

Iowa State University Foundation

Combined Financial Statements as of and for the
Years Ended June 30, 2021 and 2020, and
Independent Auditors' Report

IOWA STATE UNIVERSITY FOUNDATION

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Iowa State University Foundation,
Iowa State University Achievement Fund, and
Original University Foundation:

We have audited the accompanying combined financial statements of the Iowa State University Foundation, the Iowa State University Achievement Fund, and the Original University Foundation (herein collectively referred to as the "Foundation"), which comprise the combined statements of financial position as of June 30, 2021 and 2020, and the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

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

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

Opinion

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

Deloitte & Touche LLP

Des Moines, Iowa
October 19, 2021

IOWA STATE UNIVERSITY FOUNDATION

COMBINED STATEMENTS OF FINANCIAL POSITION AS OF JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 6,699,929	\$ 3,991,116
RECEIVABLES:		
Pledges—net	110,161,258	109,532,829
Estates	13,812,648	14,338,280
Funds held in trust by others	28,616,835	26,818,146
Income tax receivable	-	355,694
Due from related organizations	1,102,820	1,114,090
Total receivables	<u>153,693,561</u>	<u>152,159,039</u>
INVESTMENTS:		
Pooled investments	1,557,930,306	1,134,710,667
Other marketable securities	48,830,971	41,562,303
Real estate and other investments	12,106,048	10,865,543
Total investments	<u>1,618,867,325</u>	<u>1,187,138,513</u>
PROPERTY AND EQUIPMENT—Net	3,358,878	3,463,841
OTHER ASSETS	<u>7,886,905</u>	<u>7,292,994</u>
TOTAL ASSETS	<u>\$ 1,790,506,598</u>	<u>\$ 1,354,045,503</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued liabilities	\$ 1,455,531	\$ 1,543,784
Due to related organizations	30,519,509	21,665,298
Note payable	1,503,326	1,656,154
Long-term liabilities	2,505,370	2,134,542
Split-interest agreement obligations	21,706,974	19,967,979
Total liabilities	<u>57,690,710</u>	<u>46,967,757</u>
NET ASSETS:		
Undesignated	9,199,796	9,557,681
Operating reserve	47,254,159	26,119,530
Board-designated	33,150,449	-
Without donor restrictions	89,604,404	35,677,211
With donor restrictions	<u>1,643,211,484</u>	<u>1,271,400,535</u>
Total net assets	<u>1,732,815,888</u>	<u>1,307,077,746</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,790,506,598</u>	<u>\$ 1,354,045,503</u>

See accompanying notes to combined financial statements.

IOWA STATE UNIVERSITY FOUNDATION

COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT:			
Contributions	\$ 4,154,286	\$ 143,513,856	\$ 147,668,142
Investment return:			
Pooled investments	40,172,347	334,444,418	374,616,765
Nonpooled investments	270,914	9,097,492	9,368,406
Total investment return	40,443,261	343,541,910	383,985,171
Fundraising service revenue	2,450,000		2,450,000
Return on funds held in trust by others		2,253,617	2,253,617
Other	17,041	1,307,540	1,324,581
Net assets released from restrictions	114,626,482	(114,626,482)	
Total revenues, gains and other support	161,691,070	375,990,441	537,681,511
EXPENSES AND OTHER:			
Program services	88,115,390		88,115,390
Operating activities:			
Fundraising	14,703,600		14,703,600
Administrative	4,944,887		4,944,887
Change in value of split-interest agreements		4,179,492	4,179,492
Total expenses and other	107,763,877	4,179,492	111,943,369
CHANGE IN NET ASSETS	53,927,193	371,810,949	425,738,142
NET ASSETS—Beginning of year	35,677,211	1,271,400,535	1,307,077,746
NET ASSETS—End of year	\$ 89,604,404	\$ 1,643,211,484	\$ 1,732,815,888

See accompanying notes to combined financial statements.

IOWA STATE UNIVERSITY FOUNDATION

COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT:			
Contributions	\$ 3,666,020	\$ 123,417,114	\$ 127,083,134
Investment return:			
Pooled investments	15,561,781	(9,034,269)	6,527,512
Nonpooled investments	498,042	722,002	1,220,044
Total investment return	16,059,823	(8,312,267)	7,747,556
Fundraising service revenue	2,500,000		2,500,000
Return on funds held in trust by others		1,616,120	1,616,120
Other	662,350	1,014,015	1,676,365
Net assets released from restrictions	100,420,401	(100,420,401)	
Total revenues, gains and other support	123,308,594	17,314,581	140,623,175
EXPENSES AND OTHER:			
Program services	100,693,775		100,693,775
Operating activities:			
Fundraising	14,279,427		14,279,427
Administrative	5,334,688		5,334,688
Change in value of split-interest agreements		1,306,531	1,306,531
Total expenses and other	120,307,890	1,306,531	121,614,421
CHANGE IN NET ASSETS	3,000,704	16,008,050	19,008,754
NET ASSETS—Beginning of year	32,676,507	1,255,392,485	1,288,068,992
NET ASSETS—End of year	<u>\$ 35,677,211</u>	<u>\$ 1,271,400,535</u>	<u>\$ 1,307,077,746</u>

See accompanying notes to combined financial statements.

IOWA STATE UNIVERSITY FOUNDATION

COMBINED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2021

	Program Services				Operating Activities		Total Expenses	
	Student	Faculty and Staff	Program	Facilities	Total	Fundraising		Administrative
Scholarships, loan funds, and awards	\$38,250,815	\$ -	\$ -	\$ -	\$ 38,250,815	\$ -	\$ -	\$ 38,250,815
Salary and benefits		8,850,973			8,850,973	12,090,866	2,625,412	23,567,251
Capital improvements				22,610,036	22,610,036			22,610,036
Events			520,278		520,278	70,265		590,543
Gifts in kind			176,865		176,865			176,865
Insurance and taxes							149,069	149,069
Marketing and advertising			562,249		562,249	289,947		852,196
Office support			2,844,027		2,844,027	1,420,800	1,369,381	5,634,208
Other program support			9,451,029		9,451,029			9,451,029
Professional fees			3,783,960		3,783,960	725,919	756,973	5,266,852
Staff and volunteer development							44,052	44,052
Travel			<u>1,065,158</u>		<u>1,065,158</u>	<u>105,803</u>		<u>1,170,961</u>
Total	<u>\$38,250,815</u>	<u>\$8,850,973</u>	<u>\$18,403,566</u>	<u>\$22,610,036</u>	<u>\$ 88,115,390</u>	<u>\$14,703,600</u>	<u>\$4,944,887</u>	<u>\$107,763,877</u>

See accompanying notes to combined financial statements.

IOWA STATE UNIVERSITY FOUNDATION

COMBINED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2020

	Program Services				Operating Activities		Total Expenses	
	Student	Faculty and Staff	Program	Facilities	Total	Fundraising		Administrative
Scholarships, loan funds, and awards	\$ 34,197,589	\$ -	\$ -	\$ -	\$ 34,197,589	\$ -	\$ -	\$ 34,197,589
Salary and benefits		8,916,398			8,916,398	11,294,455	2,720,182	22,931,035
Capital improvements				37,349,124	37,349,124			37,349,124
Events			1,259,562		1,259,562	363,784		1,623,346
Gifts in kind			307,244		307,244			307,244
Insurance and taxes							115,593	115,593
Marketing and advertising			977,939		977,939	230,858		1,208,797
Office support			3,205,585		3,205,585	1,497,682	1,438,192	6,141,459
Other program support			5,952,712		5,952,712			5,952,712
Professional fees			6,154,068		6,154,068	436,913	858,980	7,449,961
Staff and volunteer development							201,741	201,741
Travel			2,373,554		2,373,554	455,735		2,829,289
Total	<u>\$ 34,197,589</u>	<u>\$ 8,916,398</u>	<u>\$ 20,230,664</u>	<u>\$ 37,349,124</u>	<u>\$ 100,693,775</u>	<u>\$ 14,279,427</u>	<u>\$ 5,334,688</u>	<u>\$ 120,307,890</u>

See accompanying notes to combined financial statements.

IOWA STATE UNIVERSITY FOUNDATION

COMBINED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 425,738,142	\$ 19,008,754
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Contributions restricted for long-term investment	(46,096,397)	(31,082,801)
Noncash contributions	(21,445,722)	(24,645,671)
Sales of other marketable securities converted to cash nearly immediately	6,218,744	7,688,452
Additions to split-interest agreement obligations—net of maturities	788,397	660,500
Losses (income) restricted for long-term investment	(3,103,303)	5,243,267
Realized and unrealized gains on pooled and non-pooled investments	(389,719,095)	(8,098,428)
Return on funds held in trust by others	(2,253,618)	(1,224,929)
Depreciation and amortization	232,096	244,414
Split-interest agreement obligations and long-term liabilities	4,195,117	1,612,147
Changes in:		
Pledges and estates receivables	453,643	17,594,870
Due from related organizations	11,270	105,436
Cash surrender value of insurance policies	(735,734)	202,469
Accounts payable and accrued liabilities	(88,253)	484,923
Due to related organizations	8,854,211	(6,297,504)
Income tax payable/receivable	355,694	89,948
Net cash used in operating activities	<u>(16,594,808)</u>	<u>(18,414,153)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of pooled investments and other marketable securities	(228,897,566)	(115,586,118)
Sales of pooled investments and other marketable securities	190,586,057	107,485,126
Purchases of property and equipment	(127,133)	(37,515)
Sales of real estate	8,396,674	121,048
Sales of other assets	1,075,143	1,270,447
Net cash used in investing activities	<u>(28,966,825)</u>	<u>(6,747,248)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for long-term investment	46,096,397	31,082,801
Gains (losses) restricted for long-term investment	3,103,303	(5,243,267)
Sales of other marketable securities with proceeds restricted for long-term use	2,170,211	2,422,099
Payments on notes	(152,828)	(131,898)
Split-interest agreement payments	(2,946,637)	(2,785,401)
Net cash provided by financing activities	<u>48,270,446</u>	<u>25,344,334</u>
CHANGE IN CASH AND CASH EQUIVALENTS	2,708,813	182,933
CASH AND CASH EQUIVALENTS—Beginning of year	<u>3,991,116</u>	<u>3,808,183</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 6,699,929</u>	<u>\$ 3,991,116</u>

See accompanying notes to combined financial statements.

IOWA STATE UNIVERSITY FOUNDATION

NOTES TO COMBINED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES AND RELATED MATTERS

- (a) **Objectives**—The mission of the Iowa State University Foundation, the Iowa State University Achievement Fund, and the Original University Foundation (herein collectively referred to as “Iowa State University Foundation” or the “Foundation”) is to inspire philanthropy to advance Iowa State University’s (the “University”) mission of creating, sharing, and applying knowledge to make Iowa and the world a better place. The Foundation has been recognized as a not-for-profit organization by the Internal Revenue Service as described in Section 501(c)(3) of the Internal Revenue Code (the “Code”) and, accordingly, is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.
- (b) **Basis of Presentation**—The accompanying combined financial statements include the accounts of the three organizations comprising the Foundation. The Iowa State University Foundation, the Iowa State University Achievement Fund, and the Original University Foundation have a common board of directors, common management, and the common objective to promote the welfare of the University and their faculty, graduates, students, and former students. All significant intercompany accounts and transactions have been eliminated in the combined financial statements.

The combined financial statements of the Foundation have been prepared on the accrual basis of accounting. The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Foundation classifies net assets and revenues, expenses, and gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions—Net assets that are not subject to donor-imposed restrictions and therefore are resources available to support the Foundation and the University as determined by the Foundation’s Board of Directors. The only limits on the use of these net assets are the broad limits resulting from the nature of the Foundation, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net Assets With Donor Restrictions—Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity, and are subject to the fluctuation of investments and periodic allocations made for spending specified by donor stipulations and applicable law. When a donor restriction expires, that is, when a stipulated time

restriction ends or purpose restriction is accomplished, net assets with donor restrictions are classified as net assets without donor restrictions and reported in the combined statements of activities and changes in net assets as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are reported as restricted contributions and subsequently released from restriction in the accompanying combined financial statements.

Contributions of cash or other assets to be used to acquire land, buildings, and equipment are reported as revenues within the net assets with donor restrictions asset class. The restrictions are considered to be released at the time of acquisition of such long-lived assets.

- (c) **Use of Estimates**—The preparation of combined financial statements in conformity with GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the combined financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

On March 11, 2020, the World Health Organization declared the global outbreak of the novel corona virus (COVID-19) as a pandemic. The spread of COVID-19 has caused significant volatility in financial markets and the overall global economy. The resolution and impact of these ongoing events is highly uncertain. The Foundation has implemented precautionary measures to continue their operations consistent with the guidance of local and national governmental leaders. The operational and financial performance of the Foundation depends on future developments, including the duration and spread of the outbreak, and such uncertainty may in turn impact the Foundation's operations and the valuation of their investments. Accordingly, the Foundation is unable to predict to what extent the pandemic response may impact the subsequent financial results and operations of the Foundation.

- (d) **Cash and Cash Equivalents**—The Foundation considers highly liquid debt instruments purchased with a maturity of three months or less from the date of purchase to be cash and cash equivalents, except for cash and cash equivalents held within the investment portfolio. The Foundation maintains deposits in various financial institutions. Deposits in excess of the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per bank are swept into a collateralized overnight repurchase account with the same institution, eliminating the risk of uninsured cash balance. Therefore, there were no uncollateralized amounts in excess of the FDIC insured limit as of June 30, 2021 or 2020. The Foundation has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.
- (e) **Pledges Receivable—Net**—The Foundation records pledges receivable at net realizable value. Pledges expected to be collected in future years are reported based on the present value of the estimated future cash flows using discount rates that range between 0.53% and 5.31%. The discount rate approximates the risk-free interest rate at the time of the pledge. An allowance for uncollectible pledges is estimated based upon the Foundation's collection history and is netted against the gross pledges receivable as an adjustment for credit risk.
- (f) **Receivables from Estates**—The Foundation records receivables from estates at the time it is notified of the death of a donor and there is no evidence that the provisions of the donor's will are to be contested.

- (g) **Funds Held in Trust by Others**—The Foundation may be a full or partial beneficiary of irrevocable charitable remainder or perpetual trust accounts that are held by another entity, such as a bank or another charitable organization. The Foundation records their interest in these trusts at fair value for perpetual trusts based on prices obtained from third parties and at the present value of the estimated future cash receipts from the assets of the trust for charitable remainder trusts. The balances are recorded upon the discovery of their existence, using the most current information available, which may differ from the amounts actually received.
- (h) **Due from Related Organizations**—Due from related organizations represents funds due to the Foundation for fundraising service support provided to the University.

Periodically, the Foundation reviews the collectability of such receivables. No allowance has been recorded for such receivables and any receivables determined to be uncollectible would be written off using the direct write-off method.

- (i) **Investments**—Investments in cash and cash equivalents, certain equity securities with readily determinable fair values, and certain debt securities are measured at fair value. Certain pooled investments, other marketable securities, and funds held in trust by others are recorded at fair value by management based on values provided by an external investment manager and quoted market values. Other pooled investments include certain equity and alternative investments whose fair values (net asset values (NAV) used as a practical expedient) have been estimated by management utilizing information provided by the respective funds' general manager and investment managers in the absence of readily determinable fair market values. The estimated values may differ materially from the values that would have been used had readily available markets for the investments existed. Real estate includes farmland carried at fair value based on independent appraisals, which are adjusted by the change in land values based on U.S. Census of Agriculture estimates and the latest survey of Iowa real estate brokers, and other real estate carried at fair value based on independent appraisals and other management estimates.

The Foundation allocates each participating fund their proportionate share of the pooled investments' total return (earnings/loss plus appreciation/depreciation). Periodic distributions are made available for spending based on the fair value of each fund. The current distribution is 4.25% of the average fair value over the preceding twelve quarters. To the extent that the pool's total return is greater or less than the spending distributions, the fair value per fund increases or decreases accordingly. The basis of investments sold is determined by specific identification of the assets sold.

The Foundation has ownership of certain cash and cash equivalents that are not in the possession of the Foundation but are held, along with other marketable securities, by outside investment managers. This also includes cash and cash equivalents in transit at year-end for investment purchases and sales. Although these cash and cash equivalents are readily available to the Foundation, it is the intent of the Foundation to hold these cash and cash equivalents for investment purposes and to classify these cash and cash equivalents as investment assets.

- (j) **Endowments**—The Foundation follows the guidance on the net asset classification of donor-restricted endowment funds for nonprofit entities subject to the Uniform Prudent Management of Institutional Funds Act of 2006. The State of Iowa has enacted the Iowa Uniform Prudent Management of Institutional Funds Act (UPMIFA).

UPMIFA establishes regulations in regard to the expenditure and financial statement disclosure of donor-restricted endowment funds. The Not-for-Profit Entities Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification clarifies the classification and disclosure of donor-restricted endowment funds in response to the guidelines within UPMIFA.

The board of directors of the Foundation has interpreted UPMIFA as requiring the preservation of the endowment in accordance with explicit and implicit donor stipulations. As a result of this interpretation, the Foundation classifies as permanent endowment (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts donated to the permanent endowment, and (c) net changes (investment appreciation and depreciation less spending) to the permanent endowment in accordance with donor gift instruments and the Foundation's investment policy. The spending distributed from the endowment in accordance with the Foundation's approved spending policy (see below) is classified as net assets with donor restrictions, restricted for a specific purpose, until those amounts are expended by the University.

In accordance with UPMIFA, the Foundation's board of directors considers the following factors in making a determination to appropriate donor-restricted endowment funds:

- The duration and preservation of the endowment fund
- The purposes of the Foundation and the endowment fund
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policy of the Foundation

The Foundation has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the purchasing power of the endowment assets. Stated investment objectives of the investment policy are as follows:

- The primary financial objective is to preserve and enhance the pool's inflation-adjusted purchasing power net of all investment management costs, while providing funds for current spending.
- The primary investment objective is to attain an average annual real total return (net of all investment related fees) in excess of total expenditures (spending and overhead expenses), as measured over rolling ten-year periods.

The Foundation's investment policy includes a spending policy (as approved annually by the board of directors and communicated to donors), which provides quarterly distributions to the University from the endowment funds to be expended by the University in accordance with the applicable donor-restricted purposes. The current spending policy provides an annual distribution of 4.25% of the average fair value of the endowment over the preceding twelve quarters.

- (k) **Property and Equipment—Net**—The Foundation records property and equipment at cost at the date of acquisition and is presented net of accumulated depreciation. Depreciation is based on the estimated useful life of the asset using the straight-line method.

Office furniture/computer equipment	3–5 years
Building	30 years

- (l) **Due to Related Organizations**—The Iowa State University Alumni Association (the “Alumni Association”) and the University deposit funds with the Foundation. The agreements with these organizations provide that Alumni Association and University funds are to be invested in the pool and are to receive their prorated share of the pool’s investment return (gains/losses). The investments held for others represent the Alumni Association’s and University’s aggregate interests in the pool’s assets held by the Foundation.

The University provides certain services on the Foundation’s behalf, and periodically invoices the Foundation for reimbursement.

The Foundation raises money and provides funding for programs on campus. These programs include construction projects, scholarship programs, faculty support, and general program support. The University invoices the Foundation periodically for reimbursement of these expenses.

- (m) **Split-Interest Agreement Obligations**—The Foundation accepts contributions in charitable remainder trusts and gift annuities, whereby donors may contribute assets to the Foundation in exchange for the right of a named beneficiary to receive a fixed dollar annual return or a specific percentage of the fair value of the trust assets, valued as of the beginning of the calendar year, during the beneficiary’s lifetime. A portion of the donation is considered to be a charitable contribution for income tax purposes. The difference between the amount provided for the trust and the present value of the liability for future payments, determined on an actuarial basis, is recognized as a contribution at the date of the gift.

At the date of contribution, the Foundation records a split-interest agreement obligation to the named beneficiaries based on the present value of the estimated payments to the named beneficiaries. The liability is reviewed and revalued annually based upon actuarially computed present values. The present value of estimated payments is based on actuarially determined life expectancy tables, trust asset growth assumptions, and discount rates ranging from 0.6% to 10.0%. If a portion of the remaining interest at termination of the trust is payable to beneficiaries other than the Foundation, this liability is valued based upon actuarially computed present values and recorded as a long-term liability. The resulting actuarial gain (loss) is recorded in the combined statements of activities and changes in net assets.

The assets in the split-interest agreements are stated at fair value in the Foundation’s combined financial statements. These assets total approximately \$41,697,000 and \$34,009,000 at June 30, 2021 and 2020, respectively, and are included in “Other marketable securities” in the combined statements of financial position.

- (n) **Revenue Recognition**—The Foundation adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue which it expects to be entitled for the transfer of promised goods or services to customers. The Foundation adopted the new guidance utilizing the modified retrospective method effective July 1, 2020. The adoption of this guidance did not impact the timing of the Foundation’s recognition of revenue.

Revenues within the scope of Topic 606 consist primarily of management and administrative fees, development services fees from the University and certain other income resulting primarily from reimbursements from the University for the cost of direct support of certain fundraising activities and receipts from various program operations.

The Foundation has no significant costs that are capitalized to obtain or to fulfill a contract with a customer. Performance obligations for the revenue streams noted above are satisfied at a point in time, and revenue is recognized as performance obligations are met. These revenue streams do not include significant financing components and there are no significant consideration amounts that are variable.

Contribution Revenue Recognition—Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Unconditional promises and other gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Donated assets are initially recorded at their estimated fair value at date of receipt.

Fundraising Service Revenue—Fundraising service revenue is payments from service contracts with the University in support of fundraising services provided by the Foundation. Fundraising service revenue is recognized when the services are performed.

- (o) **Functional Allocation of Expenses**—The cost of providing the various programs and other activities has been summarized on a functional basis on the combined statements of activities. The statements of functional expenses present the natural classification detail of expense by function. Accordingly, certain costs have been allocated among the supporting services as required by FASB's Not-for-Profit presentation and disclosure guidance. The expenses that are allocated are the salaries and benefits of the senior leadership team. These expenses are allocated among management and general and fundraising costs based on the staff reporting directly to the position. Investment fees, including salaries and benefits, administrative fees, and management fees, are netted against investment return.
- (p) **Income Taxes**—The Foundation is classified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) and is not a private foundation under IRC Sections 509(a)(1) and 170(b)(1)(A)(iv). As such, the Foundation is exempt from income taxes under IRC Section 501(a) except on unrelated business income, and as a public charity, contributions to the Foundation are deductible. As of June 30, 2020, there was an income tax receivable of \$355,694, due to income tax refunds related to the 2019 income tax returns.

The Foundation recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Such tax positions, which are more than 50% likely of being realized, are measured at their highest value. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Foundation applied the uncertain tax position guidance to all tax positions for which the statute of limitations remains open. The statute of limitations on the Foundation's U.S. federal tax returns remains open for the years ended June 30, 2018 through the present.

(q) **Accounting Standards Adopted in the Current Year**

Changes to the Disclosure Requirements for Fair Value Measurement—In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820)—Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. This guidance eliminates, modifies, and adds certain disclosures on fair value measurements. The Foundation adopted the eliminated or modified disclosure requirements beginning with their fiscal year 2020 combined financial statements. As allowed under the new guidance, the additional disclosure requirements were effective for the Foundation for annual reporting periods beginning after December 15, 2019 (fiscal year 2021). The Foundation adopted the remaining requirements of ASU 2018-13 effective July 1, 2020, which had no impact to the Foundation’s financial position, changes in net assets or cash flows.

Revenue Recognition – The Foundation adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, effective July 1, 2020. The adoption had no impact to the Foundation’s financial position, changes in net assets or cash flows. See further discussion under “(n) Revenue Recognition” above.

(r) **Subsequent Events**—Subsequent events related to the combined financial statements have been evaluated through October 19, 2021, the date the combined financial statements were available to be issued. It has been determined that there are no events that require adjustment to, or disclosure in, these combined financial statements except for that disclosed in Note 9.

2. PLEDGES RECEIVABLE—NET

The components of the net pledges receivable as of June 30, 2021 and 2020, are as follows:

	2021	2020
Gross pledges receivable	\$ 118,090,580	\$ 120,846,772
Allowance for uncollectible pledges	(1,470,817)	(1,712,383)
Discount to present value	<u>(6,458,505)</u>	<u>(9,601,560)</u>
Net pledges receivable	<u>\$ 110,161,258</u>	<u>\$ 109,532,829</u>

The Foundation estimates that payments on these gross pledges receivable as of June 30, 2021, will be received in each of the fiscal years ending June 30 as follows:

2022	\$ 36,230,317
2023	16,201,125
2024	12,618,204
2025	21,746,815
2026	21,158,355
Thereafter	<u>10,135,764</u>
	<u>\$118,090,580</u>

In addition, the Foundation has received notification of deferred gifts totaling approximately \$764 million and \$718 million as of June 30, 2021 and 2020, respectively, primarily in the form of revocable wills. These are considered conditional pledges and have not been recorded in the combined financial statements, but will be recorded when the conditions are met.

3. INVESTMENTS

Investments are comprised of the following balances as of June 30, 2021 and 2020:

	2021	2020
Pooled investments:		
Equity:		
U.S.	\$ 268,098,565	\$ 205,164,668
Non U.S.	158,802,776	118,113,798
Global	<u>224,581,255</u>	<u>163,115,222</u>
Total equity	<u>651,482,596</u>	<u>486,393,688</u>
Fixed income:		
U.S.	<u>245,324,319</u>	<u>213,385,662</u>
Total fixed income	<u>245,324,319</u>	<u>213,385,662</u>
Hedge funds:		
U.S. long short	11,654,154	9,223,089
Global long short	57,309,787	58,369,134
Event driven arbitrage	59,793,045	60,625,818
Other	<u>73,814,142</u>	<u>60,804,903</u>
Total hedge funds	202,571,128	189,022,944
Private equity	267,977,637	145,966,625
Real estate	26,411,711	20,713,816
Natural resources/commodities	52,525,112	37,139,613
Cash and cash equivalents	112,637,803	43,088,319
Accrued manager fees	<u>(1,000,000)</u>	<u>(1,000,000)</u>
	<u>1,557,930,306</u>	<u>1,134,710,667</u>
Other marketable securities:		
Equity:		
U.S.	21,731,791	18,069,319
Non U.S.	<u>9,908,964</u>	<u>7,965,477</u>
Total equity	<u>31,640,755</u>	<u>26,034,796</u>
Fixed income:		
U.S.	7,565,055	5,827,344
Global	<u>7,632,348</u>	<u>6,581,699</u>
Total fixed income	15,197,403	12,409,043
Cash and cash equivalents	<u>1,992,813</u>	<u>3,118,464</u>
	<u>48,830,971</u>	<u>41,562,303</u>
Real estate and other investments:		
Real estate	11,457,961	9,994,896
Notes receivable from affiliated entities	<u>648,087</u>	<u>870,647</u>
	<u>12,106,048</u>	<u>10,865,543</u>
Total investments	<u>\$1,618,867,325</u>	<u>\$1,187,138,513</u>

Notes receivable from affiliated entities includes a note receivable from the Iowa State University Research Park (the "Research Park"), an affiliate. This note resulted from the transfer of 79.6751 acres from the Foundation to the Research Park. Payment to the Foundation occurs upon the sale of any lots or portion of the acreage. The Foundation receives the initial principal amount of the mortgage divided by the number of acres transferred, multiplied by the amount of the acreage of the property sold plus 6% simple interest accrued from September 1, 1996. The note is secured by a mortgage on certain land and premises described in the note agreement.

Investment return was comprised of the following for the years ended June 30, 2021 and 2020:

	2021	2020
Pooled investment return:		
Dividends and interest	\$ 7,724	\$ 483,781
Net realized gains (losses)	40,748,743	(2,700,813)
Net unrealized gains	340,439,592	14,111,456
Investment management fees	(4,776,483)	(5,401,120)
Amounts due from (to) related organizations	<u>(1,802,811)</u>	<u>34,208</u>
Total pooled investment return	<u>374,616,765</u>	<u>6,527,512</u>
Nonpooled investment return:		
Dividends and interest	880,410	1,256,715
Net realized gains	1,478,518	1,247,557
Net unrealized gains (losses)	<u>7,009,478</u>	<u>(1,284,228)</u>
Total nonpooled investment return	<u>9,368,406</u>	<u>1,220,044</u>
Total investment return	<u>\$383,985,171</u>	<u>\$ 7,747,556</u>

4. FAIR VALUE MEASUREMENTS

Financial instruments are generally described as cash, contractual obligations, or rights to pay or receive cash. The carrying amount approximates fair value for certain financial instruments, because of the short-term maturity of these instruments, which include receivables (other than pledges and funds held in trust by others), accrued interest, accounts payable, and due to and due from related organizations. The carrying amount approximates fair value for pledges receivable as the balance, less an allowance for uncollectible accounts, is discounted using a risk-free rate.

Fair value estimates for funds held in trust by others and investments are made at a specific time based on relevant market information. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The carrying values of other assets, bonds payable, and long-term liabilities approximates fair value because these financial instruments bear interest at rates that approximate current rates the Foundation could obtain on contracts or notes with similar maturities and credit qualities.

The Foundation follows the established framework for measuring fair value in accordance with GAAP and presents expanded disclosures about fair value measurements. Accordingly, certain investments and other assets reported at fair value are classified based on the inputs used to determine the value, as follows:

Level 1—Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2—Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market. Fixed-income securities are generally traded in the over-the-counter market and are valued at a price that reflects fair value as quoted by dealers in these securities or by an independent pricing service.

Level 3—Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models, and similar techniques.

Certain alternative investments are exempted from classification of the above fair value hierarchy and are reported using NAV as a practical expedient as determined by management. These investments are less liquid than the Foundation's other investments and are generally accessed via limited partnerships, limited liability corporations, and off-shore investment funds. There is generally no readily determinable fair value for alternative investments, though certain funds may invest in securities for which there is a public market. These investments are subject to varying degrees of liquidity restrictions. These investments have been included in the tables following to allow reconciliation to the combined statements of financial position.

Investment	Fair Value Measurements at June 30, 2021			
	Level 1	Level 2	Level 3	Total
Equity:				
U.S.	\$ 44,663,487	\$ -	\$ 4,302,815	\$ 48,966,302
Non U.S.	9,908,964			9,908,964
Global	<u>46,381,487</u>			<u>46,381,487</u>
Total equity	<u>100,953,938</u>		<u>4,302,815</u>	<u>105,256,753</u>
Fixed income:				
U.S.	71,150,844	90,848,905		161,999,749
Global	<u>7,632,348</u>			<u>7,632,348</u>
Total fixed income	<u>78,783,192</u>	<u>90,848,905</u>		<u>169,632,097</u>
Hedge funds—				
Other			<u>178,800</u>	<u>178,800</u>
Total hedge funds			<u>178,800</u>	<u>178,800</u>
Natural resources/commodities	19,181,785			19,181,785
Real estate			11,457,961	11,457,961
Cash and cash equivalents	<u>114,630,616</u>			<u>114,630,616</u>
	<u>\$ 313,549,531</u>	<u>\$ 90,848,905</u>	<u>\$ 15,939,576</u>	420,338,012
Alternative investments, measured at NAV as a practical expedient:				
Equity				577,866,600
Fixed income				90,889,623
Hedge funds				202,392,328
Private equity				267,977,637
Real estate				26,411,711
Natural resources/commodities				33,343,327
Accrued manager fees				(1,000,000)
Notes receivable from affiliated entities				<u>648,087</u>
Total investments				<u>\$1,618,867,325</u>
Other Financial Instruments	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 6,699,929	\$ -	\$ -	\$ 6,699,929
Funds held in trust by others		13,236,381	15,380,454	28,616,835
Cash surrender value of insurance policies			7,043,763	7,043,763

Investment	Fair Value Measurements at June 30, 2020			
	Level 1	Level 2	Level 3	Total
Equity:				
U.S.	\$ 13,766,504	\$ -	\$ 4,302,815	\$ 18,069,319
Non U.S.	7,965,477			7,965,477
Global	<u>34,749,412</u>			<u>34,749,412</u>
Total equity	<u>56,481,393</u>		<u>4,302,815</u>	<u>60,784,208</u>
Fixed income:				
U.S.	68,741,627	69,668,600		138,410,227
Global	<u>6,581,699</u>			<u>6,581,699</u>
Total fixed income	<u>75,323,326</u>	<u>69,668,600</u>		<u>144,991,926</u>
Hedge funds—				
Other			<u>191,959</u>	<u>191,959</u>
Total hedge funds			191,959	191,959
Real estate			9,994,896	9,994,896
Cash and cash equivalents	<u>46,206,783</u>			<u>46,206,783</u>
	<u>\$178,011,502</u>	<u>\$69,668,600</u>	<u>\$14,489,670</u>	262,169,772
Alternative investments, measured at NAV as a practical expedient:				
Equity				451,644,276
Fixed income				80,802,779
Hedge funds				188,830,985
Private equity				145,966,625
Real estate				20,713,816
Natural resources/commodities				37,139,613
Accrued manager fees				(1,000,000)
Notes receivable from affiliated entities				<u>870,647</u>
Total investments				<u>\$1,187,138,513</u>
Other Financial Instruments	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 3,991,116	\$ -	\$ -	\$ 3,991,116
Funds held in trust by others		17,633,397	9,184,749	26,818,146
Cash surrender value of insurance policies			6,519,195	6,519,195

The following table summarizes the alternative investments measured by NAV as a practical expedient with related unfunded commitments and redemption restrictions by each category as of June 30:

Alternative Investments	2021			
	NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equity ^(a)	\$ 577,866,600	\$ -	Allowed at least quarterly	Varies from 1–60 days
Fixed income ^(b)	90,889,623		Allowed at least daily	15 days
Hedge funds ^(c)	202,392,328		Allowed at least annually	Varies from 30–90 days
Private equity ^(d)	267,977,637	99,446,527		
Real estate ^(e)	26,411,711	9,420,033		
Natural resources/ commodities ^(f)	<u>33,343,327</u>	<u>9,690,285</u>		
	<u>\$ 1,198,881,226</u>	<u>\$ 118,556,845</u>		

Alternative Investments	2020			
	NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equity ^(a)	\$ 451,644,276	\$ -	Allowed at least quarterly	Varies from 1–60 days
Fixed income ^(b)	80,802,779		Allowed at least daily	15 days
Hedge funds ^(c)	188,830,985		Allowed at least annually	Varies from 30–90 days
Private equity ^(d)	145,966,625	96,519,241		
Real estate ^(e)	20,713,816	18,343,424		
Natural resources/ commodities ^(f)	<u>37,139,613</u>	<u>18,685,826</u>		
	<u>\$ 925,098,094</u>	<u>\$ 133,548,491</u>		

- (a) Equity—This category includes investments in funds that invest in common stocks. The managers of the funds have the flexibility to change their exposure based on their view of particular securities and the overall market. Certain funds have redemption and notice of redemption requirements that generally limit the ability to liquidate the positions in a short period of time. The fair values of the investments have been estimated using the net asset value per share of the investments. This category may also include direct investments in private funds that invest in less liquid but publicly traded common stocks. The fair value of this investment has been estimated using the percentage share of the Foundation’s ownership interest in partner’s capital.
- (b) Fixed Income—This category includes investments in funds that invest in government and credit bonds. These underlying government and credit bonds can have maturity dates of less than one year up to as long as 15 years. The rating of these bonds also can vary with most carrying a triple A rating. Funds typically have high liquidity with the ability to redeem with as little as 15 days’ notice. The fair values of the investments have been estimated using the net asset value per share of the investments.
- (c) Hedge Funds—This category includes investments in hedge funds that invest in equity, debt, structured products, and derivative securities. Debt securities include corporate debt, mortgage debt, and sovereign debt. The managers of these funds have the flexibility to change their exposure based on their view of particular securities and the overall market. The strategies of these funds

include event-driven, relative value, arbitrage, and directional strategies. Certain funds have various redemption and notice of redemption requirements that generally limit the ability to liquidate them in a short period of time. The fair values of these investments have been estimated using the net asset value per share of the investments.

- (d) Private Equity—This category includes direct investments in private equity funds, generally through limited partnerships, that invest in private companies, private debt, intellectual property, structure products and special situations. The fair value of these investments has been estimated using the percentage share of the Foundation’s ownership interest in partner’s capital. Distributions from each fund are received when the underlying investments in the funds create distributable cash flow and when underlying investments are liquidated. These investments cannot be redeemed. It is estimated that the underlying assets of the funds will be liquidated over the next one to ten years.
- (e) Real Estate—This category includes direct investments in real asset funds, generally through limited partnerships, that invest in real estate. The fair value of these investments has been estimated using the percentage share of the Foundation’s ownership interest in partner’s capital. Distributions from each fund are received when the underlying investments in the funds create distributable cash flow and when underlying investments are liquidated. These investments cannot be redeemed. It is estimated that the underlying assets of the funds will be liquidated over the next one to ten years.
- (f) Natural Resources/Commodities—This category includes investments in funds that invest in common stock and derivative securities specific to natural resources and commodities. The managers of the funds have the flexibility to change their exposure based on their view of particular securities and the overall market. The funds have redemption and notice of redemption requirements that generally limit the ability to liquidate the position in a short period of time. The fair value of the investments has been estimated using the net asset value per share of the investment. This category may also include direct investments in natural resources generally through limited partnerships that invest in private companies. The fair value of these investments has been estimated using the percentage share of the Foundation’s ownership interest in partner’s capital. These investments cannot be redeemed. It is the estimated that the underlying assets of these investments will be liquidated over the next one to ten years.

5. ENDOWMENT

The Foundation's endowment consists of donor gifts (net assets with donor restrictions) plus any board-designated funds (without donor restrictions), which are deemed to be held and invested in perpetuity.

The endowment activity consisted of the following for the years ended June 30, 2021 and 2020:

	2021		
	Board-Designated Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets as of July 1	\$ -	\$ 930,883,959	\$ 930,883,959
Contributions		55,033,035	55,033,035
Investment return:			
Dividends and interest		569,044	569,044
Net realized gains		41,139,150	41,139,150
Net unrealized gains	5,456,206	310,907,465	316,363,671
Investment management fees		(4,776,483)	(4,776,483)
Amount due to related organizations		542,346	542,346
Spending appropriation		(39,090,245)	(39,090,245)
Administrative fee		(13,172,925)	(13,172,925)
	<u>5,456,206</u>	<u>296,118,352</u>	<u>301,574,558</u>
Total investment return	5,456,206	296,118,352	301,574,558
Other earnings and adjustments	<u>20,613,073</u>	<u>(28,488,750)</u>	<u>(7,875,677)</u>
Endowment net assets as of June 30	<u>\$ 26,069,279</u>	<u>\$ 1,253,546,596</u>	<u>\$ 1,279,615,875</u>
	2020		
	Board-Designated Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets as of July 1	\$ -	\$ 948,722,078	\$ 948,722,078
Contributions		27,587,958	27,587,958
Investment return:			
Dividends and interest		848,389	848,389
Net realized losses		(2,063,455)	(2,063,455)
Net unrealized gains		10,314,911	10,314,911
Investment management fees		(5,401,118)	(5,401,118)
Amount due to related organizations		76,480	76,480
Spending appropriation		(36,743,094)	(36,743,094)
Administrative fee		(11,777,964)	(11,777,964)
		<u>(44,745,851)</u>	<u>(44,745,851)</u>
Total investment return		(44,745,851)	(44,745,851)
Other earnings and adjustments		<u>(680,226)</u>	<u>(680,226)</u>
Endowment net assets as of June 30	<u>\$ -</u>	<u>\$ 930,883,959</u>	<u>\$ 930,883,959</u>

6. PROPERTY AND EQUIPMENT—NET

Property and equipment—net is comprised of the following balances as of June 30, 2021 and 2020:

	2021	2020
Land	\$ 960,000	\$ 960,000
Building	4,625,207	4,585,685
Office furniture and equipment	<u>863,942</u>	<u>1,042,485</u>
	6,449,149	6,588,170
Accumulated depreciation	<u>(3,090,271)</u>	<u>(3,124,329)</u>
Property and equipment—net	<u>\$ 3,358,878</u>	<u>\$ 3,463,841</u>

7. OTHER ASSETS

A summary of other assets as of June 30, 2021 and 2020, is as follows:

	2021	2020
Cash surrender value of insurance policies	\$ 7,043,763	\$ 6,519,195
Other	<u>843,142</u>	<u>773,799</u>
Total other assets	<u>\$ 7,886,905</u>	<u>\$ 7,292,994</u>

8. DUE FROM/TO RELATED ORGANIZATIONS

A summary of amounts due from related organizations as of June 30, 2021 and 2020, is as follows:

	2021	2020
College and departmental support	<u>\$ 1,102,820</u>	<u>\$ 1,114,090</u>

A summary of amounts due to related organizations as of June 30, 2021 and 2020, is as follows:

	2021	2020
Investments held for:		
Iowa State University	\$ 8,031,136	\$ 3,408,738
Iowa State University Alumni Association	5,778,185	3,248,483
Administrative and fundraising expenses	18,168	25,289
Program expenses	<u>16,692,020</u>	<u>14,982,788</u>
Total due to related organizations	<u>\$ 30,519,509</u>	<u>\$ 21,665,298</u>

A summary of related party activity for the years ended June 30, 2021 and 2020, as reported in the combined statements of activities and changes in net assets is as follows:

	2021	2020
Revenue, gains and other support:		
Investment earnings (loss)	\$ 1,802,811	\$ (34,208)
Fundraising service revenue	2,450,000	2,500,000
Expenses and other:		
Program services	88,115,390	100,693,775

9. NOTE PAYABLE

The Foundation holds a mortgage through a bank with a 3.3% interest rate and maturity of December 2024. The note payable is collateralized by the Foundation building and other real estate owned by the Foundation.

Maturities of the note payable principal for the years subsequent to June 30, 2021, are as follows:

2022	\$ 155,502
2023	160,785
2024	166,149
2025	<u>1,020,890</u>
	<u>\$ 1,503,326</u>

The Foundation entered into a revolving line of credit with a bank on September 1, 2020 with a maximum principal amount of \$2,000,000. The interest rate on the line is 3.25% as of June 30, 2021. The commitment originally matured on September 1, 2021. Subsequent to year-end, the Foundation renewed the line of credit, which now matures on September 1, 2022. As of June 30, 2021, the Foundation had not drawn on the line of credit.

10. LONG-TERM LIABILITIES

A summary of long-term liabilities as of June 30, 2021 and 2020, is as follows:

	2021	2020
Trust liability due to others	\$ 1,760,460	\$ 1,462,575
Other	<u>744,910</u>	<u>671,967</u>
Total long-term liabilities	<u>\$ 2,505,370</u>	<u>\$ 2,134,542</u>

The trust liability due to others represents the remaining interest upon termination of trusts payable to other beneficiaries in accordance with the donor's designation per the terms of the trust agreements.

11. NET ASSETS

Net assets are available for the following purposes as of June 30, 2021 and 2020:

	2021	2020
Net assets without donor restrictions:		
Operating reserve	\$ 47,254,159	\$ 26,119,530
Board-designated	33,150,449	
Real estate	6,999,699	7,056,732
Property and equipment	1,855,553	1,807,687
Other assets	<u>344,544</u>	<u>693,262</u>
Total net assets without donor restrictions	<u>89,604,404</u>	<u>35,677,211</u>
Net assets with donor restrictions:		
Subject to expenditure for specified purposes:		
College program support	107,693,324	102,161,602
Student financial aid	51,831,961	47,984,513
Faculty and staff support	20,864,455	19,833,699
Research	12,733,115	12,416,257
Building, equipment, and maintenance	66,970,659	42,940,154
Other	<u>14,358,031</u>	<u>10,786,627</u>
Total net assets with donor restrictions	<u>274,451,545</u>	<u>236,122,852</u>
Promises to give restricted by donors for:		
College program support	21,350,604	18,497,902
Student financial aid	20,205,932	17,945,248
Faculty and staff support	3,577,511	3,068,053
Research	3,396,593	3,952,205
Building, equipment, and maintenance	53,780,883	58,519,383
Other	<u>13,986,513</u>	<u>2,410,933</u>
Total promises to give restricted by donors	<u>116,298,036</u>	<u>104,393,724</u>
Endowments:		
College program support	546,396,313	399,772,896
Student financial aid	383,993,485	275,299,754
Faculty and staff support	242,505,545	176,056,670
Research	20,884,296	15,603,284
Building, equipment, and maintenance	9,019,004	6,712,278
Other	<u>12,267,735</u>	<u>9,512,191</u>
Total endowments	<u>1,215,066,378</u>	<u>882,957,073</u>
Promises to give endowed by donors for:		
College program support	15,170,374	33,826,056
Student financial aid	16,285,737	8,378,040
Faculty and staff support	5,933,801	5,722,790
Building, equipment, and maintenance	<u>5,613</u>	<u>0</u>
Total promises to give endowed by donors	<u>37,395,525</u>	<u>47,926,886</u>
Total net assets with donor restrictions	<u>1,643,211,484</u>	<u>1,271,400,535</u>
Total net assets	<u>\$ 1,732,815,888</u>	<u>\$ 1,307,077,746</u>

12. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor restrictions or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of June 30, 2021 and 2020:

	2021	2020
Cash and cash equivalents	\$ 6,699,929	\$ 3,983,055
Pooled investments	38,993,358	20,115,354
Due from related organizations	<u>1,102,820</u>	<u>1,114,090</u>
	<u>\$ 46,796,107</u>	<u>\$ 25,212,499</u>

As part of the Foundation's liquidity management plan, the Foundation follows unrestricted cash reserve guidelines that identify an unrestricted reserve goal balance and minimum reserve levels. The Foundation's Finance Committee provides oversight of these guidelines and reviews the guidelines, goal and current balance on an annual basis. If minimum reserve levels are reached, specific action plans are identified in the guidelines to avoid further depletion of the unrestricted reserves. At June 30, 2021, the unrestricted reserve goal was \$32.4 million, with a minimum reserve level based on 50% of the recommended goal of \$16.2 million. At June 30, 2021, the unrestricted reserve balance was \$46.8 million. At June 30, 2020, the unrestricted reserve goal was \$29.1 million, with a minimum reserve level based on 50% of the recommended goal of \$14.5 million. At June 30, 2020, the unrestricted reserve balance was \$25.2 million.

The financial assets available for general expenditure noted above are comprised of cash as well as short-term investments and a short-term receivable without donor restrictions. The investments without donor restrictions represent non-endowed assets that are unrestricted, have not been designated to a specific purpose and can be used by the Foundation at any time. The asset allocation and investment performance are reviewed by the Foundation's Investment Committee annually. It is expected that the underlying funds used will have sufficient liquidity in order to meet any unexpected cash needs.

13. SUPPLEMENTAL CASH FLOWS INFORMATION

The summary of supplemental cash flows information for the years ended June 30, 2021 and 2020, were as follows:

	2021	2020
Cash paid for interest	<u>\$ 50,596</u>	<u>\$ 69,548</u>
Noncash contributions (as shown on the combined statements of cash flows):		
Marketable securities	\$ 10,560,742	\$ 15,484,404
Real estate	10,023,267	403,932
Funds held in trust	-	6,131,515
Other assets	<u>861,713</u>	<u>2,625,820</u>
Total noncash contributions	<u>\$ 21,445,722</u>	<u>\$ 24,645,671</u>
Noncash transactions—gifts in kind	<u>\$ 176,865</u>	<u>\$ 307,244</u>

14. EMPLOYEE RETIREMENT PLANS

During the years ended June 30, 2021 and 2020, the Foundation participated in the Teachers Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF), to which the Foundation contributes 10% of the participant's salary. The Foundation contributions to TIAA-CREF were \$1,066,143 and \$1,014,359 for the years ended June 30, 2021 and 2020, respectively. Employees are automatically enrolled on the date they complete 90 days of continuous active employment.

The Foundation maintains a deferred compensation plan for a select group of management employees. Under the plan, participants defer a portion of their income on a pre-tax basis. Per IRS requirements, employee's deferrals into the plan remain the property of the Foundation and may thereby be subject to the claims of general creditors of the organization. As of June 30, 2021 and 2020, assets managed under this plan were \$744,910 and \$671,967, respectively.

15. ISU FACILITIES CORPORATION

ISU Facilities Corporation is a related not-for-profit entity established primarily to issue revenue bonds to assist in funding construction projects at the University. The bonds are payable solely from the lease payments paid by the University for the facilities and upon repayment of the bonds, ownership of the facilities transfer to the University. On September 6, 2017, the ISU Facilities Corporation issued \$38 million in bonds to provide financial assistance to the University for the construction of facilities to benefit the University. The bonds and related assets of ISU Facilities Corporation are reported in Iowa State University's financial statements and are not reported in the accompanying combined financial statements.

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