



**Financial Statements
June 30, 2021 and 2020
(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, 2021 and 2020, 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 above present fairly, in all material respects, the financial position of **Henderson State University Foundation** as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

Little Rock, Arkansas
September 24, 2021

Financial Statements

Henderson State University Foundation

Statements of Financial Position June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 1,278,467	\$ 1,817,059
Accrued interest receivable	128	276
Other receivable	-	44,278
Contributions receivable, net	-	926,654
Investments	24,974,260	19,135,763
Works of art	480,778	480,778
Construction in progress	-	79,418
Prepaid expenses	-	3,834
TOTAL ASSETS	<u><u>\$ 26,733,633</u></u>	<u><u>\$ 22,488,060</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	<u>\$ 56,015</u>	<u>\$ -</u>
Net Assets		
Without donor restrictions	273,376	223,197
With donor restrictions	<u>26,404,242</u>	<u>22,264,863</u>
Total Net Assets	<u><u>26,677,618</u></u>	<u><u>22,488,060</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 26,733,633</u></u>	<u><u>\$ 22,488,060</u></u>

See accompanying notes to financial statements.

Henderson State University Foundation

Statements of Activities Years Ended June 30, 2021 and 2020

	2021	2020
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Support and Revenue Without Donor Restrictions		
Contributions	\$ 1,210	\$ 1,233
Investment return	2,760	3,894
Net assets released from restrictions	2,575,247	2,141,158
Total Support and Revenue Without Donor Restrictions	2,579,217	2,146,285
Expenses		
Program services	2,353,822	1,958,867
General and administrative supporting services	175,216	171,300
Total Expenses	2,529,038	2,130,167
Increase in Net Assets Without Donor Restrictions	50,179	16,118
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	1,472,480	2,976,269
Investment return, net	5,242,146	618,222
Net assets released from restrictions	(2,575,247)	(2,141,158)
Increase in Net Assets With Donor Restrictions	4,139,379	1,453,333
INCREASE IN TOTAL NET ASSETS	4,189,558	1,469,451
NET ASSETS, BEGINNING OF YEAR	22,488,060	21,018,609
NET ASSETS, END OF YEAR	\$ 26,677,618	\$ 22,488,060

See accompanying notes to financial statements.

Henderson State University Foundation

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

	2021			2020		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Scholarship awards	\$ 395,589	\$ -	\$ 395,589	\$ 422,082	\$ -	\$ 422,082
Athletics	1,561,811	-	1,561,811	268,669	-	268,669
Awards and gifts	292,112	-	292,112	695,996	-	695,996
Individual college expenses	55,090	-	55,090	508,982	-	508,982
Salaries and benefits	49,220	28,500	77,720	63,138	52,313	115,451
Professional fees	-	37,500	37,500	-	41,940	41,940
Software license	-	89,209	89,209	-	37,141	37,141
Rent	-	3,833	3,833	-	3,833	3,833
Other	-	16,174	16,174	-	36,073	36,073
TOTAL EXPENSES	\$ 2,353,822	\$ 175,216	\$ 2,529,038	\$ 1,958,867	\$ 171,300	\$ 2,130,167

See accompanying notes to financial statements.

Henderson State University Foundation

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

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Total Net Assets	\$ 4,189,558	\$ 1,469,451
Adjustments to Reconcile Increase in Total Net Assets to Net Cash Provided by Operating Activities		
Bad debt expense	17,480	-
Net appreciation in fair value of investments	(4,855,320)	(194,440)
Donated works of art	-	(480,778)
Construction in progress	79,418	(79,418)
Changes in operating assets and liabilities:		
Accrued interest receivable	148	1,167
Other receivable	44,278	(44,278)
Contributions receivable	909,174	(222,083)
Prepaid expenses	3,834	3,833
Accounts payable	56,015	-
Net Cash Provided by Operating Activities	444,585	453,454
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturity of investments	1,702,927	3,082,766
Purchases of investments	(2,686,104)	(3,775,119)
Net Cash Used by Investing Activities	(983,177)	(692,353)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(538,592)	(238,899)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,817,059	2,055,958
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,278,467	\$ 1,817,059

See accompanying notes to financial statements.

Henderson State University Foundation

Notes to Financial Statements June 30, 2021 and 2020

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 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.

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, 2021 and 2020, 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, 2021 and 2020, approximately \$153,000 and \$402,000 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, 2021 and 2020

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.

Henderson State University Foundation

Notes to Financial Statements June 30, 2021 and 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

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, 2021 and 2020, there are no uncertain positions taken or expected to be taken that would require the recognition of a liability (or asset) or disclosure in the 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.

Recently Issued Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases*. The new guidance requires lessees to record a right-of-use asset and a corresponding liability equal to the present value of future rental payments on their statement of financial position for all leases with a term greater than one year and is effective for the Foundation on July 1, 2021. 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.

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

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, 2021 and 2020

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, 2021 and 2020. 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, 2021 and 2020. There have been no changes in methodologies used at June 30, 2021 and 2020.

	June 30, 2021			
	Fair Value	Level 1	Level 2	Level 3
Investments				
Mutual funds				
Corporate bond	\$ 1,331,707	\$ 1,331,707	\$ -	\$ -
Intermediate government	1,243,328	1,243,328	-	-
High yield bond	1,189,427	1,189,427	-	-
Diversified emerging markets	1,032,763	1,032,763	-	-
Real estate	1,273,983	1,273,983	-	-
Total mutual funds	<u>6,071,208</u>	<u>6,071,208</u>	<u>-</u>	<u>-</u>
Exchange traded funds				
Small blend	529,633	529,633	-	-
Foreign large blend	2,943,338	2,943,338	-	-
Large value	4,140,708	4,140,708	-	-
Large blend	723,555	723,555	-	-
Large growth	4,197,751	4,197,751	-	-
Total exchange traded funds	<u>12,534,985</u>	<u>12,534,985</u>	<u>-</u>	<u>-</u>

(Continued)

Henderson State University Foundation

Notes to Financial Statements June 30, 2021 and 2020

NOTE 2: INVESTMENTS (Continued)

	June 30, 2021			
	Fair Value	Level 1	Level 2	Level 3
Investments (Continued)				
Equity securities				
Consumer discretionary	\$ 263,124	\$ 263,124	\$ -	\$ -
Consumer staples	225,086	225,086	-	-
Energy	36,898	36,898	-	-
Financial services	436,114	436,114	-	-
Health care	231,645	231,645	-	-
Industrials	459,149	459,149	-	-
Information technology	412,940	412,940	-	-
Materials	134,066	134,066	-	-
Real estate	105,681	105,681	-	-
Telecommunication services	120,294	120,294	-	-
Utilities	62,431	62,431	-	-
Total equity securities	<u>2,487,428</u>	<u>2,487,428</u>	<u>-</u>	<u>-</u>
U.S. Treasury obligations	<u>3,257,447</u>	<u>-</u>	<u>3,257,447</u>	<u>-</u>
Government-sponsored entity obligations	<u>297,695</u>	<u>-</u>	<u>297,695</u>	<u>-</u>
Municipal bond	<u>248,997</u>	<u>-</u>	<u>248,997</u>	<u>-</u>
Real estate	<u>76,500</u>	<u>-</u>	<u>-</u>	<u>76,500</u>
	<u>\$ 24,974,260</u>	<u>\$ 21,093,621</u>	<u>\$ 3,804,139</u>	<u>\$ 76,500</u>
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	<u>4,964,019</u>	<u>4,964,019</u>	<u>-</u>	<u>-</u>

(Continued)

Henderson State University Foundation

Notes to Financial Statements June 30, 2021 and 2020

NOTE 2: INVESTMENTS (Continued)

	June 30, 2020			
	Fair Value	Level 1	Level 2	Level 3
Investments (Continued)				
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	<u>7,910,832</u>	<u>7,910,832</u>	<u>-</u>	<u>-</u>
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>

Henderson State University Foundation

Notes to Financial Statements June 30, 2021 and 2020

NOTE 3: CONTRIBUTIONS RECEIVABLE, NET

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

Contributions receivable	\$ 927,000
Less unamortized discount on long-term contributions receivable	<u>(346)</u>
	<u>\$ 926,654</u>

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

Amounts due in:	
Less than one year	\$ 918,000
One to five years	<u>9,000</u>
	<u>\$ 927,000</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 four percent. During the year ended June 30, 2021, the Foundation received the majority of contributions receivable and wrote off the remaining outstanding balance of approximately \$17,000.

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

During the year ended June 30, 2020 the Foundation entered into a contract for the construction of a new facility on the campus of the University. The Foundation received a contribution on behalf of the University to fund the construction of the facility and incurred approximately \$1,200,000 and \$79,000 in construction costs related to the project during the year ended June 30, 2021 and 2020, respectively. The project was completed and ownership of the facility was transferred to the University during the year ended June 30, 2021. As of June 30, 2021, the Foundation had approximately \$56,000 in accounts payable related to final construction costs of the facility.

Henderson State University Foundation

Notes to Financial Statements June 30, 2021 and 2020

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, 2021 and 2020

NOTE 6: ENDOWMENTS (Continued)

Changes in donor-restricted endowment net assets for the years ended June 30, 2021 and 2020, are as follows:

	2021	2020
Endowment net assets, beginning of year	\$ 18,275,773	\$ 17,655,990
Contributions	427,470	611,922
Investment return, net	5,049,412	618,222
Appropriation of endowment assets for expenditure	(387,847)	(610,361)
Endowment net assets, end of year	\$ 23,364,808	\$ 18,275,773

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, 2021 and 2020:

	2021	2020
Net Assets Restricted in Perpetuity		
Athletics and other	\$ 4,197,669	\$ 4,175,218
Scholarship	9,050,029	8,651,678
	\$ 13,247,698	\$ 12,826,896
Net Assets Restricted for a Specific Purpose		
Athletics and other	\$ 6,010,977	\$ 4,870,567
Scholarship	6,116,802	2,398,929
Capital projects	1,028,765	1,241,817
	\$ 13,156,544	\$ 8,511,313
Net Assets Restricted to Passage of Time		
Athletics and other	\$ -	\$ 26,654
Capital projects	-	900,000
	\$ -	\$ 926,654

Henderson State University Foundation

Notes to Financial Statements June 30, 2021 and 2020

NOTE 8: RELATED PARTY TRANSACTIONS

During the years ended June 30, 2021 and 2020, the Foundation contributed to the University approximately \$2,305,000 and \$1,896,000, respectively, to be used for purposes as required by endowment agreements and/or donors for specific programs.

During the years ended June 30, 2021 and 2020, employees of the University were provided to oversee the operations of the Foundation. For the year ended June 30, 2020, the Foundation reimbursed the University approximately \$53,000 for salary expenses. The University contributed in-kind salary expense of \$77,720 and \$62,383 for the years ended June 30, 2021 and 2020, 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 ended 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:

	2021	2020
Cash and cash equivalents	\$ 1,278,467	\$ 1,817,059
Accrued interest receivable	128	276
Accounts receivable	-	44,278
Contributions receivable, net	-	926,654
Investments	24,974,260	19,135,763
Total financial assets	26,252,855	21,924,030
Less endowment fund cash, cash equivalents and investments	(23,364,808)	(18,275,773)
Less contributions due in more than one year	-	(8,654)
Less other restrictions	-	(918,000)
Add back appropriations for years ended June 30, 2022 and 2021	752,374	707,391
Financial assets available to meet cash needs for general expenditures within one year	\$ 3,640,421	3,428,994

Henderson State University Foundation

Notes to Financial Statements

June 30, 2021 and 2020

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, 2021, the date the financial statements were available to be issued.