

THE UNIVERSITY OF ARKANSAS FOUNDATION, INC.

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES**

JUNE 30, 2021 and 2020

WITH

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The University of Arkansas Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The University of Arkansas Foundation, Inc. and subsidiary, which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively 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 audit to obtain reasonable assurance about whether the financial statements are free of 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The University of Arkansas Foundation, Inc. and subsidiary as of June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information is presented for purposes of additional analysis rather than to present the results of operations of the individual development councils and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Hogan Taylor LLP

Fayetteville, Arkansas
September 30, 2021

THE UNIVERSITY OF ARKANSAS FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

	2021	2020
Assets		
Contributions receivable, net	\$ 215,510,198	\$ 61,908,066
Interest receivable	1,561,134	885,667
Investments, at fair value	1,871,514,209	1,365,656,164
Cash value of life insurance	1,375,367	1,314,689
Land	31,425	348,425
Total assets	\$ 2,089,992,333	\$ 1,430,113,011
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 9,383,700	\$ 4,146,007
Annuity obligations	18,676,711	14,670,353
Total liabilities	28,060,411	18,816,360
Net assets:		
Without donor restrictions	142,638,166	117,129,631
With donor restrictions	1,919,293,756	1,294,167,020
Total net assets	2,061,931,922	1,411,296,651
Total liabilities and net assets	\$ 2,089,992,333	\$ 1,430,113,011

THE UNIVERSITY OF ARKANSAS FOUNDATION, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Contributions	\$ 12,605,336	\$ 253,753,566	\$ 266,358,902
Interest and dividends	521,035	3,122,674	3,643,709
Net realized and unrealized gains on investments	34,442,559	421,600,501	456,043,060
Net assets released from restrictions	50,894,210	(50,894,210)	-
Total revenues, gains and other support	98,463,140	627,582,531	726,045,671
Expenses and losses:			
Program services:			
University System support	65,352,945	-	65,352,945
Supporting services:			
Management and general	1,786,125	-	1,786,125
Advancement and development	5,625,426	-	5,625,426
Change in value of split-interest agreements	165,521	2,441,630	2,607,151
Provision for loss on uncollectible contributions	24,588	14,165	38,753
Total supporting services	7,601,660	2,455,795	10,057,455
Total expenses and losses	72,954,605	2,455,795	75,410,400
Change in net assets	25,508,535	625,126,736	650,635,271
Net assets, beginning of year	117,129,631	1,294,167,020	1,411,296,651
Net assets, end of year	\$ 142,638,166	\$ 1,919,293,756	\$ 2,061,931,922

THE UNIVERSITY OF ARKANSAS FOUNDATION, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Contributions	\$ 10,798,581	\$ 81,633,734	\$ 92,432,315
Interest and dividends	3,242,527	5,233,112	8,475,639
Net realized and unrealized gains on investments	11,989,165	12,741,719	24,730,884
Net assets released from restrictions	48,293,571	(48,293,571)	-
Total revenues, gains and other support	74,323,844	51,314,994	125,638,838
Expenses and losses:			
Program services:			
University System support	66,614,918	-	66,614,918
Supporting services:			
Management and general	1,975,745	-	1,975,745
Advancement and development	6,551,200	-	6,551,200
Change in value of split-interest agreements	(57,608)	238,969	181,361
Provision for loss on uncollectible contributions	2,330	92,151	94,481
Total supporting services	8,471,667	331,120	8,802,787
Total expenses and losses	75,086,585	331,120	75,417,705
Change in net assets	(762,741)	50,983,874	50,221,133
Net assets, beginning of year	117,892,372	1,243,183,146	1,361,075,518
Net assets, end of year	\$ 117,129,631	\$ 1,294,167,020	\$ 1,411,296,651

THE UNIVERSITY OF ARKANSAS FOUNDATION, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2021

	Program Services	Management and General	Advancement and Development	Total
University System support	\$ 65,352,945	\$ -	\$ -	\$ 65,352,945
Administrative services	-	1,346,053	-	1,346,053
Professional fees	-	232,767	-	232,767
Insurance	-	82,509	-	82,509
Rent	-	74,607	-	74,607
Other	-	50,189	-	50,189
Advancement	-	-	5,625,426	5,625,426
Total	\$ 65,352,945	\$ 1,786,125	\$ 5,625,426	\$ 72,764,496

THE UNIVERSITY OF ARKANSAS FOUNDATION, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2020

	Program Services	Management and General	Advancement and Development	Total
University System support	\$ 66,614,918	\$ -	\$ -	\$ 66,614,918
Administrative services	-	1,536,222	-	1,536,222
Professional fees	-	222,677	-	222,677
Insurance	-	53,532	-	53,532
Rent	-	72,991	-	72,991
Other	-	90,323	-	90,323
Advancement	-	-	6,551,200	6,551,200
Total	\$ 66,614,918	\$ 1,975,745	\$ 6,551,200	\$ 75,141,863

THE UNIVERSITY OF ARKANSAS FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 650,635,271	\$ 50,221,133
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Receipt of land	-	(464,000)
Change in value of split-interest agreements	2,607,150	181,361
Net realized and unrealized gains on investments	(456,043,061)	(24,730,884)
Losses on sale of land	37,071	71,936
Change in allowance for doubtful accounts	(18,500)	(99,000)
Change in unamortized discount of contributions receivable	(2,924,835)	445,107
Decrease (increase) in cash value of life insurance	(60,678)	255,858
Interest restricted for long-term investment	(347,319)	(144,928)
Contributions restricted for long-term investment	(89,574,428)	(43,703,282)
Change in assets and liabilities:		
Contributions receivable	(124,656,372)	(10,242,419)
Interest receivable	(675,467)	2,870,017
Accounts payable	5,237,693	1,864,079
Net cash used in operating activities	(15,783,475)	(23,475,022)
Cash Flows from Investing Activities		
Proceeds from sale of investments	1,095,979,933	1,442,644,089
Purchase of investments	(1,145,794,917)	(1,453,733,827)
Proceeds from sale of land	279,929	75,064
Net cash used in investing activities	(49,535,055)	(11,014,674)
Cash Flows from Financing Activities		
Proceeds from contributions restricted for:		
Investment in endowment	63,572,003	35,348,246
Investment subject to annuity obligations	4,597,648	1,821,421
Other financing activities:		
Interest restricted for reinvestment	347,319	144,928
Payment of annuity obligations	(3,198,440)	(2,824,899)
Net cash provided by financing activities	65,318,530	34,489,696
Net change in cash and cash equivalents at beginning and end of year	\$ -	\$ -

See notes to consolidated financial statements.

THE UNIVERSITY OF ARKANSAS FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

Note 1 – Nature of Operations and Summary of Significant Accounting Policies

Nature of operations

The University of Arkansas Foundation, Inc. (the Foundation) administers and invests gifts and other amounts received directly or indirectly as a result of the individual fundraising activities of the various unincorporated development councils of the Foundation. The Foundation's principal activity is providing support to or for the benefit of The University of Arkansas System (the System).

The consolidated financial statements include the accounts of the Foundation and its wholly owned subsidiary, University of Arkansas Foundation Realty LLC (an Arkansas limited liability company) (the Subsidiary). The specific purpose of the Subsidiary is to receive, hold, manage and sell real estate of the Foundation and the Subsidiary, acquired by gift, devise or purchase, and to otherwise invest, reinvest, manage and operate the assets of the Subsidiary. The Subsidiary will exist for a period of 50 years ending December 31, 2050. All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of accounting

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and include the consolidated statements of financial position, activities, cash flows and functional expenses of the Foundation.

Basis of presentation

The Foundation is required to report information regarding its financial position and activities based on the existence or absence of donor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment. Board-designated net assets are subject to self-imposed limits by action of the Board of Directors. Board-designated net assets may be earmarked for future programs, investment, contingencies, purchase or construction of property and equipment, or other uses.

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature and may or will be met by expenditures or actions of the Foundation, by the passage of time, or appropriation by the Board of Directors of certain income earned on endowment. Other donor-imposed restrictions are perpetual in nature and are limited by donor-imposed restrictions which stipulate that resources be maintained in perpetuity but permit the Foundation to expend the income generated in accordance with the provisions of the related agreements.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contributions receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received.

Investments

The Foundation accounts for investments under applicable guidance for certain investments held by not-for-profit organizations. This guidance requires that investments in equity securities with readily determinable fair values and all investments in debt securities be reported at fair value with gains and losses included in the Statements of Activities.

The Foundation paid custodial and investment advisory fees. These fees are netted against interest and dividends revenue in the Statements of Activities.

The consolidated financial statements include investments in other partnerships and alternative investments valued at approximately \$630 million (31% of net assets) and \$398 million (28% of net assets) as of June 30, 2021 and 2020, respectively. The fair values of these investments have been prepared by management in the absence of readily determinable fair values. These values are based on information provided by the respective fund managers.

Investments are exposed to various risks, such as interest rate, credit and overall market volatility risks. Investments are made by investment managers engaged by the Foundation, and the investments are monitored by the Foundation staff and its outsourced chief investment officer. Although the fair value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Foundation and its beneficiaries.

Due to market volatility, it is reasonably possible that changes in the values of investment securities will occur in the near term, and that such changes could materially affect the amounts reported in the Statements of Activities. Significant fluctuations in fair values could occur from year-to-year, and the amounts the Foundation will ultimately realize could differ materially.

Donated assets

The Foundation periodically receives contributions in a form other than cash or investments. If the Foundation receives a contribution of land, building or equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of the gift, provided the value of the asset and its estimated useful life meets the Foundation's capitalization policy.

Contributions

Gifts of cash and other assets are recorded as net assets with donor restrictions or without donor restrictions depending on the absence or existence and the nature of any donor restrictions. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose for which the gift was received has been accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction is satisfied in the same reporting period in which the support is recognized. Other donor-imposed restrictions are perpetual in nature and stipulate resources be maintained in perpetuity but permit the Foundation to expend income and principal in accordance with the spending policy established by the Foundation's Board of Directors (see Note 10).

Functional expenses

The cost of providing various programs and other activities has been summarized on a functional basis in the accompanying statements of activities and in further detail in the accompanying statements of functional expenses. Advancement expenses funded by the Foundation are in support of advancement activities conducted by the System campuses.

Income taxes

The Foundation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is considered an organization that is not a private foundation.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year's financial statement presentation. These reclassifications had no effect on the previously reported change in net assets.

Recently adopted accounting pronouncement

In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-13, *Fair Value Measurement (Topic 820), Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*. The amendments modify the disclosure requirements on fair value measurements by removing, modifying, or adding certain disclosures. The Foundation adopted this new Standard on July 1, 2020, with no significant impact on its financial statement disclosures.

New accounting pronouncement

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments require presentation of contributed nonfinancial assets as a separate line item in the statement of activities (apart from cash and other financial assets). In addition, disclosure is required for each type of contributed financial asset including, uses, policies, restrictions, valuation details, and market information. ASU 2020-07 is effective for the Foundation's year ending June 30, 2022. Early application is permitted. The Foundation is currently evaluating the impact of ASU 2020-07 on its financial statements.

Subsequent event

Management has evaluated subsequent events through September 30, 2021, the date the financial statements were available to be issued.

Note 2 – Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restriction limiting their use, within one year of June 30, comprise the following:

	2021	2020
Financial assets at year-end:		
Contributions receivable	\$ 215,510,198	\$ 61,908,066
Interest receivable	1,561,134	885,667
Cash value of life insurance	1,375,367	1,314,689
Investments	1,871,514,209	1,365,656,164
	<hr/>	<hr/>
Total financial assets	2,089,960,908	1,429,764,586
Less amounts not available for general expenditures within one year:		
Net assets with donor restriction	1,919,293,756	1,294,167,020
Net assets without donor restriction retained	2,536,980	2,120,089
Assets designated for liabilities	28,060,411	18,816,360
Board-designated funds for future use	79,518,181	54,295,526
	<hr/>	<hr/>
	2,029,409,328	1,369,398,995
	<hr/>	<hr/>
Financial assets without donor restriction available to meet general expenditures over the next 12 months	\$ 60,551,580	\$ 60,365,591
	<hr/>	<hr/>

Financial assets without donor restrictions are available to meet general expenditures at the discretion of the account holder subject to the Foundation's expenditure policy. Consistent with the objectives of the Foundation's investment policy, liquidity is managed to be available as expenditures, liabilities, and other obligations become due. As a part of its liquidity plan, the Foundation invests cash in excess of daily requirements in short-term investment-grade fixed income securities.

Note 3 – Contributions Receivable

Contributions receivable consist of the following unconditional promises to give at June 30:

	2021	2020
Due in less than one year	\$ 77,056,967	\$ 30,777,313
Due in one to five years	142,871,594	32,685,032
Due in more than five years	1,305,000	1,262,750
	<hr/>	<hr/>
	221,233,561	64,725,095
Less:		
Allowance for doubtful accounts	(868,000)	(886,500)
Unamortized discount	(4,855,363)	(1,930,529)
	<hr/>	<hr/>
	(5,723,363)	(2,817,029)
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	\$ 215,510,198	\$ 61,908,066
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Note 4 – Annuity Obligations

The Foundation has received gifts in return for lifetime annuities. The terms of these annuities vary depending upon the life expectancy of the recipients. The quarterly payments as of June 30, 2021 and 2020, were \$403,195 and \$440,910, respectively, including interest which ranges from 3% to 15%. Aggregate annual maturities of annuity obligations at June 30, 2021, are as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 1,425,945
2023	1,777,341
2024	1,253,216
2025	1,213,336
2026	1,144,441
Thereafter	<u>11,862,432</u>
	<u><u>\$ 18,676,711</u></u>

Note 5 – Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at June 30:

	<u>2021</u>	<u>2020</u>
Subject to appropriation or expenditure:		
Scholarships and awards	\$ 66,731,171	\$ 60,155,854
Faculty/staff support	46,577,201	34,134,166
Research	22,270,978	17,247,003
Construction	138,152,154	46,461,131
Institutional support	59,338,327	44,702,991
Other	<u>73,454,897</u>	<u>40,565,760</u>
	406,524,728	243,266,905
Not subject to appropriation or expenditure:		
Scholarships and awards	464,370,130	341,476,427
Faculty/staff support	430,144,994	274,751,320
Research	67,697,476	46,511,362
Construction	34,620,658	25,974,661
Institutional support	422,936,436	299,749,015
Other	<u>92,999,334</u>	<u>62,437,330</u>
	<u>1,512,769,028</u>	<u>1,050,900,115</u>
Total net assets with donor restrictions	<u><u>\$ 1,919,293,756</u></u>	<u><u>\$ 1,294,167,020</u></u>

Note 6 – Net Assets Released From Restrictions

Net assets were released from donor restrictions by satisfying the restricted purposes as follows for the years ended June 30:

	2021	2020
Construction	\$ 2,735,668	\$ 2,211,687
Faculty/staff support	16,327,991	13,420,460
Scholarships and awards	17,619,653	13,665,189
Research	4,723,410	8,012,191
Other	9,487,488	10,984,044
	<u>\$ 50,894,210</u>	<u>\$ 48,293,571</u>

Note 7 – Pension Plan

The Foundation has a defined contribution (money-purchase) retirement plan covering substantially all employees. The Foundation's contributions to the plan are 5% of participants' salaries. In addition, the Foundation will match all contributions made by employees up to and including 5%. Contributions are limited to 10% of the total compensation paid to participants during the plan year. Participants' interests are immediately vested. Employer contributions to the plan were \$154,755 and \$149,030 in the years ending June 30, 2021 and 2020, respectively.

Note 8 – Financial Instruments

The following methods and assumptions were used by the Foundation in estimating the fair value of its financial instruments:

Interest receivable

For these short-term instruments, the carrying amount approximates fair value.

Contributions receivable

The fair value is estimated by discounting the expected future cash flows using the risk-free interest rates applicable to the years in which the promises are received.

Note 9 – Fair Value Measurements

External Investment Pools

The University of Arkansas Foundation participates in two external investment pools which are sponsored by the University of Arkansas Board of Trustees and the University of Arkansas Foundation Board of Directors and managed by the University of Arkansas Foundation and Cambridge Associates, LLC.

At June 30, 2021, 11 University of Arkansas System campuses and four foundations participated in the external investment pools, whose net assets totaled approximately \$2.8 billion. The University of Arkansas Foundation owns approximately 61.41% of the total return pool and 90.56% of the short-term pool. The investment disclosures below relate to the Foundation's portion of the pools.

Fair Value Measurements

The FASB established 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

An individual investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Foundation. The Foundation considers observable data to be market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by multiple, independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the pricing transparency of that investment and does not necessarily correspond to the Foundation's perceived risk of that investment.

The three levels of the fair value hierarchy are as follows:

- Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date. Publicly traded equity securities and mutual funds are the primary investments included in Level 1 and are valued at the individual security's closing market price.
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Observable inputs are those that reflect the assumptions market participants would use in pricing the asset developed based on market data obtained from independent sources. These types of sources would include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets, models or other valuation methodologies. Level 2 investments include U.S. and international government debt securities valued at market corroborated prices and certain equity and fixed income investments in commingled investment vehicles reported at net asset value (NAV) derived from the market prices of security holdings.
- Level 3 – Inputs that are unobservable. Unobservable inputs are those that reflect the Foundation's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the 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 tables set forth, by level, within the valuation hierarchy amounts recorded in the Foundation's consolidated financial statements at fair value as of June 30:

2021	Assets			
	Level 1	Level 2	NAV*	Total
Equity securities:				
U.S. (a)	\$ 63,212,075	\$ -	\$ -	\$ 63,212,075
International (a)	29,349,290	-	-	29,349,290
Fixed income:				
U.S. government debt securities (b)	-	86,265,884	-	86,265,884
Other debt securities (c)	-	218,351	-	218,351
Commingled funds:				
U.S. equity (d)	13,791,952	41,862,547	-	55,654,499
International equity (d)	4,966,977	250,864,214	-	255,831,191
U.S. government bonds (d)	2,550,359	-	-	2,550,359
Corporate bonds (d)	6,585,133	-	-	6,585,133
Other partnerships:				
U.S. (e)	-	-	244,884,853	244,884,853
International (f)	-	-	182,687,160	182,687,160
Nonmarketable alternatives (g)	-	-	475,026,717	475,026,717
Marketable alternatives (h)	-	-	154,708,809	154,708,809
Money market and short-term investments (i)	314,539,888	-	-	314,539,888
Total	\$ 434,995,674	\$ 379,210,996	\$ 1,057,307,539	\$ 1,871,514,209

2020	Assets			
	Level 1	Level 2	NAV*	Total
Equity securities:				
U.S. (a)	\$ 41,665,582	\$ -	\$ -	\$ 41,665,582
International (a)	19,404,779	-	-	19,404,779
Fixed income:				
U.S. government debt securities (b)	-	73,553,844	-	73,553,844
Other debt securities (c)	-	104,840	-	104,840
Commingled funds:				
U.S. equity (d)	12,562,822	47,119,028	-	59,681,850
International equity (d)	4,401,477	128,779,410	-	133,180,887
U.S. government bonds (d)	2,310,315	-	-	2,310,315
Corporate bonds (d)	5,871,993	-	-	5,871,993
Other partnerships:				
U.S. (e)	-	-	208,791,347	208,791,347
International (f)	-	-	110,927,740	110,927,740
Nonmarketable alternatives (g)	-	-	256,813,133	256,813,133
Marketable alternatives (h)	-	-	141,231,547	141,231,547
Money market and short-term investments (i)	312,118,307	-	-	312,118,307
Total	\$ 398,335,275	\$ 249,557,122	\$ 717,763,767	\$ 1,365,656,164

* In accordance with Subtopic 820-10, certain investments that were measured at fair value using the NAV per share (or its equivalent) as the practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented on the consolidated statements of financial position.

- (a) These classes include common stocks traded in U.S. and international markets. Daily liquidity is available.
- (b) This class includes U.S. Treasury securities primarily managed to approximate the risk and return characteristics of the ten-year Barclays U.S. Treasury Index. Daily liquidity is available.

- (c) This class includes corporate bonds, mortgage-backed and asset-backed debt securities.
- (d) This class includes mutual funds and collective trust funds invested in the common stocks with approximately 15% in U.S. funds, 50% in international developed market funds and 35% in emerging markets. Benchmarks include the S&P 500, Russell 1000 Value Index, the MSCI World ex U.S. Index, MSCI Emerging Markets Index, and S&P Frontier Markets Indices. Funds that offer daily redemptions comprise about 70% of the assets. The remaining assets can be redeemed semi-monthly or monthly with a 15- or 30-day notice requirement.
- (e) This class includes investments in limited partnerships that invest primarily in U.S. common stocks benchmarked to the S&P 500 Index. These partnerships may invest in securities outside the benchmark index, use futures and options, invest in private investments and engage in short-selling. Liquidity may be restricted through the use of lock-up periods and notice requirements. Approximately 30% of the assets have monthly liquidity subject to notice periods of 25 business days. Quarterly redemptions are available for the other 70% of the assets with a 60-day notice requirement.
- (f) This class includes investments in limited partnerships that invest globally, including both developed and emerging markets and are benchmarked to the MSCI World Index. Withdrawals are subject to notice requirements and may be subject to lock-up requirements. Redemption options range from monthly to quarterly with notice requirements of 5 to 30 days.
- (g) This class includes investments through a limited partnership in multiple underlying private equity partnerships. The underlying investments are diversified by strategy, fund and vintage year. The General Partners of the underlying partnerships determine the timing of investments and distributions. Redemptions are only available to the extent of net cash distributions received from the General Partners of the underlying partnerships. Unfunded commitments to the partnership totaled approximately \$263 million as of June 30, 2021.
- (h) This class includes investments through a limited partnership in multiple underlying hedge funds with the overall investment objective of achieving equity-like returns with minimal correlation to major market averages. The portfolio is diversified by investment strategy and by the manager. Liquidity and lock-up periods will vary by individual fund. Subject to the liquidity terms of the underlying funds, the Foundation may request withdrawals monthly with ten days' notice which may be waived by the General Partner. Approximately 8% of these assets are in a hedge fund held outside of the limited partnership which has quarterly liquidity subject to a 30-day notice requirement.
- (i) This class includes investments in a money market mutual fund which invests in a portfolio of obligations of the U.S. Government and its agencies or instrumentalities. Daily liquidity is available.

Note 10 – Endowment

The Foundation's endowment consists of funds established for a variety of purposes, including both donor-restricted endowment funds and funds designated by the Board of Directors of the Foundation (the Board) to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law – The Foundation interprets Arkansas Act 262, cited as the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA), which was approved February 2009, 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 restriction not subject to appropriation for expenditure (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of applicable donor gift instruments at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as net assets available for appropriation or expenditure until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard prudence prescribed in 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 fund
- 2) The purpose of the Foundation and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Foundation
- 7) The investment policy of the Foundation

Funds with Deficiencies – From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature are reported in net assets with donor restriction. Deficiencies were immaterial as of June 30, 2020 and 2021.

Endowment Investment Policies – The overall financial objectives of the Foundation are (1) to advance and support higher education, both current and future operations, for all units and activities of the System, and (2) to enhance the purchasing power by generating an average annual real total return (net of investment management fees) in excess of the spending rate over the long-term with minimal return volatility. It is recognized that the real return objective may be difficult to attain in any specific time frame, but should be attainable on average over time. The returns are compared to appropriate composite benchmarks and/or endowment median.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The endowment's investments are diversified across asset classes that balance the Foundation's need for liquidity, preservation of purchasing power and risk tolerance.

Spending Policy – The Board has approved a spending policy whereby funds are transferred quarterly from endowment to the appropriate net asset fund with or without donor restriction. The amount of funds transferred out of endowment is computed by applying the spending rate of 5% in 2021 and 2020, to the 36-month average fair value as of the end of each quarter. This transfer is reflected in the Statements of Activities as an outflow of interest and dividends and net realized and unrealized gains on investments from net assets that are held in perpetuity.

Endowment net asset composition by type of fund as of June 30, is as follows:

2021	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 1,496,319,826	\$ 1,496,319,826
Board-designated endowment funds	79,518,181	-	79,518,181
	<u>\$ 79,518,181</u>	<u>\$ 1,496,319,826</u>	<u>\$ 1,575,838,007</u>
2020			
Donor-restricted endowment funds	\$ -	\$ 1,054,760,455	\$ 1,054,760,455
Board-designated endowment funds	54,295,526	-	54,295,526
	<u>\$ 54,295,526</u>	<u>\$ 1,054,760,455</u>	<u>\$ 1,109,055,981</u>

Changes in endowment, excluding contributions receivable, net assets for the years ending June 30, 2021 and 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2019	\$ 53,816,110	\$ 1,038,748,738	\$ 1,092,564,848
Investment return:			
Interest and dividends	719,015	6,187,675	6,906,690
Net realized and unrealized gains on long-term investments	396,569	34,417,180	34,813,749
Total investment return	1,115,584	40,604,855	41,720,439
Contributions	1,733,951	33,614,294	35,348,245
Appropriation of endowment assets for expenditure	(2,370,119)	(58,207,432)	(60,577,551)
Endowment net assets, June 30, 2020	54,295,526	1,054,760,455	1,109,055,981
Investment return:			
Interest and dividends	98,065	2,502,625	2,600,690
Net realized and unrealized gains on long-term investments	21,964,380	428,536,359	450,500,739
Total investment return	22,062,445	431,038,984	453,101,429
Contributions	5,677,775	57,894,228	63,572,003
Appropriation of endowment assets for expenditure	(2,517,565)	(47,373,841)	(49,891,406)
Endowment net assets, June 30, 2021	\$ 79,518,181	\$ 1,496,319,826	\$ 1,575,838,007

Note 11 – Concentrations

The Foundation has certain concentrations of credit risk with financial institutions in the form of uninsured cash, time deposits and other short-term investments that typically exceed Federal Deposit Insurance Corporation limits. For purposes of evaluating credit risk, the stability of financial institutions conducting business with the Foundation is periodically reviewed and management of the Foundation believes that credit risk related to these balances is immaterial.

The Foundation has one donor with pledges which represent 85% of contributions receivable as of June 30, 2021. The Foundation has three donors with pledges which represent 55% of contributions receivable as of June 30, 2020. One donor accounted for 73% of contributions for the year ended June 30, 2021. One donor accounted for 27% of contributions for the year ended June 30, 2020.

SUPPLEMENTAL SCHEDULES

THE UNIVERSITY OF ARKANSAS FOUNDATION, INC.
SCHEDULE OF ACTIVITIES BY DEVELOPMENT COUNCIL

Year ended June 30, 2021

	System	Fayetteville	Agriculture	Little Rock	Medical Sciences	Monticello	Pine Bluff	Batesville	Morrilton	Pulaski Technical College	Phillips	Cossatot	Total
Revenues, gains and other support:													
Contributions	\$ 25,655	\$ 235,777,003	\$ 1,027,406	\$ 4,931,163	\$ 19,885,540	\$ 1,473,032	\$ 1,930,312	\$ 63,121	\$ 34,678	\$ 250,779	\$ 294,771	\$ 665,442	\$ 266,358,902
Interest and dividends	375,556	1,757,664	48,953	249,471	1,121,922	50,150	25,519	4,007	1,044	6,205	2,337	881	3,643,709
Net realized and unrealized gains on investments	49,945,799	236,994,084	6,454,558	34,182,901	115,794,139	7,070,912	3,486,980	567,519	143,240	868,796	310,445	223,687	456,043,060
Total revenues, gains and other support	50,347,010	474,528,751	7,530,917	39,363,535	136,801,601	8,594,094	5,442,811	634,647	178,962	1,125,780	607,553	890,010	726,045,671
Expenses and losses:													
Program services:													
University System support	4,967,083	33,194,193	1,438,306	7,641,577	14,777,508	1,143,904	1,528,877	63,279	41,121	226,618	217,826	112,653	65,352,945
Total program services	4,967,083	33,194,193	1,438,306	7,641,577	14,777,508	1,143,904	1,528,877	63,279	41,121	226,618	217,826	112,653	65,352,945
Supporting services:													
Management and general	1,786,125	-	-	-	-	-	-	-	-	-	-	-	1,786,125
Advancement and development	2,188	3,812,225	5,929	342,304	1,355,000	81,382	8,639	1,271	-	10,445	6,043	-	5,625,426
Change in value of split-interest agreements	-	1,715,025	42,921	386,962	453,943	3,493	4,807	-	-	-	-	-	2,607,151
Provision for loss on uncollectible contributions	-	13,416	-	20,837	6,000	-	-	-	-	(1,500)	-	-	38,753
Total supporting services	1,788,313	5,540,666	48,850	750,103	1,814,943	84,875	13,446	1,271	-	8,945	6,043	-	10,057,455
Total expenses and losses	6,755,396	38,734,859	1,487,156	8,391,680	16,592,451	1,228,779	1,542,323	64,550	41,121	235,563	223,869	112,653	75,410,400
Change in net assets	43,591,614	435,793,892	6,043,761	30,971,855	120,209,150	7,365,315	3,900,488	570,097	137,841	890,217	383,684	777,357	650,635,271
Net assets, beginning of year	140,222,594	690,339,252	25,718,882	126,553,867	387,594,269	20,696,519	13,279,264	1,599,312	616,484	2,971,114	1,705,094	-	1,411,296,651
Net assets, end of year	\$ 183,814,208	\$ 1,126,133,144	\$ 31,762,643	\$ 157,525,722	\$ 507,803,419	\$ 28,061,834	\$ 17,179,752	\$ 2,169,409	\$ 754,325	\$ 3,861,331	\$ 2,088,778	\$ 777,357	\$ 2,061,931,922

THE UNIVERSITY OF ARKANSAS FOUNDATION, INC.
SCHEDULE OF ACTIVITIES BY DEVELOPMENT COUNCIL

Year ended June 30, 2020

	System	Fayetteville	Agriculture	Little Rock	Medical Sciences	Monticello	Pine Bluff	Batesville	Morrilton	Pulaski Technical College	Phillips	Total
Revenues, gains and other support:												
Contributions	\$ 10,707,763	\$ 28,422,555	\$ 674,892	\$ 32,224,073	\$ 14,134,145	\$ 2,528,411	\$ 1,373,063	\$ 73,740	\$ 56,956	\$ 590,981	\$ 1,645,736	\$ 92,432,315
Interest and dividends	1,015,050	4,115,390	179,610	584,398	2,355,361	101,677	89,747	8,308	3,807	17,422	4,869	8,475,639
Net realized and unrealized gains on investments	3,581,072	12,398,172	348,510	1,961,156	5,535,758	497,144	158,268	26,421	7,268	41,775	175,340	24,730,884
Total revenues, gains and other support	15,303,885	44,936,117	1,203,012	34,769,627	22,025,264	3,127,232	1,621,078	108,469	68,031	650,178	1,825,945	125,638,838
Expenses and losses:												
Program services:												
University System support	4,998,576	36,078,756	1,447,584	5,830,139	15,779,684	781,298	814,958	59,059	47,656	656,357	120,851	66,614,918
Total program services	4,998,576	36,078,756	1,447,584	5,830,139	15,779,684	781,298	814,958	59,059	47,656	656,357	120,851	66,614,918
Supporting services:												
Management and general	1,975,745	-	-	-	-	-	-	-	-	-	-	1,975,745
Advancement and development	-	4,739,326	52,208	428,900	1,239,000	73,499	8,094	1,480	-	8,693	-	6,551,200
Change in value of split-interest agreements	-	248,874	2,166	27,115	(99,597)	2,648	155	-	-	-	-	181,361
Provision for loss on uncollectible contributions	-	108,268	-	32,450	(32,237)	-	-	-	(14,000)	-	-	94,481
Total supporting services	1,975,745	5,096,468	54,374	488,465	1,107,166	76,147	8,249	1,480	(14,000)	8,693	-	8,802,787
Total expenses and losses	6,974,321	41,175,224	1,501,958	6,318,604	16,886,850	857,445	823,207	60,539	33,656	665,050	120,851	75,417,705
Change in net assets	8,329,564	3,760,893	(298,946)	28,451,023	5,138,414	2,269,787	797,871	47,930	34,375	(14,872)	1,705,094	50,221,133
Net assets, beginning of year	131,893,030	686,578,359	26,017,828	98,102,844	382,455,855	18,426,732	12,481,393	1,551,382	582,109	2,985,986	-	1,361,075,518
Net assets, end of year	\$ 140,222,594	\$ 690,339,252	\$ 25,718,882	\$ 126,553,867	\$ 387,594,269	\$ 20,696,519	\$ 13,279,264	\$ 1,599,312	\$ 616,484	\$ 2,971,114	\$ 1,705,094	\$ 1,411,296,651