



WASHBURN UNIVERSITY FOUNDATION

Consolidated Financial Statements and
Independent Auditor's Report

June 30, 2023 and 2022

WASHBURN UNIVERSITY FOUNDATION

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Independent Auditor's Report

The Board of Directors
Washburn University Foundation

Opinion

We have audited the accompanying consolidated financial statements of Washburn University Foundation and its subsidiaries, which comprise the consolidated statement of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities and cash flows for the years then ended, and the related summary of significant accounting policies and notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Washburn University Foundation and its subsidiaries as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Washburn University Foundation and its subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated 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; and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Washburn University Foundation and its subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.



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Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Washburn University Foundation and its subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Washburn University Foundation and its subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Mize CPAs Inc.

Topeka, Kansas
October 26, 2023

WASHBURN UNIVERSITY FOUNDATION

Consolidated Statement of Financial Position June 30,

	<u>2023</u>	<u>2022</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 4,570,704	\$ 6,316,273
Investments:		
At fair value	147,536,324	144,972,320
At cost	31,213,642	27,598,582
	<u>178,749,966</u>	<u>172,570,902</u>
Bequests receivable	45,790	2,972,671
Pledges receivable	23,601,081	18,618,566
Accrued investment income receivable	40,237	33,230
Beneficial interests in trusts	9,080,026	8,924,689
Real estate, net	2,639,572	2,695,956
Equipment, net	<u>70,798</u>	<u>52,944</u>
Total assets	<u><u>\$ 218,798,174</u></u>	<u><u>\$ 212,185,231</u></u>
 <u>Liabilities and Net Assets</u>		
Accounts payable and accrued liabilities	\$ 460,860	\$ 485,604
Due to Washburn University of Topeka	215,356	255,329
Charitable gift liabilities	323,139	402,492
Funds managed on behalf of Washburn University of Topeka	30,193,413	29,197,272
Funds managed on behalf of Washburn Law School Foundation	7,993,532	7,488,513
Total liabilities	<u>39,186,300</u>	<u>37,829,210</u>
Net assets:		
Without donor restrictions	14,966,888	14,800,216
With donor restrictions	164,644,986	159,555,805
Total net assets	<u>179,611,874</u>	<u>174,356,021</u>
Total liabilities and net assets	<u><u>\$ 218,798,174</u></u>	<u><u>\$ 212,185,231</u></u>

The accompanying summary of significant accounting policies
and notes are an integral part of these financial statements.

WASHBURN UNIVERSITY FOUNDATION

Consolidated Statement of Activities Years Ended June 30,

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:						
Support:						
Contributions	\$ 3,222,017	\$ 12,041,465	\$ 15,263,482	\$ 2,756,557	\$ 8,755,350	\$ 11,511,907
Change in beneficial interest and other	-	830,012	830,012	-	(1,466,493)	(1,466,493)
Total support	<u>3,222,017</u>	<u>12,871,477</u>	<u>16,093,494</u>	<u>2,756,557</u>	<u>7,288,857</u>	<u>10,045,414</u>
Revenue:						
Investment return, net	1,491,455	10,339,885	11,831,340	970,640	(14,288,854)	(13,318,214)
Administration	709,916	-	709,916	468,266	-	468,266
Events	13,621	32,360	45,981	164,962	40,529	205,491
Other	377,857	227,119	604,976	269,828	(5,600)	264,228
Total revenue	<u>2,592,849</u>	<u>10,599,364</u>	<u>13,192,213</u>	<u>1,873,696</u>	<u>(14,253,925)</u>	<u>(12,380,229)</u>
Net assets released from restrictions	<u>18,428,439</u>	<u>(18,428,439)</u>	<u>-</u>	<u>7,902,136</u>	<u>(7,902,136)</u>	<u>-</u>
Total support and revenue	<u>24,243,305</u>	<u>5,042,402</u>	<u>29,285,707</u>	<u>12,532,389</u>	<u>(14,867,204)</u>	<u>(2,334,815)</u>
Expenses:						
Program services	19,569,626	-	19,569,626	9,472,850	-	9,472,850
Management and general	1,706,089	-	1,706,089	1,553,042	-	1,553,042
Fundraising	2,754,139	-	2,754,139	2,950,965	-	2,950,965
Total expenses	<u>24,029,854</u>	<u>-</u>	<u>24,029,854</u>	<u>13,976,857</u>	<u>-</u>	<u>13,976,857</u>
Excess (deficit) of support and revenues over expenses	213,451	5,042,402	5,255,853	(1,444,468)	(14,867,204)	(16,311,672)
Other fund transfers, net	(46,779)	46,779	-	(336,061)	336,061	-
Change in net assets	<u>166,672</u>	<u>5,089,181</u>	<u>5,255,853</u>	<u>(1,780,529)</u>	<u>(14,531,143)</u>	<u>(16,311,672)</u>
Net assets, beginning of year	<u>14,800,216</u>	<u>159,555,805</u>	<u>174,356,021</u>	<u>16,580,745</u>	<u>174,086,948</u>	<u>190,667,693</u>
Net assets, end of year	<u>\$ 14,966,888</u>	<u>\$ 164,644,986</u>	<u>\$ 179,611,874</u>	<u>\$ 14,800,216</u>	<u>\$ 159,555,805</u>	<u>\$ 174,356,021</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

WASHBURN UNIVERSITY FOUNDATION

Consolidated Statement of Cash Flows Years Ended June 30,

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 5,255,853	\$ (16,311,672)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	65,146	63,139
Permanent impairment on private placements investments	210,497	-
Net realized and unrealized (gain) loss on investments	(10,764,816)	15,478,538
Contributions restricted for endowment	(4,360,827)	(5,968,839)
Change in discount on pledges receivable	(1,572,219)	(2,806,771)
Changes in operating assets and liabilities:		
Pledges receivable	(3,410,296)	4,811,764
Bequests receivable	2,926,881	869,770
Beneficial interests in trusts	(155,337)	1,955,030
Accrued investment income receivable	(7,007)	6,537
Accounts payable and accrued liabilities	(24,744)	(178,181)
Due to Washburn University of Topeka	(39,973)	33,599
Agency funds, net of realized and unrealized gains and losses	(1,956,055)	(1,316,415)
Net cash used in operating activities	<u>(13,832,897)</u>	<u>(3,363,501)</u>
Cash flows from investing activities:		
Purchase of equipment	(26,616)	(23,012)
Purchase of investments	(18,799,857)	(21,661,334)
Proceeds from investments	26,632,327	20,906,437
Net cash provided by (used in) investing activities	<u>7,805,854</u>	<u>(777,909)</u>
Cash flows from financing activities:		
Annuity obligations	(79,353)	(100,971)
Contributions restricted for endowment	4,360,827	5,968,839
Net cash provided by financing activities	<u>4,281,474</u>	<u>5,867,868</u>
(Decrease) increase in cash and cash equivalents	(1,745,569)	1,726,458
Cash and cash equivalents, beginning of year	<u>6,316,273</u>	<u>4,589,815</u>
Cash and cash equivalents, end of year	<u>\$ 4,570,704</u>	<u>\$ 6,316,273</u>
Income taxes (paid) received	<u>\$ (52)</u>	<u>\$ 232</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

WASHBURN UNIVERSITY FOUNDATION

Summary of Significant Accounting Policies **June 30, 2023 and 2022**

Organization

Washburn University Foundation (the Foundation) is a Kansas not-for-profit organization created to assist in the promotion, development, and enhancement of the financial resources for Washburn University of Topeka (the University) as well as to receive and hold in trust any assets given in benefit of the University. The Foundation primarily manages endowment or trust funds, the income from which is used for the benefit of the University. The Foundation is responsible for the fundraising activities of the University. The Foundation also manages funds for the Washburn Law School Foundation (the Law School Foundation).

In 2016, the Foundation formed a single member limited liability company, Impact Asset Management, L.L.C. (the LLC), for the purpose of holding real estate. The Foundation contributed capital to the LLC in the amount of \$3,050,000, is the sole member of the LLC, and elects the board of directors of the LLC.

In 2018, the Foundation formed the Washburn University Charitable Gift Fund (the Fund), a Kansas not-for-profit organization. The Fund was established for the purpose of accepting donor-advised funds. The Foundation is the sole member of the Fund and elects the board of directors of the Fund. As of June 30, 2023 and 2022, the Fund has approximately \$36,000 and \$135,000, respectively, in donor-advised funds.

Basis of Financial Presentation

The Foundation's consolidated financial statements include the accounts of the Foundation, the LLC, and the Fund in accordance with accounting principles generally accepted in the United States of America. All significant intercompany transactions have been eliminated in consolidation.

The Foundation uses the accrual method of accounting.

The Foundation reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Assets without donor restrictions represent amounts available for support of the operations of the Foundation, and that are not subject to donor stipulation.

Assets with donor restrictions are subject to donor and/or time restrictions. These funds either require that the principal be invested in perpetuity and the income only be used by the Foundation or are restricted by the donor's intent as to usage.

Use of Estimates

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

WASHBURN UNIVERSITY FOUNDATION

Summary of Significant Accounting Policies June 30, 2023 and 2022

Fair Value Measurement

Assets recorded at fair value on the statement of financial position are categorized based upon the level of observability associated with the inputs used to measure their fair value. Fair value is defined as the amount that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The availability of observable inputs is affected by a variety of factors, including the type of asset and the transparency of market transactions. To the extent that fair value is based on inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment.

The three-level hierarchy for fair value measurements is defined as follows:

- Level 1 Inputs are unadjusted, quoted prices in active markets for identical assets at the measurement date.
- Level 2 Inputs are other than quoted prices in active markets that are observable for the asset, either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 Inputs are unobservable and significant to the asset, and include situations where there is little, if any, market activity.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants used to make valuation decisions, including assumptions about risk. Inputs may include market price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. The classification of a financial asset within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by management. Management considers observable data to be that market data, which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by multiple, independent sources that are actively involved in the relevant market. The categorization of a fund within the hierarchy is based upon the pricing transparency of that fund and does not necessarily correspond to management's perceived risk of that fund.

The fair value of the securities included in Level 1 include equity securities that are traded on an active exchange and are valued at the quoted market prices based on the last sale price on the measurement date. The fair value of the securities included in Level 2 include U.S. government obligations that are valued using pricing models maximizing the use of observable inputs for similar securities, as provided by the broker, a Federally Insured Cash Account that is valued using pricing models, as provided by the investment fund, and life insurance policies that are valued based on information provided by the life insurance companies.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Management evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total net assets. For the years ended June 30, 2023 and 2022, there were no significant transfers in or out of Levels 1, 2 or 3.

WASHBURN UNIVERSITY FOUNDATION

Summary of Significant Accounting Policies **June 30, 2023 and 2022**

Investments

Investments in equity securities with readily determinable values are reported at fair value. Investments in various hedge funds, commingled accounts, and limited partnerships are recorded at the net asset value (NAV) per share, as a practical expedient to fair value, of the investments. Private equity and private real asset investments are carried at cost, less any adjustments for impairment.

The Foundation has a policy of pooling assets for investment purposes unless donor restrictions prohibit such pooling. The Foundation allocates a portion of investment income from pooled assets to support the Foundation's operations. The amount of investment income allocated for fiscal year 2023 and 2022 was approximately \$1,139,000 and \$1,931,000, respectively. The remaining investment return from pooled assets was generally allocated to each fund in the pool based on its relative market value.

Investment securities are exposed to various risks such as interest rate, market fluctuation, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect investments and the amounts reported in the consolidated statement of financial position and consolidated statement of activities.

All investment income and realized and unrealized gains and losses are reported on the consolidated statement of activities and classified as without donor restrictions unless restricted by the donor or applicable law.

Beneficial Interests in Trusts

The beneficial interest in perpetual trusts represents trust arrangements in which the Foundation does not exercise control over the trust assets; however, the Foundation does receive specified distributions over the term of the trust. The Foundation's interest in the trust is recorded at the present value of the estimated future cash flows from each trust, which generally approximates the fair market value of these trusts. The assets in these trusts consist of cash and marketable debt and equity securities.

Pledges Receivable – Promises to Give

Unconditional promises to give that are expected to be received within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured at the present value of the estimated future cash flows. The discounts on those amounts are determined using risk-free rates, adjusted for a risk premium rate if necessary.

Conditional promises to give are not recorded until such time as the conditions are substantially met.

Contributions

Contributions received are recorded as increases in net assets without donor restrictions and net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions whose restrictions lapse, expire, or are otherwise met in the same reporting year as the contribution received are recorded as without donor restriction.

The Foundation received a pledge for approximately \$6,906,000 (after discount) from one donor during 2023.

WASHBURN UNIVERSITY FOUNDATION

Summary of Significant Accounting Policies **June 30, 2023 and 2022**

Property and Equipment

Property and equipment are stated at cost or estimated fair value at date of donation. Major additions and improvements are capitalized, while ordinary maintenance and repairs are expensed. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets.

Income Taxes

The Foundation and the Fund are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and are not classified as private foundations.

The LLC is a disregarded entity and is, therefore, included in the Foundation's income tax return and is also exempt from income tax.

The Foundation's present accounting policy for the evaluation of uncertain tax positions is to review those positions on an annual basis. A liability would be recorded in the financial statements during the period which, based on all available evidence, management believes it is more likely than not that the tax position would not be sustained upon examination by taxing authorities and the liability would be incurred by the Foundation.

The entities noted above file income tax returns in the U.S. federal and various state jurisdictions. There are currently no examinations of the income tax returns in progress.

Functional Allocation of Expenses

Certain expenses are allocated to more than one function on a reasonable and consistently applied basis. Depreciation, information technology, and occupancy are based upon staff allocation to functional areas. Salaries and benefits are based on estimates of time and effort. All other expenses are allocated based on estimates of usage.

Statement of Cash Flows

For purposes of the statement of cash flows, cash and cash equivalents include cash deposits in commercial banks with original maturities of three months or less.

Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842), which supersedes existing guidance for accounting for leases under Topic 840, *Leases*. The FASB also subsequently issued additional ASUs, which amended and clarified the standard. The most significant changes are the requirement to recognize right-of-use (ROU) assets and lease liabilities for operating leases on the statement of financial position, as well as expanded disclosure requirements. The Foundation adopted the new lease standard on July 1, 2022 using the modified retrospective effective date transition method while utilizing certain practical expedients.

Management has elected to apply the package of practical expedients during transition that allows the Foundation to not reassess expired or existing contracts and leases for decisions that were already properly made under Topic 840, *Leases*. Management has also elected to apply the risk-free discounted interest rate practical expedient, which allows the Foundation to make an accounting policy election to use a risk-free rate as the discount rate. The transition to these ASUs represents a change in accounting principle. Management has determined the adoption of this new standard did not have a material impact on the Foundation's consolidated financial statement. Accordingly, no adjustment was required at the time of adoption.

WASHBURN UNIVERSITY FOUNDATION

Notes to Consolidated Financial Statements June 30, 2023 and 2022

1. Investments

Investments are reflected in the financial statements at fair value or cost in accordance with applicable accounting standards. Investments are as follows at June 30:

		2023			
		Total	Level 1	Level 2	Level 3
Investments carried at fair value:					
U.S. equity	\$ 7,100,609	\$ 7,100,609	\$ -	\$ -	
International equity	4,871,665	4,871,665	-	-	
Fixed income	4,336,355	-	4,336,355	-	
Cash management	3,261,379	-	3,261,379	-	
Life insurance policies	1,740,145	-	1,740,145	-	
Other	223,945	-	-	-	223,945
Total	<u>21,534,098</u>	<u>\$11,972,274</u>	<u>\$ 9,337,879</u>	<u>\$ 223,945</u>	
Investments at NAV	<u>126,002,226</u>				
Private equity investments	24,877,073				
Private real asset investments	<u>6,336,569</u>				
Total at cost	<u>31,213,642</u>				
Total investments	<u>\$178,749,966</u>				
		2022			
		Total	Level 1	Level 2	Level 3
Investments carried at fair value:					
U.S. equity	\$ 9,534,582	\$ 9,534,582	\$ -	\$ -	
International equity	3,962,143	3,962,143	-	-	
Fixed income	4,585,330	-	4,585,330	-	
Cash management	3,933,912	-	3,933,912	-	
Life insurance policies	1,778,964	-	1,778,964	-	
Other	225,560	-	-	-	225,560
Total	<u>24,020,491</u>	<u>\$13,496,725</u>	<u>\$10,298,206</u>	<u>\$ 225,560</u>	
Investments at NAV	<u>120,951,829</u>				
Private equity investments	21,478,571				
Private real asset investments	<u>6,120,011</u>				
Total at cost	<u>27,598,582</u>				
Total investments	<u>\$172,570,902</u>				

WASHBURN UNIVERSITY FOUNDATION

Notes to Consolidated Financial Statements June 30, 2023 and 2022

1. Investments (continued)

The following table provides a summary of changes in the fair value of the Foundation's Level 3 investments:

	<u>2023</u>	<u>2022</u>
Beginning fair value	\$ 225,560	\$ 224,078
Net change in value	<u>(1,615)</u>	<u>1,482</u>
Ending fair value	<u>\$ 223,945</u>	<u>\$ 225,560</u>

Investments at NAV

Investments that are measured using the NAV practical expedient, by type, are outlined in the table below.

Description	June 30, 2023	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
U.S. equity (a)	\$ 25,564,270	None	Monthly, quarterly	10-60 days
International equity (b)	22,397,063	None	Semi-monthly, quarterly, monthly	6-45 days
Global equity (c)	23,039,274	None	Weekly, every three years	6-126 days
Alternatives (d)	26,212,405	None	Monthly, quarterly, annually, 36-month	10-65 days
Public real estate (e)	9,161,725	None	Monthly, quarterly	15-90 days
Fixed income (f)	<u>19,627,489</u>	None	Daily, semi-monthly	2-5 days
	<u>\$126,002,226</u>			

Description	June 30, 2022	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
U.S. equity (a)	\$ 21,502,355	None	Monthly, quarterly	10-60 days
International equity (b)	22,078,028	None	Semi-monthly, quarterly, monthly	6-45 days
Global equity (c)	19,339,861	None	Weekly, every three years	6-126 days
Alternatives (d)	30,787,707	None	Monthly, quarterly, annually, 36-month	10-65 days
Public real estate (e)	8,554,497	None	Monthly, quarterly	15-90 days
Fixed income (f)	<u>18,689,381</u>	None	Daily	1-2 days
	<u>\$120,951,829</u>			

- (a) This category includes investments in an offshore fund and limited partnerships with strategies, including ex Small Cap Growth, Opportunistic, and long/short funds (130/30).
- (b) This category includes investments in a commingled account, an investment trust, an offshore fund, and limited partnerships with strategies, including Global ex U.S. Diverse, Global ex U.S. Growth, Global ex U.S. Small Company Equity, Emerging Market Equity, and Chinese Equity.
- (c) This category includes an investment in an offshore fund and an open-ended investment company with strategies in Global Value and Concentrated Long Equity.

WASHBURN UNIVERSITY FOUNDATION

Notes to Consolidated Financial Statements June 30, 2023 and 2022

1. **Investments** (continued)

Investments at NAV (continued)

- (d) This category includes investments in offshore funds and a commingled account with strategies, including Long/Short Growth; Multi-Strategy, Event Driven; Fixed Income Arbitrage; Multi-Strategy, Credit; Global Macro, and Diversified Multi-Strategy. Certain funds may have the ability to impose suspension or postponement of redemptions until further notice (a Gate). In addition, certain funds may delay payment of a portion of redemption proceeds (a Holdback) until the annual audited financial statements are distributed.
- (e) This category includes investments in a commingled account and limited partnerships with strategies, including Global REIT, MLP-Energy, and Carbon Allowances.
- (f) This category includes commingled accounts with an Intermediate-Term Fixed Income Strategy and a short-term fixed income strategy.

Private Placement Investments

Private placement investments include private equity and private real asset investments. These investments are recorded in the Foundation financial statements at cost, less any impairment adjustment, in the absence of readily determinable fair market values.

The Foundation's private placement investments are susceptible to changes in the U.S. and foreign economies. Management evaluates each investment, considering the near-term prospects of the investee, the age of the investment, and the Foundation's estimated future cash inflows from the investments. As a result of this evaluation, in 2023 it was determined that the value of five private investments were determined to be impaired and, accordingly, the carrying value of these investments was reduced in the amount of \$273,373 during 2023. The impairment adjustment resulted in a reduction of Foundation investment income of \$210,497, and a reduction of investment income on agency funds held for the University and Law School Foundation of \$62,876. The cumulative impairment adjustments on private placement investments since inception total \$4,815,111, none of which occurred during 2022.

The private placement investees provide the Foundation with capital account information based on the estimated value of the underlying investments. The cumulative value as reported by the investees totaled \$47,881,718 as of June 30, 2023, which indicates a net unrealized gain of \$16,668,076. The net unrealized gain is composed of gross unrealized gains of \$16,823,671 and gross unrealized losses of \$(155,595).

The Foundation has unfunded commitments on private placement investment funds of approximately \$18,000,000 at June 30, 2023.

These private placement investments do not provide for withdrawals or redemptions at the initiative of the partners; rather, distributions will be paid as investments are liquidated or from distributable cash as determined by the partnership agreements.

WASHBURN UNIVERSITY FOUNDATION

Notes to Consolidated Financial Statements June 30, 2023 and 2022

1. Investments (continued)

Investment Return

Amounts included in investment return, net of income (loss) allocated to agency funds, are as follows:

	<u>2023</u>	<u>2022</u>
Dividends and interest	\$ 2,001,784	\$ 2,888,994
Net realized gain	1,780,527	3,051,290
Change in net unrealized gain (loss)	8,984,289	(18,529,828)
Investment expense	(724,763)	(728,670)
Permanent impairment on private placement investments	<u>(210,497)</u>	<u>-</u>
	<u>\$ 11,831,340</u>	<u>\$ (13,318,214)</u>

2. Pledges Receivable

The Foundation estimates pledges receivable will be collected as follows:

	<u>2023</u>	<u>2022</u>
Receivable in less than one year	\$ 5,263,070	\$ 3,096,065
Receivable in one to five years	10,895,567	8,063,525
Thereafter	<u>15,301,584</u>	<u>13,759,282</u>
	31,460,221	24,918,872
Less allowance for uncollectible pledges	(86,644)	(100,029)
Less unamortized discount	<u>(7,772,496)</u>	<u>(6,200,277)</u>
	<u>\$ 23,601,081</u>	<u>\$ 18,618,566</u>

Pledges receivable (after discount) from two single donors total approximately \$16,700,000 at June 30, 2023. Pledges receivable (after discount) from one single donor total approximately \$10,185,000 at June 30, 2022. Pledges receivable are discounted at 4.2% and 3.6% in 2023 and 2022, respectively, except for one long-term pledge (17 years) in the amount of approximately \$3,961,000, which is discounted at a rate of 5.5% in 2023 and 4.8% in 2022.

The Foundation considers pledges receivable to be classified as Level 3 within the fair value hierarchy. The following table provides a summary of changes in the fair value of the Foundation's pledges receivable.

	<u>2023</u>	<u>2022</u>
Pledges receivable, beginning	\$ 18,618,566	\$ 20,623,559
New pledges	10,600,219	3,924,746
Pledge payments received	(3,492,729)	(2,979,252)
Pledges written off	(556,069)	(63,036)
Reclassifications and change in discount	<u>(1,568,906)</u>	<u>(2,887,451)</u>
Pledges receivable, ending	<u>\$ 23,601,081</u>	<u>\$ 18,618,566</u>

WASHBURN UNIVERSITY FOUNDATION

Notes to Consolidated Financial Statements June 30, 2023 and 2022

2. **Pledges Receivable** (continued)

The Foundation has been notified of additional intentions to give that are expected to be collected in future periods, principally through wills and revocable trusts. As such, these intentions to give are considered conditional and have not been recorded in the financial statements.

The Foundation is the residual beneficiary of an estate gift from the trust of an individual donor with a current value of approximately \$5,500,000 (unaudited). This deferred gift has not been included in the accompanying financial statements in accordance with current accounting guidance.

3. **Liquidity and Availability of Resources**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are comprised of the following at June 30:

	<u>2023</u>	<u>2022</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 4,570,704	\$ 6,316,273
Pledges and bequests receivable, net	23,646,871	21,591,237
Investments	178,749,966	172,570,902
Accrued investment income receivable	<u>40,237</u>	<u>33,230</u>
Total financial assets	<u>207,007,778</u>	<u>200,511,642</u>
Less amounts with limits on usage:		
Spendable net assets with restrictions	(13,243,269)	(22,875,811)
Endowment restricted net assets	(103,224,999)	(94,888,879)
Pledged net assets with restrictions	(23,592,539)	(18,603,042)
Other restricted net assets in investments	(15,175,279)	(13,931,005)
Agency funds	(38,186,945)	(36,685,785)
Charitable gift liabilities	<u>(323,139)</u>	<u>(402,492)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 13,261,608</u>	<u>\$ 13,124,628</u>

In addition to financial assets available to meet general expenditures, management anticipates that a portion of spendable net assets with restrictions and other restricted net assets will be utilized to support program activities during the fiscal year ending June 30, 2024.

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Management and the investment committee meet at least quarterly to discuss any liquidity needs.

WASHBURN UNIVERSITY FOUNDATION

Notes to Consolidated Financial Statements June 30, 2023 and 2022

4. **Beneficial Interests in Trusts**

The following is a summary of beneficial interests in trusts. The Foundation considers all of these trusts to be classified as Level 3 within the fair value hierarchy.

	<u>2023</u>	<u>2022</u>
Perpetual trusts	\$ 8,607,680	\$ 8,144,016
Charitable remainder trusts	149,751	144,491
Charitable lead trust	<u>322,595</u>	<u>636,182</u>
	<u>\$ 9,080,026</u>	<u>\$ 8,924,689</u>

The following table provides a summary of changes in the fair value of the Foundation's beneficial interests in trusts:

	<u>2023</u>	<u>2022</u>
Beginning fair value	\$ 8,924,689	\$10,879,719
Distributions to Foundation	(574,553)	(612,670)
Change in value in beneficial interest	<u>729,890</u>	<u>(1,342,360)</u>
Ending fair value	<u>\$ 9,080,026</u>	<u>\$ 8,924,689</u>

5. **Real Estate and Equipment**

Real estate and equipment consists of the following:

	<u>2023</u>	<u>2022</u>
<u>Real estate:</u>		
Land	\$ 892,000	\$ 892,000
Buildings	<u>2,108,000</u>	<u>2,108,000</u>
Total	3,000,000	3,000,000
Less accumulated depreciation	<u>(360,428)</u>	<u>(304,044)</u>
Net	<u>\$ 2,639,572</u>	<u>\$ 2,695,956</u>
<u>Equipment:</u>		
Furniture and equipment	\$ 473,395	\$ 446,779
Less accumulated depreciation	<u>(402,597)</u>	<u>(393,835)</u>
Net	<u>\$ 70,798</u>	<u>\$ 52,944</u>

The LLC acquired land and buildings, which are being held for strategic purposes. The property includes various retail spaces that are currently being leased by the LLC to various lessees through 2027. Net income from leasing activities was \$167,073 and \$126,256 for the years ended June 30, 2023 and 2022, respectively.

6. **Charitable Gift Liabilities**

The Foundation is the recipient of various charitable gift annuities. The annuity payment liability is recognized at the present value of future cash flows expected to be paid to the annuitants. The present value is based on a discount rate and the remaining life expectancy of the annuitants.

WASHBURN UNIVERSITY FOUNDATION

Notes to Consolidated Financial Statements June 30, 2023 and 2022

7. Net Assets and Agency Funds

Net assets and agency funds by purpose and type are as follows at June 30:

	With Donor Restrictions			Without Donor Restrictions	Foundation Total Net Assets	Agency Funds (See Note 11)	Total	%
	Perpetual	Spendable	Pledge Receivables					
2023								
Scholarship	\$ 78,132,119	\$ 3,335,424	\$ 3,939,488	\$ -	\$ 85,407,031	\$25,112,717	\$110,519,748	50.7%
Student support	1,025,670	524,027	107,028	-	1,656,725	89,292	1,746,017	.8
Program support	21,022,881	5,312,641	1,628,769	-	27,964,291	3,271,385	31,235,676	14.3
Faculty support	4,319,588	171,333	-	-	4,490,921	212,013	4,702,934	2.2
Professorship/Chairs	13,058,064	-	281,075	-	13,339,139	3,581,644	16,920,783	7.8
Capital	1,786,833	3,743,114	17,628,655	-	23,158,602	67,410	23,226,012	10.6
Restricted for time purposes	-	-	7,524	-	7,524	4,084	11,608	.0
Area of greatest need:								
Undesignated	-	-	-	14,966,888	14,966,888	3,961,947	18,928,835	8.7
Other	-	156,730	-	-	156,730	-	156,730	.1
Perpetual endowment	5,534,300	-	-	-	5,534,300	2,250,580	7,784,880	3.6
Undistributed income subject to spending policy	2,929,723	-	-	-	2,929,723	(364,127)	2,565,596	1.2
	<u>\$127,809,178</u>	<u>\$13,243,269</u>	<u>\$23,592,539</u>	<u>\$14,966,888</u>	<u>\$179,611,874</u>	<u>\$38,186,945</u>	<u>\$217,798,819</u>	<u>100.0%</u>
2022								
Scholarship	\$ 71,498,175	\$ 5,334,326	\$ 3,012,647	\$ -	\$ 79,845,148	\$24,147,479	\$103,992,627	49.3%
Student support	928,013	504,597	98,151	-	1,530,761	85,868	1,616,629	.8
Program support	19,662,102	4,937,585	2,281,875	-	26,881,562	3,158,307	30,039,869	14.2
Faculty support	4,233,922	166,641	-	-	4,400,563	203,964	4,604,527	2.2
Professorship/Chairs	11,877,274	-	304,743	-	12,182,017	3,516,130	15,698,147	7.4
Capital	1,705,792	12,030,500	12,900,058	-	26,636,350	89,975	26,726,325	12.7
Restricted for time purposes	-	-	5,568	-	5,568	3,468	9,036	.0
Area of greatest need:								
Undesignated	-	-	-	14,800,216	14,800,216	3,642,500	18,442,716	8.7
Other	-	(97,838)	-	-	(97,838)	-	(97,838)	.0
Perpetual endowment	5,528,353	-	-	-	5,528,353	2,245,220	7,773,573	3.7
Undistributed income subject to spending policy	2,643,321	-	-	-	2,643,321	(407,126)	2,236,195	1.0
	<u>\$118,076,952</u>	<u>\$22,875,811</u>	<u>\$18,603,042</u>	<u>\$14,800,216</u>	<u>\$174,356,021</u>	<u>\$36,685,785</u>	<u>\$211,041,806</u>	<u>100.0%</u>

WASHBURN UNIVERSITY FOUNDATION

Notes to Consolidated Financial Statements June 30, 2023 and 2022

8. Endowment Funds

The Foundation's endowment consists of approximately 800 funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds that the Foundation must hold in perpetuity. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Kansas has enacted a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which provides guidance and authority for the management of endowment funds.

The board of directors of the Foundation has interpreted 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 Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Investment earnings on the endowment fund remain classified in net assets 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 including the ability to spend from underwater funds:

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

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under these policies, as approved by the board of directors, the Foundation feels that distributions to be made in the future are as important as distributions made today. This is consistent with the philosophy that the Foundation is to exist in perpetuity, and therefore, should provide for distributions in perpetuity. The Foundation expects its endowment funds, over time, to provide an annualized total return (net of fees and expenses), through appreciation and investment income, equal to or greater than the rate of inflation, plus the board approved distribution to Washburn University and budgeted operating expenses.

WASHBURN UNIVERSITY FOUNDATION

Notes to Consolidated Financial Statements June 30, 2023 and 2022

8. **Endowment Funds** (continued)

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Foundation has a policy of appropriating for distribution an amount, which normally makes available a percentage (4.45% in 2023 and 4.55% in 2022) of the 21-quarter moving average of the market value of the endowment pool. These computations are completed quarterly and commence with the September quarter-end prior to the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment and the Foundation's primary objective of providing Washburn University with stable and predictable support for students and programs. To attain this goal, the Foundation seeks to grow the aggregate portfolio funds in perpetuity through investment earnings and growth through new gifts.

In February 2023, the Foundation's Board of Directors reviewed and approved the distribution of earnings from all funds, including underwater endowments.

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 (underwater endowments). These deficiencies result from unfavorable market fluctuations and continued appropriation for certain programs as deemed prudent by the board of directors.

At June 30, funds with deficiencies were reported in net asset with donor restrictions as detailed below:

	<u>2023</u>	<u>2022</u>
Fair value of underwater endowment funds	\$56,415,795	\$58,708,870
Original endowment gift amount	<u>68,849,475</u>	<u>73,154,032</u>
Deficiencies of underwater endowment funds	<u>\$12,433,680</u>	<u>\$14,445,162</u>

WASHBURN UNIVERSITY FOUNDATION

Notes to Consolidated Financial Statements June 30, 2023 and 2022

8. **Endowment Funds** (continued)

Composition and changes in endowment net assets for the year ended June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	June 30, 2023 Total
Endowment net assets, beginning of year	\$ 710,675	\$ 94,888,879	\$ 95,599,554
Investment return, net	70,744	8,797,505	8,868,249
Contributions	-	4,360,827	4,360,827
Appropriation of endowment assets for expenditure	(397,333)	(4,480,912)	(4,878,245)
Other changes:			
Release from time restriction	<u>341,300</u>	<u>(341,300)</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 725,386</u>	<u>\$103,224,999</u>	<u>\$103,950,385</u>

Composition and changes in endowment net assets for the year ended June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	June 30, 2022 Total
Endowment net assets, beginning of year	\$ 925,410	\$105,259,400	\$106,184,810
Investment return, net	(30,226)	(12,038,194)	(12,068,420)
Contributions	-	5,968,839	5,968,839
Appropriation of endowment assets for expenditure	(527,621)	(3,958,054)	(4,485,675)
Other changes:			
Release from time restriction	<u>343,112</u>	<u>(343,112)</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 710,675</u>	<u>\$ 94,888,879</u>	<u>\$ 95,599,554</u>

9. **Pension Plan**

The Foundation provides retirement benefits for all full-time employees through individual annuities with TIAA. Retirement benefits equal the amount accumulated to each employee's credit at the date of retirement. The costs of the Plan are paid by the Foundation and were \$240,586 and \$235,195 for the years ended June 30, 2023 and 2022, respectively.

WASHBURN UNIVERSITY FOUNDATION

Notes to Consolidated Financial Statements June 30, 2023 and 2022

10. Functional Expenses

Expenses by function and natural classification are as follows at June 30:

	Programs for the University	Expenses for the Alumni Program	Fundraising	Management and General	Total
<u>2023</u>					
Distributions to Washburn University:					
Scholarships	\$ 3,506,064	\$ -	\$ -	\$ -	\$ 3,506,064
Professorships	344,138	-	-	-	344,138
Facilities	11,177,979	-	-	-	11,177,979
Program support	3,244,881	-	-	-	3,244,881
Student support	121,698	-	-	-	121,698
General support	339,198	-	-	-	339,198
Faculty support	252,227	-	-	-	252,227
Salaries and benefits	-	359,990	1,897,092	1,142,737	3,399,819
Communications	-	-	56,398	14,294	70,692
Depreciation	-	-	4,013	3,578	7,591
Information technology	-	-	147,516	104,529	252,045
Printing and publications	-	73,224	101,070	-	174,294
Professional services	-	-	63,809	106,466	170,275
Travel and events	-	150,227	251,442	25,061	426,730
Occupancy	-	-	232,799	200,237	433,036
Other	-	-	-	109,187	109,187
	<u>\$18,986,185</u>	<u>\$ 583,441</u>	<u>\$ 2,754,139</u>	<u>\$ 1,706,089</u>	<u>\$24,029,854</u>
<u>2022</u>					
Distributions to Washburn University:					
Scholarships	\$ 3,574,329	\$ -	\$ -	\$ -	\$ 3,574,329
Professorships	414,641	-	-	-	414,641
Facilities	1,475,372	-	-	-	1,475,372
Program support	2,607,075	-	-	-	2,607,075
Student support	133,630	-	-	-	133,630
General support	351,246	-	-	-	351,246
Faculty support	225,128	-	-	-	225,128
Salaries and benefits	-	429,931	2,066,564	1,033,436	3,529,931
Communications	-	-	47,537	11,939	59,476
Depreciation	-	-	4,337	3,107	7,444
Information technology	-	-	151,322	86,761	238,083
Printing and publications	-	85,681	102,301	124	188,106
Professional services	-	-	52,754	103,530	156,284
Travel and events	-	175,817	257,599	25,471	458,887
Occupancy	-	-	268,551	183,618	452,169
Other	-	-	-	105,056	105,056
	<u>\$ 8,781,421</u>	<u>\$ 691,429</u>	<u>\$ 2,950,965</u>	<u>\$ 1,553,042</u>	<u>\$13,976,857</u>

WASHBURN UNIVERSITY FOUNDATION

Notes to Consolidated Financial Statements June 30, 2023 and 2022

11. Related Parties

The Foundation and the University have an agreement designating the Foundation as the fundraising organization that solicits, receives, manages, and disburses charitable contributions on behalf of the University. Distribution of amounts held in the funds of the Foundation is subject to the approval of the Foundation and the availability of monies and is in accordance with the terms of donor-gifting agreements. Accordingly, the accompanying financial statements generally reflect expenditures for which appropriate documentation has been submitted to and approved by the Foundation as of the financial reporting date.

As of June 30, 2023 and 2022, the Foundation owes the University \$215,356 and \$255,329, respectively, for amounts related to outstanding billings on private gift funds and reimbursement of operating expenses.

During 2023 and 2022, the Foundation provided direct support to the University in the amount of \$18,691,420 and \$8,481,371, respectively, and made distributions from agency accounts as reflected below.

The University provides free use of certain facilities and services to the Foundation. The Foundation recorded in-kind contribution revenue and expense of \$345,000 for 2023 and 2022. The contributed facilities and services are used for both program and supporting services and the fair value is estimated using the average price per square foot of similar rental listings.

The Foundation holds and manages certain assets of the University and Law School Foundation. Combined agency transactions were as follows:

	<u>2023</u>	<u>2022</u>
Fair market value of agency accounts, beginning of year	\$36,685,785	\$42,752,665
Contributions	406,130	574,638
Nongift income	117,907	232,233
Investment return, net	3,432,788	(4,602,455)
Distributions	(1,745,749)	(1,803,030)
Expense allocation for administration and fundraising	<u>(709,916)</u>	<u>(468,266)</u>
Fair market value of agency accounts, end of year	<u>\$38,186,945</u>	<u>\$36,685,785</u>

12. Financial Instruments

Financial instruments, which potentially subject the Foundation to concentrations of credit risk, consist principally of cash and cash equivalents, which at times may exceed federally insured limits, and contribution receivables. The Foundation's intent is to maintain its bank deposits with sound financial institutions. In addition, the Foundation has a repurchase agreement with its bank that is collateralized by government securities in the amount of approximately \$3,600,000. Concentrations of credit risk with respect to contribution receivables are limited due to the large number of contributors comprising the Foundation's contributor base and their dispersion across different geographic areas.

13. Subsequent Events

The Foundation evaluated events and transactions occurring subsequent to June 30, 2023 through October 26, 2023, the date the financial statements were available to be issued.