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***SOUTHEAST MISSOURI  
UNIVERSITY FOUNDATION***  
*FINANCIAL STATEMENTS*  
*JUNE 30, 2023*

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## Independent Auditors' Report

Board of Directors  
Southeast Missouri University Foundation  
Cape Girardeau, Missouri

### Report On The Audit Of The Financial Statements

#### *Opinion*

We have audited the financial statements of Southeast Missouri University Foundation (the Foundation), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2023 and 2022, and the changes in 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.

#### *Basis For Opinion*

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 (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities For The Audit Of The Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Emphasis Of A Matter Related To Restatement*

As described in Note 16, the 2022 financial statements have been restated to correct the classification of net assets with donor restrictions and without donor restrictions on the statement of financial position and statement of activities and related net asset and endowment footnotes. Our opinion is not modified related to this matter.

### ***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 for 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 auditors' 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 auditing standards generally accepted in the United States of America and *Government 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 auditing standards generally accepted in the United States of America and *Government 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.

### **Other Reporting Required By *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2023, 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 solely 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*

December 20, 2023

# SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

## STATEMENT OF FINANCIAL POSITION

Page 1 Of 2

|  | June 30,              |                       |
|--|-----------------------|-----------------------|
|  | 2023                  | 2022                  |
|  |                       | (As Restated)         |
| <b>Assets</b>  |                       |                       |
| <b>Current Assets</b>  |                       |                       |
| Cash and cash equivalents  | \$ 1,972,395          | \$ 7,740,669          |
| Short-term investments   | 9,279,679             | 2,413,933             |
| Receivables:   |                       |                       |
| Pledges receivable (net of allowance of \$35,036<br>and \$15,967 in 2023 and 2022, respectively) | 276,948               | 112,594               |
| Notes receivable   | 375,657               | 491,367               |
| Accrued interest receivable  | 132,701               | 77,525                |
| Lease receivable   | 23,566                | —                     |
| <b>Total Current Assets</b>  | <b>12,060,946</b>     | <b>10,836,088</b>     |
| <b>Noncurrent Assets</b>   |                       |                       |
| Investments:   |                       |                       |
| Endowment investments  | 118,819,591           | 107,737,003           |
| Cash surrender value of life insurance   | 782,204               | 780,090               |
| Pledges receivable (net of allowance of \$22,681<br>and \$10,954 in 2023 and 2022, respectively) | 179,289               | 77,242                |
| Long-term notes receivable, net of imputed interest  | —                     | 2,032,117             |
| Property held for resale and development   | 1,250,838             | 1,259,315             |
| Property and equipment, net of accumulated depreciation  | 10,022,282            | 10,733,733            |
| <b>Total Noncurrent Assets</b>   | <b>131,054,204</b>    | <b>122,619,500</b>    |
| <b>Total Assets</b>  | <b>\$ 143,115,150</b> | <b>\$ 133,455,588</b> |

# SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

## STATEMENT OF FINANCIAL POSITION

Page 2 Of 2

|   | June 30,              |                       |
|---|-----------------------|-----------------------|
|   | 2023                  | 2022                  |
|   | (As Restated)         |                       |
| <b>Liabilities</b>                      |                       |                       |
| <b>Current Liabilities</b>              |                       |                       |
| Accounts payable and accrued expenses   | \$ 50,592             | \$ 24,243             |
| Due to primary institution - University | 1,465,630             | 809,982               |
| Note payable to bank                    | 413,375               | 182,477               |
| Funds held for others                   | 60,400                | 59,516                |
| Annuity and trust obligations           | 168,509               | 179,767               |
| <b>Total Current Liabilities</b>        | <b>2,158,506</b>      | <b>1,255,985</b>      |
| <b>Noncurrent Liabilities</b>           |                       |                       |
| Deferred revenue                        | —                     | 1,069                 |
| Note payable to bank                    | —                     | 413,062               |
| Annuity and trust obligations           | 896,984               | 963,031               |
| Due to primary institution - University | 2,091,015             | 1,970,859             |
| <b>Total Noncurrent Liabilities</b>     | <b>2,987,999</b>      | <b>3,348,021</b>      |
| <b>Total Liabilities</b>                | <b>5,146,505</b>      | <b>4,604,006</b>      |
| <b>Net Assets</b>                       |                       |                       |
| Without donor restriction               | 18,598,506            | 18,904,317            |
| With donor restriction                  | 119,370,139           | 109,947,265           |
| <b>Total Net Assets</b>                 | <b>137,968,645</b>    | <b>128,851,582</b>    |
| <b>Total Liabilities And Net Assets</b> | <b>\$ 143,115,150</b> | <b>\$ 133,455,588</b> |

# SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

## STATEMENT OF ACTIVITIES For The Year Ended June 30, 2023

|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Totals         |
|--|-------------------------------|----------------------------|----------------|
| <b>Support, Revenue, Gains And Losses</b>                          |                               |                            |                |
| Contributions, of cash and other financial assets, net of discount | \$ 229,399                    | \$ 4,816,452               | \$ 5,045,851   |
| Contributions of nonfinancial assets                               | —                             | 256,640                    | 256,640        |
| Investment return  | 1,812,969                     | 9,652,373                  | 11,465,342     |
| Lease income   | 179,960                       | 200                        | 180,160        |
| Special events, net of expense                                     | 150                           | 39,536                     | 39,686         |
| Loss on disposal of property                                       | (499,859)                     | —                          | (499,859)      |
| Loss on annuity and trust obligations                              | —                             | (111,680)                  | (111,680)      |
| Other revenues and transfers                                       | (203,772)                     | 819,840                    | 616,068        |
| Net assets released from restrictions                              | 6,050,487                     | (6,050,487)                | —              |
| <b>Total Support, Revenue, Gains And Losses</b>                    | 7,569,334                     | 9,422,874                  | 16,992,208     |
| <b>Expenses And Losses</b>   |                               |                            |                |
| Program expenses   | 5,765,174                     | —                          | 5,765,174      |
| Management and general   | 1,642,250                     | —                          | 1,642,250      |
| Fundraising  | 467,721                       | —                          | 467,721        |
| <b>Total Expenses And Losses</b>                                   | 7,875,145                     | —                          | 7,875,145      |
| <b>Change In Net Assets</b>  | (305,811)                     | 9,422,874                  | 9,117,063      |
| <b>Net Assets - Beginning Of Year (As Restated)</b>                | 18,904,317                    | 109,947,265                | 128,851,582    |
| <b>Net Assets - End Of Year</b>                                    | \$ 18,598,506                 | \$ 119,370,139             | \$ 137,968,645 |



# SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

## STATEMENT OF ACTIVITIES For The Year Ended June 30, 2022 (As Restated)

|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Totals                |
|--|-------------------------------|----------------------------|-----------------------|
| <b>Support, Revenue, Gains And Losses</b>                          |                               |                            |                       |
| Contributions, of cash and other financial assets, net of discount | \$ 3,535,011                  | \$ 6,152,992               | \$ 9,688,003          |
| Contributions of nonfinancial assets                               | 4,099                         | 347,728                    | 351,827               |
| Investment return  | 141,239                       | (18,485,375)               | (18,344,136)          |
| Rental income  | 376,356                       | 5,270                      | 381,626               |
| Special events, net of expense                                     | 580                           | 39,006                     | 39,586                |
| Gain on annuity and trust obligations                              | —                             | 11,449                     | 11,449                |
| Other revenues and transfers                                       | 355,641                       | 83,212                     | 438,853               |
| Net assets released from restrictions                              | 5,107,867                     | (5,107,867)                | —                     |
| <b>Total Support, Revenue, Gains And Losses</b>                    | <b>9,520,793</b>              | <b>(16,953,585)</b>        | <b>(7,432,792)</b>    |
| <b>Expenses</b>  |                               |                            |                       |
| Program expenses   | 4,823,212                     | —                          | 4,823,212             |
| Management and general   | 1,227,080                     | —                          | 1,227,080             |
| Fundraising  | 196,113                       | —                          | 196,113               |
| <b>Total Expenses</b>  | <b>6,246,405</b>              | <b>—</b>                   | <b>6,246,405</b>      |
| <b>Change In Net Assets</b>  | <b>3,274,388</b>              | <b>(16,953,585)</b>        | <b>(13,679,197)</b>   |
| <b>Net Assets - Beginning Of Year As Originally Stated</b>         | <b>24,094,295</b>             | <b>118,436,484</b>         | <b>142,530,779</b>    |
| <b>Restatement (Note 16)</b>                                       | <b>(8,464,366)</b>            | <b>8,464,366</b>           | <b>—</b>              |
| <b>Net Assets - Beginning Of Year (As Restated)</b>                | <b>15,629,929</b>             | <b>126,900,850</b>         | <b>142,530,779</b>    |
| <b>Net Assets - End Of Year (As Restated)</b>                      | <b>\$ 18,904,317</b>          | <b>\$ 109,947,265</b>      | <b>\$ 128,851,582</b> |

# SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

## STATEMENT OF CASH FLOWS

|   | For The Years<br>Ended June 30, |                       |
|---|---------------------------------|-----------------------|
|   | 2023                            | 2022<br>(As Restated) |
| <b>Cash Flows From Operating Activities</b>   |                                 |                       |
| Change in net assets  | \$ 9,117,063                    | \$ (13,679,197)       |
| Adjustments to reconcile increase in net assets to<br>net cash from operating activities: |                                 |                       |
| Depreciation  | 214,252                         | 216,642               |
| Net realized and unrealized investment (gains) losses                                     | (4,844,135)                     | 21,295,487            |
| Contributions restricted for endowment  | (2,632,799)                     | (5,147,012)           |
| Change in value of split-interest agreements  | 127,025                         | 240,448               |
| Loss on disposal of property  | 499,859                         | 4,099                 |
| Change in imputed interest on notes receivable  | (183,540)                       | (73,416)              |
| Cash surrender value of life insurance  | (2,114)                         | (24,250)              |
| Changes in assets and liabilities:  |                                 |                       |
| Pledges receivable  | (266,401)                       | 67,611                |
| Accrued interest receivable   | (55,176)                        | 1,131                 |
| Lease receivable  | (23,566)                        | —                     |
| Property held for resale and development  | 5,817                           | (13,600)              |
| Deferred revenues   | (1,069)                         | (9,081)               |
| Accounts payable and other liabilities  | 803,037                         | (2,627,782)           |
| <b>Net Cash Provided By Operating Activities</b>  | <b>2,758,253</b>                | <b>251,080</b>        |
| <b>Cash Flows From Investing Activities</b>   |                                 |                       |
| Proceeds from the sale/maturity of investments  | —                               | 2,523,243             |
| Purchase of investments, including reinvested income                                      | (13,104,199)                    | (5,049,027)           |
| Receipts from notes receivable  | 2,331,367                       | 490,669               |
| <b>Net Cash Used In Investing Activities</b>  | <b>(10,772,832)</b>             | <b>(2,035,115)</b>    |
| <b>Cash Flows From Financing Activities</b>   |                                 |                       |
| Contributions restricted for endowment  | 2,632,799                       | 5,147,012             |
| Payments to annuitants and recipients   | (204,330)                       | (252,371)             |
| Payments on notes payable   | (182,164)                       | (64,384)              |
| <b>Net Cash Provided By Financing Activities</b>  | <b>2,246,305</b>                | <b>4,830,257</b>      |
| <b>Net Increase In Cash And Cash Equivalents</b>  | <b>(5,768,274)</b>              | <b>3,046,222</b>      |
| <b>Cash And Cash Equivalents - Beginning Of Year</b>                                      | <b>7,740,669</b>                | <b>4,694,447</b>      |
| <b>Cash And Cash Equivalents - End Of Year</b>  | <b>\$ 1,972,395</b>             | <b>\$ 7,740,669</b>   |

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# SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2023 And 2022

### 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**

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### 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, 2023 and 2022, cash equivalents consisted primarily of money market accounts.

At June 30, 2023, the Foundation's cash accounts 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 quarterly 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 leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

## **SOUTHEAST MISSOURI UNIVERSITY FOUNDATION**

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### 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, 2023 or 2022.

### **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**

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### 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.

#### **Contributions Of Nonfinancial Assets**

In addition to receiving contributions of cash and securities, the Foundation receives contributions of nonfinancial assets from various donors. For the years ended June 30, 2023 and 2022, contributions of nonfinancial assets consisted of \$256,640 and \$25,549, respectively, of personal property contributions; \$0 and \$5,278, respectively, of personal services contributions; and \$0 and \$321,000, respectively, of real estate contributions. Contributions of real estate are held as part of property held for resale and development. All other contributed nonfinancial assets are utilized during the year. Nonfinancial assets received are valued at fair value.

#### **Properties Held For Resale And Development**

Certain land and other property 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.

#### **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 2020 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**

On July 1, 2022, the Foundation adopted the provisions of Accounting Standards Codification (ASC) Topic 842, *Leases*. The adoption of Topic 842 had a negligible impact on the Foundation's financial statements.

The Foundation has elected certain practical expedients, including the package of practical expedients to not reassess prior conclusions related to contracts containing leases, lease classification and initial direct costs. The initial adoption of ASC 842 did not result in a cumulative adjustment to net assets. Results for 2023 are presented under ASC 842, while the prior period financial statements have not been adjusted and continue to be presented under ASC 840, the accounting standard in effect at that time. The Foundation, as lessor, leases certain plant assets to the University. Under ASC 842, the Foundation classifies the leases as operating leases.

**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

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### Notes To Financial Statements (Continued)

## 2. Investments And Investment Return

Investments at June 30 consisted of the following:

|                              | <u>2023</u>           | <u>2022</u>           |
|------------------------------|-----------------------|-----------------------|
| Cash and money market funds  | \$ 1,178,150          | \$ 1,360,209          |
| Certificates of deposit      | 7,101,253             | 299,851               |
| Equities:                    |                       |                       |
| Domestic                     | 23,149,373            | 22,421,309            |
| Developing international     | 4,746,025             | 3,021,179             |
| Mutual Funds:                |                       |                       |
| Domestic                     | 31,283,086            | 29,442,503            |
| Developing international     | 27,696,795            | 24,177,620            |
| Emerging market              | 5,899,560             | 4,326,405             |
| International fixed income   | 6,548,712             | 4,382,516             |
| Other                        | 8,793,744             | 8,975,734             |
| Corporate bonds              | 5,839,105             | 5,936,269             |
| Asset backed securities      | 579,946               | 289,664               |
| U.S. Treasury securities     | 2,084,368             | 1,788,643             |
| U.S. government obligations  | 1,976,734             | 2,174,986             |
| Municipal securities         | 895,594               | 1,035,493             |
| Alternative strategies       | 326,825               | 518,555               |
|                              | <u>128,099,270</u>    | <u>110,150,936</u>    |
| Less: short-term investments | <u>9,279,679</u>      | <u>2,413,933</u>      |
|                              | <u>\$ 118,819,591</u> | <u>\$ 107,737,003</u> |

Total investment return is comprised of the following:

|   | <u>2023</u>          | <u>2022</u>            |
|---|----------------------|------------------------|
| Interest and dividends, net of fees               | \$ 6,621,207         | \$ 2,951,352           |
| Unrealized and realized investment gains (losses) | <u>4,844,135</u>     | <u>(21,295,487)</u>    |
| Net investment return                             | <u>\$ 11,465,342</u> | <u>\$ (18,344,135)</u> |



## SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

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### 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, 2023 |                      |                      |                          |
|------------------------------|---------------|----------------------|----------------------|--------------------------|
|                              | Fair Value    | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
| Multistrategy hedge fund (A) | \$ 326,825    | \$ —                 | Not Available        | Not Available            |

  

|                              | June 30, 2022 |                      |                      |                          |
|------------------------------|---------------|----------------------|----------------------|--------------------------|
|                              | Fair Value    | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
| Multistrategy hedge fund (A) | \$ 518,555    | \$ —                 | 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:

|   | 2023              | 2022              |
|---|-------------------|-------------------|
| Due within one year                             | \$ 311,984        | \$ 128,561        |
| Due in one to five years                        | 186,579           | 87,014            |
| Due in more than five years                     | 15,391            | 1,183             |
|   | <u>513,954</u>    | <u>216,758</u>    |
| Less: Allowance for uncollectible contributions | <u>(57,717)</u>   | <u>(26,922)</u>   |
|   | <u>\$ 456,237</u> | <u>\$ 189,836</u> |

## SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

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### Notes To Financial Statements (Continued)

#### 4. Property And Equipment

Property and equipment at June 30 consisted of the following:

|                                | <u>2023</u>          | <u>2022</u>          |
|--------------------------------|----------------------|----------------------|
| Land                           | \$ 7,620,564         | \$ 7,620,564         |
| Buildings and improvement      | 7,055,955            | 8,246,149            |
| Vehicles and equipment         | 159,266              | 216,083              |
|                                | <u>14,835,785</u>    | <u>16,082,796</u>    |
| Less: Accumulated depreciation | <u>(4,813,503)</u>   | <u>(5,349,063)</u>   |
|                                | <u>\$ 10,022,282</u> | <u>\$ 10,733,733</u> |

#### 5. Notes Receivable

Notes receivable at June 30 consisted of the following:

|   | <u>2023</u>      | <u>2022</u>         |
|---|------------------|---------------------|
| City of Cape Girardeau                          | \$ —             | \$ 2,116,460        |
| APG Limited                                     | 375,657          | 407,024             |
|   | <u>375,657</u>   | <u>2,523,484</u>    |
| Less: Current maturities due<br>within one year | <u>(375,657)</u> | <u>(491,367)</u>    |
|   | <u>\$ —</u>      | <u>\$ 2,032,117</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 was required to 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. The City sold the land and fully repaid the note during 2023. No amounts remain receivable from the City as of June 30, 2023.

## SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

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### Notes To Financial Statements (Continued)

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. The note fully matures during the year ended June 30, 2024.

### 6. Notes Payable To Bank

Outstanding notes payable at June 30 consisted of the following:

|   | <u>2023</u>      | <u>2022</u>       |
|---|------------------|-------------------|
| First Missouri State Bank - 315 South Lorimier (A)    | \$ —             | \$ 134,242        |
| Montgomery Bank - South Lorimier & 334 Morgan Oak (B) | <b>413,375</b>   | 461,297           |
|   | <b>413,375</b>   | 595,539           |
| Less: Current maturities due within one year          | <b>(413,375)</b> | (64,877)          |
|   | <b>\$ —</b>      | <b>\$ 530,662</b> |

- (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. No amount remains payable as of June 30, 2023.
- (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 and 334 Morgan Oak notes. The promissory note requires 59 monthly principal and interest payments 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.

## SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

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### Notes To Financial Statements (Continued)

Aggregate annual maturities of long-term debt at June 30, 2023 are:

| <u>Year</u> | <u>Amount</u>     |
|-------------|-------------------|
| <u>2023</u> | <u>\$ 413,375</u> |

## 7. Net Assets

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

|                     | <u>2023</u>           | <u>2022</u><br>(As Restated) |
|---------------------|-----------------------|------------------------------|
| Endowed - perpetual | \$ 93,361,547         | \$ 86,650,762                |
| Other - perpetual   | 4,061,791             | 3,791,389                    |
| Endowed - spendable | 8,230,052             | 7,059,622                    |
| Other - spendable   | 13,538,598            | 12,267,530                   |
| Loans               | 178,151               | 177,962                      |
|                     | <u>\$ 119,370,139</u> | <u>\$ 109,947,265</u>        |

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

|   | <u>2023</u>         | <u>2022</u>         |
|---|---------------------|---------------------|
| Scholarships                            | \$ 3,134,316        | \$ 2,661,773        |
| Loans                                   | 2,736               | 1,131               |
| Other purpose restrictions accomplished | 2,913,435           | 2,444,963           |
|   | <u>\$ 6,050,487</u> | <u>\$ 5,107,867</u> |

## 8. Endowment

The Foundation's endowment consists of 935 and 920 individual funds established for a variety of purposes at June 30, 2023 and 2022, 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.

## SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

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### Notes To Financial Statements (Continued)

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

The composition of net assets by type of endowment fund at June 30, 2023 and 2022, was:

|                                  | 2023                         |                           |                       |
|----------------------------------|------------------------------|---------------------------|-----------------------|
|                                  | Without Donor<br>Restriction | With Donor<br>Restriction | Total                 |
| Donor-restricted endowment funds | \$ —                         | \$ 101,591,599            | \$ 101,591,599        |
| Board-designated endowment funds | 3,735,623                    | —                         | 3,735,623             |
|                                  | <u>\$ 3,735,623</u>          | <u>\$ 101,591,599</u>     | <u>\$ 105,327,222</u> |

|                                  | 2022 (As Restated)           |                           |                      |
|----------------------------------|------------------------------|---------------------------|----------------------|
|                                  | Without Donor<br>Restriction | With Donor<br>Restriction | Total                |
| Donor-restricted endowment funds | \$ —                         | \$ 93,710,384             | \$ 93,710,384        |
| Board-designated endowment funds | 3,814,116                    | —                         | 3,814,116            |
|                                  | <u>\$ 3,814,116</u>          | <u>\$ 93,710,384</u>      | <u>\$ 97,524,500</u> |

## SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

### Notes To Financial Statements (Continued)

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

|   | 2023                         |                           |                       |
|---|------------------------------|---------------------------|-----------------------|
|   | Without Donor<br>Restriction | With Donor<br>Restriction | Total                 |
| Endowment investments, July 1, 2022<br>(As Restated)  | \$ 3,814,116                 | \$ 93,710,384             | \$ 97,524,500         |
| Investment return                                     | 652,363                      | 8,242,944                 | 8,895,307             |
| Contributions   | —                            | 2,632,799                 | 2,632,799             |
| Appropriations of endowment assets<br>for expenditure | —                            | (3,356,531)               | (3,356,531)           |
| Other transfers                                       | (730,856)                    | 362,003                   | (368,853)             |
| <b>Endowment investments, June 30, 2023</b>           | <b>\$ 3,735,623</b>          | <b>\$ 101,591,599</b>     | <b>\$ 105,327,222</b> |

|   | 2022 (As Restated)           |                           |                      |
|---|------------------------------|---------------------------|----------------------|
|   | Without Donor<br>Restriction | With Donor<br>Restriction | Total                |
| Endowment investments, July 1, 2021<br>(As Restated)  | \$ 3,553,869                 | \$ 110,703,120            | \$ 114,256,989       |
| Investment return                                     | 134,616                      | (19,353,114)              | (19,218,498)         |
| Contributions   | —                            | 5,147,012                 | 5,147,012            |
| Appropriations of endowment assets<br>for expenditure | —                            | (2,893,127)               | (2,893,127)          |
| Other transfers                                       | 125,631                      | 106,493                   | 232,124              |
| <b>Endowment investments, June 30, 2022</b>           | <b>\$ 3,814,116</b>          | <b>\$ 93,710,384</b>      | <b>\$ 97,524,500</b> |

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 \$0 and \$54,576 at June 30, 2023 and 2022, 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.

## **SOUTHEAST MISSOURI UNIVERSITY FOUNDATION**

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### Notes To Financial Statements (*Continued*)

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 6.0 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 and capital appreciation. 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.

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 1.0% 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 \$966,303 and \$1,031,176 at June 30, 2023 and 2022, respectively, which represents the estimated fair value of the future annuity obligations. The liability has been determined using a discount rate of 8.42% at June 30, 2023 and 2022. No contribution revenue was recorded in the statement of activities for the years ended June 30, 2023 or 2022.

## **SOUTHEAST MISSOURI UNIVERSITY FOUNDATION**

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### Notes To Financial Statements (*Continued*)

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, 2023 and 2022, of \$99,190 and \$111,622, 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 8.42% at June 30, 2023 and 2022, 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, 2023 or 2022.

### **10. Operating Leases**

The Foundation leases certain plant assets to the University and other parties. These leases will expire on various dates through fiscal year 2028. Future minimum lease payments at June 30, 2023 were:

| <u>Year</u> | <u>Amount</u>     |
|-------------|-------------------|
| 2024        | \$ 156,241        |
| 2025        | 129,078           |
| 2026        | 116,863           |
| 2027        | 71,595            |
| 2028        | 21,239            |
|             | <u>\$ 495,016</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.



## SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

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### Notes To Financial Statements *(Continued)*

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

### 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, 2023 and 2022:

|  | 2023           |                |              |              |
|--|----------------|----------------|--------------|--------------|
|  | Total          | Level 1        | Level 2      | Level 3      |
| Investments measured at fair value:          |                |                |              |              |
| Cash and money market funds                  | \$ 1,178,150   | \$ 1,178,150   | \$ —         | \$ —         |
| Certificates of deposit                      | 7,101,253      | 7,101,253      | —            | —            |
| Equities                                     | 27,895,398     | 27,895,398     | —            | —            |
| Mutual funds                                 | 80,221,897     | 80,221,897     | —            | —            |
| Corporate bonds                              | 5,839,105      | —              | 5,839,105    | —            |
| Asset backed securities                      | 579,946        | —              | 579,946      | —            |
| U.S. treasury securities                     | 2,084,368      | 2,084,368      | —            | —            |
| U.S. government obligations                  | 1,976,734      | —              | 1,976,734    | —            |
| Municipal securities                         | 895,594        | —              | 895,594      | —            |
|  | 127,772,445    | \$ 118,481,066 | \$ 9,291,379 | \$ —         |
| Investments measured at net asset value (a): |                |                |              |              |
| Alternative strategies                       | 326,825        |                |              |              |
| Total Investments                            | \$ 128,099,270 |                |              |              |
| Annuity And Trust Obligations                | \$ 1,065,493   | \$ —           | \$ —         | \$ 1,065,493 |

## SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

### Notes To Financial Statements *(Continued)*

|  | 2022           |                |              |              |
|--|----------------|----------------|--------------|--------------|
|  | Total          | Level 1        | Level 2      | Level 3      |
| Investments measured at fair value:          |                |                |              |              |
| Cash and money market funds                  | \$ 1,360,209   | \$ 1,360,209   | \$ —         | \$ —         |
| Certificates of deposit                      | 299,851        | 299,851        | —            | —            |
| Equities                                     | 25,442,488     | 25,442,488     | —            | —            |
| Mutual funds                                 | 71,304,778     | 71,304,778     | —            | —            |
| Corporate bonds                              | 5,936,269      | —              | 5,936,269    | —            |
| Asset backed securities                      | 289,664        | —              | 289,664      | —            |
| U.S. treasury securities                     | 1,788,643      | 1,788,643      | —            | —            |
| U.S. government obligations                  | 2,174,986      | —              | 2,174,986    | —            |
| Municipal securities                         | 1,035,493      | —              | 1,035,493    | —            |
|  | 109,632,381    | \$ 100,195,969 | \$ 9,436,412 | \$ —         |
| Investments measured at net asset value (a): |                |                |              |              |
| Alternative strategies                       | 518,555        |                |              |              |
| Total Investments                            | \$ 110,150,936 |                |              |              |
| Annuity And Trust Obligations                | \$ 1,142,798   | \$ —           | \$ —         | \$ 1,142,798 |

(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.

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, 2023.

### **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.

## **SOUTHEAST MISSOURI UNIVERSITY FOUNDATION**

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### Notes To Financial Statements *(Continued)*

#### **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.

#### **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:

|                                       | <b>Annuity<br/>And Trust<br/>Obligations</b> |
|---------------------------------------|--|
| Balance as of June 30, 2021           | \$ 1,154,721                                 |
| Change in unrealized appreciation     | 228,999                                      |
| Payments to annuitants and recipients | (252,371)                                    |
| Change in valuation                   | 11,449                                       |
|                                       | <hr/>  |
| Balance as of June 30, 2022           | 1,142,798                                    |
| Change in unrealized appreciation     | 238,705                                      |
| Payments to annuitants and recipients | (204,330)                                    |
| Change in valuation                   | (111,680)                                    |
|                                       | <hr/>  |
| Balance as of June 30, 2023           | <u><u>\$ 1,065,493</u></u>                   |

## SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

### Notes To Financial Statements *(Continued)*

#### Unobservable (Level 3) Inputs

The following table presents quantitative information about unobservable inputs used in recurring Level 3 fair value measurements at June 30, 2023 and 2022.

|                               | Fair Value At<br>June 30, 2023 | Fair Value At<br>June 30, 2022 | Valuation<br>Technique  | Unobservable<br>Inputs              | Range<br>(Weighted<br>Average) |
|-------------------------------|--------------------------------|--------------------------------|---|-------------------------------------|--------------------------------|
| Annuity and trust obligations | \$ 1,065,493                   | \$ 1,142,798                   | Present value of<br>future expected<br>payments to be<br>made | Internal rate of<br>return utilized | Not applicable                 |

## 12. Functional Expenses

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

|  | 2023                |                           |                   |                     |
|--|---------------------|---------------------------|-------------------|---------------------|
|  | Program<br>Services | Management<br>And General | Fundraising       | Total               |
| Donations to Southeast Missouri State University | \$ 4,852,793        | \$ 744,948                | \$ 342,849        | \$ 5,940,590        |
| Accounting                                       | 1,000               | 21,370                    | —                 | 22,370              |
| Legal fees                                       | 176                 | —                         | —                 | 176                 |
| Supplies   | 146,959             | 19,729                    | 31,417            | 198,105             |
| Telephone  | 485                 | 4,609                     | —                 | 5,094               |
| Postage and shipping                             | 77                  | 222                       | 17                | 316                 |
| Occupancy  | 3,354               | 4,360                     | —                 | 7,714               |
| Printing and publications                        | 32,518              | 19,798                    | 7,627             | 59,943              |
| Travel   | 129,237             | 50,722                    | 9,174             | 189,133             |
| Conferences, conventions, meetings               | 12,123              | 10,099                    | 464               | 22,686              |
| Interest   | 24,613              | —                         | —                 | 24,613              |
| Depreciation and amortization                    | 214,252             | —                         | —                 | 214,252             |
| Other expenses:                                  |                     |                           |                   |                     |
| Other rentals                                    | 22,795              | 133                       | —                 | 22,928              |
| Insurance  | 1,394               | 24,163                    | —                 | 25,557              |
| Professional services                            | 76,250              | 479,978                   | 13,176            | 569,404             |
| Taxes  | 3,215               | —                         | —                 | 3,215               |
| Banquet catering                                 | 66,489              | 99,299                    | 26,968            | 192,756             |
| Prizes and awards                                | 39,385              | 73,113                    | 12,355            | 124,853             |
| Dues and memberships                             | 25,156              | 42,217                    | 965               | 68,338              |
| Miscellaneous                                    | 112,903             | 47,490                    | 22,709            | 183,102             |
| <b>Total Functional Expenses</b>                 | <b>\$ 5,765,174</b> | <b>\$ 1,642,250</b>       | <b>\$ 467,721</b> | <b>\$ 7,875,145</b> |

## SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

### Notes To Financial Statements (Continued)

|  | 2022                |                           |             |              |
|--|---------------------|---------------------------|-------------|--------------|
|  | Program<br>Services | Management<br>And General | Fundraising | Total        |
| Donations to Southeast Missouri State University | \$ 4,322,144        | \$ 41,772                 | \$ 662      | \$ 4,364,578 |
| Accounting                                       | —                   | 20,490                    | —           | 20,490       |
| Legal fees                                       | 312                 | 57,538                    | —           | 57,850       |
| Supplies   | 45,327              | 2,667                     | 1,705       | 49,699       |
| Telephone  | 225                 | 6,683                     | —           | 6,908        |
| Postage and shipping                             | 1,339               | 104                       | —           | 1,443        |
| Occupancy  | 565                 | —                         | 1,065       | 1,630        |
| Printing and publications                        | 17,991              | 18,994                    | 7,990       | 44,975       |
| Travel   | 40,421              | 11,704                    | 8,520       | 60,645       |
| Conferences, conventions, meetings               | 5,050               | 4,885                     | 1,304       | 11,239       |
| Interest   | —                   | 30,953                    | —           | 30,953       |
| Depreciation and amortization                    | —                   | 216,642                   | —           | 216,642      |
| Other expenses:                                  |                     |                           |             |              |
| Other rentals                                    | 10,645              | 334                       | —           | 10,979       |
| Furniture  | —                   | 1,561                     | —           | 1,561        |
| Insurance  | —                   | 43,965                    | —           | 43,965       |
| Professional services                            | 98,323              | 519,524                   | 121,041     | 738,888      |
| Taxes  | —                   | 5,753                     | —           | 5,753        |
| Banquet catering                                 | 43,484              | 74,211                    | 13,464      | 131,159      |
| Prizes and awards                                | 19,606              | 52,122                    | 15,027      | 86,755       |
| Dues and memberships                             | 28,877              | 51,442                    | 2,528       | 82,847       |
| Miscellaneous                                    | 188,903             | 65,736                    | 22,807      | 277,446      |
| Total Functional Expenses                        | \$ 4,823,212        | \$ 1,227,080              | \$ 196,113  | \$ 6,246,405 |

### 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 \$5,940,590 and \$4,364,578 of cash and gifts-in-kind to the University during the years ended June 30, 2023 and 2022, 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**

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### Notes To Financial Statements (*Continued*)

Amounts payable to the University at June 30, 2023 and 2022 include \$2,091,015 and \$1,970,860, respectively, of University endowment assets managed by the Foundation on behalf of the University. The remainder consists of amounts due to the University for personnel costs as described above, as well as payments due on scholarships funded by the Foundation.

The Foundation also receives, manages and disburses the funds of the Southeast Athletic booster club (RedHawks Club), of which \$484,243 and \$429,264 is held in the endowment funds of the Foundation as of June 30, 2023 and 2022, 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 76% of all contributions receivable were from one donor as of June 30, 2023. Approximately 50% of all contributions receivable were from two donors as of June 30, 2022.

##### **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

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### 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, 2023 and 2022. All of the financial assets have a liquidity period of one year or less:

|   | <u>2023</u>          | <u>2022</u>         |
|---|----------------------|---------------------|
| Cash and cash equivalents   | \$ 1,972,395         | \$ 7,740,669        |
| Short-term investments  | 9,279,679            | 2,413,933           |
| Endowment investments   | 118,819,591          | 107,737,003         |
| Cash surrender value of life insurance  | 782,204              | 780,090             |
| <u>Total financial assets</u>   | <u>130,853,869</u>   | <u>118,671,695</u>  |
| Less amounts not available to be used<br>within one year:                                 |                      |                     |
| Annuity and trust obligations   | 1,065,493            | 1,142,798           |
| Funds held for others   | 60,400               | 59,516              |
| Amounts with donor restrictions   | 119,370,139          | 109,947,265         |
| <u>Total amounts not available to be<br/>used within one year</u>                         | <u>120,496,032</u>   | <u>111,149,579</u>  |
| Financial assets available to meet cash needs<br>for general expenditures within one year | <u>\$ 10,357,837</u> | <u>\$ 7,522,116</u> |

# SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

## Notes To Financial Statements (Continued)

### 16. Restatement

The Foundation has restated its financial statements for the year ended June 30, 2022 to correct certain activities and net assets classifications between without donor restrictions and with donor restrictions. Management determined that certain endowment and other restricted funds were incorrectly classified as net assets without donor restriction and with donor restriction. As a result, management reclassified June 30, 2021 net assets of \$8,464,366 from without donor restrictions to with donor restrictions. The restatement also impacted the total amount reported as endowment in Note 8.

The following changes were made to the 2022 financial statements as a result of this restatement:

|  | Without Donor Restrictions |                       |                      | With Donor Restrictions |                     |                       | Totals                |
|--|----------------------------|-----------------------|----------------------|-------------------------|---------------------|-----------------------|-----------------------|
|  | As Originally Stated       | Restatement           | As Restated          | As Originally Stated    | Restatement         | As Restated           |                       |
| <b>Support, Revenue, Gains And Losses</b>                          |                            |                       |                      |                         |                     |                       |                       |
| Contributions, of cash and other financial assets, net of discount | \$ 3,827,332               | \$ (292,321)          | \$ 3,535,011         | \$ 5,860,670            | \$ 292,322          | \$ 6,152,992          | \$ 9,688,002          |
| Contributions of nonfinancial assets                               | 4,099                      | —                     | 4,099                | 347,728                 | —                   | 347,728               | 351,827               |
| Investment return  | 510,879                    | (369,640)             | 141,239              | (18,855,014)            | 369,639             | (18,485,375)          | (18,344,135)          |
| Rental income  | 376,356                    | —                     | 376,356              | 5,270                   | —                   | 5,270                 | 381,626               |
| Special events, net of expense                                     | 580                        | —                     | 580                  | 39,006                  | —                   | 39,006                | 39,586                |
| Gain on annuity and trust obligations                              | —                          | —                     | —                    | 11,449                  | —                   | 11,449                | 11,449                |
| Other revenues and transfers                                       | (1,524,343)                | 1,879,984             | 355,641              | 1,963,196               | (1,879,984)         | 83,212                | 438,853               |
| Net assets released from restrictions                              | 5,107,867                  | —                     | 5,107,867            | (5,107,867)             | —                   | (5,107,867)           | —                     |
| <b>Total Support, Revenue, Gains And Losses</b>                    | <b>8,302,770</b>           | <b>1,218,023</b>      | <b>9,520,793</b>     | <b>(15,735,562)</b>     | <b>(1,218,023)</b>  | <b>(16,953,585)</b>   | <b>(7,432,792)</b>    |
| <b>Expenses</b>  |                            |                       |                      |                         |                     |                       |                       |
| Program expenses   | 4,823,212                  | —                     | 4,823,212            | —                       | —                   | —                     | 4,823,212             |
| Management and general   | 1,227,080                  | —                     | 1,227,080            | —                       | —                   | —                     | 1,227,080             |
| Fundraising  | 196,113                    | —                     | 196,113              | —                       | —                   | —                     | 196,113               |
| <b>Total Expenses</b>  | <b>6,246,405</b>           | <b>—</b>              | <b>6,246,405</b>     | <b>—</b>                | <b>—</b>            | <b>—</b>              | <b>6,246,405</b>      |
| <b>Change In Net Assets</b>  | <b>2,056,365</b>           | <b>1,218,023</b>      | <b>3,274,388</b>     | <b>(15,735,562)</b>     | <b>(1,218,023)</b>  | <b>(16,953,585)</b>   | <b>(13,679,197)</b>   |
| <b>Net Assets - Beginning Of Year</b>                              | <b>24,094,295</b>          | <b>(8,464,366)</b>    | <b>15,629,929</b>    | <b>118,436,484</b>      | <b>8,464,366</b>    | <b>126,900,850</b>    | <b>142,530,779</b>    |
| <b>Net Assets - End Of Year</b>                                    | <b>\$ 26,150,660</b>       | <b>\$ (7,246,343)</b> | <b>\$ 18,904,317</b> | <b>\$ 102,700,922</b>   | <b>\$ 7,246,343</b> | <b>\$ 109,947,265</b> | <b>\$ 128,851,582</b> |



**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, 2023, 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 December 20, 2023.

**Report On 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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2023-001 that we consider to be a material weakness.

### ***Report On 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*.

### **Foundation's Response To Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Foundation's response to the findings identified in our audit and described in the accompanying *schedule of findings and responses*. The Foundation's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### ***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*

December 20, 2023

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# SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

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## SCHEDULE OF FINDINGS AND RESPONSES For The Year Ended June 30, 2023

### Finding 2023-001 Net Assets Restriction Classifications

#### Material Weakness

**Criteria:** Pursuant to *Internal Control – Integrated Framework* as issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), the Foundation should have appropriate internal control activities in place over its accounting function. Such activities include the reconciliation and review of key accounts to allow for proper reporting during the fiscal year.

**Condition:** During 2023, the Foundation identified various endowment funds that were improperly classified as being net assets without donor restrictions based on the donor's original intent. The Foundation recorded a restatement to net assets as of July 1, 2021 to reclassify \$8,464,366 from net assets without donor restrictions to net assets with donor restrictions. Additionally, changes to the statement of activities for the year ended June 30, 2022 were made in accordance with this reclassification.

**Cause:** The Foundation did not perform a regular review of its endowment funds in order to identify proper restriction classifications.

**Effect:** The Foundation's fiscal year 2022 and prior years' financial statements were misstated relative to net asset restrictions, and a restatement was required.

**Recommendation:** We recommend the Foundation perform an annual review of its endowment funds and records in order to ensure that the funds are recorded within the proper net assets restriction classifications.

**Views Of Responsible Officials And Planned Corrective Action:** Foundation staff will continue their comprehensive review of existing endowed accounts, making additional adjustments if and as necessary. Prospectively, management will ensure that both endowed and non-endowed funds are classified correctly by providing those charged with the creation and classification of funds with documentation in support of the appropriate classification.