
***SOUTHEAST MISSOURI
UNIVERSITY FOUNDATION***
FINANCIAL STATEMENTS
JUNE 30, 2021

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Independent Auditors' Report

Board of Directors
Southeast Missouri University Foundation
Cape Girardeau, Missouri

Report On The Financial Statements

We have audited the accompanying financial statements of Southeast Missouri University Foundation (the Foundation), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility For The Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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

Emphasis Of Matter

As discussed in Note 1, Southeast Missouri University Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* in 2021. Our opinion is not modified with respect to this matter.

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2021, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

RubinBrown LLP

October 26, 2021

SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

STATEMENT OF FINANCIAL POSITION

Page 1 Of 2

	June 30,	
	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	\$ 4,694,447	\$ 1,967,454
Short-term investments	23,264,596	21,504,936
Receivables:		
Pledges receivable (net of allowance of \$24,934 and \$572 in 2021 and 2020, respectively)	178,940	16,462
Notes receivable	490,670	489,988
Accrued interest receivable	78,656	67,114
Prepaid insurance	—	5,628
Total Current Assets	28,707,309	24,051,582
Noncurrent Assets		
Investments:		
Endowment investments	105,656,043	79,724,308
Cash surrender value of life insurance	755,840	734,682
Pledges receivable (net of allowance of \$10,939 and \$19,430 in 2021 and 2020, respectively)	78,507	558,845
Long-term notes receivable, net of imputed interest	2,450,067	2,855,085
Property held for resale and development	1,245,715	1,244,158
Property and equipment, net of accumulated depreciation	10,954,474	11,186,316
Total Noncurrent Assets	121,140,646	96,303,394
Total Assets	\$ 149,847,955	\$ 120,354,976

SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

STATEMENT OF FINANCIAL POSITION

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	June 30,	
	2021	2020
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	\$ 71,807	\$ 23,781
Due to primary institution - University	804,756	885,355
Note payable to bank	64,877	61,834
Funds held for others	61,544	63,616
Annuity and trust obligations	211,222	214,895
Total Current Liabilities	1,214,206	1,249,481
Noncurrent Liabilities		
Deferred revenue	10,150	286
Note payable to bank	595,046	659,613
Annuity and trust obligations	943,499	1,486,971
Due to primary institution - University	4,554,275	4,687,528
Total Noncurrent Liabilities	6,102,970	6,834,398
Total Liabilities	7,317,176	8,083,879
Net Assets		
Without donor restriction	24,094,295	23,613,135
With donor restriction	118,436,484	88,657,962
Total Net Assets	142,530,779	112,271,097
Total Liabilities And Net Assets	\$ 149,847,955	\$ 120,354,976

SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

STATEMENT OF ACTIVITIES

June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Totals
Support And Revenue			
Contributions, net of discount	\$ 456,775	\$ 6,525,247	\$ 6,982,022
Investment return	95,179	27,553,856	27,649,035
Rental income	376,356	25,951	402,307
Special events, net of expense	—	34,620	34,620
Gain on annuity and trust obligations	—	548,749	548,749
Other revenues and transfers	495,582	(138,860)	356,722
Net assets released from restrictions	4,771,041	(4,771,041)	—
Total Support And Revenue	6,194,933	29,778,522	35,973,455
Expenses And Losses			
Program expenses	4,850,315	—	4,850,315
Management and general	736,527	—	736,527
Fundraising	126,931	—	126,931
Total Expenses And Losses	5,713,773	—	5,713,773
Change In Net Assets	481,160	29,778,522	30,259,682
Net Assets - Beginning Of Year	23,613,135	88,657,962	112,271,097
Net Assets - End Of Year	\$ 24,094,295	\$ 118,436,484	\$ 142,530,779

SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

STATEMENT OF ACTIVITIES

June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Totals
Support And Revenue			
Contributions, net of discount	\$ 680,902	\$ 3,173,428	\$ 3,854,330
Investment return	(72,728)	1,603,113	1,530,385
Rental income	587,814	9,359	597,173
Special events, net of expense	1,135	48,577	49,712
Loss on annuity and trust obligations	—	(295,663)	(295,663)
Other revenues and transfers	141,085	420,075	561,160
Net assets released from restrictions	5,082,471	(5,082,471)	—
Total Support And Revenue	6,420,679	(123,582)	6,297,097
Expenses And Losses			
Program expenses	5,130,797	—	5,130,797
Management and general	862,558	—	862,558
Fundraising	119,912	—	119,912
Total Expenses And Losses	6,113,267	—	6,113,267
Change In Net Assets	307,412	(123,582)	183,830
Net Assets - Beginning Of Year	23,305,723	88,781,544	112,087,267
Net Assets - End Of Year	\$ 23,613,135	\$ 88,657,962	\$ 112,271,097

SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

STATEMENT OF CASH FLOWS For The Years Ended June 30, 2021 And 2020

	June 30,	
	2021	2020
Cash Flows From Operating Activities		
Increase in net assets	\$ 30,259,682	\$ 183,830
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	231,842	246,670
Net realized and unrealized investment (gains) losses	(26,001,441)	644,004
Contributions restricted for endowment	(5,528,859)	(2,251,439)
Change in value of split-interest agreements	(603,055)	290,934
Change in imputed interest on notes receivable	(85,652)	(97,888)
Cash surrender value of life insurance	(21,158)	(34,781)
Changes in assets and liabilities:		
Pledges receivable	317,860	27,649
Other receivables	(11,542)	1,362
Other assets	4,071	(1,848)
Deferred revenues	9,864	(178,475)
Accounts payable and other liabilities	(167,898)	(178,550)
Net Cash Used In Operating Activities	(1,596,286)	(1,348,532)
Cash Flows From Investing Activities		
Proceeds from the sale/maturity of investments	2,637,293	841,130
Purchase of investments, including reinvested income	(4,327,247)	(2,508,757)
Receipts from notes receivable	489,988	489,321
Purchase of property and equipment	—	(653,103)
Net Cash Used In Investing Activities	(1,199,966)	(1,831,409)
Cash Flows From Financing Activities		
Contributions restricted for endowment	5,528,859	2,251,439
Payments to annuitants and recipients	(154,090)	(208,130)
Proceeds from issuance of annuities	210,000	110,000
Payments on notes payable	(61,524)	(58,283)
Net Cash Provided By Financing Activities	5,523,245	2,095,026
Net Increase (Decrease) In Cash And Cash Equivalents	2,726,993	(1,084,915)
Cash And Cash Equivalents - Beginning Of Year	1,967,454	3,052,369
Cash And Cash Equivalents - End Of Year	\$ 4,694,447	\$ 1,967,454

SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 And 2020

1. Nature Of Operations And Summary Of Significant Accounting Policies

Nature Of Operations

The Southeast Missouri University Foundation (the Foundation) was formed in 1983 to assist in the physical and functional development and advancement of Southeast Missouri State University (the University) and the performance of its educational and charitable functions.

Basis Of Presentation

The financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) for non-profit entities. The Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board of Directors for general purposes.

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed restrictions. Donor restricted net assets are further categorized as time or purpose restricted or perpetual in nature. Restricted net assets that are perpetual in nature require the Foundation to maintain such assets permanently while permitting the Foundation to expend the income, dividends, interest, and gains and losses on investments generated, in accordance with the provisions of the donor-imposed stipulations or a Board-approved spending policy.

Use Of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

Notes To Financial Statements (*Continued*)

Cash And Cash Equivalents

The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2021 and 2020, cash equivalents consisted primarily of money market accounts.

At June 30, 2021, the Foundation's cash accounts exceeded federally insured limits by approximately \$4,273,420. These deposits, however, are fully collateralized.

Investments And Investment Return

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Fair value is estimated based on quoted market prices. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investments in private equity funds and hedge funds are recorded at net asset value (NAV), as a practical expedient, to determine fair value of the investments. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value, and realized gains and losses on other investments.

Investment income that is originally restricted by the donor and for which the restriction is met in the same time period are recorded as net assets with donor restrictions and then released from restriction. Other investment return is reflected in the statements of activities as without donor restriction, or with donor restriction based upon the existence and nature of any donor or legally imposed restrictions.

The Foundation maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

Property And Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

Notes To Financial Statements (*Continued*)

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Building	15-40 years
Equipment	7-10 years
Furniture and fixtures	7-10 years

Long-Lived Asset Impairment

The Foundation evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended June 30, 2021 or 2020.

Pledges And Contributions

Gifts of cash and other assets received without donor stipulations are reported as support and revenue and net assets without donor restriction. Gifts received with a donor stipulation that limits their use are reported as support and revenue and net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions. Gifts that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue and net assets with donor restriction and then released from restriction. The Foundation provides an allowance for uncollectible pledges, which is evaluated on a regular basis by management and is based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Gifts of land, buildings, equipment and other long-lived assets are reported as support and revenue and net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as revenue and net assets with donor restriction. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restriction to net assets without donor restriction are reported when the long-lived assets are placed in service.

SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

Notes To Financial Statements *(Continued)*

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

In-Kind Contributions

In addition to receiving cash contributions, the Foundation receives in-kind contributions from various donors. It is the policy of the Foundation to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase contribution revenue by a like amount. For the years ended June 30, 2021 and 2020, \$7,924 and \$11,942, respectively, was received in in-kind contributions.

Properties Held For Resale And Development

Certain land donated to the Foundation is currently held for resale and development. The carrying value of these properties was recorded based on their appraised values at the time of their contributions. The carrying value of these properties is reported at the lower of cost or market value.

Deferred Revenue

Revenue from an early lease payment is deferred and recognized over the periods to which the revenues relate.

Income Taxes

The Foundation is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income. The Foundations tax returns for tax years 2018 and later remain subject to examination by taxing authorities.

Functional Allocation Of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Expenses that are directly identifiable as costs of operating the program are charged to program services. Expenses that are directly identifiable as management and general or fundraising costs have been charged to those categories. Certain costs have been allocated among the program, management and general and fund raising categories based on the direct costs associated with those functional categories.

Transfers Between Fair Value Hierarchy Levels

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the actual transfer date.

New Accounting Pronouncement

During 2021, the Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*. FASB ASU No. 2014-09 supersedes the revenue recognition requirements in Accounting Standards Codification Section 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods and services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods and services. FASB ASU No. 2014-09 had no material impact on the Foundation's financial statements, because substantially all of the Foundation's revenues are contributions, investment returns, or income from leases, which are exempt from the provisions of FASB ASU No. 2014-09.

Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available for issue, which is the date of the Independent Auditors' Report.

SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

Notes To Financial Statements (Continued)

2. Investments And Investment Return

Investments at June 30 consisted of the following:

	<u>2021</u>	<u>2020</u>
Cash and money market funds	\$ 1,139,302	\$ 1,117,780
Certificates of deposit	298,954	294,074
Equities:		
Domestic	25,509,765	20,054,361
Developing international	4,429,533	3,371,145
Mutual Funds:		
Domestic	31,250,539	24,478,701
Developing international	14,433,067	10,272,369
Emerging market	13,101,368	10,476,484
International fixed income	17,763,383	14,482,854
Other	7,902,566	5,733,502
Corporate bonds	6,825,966	5,310,826
Asset backed securities	564,881	454,500
U.S. Treasury securities	1,425,376	810,635
U.S. government obligations	2,454,865	2,325,430
Municipal securities	1,085,883	898,812
Alternative strategies	735,191	1,147,771
	<u>128,920,639</u>	<u>101,229,244</u>
Less: short-term investments	23,264,596	21,504,936
	<u>\$ 105,656,043</u>	<u>\$ 79,724,308</u>

Total investment return is comprised of the following:

	<u>2021</u>	<u>2020</u>
Interest and dividends, net of fees	\$ 1,647,594	\$ 2,174,389
Unrealized and realized investment gains (losses)	26,001,441	(644,004)
	<u>\$ 27,649,035</u>	<u>\$ 1,530,385</u>

SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

Notes To Financial Statements (Continued)

Alternative Investments

The fair value of alternative investments has been estimated using the NAV per share of the investments. Alternative investments held at June 30 consists of the following:

	June 30, 2021			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Multistrategy hedge fund (A)	\$ 735,191	\$ —	Not Available	Not Available

	June 30, 2020			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Multistrategy hedge fund (A)	\$ 1,147,771	\$ —	Not Available	Not Available

(A) This is an investment in a hedge fund that pursues multiple strategies to diversify risks and reduce volatility. The fund's composite portfolio includes investments in U.S. common stocks, global real estate projects and arbitrage investments.

3. Pledges Receivable

Pledges receivable at June 30 consisted of the following:

	2021	2020
Due within one year	\$ 203,874	\$ 17,034
Due in one to five years	86,445	209,814
Due in more than five years	3,000	368,461
	293,319	595,309
Less: Allowance for uncollectible contributions	(35,872)	(20,002)
	\$ 257,447	\$ 575,307

SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

Notes To Financial Statements (Continued)

4. Property And Equipment

Property and equipment at June 30 consisted of the following:

	<u>2021</u>	<u>2020</u>
Land	\$ 7,620,564	\$ 7,620,564
Buildings and improvement	8,246,149	8,246,149
Vehicles and equipment	257,071	257,071
	<u>16,123,784</u>	<u>16,123,784</u>
Less: Accumulated depreciation	<u>(5,169,310)</u>	<u>(4,937,468)</u>
	<u>\$ 10,954,474</u>	<u>\$ 11,186,316</u>

5. Notes Receivable

Notes receivable at June 30 consisted of the following:

	<u>2021</u>	<u>2020</u>
City of Cape Girardeau	\$ 2,503,044	\$ 2,877,392
APG Limited	437,693	467,681
	<u>2,940,737</u>	<u>3,345,073</u>
Less: Current maturities due within one year	<u>(490,670)</u>	<u>(489,988)</u>
	<u>\$ 2,450,067</u>	<u>\$ 2,855,085</u>

On March 14, 2013, the Foundation sold 247.43 acres to the City of Cape Girardeau (the City). The City signed a 12 year, non-interest bearing promissory note for the amount of \$5,520,000 to the Foundation. The City shall pay 12 annual installments of \$460,000. Imputed interest amount was calculated using the long-term applicable federal rate for the month of March 2013, which was 2.66%. In April 2017, an additional \$920,000 was added to the note as a result of a joint capital project between the City and the University. The City signed a new promissory note with the Foundation to fund the City's share of the capital improvements and the Foundation will reimburse the University as funds are collected from the City.

On December 9, 2013, the Foundation sold the property located at 401 and 505 Washington Avenue to APG Limited, LLC. APG Limited signed a 10 year promissory note with an interest rate of 2.25% for the amount of \$647,000 to the Foundation. APG Limited shall pay 119 payments of \$3,350 and a final balloon payment of \$362,378.

SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

Notes To Financial Statements (Continued)

Aggregate annual maturities of notes receivable at June 30, 2021 are:

<u>Year</u>	<u>Amount</u>
2022	\$ 490,669
2023	491,367
2024	835,657
2025	460,000
2026	460,000
Thereafter	460,000
	<u>3,197,693</u>
Less: Imputed interest on loan	<u>(256,956)</u>
	<u>\$ 2,940,737</u>

6. Notes Payable To Bank

Outstanding notes payable at June 30 consisted of the following:

	<u>2021</u>	<u>2020</u>
First Missouri State Bank - 315 South Lorimier (A)	\$ 153,035	\$ 171,167
Montgomery Bank - South Lorimier & 334 Morgan Oak (B)	<u>506,888</u>	<u>550,280</u>
	<u>659,923</u>	<u>721,447</u>
Less: Current maturities due within one year	<u>(64,877)</u>	<u>(61,834)</u>
	<u>\$ 595,046</u>	<u>\$ 659,613</u>

- (A) On December 28, 2012, the Foundation purchased property located at 315 South Lorimier in Cape Girardeau, Missouri. To finance the purchase, the Foundation entered into a promissory note with First Missouri State Bank in the amount of \$289,220 with an original maturity date of December 28, 2017. The Foundation renewed the note with First Missouri State Bank on December 28, 2017 with a revised maturity date of December 28, 2022. The promissory note requires monthly principal and interest payments of \$2,139, with one balloon payment estimated at \$126,447 due at maturity. The promissory note bears interest at 4.60% per annum.

SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

Notes To Financial Statements (Continued)

- (B) On August 8, 2018 the Foundation entered into a promissory note with Montgomery Bank in the amount of \$624,389 to consolidate and refinance the South Lorimier (A) and 334 Morgan Oak (B) notes. The promissory note requires 59 monthly principal and interest of \$5,817, with one balloon payment estimated at \$410,961 due at maturity on August 8, 2023. The promissory note bears interest at 4.91% per annum.

Aggregate annual maturities of long-term debt at June 30, 2021 are:

<u>Year</u>	<u>Amount</u>
2022	\$ 64,877
2023	182,357
2024	412,689
	<u>\$ 659,923</u>

7. Net Assets

Net assets with donor restrictions at June 30 are available for the following purposes or periods:

With Donor Restrictions

	<u>2021</u>	<u>2020</u>
Scholarships - spendable	\$ 41,447,869	\$ 17,731,126
Scholarships - perpetual	64,911,713	59,510,100
Loans	175,990	170,825
Other - spendable	9,761,363	9,076,275
Other - perpetual	2,139,549	2,169,636
	<u>\$ 118,436,484</u>	<u>\$ 88,657,962</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Released From Restriction

	<u>2021</u>	<u>2020</u>
Scholarships	\$ 2,540,103	\$ 3,004,859
Loans	75	895
Other purpose restrictions accomplished	2,230,863	2,076,717
	<u>\$ 4,771,041</u>	<u>\$ 5,082,471</u>

8. Endowment

The Foundation's endowment consists of 939 and 884 individual funds established for a variety of purposes at June 30, 2021 and 2020, respectively. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's governing body has interpreted the State of Missouri's Prudent Management of Institutional Funds Act (UPMIFA) as requiring 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 assets with permanent donor restrictions (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. The remaining portion of donor-restricted endowment funds is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Foundation
7. Investment policies of the Foundation

SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

Notes To Financial Statements *(Continued)*

The composition of net assets by type of endowment fund at June 30, 2021 and 2020, was:

	2021		
	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	\$ —	\$ 106,359,582	\$ 106,359,582
Board-designated endowment funds	7,452,647	—	7,452,647
	\$ 7,452,647	\$ 106,359,582	\$ 113,812,229

	2020		
	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	\$ —	\$ 77,241,225	\$ 77,241,225
Board-designated endowment funds	6,917,852	—	6,917,852
	\$ 6,917,852	\$ 77,241,225	\$ 84,159,077

Changes in endowment net assets for the years ended June 30 was as follows:

	2021		
	Without Donor Restriction	With Donor Restriction	Total
Endowment investments, July 1, 2020	\$ 6,917,852	\$ 77,241,225	\$ 84,159,077
Investment return			
Investment income	75,966	2,896,953	2,972,919
Net appreciation	—	23,562,832	23,562,832
Total investment return	75,966	26,459,785	26,535,751
Contributions	151,361	5,377,498	5,528,859
Appropriations of endowment assets for expenditure	(1,935)	(2,540,103)	(2,542,038)
Other transfers	309,403	(178,823)	130,580
Endowment investments, June 30, 2021	\$ 7,452,647	\$ 106,359,582	\$ 113,812,229

SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

Notes To Financial Statements (Continued)

	2020		
	Without Donor Restriction	With Donor Restriction	Total
Endowment investments, July 1, 2019	\$ 6,930,266	\$ 77,761,711	\$ 84,691,977
Investment return			
Investment income	(117,870)	2,831,249	2,713,379
Net appreciation	—	(2,328,525)	(2,328,525)
Total investment return	(117,870)	502,724	384,854
Contributions	104,100	2,147,339	2,251,439
Appropriations of endowment assets for expenditure	—	(3,004,859)	(3,004,859)
Other transfers	1,356	(165,690)	(164,334)
Endowment investments, June 30, 2020	\$ 6,917,852	\$ 77,241,225	\$ 84,159,077

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Foundation is required to retain as a fund of perpetual duration pursuant to donor stipulation or UPMIFA. In accordance with GAAP, deficiencies of this nature are reported in net assets with donor restriction and aggregated \$840 and \$841 at June 30, 2021 and 2020, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after investment of new contributions with donor restriction and continued appropriation for certain purposes that was deemed prudent by the governing body.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Foundation must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. The Foundation expects its endowment funds to provide an average rate of return of approximately 5.5 percent annually over time. Actual returns in any given year may vary from this amount.

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 current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

Notes To Financial Statements (*Continued*)

The Foundation has a policy for allocating endowment income with the objective of preserving the principal of the endowment and providing a percentage of income to cover a portion of overhead expenses. The policy provides for a 5.0% annual spending rate which is satisfied first from endowment interest and dividend earnings. To the extent these earnings are inadequate to meet the annual spending rate, a portion of cumulative realized net gains may be made available for current use. Any interest and dividend earnings in excess of the 5.0% annual spending rate are reinvested and maintained in the endowment fund balance. In addition, an amount equivalent to 0.5% of principal is assessed to the endowment to cover overhead costs.

9. Annuity And Trust Obligations

The Foundation has been the recipient of several gift annuities, which require future payments to the contributors or their named beneficiaries. The assets received from the donor are recorded at fair value and included in investments in the Foundation's statement of financial position. The Foundation has recorded a liability of \$966,728 and \$1,474,996 at June 30, 2021 and 2020, respectively, which represents the estimated fair value of the future annuity obligations. The liability has been determined using a discount rate of 10.52% and 2.97% at June 30, 2021 and 2020, respectively. Contribution revenue recorded in the statement of activities as contributions with donor restrictions under such agreements was \$210,000 and \$110,000 for the years ended June 30, 2021 and 2020, respectively.

The Foundation administers various charitable remainder trusts. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for the Foundation's use. Assets held in the charitable remainder trusts are recorded at fair value and included in investments in the Foundation's statements of financial position. The Foundation has recorded a liability at June 30, 2021 and 2020, of \$187,993 and \$226,870, respectively, which represents the present value of the future obligations to make distributions to the designated beneficiaries. On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments is calculated using a discount rate of 10.52% and 2.97% at June 30, 2021 and 2020, respectively, and applicable mortality tables. The portion of the trusts attributable to the future interest of the Foundation is recorded in the statement of activities as contributions with donor restrictions in the period the trust is established. No contribution revenue was recognized under such agreements for the years ended June 30, 2021 or 2020.

SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

Notes To Financial Statements (*Continued*)

10. Operating Leases

The Foundation leases certain plant assets to the University. These leases will expire on various dates through fiscal year 2033. Future minimum lease payments at June 30, 2021 were:

<u>Year</u>	<u>Amount</u>
2022	\$ 368,800
2023	309,704
2024	261,243
2025	235,211
2026	315,036
Thereafter	1,092,301
	<u>\$ 2,582,295</u>

11. Disclosures About Fair Value Of Assets And Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1 Quoted prices in active markets for identical assets or liabilities

- Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

- Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

Notes To Financial Statements (Continued)

Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2021 and 2020:

	2021			
	Total	Level 1	Level 2	Level 3
Investments measured at fair value:				
Cash and money market funds	\$ 1,139,302	\$ 1,139,302	\$ —	\$ —
Certificates of deposit	298,954	298,954	—	—
Equities	29,939,298	29,939,298	—	—
Mutual funds	84,450,923	84,450,923	—	—
Corporate bonds	6,825,966	—	6,825,966	—
Asset backed securities	564,881	—	564,881	—
U.S. treasury securities	1,425,376	1,425,376	—	—
U.S. government obligations	2,454,865	—	2,454,865	—
Municipal securities	1,085,883	—	1,085,883	—
	128,185,448	\$ 117,253,853	\$ 10,931,595	\$ —
Investments measured at net asset value (a):				
Alternative strategies	735,191			
Total Investments	\$ 128,920,639			
Annuity And Trust Obligations	\$ 1,154,721	\$ —	\$ —	\$ 1,154,721
	2020			
	Total	Level 1	Level 2	Level 3
Investments measured at fair value:				
Cash and money market funds	\$ 1,117,780	\$ 1,117,780	\$ —	\$ —
Certificates of deposit	294,074	294,074	—	—
Equities	23,425,506	23,425,506	—	—
Mutual funds	65,443,910	65,443,910	—	—
Corporate bonds	5,310,826	—	5,310,826	—
Asset backed securities	454,500	—	454,500	—
U.S. treasury securities	810,635	810,635	—	—
U.S. government obligations	2,325,430	—	2,325,430	—
Municipal securities	898,812	—	898,812	—
	100,081,473	\$ 91,091,905	\$ 8,989,568	\$ —
Investments measured at net asset value (a):				
Alternative strategies	1,147,771			
Total Investments	\$ 101,229,244			
Annuity And Trust Obligations	\$ 1,701,866	\$ —	\$ —	\$ 1,701,866

(a) In accordance with Subtopic 820-10, investments that were measured at NAV per share (or its equivalent) 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 in the Statements of Financial Position.

SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

Notes To Financial Statements *(Continued)*

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2021.

Investments

Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of investments with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such investments are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, investments are classified within Level 3 of the hierarchy.

Annuities And Trusts Obligations

Fair value is estimated using a present value technique which utilizes an internal rate of return. Due to the nature of the valuation inputs, the liability is classified within Level 3 of the hierarchy.

Level 3 Valuation Process

Fair value determinations for Level 3 measurements are the responsibility of management. Management utilizes a software program to generate fair value estimates on an annual basis. Management challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States.

SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

Notes To Financial Statements (Continued)

Level 3 Reconciliation

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statements of financial position using significant unobservable (Level 3) inputs:

	Annuity And Trust Obligations
Balance as of June 30, 2019	\$ 1,509,062
Change in unrealized appreciation	586,597
Contributions	110,000
Payments to annuitants and recipients	(208,130)
Change in valuation	<u>(295,663)</u>
Balance as of June 30, 2020	1,701,866
Change in unrealized appreciation	(1,151,804)
Contributions	210,000
Payments to annuitants and recipients	(154,090)
Change in valuation	<u>548,749</u>
Balance as of June 30, 2021	<u><u>\$ 1,154,721</u></u>

Unobservable (Level 3) Inputs

The following table presents quantitative information about unobservable inputs used in recurring Level 3 fair value measurements at June 30, 2021 and 2020.

	Fair Value At June 30, 2021	Fair Value At June 30, 2020	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Annuity and trust obligations	\$ 1,154,721	\$ 1,701,866	Present value of future expected payments to be made	Internal rate of return utilized	Not applicable

SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

Notes To Financial Statements (Continued)

12. Functional Expenses

Expense by functional classification for the year ended June 30, are as follows:

	2021			
	Program Services	Management And General	Fundraising	Total
Donations to Southeast Missouri				
State University	\$ 4,213,995	\$ 46,227	\$ —	\$ 4,260,222
Salaries and wages	42,535	276,477	106,337	425,349
Accounting and legal fees	—	19,140	—	19,140
Supplies	17,469	6,338	—	23,807
Telephone	8,173	2,992	—	11,165
Postage and shipping	1,866	—	—	1,866
Occupancy	3,738	1,450	—	5,188
Printing and publications	22,830	1,545	2,980	27,355
Travel	9,086	—	—	9,086
Conferences, conventions, meetings	9,052	8,502	—	17,554
Interest	—	34,088	—	34,088
Depreciation and amortization	—	231,842	—	231,842
Other expenses:				
Other rentals	10,809	—	—	10,809
Insurance	—	26,435	—	26,435
Professional services	44,867	8,375	—	53,242
Taxes	—	3,364	—	3,364
Banquet catering	34,268	—	—	34,268
Prizes and awards	46,482	—	—	46,482
Dues and memberships	162,060	15	—	162,075
Misc	223,085	69,737	17,614	310,436
Total Functional Expenses	\$ 4,850,315	\$ 736,527	\$ 126,931	\$ 5,713,773

SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

Notes To Financial Statements (Continued)

	2020			
	Program Services	Management And General	Fundraising	Total
Donations to Southeast Missouri				
State University	\$ 4,483,533	\$ 83,692	\$ 1,127	\$ 4,568,352
Salaries and wages	39,066	253,932	97,666	390,664
Accounting and legal fees	—	29,885	—	29,885
Supplies	46,524	497	567	47,588
Telephone	26,157	4,013	—	30,170
Postage and shipping	127	14	19	160
Occupancy	5,495	8,169	2,274	15,938
Equipment rental and maintenance	13	—	—	13
Printing and publications	38,767	1,903	1,500	42,170
Travel	71,999	14,138	2,125	88,262
Conferences, conventions, meetings	6,527	7,116	971	14,614
Interest	—	36,540	—	36,540
Depreciation and amortization	—	246,670	—	246,670
Other expenses:				
Other rentals	—	1,690	—	1,690
Furniture	355	110	—	465
Insurance	—	37,835	—	37,835
Professional services	66,255	99,995	—	166,250
Taxes	—	1,886	—	1,886
Banquet catering	96,759	—	2,879	99,638
Prizes and awards	69,314	—	2,952	72,266
Dues and memberships	87,572	490	295	88,357
Misc	92,334	33,983	7,537	133,854
Total Functional Expenses	\$ 5,130,797	\$ 862,558	\$ 119,912	\$ 6,113,267

13. Related-Party Transactions

The Foundation functions as the official gift-receiving organization for the University. As such, it solicits and receives gifts for the University, manages the funds received and disburses restricted funds in accordance with donor restrictions. The Foundation contributed \$4,240,839 and \$4,568,352 of cash and gifts-in-kind to the University during the years ended June 30, 2021 and 2020, respectively. The University leases the Foundation's various real estate properties and the Foundation is billed monthly for the use of University services. Employees that conduct Foundation business in addition to their University duties are paid by the University. The Foundation is billed by the University annually for the personnel costs related to Foundation business.

SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

Notes To Financial Statements (*Continued*)

The Foundation also receives, manages and disburses the funds of the Southeast Athletic booster club (RedHawks Club), of which \$425,348 and \$420,751 is held in the endowment funds of the Foundation as of June 30, 2021 and 2020, respectively.

14. Significant Estimates And Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Estimates related to the allowance for doubtful accounts are reflected in the footnote regarding contributions receivable. Other significant estimates and concentrations not discussed in those footnotes include:

Contributions

Approximately 59% of all contributions receivable were from seven donors for the year ended June 30, 2021. Approximately 67% of all contributions receivable were from two donors for the year ended June 30, 2020.

Investments

The Foundation invests in various investment 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 change could materially affect the amounts reported in the accompanying statements of financial position.

15. Liquidity And Availability Of Financial Assets

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund scholarship programs.

SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

Notes To Financial Statements (Continued)

The Foundation considers investment income without donor restrictions, appropriate earnings from donor-restricted and board-designated (quasi) endowments, contributions without donor restrictions and contributions with donor restriction for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative, general and fundraising expenses expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation's fiscal year.

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability;
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that obligations under endowments with donor restrictions and quasi-endowments that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

The following reflects the Foundation's financial assets as of June 30, 2021 and 2020. All of the financial assets have a liquidity period of one year or less:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 4,694,447	\$ 1,967,454
Short-term investments	23,264,596	21,504,936
Endowment investments	105,656,043	79,724,308
Cash surrender value of life insurance	755,840	734,682
Total Financial Assets	134,370,926	103,931,380
Less amounts not available to be used within one year:		
Annuity and trust obligations	1,154,721	1,701,866
Funds held for others	61,544	63,616
Amounts with donor restrictions	118,436,484	88,657,962
Total amounts not available to be used within one year	119,652,749	90,423,444
Financial assets available to meet cash needs for general expenditures within one year	\$ 14,718,177	\$ 13,507,936

16. Impact Of COVID-19

The outbreak of a novel strain of coronavirus (COVID-19) has been declared by the World Health Organization to be a public health emergency of international concern and has been declared to be a pandemic. This outbreak and the associated economic impact may result in reduction of future contributions, or significant fluctuations in the fair value of the Foundation's investments. As the scope and duration of the COVID-19 pandemic is unknown and the extent of its economic impact continues to evolve, the Foundation is unable to quantify its effect and ultimate impact.

**Independent Auditor's Report On
Internal Control Over Financial Reporting
And On Compliance And Other Matters
Based On An Audit Of The Financial
Statements Performed In Accordance
With *Government Auditing Standards***

Board of Directors
Southeast Missouri University Foundation
Cape Girardeau, Missouri

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Southeast Missouri University Foundation (the Foundation), a component unit of Southeast Missouri State University, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 26, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose Of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RubinBrown LLP

October 26, 2021