245)	(80,507,580)
Add back appropriations for years ended June 30, 2022 and 2021	2,605,072	2,461,118
	(110,179,426)	(84,415,793)
Financial assets available to meet cash needs for general expenditures within one year	\$ 24,060,609	\$ 26,205,142

Although not expected to be needed, the Organization also has available for spending without limitation board-designated net assets of \$7,447,451 and \$4,742,823, respectively, at June 30, 2021 and 2020. These resources are invested for long-term appreciation and current income, but may be spent at the discretion of the Board. See Notes 2 and 5 for further information about the Organization's investments and board-designated net assets, respectively.

NOTE 11: RISKS AND UNCERTAINTIES

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

NOTE 12: SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 24, 2021, the date that the financial statements were available to be issued.