

THE UNIVERSITY OF ARKANSAS FOUNDATION, INC.
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022
WITH
INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of The University of Arkansas Foundation, Inc. and its subsidiary (the Foundation), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, 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).

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a

material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

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.



Fayetteville, Arkansas
September 29, 2023

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

June 30, 2023 and 2022

	2023	2022
Assets		
Contributions receivable, net	\$ 94,676,203	\$ 157,629,415
Interest receivable	6,719,460	2,018,610
Investments, at fair value	1,851,035,431	1,732,937,016
Cash value of life insurance	1,416,101	1,526,723
Land	30,000	30,000
Total assets	<u>\$ 1,953,877,195</u>	<u>\$ 1,894,141,764</u>
 Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 8,106,574	\$ 17,675,084
Annuity obligations	14,051,195	15,402,382
Total liabilities	22,157,769	33,077,466
 Net assets:		
Without donor restrictions	150,711,558	139,129,115
With donor restrictions	1,781,007,868	1,721,935,183
Total net assets	<u>1,931,719,426</u>	<u>1,861,064,298</u>
Total liabilities and net assets	<u>\$ 1,953,877,195</u>	<u>\$ 1,894,141,764</u>

THE UNIVERSITY OF ARKANSAS FOUNDATION, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Contributions	\$ 11,198,454	\$ 62,675,696	\$ 73,874,150
Interest and dividends	11,621,677	10,141,841	21,763,518
Net realized and unrealized gains on investments	17,113,902	87,762,081	104,875,983
Net assets released from restrictions	98,844,968	(98,844,968)	-
Total revenues, gains and other support	138,779,001	61,734,650	200,513,651
Expenses and losses:			
Program services:			
University System support	113,644,046	-	113,644,046
Supporting services:			
Management and general	2,584,344	-	2,584,344
Advancement and development	10,973,361	-	10,973,361
Change in value of split-interest agreements	(27,091)	(336,878)	(363,969)
Provision for loss on uncollectible contributions	21,898	2,998,843	3,020,741
Total supporting services	13,552,512	2,661,965	16,214,477
Total expenses and losses	127,196,558	2,661,965	129,858,523
Change in net assets	11,582,443	59,072,685	70,655,128
Net assets, beginning of year	139,129,115	1,721,935,183	1,861,064,298
Net assets, end of year	\$ 150,711,558	\$ 1,781,007,868	\$ 1,931,719,426

THE UNIVERSITY OF ARKANSAS FOUNDATION, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Contributions	\$ 11,610,272	\$ 59,017,036	\$ 70,627,308
Interest and dividends	1,696,947	4,316,915	6,013,862
Net realized and unrealized gains (losses) on investments	8,520,387	(186,981,388)	(178,461,001)
Net assets released from restrictions	72,164,729	(72,164,729)	-
Total revenues, gains (losses) and other support	93,992,335	(195,812,166)	(101,819,831)
Expenses and losses:			
Program services:			
University System support	87,330,180	-	87,330,180
Supporting services:			
Management and general	2,412,393	-	2,412,393
Advancement and development	7,715,166	-	7,715,166
Change in value of split-interest agreements	1,963	(62,544)	(60,581)
Provision for loss on uncollectible contributions	41,684	1,608,951	1,650,635
Total supporting services	10,171,206	1,546,407	11,717,613
Total expenses and losses	97,501,386	1,546,407	99,047,793
Change in net assets	(3,509,051)	(197,358,573)	(200,867,624)
Net assets, beginning of year	142,638,166	1,919,293,756	2,061,931,922
Net assets, end of year	<u>\$ 139,129,115</u>	<u>\$ 1,721,935,183</u>	<u>\$ 1,861,064,298</u>

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

Year ended June 30, 2023

	Program Services	Management and General	Advancement and Development	Total
University System support	\$ 113,644,046	\$ -	\$ -	\$ 113,644,046
Administrative services	-	2,144,553	-	2,144,553
Professional fees	-	232,242	-	232,242
Insurance	-	69,311	-	69,311
Rent	-	81,282	-	81,282
Other	-	56,956	-	56,956
Advancement	-	-	10,973,361	10,973,361
Total	\$ 113,644,046	\$ 2,584,344	\$ 10,973,361	\$ 127,201,751

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

Year ended June 30, 2022

	Program Services	Management and General	Advancement and Development	Total
University System support	\$ 87,330,180	\$ -	\$ -	\$ 87,330,180
Administrative services	-	2,030,599	-	2,030,599
Professional fees	-	204,870	-	204,870
Insurance	-	69,253	-	69,253
Rent	-	76,004	-	76,004
Other	-	31,667	-	31,667
Advancement	-	-	7,715,166	7,715,166
Total	\$ 87,330,180	\$ 2,412,393	\$ 7,715,166	\$ 97,457,739

THE UNIVERSITY OF ARKANSAS FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ 70,655,128	\$ (200,867,624)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Change in value of split-interest agreements	363,969	(60,581)
Net realized and unrealized (gains) losses on investments	(104,875,983)	178,461,001
Gain on sale of land	-	(4,762)
Change in allowance for doubtful accounts	370,000	267,000
Change in unamortized discount of contributions receivable	91,695	1,605,378
(Increase) decrease in cash value of life insurance	110,622	(151,356)
Interest restricted for long-term investment	(451,903)	(367,757)
Contributions restricted for long-term investment	(27,060,714)	(24,223,843)
Change in assets and liabilities:		
Contributions receivable	54,291,333	41,398,207
Interest receivable	(4,700,851)	(457,476)
Accounts payable	(9,568,511)	8,291,384
	(20,775,215)	3,889,571
Cash Flows from Investing Activities		
Proceeds from sale of investments	804,495,699	1,423,130,427
Purchase of investments	(817,718,131)	(1,463,014,236)
Proceeds from sale of land	-	6,187
	(13,222,432)	(39,877,622)
Cash Flows from Financing Activities		
Proceeds from contributions restricted for:		
Investment in endowment	35,260,899	38,834,040
Other financing activities:		
Interest restricted for reinvestment	451,903	367,757
Investment subject to annuity obligations	1,834,587	(1,107,581)
Payment of annuity obligations	(3,549,742)	(2,106,165)
	33,997,647	35,988,051
Net cash provided by financing activities		
	33,997,647	35,988,051
Net change in cash and cash equivalents at beginning and end of year	\$ -	\$ -

THE UNIVERSITY OF ARKANSAS FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 and 2022

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 of the Foundation (the Board). 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 consolidated 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 consolidated 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 consolidated Statements of Activities.

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

The consolidated financial statements include investments in alternative investments valued at approximately \$606 million (31% of net assets) and \$625 million (34% of net assets) as of June 30, 2023 and 2022, 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 consolidated 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. The Foundation received no contributions other than cash or investments for the years ended June 30, 2023 and 2022, respectively.

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.

Subsequent event

Management has evaluated subsequent events through September 29, 2023, 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:

	<u>2023</u>	<u>2022</u>
Financial assets at year-end:		
Contributions receivable	\$ 94,676,203	\$ 157,629,415
Interest receivable	6,719,460	2,018,610
Cash value of life insurance	1,416,101	1,526,723
Investments	1,851,035,431	1,732,937,016
Total financial assets	1,953,847,195	1,894,111,764

	2023	2022
Less amounts not available for general expenditures within one year:		
Net assets with donor restriction	1,781,007,868	1,721,935,183
Net assets without donor restriction retained	3,607,264	2,553,367
Assets designated for liabilities	22,157,769	33,077,466
Board-designated funds for future use	73,050,263	72,899,771
	<u>1,879,823,164</u>	<u>1,830,465,787</u>
Financial assets without donor restriction available to meet general expenditures over the next 12 months	<u>\$ 74,024,031</u>	<u>\$ 63,645,977</u>

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:

	2023	2022
Due in less than one year	\$ 45,067,049	\$ 94,284,640
Due in one to five years	51,552,442	66,954,758
Due in more than five years	2,720,000	775,000
	<u>99,339,491</u>	<u>162,014,398</u>
Less:		
Allowance for doubtful accounts	(1,505,000)	(1,135,000)
Unamortized discount	(3,158,288)	(3,249,983)
	<u>(4,663,288)</u>	<u>(4,384,983)</u>
	<u>\$ 94,676,203</u>	<u>\$ 157,629,415</u>

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, 2023 and 2022, were \$351,720 and \$414,854, respectively, including interest which ranges from 3% to 15%. Aggregate annual maturities of annuity obligations at June 30, 2023, are as follows:

Year	Amount
2024	\$ 1,126,110
2025	1,113,038
2026	970,800
2027	937,072
2028	1,135,957
Thereafter	<u>8,768,218</u>
	<u>\$ 14,051,195</u>

Note 5 – Net Assets with Donor Restrictions

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

	2023	2022
Subject to appropriation or expenditure:		
Scholarships and awards	\$ 73,557,395	\$ 68,882,324
Faculty/staff support	55,384,713	51,711,531
Campus program	22,704,489	21,956,199
Property, equipment and technology	99,129,507	126,423,360
Research	25,388,174	39,320,566
General university system support	120,945,094	101,438,719
	<u>397,109,372</u>	<u>409,732,699</u>
Not subject to appropriation or expenditure:		
Scholarships and awards	444,794,316	430,055,921
Faculty/staff support	410,730,103	405,971,301
Campus program	142,529,326	140,209,772
Property, equipment and technology	41,322,652	41,448,708
Research	50,626,984	50,280,694
General university system support	293,895,115	244,236,088
	<u>1,383,898,496</u>	<u>1,312,202,484</u>
Total net assets with donor restrictions	<u>\$ 1,781,007,868</u>	<u>\$ 1,721,935,183</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:

	2023	2022
Scholarships and awards	\$ 21,894,965	\$ 17,790,540
Faculty/staff	12,681,071	11,490,342
Campus programs	8,379,649	6,555,235
Property, equipment and technology	34,530,384	19,470,368
Research	4,079,577	4,174,169
General university system support	17,279,322	12,684,075
	<u>\$ 98,844,968</u>	<u>\$ 72,164,729</u>

Note 7 – Retirement Plan

The Foundation has a defined contribution 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 \$162,912 and \$154,163 for the years ended June 30, 2023 and 2022, 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, 2023, 11 University of Arkansas System campuses and four foundations participated in the external investment pools, whose net assets totaled approximately \$2.7 billion. The University of Arkansas Foundation owns approximately 61.94% of the total return pool and 91.85% 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:

2023	Assets			Total
	Level 1	Level 2	NAV*	
Equity securities:				
U.S. (a)	\$ 68,377,101	\$ -	\$ -	\$ 68,377,101
International (a)	22,463,129	-	-	22,463,129
Fixed income:				
U.S. government debt securities (b)	-	129,594,356	-	129,594,356
Other debt securities (c)	-	303,753	-	303,753
Commingled funds:				
U.S. equity (d)	46,574,973	-	-	46,574,973
International equity (d)	26,932,854	191,439,230	-	218,372,084
U.S. government bonds (e)	13,188,352	-	-	13,188,352
Corporate bonds (e)	4,607,159	-	-	4,607,159
Other partnerships:				
U.S. (f)	-	-	272,085,159	272,085,159
International (g)	-	-	83,280,355	83,280,355
Nonmarketable alternatives (h)	-	-	454,181,871	454,181,871
Marketable alternatives (i)	-	-	151,798,986	151,798,986
Money market and short-term investments (j)	172,246,484	213,961,669	-	386,208,153
Total	\$ 354,390,052	\$ 535,299,008	\$ 961,346,371	\$ 1,851,035,431

2022	Assets			Total
	Level 1	Level 2	NAV*	
Equity securities:				
U.S. (a)	\$ 65,744,080	\$ -	\$ -	\$ 65,744,080
International (a)	21,370,019	-	-	21,370,019
Fixed income:				
U.S. government debt securities (b)	-	100,706,707	-	100,706,707
Other debt securities (c)	-	315,205	-	315,205
Commingled funds:				
U.S. equity (d)	23,901,639	40,398,186	-	64,299,825
International equity (d)	3,748,702	183,945,169	-	187,693,871
U.S. government bonds (e)	21,709,800	-	-	21,709,800
Corporate bonds (e)	5,239,246	-	-	5,239,246
Other partnerships:				
U.S. (f)	-	-	222,094,732	222,094,732
International (g)	-	-	80,739,131	80,739,131
Nonmarketable alternatives (h)	-	-	444,520,327	444,520,327
Marketable alternatives (i)	-	-	180,695,415	180,695,415
Money market and short-term investments (j)	337,808,658	-	-	337,808,658
Total	\$ 479,522,144	\$ 325,365,267	\$ 928,049,605	\$ 1,732,937,016

* 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 benchmarked to the 10-year Bloomberg Barclays Capital U.S. Treasury Bond 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 common stocks with approximately 15% in U.S. funds, 65% in international developed markets funds and 20% in emerging markets funds. Benchmarks include the S&P 500, Russell 1000 Value Index, the MSCI World ex U.S. Index, MSCI EAFE and MSCI Emerging Markets Index. Funds that offer daily redemptions comprise about 63% of the assets. The remaining assets can be redeemed semi-monthly or monthly with a six to ten-day notice requirement.
- (e) This class includes mutual fund investments in an intermediate-term Treasury Index Fund. Daily liquidity is available.
- (f) 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 a 25 business day notice. Quarterly redemptions are available for the other 70% of the assets with a 60-day notice requirement.
- (g) This class includes investments in a limited partnership that invests internationally and is benchmarked to the MSCI EAFE index. Monthly liquidity is available subject to a 10-day notice requirement.
- (h) 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 partnerships were approximately \$234 million as of June 30, 2023.

- (i) 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 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 10-day notice which may be waived by the General Partner.
- (j) 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 and U.S. Treasury securities with a maturity of less than one year. 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 U.S. 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, 2023 and 2022.

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 2023 and 2022, to the 36-month average fair value as of the end of each quarter. This transfer is reflected in the consolidated 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:

2023	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 1,385,272,205	\$ 1,385,272,205
Board-designated endowment funds	73,050,263	-	73,050,263
	<u>\$ 73,050,263</u>	<u>\$ 1,385,272,205</u>	<u>\$ 1,458,322,468</u>
2022	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 1,307,143,469	\$ 1,307,143,469
Board-designated endowment funds	72,899,771	-	72,899,771
	<u>\$ 72,899,771</u>	<u>\$ 1,307,143,469</u>	<u>\$ 1,380,043,240</u>

Changes in endowment, excluding contributions receivable, net assets for the years ended June 30, 2023 and 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2021	\$ 79,518,181	\$ 1,496,319,826	\$ 1,575,838,007
Investment return:			
Interest and dividends	226,040	4,272,040	4,498,080
Net realized and unrealized gains (losses) on long-term investments	(5,034,404)	(179,983,960)	(185,018,364)
Total investment return	(4,808,364)	(175,711,920)	(180,520,284)
Contributions	987,365	37,846,675	38,834,040
Appropriation of endowment assets for expenditure	(2,797,411)	(51,311,112)	(54,108,523)
Endowment net assets, June 30, 2022	72,899,771	1,307,143,469	1,380,043,240

	Without Donor Restrictions	With Donor Restrictions	Total
Investment return:			
Interest and dividends	369,118	6,993,892	7,363,010
Net realized and unrealized gains on long-term investments	2,330,973	90,467,903	92,798,876
Total investment return	2,700,091	97,461,795	100,161,886
Contributions	348,409	34,912,490	35,260,899
Appropriation of endowment assets for expenditure	(2,898,008)	(54,245,549)	(57,143,557)
Endowment net assets, June 30, 2023	\$ 73,050,263	\$ 1,385,272,205	\$ 1,458,322,468

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 73% and 88% of contributions receivable as of June 30, 2023, and 2022, respectively.

Note 12 – Risks and Uncertainties

The Foundation invests in various investment securities, including marketable and nonmarketable alternatives, which 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.

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 consolidated statement of activities. Significant fluctuations in fair values could occur from year-to-year, and the amounts the Foundation will ultimately realize could differ materially.

SUPPLEMENTAL SCHEDULES

THE UNIVERSITY OF ARKANSAS FOUNDATION, INC.
SCHEDULE OF ACTIVITIES BY DEVELOPMENT COUNCIL
Year ended June 30, 2023

	System	Fayetteville	Agriculture	Little Rock	Medical Sciences	Monticello	Pine Bluff	Batesville	Morrilton	Pulaski Technical College	Phillips	Cossatot	Total
Revenues, gains and other support:													
Contributions	\$ 2,697,711	\$ 29,403,188	\$ 933,666	\$ 15,181,507	\$ 20,683,737	\$ 1,363,252	\$ 2,519,218	\$ 345,981	\$ 123,381	\$ 196,748	\$ 312,565	\$ 113,196	\$ 73,874,150
Interest and dividends	3,399,262	9,691,704	411,347	1,823,022	5,697,467	278,497	320,861	24,014	10,307	55,064	38,648	13,325	21,763,518
Net realized and unrealized gains on investments	12,687,336	55,260,011	1,373,588	7,762,267	24,909,360	1,526,358	799,807	123,498	33,249	303,674	71,773	25,062	104,875,983
Total revenues, gains and other support	18,784,309	94,354,903	2,718,601	24,766,796	51,290,564	3,168,107	3,639,886	493,493	166,937	555,486	422,986	151,583	200,513,651
Expenses and losses:													
Program services:													
University System support	5,654,925	75,756,224	1,483,935	9,255,682	17,487,594	1,473,056	1,694,044	155,625	65,399	348,401	183,016	86,145	113,644,046
Total program services	5,654,925	75,756,224	1,483,935	9,255,682	17,487,594	1,473,056	1,694,044	155,625	65,399	348,401	183,016	86,145	113,644,046
Supporting services:													
Management and general	2,584,344	-	-	-	-	-	-	-	-	-	-	-	2,584,344
Advancement and development	852	6,709,864	135,246	725,502	3,308,187	21,937	49,666	2,434	-	19,577	-	96	10,973,361
Change in value of split-interest agreements	-	(248,224)	429	3,059	23,526	(142,786)	27	-	-	-	-	-	(363,969)
Provision for loss on uncollectible contributions	-	2,831,141	-	49,600	140,000	-	-	-	-	-	-	-	3,020,741
Total supporting services	2,585,196	9,292,781	135,675	778,161	3,471,713	(120,849)	49,693	2,434	-	19,577	-	96	16,214,477
Total expenses and losses	8,240,121	85,049,005	1,619,610	10,033,843	20,959,307	1,352,207	1,743,737	158,059	65,399	367,978	183,016	86,241	129,858,523
Change in net assets	10,544,188	9,305,898	1,098,991	14,732,953	30,331,257	1,815,900	1,896,149	335,434	101,538	187,508	239,970	65,342	70,655,128
Net assets, beginning of year	160,614,242	1,010,955,054	29,248,716	145,042,470	460,259,535	25,901,384	18,359,863	1,974,825	718,198	5,234,190	2,028,557	727,264	1,861,064,298
Net assets, end of year	\$ 171,158,430	\$ 1,020,260,952	\$ 30,347,707	\$ 159,775,423	\$ 490,590,792	\$ 27,717,284	\$ 20,256,012	\$ 2,310,259	\$ 819,736	\$ 5,421,698	\$ 2,268,527	\$ 792,606	\$ 1,931,719,426

THE UNIVERSITY OF ARKANSAS FOUNDATION, INC.
SCHEDULE OF ACTIVITIES BY DEVELOPMENT COUNCIL
Year ended June 30, 2022

	System	Fayetteville	Agriculture	Little Rock	Medical Sciences	Monticello	Pine Bluff	Batesville	Morrilton	Pulaski Technical College	Phillips	Cossatot	Total
Revenues, gains and other support:													
Contributions	\$ 682,964	\$ 31,847,475	\$ 1,160,946	\$ 10,369,862	\$ 17,772,381	\$ 1,922,931	\$ 4,124,764	\$ 103,977	\$ 62,101	\$ 2,221,540	\$ 249,746	\$ 108,621	\$ 70,627,308
Interest and dividends	1,357,910	2,653,065	77,616	395,342	1,380,904	75,601	45,219	6,048	1,759	14,295	4,460	1,643	6,013,862
Net realized and unrealized gains (losses) on investments	(17,690,203)	(93,077,075)	(2,567,303)	(14,284,763)	(45,499,263)	(2,815,351)	(1,433,163)	(230,452)	(62,227)	(618,729)	(135,667)	(46,805)	(178,461,001)
Total revenues, gains (losses) and other support	(15,649,329)	(58,576,535)	(1,328,741)	(3,519,559)	(26,345,978)	(816,819)	2,736,820	(120,427)	1,633	1,617,106	118,539	63,459	(101,819,831)
Expenses and losses:													
Program services:													
University System support	5,126,578	50,388,622	1,074,717	7,387,424	19,977,603	1,213,246	1,528,891	72,135	37,760	230,892	178,760	113,552	87,330,180
Total program services	5,126,578	50,388,622	1,074,717	7,387,424	19,977,603	1,213,246	1,528,891	72,135	37,760	230,892	178,760	113,552	87,330,180
Supporting services:													
Management and general	2,412,393	-	-	-	-	-	-	-	-	-	-	-	2,412,393
Advancement and development	11,666	6,006,825	110,040	466,575	950,000	126,892	27,791	2,022	-	13,355	-	-	7,715,166
Change in value of split-interest agreements	-	(62,892)	429	3,059	(4,697)	3,493	27	-	-	-	-	-	(60,581)
Provision for loss on uncollectible contributions	-	269,000	-	1,106,635	275,000	-	-	-	-	-	-	-	1,650,635
Total supporting services	2,424,059	6,212,933	110,469	1,576,269	1,220,303	130,385	27,818	2,022	-	13,355	-	-	11,717,613
Total expenses and losses	7,550,637	56,601,555	1,185,186	8,963,693	21,197,906	1,343,631	1,556,709	74,157	37,760	244,247	178,760	113,552	99,047,793
Change in net assets	(23,199,966)	(115,178,090)	(2,513,927)	(12,483,252)	(47,543,884)	(2,160,450)	1,180,111	(194,584)	(36,127)	1,372,859	(60,221)	(50,093)	(200,867,624)
Net assets, beginning 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
Net assets, end of year	\$ 160,614,242	\$ 1,010,955,054	\$ 29,248,716	\$ 145,042,470	\$ 460,259,535	\$ 25,901,384	\$ 18,359,863	\$ 1,974,825	\$ 718,198	\$ 5,234,190	\$ 2,028,557	\$ 727,264	\$ 1,861,064,298