




Kansas State University Foundation

Independent Auditor's Report and Consolidated Financial Statements

June 30, 2024 and 2023



Kansas State University Foundation
June 30, 2024 and 2023

Contents

Independent Auditor’s Report..... 1

Consolidated Financial Statements

Statements of Financial Position 3
Statements of Activities..... 4
Statements of Functional Expenses 6
Statements of Cash Flows 8
Notes to Financial Statements 10

Independent Auditor's Report

The Board of Directors of
Kansas State University Foundation
Manhattan, Kansas

Opinion

We have audited the consolidated financial statements of Kansas State University Foundation and its supporting organizations (the Foundation), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated 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 accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated 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 Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that these consolidated financial statements are issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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.

Forvis Mazars, LLP

Kansas City, Missouri
September 26, 2024

Kansas State University Foundation
Consolidated Statements of Financial Position
June 30, 2024 and 2023

Assets

	2024	2023
Cash and cash equivalents	\$ 50,029,183	\$ 51,624,121
Cash restricted for future investment	10,450,324	10,231,043
Investments	1,385,328,495	1,306,865,911
Pledges receivable – net of allowance and discounts	126,248,258	143,564,038
Receivables from estates	3,171,129	1,271,526
Property and equipment, net of accumulated depreciation; 2024 - \$6,664,966, 2023 - \$6,123,234	13,037,354	13,380,860
Golf Course property and equipment, net of accumulated depreciation; 2024 - \$6,543,737, 2023 - \$6,055,329	7,572,408	7,935,114
Notes receivable	17,459,400	10,374,000
Cash surrender value of life insurance policies	9,412,387	8,865,592
Other assets and accrued investment income	34,398,385	6,550,064
	\$ 1,657,107,323	\$ 1,560,662,269

Liabilities and Net Assets

Liabilities

Accounts payable, deposits and other liabilities	\$ 6,204,947	\$ 3,551,125
Accrued liabilities	4,562,105	8,189,719
Assets held for others	21,879,988	20,619,526
Unitrust and annuity liabilities	17,576,233	23,204,218
Long-term debt and lines of credit	94,624,651	87,252,532
	144,847,924	142,817,120

Net Assets

Net assets without donor restrictions	131,090,735	121,738,295
Net assets with donor restrictions	1,381,168,664	1,296,106,854
	1,512,259,399	1,417,845,149
	\$ 1,657,107,323	\$ 1,560,662,269

Kansas State University Foundation
Consolidated Statement of Activities
Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions	\$ 5,800,204	\$ 121,262,042	\$ 127,062,246
Provision for bad debts	-	(6,360,752)	(6,360,752)
Net contribution revenue, less provision for bad debts	5,800,204	114,901,290	120,701,494
Investment return (loss), net	(8,988,903)	1,042,663	(7,946,240)
Net realized and unrealized gains on investments	22,544,124	74,681,711	97,225,835
Other support			
Operational service charges, management fees and other	22,910,835	318,102	23,228,937
Receipts for grants, research, supplies, travel and other University departmental activities and funding allotments, etc.	406,900	3,367,947	3,774,847
Actuarial gains on unitrusts and annuity obligations	-	235,748	235,748
Net assets released from restrictions and change in donor designation	109,485,651	(109,485,651)	-
Total revenues, gains and other support	152,158,811	85,061,810	237,220,621
Expenses and Support			
Direct University support			
Scholarships and other student awards	24,123,937	-	24,123,937
Academic support	17,448,442	-	17,448,442
Administrative support	68,579,533	-	68,579,533
Capital improvements	3,405,347	-	3,405,347
Subtotal	113,557,259	-	113,557,259
Management and general	12,587,689	-	12,587,689
Fundraising and development	16,661,423	-	16,661,423
Total expenses and support	142,806,371	-	142,806,371
Change in Net Assets	9,352,440	85,061,810	94,414,250
Net Assets, Beginning of Year	121,738,295	1,296,106,854	1,417,845,149
Net Assets, End of Year	\$ 131,090,735	\$ 1,381,168,664	\$ 1,512,259,399

Kansas State University Foundation
Consolidated Statement of Activities
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions	\$ 6,773,183	\$ 167,392,661	\$ 174,165,844
Provision for bad debts	-	(3,533,579)	(3,533,579)
Net contribution revenue, less provision for bad debts	6,773,183	163,859,082	170,632,265
Investment loss, net	(5,124,946)	(623,148)	(5,748,094)
Net realized and unrealized gains on investments	9,251,097	4,572,529	13,823,626
Other support			
Operational service charges, management fees and other	23,305,017	(41,371)	23,263,646
Receipts for grants, research, supplies, travel and other University departmental activities and funding allotments, etc.	389,442	2,799,177	3,188,619
Actuarial losses on unitrusts and annuity obligations	-	(866,358)	(866,358)
Net assets released from restrictions and change in donor designation	98,800,921	(98,800,921)	-
Total revenues, gains and other support	133,394,714	70,898,990	204,293,704
Expenses and Support			
Direct University support			
Scholarships and other student awards	22,207,475	-	22,207,475
Academic support	17,013,342	-	17,013,342
Administrative support	54,988,321	-	54,988,321
Capital improvements	9,663,836	-	9,663,836
Subtotal	103,872,974	-	103,872,974
Management and general	12,656,753	-	12,656,753
Fundraising and development	15,250,671	-	15,250,671
Total expenses and support	131,780,398	-	131,780,398
Change in Net Assets	1,614,316	70,898,990	72,513,306
Net Assets, Beginning of Year	120,123,979	1,225,207,864	1,345,331,843
Net Assets, End of Year	\$ 121,738,295	\$ 1,296,106,854	\$ 1,417,845,149

Kansas State University Foundation
Consolidated Statement of Functional Expenses
Year Ended June 30, 2024

	Scholarships and Other Student Awards	Academic Support	Administrative Support	Capital Improvements	Direct University Support Total	Management and General	Fundraising and Development	Overall Total
Salaries, wages and benefits	\$ -	\$ 9,618,542	\$ 762,535	\$ -	\$ 10,381,077	\$ 7,328,145	\$ 13,373,613	\$ 31,082,835
Scholarships, awards and student development	24,123,937	2,939,796	-	-	27,063,733	-	-	27,063,733
Travel, seminars and meetings	-	406,500	906,296	-	1,312,796	157,007	1,039,587	2,509,390
Hospitality, entertainment and events	-	-	1,687,879	-	1,687,879	88,314	713,212	2,489,405
Professional services	-	158,406	2,144,477	-	2,302,883	819,480	213,451	3,335,814
Research	-	1,425,893	-	-	1,425,893	-	-	1,425,893
Construction and building expenses	-	-	623,860	3,195,097	3,818,957	253,972	-	4,072,929
University support	-	-	54,206,194	-	54,206,194	329,711	-	54,535,905
Equipment and supplies	-	1,803,104	1,312,920	154,337	3,270,361	56,373	75,482	3,402,216
Office expenses	-	10,319	483,705	-	494,024	352,404	560,084	1,406,512
University advancement and other fees	-	1,195	3,649,574	-	3,650,769	169,012	-	3,819,781
Insurance expense	-	-	197,803	-	197,803	154,636	311	352,750
Advertising	-	-	94,310	-	94,310	22,215	77,587	194,112
Dues and subscriptions	-	26,566	58,503	-	85,069	19,105	100,685	204,859
Rental expenses	-	72,877	417,852	-	490,729	-	246,620	737,349
Computer systems	-	7,334	167,111	-	174,445	1,955,785	84,536	2,214,766
Depreciation, excluding KSUGCMRF assets	-	-	-	-	-	829,144	-	829,144
Contributions of non-financial assets and other	-	977,910	1,753,127	-	2,731,037	52,386	176,255	2,959,678
Loan and interest expense	-	-	113,387	55,913	169,300	-	-	169,300
	<u>\$ 24,123,937</u>	<u>\$ 17,448,442</u>	<u>\$ 68,579,533</u>	<u>\$ 3,405,347</u>	<u>\$ 113,557,259</u>	<u>\$ 12,587,689</u>	<u>\$ 16,661,423</u>	<u>\$ 142,806,371</u>

Kansas State University Foundation
Consolidated Statement of Functional Expenses
Year Ended June 30, 2023

	Scholarships and Other Student Awards	Academic Support	Administrative Support	Capital Improvements	Direct University Support Total	Management and General	Fundraising and Development	Overall Total
Salaries, wages and benefits	\$ -	\$ 9,280,363	\$ 567,189	\$ -	\$ 9,847,552	\$ 7,238,461	\$ 11,832,780	\$ 28,918,793
Scholarships, awards and student development	22,207,475	2,887,047	-	-	25,094,522	-	-	25,094,522
Travel, seminars and meetings	-	462,758	625,239	-	1,087,997	181,763	1,155,329	2,425,089
Hospitality, entertainment and events	-	-	1,460,128	-	1,460,128	76,626	765,689	2,302,443
Professional services	-	44,438	1,510,808	-	1,555,246	731,897	187,324	2,474,467
Research	-	1,077,138	-	-	1,077,138	-	-	1,077,138
Construction and building expenses	-	-	321,341	9,329,764	9,651,105	260,123	-	9,911,228
University support	-	40,223	42,165,437	-	42,205,660	379,711	-	42,585,371
Equipment and supplies	-	2,285,051	841,713	247,065	3,373,829	108,877	70,217	3,552,923
Office expenses	-	4,279	360,300	-	364,579	739,590	388,848	1,493,017
University advancement and other fees	-	2,256	4,631,707	-	4,633,963	139,989	-	4,773,952
Insurance expense	-	-	295,518	-	295,518	136,162	415	432,095
Advertising	-	13,661	99,341	-	113,002	80,257	53,402	246,661
Dues and subscriptions	-	27,057	79,038	-	106,095	30,326	101,905	238,326
Rental expenses	-	185,691	242,981	-	428,672	-	279,177	707,849
Computer systems	-	157,394	761,814	-	919,208	1,660,091	211,874	2,791,173
Depreciation, excluding KSUGCMRF assets	-	-	-	-	-	795,006	-	795,006
Contributions of non-financial assets and other	-	439,782	1,025,767	-	1,465,549	80,600	203,711	1,749,860
Loan and interest expense	-	106,204	-	87,007	193,211	17,274	-	210,485
	<u>\$ 22,207,475</u>	<u>\$ 17,013,342</u>	<u>\$ 54,988,321</u>	<u>\$ 9,663,836</u>	<u>\$ 103,872,974</u>	<u>\$ 12,656,753</u>	<u>\$ 15,250,671</u>	<u>\$ 131,780,398</u>

Kansas State University Foundation
Consolidated Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	2024	2023
Operating Activities		
Change in net assets	\$ 94,414,250	\$ 72,513,306
Items not requiring (providing) operating activities cash flows		
Depreciation	1,429,950	1,348,715
Amortization of bond issuance premium and debt issuance costs	153,723	76,509
Net realized and unrealized gains on investments	(97,225,835)	(13,823,626)
Contributions and investment income received restricted for long-term investment and capital projects	(36,911,634)	(41,603,722)
Contributions for term endowment	(2,911,317)	(2,571,683)
Non-cash contributions	(18,475,912)	(20,489,776)
Non-cash transfers to Kansas State University	12,945,772	2,143,201
Net actuarial (gains) losses on unitrust and annuity obligations	(235,748)	866,358
Loss on disposal of long-lived assets	23,498	30,233
Changes in		
Pledges receivable	2,542,386	(28,706,421)
Receivables from estates	(1,899,603)	1,868,582
Other assets and accrued investment income	(15,525,085)	(384,353)
Accounts payable and accrued liabilities	(835,279)	3,703,487
Assets held for others	1,260,462	1,011,214
	(61,250,372)	(24,017,976)
Investing Activities		
Purchase of investments	(276,954,828)	(235,155,276)
Purchase of real estate investments	(17,774,568)	(25,395,555)
Proceeds from sale of investments	302,172,269	159,490,446
Expenditures for property and equipment	(747,236)	(1,344,765)
Issuance of loans receivable	(7,085,400)	-
Cash surrender value of life insurance policies	(546,795)	23,836
	(936,558)	(102,381,314)
Financing Activities		
Proceeds from contributions and investment income restricted for long-term investment and capital projects	51,685,028	41,603,722
Contributions for term endowment	2,911,317	2,571,683
Proceeds from issuance of long-term debt	9,980,850	33,110,334
Principal payments on long-term debt	(2,394,201)	(1,880,526)
Payments for debt issuance costs	(280,710)	(258,090)
Borrowings under line of credit agreement	10,002	13,452
Repayments under line of credit agreement	(97,545)	(94,155)
Proceeds from issuance of annuities and trusts payable	740,829	1,345,519
Payments on annuities and trusts payable	(1,744,297)	(2,030,692)
	60,811,273	74,381,247
Change in Cash, Cash Equivalents and Cash Restricted for Future Investment	(1,375,657)	(52,018,043)
Cash, Cash Equivalents and Cash Restricted for Future Investment, Beginning of Year	61,855,164	113,873,207
Cash, Cash Equivalents and Cash Restricted for Future Investment, End of Year	\$ 60,479,507	\$ 61,855,164

Kansas State University Foundation
Consolidated Statements of Cash Flows (Continued)
Years Ended June 30, 2024 and 2023

	2024	2023
Supplemental Disclosures of Cash Flows Information		
Cash paid during the year for interest	\$ 3,992,880	\$ 2,407,084
Real estate investments received from estates receivable	-	20,865,219
Real estate investments transferred to lease receivable	7,668,683	-
Cash and cash equivalents	\$ 50,029,183	\$ 51,624,121
Cash restricted for future investment	10,450,324	10,231,043
Total cash, cash equivalents and cash restricted for future investment shown in the consolidated statement of cash flows	\$ 60,479,507	\$ 61,855,164

Kansas State University Foundation
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The purpose of Kansas State University Foundation (the Foundation) is to encourage, receive and hold in trust any real or personal property given for the use of Kansas State University, its faculty and students (the University); and to invest, disburse, manage and control all such gifts in accordance with donor intent and to provide those services to the University which are not or cannot be provided through state appropriations or student fees.

Supporting Organizations and Principles of Consolidation

The Foundation's consolidated financial statements include three supporting organizations, the Kansas State University Golf Course Management and Research Foundation, formed in 1997, the Foundation for Engineering at Kansas State University, Inc., formed in 2009, the Kansas State University Charitable Real Estate Foundation (KSUCREF), formed in 2012, and its wholly-owned subsidiaries, 1880 Kimball, LLC, formed in 2017, 1960 Kimball, LLC, formed in 2023, and Dudrey Cattle Company, obtained in 2023. The financial statements of these organizations have been consolidated with the Foundation's financial statements in accordance with accounting principles generally accepted in the United States of America. All significant inter-organizational accounts and transactions are eliminated in the consolidated financial statements.

Use of Estimates

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

Cash and Cash Equivalents

The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2024 and 2023, cash equivalents consisted primarily of uninsured money market mutual funds totaling \$59,774,981 and \$61,612,686, respectively, and deposits with financial institutions.

At June 30, 2024, the Foundation's cash accounts exceeded federally insured limits by approximately \$2,607,000.

Kansas State University Foundation
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Cash Restricted for Future Investment

Cash restricted for future investment includes assets held in cash at June 30, 2024 and 2023 that are subject to future investment (typically as of July 1) that have donor-imposed restrictions to establish future endowment accounts. Cash restricted for future investments consisted primarily of uninsured money market mutual funds.

Investments and Net Investment Return

Investments in marketable equity securities and all debt securities are carried at fair value. Investments in pooled separate accounts, private capital funds and hedge funds are recorded at the estimated net asset value per share, as a practical expedient, to determine the fair value of the investments. Closely held stock is recorded at fair value as determined by a third-party appraiser hired by the company for which the Foundation holds stock. The Foundation has elected to record other investments consisting primarily of real estate at fair value.

Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the consolidated statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

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

Receivables

The Foundation reports pledges receivable expected to be collected within one year at net realizable value. Pledges expected to be collected in future years are initially reported at fair value determined using the discounted present value of future contributions. The Foundation provides an allowance for doubtful collections, which is based upon a review of outstanding pledge receivables, historical collection information and existing economic conditions. Pledge receivables are considered past due if they are not received by their payment instrument due date. Delinquent pledges are written off based on individual credit evaluation and specific circumstances of the donor.

Receivables from estates are recorded at the time the Foundation is notified of the death of a donor and the amount receivable from the estate can be reasonably measured.

Kansas State University Foundation
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset.

Long-lived Asset Impairment

The Foundation evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairments were recognized during the years ended June 30, 2024 and 2023.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions. The governing board has designated, from net assets without donor or certain grantor restrictions, net assets for an operating reserve and board-designated endowment.

Net assets with donor restrictions are subject to donor or certain grantor restrictions. Some 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 restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as revenue and net assets without donor restrictions.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation.

Kansas State University Foundation
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

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

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor. Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Contributions Establishing Charitable Trusts

The Foundation accepts donor contributions to establish trust agreements in exchange for a named beneficiary to receive a fixed dollar annual return or a specific percentage of the fair value of the trust assets for the beneficiary's lifetime or a specific time period. A portion of the donation is considered to be a charitable contribution and the remaining portion represents a liability equal to the present value of future payments. The liability is revalued annually based on actuarially computed present values.

Income Taxes

The Foundation is generally exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code as a public foundation. However, the Foundation is subject to income tax on any unrelated business income. The Foundation files tax returns in the U.S. federal jurisdiction.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fundraising categories based on various methods.

Operational Service Charges and Management Fees

The Foundation provides services to the University, its colleges and other entities affiliated with the University for which the Foundation is reimbursed. Revenue from these services is recognized by the Foundation as they provide such services at the estimated transaction price or amount that reflects the consideration to which the Foundation expects to be entitled to in exchange for providing services.

Kansas State University Foundation
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Other Support Revenue

Other support revenue, excluding actuarial gains (losses) on unitrusts and annuity obligations, is recognized as the Foundation satisfies performance obligations under its contracts. Revenue is reported at the estimated transaction price or amount that reflects the consideration to which the Foundation expects to be entitled to in exchange for providing services. The Foundation determines the transaction price based on standard charges for services provided, reduced by implicit and explicit price concessions, if any.

Leases

The Foundation determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of right-of-use (ROU) assets and lease liabilities on the consolidated statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Foundation determines lease classification as operating or finance at the lease commencement date. Finance leases are included in other assets and accrued investment income and long-term debt and lines of credit in the consolidated statements of financial position.

At lease commencement, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives.

Note 2: Investments and Investment Return

Investment management is governed by policies and procedures established by the asset management committee, a committee of the board of directors, in collaboration with staff and consultants. Staff implements the policies through: 1) the selection of investment strategies; 2) the hiring, monitoring and changing of investment managers; and 3) rebalancing the portfolios. Investment results are monitored by the committee quarterly through manager and portfolio performance and due diligence reporting.

Private capital and hedge funds are included in the endowment pool to diversify assets, provide portfolio return enhancement and dampen volatility. Hedge fund managers run proprietary strategies employing securities and instruments such as cash, stocks, partnerships, bonds and derivative instruments including options, futures and swaps in various combinations, sometimes shorting various securities and employing leverage to construct desired risk/return characteristics that are less correlated to the major asset classes.

Kansas State University Foundation
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

The Foundation's investments include debt and equity securities for liquidity, donated assets and real estate, as well as a managed portfolio of long-term investments. The Foundation's investments at June 30, 2024 and 2023, were as follows:

	2024		
	Long-term Investment Pool	Other Investments	Total Investments
Marketable equity securities	\$ 163,589,203	\$ 30,614,956	\$ 194,204,159
Pooled separate funds			
Equity securities	273,723,589	-	273,723,589
Fixed income	40,381,886	-	40,381,886
U.S. Government and agency obligations	29,741,700	1,228,371	30,970,071
Corporate bonds and other fixed income securities	-	58,125	58,125
Private capital			
Real estate investments	52,804,079	-	52,804,079
Venture capital	122,365,346	38,584	122,403,930
Domestic private equity	105,464,015	-	105,464,015
International private equity	24,286,242	-	24,286,242
Private capital distressed debt	9,511,371	-	9,511,371
Natural resources	21,121,750	-	21,121,750
Fixed income	35,439,815	-	35,439,815
Hedge funds			
Absolute return	132,123,940	53,166,256	185,290,196
Closely held common stock	-	140,215,231	140,215,231
Real estate held for investment	-	149,438,039	149,438,039
Other securities and investments	-	15,997	15,997
	<u>\$ 1,010,552,936</u>	<u>\$ 374,775,559</u>	<u>\$ 1,385,328,495</u>

Kansas State University Foundation
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

	2023		
	Long-term Investment Pool	Other Investments	Total Investments
Marketable equity securities	\$ 219,499,420	\$ 38,723,982	\$ 258,223,402
Pooled separate funds			
Equity securities	114,174,072	-	114,174,072
Fixed income	92,375,502	-	92,375,502
U.S. Government and agency obligations	24,788,500	11,145,517	35,934,017
Corporate bonds and other fixed income securities	-	57,329	57,329
Private capital			
Real estate investments	72,014,354	-	72,014,354
Venture capital	127,509,959	66,757	127,576,716
Domestic private equity	104,841,360	-	104,841,360
International private equity	16,155,103	-	16,155,103
Private capital distressed debt	9,743,789	-	9,743,789
Natural resources	18,119,537	-	18,119,537
Fixed income	15,604,465	-	15,604,465
Hedge funds			
Absolute return	101,787,742	40,445,457	142,233,199
Long/short equity	36,510,956	-	36,510,956
Closely held common stock	-	128,211,787	128,211,787
Real estate held for investment	-	135,074,304	135,074,304
Other securities and investments	-	16,019	16,019
	<u>\$ 953,124,759</u>	<u>\$ 353,741,152</u>	<u>\$ 1,306,865,911</u>

The Foundation’s long-term investment pool (LTIP) strives to achieve long term capital appreciation and consistent income by utilizing a “total return investment strategy.” Distributions from the long-term investment pool are calculated annually using a 12 quarter unit value average multiplied by the distribution rate set by the board of directors. This action creates a distribution smoothing and is consistent with the board of directors’ long-term strategic plans and attempts to treat all generations equitably and protect future purchasing power. Distribution rate for the years ended June 30, 2024 and 2023 were 4.3%.

Investment managers’ fees totaled approximately \$18,572,000 and \$9,759,200 for the years ended June 30, 2024 and 2023, respectively.

Kansas State University Foundation
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Note 3: Disclosures About Fair Value of Assets and Liabilities

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

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Kansas State University Foundation
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Recurring Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2024 and 2023:

	Fair Value	2024 Fair Value Measurements Using			Investments Measured at NAV ^(A)
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets					
Cash and Cash Equivalents					
Money market mutual funds	\$ 59,774,982	\$ 59,774,982	\$ -	\$ -	\$ -
Investments					
Marketable equity securities	194,204,159	194,204,159	-	-	-
Pooled separate funds					
Equity securities					
measured at net asset value (A)	273,723,589	-	-	-	273,723,589
Fixed income					
measured at net asset value (A)	40,381,886	-	-	-	40,381,886
U.S. Government and agency obligations	30,970,071	-	30,970,071	-	-
Corporate bonds and other fixed income securities	58,125	-	58,125	-	-
Private capital					
Real estate investments					
measured at net asset value (A)	52,804,079	-	-	-	52,804,079
Venture capital					
measured at net asset value (A)	122,403,930	-	-	-	122,403,930
Domestic private equity					
measured at net asset value (A)	105,464,015	-	-	-	105,464,015
International private equity					
measured at net asset value (A)	24,286,242	-	-	-	24,286,242
Private capital distressed debt					
measured at net asset value (A)	9,511,371	-	-	-	9,511,371
Natural resources					
measured at net asset value (A)	21,121,750	-	-	-	21,121,750
Fixed income					
measured at net asset value (A)	35,439,815	-	-	-	35,439,815
Hedge funds					
Absolute return					
measured at net asset value (A)	185,290,196	-	-	-	185,290,196
Closely held common stock	140,215,231	-	-	140,215,231	-
Real estate held for investment	149,438,039	-	-	149,438,039	-
Other securities and investments					
measured at net asset value (A)	15,997	-	-	-	15,997
Total assets	<u>\$ 1,445,103,477</u>	<u>\$ 253,979,141</u>	<u>\$ 31,028,196</u>	<u>\$ 289,653,270</u>	<u>\$ 870,442,870</u>
Liabilities					
Unitrust and annuity liabilities	<u>\$ 17,576,233</u>	<u>\$ -</u>	<u>\$ 17,576,233</u>	<u>\$ -</u>	<u>\$ -</u>

Kansas State University Foundation
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

	2023				
	Fair Value	Fair Value Measurements Using			Investments Measured at NAV ^(A)
Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Assets					
Cash and Cash Equivalents					
Money market mutual funds	\$ 61,612,688	\$ 61,612,688	\$ -	\$ -	\$ -
Investments					
Marketable equity securities	258,223,402	258,223,402	-	-	-
Pooled separate funds					
Equity securities					
measured at net asset value (A)	114,174,072	-	-	-	114,174,072
Fixed income					
measured at net asset value (A)	92,375,502	-	-	-	92,375,502
U.S. Government and agency obligations	35,934,017	-	35,934,017	-	-
Corporate bonds and other fixed income securities	57,329	-	57,329	-	-
Private capital					
Real estate investments					
measured at net asset value (A)	72,014,354	-	-	-	72,014,354
Venture capital					
measured at net asset value (A)	127,576,716	-	-	-	127,576,716
Domestic private equity					
measured at net asset value (A)	104,841,360	-	-	-	104,841,360
International private equity					
measured at net asset value (A)	16,155,103	-	-	-	16,155,103
Private capital distressed debt					
measured at net asset value (A)	9,743,789	-	-	-	9,743,789
Natural resources					
measured at net asset value (A)	18,119,537	-	-	-	18,119,537
Futures					
measured at net asset value (A)	15,604,465	-	-	-	15,604,465
Hedge funds					
Absolute return					
measured at net asset value (A)	142,233,199	-	-	-	142,233,199
Long/short equity					
measured at net asset value (A)	36,510,956	-	-	-	36,510,956
Closely held common stock	128,211,787	-	-	128,211,787	-
Real estate held for investment	135,074,304	-	-	135,074,304	-
Other securities and investments					
measured at net asset value (A)	16,019	-	-	-	16,019
Total assets	<u>\$ 1,368,478,599</u>	<u>\$ 319,836,090</u>	<u>\$ 35,991,346</u>	<u>\$ 263,286,091</u>	<u>\$ 749,365,072</u>
Liabilities					
Unitrust and annuity liabilities	<u>\$ 23,204,218</u>	<u>\$ -</u>	<u>\$ 23,204,218</u>	<u>\$ -</u>	<u>\$ -</u>

(A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

Kansas State University Foundation
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2024. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Investments

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

Unitrust and Annuity Liabilities

The fair value is estimated using forward-looking interest rate curves and discounted cash flows that are observable or can be corroborated by observable market data and, therefore, are classified within Level 2 of the hierarchy.

Kansas State University Foundation
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Alternative Investments

Investments in certain entities measured at fair value using the net asset value per share as a practical expedient consist of the following at June 30, 2024 and 2023:

	June 30, 2024			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Pooled separate funds (A)				
Equity securities	\$ 273,723,589	\$ -	Monthly	5-45 days
Fixed income securities	40,381,886	-	Monthly	5-45 days
Private capital (B)				
Real estate investments	52,804,079	4,187,465	None	None
Venture capital	122,403,930	32,109,029	None	None
Domestic private equity	105,464,015	54,240,152	None	None
International private equity	24,286,242	12,212,208	None	None
Private capital distressed debt - Illiquid	9,511,371	3,976,400	None	None
Natural resources	21,121,750	28,172,367	None	None
Fixed income	35,439,815	23,280,560	None	None
Hedge funds				
Absolute return (C)	185,290,196	-	None to Annually	3-90 days

Kansas State University Foundation
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

	June 30, 2023			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Pooled separate funds (A)				
Equity securities	\$ 114,174,072	\$ -	Monthly	5-45 days
Fixed income securities	92,375,502	-	Monthly	5-45 days
Private capital (B)				
Real estate investments	72,014,354	5,279,612	None	None
Venture capital	127,576,716	36,586,954	None	None
Domestic private equity	104,841,360	54,088,858	None	None
International private equity	16,155,103	18,234,145	None	None
Private capital distressed debt - Illiquid	9,743,789	14,466,000	None	None
Natural resources	18,119,537	9,464,378	None	None
Fixed income	15,604,465	50,367,066	None	None
Hedge funds				
Absolute return (C)	142,233,199	-	None to Annually	3-90 days
Long/short equity (D)	36,510,956	-	None to Annually	60 days

- (A) This category includes investments in pooled separate accounts which hold exchange-traded equity securities and fixed income securities. While the underlying securities in these accounts are primarily highly liquid, exchange-traded securities, the nature of this type of account generally only allows for monthly liquidity at a month end net asset value.
- (B) This category includes investments in private equity and venture capital that invest primarily in domestic and international private companies. Private capital funds are structured as closed-end, commitment-based investment funds where a specified amount of capital is committed upon inception of the fund which is then drawn down over a period of three to five years, and distributions are received through the liquidation of underlying assets of the fund. The typical term of these investments is 12-15 years. Such funds generally do not provide redemption options for investors.
- (C) This category includes investments in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The funds' composite portfolio includes investments in U.S. common stocks, global real estate projects and arbitrage investments. Certain funds may have the ability to impose a suspension or postponement of redemptions until further notice (a "Gate"). In addition, certain funds may delay payment of a portion of redemption proceeds (a "Holdback") until the annual audited financial statements are distributed.

Kansas State University Foundation
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

- (D) This category includes investments in hedge funds that take both long and short positions, primarily in U.S. common stocks. Management of the funds has the ability to shift investments among differing investment strategies. Certain funds may have the ability to impose a suspension or postponement of redemptions until further notice (a “Gate”). In addition, certain funds may delay payment of a portion of redemption proceeds (a “Holdback”) until the annual audited financial statements are distributed.

In addition to the funding commitments identified above, the Foundation was committed to invest in new alternative investments with committed capital of approximately \$45,000,000 as of June 30, 2024.

Level 3 Reconciliation

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

	Asset (Closely Held Common Stock)	Asset (Real Estate Held for Investment)	Total
Balance, July 1, 2022	\$ 131,902,750	\$ 77,247,180	\$ 209,149,930
Total realized and unrealized gains (losses) included in change in net assets	(10,727,263)	6,475,403	(4,251,860)
Purchases/donations	8,286,500	53,535,202	61,821,702
Sales/redemptions	(1,250,200)	(2,183,481)	(3,433,681)
Balance, June 30, 2023	128,211,787	135,074,304	263,286,091
Total realized and unrealized gains included in change in net assets	13,504,156	7,002,912	20,507,068
Purchases/donations	-	20,977,881	20,977,881
Sales/redemptions	(1,500,712)	(13,617,058)	(15,117,770)
Balance, June 30, 2024	<u>\$ 140,215,231</u>	<u>\$ 149,438,039</u>	<u>\$ 289,653,270</u>

Kansas State University Foundation
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Realized and unrealized gains and losses for items reflected in the table above are included in change in net assets in the consolidated statements of activities as follows:

	2024	2023
Total realized gains	\$ 3,741,108	\$ 935,309
Change in unrealized gains (losses) relating to assets still held at the statement of financial position date	16,765,960	(5,187,169)

Unobservable (Level 3) Inputs

The following table presents quantitative information about unobservable inputs used in recurring Level 3 fair value measurements.

	Fair Value	Valuation Technique	Unobservable Inputs
<u>June 30, 2024</u>			
Closely held common stock	\$ 140,215,231	Capitalization of Cash Flow	Risk free rate - 4.2% WACC - 14.2% Long-term growth - 2.3%
		Market approach	
		Guideline Company Method	Lack of marketability discount - 32%
		Private Transaction Method	Minority interest discount - 19.1%
Real estate held for investment	149,438,039	Sales Comparison	Property sales of like properties Comparative advantages and deficiencies
		Property tax appraisals	Values determined by local county Appraisal reports from third-party provider
<u>June 30, 2023</u>			
Closely held common stock	\$ 128,211,787	Capitalization of Cash Flow	Risk free rate - 3.9% WACC - 14.1% Long-term growth - 2.3%
		Market approach	
		Guideline Company Method	Lack of marketability discount - 32%
		Private Transaction Method	Minority interest discount - 19.1%
Real estate held for investment	135,074,304	Sales Comparison	Property sales of like properties Comparative advantages and deficiencies
		Property tax appraisals	Values determined by local county Appraisal reports from third-party provider

Uncertainty of Fair Value Measurements

The following is a description of the uncertainty of the fair value measurement at the reporting date from the use of significant unobservable inputs, if those inputs reasonably could have been different at the reporting date.

Kansas State University Foundation
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Closely Held Common Stock

The significant unobservable inputs used in the fair value measurement of the Foundation's investment in closely held common stock are the discount rates used in the income and market valuation methodologies. Significant increases (decreases) in any of those inputs in isolation would result in a significantly lower (higher) fair value measurement at the reporting date.

Real Estate

The significant unobservable inputs used in the fair value measurement of the Foundation's real estate investments are the comparable sales and third-party appraisals. Significant increases (decreases) in any of those inputs in isolation would result in a significantly lower (higher) fair value measurement at the reporting date.

Note 4: Endowment

The Foundation's endowment consists of approximately 4,600 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's governing body has interpreted the *State of Kansas Uniform Prudent Management of Institutional Funds Act* (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The governing body of the Foundation has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation

Kansas State University Foundation
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Foundation
7. Investment policies of the Foundation

The composition of net assets by type of endowment fund, excluding associated liabilities under split-interest agreements, at June 30, 2024 and 2023, was as follows:

	2024		Total
	Without Donor Restrictions	With Donor Restrictions	
Board-designated endowment funds			
Board designated	\$ 23,081,130	\$ -	\$ 23,081,130
Board policy to address underwater endowments	39,172,257	-	39,172,257
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	638,867,570	638,867,570
Accumulated investment gains	-	174,845,613	174,845,613
Term endowments	-	108,182,543	108,182,543
	<u>\$ 62,253,387</u>	<u>\$ 921,895,726</u>	<u>\$ 984,149,113</u>
	2023		Total
	Without Donor Restrictions	With Donor Restrictions	
Board-designated endowment funds			
Board designated	\$ 22,356,416	\$ -	\$ 22,356,416
Board policy to address underwater endowments	39,173,082	-	39,173,082
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	610,007,507	610,007,507
Accumulated investment gains	-	160,127,379	160,127,379
Term endowments	-	102,744,906	102,744,906
	<u>\$ 61,529,498</u>	<u>\$ 872,879,792</u>	<u>\$ 934,409,290</u>

Kansas State University Foundation
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

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

	2024		Total
	Without Donor Restrictions	With Donor Restrictions	
Endowment net assets - Beginning of year	\$ 61,529,498	\$ 872,879,792	\$ 934,409,290
Investment return, net	459,552	55,019,400	55,478,952
Contributions and collections on pledges and estates	265,978	27,929,177	28,195,155
Appropriation of endowment assets for expenditure and change in donor designation	<u>(1,641)</u>	<u>(33,932,643)</u>	<u>(33,934,284)</u>
Endowment net assets - End of year	<u>\$ 62,253,387</u>	<u>\$ 921,895,726</u>	<u>\$ 984,149,113</u>
	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 66,152,194	\$ 810,841,013	\$ 876,993,207
Investment return (loss), net	(1,317,476)	22,239,560	20,922,084
Contributions and collections on pledges and estates	1,028,473	65,019,978	66,048,451
Appropriation of endowment assets for expenditure and change in donor designation	<u>(4,333,693)</u>	<u>(25,220,759)</u>	<u>(29,554,452)</u>
Endowment net assets - End of year	<u>\$ 61,529,498</u>	<u>\$ 872,879,792</u>	<u>\$ 934,409,290</u>

Investment and Spending Policies

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Foundation must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds, charitable gift annuities, endowed charitable gifts of real estate and endowed unitrusts held by the Foundation.

Kansas State University Foundation

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Foundation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints. For the fiscal years ended June 30, 2024 and 2023, the total return of the Endowment Pool was 8.82% and 1.76%, respectively.

The Foundation's board of directors determines the Endowment Pool's percentage distribution of total return to the participating funds. The distributions approved by the board of directors are:

1. A distribution to purpose, annually using 12 quarter unit value average multiplied by the distribution rate set by the board of directors. This action creates a distribution smoothing and is consistent with the board of directors' long-term strategic plan to protect future purchasing power.
2. Distribution rates for the years ended June 30, 2024 and 2023 were 4.3%.
3. The balance of the total return remains in the participating funds.

Term endowed accounts are invested in the same manner as endowed accounts and share the same endowment pool operating costs. They differ from endowed accounts in that quasi-endowment distributions may utilize the donor's gift and earnings/investment growth to make the distribution to purpose and the distribution rate is specific to the donor memo of understanding.

A donor to a term endowment account may choose from three distribution options:

1. Fixed dollar option pays distributions in multiples of \$500; or
2. Fixed percentage option pays distributions of 4%, 5%, 6% or 8% of market value annually; or
3. Situational option pays distributions of 50% or 100% of tuition and fees for the number of hours taken by an average full-time student.

Term endowed accounts are to be established at a financial amount expected to last for 10 years or more.

Underwater Endowments

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Foundation is required to retain as a fund of perpetual duration pursuant to donor stipulation or UPMIFA. At June 30, 2024, funds with original gift values of \$8,719,445, fair values of \$8,594,852 and deficiencies of \$124,593 were reported in net assets with donor restrictions. At June 30, 2023, funds with original gift values of \$47,515,598, fair values of \$46,633,792 and deficiencies of \$881,806 were reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after investment of new restricted contributions and continued appropriation for certain purposes that was deemed prudent by the governing body.

The Foundation's policy regarding distributions on underwater funds will not allow distributions on funds more than 15% underwater.

Kansas State University Foundation
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

For funds that are underwater 0% - 7.5%, the full distribution as a participating account will be made; for funds 7.51% to 15%, it will be a 50% distribution of the amount of a participating account.

Note 5: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2024 and 2023, comprise the following:

	2024	2023
Cash and cash equivalents	\$ 26,854,187	\$ 21,506,624
Accounts receivable	3,244,872	547,055
Appropriations from endowments	450,641	661,474
	\$ 30,549,700	\$ 22,715,153

The Foundation receives significant contributions restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. For the years ended June 30, 2024 and 2023, restricted contributions of \$881,902 and \$870,907, respectively, were included in financial assets available to meet cash needs for general expenditures within one year.

The Foundation’s endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

At June 30, 2024 and 2023, the board-designated endowments of approximately \$23,081,000 and \$22,356,000, respectively, which are utilized for general operations are subject to an annual spending rate as described in *Note 4*. Although the Foundation does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the board’s annual budget approval and appropriation), these amounts could be made available if necessary.

The Foundation manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Foundation bases financial reserves targets on projected deficiencies in income streams due to market downturns or delays in payments. In addition to available financial assets, the Foundation operates with a balanced budget and anticipates collecting sufficient revenue to cover all general expenditures. The Foundation has a line of credit agreement with a third-party lender available for general corporate purposes. Under

Kansas State University Foundation
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

the terms of the line of credit agreement, the Foundation can borrow a maximum of \$10 million. There were no borrowings against the line at June 30, 2024 and 2023 (see *Note 13*). During the years ended June 30, 2024 and 2023, the level of liquidity and reserves was managed within the policy requirements.

Note 6: Asset Holdings

The Foundation has a general policy of investing assets to maximize rates of return, consistent with sound and safe business principles. The Foundation also holds certain assets for the benefit of Kansas State University which do not provide a market rate of return on funds invested. Some examples of these investments and other direct benefits provided to the University include:

University Real Estate Fund – Certain real estate holdings vital to the mission of the University were purchased and are held for current and potential University use.

Smith Scholarship House – The Foundation has provided the building rent-free in order to maintain the House in operation for the benefit of the students.

Holiday Inn (formerly Ramada Inn) – The hotel located adjacent to the University was built on land acquired by the Foundation to meet the needs of public lodging and service facilities close to the University.

Faculty and Accommodation Loans – The Foundation provides faculty loans at favorable interest rates to University faculty and staff to enable them to conduct business travel pending reimbursement from the University. Noninterest-bearing accommodation loans are available to faculty and staff when their salary payment cannot be processed by the University by payday.

Total real estate held for investment for the benefit of Kansas State University at June 30, 2024 and 2023 was \$149,438,039 and \$135,074,304, respectively (see *Note 2*).

Kansas State University Foundation
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Note 7: Pledges Receivable

Pledges receivable consisted of the following at June 30, 2024 and 2023:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Due in less than one year	\$ -	\$ 45,373,119	\$ 45,373,119
Due in one to five years	-	98,340,520	98,340,520
Due thereafter	-	7,968,976	7,968,976
	-	<u>151,682,615</u>	<u>151,682,615</u>
Less			
Allowance for uncollectible contributions	-	5,237,669	5,237,669
Unamortized discount	-	20,196,688	20,196,688
	-	<u>\$ 126,248,258</u>	<u>\$ 126,248,258</u>
	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Due in less than one year	\$ -	\$ 38,828,144	\$ 38,828,144
Due in one to five years	-	116,505,870	116,505,870
Due thereafter	-	13,799,680	13,799,680
	-	<u>169,133,694</u>	<u>169,133,694</u>
Less			
Allowance for uncollectible contributions	-	1,754,622	1,754,622
Unamortized discount	-	23,815,034	23,815,034
	-	<u>\$ 143,564,038</u>	<u>\$ 143,564,038</u>

Discount rate used on pledges receivable ranged from 3.25% to 8.75% at June 30, 2024 and ranged from 3.25% to 8.25% at June 30, 2023.

Approximately 19% and 20% of pledges receivable were due from one donor at June 30, 2024 and 2023, respectively.

Approximately \$55,649,000 and \$58,485,000 of pledges receivable were due from related parties such as members of the board of directors and trustees, employees of the Foundation and University affiliated organizations and colleges, as of June 30, 2024 and 2023, respectively.

Kansas State University Foundation
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Note 8: Property and Equipment

Property and equipment at June 30, 2024 and 2023, consisted of:

	<u>2024</u>	<u>2023</u>
Buildings and improvements	\$ 14,208,333	\$ 14,216,708
Furniture and equipment	4,954,257	4,773,361
Land	415,996	415,996
Other	123,734	98,029
	<u>19,702,320</u>	<u>19,504,094</u>
Less accumulated depreciation and amortization	<u>(6,664,966)</u>	<u>(6,123,234)</u>
	<u><u>\$ 13,037,354</u></u>	<u><u>\$ 13,380,860</u></u>

Golf Course assets are reported net of accumulated depreciation on the Foundation's consolidated financial statements. Property and equipment for the Golf Course consist of:

	<u>2024</u>	<u>2023</u>
Land and land improvements	\$ 3,834,604	\$ 3,834,604
Buildings and improvements	7,388,245	7,387,495
Other	2,893,296	2,768,344
	<u>14,116,145</u>	<u>13,990,443</u>
Less accumulated depreciation and amortization	<u>(6,543,737)</u>	<u>(6,055,329)</u>
	<u><u>\$ 7,572,408</u></u>	<u><u>\$ 7,935,114</u></u>

Kansas State University Foundation
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Note 9: Net Assets

Net Assets With Donor Restrictions

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

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specific purpose		
Excellence and programs	\$ 204,542,829	\$ 189,036,587
Student enhancement	49,516,402	37,155,739
Facility enhancement	45,072,020	32,432,779
Faculty enhancement	11,309,019	10,563,558
 Promises to give and other receivables restricted by donors for		
Excellence and programs	20,402,970	24,032,950
Student enhancement	19,738,359	22,210,270
Facility enhancement	60,695,212	69,014,049
Faculty enhancement	1,223,801	1,052,371
	<u>412,500,612</u>	<u>385,498,303</u>
 Subject to the passage of time		
Charitable trusts and gift annuities	<u>1,941,559</u>	<u>1,669,411</u>
 Real estate held for use	<u>12,582,409</u>	<u>12,018,585</u>
	<u>427,024,580</u>	<u>399,186,299</u>

Kansas State University Foundation
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Endowments		
Subject to appropriation and expenditure when a specific event occurs		
Excellence and programs	\$ 45,223,677	\$ 44,810,452
Student enhancement	43,646,918	43,578,831
Facility enhancement	4,878,946	4,561,809
Faculty enhancement	4,218,425	4,062,589
	<u>97,967,966</u>	<u>97,013,681</u>
Promises to give and other receivables subject to expenditure when a specific event occurs	<u>872,267</u>	<u>379,467</u>
Real estate held for specific event or appropriation	<u>9,636,387</u>	<u>3,681,400</u>
Trust assets to be held subject to appropriation when realized	<u>1,183,975</u>	<u>908,062</u>
	<u>109,660,595</u>	<u>101,982,610</u>
Subject to endowment spending policy and appropriation		
Excellence and programs	180,708,130	164,950,977
Student enhancement	410,121,178	387,273,375
Facility enhancement	8,994,238	7,688,005
Faculty enhancement	134,586,040	127,065,138
	<u>734,409,586</u>	<u>686,977,495</u>
Promises to give and other receivables to be held in perpetuity	<u>35,763,518</u>	<u>36,824,222</u>
Real estate to be held in perpetuity	<u>57,597,103</u>	<u>55,355,469</u>
Trust assets to be held in perpetuity	<u>16,713,282</u>	<u>15,780,759</u>
Total net assets with donor restrictions	<u>\$ 1,381,168,664</u>	<u>\$ 1,296,106,854</u>

Kansas State University Foundation
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Net Assets Without Donor Restrictions

Net assets without donor restrictions at June 30, 2024 and 2023 have been designated for the following purposes:

	<u>2024</u>	<u>2023</u>
Undesignated	\$ 51,505,016	\$ 53,138,483
Designated by the Board for operating reserve	9,723,217	6,703,594
Designated by the Board for endowment	54,764,977	50,566,059
Investment in real property, property and equipment, net, designated for endowment	<u>15,097,525</u>	<u>11,330,159</u>
	<u>\$ 131,090,735</u>	<u>\$ 121,738,295</u>

Net Assets Released from Restrictions

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

	<u>2024</u>	<u>2023</u>
Expiration of time restrictions	\$ 5,970,441	\$ 4,948,460
Satisfaction or purpose restrictions		
Student enhancement	6,454,964	6,648,708
Excellence and programs	9,151,925	7,889,588
Faculty enhancement	58,915,610	45,774,211
Facility enhancement	2,945,725	9,285,865
Other support	<u>113,387</u>	<u>105,339</u>
	<u>77,581,611</u>	<u>69,703,711</u>
Restricted-purpose spending-rate distributions and appropriations		
Student enhancement	15,404,167	13,417,590
Excellence and programs	5,680,727	6,953,035
Faculty enhancement	4,650,486	3,702,384
Facility enhancement	<u>198,219</u>	<u>75,741</u>
	<u>25,933,599</u>	<u>24,148,750</u>
	<u>\$ 109,485,651</u>	<u>\$ 98,800,921</u>

Kansas State University Foundation
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Note 10: Unitrust and Annuity Liabilities

Gift Annuities

The Foundation has been the recipient of gift annuities which require future payments to the donor or their named beneficiaries. Beneficiary annuity rates typically follow the guidelines recommended by the American Council on Gift Annuities and range from 4.0% to 11.5%. The assets received from donors are recorded at fair value of approximately \$8,973,000 and \$8,540,000 as of June 30, 2024 and 2023, respectively. The Foundation has recorded a liability at June 30, 2024 and 2023, totaling \$8,119,806 and \$7,555,829, respectively, which represents the present value of the future annuity obligations. The liability has been determined using a discount rate of 5.6% and 4.2% in 2024 and 2023, respectively.

Charitable Remainder Trust

The Foundation administers various charitable remainder trusts. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime or a specific time period). At the end of the trust's term, the remaining assets are available for the Foundation's use. The portion of the trust attributable to the future interest of the Foundation is recorded in the consolidated statements of activities as contributions with donor restrictions as designated by the donor, in the period the trust is established. Assets held in charitable remainder trusts are recorded at fair value of approximately \$31,934,000 and \$40,157,000 as of June 30, 2024 and 2023, respectively, and are included in investments in the Foundation's consolidated statements of financial position. On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments is calculated using a discount rate of 5.6% and 4.2% in 2024 and 2023, respectively, as well as applicable mortality tables, and amounted to \$9,456,427 and \$15,648,389 at June 30, 2024 and 2023, respectively.

Note 11: Employee Benefit Plan

The Foundation's board of directors has established the Kansas State University Foundation Defined Contribution Retirement Plan (the Plan). The Plan provides for a mandatory employer matching contribution of 10.0% for the years ended June 30, 2024 and 2023. Employees are fully vested when plan contributions are made. Employer contributions paid by the Foundation were \$1,456,082 and \$1,353,399 for the years ended June 30, 2024 and 2023, respectively.

The Plan requires mandatory employee participation at time of hire with a minimum contribution of 5.5%.

Kansas State University Foundation
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Note 12: New Market Tax Credit Financing

During 2018, the Foundation and its newly formed subsidiary 1880 Kimball, LLC began participation in a New Market Tax Credit (NMTC) program. NMTC programs were established as part of the *Community Renewal Tax Relief Act* of 2000. The goal of the NMTC programs is to spur revitalization efforts of low-income and impoverished communities across the United States and its Territories by providing tax credit incentives to investors in certain community development entities. The tax credit for investors equals 39% of the investment, and investors receive the tax credit over a seven year period. A community development entity (CDE) is required to participate and has the primary mission of providing the financing for revitalization project in low-income communities.

NMTC financing allows entities such as the Foundation to receive low-interest loans or investment capital from CDEs, primarily financial institutions, which will allow their investors to receive tax credits. As a result of participation in the NMTC program, the Foundation obtained \$14,650,000 of financing for the construction and outfitting of a new office building that was completed and placed in operations in 2019.

The Foundation's NMTC program was formed based on the following series of transactions:

- USBCDC Investment Fund 199, LLC (Fund 199) was formed in March 2017 with \$5.031 million of equity in the form of NMTCs infused by U.S. Bancorp Community Development Corporation (USBCDC).
- KSUCREF obtained a \$9.097 million loan from a bank (see *Note 13*). The Foundation also provided \$1.3 million in cash to KSUCREF. \$10.374 million in net proceeds were in turn loaned to Fund 199 by KSUCREF, which is recorded as a note receivable in the consolidated statements of financial position.
- The Foundation formed a wholly owned subsidiary, 1880 Kimball, LLC, which was the qualified active low-income community business (QALICB) established to hold the land and building development project.
- Fund 199 invested \$15.0 million in its 99.99% owned qualified low-income community investment subsidiaries (sub-CDEs) for purposes of making a qualified low-income community investment loan (QLICI) to QALICB.
- Two Community Development Entities owned the remaining 0.01% of sub-CDE and committed to providing financing to QALICB in the form of loans totaling \$14.65 million (the "CDE loans") in exchange for the tax credits.

1880 Kimball also obtained a direct loan with a bank to provide additional construction lending, if necessary. As of June 30, 2024 and 2023, the balance drawn on the construction note was \$353,104 and \$370,612, respectively.

The Foundation has entered into lease arrangements with third party entities to occupy the building. The rental payments received by 1880 Kimball will be used to fund the debt service payments.

Kansas State University Foundation
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

During 2024, the Foundation and its newly formed subsidiary, 1960 Kimball, LLC, began participation in a New Market Tax Credit (NMTC) program.

As a result of participation in the NMTC program, the Foundation obtained \$9,800,000 of financing for the construction and outfitting of a new office building that will be completed and placed in operations in fiscal year 2025.

The Foundation's NMTC program was formed based on the following series of transactions:

- Twain Investment Fund 349, LLC was formed in July 2023 with \$3.120 million of equity in the form of NMTCs infused by U.S. Bancorp Community Development Corporation (USBDCD).
- The Foundation provided \$7.085 million in cash to KSUCREF. \$7.085 million in net proceeds were in turn loaned to Twain Investment Fund 349 by KSUCREF, which is recorded as a note receivable in the consolidated statements of financial position.
- The Foundation formed a wholly owned subsidiary, 1960 Kimball, LLC, which was the qualified active low-income community business (QALICB) established to hold the land and building development project.
- Twain Investment Fund 349 invested \$10 million in its 99.99% owned qualified low-income community investment subsidiary (sub-CDE) for purpose of making a qualified low income community investment loan (QLICI) to QALICB.
- One Community Development Entity owned the remaining 0.01% of sub-CDE and committed to providing financing to QALICB in the form of loans totaling \$9.8 million (the "CDE" loan) in exchange for the tax credits.

The Foundation has entered into lease arrangements with third party entities to occupy the building. The rental payments received by 1960 Kimball will be used to fund the debt service payments.

Kansas State University Foundation
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Note 13: Long-term Debt

	2024	2023
Kansas State Revenue Bonds (A)	\$ 23,745,130	\$ 24,605,916
KSUGCMRF Notes Payable, Various Financiers (B)	1,328,913	1,399,706
Finance Equipment Leases, Various Financiers (C)	130,439	63,912
Lines of Credit, Various Financiers (D)	645,833	1,510,776
KSUCREF Note Payable, Various Financiers (E)	16,690,806	17,022,480
1880 Kimball Notes Payable, Various Financiers (F)	14,650,000	14,650,000
Other Notes Payable, Various Financiers (G)	4,543,479	4,818,490
Notes Payable (H)	24,215,337	24,215,337
1960 Kimball Notes Payable (I)	9,800,000	-
	95,749,937	88,286,617
Less unamortized debt issuance costs	(1,125,286)	(1,034,085)
	\$ 94,624,651	\$ 87,252,532

The Foundation undertakes real estate transactions that further the mission of Kansas State University. At no time do any of these transactions utilize donor gifts to meet debt or operating obligations.

(A) On September 12, 2013, the Foundation acquired financing, via Series 2013D Revenue Bonds, totaling \$9,035,000. The bonds were issued to fund construction of the new Department of Agriculture headquarters on Foundation owned property in the Kansas State University Research Park. The Foundation's obligation to make payments under the loan agreement is limited to the lease amounts received from the Department of Agriculture pursuant to an Assignment of Leases and Rents between the Foundation and the Bond Trustee. Lease payments are subject and dependent upon appropriations being made by the Kansas Legislature for such purpose. Coupon rates range from 2% to 5% with scheduled semi-annual payments beginning April 1, 2014 through October 1, 2033. Unamortized debt issuance costs were \$142,519 and \$156,770 at June 30, 2024 and 2023, respectively.

On August 1, 2019, the Foundation acquired financing, via Series 2019A Revenue Bonds, totaling \$8,765,000. The bonds were issued to fund construction of the new Department of Agriculture Laboratory on Foundation owned property in the Kansas State University Research Park. The Foundation's obligation to make payments under the loan agreement is limited to the lease amounts received from the Department of Agriculture pursuant to an Assignment of Leases and Rents between the Foundation and the Bond Trustee. Coupon rates range from 2.0% to 3.0% with scheduled annual payments beginning October 1, 2021 through October 1, 2049. Unamortized debt issuance costs were \$228,886 and \$237,689 at June 30, 2024 and 2023, respectively.

Kansas State University Foundation
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

On March 15, 2022, the Foundation acquired financing, via Series 2022A Revenue Bonds, totaling \$9,480,000. The bonds were issued to fund construction of the new Kansas State University Aerospace and Technology Campus Housing Project. The Foundation's obligation to make payments under the loan agreement is limited to the lease amounts received from Kansas State University pursuant to an agreement between the KSU Real Estate Fund, LLC and Kansas State University. Coupon rates range from 1.5% to 5.0% with scheduled annual payments to begin May 1, 2024 through May 1, 2053. Unamortized debt issuances costs were \$285,147 and \$295,079 at June 30, 2024 and 2023, respectively.

- (B) On March 27, 2020, the Foundation obtained a line of credit. The line of credit had a balance drawn of \$112,398 and \$132,080 at June 30, 2024 and 2023, respectively. Interest varies with the *Wall Street Journal* Prime Rate plus 0.5%. On March 9, 2022, the Foundation modified this agreement with the line now due on demand. All other terms remained substantially the same.

On March 9, 2022, KSUGCMRF obtained a note payable. On September 15, 2022, the note payable was amended with a maturity date of September 15, 2042 at a 3.5% interest rate. There was \$1,216,515 and \$1,267,626 outstanding on the note at June 30, 2024 and 2023, respectively.

- (C) Lease expired February 2024 with required quarterly payments of \$14,810 at an imputed rate of 6.14%. Lease expiring March 2026 with required quarterly payments of \$8,290 at an imputed rate of 1.8125%. Lease expiring January 2026 with required monthly payments of \$1,171 at an imputed rate of 0.428%.
- (D) The Foundation has a \$4,000,000 revolving bank line of credit expiring in October 2024. There was \$88,233 and \$175,776 borrowed against the line at June 30, 2024 and 2023, respectively. The line is collateralized by certain real property assets of the Foundation. Interest varies with the Prime Rate, minus 1.25%.

The Foundation also has a \$10,000,000 revolving bank line of credit expiring in December 2028. There were no borrowings against the line at June 30, 2024 and 2023. The line is collateralized by certain real property assets of the Foundation. The interest rate is variable based on the one-month SOFR rate, plus 1.15%.

The Foundation has a \$3,185,000 revolving bank line of credit expiring in June 2026. There was \$557,600 and \$1,335,000 borrowed against the line at June 30, 2024 and 2023, respectively. Interest varies with the one-month SOFR rate, plus 1.45%. Unamortized debt issuance costs were \$956 and \$1,911 at June 30, 2024 and 2023, respectively.

Kansas State University Foundation
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

- (E) Due in July 2024; monthly interest-only payments beginning August 2017 through July 2020; monthly repayments of \$55,605 beginning in August 2020 through maturity with remaining principal and interest due upon maturity. Interest rate is set at a fixed rate of 4.10%. Loan is secured by certain assets and property of KSUCREF, as defined. Issued as part of the new market tax credit agreement (see *Note 12*). Borrowings on this note were \$7,870,806 and \$8,202,480 at June 30, 2024 and 2023, respectively. Unamortized debt issuance costs were \$0 and \$3,249 at June 30, 2024 and 2023, respectively.

On January 20, 2023, the Foundation obtained a note payable with maturity on January 20, 2026 with a fixed interest rate at 5.89%. Repayment of the note and any accrued but unpaid interest is payable on January 20, 2026. Borrowings on this note were \$8,820,000 at June 30, 2024 and 2023. Unamortized debt issuance costs were \$850 and \$1,275 at June 30, 2024 and 2023, respectively.

- (F) Due in July 2052 from two lenders (CBKC sub-CDE and NCIF sub-CDE) through four promissory notes (CBKC Note A in the amount of \$6,948,500, CBKC Note B in the amount of \$2,851,500, NCIF Note A in the amount of \$3,425,500 and NCIF Note B in the amount of \$1,424,500). Periodic payments on the notes are as follows:

- Monthly interest-only payments beginning in September 2017 through September 2024;
- In July 2024, an aggregate principal payment of \$9,431,892 (CBKC Note A - \$6,092,993, CBKC Note B - \$285,150, NCIF Note A - \$3,003,749, NCIF Note B - \$50,000) plus interest is due;
- Beginning in October 2024, aggregate quarterly principal and interest payments of \$55,513 (CBKC Note A - \$9,101, CBKC Note B - \$27,302, NCIF Note A - \$4,487, NCIF Note B - \$14,623) through June 2033;
- Beginning in September 2033, quarterly payments of principal and interest to fully amortize the principal amount of the loans through the maturity date.

Interest rate is set at a fixed rate of 2.89%. Loans are secured by mortgages and improvements on property constructed with loan proceeds. Issued as part of the new market tax credit agreement (see *Note 12*). Unamortized debt issuance costs were \$0 and \$73,102 at June 30, 2024 and 2023, respectively.

- (G) Due in November 2027; quarterly principal and interest payments of \$35,664 beginning in December 2020 through November 2027, with a balloon payment of all unpaid principal and interest due on maturity. The credit agreement is collateralized by certain real property assets of the Foundation. Interest is set at a fixed rate of 2.55%. Borrowings on this note were \$1,654,580 and \$1,828,616 as of June 30, 2024 and 2023, respectively. Unamortized debt issuance costs were \$750 and \$938 at June 30, 2024 and 2023, respectively.

Kansas State University Foundation
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

The credit agreement, among other provisions, contains a financial covenant, which includes that the Foundation maintain a liquidity coverage ratio of 1.10 to 1.00 as defined in the credit agreement. Management of the Foundation has provided this calculation to the bank certifying their compliance with this covenant as of June 30, 2024.

The Foundation also has available credit through a construction loan agreement with a bank with a maximum commitment of \$1,219,258 that matures in July 2024. Interest is variable at the five-year treasury bond rate plus 2.20%. As part of the credit agreement, the Foundation is required to maintain certain financial covenants, including a minimum liquidity ratio of 1.10 to 1.00 and minimum debt service coverage ratio of 1.15 to 1.00. Borrowings on this note were \$353,104 and \$370,613 at June 30, 2024 and 2023, respectively.

Due in August 2031; annual repayments of \$160,000 beginning in October 2026. Note is interest free. The note contains certain provisions that allow forgiveness on up to \$400,000 of the note balance upon achievement and maintenance of certain employment requirements, as defined in the agreement. Borrowings on this note were \$800,000 at both June 30, 2024 and 2023.

Due in November 2027; monthly repayments of \$10,500 beginning in December 2020. Interest is fixed at 2.63%. Borrowing on this note was \$1,735,795 and \$1,819,261 at June 30, 2024 and 2023, respectively. Unamortized debt issuance costs were \$5,443 and \$7,257 at June 30, 2024 and 2023, respectively.

- (H) On June 20, 2023, the Foundation obtained a note payable with maturity on June 20, 2030 with a fixed interest rate of 5.14%. Semi-annual repayments begin in December 2026 through December 2029 with increasing payments and a balloon payment of \$23,059,810 due in June 2030. Unamortized debt issuance costs were \$220,127 and \$256,815 at June 30, 2024 and 2023, respectively. The agreement contains financial covenants, which includes the Foundation shall not permit at any time the ratio of Assets Without Donor Restriction to Total Records Debt, as defined in the credit agreement, to be less than 2.0 to 1.0 and the Foundation shall not permit at any time the ratio of Unencumber Assets Without Donor Restriction to Unsecured Debt, as defined in the credit agreement, to be less than 2.0 to 1.0. Management of the Foundation has provided this calculation to the lender certifying compliance with the covenants as of June 30, 2024.
- (I) Due in December 2053 from one lender (LEFG sub-CDE) through two promissory notes (LEFG Note A in the amount of \$7,085,400 and LEFG Note B in the amount of \$2,714,600). Period payments on the notes are as follows:
- Quarterly interest only payments beginning in September 2023 through December 2030
 - Beginning in March 2031, aggregate quarterly principal payments of \$122,440 (LEFG Note A \$88,524 and LEFG Note B \$33,916) through December 2053 to fully amortize the principal amount of the loans through the maturity date.

Kansas State University Foundation
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Interest rate is fixed at 1.23%. Loans are secured by mortgages and improvements on property constructed with loan proceeds. Issued as part of the new market tax credit agreement (see *Note 12*). Unamortized debt costs were \$240,638 at June 30, 2024.

Aggregate annual maturities of long-term debt at June 30, 2024, are:

2025	\$ 24,384,445
2026	10,518,108
2027	1,699,347
2028	4,049,995
2029	1,457,546
Thereafter	<u>53,640,496</u>
	<u><u>\$ 95,749,937</u></u>

Total interest expense on long-term debt amounted to \$3,992,880 and \$2,407,083 during 2024 and 2023, respectively.

Note 14: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Litigation

Management is not aware of any significant outstanding litigation. The Foundation is subject to claims and lawsuits that arise primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets and cash flows of the Foundation.

Contributions

Approximately 14% and 31% of all contributions were received from one donor in 2024 and 2023, respectively. During 2024 and 2023, approximately 10% and 31% of all contributions were received to benefit one fund and two funds, respectively.

Kansas State University Foundation
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Investments

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

At June 30, 2024 and 2023, the closely held stock by the Foundation for Engineering at Kansas State University, Inc. approximates 7.9% and 8.2% of total assets, respectively.

Allowance for Doubtful Collections on Pledges Receivable

Management estimates an allowance for doubtful collections on pledges receivable based on historical trends, individual donor circumstances and current economic conditions. Actual future collections on pledges could result in material future losses.

Note 15: Other Support Revenue

Performance obligations are determined based on the nature of the services provided by the Foundation in accordance with the contract. Performance obligations accounted for within other support revenue include revenues earned for fundraising and administrative services, investment management services and other revenues. Revenue for performance obligations satisfied over time is recognized ratably over the period based on time elapsed. The Foundation believes this method provides a faithful depiction of the transfer of services over the term of the performance obligations satisfied as a point in time is generally recognized when services are provided at a single point in time and the Foundation does not believe it is required to provide additional services related to that sale.

Performance Obligations and Transaction Price Allocated to Remaining Performance Obligations

Because all of its performance obligations relate to contracts with a duration of less than one year, the Foundation has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to fundraising and administrative services and investment management services. The performance obligation for these contracts are generally satisfied at the end of the contract period.

Significant Judgments

The Foundation determines the transaction price based on standard charges for services provided. The Foundation has minimal exposure to discounts, allowances, price concessions or other components of variable transaction price.

Kansas State University Foundation
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Disaggregation of Revenue

The composition of revenue based on services provided and timing of revenue recognition for the years ended June 30, 2024 and 2023, are as follows:

	<u>2024</u>	<u>2023</u>
Pooled endowment fund fee income	\$ 13,086,954	\$ 11,800,782
Sole source revenue	5,000,000	4,877,229
University advancement fee income	2,882,558	4,151,547
Other	<u>2,259,425</u>	<u>2,434,088</u>
Operational service charges, management fees and other	<u>\$ 23,228,937</u>	<u>\$ 23,263,646</u>
Service lines		
Departmental deposits	\$ 2,709,815	\$ 1,566,753
Other	<u>1,065,032</u>	<u>1,621,866</u>
University departmental activities and funding allotments, etc.	<u>\$ 3,774,847</u>	<u>\$ 3,188,619</u>
Timing of revenue and recognition		
Services transferred over time	\$ 23,228,937	\$ 23,263,646
Sales at point in time	<u>3,774,847</u>	<u>3,188,619</u>
Total	<u>\$ 27,003,784</u>	<u>\$ 26,452,265</u>

Note 16: Conditional Promises and Intentions to Give

Conditional promises and intentions to give are not recognized in the consolidated financial statements due to the unknown occurrence of a specified future and uncertain event. Donors have notified the Foundation of conditional promises and intentions to give approximating \$823,400,000 and \$758,000,000 at June 30, 2024 and 2023, respectively, in the form of bequests and life insurance policies, respectively. Future amounts received may vary significantly as the potential donor has no obligation to retain the Foundation as the beneficiary. Additionally, the timing of any receipts is unknown. As a result, the Foundation has not applied a discount rate to these amounts.

Kansas State University Foundation
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Note 17: Related Party Transactions

The purpose of the Foundation is to aid, foster and promote the development and welfare of Kansas State University (“University”) in Manhattan, Kansas, and the education and welfare of its students, faculty and alumni, and to acquire property of all kinds for purposes stated above. The Foundation is dependent upon the existence of the University.

The Foundation previously entered into several direct financing and sales-type leases with the University for certain real properties which were purchased by the Foundation on behalf of the University, which the University then entered into five year leases with a transfer of ownership clause at the completion of the lease. There was \$9,248,997 and \$174,125 in lease receivables recorded in other assets and accrued investment income for the years ended June 30, 2024 and 2023, respectively.

Note 18: Contributed Nonfinancial Assets

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

	2024	2023
Properties	\$ 1,200,210	\$ 11,172,751
Other nonfinancial assets contributed	12,915,910	2,143,200
	\$ 14,116,120	\$ 13,315,951

The nonfinancial assets listed above were recognized within revenue. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Properties

It is the Foundation’s policy to sell all contributed property, unless restricted by the donor. Contributed properties are valued at the date of the gift using real estate tax appraisals, comparable sales approach, etc.

Other Contributed Items

There are other nonfinancial assets that were contributed. The Foundation’s policy is to sell these assets, unless restricted by the donor. Other contributed items include contributions of artwork, equipment, furnishings, non-inventoriable goods, professional services, livestock, vehicles, rental services, etc. Other contributed items are valued at fair value based on similar transactions observable in the market.

Kansas State University Foundation
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Note 19: Subsequent Events

Subsequent events were evaluated through September 26, 2024, which is the date the consolidated financial statements were issued.