



THE UNIVERSITY OF MISSISSIPPI FOUNDATION

Financial Statements

June 30, 2024 and 2023

(With Independent Auditors' Report Thereon)



KPMG LLP
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Independent Auditors' Report

The Board of Directors
The University of Mississippi Foundation:

Opinion

We have audited the financial statements of The University of Mississippi Foundation (the Foundation), which comprise the statements of financial position as of June 30, 2024 and 2023, 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, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, 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.

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.



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

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

KPMG LLP

Memphis, Tennessee
October 21, 2024

THE UNIVERSITY OF MISSISSIPPI FOUNDATION

Statements of Financial Position

June 30, 2024 and 2023

Assets	2024	2023
Cash and cash equivalents	\$ 17,311,446	7,201,219
Pledges receivable, net	77,637,445	77,341,370
Investments	714,471,712	657,110,451
Beneficial interest in trusts	11,258,475	10,306,177
Property and equipment, net	1,761,815	1,703,735
Other assets	1,908,597	1,572,427
Total assets	<u>\$ 824,349,490</u>	<u>755,235,379</u>
Liabilities and Net Assets		
Funds held for others	\$ 30,659,907	28,333,235
Liabilities under remainder trusts and gift annuities	2,952,569	4,076,806
Other liabilities	3,725,044	3,501,708
Total liabilities	<u>37,337,520</u>	<u>35,911,749</u>
Net assets:		
Without donor restrictions	25,563,854	20,391,402
With donor restrictions	761,448,116	698,932,228
Total net assets	<u>787,011,970</u>	<u>719,323,630</u>
Total liabilities and net assets	<u>\$ 824,349,490</u>	<u>755,235,379</u>

See accompanying notes to financial statements.

THE UNIVERSITY OF MISSISSIPPI FOUNDATION

Statement of Activities

Year ended June 30, 2024

	Without donor restrictions	With donor restrictions	Total
Revenues, gains and other support:			
Contributions, gifts and bequests, net	\$ —	52,378,692	52,378,692
Contributions, gifts and bequests, net – nonfinancial	40,000	970,763	1,010,763
Investment return, net	4,629,027	58,115,549	62,744,576
Change in value of split-interest agreements	—	1,555,229	1,555,229
Management fees	1,763,243	(1,763,243)	—
Development fees	1,763,243	(1,763,243)	—
Other income	1,063,333	2,647,715	3,711,048
	9,258,846	112,141,462	121,400,308
Net assets released from restrictions/ redesignated by donor:			
Appropriation from donor endowment	10,907,665	(10,907,665)	—
Satisfaction of program restrictions	38,717,909	(38,717,909)	—
Expenses:			
Support for University activities:			
Academic	5,651,299	—	5,651,299
Scholarship	10,872,227	—	10,872,227
Programmatic	25,503,334	—	25,503,334
University of Mississippi Medical Center	5,471,158	—	5,471,158
General and administrative expenses	3,250,634	—	3,250,634
Fundraising expenses	2,963,316	—	2,963,316
	53,711,968	—	53,711,968
Change in net assets	5,172,452	62,515,888	67,688,340
Net assets, beginning of year	20,391,402	698,932,228	719,323,630
Net assets, end of year	\$ 25,563,854	761,448,116	787,011,970

See accompanying notes to financial statements.

THE UNIVERSITY OF MISSISSIPPI FOUNDATION

Statement of Activities

Year ended June 30, 2023

	Without donor restrictions	With donor restrictions	Total
Revenues, gains and other support:			
Contributions, gifts and bequests, net	\$ 9,174	70,893,436	70,902,610
Contributions, gifts and bequests, net – nonfinancial	—	8,737,877	8,737,877
Investment return, net	3,467,743	31,615,651	35,083,394
Change in value of split-interest agreements	—	(217,005)	(217,005)
Management fees	1,670,559	(1,670,559)	—
Development fees	1,670,559	(1,670,559)	—
Other income	1,045,110	1,395,500	2,440,610
	7,863,145	109,084,341	116,947,486
Net assets released from restrictions/ redesignated by donor:			
Appropriation from donor endowment	11,011,884	(11,011,884)	—
Satisfaction of program restrictions	28,348,541	(28,348,541)	—
Expenses:			
Support for University activities:			
Academic	5,578,762	—	5,578,762
Scholarship	10,744,264	—	10,744,264
Programmatic	18,436,538	—	18,436,538
University of Mississippi Medical Center	5,102,676	—	5,102,676
General and administrative expenses	3,156,287	—	3,156,287
Fundraising expenses	2,873,965	—	2,873,965
	45,892,492	—	45,892,492
Change in net assets	1,331,078	69,723,916	71,054,994
Net assets, beginning of year	19,060,324	629,208,312	648,268,636
Net assets, end of year	\$ 20,391,402	698,932,228	719,323,630

See accompanying notes to financial statements.

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Statements of Cash Flows

Years ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ 67,688,340	71,054,994
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	162,407	156,057
Contributions restricted for long-term purposes and split interest agreements	(14,101,381)	(20,350,333)
Net realized and unrealized gains on investments	(48,465,858)	(25,887,029)
(Gain) loss on disposal of fixed assets	(301)	245
Provision for uncollectible pledges	949,040	866,943
Changes in operating assets and liabilities:		
Other assets	(336,170)	(153,125)
Pledges receivable	(1,245,115)	(646,647)
Funds held for others	(660,492)	1,834,275
Beneficial interest in perpetual trust	70,015	54,114
Beneficial interest in remainder trust	(952,298)	84,729
Liabilities under remainder trusts	52,892	78,164
Other liabilities	223,336	(486,227)
Net cash provided by operating activities	<u>3,384,415</u>	<u>26,606,160</u>
Cash flows from investing activities:		
Purchases of property and equipment	(241,186)	(28,962)
Proceeds from sales of property and equipment	21,000	—
Purchase of investments	(188,629,217)	(144,559,737)
Proceeds from sales and maturities of investments	182,972,008	97,076,309
Net cash used in investing activities	<u>(5,877,395)</u>	<u>(47,512,390)</u>
Cash flows from financing activities:		
Contributions restricted for long-term purposes and split interest agreements	14,101,381	20,350,333
Payments to beneficiaries under remainder trusts	(1,498,174)	(280,096)
Net cash provided by financing activities	<u>12,603,207</u>	<u>20,070,237</u>
Net increase (decrease) in cash and cash equivalents	10,110,227	(835,993)
Cash and cash equivalents:		
Beginning of year	7,201,219	8,037,212
End of year	<u>\$ 17,311,446</u>	<u>7,201,219</u>

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2024 and 2023

(1) Nature of Organization

The University of Mississippi Foundation (the Foundation) is a nonprofit, nonstock corporation formed for the benefit of The University of Mississippi (the University). The Foundation promotes, encourages and assists educational, scientific, literary, research and service activities of the University and its affiliates.

(2) Summary of Significant Accounting Policies

(a) Use of Estimates

The Foundation prepares its financial statements in accordance with U.S. generally accepted accounting principles ("GAAP"), which require that management make estimates and assumptions that affect the reported amounts of assets and liabilities and revenues and expenses. Such estimates include the present value discount rates applied to the pledges receivable and liabilities under remainder trusts, allowance for uncollectible pledges, fair values of certain investments including real estate, partnership and member interests and depreciation of property and equipment. Actual results could differ significantly from those estimates.

The Foundation's investments are primarily invested in various types of investment securities within many financial markets. Investment securities are exposed to several risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Foundation's financial statements.

(b) Donor-Imposed Restrictions

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation are classified into the following two classes:

- *Net assets with donor restrictions* consist of contributions that have been restricted by the donor for specific purposes or are time restricted, including contributions where donors stipulate the resources be maintained in perpetuity, but permit the Foundation to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.
- *Net assets without donor restrictions* represent funds that are available for support of the operations of the Foundation and that are not subject to donor stipulation.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. The Foundation considers donor contributions to the various University schools and departments to be included in net assets with donor restrictions as those University units have authority over expenditures. Expenses are reported as decreases in net assets without donor restrictions. When a donor restriction expires or the stated purpose is accomplished, net assets are reclassified as applicable in the statements of activities as net assets released from restrictions.

Board-designated net assets are net assets without donor restrictions that are used only for the specific purpose passed by Board resolution. Changes to designations require a subsequent Board resolution. The President/CEO and other staff of the Foundation may not change the purpose of any

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Notes to Financial Statements

June 30, 2024 and 2023

Board-designated funds without the consent of the Board. Board-designated net assets are approximately \$23,500,000 and \$19,500,000 at June 30, 2024 and 2023, respectively. These net assets are designated for providing a general operating fund reserve and charitable gift annuity reserve.

(c) Revenue Recognition

The Foundation generally recognizes gifts as revenue when notified of an unconditional promise to give. Unconditional promises to give that are expected to be collected in future years are reported at the present value of their future cash flows. The discounts on these amounts are computed using risk-free interest rates at the time of the pledge, which are applicable to the years in which the pledges are scheduled to be received. Accretion of the discounts is included in contribution revenue. An allowance for uncollectible pledges is provided based upon management's judgment, including such factors as prior collection history, type of contribution and nature of the fundraising activity. A provision for uncollectible pledges of approximately \$949,000 and \$867,000 is included in the contributions, gifts and bequests caption within the statements of activities for the years ended June 30, 2024 and 2023, respectively. See note 3 for further discussion of pledges receivable. Investments received by gift are recorded at fair value at the date of donation.

The increase in the cash surrender value of life insurance policies is recorded as a component of other income.

The Foundation earns a management fee on endowment funds held. Effective July 1, 2022, the Board approved a reduction of the management fee from 0.5% to 0.4% on endowed funds. Effective July 1, 2018, the Board approved a development fee of 0.4% on endowed funds to be utilized by the University's office of development to expand its staff and reach to increase the University's private support. For the years ended June 30, 2024 and 2023, such fees totaled approximately \$3,526,000 and \$3,341,000, respectively.

(d) Cash and Cash Equivalents and Liquidity

The Foundation recognizes all demand deposit accounts as cash and cash equivalents. It is the policy of the Foundation to consider money market accounts with brokers as other short-term investments. The Foundation received marketable securities by gift, which were immediately converted to cash and are not reflected in cash flows from investing activities. For the years ended June 30, 2024 and 2023, such gifts totaled approximately \$5,456,000 and \$16,896,000, respectively.

As part of the Foundation's liquidity management, it invests cash in excess of daily requirements in short-term investments. There is an established board-designated fund where the governing board has the objective of setting funds aside to be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside of the typical life cycle of converting financial assets to cash or settling financial liabilities.

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Notes to Financial Statements

June 30, 2024 and 2023

Cash and cash equivalents and other financial assets available within one year at June 30, 2024 and 2023 are as follows:

	2024	2023
Financial assets at year end:		
Cash and cash equivalents	\$ 17,311,446	7,201,219
Pledges receivable, net	77,637,445	77,341,370
Investments	714,471,712	657,110,451
Other assets	1,636,338	1,572,427
Total financial assets at year end	811,056,941	743,225,467
Less those unavailable for general expenditures within one year due to:		
Restricted by donor with purpose restrictions	(217,324,819)	(211,337,451)
Subject to appropriation and satisfaction of donor restrictions	(569,949,189)	(512,969,483)
Total financial assets available to meet cash needs for general expenditures within one year	\$ 23,782,933	18,918,533

(e) Investments

Investments are recorded at fair value. The fair values of all investments other than real estate and partnership and membership interests (which includes pooled investment funds) are based on quoted market prices and other observable inputs such as quoted prices for similar assets, quoted prices in inactive markets or inputs corroborated by observable market data. The Foundation's partnership and member interests are generally reported at the net asset value (NAV) reported by the fund managers, which is used as a practical expedient to estimate the fair value of the Foundation's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2024 and 2023, the Foundation had no plans or intentions to sell investments at amounts different from NAV. The Foundation's real estate investments are initially recognized at fair value based on appraised values at the date of receipt and are subsequently carried at fair value. Realized and unrealized gains and losses, dividends and interest are classified in the accompanying statements of activities based on restrictions put in place by the donor.

(f) Tax Status

The Foundation is recognized as an organization exempt from federal income tax under Section 501(a) as an entity described in Section 501(c)(3) of the U.S. Internal Revenue Code, except for taxes on income from activities unrelated to its exempt purpose.

Open tax years are those that are open for exam by taxing authorities. Major jurisdictions for the Foundation include Federal and the State of Mississippi. As of June 30, 2024, open Federal and Mississippi tax years for the Foundation include tax years 2020, 2021, and 2022 (i.e. FYE 6/30/2021,

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6/30/2022 and 6/30/2023). The Foundation has no examinations in progress. As of June 30, 2024 and 2023, there were no material uncertain tax positions.

(g) Fair Value of Financial Instruments

The carrying amounts at June 30, 2024 and 2023 for cash and cash equivalents, pledges receivable, beneficial interest in trusts, funds held for others, liabilities under remainder trusts and other liabilities approximate their fair values. See note 4 for fair value of investments.

(h) Split-Interest Agreements

The Foundation accepts gifts subject to split-interest agreements. These gifts are generally in the form of charitable remainder unitrusts (CRUTs) or charitable remainder annuity trusts (CRATs). At the time of receipt, a gift is recorded based upon the fair value of the assets donated less the present value of any applicable liabilities for projected distributions to third parties. The discount rate used to value the beneficiary liability is fixed at the gift date. CRUTs are revalued annually and the projected beneficiary payments adjusted accordingly. Gifts subject to split-interest agreements are classified as net assets with donor restrictions.

(i) Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Financial Accounting for Leases*, together with its subsequent related amendments in 2018 and 2019, collectively referred to as FASB ASC Topic 842, *Leases* (Topic 842). The Foundation adopted Topic 842 as of July 1, 2022 ("transition date") using the modified retrospective approach and as a result did not adjust the comparative period financial information or make the disclosures for periods before the transition date. The Foundation elected the package of practical expedients to not reassess prior conclusions related to contracts containing leases, lease classification, lease term and initial direct costs, as well as not to separate nonlease components from lease components and instead account for each as a single lease component for all classes of its assets.

As a result of adopting Topic 842, The Foundation recognized operating lease right-of-use (ROU) assets of approximately \$29,000 and current and noncurrent operating lease liabilities of approximately \$13,000 and \$16,000, respectively. The adoption of Topic 842 resulted in no material impact to the Foundation's statements of activities or cash flows.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments*, which requires a financial asset (or a group of financial assets) measured at amortized cost to be presented at the net amount expected to be collected. The ASU is intended to improve financial reporting by requiring earlier recognition of credit losses on certain financial assets including trade and financing receivables. The ASU replaces the current incurred loss impairment model that recognizes losses when a probable threshold is met with a requirement to recognize lifetime expected credit losses immediately when a financial asset is originated or purchased. Additionally, from 2016 through 2023, the FASB issued additional related ASUs that provide further guidance and clarification and become effective for the Foundation upon the adoption of ASU 2016-13. The adoption of ASU 2016-13 did not have a material effect on these financial statements.

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Notes to Financial Statements

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(j) Subsequent Events

In connection with the preparation of the financial statements and in accordance with FASB Accounting Standards Codification (ASC) Topic 855, *Subsequent Events*, the Foundation evaluated all events or transactions that occurred after June 30, 2024, through October 21, 2024, the date the financial statements were available to be issued. All subsequent events have been disclosed within the notes to the financial statements.

(3) Pledges Receivable

The Foundation obtains pledges through fundraising projects in support of various activities. All pledges are classified as net assets with donor restrictions. A summary of pledges receivable as of June 30, 2024 and 2023 is as follows:

	2024	2023
Unconditional promises expected to be collected in:		
One year	\$ 19,164,604	15,861,646
Two to five years	37,542,621	37,512,398
Six to ten years	21,280,094	19,210,729
More than ten years	17,602,434	20,499,416
	95,589,753	93,084,189
Allowances for uncollectible pledges	(3,622,968)	(3,179,935)
Present value discounts (rates ranging from 0.73% to 4.31%)	(14,329,340)	(12,562,884)
	\$ 77,637,445	77,341,370

(4) Investments

The Foundation's investments, aggregated by investment strategy, consist of the following at June 30, 2024 and 2023:

	2024	2023
Investment strategy:		
Fixed income:		
U.S. government securities	\$ 11,641,942	16,115,756
Corporate bonds	45,204,602	37,731,221
Other fixed income securities	27,654,072	26,875,188
Total fixed income	84,500,616	80,722,165
Equities:		
Common stocks	46,575,641	36,412,732

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Notes to Financial Statements

June 30, 2024 and 2023

	2024	2023
ETFs and Mutual funds	\$ 173,119,943	88,120,146
International common stock funds	924,380	688,484
Total equities	220,619,964	125,221,362
Real estate owned	1,549,117	7,880,416
Other short-term investments	41,553,114	34,434,420
Pooled investment funds, at NAV:		
Diversifying strategies	20,180,913	17,848,369
Event driven	18,237	37,644
Fixed income	29,886,628	28,702,314
Global equity	80,501,322	115,679,926
Global equity-long only	17,541,138	28,415,492
Long/short equity fund	11,291,910	8,263,609
Natural resource private fund	8,134,830	8,534,590
Private credit	—	1,795,778
Relative value	19,330,960	18,555,649
Other	506,285	50,815
Venture capital and private equity	178,856,678	180,967,902
Total pooled investment funds, at NAV	366,248,901	408,852,088
Total investments	\$ 714,471,712	657,110,451

(5) Beneficial Interest in Trusts

The Foundation is the beneficiary of a perpetual trust created upon the death of a donor. The interest is shared with an unrelated charitable organization. Income is paid quarterly from the trust to the Foundation, which, in turn, distributes such funds to an account for the benefit of the University's School of Accountancy. The Foundation's interest in this trust totaled approximately \$3,286,000 and \$3,216,000 at June 30, 2024 and 2023, respectively.

The Foundation is also named as the beneficiary of an externally managed remainder trust. This trust was recorded at the present value of the estimated future cash receipts from the assets of the trust. Upon the date of the gift, the Foundation recognized contribution revenue of \$6,300,000. The discount rate utilized for the present value calculation was 3.6%. The Foundation's interest in this trust approximated \$7,973,000 and \$7,090,000 at June 30, 2024 and 2023, respectively.

(6) Fair Value Measurement

ASC Topic 820, *Fair Value Measurement*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest

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Notes to Financial Statements

June 30, 2024 and 2023

priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that are observable at the measurement date;
- Level 2: Significant 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; and
- Level 3: Significant unobservable inputs for the asset or liability that reflects the reporting entity's own estimates about the assumptions that market participants would use in pricing the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. In accordance with Subtopic 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the fair value hierarchy table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying statements of financial position.

The following table presents the financial assets carried at fair value by level within the valuation hierarchy as of June 30, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment strategy:				
Fixed income:				
U.S. government securities	\$ —	11,641,942	—	11,641,942
Corporate bonds	—	45,204,602	—	45,204,602
Other fixed income securities	<u>20,295,782</u>	<u>7,358,290</u>	<u>—</u>	<u>27,654,072</u>
Total fixed income	<u>20,295,782</u>	<u>64,204,834</u>	<u>—</u>	<u>84,500,616</u>
Equities:				
Common stocks	46,575,641	—	—	46,575,641
ETFs and Mutual Funds	173,119,943	—	—	173,119,943
International common stock funds	<u>924,380</u>	<u>—</u>	<u>—</u>	<u>924,380</u>
Total equities	<u>220,619,964</u>	<u>—</u>	<u>—</u>	<u>220,619,964</u>
Real estate owned	—	—	1,549,117	1,549,117
Other short-term investments	<u>41,553,114</u>	<u>—</u>	<u>—</u>	<u>41,553,114</u>
	<u>\$ 282,468,860</u>	<u>64,204,834</u>	<u>1,549,117</u>	<u>348,222,811</u>

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Notes to Financial Statements

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	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pooled investment funds, at NAV				366,248,901
Total investments				\$ <u>714,471,712</u>
Beneficial interest in trusts	\$ <u>4,740,693</u>	<u>6,517,782</u>	<u>—</u>	<u>11,258,475</u>

In fiscal year 2023, the Foundation received land valued at approximately \$6,281,000 as part of the settlement of an estate. There were no other material level 3 investment transactions during the current year or prior year.

The following table presents the financial assets carried at fair value by level within the valuation hierarchy as of June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment strategy:				
Fixed income:				
U.S. government securities	\$ —	16,115,756	—	16,115,756
Corporate bonds	—	37,731,221	—	37,731,221
Other fixed income securities	<u>22,934,262</u>	<u>3,940,926</u>	—	<u>26,875,188</u>
Total fixed income	<u>22,934,262</u>	<u>57,787,903</u>	—	<u>80,722,165</u>
Equities:				
Common stocks	36,412,732	—	—	36,412,732
ETFs and Mutual Funds	88,120,146	—	—	88,120,146
International common stock funds	<u>688,484</u>	—	—	<u>688,484</u>
Total equities	125,221,362	—	—	125,221,362
Real estate owned	—	—	7,880,416	7,880,416
Other short-term investments	<u>34,434,420</u>	—	—	<u>34,434,420</u>
	\$ <u>182,590,044</u>	<u>57,787,903</u>	<u>7,880,416</u>	248,258,363
Pooled investment funds, at NAV				<u>408,852,088</u>
Total investments				\$ <u>657,110,451</u>
Beneficial interest in trusts	\$ <u>4,266,695</u>	<u>6,039,482</u>	<u>—</u>	<u>10,306,177</u>

See note 2(e), for information regarding the methods used to determine the fair value of the Foundation's investments. These methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies

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or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The table below represents a summary of the fair value, unfunded commitments, eligible redemption frequency and expected life of the respective investments as of June 30, 2024:

Investment	Fair value	Unfunded commitments	Redemption frequency (if eligible)	Redemption notice period	Expected life span of investment
Pooled investment funds, at NAV:					
Diversifying strategies	\$ 20,180,913	—	Semiannually	60 days	Indefinite
Event driven	18,237	—	Quarterly	60 days	Indefinite
Fixed income	29,886,628	—	Daily	5 days	Indefinite
Global equity	80,501,322	—	Various	None	Indefinite
Global equity-long only	17,541,138	—	Quarterly	90 days	Indefinite
Long/short equity fund	11,291,910	—	Quarterly	60 days	Indefinite
Natural resource private fund	8,134,830	13,801	No redemption feature	None	10 years
Relative value	19,330,960	—	Quarterly	65 days	Indefinite
Other	506,285	—	No redemption feature	None	Indefinite
Venture capital and private equity	<u>178,856,678</u>	86,265,347	No redemption feature	None	7 years to indefinite
	<u>\$ 366,248,901</u>				
Real estate:					
Real estate owned	\$ 1,549,117	—	No redemption feature	None	Indefinite

(7) Endowment Funds

The Foundation's endowment consists of approximately 1,700 donor-restricted funds established for a variety of purposes to benefit the University community. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors that function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Mississippi adopted UPMIFA effective July 1, 2012. The Foundation's Board of Directors has determined its donor agreements provide for the preservation of the fair value of the original gift as of the date of the gift. As a result, the Foundation segregates within the net asset class with donor restrictions, the original gift amount and amounts required to be retained by donor separate from the portion subject to appropriation.

The Foundation has established policies to achieve the overall, long-term investment goal of achieving an annualized total return, through appreciation and income, greater than or equal to the rate of inflation plus any distribution needs, thus protecting the assets against inflation. The Foundation's Board and Joint Committee on Investments agree that investing in securities with higher return expectations outweighs their short-term volatility risk. As a result, the majority of assets are invested in equity or equity-like securities. Fixed income securities are used to lower the short-term volatility of the portfolio and to provide income stability, especially during periods of weak or negative equity market returns. Cash is not a strategic asset of the portfolio, but is a residual to the investment process and used to meet short-term liquidity needs. The

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primary performance objective of the Foundation is to achieve a total return, net of investment management fees and expenses, equal to or in excess of inflation and the spending rate.

Income available for spending is determined by a total return system and is approved by the Board of Directors of the Foundation. The amount to be spent for the endowed purpose is calculated based on a percentage of a long-term monthly moving average of the endowment's market value. The objective is to provide relatively stable spending allocations. However, no portion of the original gift value of the endowed assets is allocated for spending.

Endowment net asset composition by type of fund at June 30, 2024 and 2023 was as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment funds:			
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be retained by donor	\$ —	350,686,129	350,686,129
Portion subject to appropriation	—	172,175,850	172,175,850
Board-designated quasi endowment	<u>23,506,008</u>	<u>—</u>	<u>23,506,008</u>
Total endowment funds, June 30, 2024	\$ <u><u>23,506,008</u></u>	<u><u>522,861,979</u></u>	<u><u>546,367,987</u></u>

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment funds:			
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be retained by donor	\$ —	327,437,718	327,437,718
Portion subject to appropriation	—	140,224,636	140,224,636
Board-designated quasi endowment	<u>19,453,666</u>	<u>—</u>	<u>19,453,666</u>
Total endowment funds, June 30, 2023	\$ <u><u>19,453,666</u></u>	<u><u>467,662,354</u></u>	<u><u>487,116,020</u></u>

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Changes in endowment net assets for the years ended June 30, 2024 and 2023 are as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, June 30, 2022	\$ 17,963,593	424,984,721	442,948,314
Contributions and transfers to endowment	2,674	33,090,388	33,093,062
Appropriation of expenditures	(6,802)	(14,353,002)	(14,359,804)
Investment return:			
Investment income	611,675	9,792,979	10,404,654
Net appreciation	882,526	14,147,268	15,029,794
Endowment net assets, June 30, 2023	19,453,666	467,662,354	487,116,020
Contributions and transfers to endowment	2,314,060	23,178,396	25,492,456
Appropriation of expenditures	(270,518)	(14,434,151)	(14,704,669)
Investment return:			
Investment income	705,170	36,213,832	36,919,002
Net appreciation	1,303,630	10,241,548	11,545,178
Endowment net assets, June 30, 2024	\$ <u>23,506,008</u>	<u>522,861,979</u>	<u>546,367,987</u>

As a result of unfavorable volatility in the financial markets, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the total amount of the gifts made to the endowment by the donor. As of June 30, 2024, there were no endowments with a fair value below the amount of the gifts made to the endowment. As of June 30, 2023, endowments with a fair value below the amount of the gifts made to the endowment totaled approximately \$7,884,000. The donor gifts to these endowments total approximately \$8,135,000 for an underwater amount of \$251,000.

(8) Life Insurance Policies

The Foundation has been gifted life insurance policies for which it has been named owner and beneficiary. The face amounts of life insurance policies in excess of cash surrender values held by the Foundation are deferred and recognized as revenue only when collected. The cash surrender value amounts of such policies as of June 30, 2024 and 2023 were approximately \$1,511,000 and \$1,389,000, respectively, which are reflected within other assets in the accompanying statements of financial position.

(9) Charitable Trusts and Gift Annuities

The Foundation administers charitable remainder trusts with investments of approximately \$2,228,000 and \$4,566,000 as of June 30, 2024 and 2023, respectively, which are reported as investments on the accompanying statements of financial position. Additionally, the cash contributed to purchase gift annuities is reported within investments on the accompanying statements of financial position. Pursuant to the trust agreements, specified amounts of income from the trusts' assets must be distributed to the income beneficiaries each year. Liabilities under these trusts and gift annuities totaled \$2,952,569 and \$4,076,806 as of June 30, 2024 and 2023, respectively. The discount rates used in these measurements range from 2.45% to 6.20% at June 30, 2024 and 2023. The remainder of the income and the assets will become the

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property of the Foundation at a time designated in the trust agreements, usually upon the death of the income beneficiary.

(10) Property and Equipment

Property and equipment consist of the following at June 30, 2024 and 2023:

	2024	2023
Land	\$ 300,000	300,000
Building and equipment	3,649,228	3,487,866
Furniture and fixtures	975,183	935,183
Total	4,924,411	4,723,049
Accumulated depreciation	(3,162,596)	(3,019,314)
Property and equipment, net	\$ 1,761,815	1,703,735

Depreciation expense has been computed utilizing the straight-line method over the estimated useful life of the building – 30 years, the equipment – 7 to 10 years and the furniture and fixtures – 10 to 30 years.

(11) Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2024 and 2023 were restricted for the following purposes:

	2024	2023
Spendable:		
Academic and program support	\$ 253,696,022	226,587,420
Scholarship support	94,164,183	78,918,048
Faculty support	49,142,889	39,114,683
Library support	13,758,893	26,874,359
Total	410,761,987	371,494,510
Endowment:		
Academic and program support	80,895,421	80,356,981
Scholarship support	152,761,035	147,320,595
Faculty support	94,117,333	85,205,548
Library support	22,912,340	14,554,594
Total	350,686,129	327,437,718
Total net assets with donor restrictions	\$ 761,448,116	698,932,228

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(12) Funds Held for Others

The Foundation administered funds for others of approximately \$30,660,000 and \$28,333,000 at June 30, 2024 and 2023, respectively. These funds are commingled with the Foundation's investments and are accounted for at the fair value of the underlying investments. Earnings and losses from these investments, as well as funds received and distributed, are not included in the statements of activities of the Foundation.

The Foundation assists with Fundraising activities of the University and processes the receipts for many University-affiliated organizations. During the years ended June 30, 2024 and 2023, the Foundation received approximately \$1,607,000 and \$1,304,000, respectively, for the University of Mississippi Alumni Association and approximately \$2,813,000 and \$3,833,000, respectively, for the Ole Miss Athletics Foundation. Distributions to these organizations, all of which were made at the direction of the affiliated organization, for the years ended June 30, 2024 and 2023 included approximately \$1,479,000 and \$1,592,000, respectively, to the University of Mississippi Alumni Association and approximately \$2,741,000 and \$3,883,000, respectively, to the Ole Miss Athletics Foundation. In addition to these affiliated organizations, the Foundation maintains funds for certain other third-party organizations. During the years ended June 30, 2024 and 2023, the Foundation received approximately \$0 and \$3,010,000, respectively, from these organizations and made distributions to these organizations, at the organizations' direction, of approximately \$686,000 and \$677,000, respectively.

(13) Net Assets Released from Donor Restrictions

Net assets utilized in accordance with donor restrictions during the years ended June 30, 2024 and 2023 are as follows:

	2024	2023
Spendable:		
Academic and program support	\$ 36,602,784	26,219,862
Scholarship support	9,497,696	9,380,701
Faculty support	2,885,395	3,098,664
Library support	639,699	661,198
Total net assets released from restrictions	\$ 49,625,574	39,360,425

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(14) Contributed Nonfinancial Assets

For the years ended June 30, 2024 and 2023, contributed nonfinancial assets recognized within the accompanying statements of activities included:

	2024	2023
Real estate	\$ —	6,375,935
Software	684,850	2,110,371
Rental space	87,000	75,981
Musical instrument	49,000	—
Artwork	71,200	58,428
Other	118,713	117,162
Total contributed nonfinancial assets	\$ 1,010,763	8,737,877

The Foundation values real estate and artwork at the appraised value or retail market value of the item donated with the appropriate gain or loss recognized when the assets are sold. As of June 30, 2024 and 2023, the Foundation holds approximately \$46,500 and \$6,287,000, respectively, of contributed nonfinancial assets. Software, rental space, educational courses, materials and other are valued by the Foundation at the fair value of the donated item based on the retail market value of comparable items or an estimate of the value by an appropriate qualified appraiser. All software, rental space, educational courses, materials and other were utilized. All contributed nonfinancial assets have donor-imposed restrictions to be used for academic and programmatic support and library support for the University.

(15) Functional Expenses

Expenses by function and natural classification for the years ended June 30, 2024 and 2023 are as follows:

	Programmatic activities				Supporting activities		Total expenses
	Academic	Scholarship	Programmatic	UMMC	General and administrative	Fundraising	
June 30, 2024:							
Faculty support	\$ 4,140,920	—	—	—	—	—	4,140,920
Student aid support	—	10,872,227	—	881,907	—	—	11,754,134
Facilities	—	—	11,644,329	611,403	248,427	—	12,504,159
University support	1,510,379	—	7,780,319	1,109,573	—	226,545	10,626,816
Salaries	—	—	1,810,450	421,794	2,236,586	2,152,937	6,621,767
Library support	—	—	810,275	—	—	—	810,275
Donor relations	—	—	845,523	2,000,170	88,783	582,714	3,517,190
Accounting, legal and IT	—	—	—	—	453,156	—	453,156
Office expense and other	—	—	2,612,438	446,311	223,682	1,120	3,283,551
	\$ 5,651,299	10,872,227	25,503,334	5,471,158	3,250,634	2,963,316	53,711,968

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	Programmatic activities				Supporting activities		Total expenses
	Academic	Scholarship	Programmatic	UMMC	General and administrative	Fundraising	
June 30, 2023:							
Faculty support	\$ 4,039,565	—	—	—	—	—	4,039,565
Student aid support	—	10,744,264	—	1,306,302	—	—	12,050,566
Facilities	—	—	629,143	850,805	387,941	—	1,867,889
University support	1,539,197	—	10,798,511	444,997	—	102,905	12,885,610
Salaries	—	—	1,663,921	268,206	2,184,212	2,211,291	6,327,630
Library support	—	—	819,709	—	—	—	819,709
Donor relations	—	—	627,982	1,710,536	62,820	557,465	2,958,803
Accounting, legal and IT	—	—	—	—	322,783	—	322,783
Office expense and other	—	—	3,897,272	521,830	198,531	2,304	4,619,937
	<u>\$ 5,578,762</u>	<u>10,744,264</u>	<u>18,436,538</u>	<u>5,102,676</u>	<u>3,156,287</u>	<u>2,873,965</u>	<u>45,892,492</u>