



**Financial Statements  
June 30, 2023 and 2022  
(With Independent Auditor's Report Thereon)**

# Henderson State University Foundation

## TABLE OF CONTENTS

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	6
Statements of Cash Flows	7
Notes to Financial Statements	8

## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Henderson State University Foundation  
Arkadelphia, Arkansas

### Opinion

We have audited the accompanying financial statements of **Henderson State University Foundation (the Foundation)**, which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

A handwritten signature in black ink that reads "Landmark PLC". The signature is written in a cursive, flowing style.

Little Rock, Arkansas  
September 21, 2023

## **Financial Statements**

# Henderson State University Foundation

## Statements of Financial Position June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,280,752	\$ 1,381,175
Investments	24,821,713	22,767,738
Accrued interest receivable	-	329
Contributions receivable, net	249,228	337,360
Works of art	-	480,778
	<u>                    </u>	<u>                    </u>
<b>TOTAL ASSETS</b>	<u>\$ 26,351,693</u>	<u>\$ 24,967,380</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Note payable	\$ 226,210	\$ 297,337
<b>Total Liabilities</b>	<u>226,210</u>	<u>297,337</u>
 <b>Net Assets</b>		
Without donor restrictions	394,376	335,159
With donor restrictions	25,731,107	24,334,884
<b>Total Net Assets</b>	<u>26,125,483</u>	<u>24,670,043</u>
	<u>                    </u>	<u>                    </u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 26,351,693</u>	<u>\$ 24,967,380</u>

See accompanying notes to financial statements.

# Henderson State University Foundation

## Statements of Activities Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
<b>Support and Revenue Without Donor Restrictions</b>		
Investment return, net	\$ 828	\$ 523
Net assets released from restrictions	1,806,512	2,232,653
<b>Total Support and Revenue Without Donor Restrictions</b>	<u>1,807,340</u>	<u>2,233,176</u>
<b>Expenses</b>		
Program services	1,552,594	1,951,044
General and administrative supporting services	195,529	220,349
<b>Total Expenses</b>	<u>1,748,123</u>	<u>2,171,393</u>
<b>Increase in Net Assets Without Donor Restrictions</b>	<u>59,217</u>	<u>61,783</u>
<b>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</b>		
Contributions of cash and other financial assets	1,377,817	3,538,954
Contributions of nonfinancial assets	33,894	82,784
Impairment loss on assets	(480,778)	-
Investment return, net	2,271,802	(3,458,443)
Net assets released from restrictions	(1,806,512)	(2,232,653)
<b>Increase (Decrease) in Net Assets With Donor Restrictions</b>	<u>1,396,223</u>	<u>(2,069,358)</u>
<b>INCREASE (DECREASE) IN TOTAL NET ASSETS</b>	1,455,440	(2,007,575)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>24,670,043</u>	<u>26,677,618</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 26,125,483</u></u>	<u><u>\$ 24,670,043</u></u>

See accompanying notes to financial statements.

# Henderson State University Foundation

## Statements of Functional Expenses Years Ended June 30, 2023 and 2022

	2023			2022		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Scholarship awards	\$ 583,105	\$ -	\$ 583,105	\$ 419,156	\$ -	\$ 419,156
Athletics	413,602	-	413,602	1,129,152	-	1,129,152
Awards and gifts	340,324	-	340,324	176,808	-	176,808
Individual college expenses	183,005	-	183,005	187,784	-	187,784
Salaries and benefits	19,000	43,607	62,607	12,710	19,066	31,776
Contributed salaries and benefits	13,558	20,336	33,894	25,434	57,350	82,784
Professional fees	-	41,000	41,000	-	36,000	36,000
Software license	-	58,803	58,803	-	90,728	90,728
Rent	-	3,514	3,514	-	4,153	4,153
Other	-	28,269	28,269	-	13,052	13,052
<b>TOTAL EXPENSES</b>	<b>\$ 1,552,594</b>	<b>\$ 195,529</b>	<b>\$ 1,748,123</b>	<b>\$ 1,951,044</b>	<b>\$ 220,349</b>	<b>\$ 2,171,393</b>

See accompanying notes to financial statements.



# Henderson State University Foundation

## Statements of Cash Flows Years Ended June 30, 2023 and 2022

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (Decrease) in Total Net Assets	\$ 1,455,440	\$ (2,007,575)
Adjustments to Reconcile Increase (Decrease) in Total Net Assets to Net Cash Provided by Operating Activities		
Net (appreciation) depreciation in fair value of investments	(1,827,407)	3,870,270
Impairment loss on assets	480,778	-
Changes in operating assets and liabilities:		
Accrued interest receivable	329	(201)
Contributions receivable	88,132	(337,360)
Accounts payable	-	(56,015)
<b>Net Cash Provided by Operating Activities</b>	<u>197,272</u>	<u>1,469,119</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale and maturity of investments	11,601,453	7,643,020
Purchases of investments	(11,828,021)	(9,306,768)
<b>Net Cash Used by Investing Activities</b>	<u>(226,568)</u>	<u>(1,663,748)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from note payable	-	297,337
Payment on note payable	(71,127)	-
<b>Net Cash (Used) Provided by Financing Activities</b>	<u>(71,127)</u>	<u>297,337</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(100,423)	102,708
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>1,381,175</u>	<u>1,278,467</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 1,280,752</u>	<u>\$ 1,381,175</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
<b>Cash Paid During the Year</b>		
Interest on note payable	<u>\$ 18,713</u>	<u>\$ -</u>

See accompanying notes to financial statements.

# Henderson State University Foundation

## Notes to Financial Statements June 30, 2023 and 2022

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Organization and Operations**

Henderson State University Foundation (the Foundation) was incorporated under the laws of the State of Arkansas and is a component unit of the Arkansas State University System. The Foundation's primary purpose is to receive, invest and manage gifts for the development, growth, expansion, progress, accomplishment of educational objectives, development of the physical plant, improvement of faculty and staff, and aid to the student body and alumni of Henderson State University (the University).

The activities of the Foundation are the responsibility of the Board of Directors (the Board) of the Foundation, the members of which are nominated by the Board.

#### **Basis of Accounting and Financial Statement Presentation**

The financial statements of the Foundation have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles.

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

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

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

#### **Cash and Cash Equivalents**

For purposes of presentation in the statements of cash flows, cash and cash equivalents include all highly liquid investments with original maturities of three months or less. At times during the years ended June 30, 2023 and 2022, cash and cash equivalents 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, the excess over FDIC or SIPC insurance may not be recoverable. For the years ended June 30, 2023 and 2022, approximately \$606,000 and \$626,000, were not insured or collateralized, respectively.

#### **Investments**

The Foundation'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 statements of activities includes dividends, interest, other investment income, as well as realized and unrealized gains and losses, and is net of investment expenses.

# Henderson State University Foundation

## Notes to Financial Statements June 30, 2023 and 2022

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Investments (Continued)**

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 Foundation 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 statements of activities.

#### **Revenue and Revenue Recognition**

Contributions, including unconditional promises to give, are recognized as support in the statements of activities in the period received or when the Foundation 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 recorded 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 statements of activities as net assets released from restrictions.

Management expects all unconditional promises to give to be fully collected; therefore, no allowance for uncollectible amounts has been recorded.

#### **Functional Expenses**

The Foundation allocates its expenses on a functional basis among various programs 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. Salaries and benefits are common to several functions and are allocated to programs and supporting services based on estimates of time worked.

#### **Estimates**

The preparation of these 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 financial statements. Accordingly, actual results could differ from those estimates.

#### **Income Taxes**

The Foundation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation. Accounting standards require the Foundation to evaluate tax positions and recognize a tax liability (or asset) if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Foundation has analyzed the tax positions taken and has concluded that as of June 30, 2023 and 2022, 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 financial statements. The Foundation may be subject to audit by the Internal Revenue Service; however, there are currently no audits for any tax periods in progress.

# Henderson State University Foundation

## Notes to Financial Statements June 30, 2023 and 2022

### **NOTE 2: INVESTMENTS**

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 that the Foundation has the ability to access.   |
| Level 2 | <p>Inputs to the valuation methodology include the following:</p> <ul style="list-style-type: none"><li>• Quoted prices for similar assets or liabilities in active markets</li><li>• Quoted prices for identical or similar assets or liabilities in inactive markets</li><li>• Inputs other than quoted prices that are observable for the asset or liability</li><li>• Inputs that are derived principally from or corroborated by observable market data by correlation or other means</li></ul> <p>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.</p> |
| Level 3 | Inputs to the valuation methodology are unobservable and significant to the fair value measurement.   |

The asset 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.

The fair values of mutual funds are determined based on the daily closing price as reported by the fund. These funds are required to publish their daily net asset value (NAV) and to transact at that price.

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 daily NAV at market close based on the value of the underlying securities.

The fair values 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 U.S. Treasury obligations, government-sponsored entity obligations and bonds are determined based on pricing models maximizing the use of observable inputs for similar securities.

# Henderson State University Foundation

## Notes to Financial Statements June 30, 2023 and 2022

### NOTE 2: INVESTMENTS (Continued)

The fair values of real property are determined based on an appraisal at the date of donation. The appraisal considered sales of comparable property at the date of donation.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation 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.

The following are the fair values of the Foundation's assets measured on a recurring and nonrecurring basis at June 30, 2023 and 2022. Level 1 and Level 2 investments are measured on a recurring basis and Level 3 investments are measured on a nonrecurring basis. No activity occurred in Level 3 investments during the years ended June 30, 2023 and 2022. There have been no changes in methodologies used at June 30, 2023 and 2022.

	June 30, 2023			
	Fair Value	Level 1	Level 2	Level 3
<b>Investments</b>				
Mutual funds				
Corporate bond	\$ 1,409,078	\$ 1,409,078	\$ -	\$ -
Intermediate government	1,453,657	1,453,657	-	-
Diversified emerging markets	682,890	682,890	-	-
Real estate	363,936	363,936	-	-
Total mutual funds	<u>3,909,561</u>	<u>3,909,561</u>	<u>-</u>	<u>-</u>
Exchange traded funds				
Small blend	599,852	599,852	-	-
Foreign large blend	2,628,566	2,628,566	-	-
Large value	5,948,022	5,948,022	-	-
Large growth	5,076,585	5,076,585	-	-
Total exchange traded funds	<u>14,253,025</u>	<u>14,253,025</u>	<u>-</u>	<u>-</u>

# Henderson State University Foundation

## Notes to Financial Statements June 30, 2023 and 2022

### NOTE 2: INVESTMENTS (Continued)

		June 30, 2023			
		Fair Value	Level 1	Level 2	Level 3
Investments (Continued)					
Equity securities					
Consumer discretionary	\$	299,426	\$ 299,426	\$ -	\$ -
Consumer staples		206,336	206,336	-	-
Energy		143,684	143,684	-	-
Financial services		933,927	933,927	-	-
Health care		324,143	324,143	-	-
Industrials		622,163	622,163	-	-
Information technology		487,757	487,757	-	-
Materials		159,955	159,955	-	-
Real estate		75,943	75,943	-	-
Telecommunication services		169,725	169,725	-	-
Utilities		29,228	29,228	-	-
Total equity securities		3,452,287	3,452,287	-	-
U.S. Treasury obligations		2,959,227	-	2,959,227	-
Government-sponsored entity obligations		171,113	-	171,113	-
Real estate		76,500	-	-	76,500
	\$	24,821,713	\$ 21,614,873	\$ 3,130,340	\$ 76,500
		June 30, 2022			
		Fair Value	Level 1	Level 2	Level 3
Investments					
Mutual funds					
Corporate bond	\$	1,090,956	\$ 1,090,956	\$ -	\$ -
Intermediate government		1,122,716	1,122,716	-	-
High yield bond		1,072,195	1,072,195	-	-
Diversified emerging markets		692,116	692,116	-	-
Real estate		1,199,274	1,199,274	-	-
Total mutual funds		5,177,257	5,177,257	-	-

(Continued)

# Henderson State University Foundation

## Notes to Financial Statements June 30, 2023 and 2022

### NOTE 2: INVESTMENTS (Continued)

	June 30, 2022			
	Fair Value	Level 1	Level 2	Level 3
<b>Investments (Continued)</b>				
Exchange traded funds				
Small blend	\$ 531,148	\$ 531,148	\$ -	\$ -
Foreign large blend	2,433,516	2,433,516	-	-
Large value	4,419,035	4,419,035	-	-
Large blend	480,383	480,383	-	-
Large growth	3,516,313	3,516,313	-	-
Total exchange traded funds	<u>11,380,395</u>	<u>11,380,395</u>	<u>-</u>	<u>-</u>
Equity securities				
Consumer discretionary	304,188	304,188	-	-
Consumer staples	211,200	211,200	-	-
Energy	111,270	111,270	-	-
Financial services	407,700	407,700	-	-
Health care	290,679	290,679	-	-
Industrials	430,335	430,335	-	-
Information technology	474,046	474,046	-	-
Materials	152,132	152,132	-	-
Real estate	71,257	71,257	-	-
Telecommunication services	231,279	231,279	-	-
Transportation and logistics	36,955	36,955	-	-
Utilities	48,067	48,067	-	-
Total equity securities	<u>2,769,108</u>	<u>2,769,108</u>	<u>-</u>	<u>-</u>
U.S. Treasury obligations	<u>3,180,842</u>	<u>-</u>	<u>3,180,842</u>	<u>-</u>
Government-sponsored entity obligations	<u>183,636</u>	<u>-</u>	<u>183,636</u>	<u>-</u>
Real estate	<u>76,500</u>	<u>-</u>	<u>-</u>	<u>76,500</u>
	<u>\$ 22,767,738</u>	<u>\$ 19,326,760</u>	<u>\$ 3,364,478</u>	<u>\$ 76,500</u>

# Henderson State University Foundation

## Notes to Financial Statements June 30, 2023 and 2022

### **NOTE 3: CONTRIBUTIONS RECEIVABLE, NET**

Contributions receivable as of June 30, include the following:

	<u>2023</u>	<u>2022</u>
Contributions receivable	\$ 260,000	\$ 360,000
Less unamortized discount on long-term contributions receivable	<u>(10,772)</u>	<u>(22,640)</u>
	<u><u>\$ 249,228</u></u>	<u><u>\$ 337,360</u></u>

Contributions receivable at June 30, 2023, are expected to be collected as follows:

Amounts due in:	
Less than one year	\$ 100,000
One to five years	<u>160,000</u>
	<u><u>\$ 260,000</u></u>

Contributions receivable which are scheduled to be received after one year are reported at the present value of estimated future cash flows using a discount rate of five percent.

### **NOTE 4: WORKS OF ART**

During the year ended June 30, 2020, the Foundation received a donation of artwork with an appraised value of approximately \$480,000. During the year ended June 30, 2023, the Foundation received a second appraisal and determined the asset to be impaired. The value of the asset was written off in the current year and the loss is included in the statement of activities as loss on impairment of assets for the year ended June 30, 2023.

### **NOTE 5: NOTE PAYABLE**

During the year ended June 30, 2022, the Foundation entered into a note payable with an investment banking firm (the Institution) to assist the University with a capital improvement project. The note payable, which bears interest at a variable rate using the broker's call rate plus a spread of 100 basis points, is payable upon demand. The agreement does not state any other fixed repayment terms. The note payable is secured by certain Foundation investments held by the Institution. The outstanding balance on the note payable at June 30, 2023 and 2022, is \$226,210 and \$297,337, respectively.



# Henderson State University Foundation

## Notes to Financial Statements June 30, 2023 and 2022

### **NOTE 6: ENDOWMENTS**

The Foundation's endowment consists of approximately 300 individual funds established for a variety of purposes. 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 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 Foundation classifies as net assets with donor restrictions the original value of gifts donated to the donor-restricted endowment, the original value of subsequent gifts to the donor-restricted endowment and accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instruments at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that will be released from restriction remains 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: (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 Foundation and (7) the Foundation's investment and spending policies.

The Foundation 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 is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distribution to meet the operating needs of the Foundation, while growing the funds, if possible. Investment risk is measured in terms of the total endowment funds; investment assets and allocation between asset classes and strategies are managed to not expose the funds to unacceptable levels of risk.

# Henderson State University Foundation

## Notes to Financial Statements June 30, 2023 and 2022

### NOTE 6: ENDOWMENTS (Continued)

The Foundation has a spending policy of appropriating for distribution each year 5.5% of its endowment fund's average fair value of the 5 years through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this spending policy, the Foundation considers 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.

Changes in donor-restricted endowment net assets are as follows for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Endowment net assets, beginning of year	\$ 21,085,824	\$ 23,364,808
Contributions	335,997	1,790,558
Investment return, net	2,041,542	(3,663,636)
Appropriation of endowment assets for expenditure	<u>(696,324)</u>	<u>(405,906)</u>
Endowment net assets, end of year	<u><u>\$ 22,767,039</u></u>	<u><u>\$ 21,085,824</u></u>

### NOTE 7: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of endowment income and contributions received with donor-imposed restrictions limiting the Foundation'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 Foundation.

The following is a summary of net assets with donor restrictions at June 30:

	<u>2023</u>	<u>2022</u>
<b>Net Assets Restricted in Perpetuity</b>		
Athletics and other	\$ 4,213,125	\$ 4,210,311
Scholarship	<u>11,088,631</u>	<u>10,754,889</u>
	<u><u>\$ 15,301,756</u></u>	<u><u>\$ 14,965,200</u></u>
<b>Net Assets Restricted for a Specific Purpose</b>		
Athletics and other	\$ 5,140,472	\$ 4,515,317
Scholarship	4,389,951	3,457,444
Capital projects	<u>649,700</u>	<u>1,059,563</u>
	<u><u>\$ 10,180,123</u></u>	<u><u>\$ 9,032,324</u></u>
<b>Net Assets Restricted to Passage of Time</b>		
Athletics and other	<u><u>\$ 249,228</u></u>	<u><u>\$ 337,360</u></u>

# Henderson State University Foundation

## Notes to Financial Statements June 30, 2023 and 2022

### **NOTE 8: RELATED PARTY TRANSACTIONS**

During the years ended June 30, 2023 and 2022, the Foundation contributed to the University approximately \$1,520,000 and \$1,913,000, respectively, to be used for purposes as required by endowment agreements and/or donors for specific programs.

During the years ended June 30, 2023 and 2022, employees of the University were provided to oversee the operations of the Foundation. The Foundation reimbursed the University a portion of salaries and benefits in the amount of \$62,607 and \$31,776 during the years ended June 30, 2023 and 2022, respectively. The portion of salaries and benefits not reimbursed by the Foundation were donated by the University as an in-kind contribution in the amount of \$33,894 and \$82,784 for the years ended June 30, 2023 and 2022, respectively. These in-kind contributions are reflected as contributions of nonfinancial assets in the statements of activities and contributed salaries and benefits in the statements of functional expenses.

During the year ended June 30, 2022, the Foundation entered into a month-to-month rental agreement with the University through June 30, 2023, to continue the use of University owned space by the Foundation. During the years ended June 30, 2023, and 2022, rental expenses were approximately \$3,500 and \$4,200, respectively.

### **NOTE 9: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Foundation monitors its liquidity so that it is able to meet its operating needs and contractual commitments while maximizing the investment of its excess operating cash. The Foundation has the following financial assets that could readily be made available within one year of the statements of financial position to fund expenses without limitations:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,280,752	\$ 1,381,175
Accrued interest receivable	-	329
Contributions receivable, net	249,228	337,360
Investments	<u>24,821,713</u>	<u>22,767,738</u>
Total financial assets	26,351,693	24,486,602
Less endowment fund cash, cash equivalents and investments	(22,767,039)	(21,085,824)
Less contributions due in more than one year	(149,228)	(237,360)
Less other restrictions	(100,000)	(100,000)
Add back appropriations for years ended June 30, 2024 and 2023	<u>988,153</u>	<u>912,659</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,323,579</u>	<u>\$ 3,976,077</u>

# Henderson State University Foundation

## Notes to Financial Statements June 30, 2023 and 2022

### ***NOTE 9: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)***

The operations of the Foundation are primarily funded by income generated from investing its endowments and contributions. As explained in Note 6 to the financial statements, certain assets have been restricted by the donor in perpetuity. The Foundation structures its financial assets to be available as general expenditures, liabilities and other obligations become due. The University also contributes both services and rent to the Foundation (see Note 8). The Foundation can adjust the timing of disbursements to the University when necessary.

### ***NOTE 10: RISKS AND UNCERTAINTIES***

Market disruptions associated with current geopolitical events have had a global impact, and uncertainty exists as to their implications. Such disruptions can adversely affect assets and thus performance of the investments; at this time an aggregate effect on assets and performance cannot be reasonably estimated. Management is continuing to monitor these developments and evaluate other impacts they may have on investments.

### ***NOTE 11: CONCENTRATIONS***

During the years ended June 30, 2023 and 2022, the Foundation received approximately 24% and 51% of contributions from two donors and one donor, respectively.

### ***NOTE 12: SUBSEQUENT EVENTS***

Management has evaluated subsequent events through September 21, 2023, the date the financial statements were available to be issued.