

**UNIVERSITY OF CENTRAL
OKLAHOMA FOUNDATION**

FINANCIAL STATEMENTS

JUNE 30, 2023 and 2022

WITH

INDEPENDENT AUDITOR'S REPORT

UNIVERSITY OF CENTRAL OKLAHOMA FOUNDATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the University of Central Oklahoma Foundation

Opinion

We have audited the accompanying financial statements of the University of Central Oklahoma Foundation (the "Foundation") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matters

The financial statements of the Foundation as of June 30, 2022, were audited by other auditors whose report was dated October 20, 2022, and expressed an unmodified opinion on those statements.

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 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 generally accepted auditing standards 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 generally accepted auditing standards, 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.

Arledge & Associates PC

Edmond, Oklahoma
September 29, 2023



UNIVERSITY OF CENTRAL OKLAHOMA FOUNDATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022

ASSETS	2023	2022
Current assets:		
Cash and cash equivalents	\$ 209,344	\$ 623,498
Investments	55,155,952	51,864,421
Contributions receivable, net	1,050,684	4,374,703
Land and other investment assets, net	377,131	425,970
Beneficial interest in assets held by others	318,772	305,430
TOTAL ASSETS	\$ 57,111,883	\$ 57,594,022
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	\$ 1,771,878	\$ 1,660,269
Custodial funds	2,997,882	2,315,076
Note payable	197,057	256,828
TOTAL LIABILITIES	\$ 4,966,817	\$ 4,232,173
Net assets:		
Without donor restrictions	6,364,045	13,020,656
With donor restrictions	45,781,021	40,341,193
TOTAL NET ASSETS	52,145,066	53,361,849
TOTAL LIABILITIES AND NET ASSETS	\$ 57,111,883	\$ 57,594,022

See notes to financial statements.

UNIVERSITY OF CENTRAL OKLAHOMA FOUNDATION

STATEMENT OF ACTIVITIES

For the Year Ending June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
Contributions of cash and other financial assets	\$ 1,914,425	\$ 3,697,283	\$ 5,611,708
Contributions of non-financial assets	1,593,988	1,000	1,594,988
Interest and dividends, net	498,529	1,010,544	1,509,073
Net realized and unrealized investment gains (losses)	(429,400)	2,666,480	2,237,080
Gain on sale of assets	531,056	-	531,056
Other income	13,055	-	13,055
Rental income	60,636	-	60,636
Change in beneficial interest in assets held by others	(4,251)	(12,629)	(16,880)
Net assets released from restrictions	1,922,850	(1,922,850)	-
TOTAL REVENUES AND SUPPORT	6,100,888	5,439,828	11,540,716
EXPENSES			
Program services expense	10,663,924	-	10,663,924
General and administrative	1,585,661	-	1,585,661
Fundraising	507,914	-	507,914
TOTAL EXPENSES	12,757,499	-	12,757,499
CHANGE IN NET ASSETS	(6,656,611)	5,439,828	(1,216,783)
NET ASSETS AT BEGINNING OF YEAR	13,020,656	40,341,193	53,361,849
NET ASSETS AT END OF YEAR	\$ 6,364,045	\$ 45,781,021	\$ 52,145,066

See notes to financial statements.

UNIVERSITY OF CENTRAL OKLAHOMA FOUNDATION

STATEMENT OF ACTIVITIES

For the Year Ending June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
Contributions of cash and other financial assets	11,272,773	2,779,795	14,052,568
Contributions of non-financial assets	7,366,625	-	7,366,625
Interest and dividends, net	221,079	840,780	1,061,859
Net realized and unrealized investment gains (losses)	(1,366,505)	(5,675,661)	(7,042,166)
Other income	12,312	-	12,312
Rental income	60,636	-	60,636
Change in beneficial interest in assets held by others	-	(47,218)	(47,218)
Net assets released from restrictions	2,109,074	(2,109,074)	-
TOTAL REVENUES AND SUPPORT	19,675,994	(4,211,378)	15,464,616
EXPENSES			
Program services expense	11,057,056	-	11,057,056
General and administrative	876,270	-	876,270
Fundraising	493,948	-	493,948
TOTAL EXPENSES	12,427,274	-	12,427,274
CHANGE IN NET ASSETS	7,248,720	(4,211,378)	3,037,342
NET ASSETS AT BEGINNING OF YEAR	5,771,936	44,552,571	50,324,507
NET ASSETS AT END OF YEAR	\$ 13,020,656	\$ 40,341,193	\$ 53,361,849

See notes to financial statements.

UNIVERSITY OF CENTRAL OKLAHOMA FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES For the Year Ending June 30, 2023

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
UCO contributions - maintenance and repairs	\$ 7,440,729	\$ 11,667	\$ -	\$ 7,452,396
Scholarships, tuition and UCO advancement	1,895,587	683,250	-	2,578,837
Personnel	98,597	341,394	507,914	947,905
Miscellaneous expenses	393,700	264,537	-	658,237
Office furniture and equipment	329,218	590	-	329,808
Travel	195,755	10,369	-	206,124
Professional services	108,489	78,617	-	187,106
General supplies	62,533	106,555	-	169,088
Safety and security	115,493	2,866	-	118,359
Depreciation	-	38,839	-	38,839
Public service	-	35,954	-	35,954
Specialized supplies and materials	18,823	1,014	-	19,837
Taxes & fees	-	10,009	-	10,009
Bad debts	5,000	-	-	5,000
Total	\$ 10,663,924	\$ 1,585,661	\$ 507,914	\$ 12,757,499

See notes to financial statements.

UNIVERSITY OF CENTRAL OKLAHOMA FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ending June 30, 2022

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Scholarships, tuition and UCO advancement	\$ 8,386,498	\$ 240,122	\$ -	\$ 8,626,620
UCO contributions - maintenance and repairs	2,134,766	760	-	2,135,526
Personnel	19,122	412,313	493,948	925,383
Miscellaneous expenses	330,339	53,498	-	383,837
General supplies	139,586	73,762	-	213,348
Professional services	5,895	48,000	-	53,895
Specialized supplies and materials	36,219	8,232	-	44,451
Depreciation	-	38,840	-	38,840
Safety and security	4,631	743	-	5,374
Total	\$ 11,057,056	\$ 876,270	\$ 493,948	\$ 12,427,274

See notes to financial statements.

UNIVERSITY OF CENTRAL OKLAHOMA FOUNDATION

STATEMENTS OF CASH FLOWS Years ended June 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	(1,216,783)	3,037,342
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized investment losses (gains)	(2,237,080)	7,042,166
Change in beneficial interest in assets held by others	(30,222)	47,218
Contributions restricted for long-term investment	(2,329,972)	(1,877,429)
Depreciation expense	38,839	38,840
Change in discount on contributions receivable	(44,466)	(13,084)
Noncash contributions of investments	(298,297)	(11,726)
Proceeds from sales of noncash contributions of investments	297,242	11,600
Change in operating assets and liabilities:		
Contributions receivable	3,368,485	(3,580,127)
Accounts payable and accrued liabilities	111,609	789,212
Custodial funds	682,806	2,088,700
Net cash provided by (used in) operating activities	(1,657,839)	7,572,712
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(4,750,047)	(14,323,880)
Proceeds from sales and maturities of investments	3,696,651	5,490,965
Proceeds from distribution of beneficial interest in assets held by others	16,880	16,904
Sale of land and other investment assets	10,000	-
Net cash used in investing activities	(1,026,516)	(8,816,011)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for long-term investment	2,329,972	1,877,429
Principal payments on note payable	(59,771)	(59,546)
Net cash provided by financing activities	2,270,201	1,817,883
Change in cash	(414,154)	574,584
CASH, BEGINNING OF YEAR	623,498	48,914
CASH, END OF YEAR	\$ 209,344	\$ 623,498
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Net realized and unrealized investment losses (gains) on funds held for others	\$ 292,094	\$ 372,786
Non cash contributions	\$ 1,594,988	\$ 7,386,620
Noncash expenses	\$ (2,296,261)	\$ (7,383,461)

See notes to financial statements.

UNIVERSITY OF CENTRAL OKLAHOMA FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF ACTIVITIES AND OPERATIONS

Nature of activities: The University of Central Oklahoma Foundation (the “Foundation”), a nonprofit organization, was incorporated on December 10, 1975, under the laws of the state of Oklahoma for charitable, benevolent and educational purposes. The Foundation, through the contributions it receives, provides support to and funds for the University of Central Oklahoma (the “University”) projects and programs which cannot be funded by appropriations or grants from state and federal governments, or for which existing appropriations are inadequate.

Nature of operations: The Foundation acts primarily as a fundraising organization, soliciting, receiving, managing and disbursing contributions on behalf of the University. Distributions of amounts held in the funds of the Foundation are subject to the approval of the Foundation and the availability of monies. Accordingly, the accompanying financial statements generally reflect expenditures which have been submitted to and approved by the Foundation as of the financial reporting date.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The financial statements of the Foundation are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred and, accordingly, reflects all significant receivables, payables, and other assets and liabilities.

Net Assets: Net assets, revenues, gains, and losses are classified 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 that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. Contributions received with time and/or purpose restrictions which are fully expended in the same period are classified as without donor restriction. The Foundation’s Board of Directors (the “Board”) has designated from net assets without donor restrictions, net assets for a board-designated endowment.

Net assets with donor restrictions: Net assets with donor restrictions are 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 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 permanently but permit the Foundation to expend the income generated in accordance with the provisions of the related agreements.

The Foundation reports gifts of cash and other support as revenue with donor restrictions 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 purpose restriction is accomplished, the net assets are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

UNIVERSITY OF CENTRAL OKLAHOMA FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Significant estimates: Estimates that are particularly susceptible to significant change include the valuation of investments that are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments and beneficial interests, it is reasonably possible that changes in the values of these assets will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position. Significant fluctuations in fair values could occur from year to year, and the amounts the Foundation will ultimately realize could differ materially.

Revenue recognition: Contributions, including unconditional promises to give, are recognized as revenues in the period received by the Foundation. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Transfers of assets under conditional promises which are received by the Foundation prior to fulfilling these conditions are recorded as a liability until the conditions are substantially met. Contributions of assets other than cash are recorded at their estimated fair value on the gift date. Contributions to be received after one year are recorded at the present value of their estimated future cash flows using a discount rate which is commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in the same net asset class as the original contribution. An allowance is recognized for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors.

Contributions are reported as increases in the appropriate category of net assets. Expenses are reported as decreases in net assets without donor restrictions. Absent explicit donor stipulations to the contrary, restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or placed in service. Gifts of property and equipment are recorded as support without restrictions unless explicit donor stipulations specify how the assets must be used, in which case the gift is recorded as support with donor restrictions. Expirations of restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Contributions received from donors with general use restrictions for the University as a whole, or for specific colleges or departments within the University, are reflected as without donor restrictions to the extent that the University, colleges, or departments have expended sufficient dollars which meet these general use restrictions. Contributions which are received and whose restrictions are met in the same period are recognized as contributions without donor restrictions.

The Foundation recognizes the fair value of donated goods and services that either create or enhance a nonfinancial asset or require specialized skills that would need to be purchased if they were not donated. Volunteers from the community donated a significant amount of time to the Foundation's programs and fundraising campaigns. The value of this time is not reflected in the accompanying financial statements as it does not meet the criteria for recognition.

Income and gains on investments are reported as increases in net assets with donor restrictions if the terms of the gift that gave rise to the investment require such amounts be added to the permanent endowment principle. Income and gains are reported as increases in net assets with donor restrictions if the terms of the gift impose restrictions on the use of the income and/or the income is related to a donor restricted endowment fund, and as increases in net assets without donor restrictions in all other cases.

UNIVERSITY OF CENTRAL OKLAHOMA FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Contributions of non-financial assets: For the years ended June 30, 2023 and 2022, the Foundation recognized non-financial assets within the statements of activities as follows:

	2023	2022
Personnel	\$ 847,226	\$ 878,906
University advancement	706,241	429,618
University advancement equipment	1,996	6,020,420
Rent	32,849	35,870
Miscellaneous expenses	6,676	1,811
	<u>\$ 1,594,988</u>	<u>\$ 7,366,625</u>

The Foundation recognized contributed non-financial assets within revenue, including personnel costs, University advancement expenses, University advancement - equipment, rent and miscellaneous expenses. Contributed non-financial assets did not have donor-imposed restrictions.

The amount of in-kind contributions was determined based on the direct cost recognized for services provided by the University. In-kind expenses are allocated on a functional basis consistent with the allocation of resources expended on all other programs and activities. The Foundation recorded approximately \$1,501,000 and \$1,346,000 for in-kind contributions and related in-kind expenses for the periods ended June 30, 2023 and 2022, respectively.

University advancement - equipment was donated that was subsequently contributed to the University. The equipment was valued based on a third-party appraisal of the equipment and estimated at current market value at the time of the donation.

Cash and Cash Equivalents: The Foundation considers all highly liquid investments with a maturity of three months or less when purchased, excluding cash and cash equivalent funds held in the Foundation's investment portfolio, to be cash equivalents.

Contributions Receivable: Pledges receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts and historical collection experience. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledges receivable. Based upon management's assessment, there was no allowance necessary for uncollectible contributions receivable at June 30, 2023 and 2022, respectively.

Investments: Marketable securities are stated at fair market value and consist primarily of cash and cash equivalent funds, mutual funds and common and preferred stock. Investments acquired by gift or bequest are recorded at fair market value at the date donated. Fair value is determined by quoted market prices, if available, or by a reasonable estimate of fair value provided by an investment manager. The Foundation has investments in various investment securities, which in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Further, due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes could materially affect the amounts reported in the Foundation's financial statements. Investments are carried at fair value, and realized gains and losses on sales of investments are calculated on a first-in, first-out basis.

UNIVERSITY OF CENTRAL OKLAHOMA FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Fair value measurements: The Foundation follows ASC Topic 820, Fair Value Measurements, which provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives 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).

The inputs to the three levels of the fair value hierarchy under Topic 820 are described as follows:

Level 1: Unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access data by correlation to other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from, or corroborated by, observable market.

Level 3: Unobservable and significant to the fair value measurement.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. All transfers between fair value hierarchy levels are recognized by the Foundation at the beginning of each reporting period. Financial assets and liabilities carried at fair value on a recurring basis include investments, beneficial interest in assets held by others, and custodial funds liability. The Foundation has no assets or liabilities carried at fair value on a nonrecurring basis on June 30, 2023 or 2022.

Land and other investment assets: Land and other investment assets are carried at cost or fair value on the contribution date, if donated, net of accumulated depreciation and consist primarily of real property and forms of real property interests donated to or purchased by the Foundation. The Foundation holds these assets until such a time that they are transferred to the University for their use, or they are sold. No attempt is made by the Foundation's management to revalue the real property assets at subsequent dates prior to transfer or sale due to the prohibitive cost of obtaining periodic appraisals. The Foundation evaluates these investments for impairment when events or changes in circumstances are identified that may have a significant adverse effect on the fair value of the assets. If the fair value of the asset is less than the carrying value, then the asset is considered impaired. If this occurs, the Foundation performs an evaluation to determine whether this impairment is other than temporary. If the impairment is determined to be temporary, then no impairment is recognized. If the impairment is determined to be other than temporary, the investment is written down to its estimated fair value. Once impairment is recognized, the asset will not be written back to original cost, even if the investment subsequently increases in fair value. No impairment was recognized during the years ended June 30, 2023 or 2022.

Beneficial interest in assets held by others: The Foundation follows the ASC Topic, Transfers of Assets to Not-for-Profit Entity or Charitable Trust that Raises or Holds Contributions for Others, which requires a not-for-profit organization that transfers assets to a community foundation and specifies itself as the beneficiary to recognize its beneficial interest in the assets transferred (see Note 5). The Foundation carries its beneficial interest in the assets held by the Oklahoma City Community Foundation, Inc. (the Community Foundation) at fair value.

UNIVERSITY OF CENTRAL OKLAHOMA FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Collections: The Foundation does not include either the cost or the value of its collections in the statement of financial position, nor does it recognize gifts of collection items as revenues in the statement of activities (see Note 6).

Custodial funds held for others: Custodial liabilities represent assets held on behalf of the University of Central Oklahoma Alumni Association (the Alumni Association) and other campus organizations for which the Foundation acts as a custodian. The assets held are invested, and investment income, distributions and other revenues and expenses of these funds increase and/or decrease the carrying value of the asset and custodial funds liability. For financial reporting purposes, distributions from the custodial funds and contributions to the custodial funds are not included in the expenses and revenue of the University. The related assets are distributable to the organizations upon request.

Administrative fee income: The Foundation assesses administrative fees on certain funds managed and receives an administrative fee for certain services it provides. The income from these fees is used to provide for the general and administrative expenses of the Foundation.

Income Taxes: The Foundation is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code (the Code) and has been determined not to be a private foundation under section 509(a) of the Code. The organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code, except to the extent it has unrelated business activities. As such, no provision for federal income taxes has been made in the accompanying financial statements. The organization is subject to tax under section 511(a) to the extent it has unrelated business taxable income. The organization has no material unrelated business taxable income for the years ended June 30, 2023 and 2022. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred. Federal and state income tax statutes dictate that tax returns filed in any of the previous three reporting periods remain open to examination.

Accounting for uncertain tax positions: The ASC provides guidance on the accounting for uncertainty in income taxes. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Foundation's tax return to determine whether the tax positions are "more-likely-than-not" of being sustained "when examined" by the applicable tax authority. Tax positions not deemed to meet the "more-likely-than-not" threshold would be recorded as a tax benefit or expense and asset/liability in the current year. Management has determined that there are no material uncertain income tax positions.

Concentration of credit risk: The Foundation maintains cash in bank deposit accounts that, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk on cash or cash equivalents. The Foundation had no significant concentration of contributions for the year ended June 30, 2023, and contributions of 74% from one donor for the year ended 30, 2022. On June 30, 2023 and 2022, net contributions receivable of 29% and 76%, respectively, are due from a single but separate donor.

The Foundation invests in various investments securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Foundation's investments and the amounts reported in the statements of financial position.

UNIVERSITY OF CENTRAL OKLAHOMA FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Functional Allocation of Expenses: The costs of providing various programs and other activities have been summarized in the statements of activities. Costs are allocated between program services, general and administrative and fundraising based on management's evaluation of the resources expended in the related activities. General and administrative expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Foundation.

Advertising Expenses: All advertising costs are expensed as incurred. Advertising expenses were approximately \$1,000 and \$11,000 for the years ended June 30, 2023, and 2022.

Reclassifications: Amounts previously shown have been reclassified to conform to the current year presentation, with no effect to change in net assets.

Subsequent Events: Management has evaluated subsequent events through September 29, 2023, the date on which the financial statements were available to be issued. Subsequent to June 30, 2023 the Foundation and The University of Central Oklahoma Alumni Association (the Association) merged to strengthen the collaboration and operational efficiency between the Foundation and the Association. This consolidation, effective on July 1, 2023, combines their financial statements without a purchase price involved, as it was a merger of equals. The consolidation significantly impacts the financial statements, aligns their missions, and is expected to result in operational synergies. There were no other subsequent events requiring recognition or disclosure.

NOTE 3 - INVESTMENTS

The Foundation's investments at June 30 are summarized as follows:

	2023	2022
Cash and equivalent funds	\$ 3,268,150	\$ 2,156,755
Mutual funds:		
Equity	27,503,053	22,449,746
Fixed income	16,884,542	21,146,724
Other	1,456,490	106,185
Other investments	6,043,717	6,005,011
	<u>\$ 55,155,952</u>	<u>\$ 51,864,421</u>

Investment performance at June 30 consists of the following:

	2023	2022
Interest and dividends:		
Interest	\$ 498,529	\$ 258,946
Dividends	1,253,678	1,026,574
Investment management fees	(243,134)	(223,661)
Net interest and dividends	1,509,073	1,061,859
Net realized and unrealized investment gains (losses)	2,237,080	(7,042,166)
Total investment performance	<u>\$ 3,746,153</u>	<u>\$ (5,980,307)</u>

UNIVERSITY OF CENTRAL OKLAHOMA FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - FAIR VALUE MEASUREMENTS

Investments: Cash and cash equivalents, mutual funds and common stocks are stated at fair value as provided by the investment manager or custodian. Fair values are based on quoted market prices, when available and are classified as Level 1 in the fair value hierarchy. Investments held at net asset value are carried at fair value which is based on the net asset value per share (NAV) as provided by the fund manager and/or adjusted by the Foundation. The Foundation uses management agreements, analyst notes, audited financial statements, and underlying investment holdings to evaluate the fund manager's valuation methodology (i.e., in determining whether the fund manager follows ASC 820) and considers various other factors including contributions and withdrawals to the fund and monitoring unaudited interim reporting to determine if any adjustment to the NAV is necessary.

Beneficial interest in assets held by others: The fair value of the asset is determined using the income approach (expected future cash flows) and is based on the fair value of the assets held by the Community Foundation and reported to the Foundation. The Foundation's interest is in a pooled investment fund held and managed by the Community Foundation, which the Foundation does not have the ability to redeem. Based on the methodology of determining fair value of beneficial interest in assets held by others and the non-redeemable nature of the assets, they are categorized as Level 3 within the hierarchy.

Custodial funds: The fair value of the liability is determined using the income approach (expected future cash flows) and is based on the fair value of the investment assets held by the Foundation for the benefit of the recipient agencies. The specific assets held for the benefit of the agencies have been classified within the hierarchy for investments (as discussed above). The related and associated liability is classified as Level 3 in the hierarchy because there is no market for a similar liability, and certain principal inputs are unobservable and significant to the overall fair value measurement.

Assets and liabilities carried at fair value are classified within the fair value hierarchy as follows:

	June 30, 2023			
	Level 1	Level 2	Level 3	Total
ASSETS:				
Marketable securities:				
Cash and cash equivalents	\$ 3,268,150	\$ -	\$ -	\$ 3,268,150
Mutual funds:				
Equity	27,503,053	-	-	27,503,053
Fixed income	16,884,542	-	-	16,884,542
Other	1,456,490	-	-	1,456,490
Total investments held at fair value	45,844,085	-	-	49,112,235
Commingled trust and pooled funds (a)	-	-	-	6,043,717
Total investments	45,844,085	-	-	55,155,952
Beneficial interest in assets held by others	-	-	318,772	318,772
Total assets measured at fair value on a recurring basis	\$ 45,844,085	\$ -	\$ 318,772	\$ 55,474,724
Liabilities, custodial funds	\$ -	\$ -	\$ 2,997,882	\$ 2,997,882

UNIVERSITY OF CENTRAL OKLAHOMA FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - FAIR VALUE MEASUREMENTS (Cont'd)

	June 30, 2022			
	Level 1	Level 2	Level 3	Total
ASSETS:				
Marketable securities:				
Cash and cash equivalents	2,156,755	-	-	2,156,755
Mutual funds:				
Equity	22,449,746	-	-	22,449,746
Fixed income	21,146,724	-	-	21,146,724
Other	106,185	-	-	106,185
Total investments held at fair value	45,859,410	-	-	45,859,410
Commingled trust and pooled funds (a)	-	-	-	6,005,011
Total investments	45,859,410	-	-	51,864,421
Beneficial interest in assets held by others	-	-	305,430	305,430
Total assets measured at fair value on a recurring basis	\$ 45,859,410	\$ -	\$ 305,430	\$ 52,169,851
Liabilities, custodial funds	\$ -	\$ -	\$ 2,315,076	\$ 2,315,076

(a) In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) 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 amounts presented in the statement of financial position.

The following table summarizes the changes in the fair value of the Foundation's Level 3 financial assets and liabilities:

	Assets		Liabilities	
	Beneficial Interest in Assets Held by Others		Custodial Funds Held for Others	
June 30, 2022				
Contributions	\$	-	\$	2,109,722
Distributions		(16,904)		(70,152)
June 30, 2023				
Contributions		-		546,765
Distributions		(16,880)		(143,612)

UNIVERSITY OF CENTRAL OKLAHOMA FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - FAIR VALUE MEASUREMENTS (Cont'd)

The following table summarizes the valuation techniques and significant unobservable inputs used for the Foundation's investments that are categorized within Level 3 of the fair value hierarchy on June 30:

Investment Type	Fair Value at		Valuation Techniques	Unobservable Input
	2023	2022		
Beneficial interest in assets held by others	\$ 318,772	\$ 305,430	Discounted cash flows (a)	Market risk discount (b)
Custodial funds	2,997,882	2,315,076	Discounted cash flows (a)	Market risk discount (b)

Fair value of the asset/liability is the expected future cash inflows/ outflows, which are based on the fair value of the underlying investment assets, and at this time management believes no discount to the fair values is appropriate.

- (a) Represents amounts used when reporting entity has determined that market participants would take into account these returns when pricing the investments.
- (b) Significant increases or decreases in any of the above unobservable inputs in isolation may result in a significantly lower or higher fair value measurement.

The Foundation's investments in certain entities that calculate net asset value per share, which are measured at fair value, include the following:

	Fair Value		Redemption Frequency	Redemption Notice Period	Unfunded Commitment
	June 30, 2023	June 30, 2022			
Commingled trust and pooled funds:					
Credit funds (a)	\$ -	\$ 796,992	Quarterly	95 days	\$ -
Credit funds (b)	572,464	584,960	Quarterly	60 days	-
Credit funds (c)	-	272,923	N/A	N/A	-
Growth funds (d)	987,244	1,928,730	Montly	20 days	-
Hedge funds (e)	2,331,161	-	N/A	N/A	615,000
Merger arbitrage funds (f)	-	702,612	Monthly	30 days	-
Multi-strategy funds (g)	-	774,171	Quarterly	105 days	-
Private equity funds (h)	967,398	-	N/A	N/A	1,220,352
Real estate funds (i)	1,185,450	944,623	N/A	N/A	308,200
	<u>\$ 6,043,717</u>	<u>\$ 6,005,011</u>			<u>\$ 2,143,552</u>

- (a) This class is invested in funds with the objective to generate superior risk-adjusted returns by investing in a customized portfolio of dislocated, stressed and distressed credit opportunities over an investment cycle of approximately two to three years. The Fund seeks to achieve its investment objective primarily through the identification, selection, allocation among and monitoring of a limited number of alternative asset managers.
- (b) This class is invested in funds with the objective of generating current income and, to a lesser extent, long-term capital appreciation by focusing on investing primarily in privately originated and privately negotiated U.S. first lien senior secured floating rate loans.

UNIVERSITY OF CENTRAL OKLAHOMA FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - FAIR VALUE MEASUREMENTS (Cont'd)

- (c) This class seeks to generate returns through a combination of current income and capital appreciation by investing opportunistically in the corporate bonds, bank debt and other debt (which may include land banking interests) and equity securities and financial instruments of stressed and distressed companies located primarily in North America and Europe.
- (d) This class is invested in funds with the objective of achieving maximum capital appreciation by investing in equity securities of United States and foreign companies that are well positioned to benefit from demand for their services, including companies that can innovate or grow rapidly relative to their peers in the market.
- (e) These funds aim to generate returns for their investors by capitalizing on market inefficiencies, macroeconomic trends, and unique opportunities in the financial landscape. The funds are designed for accredited and institutional investors due to their complexity, potential for higher returns, and associated risks.
- (f) This class pursues a merger arbitrage strategy, seeking to invest primarily in securities of entities involved in announced mergers, acquisitions or contests for control (including by shorting such securities); however, the Fund also may make investments in entities involved in other types of restructuring or corporate events when, in the Investment Manager's opinion, attractive opportunities exist.
- (g) This class is invested in funds with the objective of providing capital appreciation by identifying early signs of long-term changes in the marketplace and focusing on those companies that may benefit from opportunities created by these changes by examining technological advances, product innovation, economic plans, demographics, social attitudes, and other factors, which can lead to investments in small and medium-sized companies.
- (h) This class is focused on investing in private companies rather than publicly traded companies. These funds seek to acquire, improve, and eventually sell these businesses for a profit. Private equity investments are illiquid and typically have longer investment horizons, making them suitable for investors looking for long-term capital appreciation rather than short-term liquidity.
- (i) This class is invested in funds in which substantially all of their assets in a either a master fund which seeks to provide liquidity to new borrowers with a primary strategy of to invest in public and private real estate, or investment in private equity real estate funds.

NOTE 5 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The statements of financial position on June 30, 2023 and 2022 include beneficial interest in assets held by others and net assets with donor restrictions of \$318,772 and \$305,430, respectively. The statements of activities for the years ended June 30, 2023 and 2022 include a increase of \$30,222 and a decrease of \$47,218, respectively, related to the change in value of the Foundation's beneficial interest in assets held by others. The Foundation received distributions of \$16,880 and \$16,904 related to the reciprocal transfers for the years ended June 30, 2023 and 2022, respectively. In addition to the funds discussed above, the Community Foundation maintains other assets that have been contributed by various donors to the Community Foundation for the benefit of the Foundation. Annually, distributions from the funds are paid to the Foundation according to the Community Foundation's spending policy.

UNIVERSITY OF CENTRAL OKLAHOMA FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS (Cont'd)

The Community Foundation maintains variance power over these funds. Variance power assures donors that if the charitable purpose of their contribution becomes impractical or impossible, the distributions will be directed to similar purposes in the community. The Community Foundation also maintains legal ownership of the funds. These funds are not included as assets of the Foundation. The earnings from these funds are paid to the Foundation each year in accordance with the Community Foundation's spending policy. For the years ended June 30, 2023 and 2022, the Foundation received \$19,267 and \$17,413, respectively, from these funds. On June 30, 2023 and 2022, the fair value of the funds is approximately \$376,000 and \$351,000, respectively. The Foundation has no remainder interest in the corpus of these funds.

NOTE 6 - COLLECTIONS

The Foundation maintains various collections of African art, crystals, artifacts, memorabilia, and similar assets. These collections are maintained for public exhibition, education, research, and furtherance of public service rather than for financial gain. These assets are protected, kept unencumbered, cared for, and preserved by the University. As a matter of policy, the proceeds of items in the collections that are sold are used to acquire other items for collection.

NOTE 7- NOTE PAYABLE

The Foundation entered into an agreement with the Edmond Economic Development Authority (the EEDA) for the financing and construction of a music building. Under this agreement, the Foundation received proceeds from the sale of a Series 2000 note in the amount of \$1,135,000. The note is secured by a first mortgage line on the land and music building (see Note 10). The Foundation makes monthly payments of principal and interest of \$5,053 for 25 years with an adjustable interest rate equal to the five- year rate on U.S. Treasury obligations. The rate adjusts every five years during the term of the obligation on the anniversary date. The rate was last adjusted in February 2021 to .375%. In addition, the Foundation pays the EEDA an annual administration fee of 1/8th of 1% of the outstanding principal balance on the note.

Maturities of long-term debt are as follows at June 30, 2023:

2024	\$ 59,603
2025	59,808
2026	60,014
2027	17,632
	<u>\$ 197,057</u>

The Foundation incurred interest expenses of approximately \$900 and \$4,000 during the years ended June 30, 2023 and 2022, respectively.

UNIVERSITY OF CENTRAL OKLAHOMA FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 8- LEASE INCOME

The Foundation entered into a lease agreement whereby the University agreed to lease the music facility from the Foundation for a period of 25 years. The lease commenced in January 2002 and will terminate at the end of the 300th month. In accordance with the agreement, the monthly rent adjusts every 5 years to mirror the change in the interest rate paid by the Foundation. Effective February 1, 2016, the rent per month was adjusted to \$5,053. In addition, the University agreed to pay the Foundation an additional sum of \$1,200 per year plus the EEDA's annual administrative fee which is 1/8th of 1% of the declining principal balance of the loan on the property (see Note 7). This lease may be cancelled at the end of any year should funding for the lease not be approved by the Regional University System of Oklahoma and budgeted and approved by the University's administration.

NOTE 9 – CONTRIBUTIONS RECEIVABLE

Unconditional contributions receivable, including amounts due under pledge agreements with donors on June 30 are summarized as follows:

	2023	2022
Less than one year	\$ 454,295	\$ 3,669,082
One year to five years	638,587	792,285
	1,092,882	4,461,367
Less unamortized discount (.25% to 5.25%)	(42,198)	(86,664)
	<u>\$ 1,050,684</u>	<u>\$ 4,374,703</u>

Unconditional contributions receivable, including amounts due under pledge agreements with donors on June 30 are summarized as follows:

	2023	2022
Less than one year	\$ 454,295	\$ 3,669,082
One year to five years	638,587	792,285
	1,092,882	4,461,367
Less unamortized discount (.25% to 5.25%)	(42,198)	(86,664)
	<u>\$ 1,050,684</u>	<u>\$ 4,374,703</u>

Gross unconditional contributions receivable at June 30 are comprised of the following:

	2023	2022
Contributions receivable with donor restrictions:		
Scholarships and awards	\$ 311,250	\$ 787,457
University support	781,632	3,673,910
Total contributions receivable with donor restrictions	<u>\$ 1,092,882</u>	<u>\$ 4,461,367</u>

No provision has been made to establish an allowance for doubtful accounts as the Foundation believes all contributions to be fully collectible.

UNIVERSITY OF CENTRAL OKLAHOMA FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 9 – CONTRIBUTIONS RECEIVABLE (Cont'd)

Conditional promises to give totaling approximately \$5,898,000 and \$5,848,000 on June 30, 2023 and 2022, respectively, have been estimated based on information provided to the Foundation and primarily result from the Foundation being named in wills and contingent gifts and are not recorded in the financial statements. Additional conditional promises to give cannot be estimated due to the insufficiency of information available to the Foundation.

NOTE 10 – LAND AND OTHER INVESTMENT ASSETS

The carrying value of the Foundation's land and other investment assets as of June 30 is as follows:

	2023	2022
Land	\$ 60,000	\$ 60,000
Buildings	1,141,836	1,151,836
Mineral interests	1,600	1,600
	1,203,436	1,213,436
Less accumulated depreciation	(826,305)	(787,466)
	<u>\$ 377,131</u>	<u>\$ 425,970</u>

Depreciation is based on the estimated useful life of the assets using the straight-line method. Depreciable other investment assets consist of three buildings, and the useful lives are estimated at 30 years.

Depreciation expense of approximately \$39,000 and \$39,000 was recognized on other investment assets during each of the years ended June 30, 2023 and 2022, respectively.

NOTE 11 – RELATED PARTIES

Substantially all expenses are for the benefit of the students, faculty or activities of the University. Transactions between the Foundation and the University are covered under a written agreement between the Foundation and the University. Under this agreement, the University agrees to provide certain administrative services and office space to the Foundation in exchange for scholarships, endowments, grants, and payment of services for the benefit of the University (see Note 1).

The Foundation has entered into a lease agreement with the University (see Note 8) resulting in rental income of \$60,640 during each of the years ended June 30, 2023 and 2022, which is included in rental income in the statement of activities.

From time to time the Foundation will advance funds to the University and/or pay expenses which are later reimbursed by the University. There were no advances or payments during each of the years ended June 30, 2023 and 2022. See Note 2 for in-kind contributions and related in-kind expenses.

UNIVERSITY OF CENTRAL OKLAHOMA FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 12 – NET ASSET COMPOSITION

Net assets are available for the following programs and purposes at June 30:

	2023	2022
Net assets with donor restrictions		
Perpetual in nature		
Original donor-restricted endowment gift amount and amounts required to be retained by donor:		
Scholarships and awards	\$ 25,992,030	\$ 23,951,006
Foundation operations and university support	4,381,148	3,297,949
Endowed chairs	5,245,499	5,082,081
Total perpetual net assets	<u>\$ 35,618,677</u>	<u>\$ 32,331,036</u>
Purpose or time restrictions:		
Scholarships and awards	\$ 6,639,924	\$ 5,346,554
Foundation operations and university support	2,172,952	1,679,662
Endowed chairs	1,349,468	983,941
Total purpose or time restrictions	<u>10,162,344</u>	<u>8,010,157</u>
Total net assets with donor restrictions	<u>\$ 45,781,021</u>	<u>\$ 40,341,193</u>

Expirations of temporary restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. During the years ended June 30, 2023 and 2022, the Foundation released restrictions of net assets with donor restrictions for the following purposes:

	2023	2022
University advancement/special projects	\$ 86,832	\$ 95,241
Scholarships, awards and endowed chairs	1,751,614	1,921,254
Foundation operations and other	84,405	92,579
	<u>\$ 1,922,850</u>	<u>\$ 2,109,074</u>

NOTE 13 – ENDOWMENT DISCLOSURES

The Foundation's endowment consists of over 500 individual donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. All endowment funds held by the Foundation are managed and controlled by the Foundation in accordance with the following policies.

Interpretation of relevant law: The Board of Trustees (the Trustees) of the Foundation has interpreted OK UPMIFA as requiring the preservation of the original gift amount as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Foundation classifies as net assets with donor restrictions in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

UNIVERSITY OF CENTRAL OKLAHOMA FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 13 – ENDOWMENT DISCLOSURES (Cont'd)

The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor-imposed restrictions in perpetuity is classified as net assets with donor-imposed restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by OK UPMIFA. In accordance with OK 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 purposes of the Foundation and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effects 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 policies of the Foundation

Endowment net asset composition by type of fund on June 30, 2023:

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	\$ -	\$ 39,496,555	\$ 39,496,555
Total	\$ -	\$ 39,496,555	\$ 39,496,555

Endowment net asset composition by type of fund on June 30, 2022:

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	\$ -	\$ 34,830,647	\$ 34,830,647
Total	\$ -	\$ 34,830,647	\$ 34,830,647

UNIVERSITY OF CENTRAL OKLAHOMA FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 13 – ENDOWMENT DISCLOSURES (Cont'd)

Change in endowment net assets for the years ended June 30, 2023 and 2022:

	Without Donor Restriction	With Donor Restriction	Total
Endowment fund net assets at June 30, 2021	\$ -	\$ 39,358,150	\$ 39,358,150
Investment return:			
Interest and dividends	-	1,026,573	1,026,573
Investment fees	-	(185,794)	(185,794)
Net realized and unrealized gains (losses)	-	(5,675,662)	(5,675,662)
Total investment return	-	(4,834,883)	(4,834,883)
Contributions	-	1,859,374	1,859,374
Appropriations	-	(1,551,994)	(1,551,994)
Endowment fund net assets at June 30, 2022	\$ -	\$ 34,830,647	\$ 34,830,647
Investment return:			
Interest and dividends	-	1,010,545	1,010,545
Investment fees	-	(174,045)	(174,045)
Net realized and unrealized gains (losses)	-	2,666,481	2,666,481
Total investment return	-	3,502,981	3,502,981
Contributions	-	3,263,643	3,263,643
Appropriations	-	(2,100,716)	(2,100,716)
Endowment fund net assets at June 30, 2023	\$ -	\$ 39,496,555	\$ 39,496,555

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 requires the Foundation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in net assets with donor restrictions and totaled \$791,074 and \$735,195, on June 30, 2023 and 2022, respectively. These deficiencies are primarily due to unfavorable market fluctuations in fiscal 2022 that have not recovered in fiscal 2023. As a result, appropriations were limited to appropriations that were deemed prudent and necessary for the programs of the Foundation.

Return objectives and risk parameters: The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity as well as other endowment funds with a donor restricted purpose (i.e., scholarships) that are board-designated for endowment. Under this policy, as approved by the Trustees, the endowment assets are invested with the primary objective of realizing appreciation on investment values and the secondary goal of providing current income to support University programs. The asset allocation policies (see below) reflect and are consistent with the investment objectives and risk tolerances expressed through the investment policy. These policies, developed after examining the historical relationships of risk and return among asset classes, are designed to provide the highest probability of meeting or exceeding the return objectives at the lowest level of risk. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives: 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 Foundation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

UNIVERSITY OF CENTRAL OKLAHOMA FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 13 – ENDOWMENT DISCLOSURES (Cont'd)

Spending policy and how the investment objectives relate to spending policy: Generally, the Foundation has a policy of appropriating for distribution semiannually based on a 5.50% annualized rate (2.75% each semiannual period). The distribution rate is applied to the value of the endowment fund assets, including certain income producing real estate holdings, over an average of three years (i.e., using the average of last 12 quarterly values of endowment assets). In the event that any endowment account has a fair value which is less than the historic gift value, the Trustees meet and specifically evaluate and approve the spending policy amount prior to distribution. The spending policy is evaluated annually (and/or semiannually), based on market fluctuations and historical trends to ensure that it remains in accordance with the long-term objectives of the Foundation. For both of the years ended June 30, 2023 and 2022, the Trustees approved a spending policy distribution of 2.75% for each semiannual distribution period.

NOTE 14 – LIQUIDITY AND AVAILABILITY

Financial assets are considered unavailable when liquid or not convertible to cash within one year, donor restricted for endowment, including accumulated and unappropriated earnings, designated by the Board for endowment and/or other purposes, or include donor purpose or time restrictions which are not anticipated to be fulfilled within one year. The following reflects the Foundation's financial assets, reduced by amounts not available for general expenditures within one year for the years ended June 30, 2023 and 2022:

	2023	2022
Financial assets at year end:		
Cash and cash equivalents	\$ 209,344	\$ 623,498
Investments	55,155,952	51,864,421
Contributions receivable, net	1,050,684	4,374,703
Total financial assets	<u>56,415,980</u>	<u>56,862,622</u>
Less amounts unavailable for general expenditure within one year:		
Custodial funds	(2,997,882)	(2,315,076)
Endowments with donor restrictions not available for expenditure	(35,618,677)	(32,331,036)
Purpose restricted funds, net amounts available for spending within one year	<u>(6,274,486)</u>	<u>(5,400,955)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 11,524,935</u>	<u>\$ 16,815,555</u>

The Foundation invests its excess cash funds with a goal of maintaining liquidity sufficient to cover one year of general expenditures. The Foundation's management monitors the budget and cash needs throughout the year and will recommend to the Board additional designations for endowment or other purposes, when deemed appropriate and approved by the Board.