



FINANCIAL STATEMENTS
June 30, 2020 and 2019
(With Independent Auditor's Report Thereon)

Henderson State University Foundation

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Henderson State University Foundation
Arkadelphia, Arkansas

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, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

The Board of Directors
Henderson State University Foundation

Opinion

In our opinion, the financial statements referred to on the preceding page present fairly, in all material respects, the financial position of **Henderson State University Foundation** as of June 30, 2020 and 2019, 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.

Emphasis of Matter

As discussed in Note 1(i) to the financial statements, management adopted the requirements of the Financial Accounting Standards Board Accounting Standards Update No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.


Certified Public Accountants

September 24, 2020
Little Rock, Arkansas

Financial Statements

Henderson State University Foundation

STATEMENTS OF FINANCIAL POSITION June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 1,817,059	\$ 2,055,958
Accrued interest receivable	276	1,443
Other receivable	44,278	-
Contributions receivable, net	926,654	704,571
Investments	19,135,763	18,248,970
Works of art	480,778	-
Construction in progress	79,418	-
Prepaid expenses	3,834	7,667
TOTAL ASSETS	<u><u>\$ 22,488,060</u></u>	<u><u>\$ 21,018,609</u></u>
LIABILITIES AND NET ASSETS		
Net Assets		
Without donor restrictions	\$ 223,197	\$ 207,079
With donor restrictions	22,264,863	20,811,530
Total Net Assets	<u><u>22,488,060</u></u>	<u><u>21,018,609</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 22,488,060</u></u>	<u><u>\$ 21,018,609</u></u>

See accompanying notes to financial statements.

Henderson State University Foundation

STATEMENTS OF ACTIVITIES Years Ended June 30, 2020 and 2019

	2020	2019
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Support and Revenue without Donor Restrictions		
Contributions	\$ 1,233	\$ -
Investment return	3,894	1,657
Net assets released from restrictions	2,141,158	2,011,287
Total Support and Revenue without Donor Restrictions	2,146,285	2,012,944
Expenses		
Program services	1,958,867	1,855,126
General and administrative supporting services	171,300	139,170
Total Expenses	2,130,167	1,994,296
Increase in Net Assets Without Donor Restrictions	16,118	18,648
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	2,976,269	2,484,090
Investment return, net	618,222	1,144,321
Net assets released from restrictions	(2,141,158)	(2,011,287)
Increase in Net Assets With Donor Restrictions	1,453,333	1,617,124
INCREASE IN TOTAL NET ASSETS	1,469,451	1,635,772
NET ASSETS, BEGINNING OF YEAR	21,018,609	19,382,837
NET ASSETS, END OF YEAR	\$ 22,488,060	\$ 21,018,609

See accompanying notes to financial statements.

Henderson State University Foundation

STATEMENTS OF FUNCTIONAL EXPENSES Years Ended June 30, 2020 and 2019

	<u>2020</u>			<u>2019</u>		
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Scholarship awards	\$ 422,082	\$ -	\$ 422,082	\$ 370,221	\$ -	\$ 370,221
Athletics	268,669	-	268,669	388,355	-	388,355
Awards and gifts	695,996	-	695,996	521,069	-	521,069
Individual college expenses	508,982	-	508,982	532,749	-	532,749
Salaries and benefits	63,138	52,313	115,451	42,732	38,691	81,423
Professional fees	-	41,940	41,940	-	37,000	37,000
Software license	-	37,141	37,141	-	43,015	43,015
Rent	-	3,833	3,833	-	3,833	3,833
Other	-	36,073	36,073	-	16,631	16,631
TOTAL EXPENSES	\$ 1,958,867	\$ 171,300	\$ 2,130,167	\$ 1,855,126	\$ 139,170	\$ 1,994,296

See accompanying notes to financial statements.

Henderson State University Foundation

STATEMENTS OF CASH FLOWS Years Ended June 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Total Net Assets	\$ 1,469,451	\$ 1,635,772
Adjustments to Reconcile Increase in Total Net Assets to Net Cash Provided by Operating Activities		
Donated securities	-	(104,322)
Net appreciation in fair value of investments	(194,440)	(780,980)
Donated works of art	(480,778)	-
Construction in progress	(79,418)	-
Changes in operating assets and liabilities:		
Accrued interest receivable	1,167	66
Other receivable	(44,278)	-
Contributions receivable	(222,083)	(133,960)
Prepaid expenses	3,833	3,833
Accounts payable	-	(166,667)
Net Cash Provided by Operating Activities	453,454	453,742
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturity of investments	3,082,766	3,725,971
Purchases of investments	(3,775,119)	(4,460,928)
Net Cash Used by Investing Activities	(692,353)	(734,957)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(238,899)	(281,215)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,055,958	2,337,173
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,817,059	\$ 2,055,958

See accompanying notes to financial statements.

Henderson State University Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) 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 Henderson State University (the University). 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 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.

(b) 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 Restriction—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.

(c) 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, 2020 and 2019, 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, 2020 and 2019, approximately \$402,000 and \$422,000 were not insured or collateralized, respectively.

(d) 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, 2020 and 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) 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.

(e) 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.

(f) Functional Expenses

Expenses associated with certain activities and functions necessary for the support of programs provided by the Foundation are considered supporting services expenses. Supporting services include various costs associated with administration, maintenance and other general functions of the Foundation.

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.

(g) 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.

Henderson State University Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) 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, 2020 and 2019, 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.

(i) Recently Adopted Accounting Standards

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, to assist entities in 1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or exchange (reciprocal) transactions and 2) determining whether a contribution is conditional. Distinguishing between contributions and exchange transactions determines which accounting guidance is applied, and the accounting may be different depending on the guidance applied. In addition, for contributions, determining whether a contribution is conditional or unconditional affects the timing or recognition. Management of the Foundation adopted ASU No. 2018-08 during the year ended June 30, 2020.

(j) Recently Issued Accounting Standards

In February 2016, the FASB issued 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 Foundation on July 1, 2022. Management of the Foundation has not yet determined the significance of the impact of implementation of this standard or any related amendments will have on the Foundation's financial statements.

Henderson State University Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

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 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.

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.

Henderson State University Foundation

NOTES TO FINANCIAL STATEMENTS June 30, 2020 and 2019

NOTE 2: INVESTMENTS (Continued)

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.

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, 2020 and 2019. 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, 2020 and 2019. There have been no changes in methodologies used at June 30, 2020 and 2019.

	June 30, 2020			
	Fair Value	Level 1	Level 2	Level 3
Investments				
Mutual funds				
Corporate bond	\$ 1,191,630	\$ 1,191,630	\$ -	\$ -
Intermediate government	1,174,512	1,174,512	-	-
High yield bond	997,919	997,919	-	-
Diversified emerging markets	715,349	715,349	-	-
Real estate	884,609	884,609	-	-
Total mutual funds	4,964,019	4,964,019	-	-
Exchange traded funds				
Small blend	342,588	342,588	-	-
Foreign large blend	2,216,073	2,216,073	-	-
Large value	2,536,856	2,536,856	-	-
Large growth	2,815,315	2,815,315	-	-
Total exchange traded funds	7,910,832	7,910,832	-	-

(Continued)

Henderson State University Foundation

NOTES TO FINANCIAL STATEMENTS June 30, 2020 and 2019

NOTE 2: INVESTMENTS (Continued)

	June 30, 2020			
	Fair Value	Level 1	Level 2	Level 3
Investments (Continued)				
Equity securities				
Consumer discretionary	\$ 229,763	\$ 229,763	\$ -	\$ -
Consumer staples	287,884	287,884	-	-
Energy	48,364	48,364	-	-
Financial services	355,195	355,195	-	-
Health care	424,569	424,569	-	-
Industrials	348,160	348,160	-	-
Information technology	517,458	517,458	-	-
Materials	109,127	109,127	-	-
Real estate	96,094	96,094	-	-
Telecommunication services	235,508	235,508	-	-
Utilities	98,245	98,245	-	-
Total equity securities	<u>2,750,367</u>	<u>2,750,367</u>	<u>-</u>	<u>-</u>
U.S. Treasury obligations	<u>2,817,579</u>	<u>-</u>	<u>2,817,579</u>	<u>-</u>
Government-sponsored entity obligations	<u>310,932</u>	<u>-</u>	<u>310,932</u>	<u>-</u>
Municipal bond	<u>254,347</u>	<u>-</u>	<u>254,347</u>	<u>-</u>
International bond	<u>51,187</u>	<u>-</u>	<u>51,187</u>	<u>-</u>
Real estate	<u>76,500</u>	<u>-</u>	<u>-</u>	<u>76,500</u>
	<u>\$ 19,135,763</u>	<u>\$ 15,625,218</u>	<u>\$ 3,434,045</u>	<u>\$ 76,500</u>
June 30, 2019				
	Fair Value	Level 1	Level 2	Level 3
Investments				
Mutual funds				
Corporate bond	\$ 1,115,141	\$ 1,115,141	\$ -	\$ -
Intermediate term bond	1,101,150	1,101,150	-	-
High yield bond	940,224	940,224	-	-
Diversified emerging markets	644,846	644,846	-	-
Real estate	864,297	864,297	-	-
Total mutual funds	<u>4,665,658</u>	<u>4,665,658</u>	<u>-</u>	<u>-</u>

(Continued)

Henderson State University Foundation

NOTES TO FINANCIAL STATEMENTS June 30, 2020 and 2019

NOTE 2: INVESTMENTS (Continued)

	June 30, 2019			
	Fair Value	Level 1	Level 2	Level 3
Investments (Continued)				
Exchange traded funds				
Small blend	\$ 373,847	\$ 373,847	\$ -	\$ -
Large blend	349,885	349,885	-	-
Foreign large blend	2,098,472	2,098,472	-	-
Corporate bond	60,649	60,649	-	-
Large value	2,557,885	2,557,885	-	-
Large growth	2,318,790	2,318,790	-	-
Commodities	56,140	56,140	-	-
Total exchange traded funds	7,815,668	7,815,668	-	-
Equity securities				
Consumer discretionary	249,039	249,039	-	-
Consumer staples	296,955	296,955	-	-
Energy	88,048	88,048	-	-
Financial services	374,164	374,164	-	-
Health care	222,696	222,696	-	-
Industrials	336,419	336,419	-	-
Information technology	372,531	372,531	-	-
Materials	76,616	76,616	-	-
Real estate	65,699	65,699	-	-
Telecommunication services	93,420	93,420	-	-
Utilities	65,367	65,367	-	-
Total equity securities	2,240,954	2,240,954	-	-
U.S. Treasury obligations	2,800,607	-	2,800,607	-
Government-sponsored entity obligations	343,410	-	343,410	-
Municipal bond	255,204	-	255,204	-
International bond	50,969	-	50,969	-
Real estate	76,500	-	-	76,500
	\$ 18,248,970	\$ 14,722,280	\$ 3,450,190	\$ 76,500

Henderson State University Foundation

NOTES TO FINANCIAL STATEMENTS June 30, 2020 and 2019

NOTE 3: CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable at June 30, 2020 and 2019, include the following:

	2020	2019
Contributions receivable	\$ 927,000	\$ 745,000
Less unamortized discount on long-term contributions receivable	(346)	(40,429)
	\$ 926,654	\$ 704,571

Contributions receivable at June 30, 2020 and 2019, are expected to be collected as follows:

	2020	2019
Amounts due in:		
Less than one year	\$ 918,000	\$ 196,000
One to five years	9,000	549,000
	\$ 927,000	\$ 745,000

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 four 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. The Foundation intends to display the artwork for three years, at the end of which time it will be sold. Proceeds from the sale will be used to benefit the University's business program.

NOTE 5: CONSTRUCTION IN PROGRESS

The Foundation has entered into a contract for the construction of a new facility on the campus of the University with a guaranteed maximum price of approximately \$1.14 million. The Foundation received a contribution on behalf of the University to fund the construction of the facility and incurred approximately \$79,000 in construction costs related to the project during the year ended June 30, 2020. Once the project is complete, the Foundation will transfer ownership of the facility to the University.

Henderson State University Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

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.

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.

Henderson State University Foundation

NOTES TO FINANCIAL STATEMENTS June 30, 2020 and 2019

NOTE 6: ENDOWMENTS (Continued)

Changes in donor-restricted endowment net assets for the years ended June 30, 2020 and 2019, are as follows:

	2020	2019
Endowment net assets, beginning of year	\$ 17,655,990	\$ 16,285,035
Contributions	611,922	749,918
Investment return, net	618,222	1,097,744
Appropriation of endowment assets for expenditure	(610,361)	(476,707)
Endowment net assets, end of year	\$ 18,275,773	\$ 17,655,990

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, 2020 and 2019:

	2020	2019
Net Assets Restricted in Perpetuity		
Athletics and other	\$ 4,175,218	\$ 4,135,093
Scholarship	8,651,678	8,105,821
	\$ 12,826,896	\$ 12,240,914
Net Assets Restricted for a Specific Purpose		
Athletics and other	\$ 4,870,567	\$ 4,306,947
Scholarship	2,398,929	2,825,926
Capital projects	1,241,817	733,172
	\$ 8,511,313	\$ 7,866,045
Net Assets Restricted to Passage of Time		
Athletics and other	\$ 26,654	\$ 43,930
Capital projects	900,000	660,641
	\$ 926,654	\$ 704,571

Henderson State University Foundation

NOTES TO FINANCIAL STATEMENTS June 30, 2020 and 2019

NOTE 8: RELATED PARTY TRANSACTIONS

During the years ended June 30, 2020 and 2019, the Foundation contributed to the University approximately \$1,896,000 and \$1,812,000, respectively, to be used for purposes as required by endowment agreements and/or donors for specific programs.

During the years ended June 30, 2020 and 2019, employees of the University were provided to oversee the operations of the Foundation. For the years ended June 30, 2020 and 2019, the Foundation reimbursed the University approximately \$53,000 and \$52,000, respectively, for salary expense. The University contributed in-kind salary expense of \$62,383 and \$29,213 for the years ended June 30, 2020 and 2019, respectively. These in-kind contributions are included in contributions and expenses in the statements of activities.

During the year ended June 30, 2016, the Foundation sold a building to the University. As part of the sale agreement, the sales price of the building to the University was reduced by \$23,000 in lieu of rent for the University owned space used by the Foundation through the year ending June 30, 2021.

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:

	2020	2019
Cash and cash equivalents	\$ 1,817,059	\$ 2,055,958
Accrued interest receivable	276	1,443
Accounts receivable	44,278	-
Contributions receivable, net	926,654	704,571
Investments	19,135,763	18,248,970
Total financial assets	21,924,030	21,010,942
Less endowment fund cash, cash equivalents and investments	(18,275,773)	(17,655,990)
Less contributions due in more than one year	(8,654)	(508,571)
Less other restrictions	(918,000)	(196,000)
Add back appropriations for years ended June 30, 2021 and 2020	752,374	707,391
Financial assets available to meet cash needs for general expenditures within one year	\$ 3,473,977	3,357,772

Henderson State University Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

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 7 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

The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of the COVID-19 pandemic on the Foundation 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 11: SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 24, 2020, the date the financial statements were available to be issued.