



**MISSISSIPPI STATE UNIVERSITY FOUNDATION, INC.**

Consolidated Financial Statements

June 30, 2023 and 2022

(With Independent Auditors' Report Thereon)



KPMG LLP  
Suite 1100  
One Jackson Place  
188 East Capitol Street  
Jackson, MS 39201-2127

## Independent Auditors' Report

The Board of Directors  
Mississippi State University Foundation, Inc.:

### *Opinion*

We have audited the consolidated financial statements of Mississippi State University Foundation, Inc. (the Foundation), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, changes in net assets, 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 financial position of the Foundation as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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 U.S. generally accepted accounting principles, 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 for one year after the date that the consolidated financial statements are available to be issued.

### *Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the 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.

*KPMG LLP*

Jackson, Mississippi  
October 23, 2023

**MISSISSIPPI STATE UNIVERSITY FOUNDATION, INC.**

Consolidated Statements of Financial Position

June 30, 2023 and 2022

| <b>Assets</b>   | <b>2023</b>           | <b>2022</b>        |
|---|-----------------------|--------------------|
| Cash  | \$ 3,200,533          | 1,943,067          |
| Restricted cash   | 6,340,757             | 4,413,657          |
| Restricted short-term investments                               | 4,105,021             | 4,012,633          |
| Accrued interest, other receivables and prepaid assets          | 296,901               | 147,878            |
| Receivable from Mississippi State University                    | 1,125,520             | —                  |
| Receivable from MSU Alumni Association                          | 156,878               | 156,188            |
| Pledges receivable, net (note 3)                                | 143,299,975           | 44,085,232         |
| Investments (notes 2 and 8)                                     | 689,496,771           | 628,774,707        |
| Present value of amounts due from externally managed trusts     | 56,102,682            | 54,819,357         |
| Land, buildings, and equipment (note 4)                         | 25,507,114            | 13,932,075         |
| <b>Total assets</b>   | <b>\$ 929,632,152</b> | <b>752,284,794</b> |
| <b>Liabilities and Net Assets</b>                               |                       |                    |
| Liabilities:  |                       |                    |
| Accounts payable and accrued liabilities                        | \$ 2,840,121          | 2,151,824          |
| Agency payable  | 10,445,778            | 8,426,290          |
| Payable to Mississippi State University                         | 358,348               | 389,474            |
| Liabilities under split interest agreements                     | 8,179,931             | 8,393,252          |
| Deferred revenue  | 1,995,496             | 2,049,295          |
| Note payable (note 5)   | 2,383,405             | 2,667,133          |
| <b>Total liabilities</b>  | <b>26,203,079</b>     | <b>24,077,268</b>  |
| Net assets:   |                       |                    |
| Without donor restrictions:                                     |                       |                    |
| Net assets attributable to the Foundation                       | 73,848,874            | 58,072,588         |
| Net assets attributable to noncontrolling interests (note 1(g)) | 49,194,917            | 45,425,424         |
| <b>Total net assets without donor restrictions</b>              | <b>123,043,791</b>    | <b>103,498,012</b> |
| With donor restrictions   | 780,385,282           | 624,709,514        |
| <b>Total net assets</b>   | <b>903,429,073</b>    | <b>728,207,526</b> |
| <b>Total liabilities and net assets</b>                         | <b>\$ 929,632,152</b> | <b>752,284,794</b> |

See accompanying notes to consolidated financial statements.

**MISSISSIPPI STATE UNIVERSITY FOUNDATION, INC.**

Consolidated Statement of Activities

Year ended June 30, 2023

|   | <u>Without donor<br/>restrictions</u> | <u>With donor<br/>restrictions</u> | <u>Total</u>       |
|---|---------------------------------------|------------------------------------|--------------------|
| Revenues and support:   |                                       |                                    |                    |
| Contributions of cash and other financial assets                          | \$ 7,659,683                          | 131,566,922                        | 139,226,605        |
| Contributed nonfinancial assets   | 13,569,666                            | 754,750                            | 14,324,416         |
| Net investment income   | 6,120,059                             | 56,383,077                         | 62,503,136         |
| Change in value of split interest agreements                              | —                                     | 1,653,487                          | 1,653,487          |
| Other   | 19,903,127                            | 776,327                            | 20,679,454         |
| Net assets released from restrictions                                     | <u>35,458,795</u>                     | <u>(35,458,795)</u>                | <u>—</u>           |
| Total revenues and support  | <u>82,711,330</u>                     | <u>155,675,768</u>                 | <u>238,387,098</u> |
| Expenditures:   |                                       |                                    |                    |
| Program services:   |                                       |                                    |                    |
| Contributions and support for Mississippi State University                | 46,990,867                            | —                                  | 46,990,867         |
| Contributions and support for Bulldog Club                                | 1,799,555                             | —                                  | 1,799,555          |
| Contributions and support for MSU Alumni Association                      | <u>1,259,471</u>                      | <u>—</u>                           | <u>1,259,471</u>   |
| Total program services  | <u>50,049,893</u>                     | <u>—</u>                           | <u>50,049,893</u>  |
| Supporting services:  |                                       |                                    |                    |
| General and administrative  | 7,585,140                             | —                                  | 7,585,140          |
| Fundraising   | <u>4,814,077</u>                      | <u>—</u>                           | <u>4,814,077</u>   |
| Total supporting services   | <u>12,399,217</u>                     | <u>—</u>                           | <u>12,399,217</u>  |
| Total expenditures  | <u>62,449,110</u>                     | <u>—</u>                           | <u>62,449,110</u>  |
| Change in net assets  | 20,262,220                            | 155,675,768                        | 175,937,988        |
| Change in net assets attributable to noncontrolling interests (note 1(g)) | <u>(4,485,934)</u>                    | <u>—</u>                           | <u>(4,485,934)</u> |
| Change in net assets attributable to the Foundation                       | <u>\$ 15,776,286</u>                  | <u>155,675,768</u>                 | <u>171,452,054</u> |

See accompanying notes to consolidated financial statements.

**MISSISSIPPI STATE UNIVERSITY FOUNDATION, INC.**

Consolidated Statement of Activities

Year ended June 30, 2022

|   | <u>Without donor<br/>restrictions</u> | <u>With donor<br/>restrictions</u> | <u>Total</u>        |
|---|---------------------------------------|------------------------------------|---------------------|
| Revenues and support:   |                                       |                                    |                     |
| Contributions of cash and other financial assets                          | \$ 5,375,942                          | 48,186,956                         | 53,562,898          |
| Contributed nonfinancial assets   | 8,309,574                             | 491,963                            | 8,801,537           |
| Net investment loss   | (4,954,369)                           | (67,401,712)                       | (72,356,081)        |
| Change in value of split interest agreements                              | —                                     | (9,845,714)                        | (9,845,714)         |
| Other   | 5,963,215                             | 335,889                            | 6,299,104           |
| Net assets released from restrictions                                     | <u>32,041,958</u>                     | <u>(32,041,958)</u>                | <u>—</u>            |
| Total revenues and support  | <u>46,736,320</u>                     | <u>(60,274,576)</u>                | <u>(13,538,256)</u> |
| Expenditures:   |                                       |                                    |                     |
| Program services:   |                                       |                                    |                     |
| Contributions and support for Mississippi State University                | 36,925,141                            | —                                  | 36,925,141          |
| Contributions and support for Bulldog Club                                | 1,707,478                             | —                                  | 1,707,478           |
| Contributions and support for MSU Alumni Association                      | <u>1,037,584</u>                      | <u>—</u>                           | <u>1,037,584</u>    |
| Total program services  | <u>39,670,203</u>                     | <u>—</u>                           | <u>39,670,203</u>   |
| Supporting services:  |                                       |                                    |                     |
| General and administrative  | 5,818,510                             | —                                  | 5,818,510           |
| Fundraising   | <u>4,376,702</u>                      | <u>—</u>                           | <u>4,376,702</u>    |
| Total supporting services   | <u>10,195,212</u>                     | <u>—</u>                           | <u>10,195,212</u>   |
| Total expenditures  | <u>49,865,415</u>                     | <u>—</u>                           | <u>49,865,415</u>   |
| Change in net assets  | (3,129,095)                           | (60,274,576)                       | (63,403,671)        |
| Change in net assets attributable to noncontrolling interests (note 1(g)) | <u>5,761,402</u>                      | <u>—</u>                           | <u>5,761,402</u>    |
| Change in net assets attributable to the Foundation                       | <u>\$ 2,632,307</u>                   | <u>(60,274,576)</u>                | <u>(57,642,269)</u> |

See accompanying notes to consolidated financial statements.

**MISSISSIPPI STATE UNIVERSITY FOUNDATION, INC.**

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2023 and 2022

|  | <b>Net assets<br/>without donor<br/>restrictions<br/>attributable to<br/>the Foundation</b> | <b>Net assets<br/>without donor<br/>restrictions<br/>attributable to<br/>noncontrolling<br/>interests</b> | <b>Total<br/>net assets<br/>without donor<br/>restrictions</b> | <b>Net assets<br/>with donor<br/>restrictions</b> | <b>Total net<br/>assets</b> |
|--|---|---|--|---|-----------------------------|
| Net assets as of June 30, 2021                       | \$ 55,440,281   | 52,094,122  | 107,534,403  | 684,984,090                                       | 792,518,493                 |
| Change in net assets from statement of<br>activities | 2,632,307   | (5,761,402)   | (3,129,095)  | (60,274,576)                                      | (63,403,671)                |
| Payments to noncontrolling interests                 | <u>—</u>  | <u>(907,296)</u>  | <u>(907,296)</u>   | <u>—</u>  | <u>(907,296)</u>            |
| Change in total net assets                           | <u>2,632,307</u>  | <u>(6,668,698)</u>  | <u>(4,036,391)</u>   | <u>(60,274,576)</u>                               | <u>(64,310,967)</u>         |
| Net assets as of June 30, 2022                       | <u>58,072,588</u>   | <u>45,425,424</u>   | <u>103,498,012</u>   | <u>624,709,514</u>                                | <u>728,207,526</u>          |
| Change in net assets from statement of<br>activities | 15,776,286  | 4,485,934   | 20,262,220   | 155,675,768                                       | 175,937,988                 |
| Payments to noncontrolling interests                 | <u>—</u>  | <u>(716,441)</u>  | <u>(716,441)</u>   | <u>—</u>  | <u>(716,441)</u>            |
| Change in total net assets                           | <u>15,776,286</u>   | <u>3,769,493</u>  | <u>19,545,779</u>  | <u>155,675,768</u>                                | <u>175,221,547</u>          |
| Net assets as of June 30, 2023                       | \$ <u><u>73,848,874</u></u>   | <u><u>49,194,917</u></u>  | <u><u>123,043,791</u></u>                                      | <u><u>780,385,282</u></u>                         | <u><u>903,429,073</u></u>   |

See accompanying notes to consolidated financial statements.

**MISSISSIPPI STATE UNIVERSITY FOUNDATION, INC.**

Consolidated Statements of Cash Flows

Years ended June 30, 2023 and 2022

|  | <u>2023</u>          | <u>2022</u>         |
|--|----------------------|---------------------|
| Cash flows from operating activities:  |                      |                     |
| Change in net assets from statement of activities  | \$ 175,937,988       | (63,403,671)        |
| Adjustments to reconcile change in net assets from statement of activities to net cash used in operating activities: |                      |                     |
| Depreciation   | 811,729              | 753,307             |
| (Gain) loss on disposal of land, buildings, and equipment  | (11,938,158)         | 160                 |
| Realized and unrealized (gains) losses on investments, net   | (58,984,892)         | 76,916,450          |
| Change in value of internally managed split interest agreements  | 515,575              | (565,850)           |
| Fair value of donated investments  | (594,855)            | (2,255,000)         |
| Gifts restricted for long-term investment  | (18,157,466)         | (22,532,355)        |
| Change in accrued interest, other receivables and prepaid assets   | (149,023)            | 17,477              |
| Change in pledges receivable, net  | (99,214,743)         | (3,323,265)         |
| Change in present value of amounts due from externally managed trusts  | (1,283,325)          | 4,396,311           |
| Change in accounts payable and accrued liabilities   | 688,297              | 1,026,744           |
| Change in agency payable   | 2,019,488            | 1,125,099           |
| Change in receivable/payable to Mississippi State University   | (1,156,646)          | 6,878               |
| Change in payable to Bulldog Club  | —                    | (1,108,900)         |
| Change in receivable from MSU Alumni Association   | (690)                | (20,939)            |
| Change in deferred revenue   | <u>(53,799)</u>      | <u>2,049,295</u>    |
| Net cash used in operating activities  | <u>(11,560,520)</u>  | <u>(6,918,259)</u>  |
| Cash flows from investing activities:  |                      |                     |
| Purchases of land, buildings and equipment   | (16,948,610)         | (1,527,796)         |
| Purchases of restricted short-term investments   | —                    | (12,633)            |
| Purchases of investments   | (96,404,780)         | (44,852,795)        |
| Proceeds from sales and maturities of investments  | 97,070,075           | 31,816,320          |
| Proceeds from sales of land, buildings, and equipment  | <u>16,500,000</u>    | <u>—</u>            |
| Net cash provided by (used in) investing activities  | <u>216,685</u>       | <u>(14,576,904)</u> |
| Cash flows from financing activities:  |                      |                     |
| Principal payments on note payable   | (283,728)            | (274,152)           |
| Proceeds from gifts restricted for long-term investment  | 18,157,466           | 22,532,355          |
| New liabilities under split interest agreements  | 154,089              | 1,046,620           |
| Payments to split interest agreement beneficiaries   | (882,985)            | (796,789)           |
| Payments to noncontrolling interests   | <u>(716,441)</u>     | <u>(907,296)</u>    |
| Net cash provided by financing activities  | <u>16,428,401</u>    | <u>21,600,738</u>   |
| Net increase in cash, cash equivalents, and restricted cash  | 5,084,566            | 105,575             |
| Cash, cash equivalents, and restricted cash at beginning of year   | <u>6,456,724</u>     | <u>6,351,149</u>    |
| Cash, cash equivalents, and restricted cash at end of year   | \$ <u>11,541,290</u> | \$ <u>6,456,724</u> |
| Reconciliation of cash, cash equivalents, and restricted cash:   |                      |                     |
| Cash   | \$ 3,200,533         | 1,943,067           |
| Restricted cash  | 6,340,757            | 4,413,657           |
| Cash funds and cash equivalents in investments   | <u>2,000,000</u>     | <u>100,000</u>      |
|  | \$ <u>11,541,290</u> | \$ <u>6,456,724</u> |

See accompanying notes to consolidated financial statements.



## MISSISSIPPI STATE UNIVERSITY FOUNDATION, INC.

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

### (1) Organization and Significant Accounting Policies

#### (a) Organization

Mississippi State University Foundation, Inc. (the Foundation) is a not-for-profit entity established to solicit and manage funds for the benefit of Mississippi State University (the University or MSU). The Foundation also manages funds for affiliates of the University, including Mississippi State University Alumni Association, Inc. and The Bulldog Club, Inc.

The Foundation established a wholly owned subsidiary limited liability company (LLC), Maroon Air, LLC, to hold aviation assets and conduct flight operations on behalf of the Foundation.

During fiscal year 2023, the Foundation, acting in the capacity as sole member of three LLCs (West Side Fund II, LLC, West Side Fund III, LLC and West Side Fund IV, LLC) created in fiscal year 2022, transferred all member interests to a corporation, West Side Funds, Inc. (the Corporation) in exchange for all outstanding stock in the Corporation and thereafter transferred the stock in the Corporation to the Mississippi State Investment Pool. Additionally, West Side Fund I, LLC, a wholly owned subsidiary of the Foundation, was created in fiscal year 2022 and acquired The Mill at Mississippi State University located at 600 Russell Street, Starkville, MS in fiscal year 2023.

#### (b) Basis of Accounting

The accompanying consolidated financial statements include the Foundation; Maroon Air, LLC; 109 Muldrow Properties, LLC, DG South, LLC, West Side Fund I, LLC, and the Mississippi State Investment Pool in which the Foundation has a controlling financial interest (note 1(g)). These consolidated financial statements, which are presented on the accrual basis of accounting, have been prepared to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net assets with donor restrictions* – net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time. Net assets in this class include unconditional gifts for restricted purposes and donor-restricted endowment funds.

Generally, the donor of these assets permits the Foundation to use all or part of the income earned on related investments for general or specific purposes in support of the University.

*Net assets without donor restrictions* – net assets that represent resources generated from operations or that are not subject to donor-imposed stipulations. Net assets without donor restrictions include contributions designated to a particular college or unit for which the use or purpose is unrestricted.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenditures are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

## MISSISSIPPI STATE UNIVERSITY FOUNDATION, INC.

### Notes to Consolidated Financial Statements

June 30, 2023 and 2022

Contributions, including unconditional promises to give, and grants are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when either the right of return to the donor or barriers to entitlement no longer exist. Contributions of assets other than cash are recorded at their estimated fair value. Contributions of intellectual property are based on its estimated fair value, considering the characteristics specific to the assets and estimated usage during the term of the agreement. Contributed goods and services are recorded as revenues and expenses in the consolidated statements of activities at estimated fair value.

#### **(c) Use of Estimates**

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

The Foundation's investments are held in various types of investment securities and in various companies across a variety of markets. Investment securities are exposed to several risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Foundation's consolidated financial statements.

#### **(d) Restricted Cash, Restricted Short-term Investments, and Cash Equivalents**

Funds held for an unaffiliated organization that retains control over the expenditures of such funds are classified as restricted cash and restricted short-term investments in the consolidated statements of financial position with a corresponding amount in agency payable. Cash equivalents include short-term, highly liquid investments that are readily convertible to cash and have original maturity dates of three months or less and are classified as investments in the consolidated statements of financial position.

#### **(e) Land, Buildings, and Equipment**

Land, buildings, and equipment are stated at cost, if purchased, or at fair value on the date of gift, if donated. Depreciation of buildings and equipment, including assets acquired under capital leases, is provided on the straight-line method over the shorter of the estimated useful life of the assets or the term of the lease. The estimated useful lives for buildings are 30-40 years and furniture, fixtures, and equipment are 5-25 years, with estimated salvage values ranging from 0-40%.

The Foundation assesses potential impairment to its long-lived assets when there is evidence that events or changes in circumstances have made recovery of the carrying value of the assets unlikely. An impairment loss is recognized when the sum of the expected future undiscounted net cash flows is less than the carrying amount of the asset.

## MISSISSIPPI STATE UNIVERSITY FOUNDATION, INC.

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

### **(f) Fair Value Measurement**

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurement*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical financial assets or liabilities that the Foundation has the ability to access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the financial asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the financial asset or liability.

The level in the fair value hierarchy within which a fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The Foundation uses net asset value per share (NAV) or its equivalent as a practical expedient to estimate fair value, although NAV in many instances may not equal fair value. The NAV per share or its equivalent was applied to certain investments that do not have readily determinable fair values. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported NAV. The fair value hierarchy requires the use of observable market data when available. The classification of assets and liabilities in the fair value hierarchy is not necessarily an indication of the risks or liquidity but is based on the observability of the valuation inputs. Therefore, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy.

### **(g) Investments**

#### **(i) Overall Investment Objective**

The overall investment objective of the Foundation is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund donor-designated directives and maintain the inflation-adjusted impact of each donor restricted fund. Beginning July 1, 2017, investment decisions have been delegated to Perella Weinberg Partners Capital Management LP, the Foundation's outsourced chief investment officer that operates under the brand name, "Agility". Agility executes investment decisions in accordance with the Foundation's approved investment policy.

## MISSISSIPPI STATE UNIVERSITY FOUNDATION, INC.

### Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(ii) *Mississippi State Investment Pool*

The Foundation, the University, the Mississippi State University Alumni Association, Inc. and The Bulldog Club, Inc. are participants in a joint venture, the Mississippi State Investment Pool (MSIP), whereby investable assets are pooled for investment purposes. The MSIP is considered an investment company and follows accounting and reporting guidance in *ASC 946, Financial Services – Investment Companies*. The Foundation is the investment pool's managing member and maintains separate accounts for each participant. Investment income, gains and losses, and expenses of the MSIP are allocated to each participant based on their share of ownership of the MSIP. Due to the Foundation's controlling financial interest in the MSIP of approximately 92% as of both June 30, 2023 and 2022, the Foundation has consolidated the MSIP, reflecting the noncontrolling interests of the other participants in the consolidated financial statements. As of June 30, 2023 and 2022, the Foundation's consolidated financial statements include net assets totaling \$49,194,917 and \$45,425,424, respectively, related to these noncontrolling interests. The Foundation recorded \$4,485,934 and \$(5,761,402) of investment gains(losses) attributable to these noncontrolling interests during the years ended June 30, 2023 and 2022, respectively, which is reported in net investment income(loss). As of June 30, 2023, the MSIP held \$640,331,274 in total assets and net assets. For the year ended June 30, 2023, the MSIP recorded \$2,628,824 in investment income, \$1,878,559 in expenses, \$750,265 in net investment income, and realized and unrealized gains of \$52,071,486.

(iii) *Allocation of Investment Strategies*

The Foundation invests in five broad asset classes: global fixed income, global equities, real assets, absolute return strategies, and private capital. Global equities consist of domestic and international equity securities. Global fixed income investments consist of both interest rate sensitive and credit sensitive publicly traded credit securities. Real assets include upstream energy investments, real estate funds, and investments in hotels. Absolute return strategies include hedge fund investments. The private capital funds employ buyout and venture capital strategies. Private capital, real asset strategies, and absolute return strategies often require the estimation of fair values by the fund managers in the absence of readily determinable fair market values. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed, and the differences could be material. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held. Moreover, the fair values of the Foundation's interests in shares or units of these funds, because of liquidity and capital commitment terms that vary depending on the specific fund or partnership agreement, may differ from the fair value of the funds' underlying net assets. Short-term investments classified within investments on the statement of financial position consist of cash held by the investment pool, primarily for capital calls and reinvestments.

## MISSISSIPPI STATE UNIVERSITY FOUNDATION, INC.

### Notes to Consolidated Financial Statements

June 30, 2023 and 2022

#### *(iv) Basis of Reporting*

Investments are reported at estimated fair value. If an investment is held directly by the Foundation and an active market with quoted prices exists, then the market price of an identical security is used as reported fair value. Reported fair values for shares in mutual funds registered with the U.S. Securities and Exchange Commission are based on share prices reported by the funds as of the last business day of the fiscal year. Fixed income securities are based on quoted market prices or other observable inputs such as quoted prices for similar assets or inputs corroborated by observable market data. The Foundation's interests in alternative investment funds are generally reported at the NAV reported by the fund managers, which is used as a practical expedient to estimate the fair value of the Foundation's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2023 and 2022, the Foundation had no plans or intentions to sell investments at amounts different from NAV. Properties held for investment are reported at estimated fair value based on periodic appraisals conducted by third-party appraisers who utilize the cost, sales comparison, and income capitalization approaches to estimate the fair value of the investments. The Foundation considers recent comparables, among other things, to adjust for any changes in fair value between the most recent appraisal date and year-end.

#### *(h) Pledges*

All unconditional promises to give are recorded at their estimated realizable value on a discounted basis using rates commensurate with the risks involved. Allowance is made for uncollectible pledges based upon management's judgment and analysis of specific accounts, past collection experience and other relevant factors.

#### *(i) Split Interest Agreements*

The Foundation accepts gifts subject to split interest agreements. These gifts may be in the form of gift annuities, charitable lead trusts, charitable remainder trusts, or perpetual trusts. At the time of receipt, a gift is recorded based upon the fair value of assets donated less any applicable liabilities. Liabilities include the present value of projected future distributions to the annuity or trust beneficiary and are determined using appropriate discount rates (at June 30, 2023 and 2022 rates ranged from approximately 1% to 8%). For certain split interest agreements where the measurement objective is fair value, the discount rate is adjusted to a current market rate at each reporting date. The Foundation's estimated remainder interests in split interest agreements are classified as net assets with donor restrictions based upon donor designations.

Externally managed trusts consist of irrevocable charitable remainder trusts and perpetual trusts whereby the Foundation is the beneficiary, not the trustee. The Foundation records charitable remainder trusts at the present value of the estimated future cash receipts from the assets of the trust and perpetual trusts at the fair value of the assets of the trust.

Present value of amounts due from externally managed trusts and liabilities under split interest agreements are classified as Level 3 fair value measurements.

Contribution revenue attributable to split interest agreements for the years ended June 30, 2023 and 2022 was \$245,911 and \$6,536,214, respectively.

**MISSISSIPPI STATE UNIVERSITY FOUNDATION, INC.**

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

**(j) Income Taxes**

The Foundation is a not-for-profit entity as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Accordingly, no provision for income taxes has been made. As of June 30, 2023 and 2022, there were no material uncertain tax positions.

**(k) Liquidity**

Assets are presented according to their nearness of conversion to cash and liabilities are presented according to their nearness to payment or use of cash.

**(l) Recent Accounting Pronouncements**

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). ASU 2016-02 requires the lessee to recognize assets and liabilities for leases with lease terms of more than twelve months. For leases with a term of twelve months or less, the Foundation is permitted to make an accounting policy election by class of underlying asset to recognize lease assets and lease liabilities. Further ASU 2016-02 requires a finance lease to recognize both an interest expense and an amortization of the associated expense. Operating leases generally recognize the associated expense on a straight-line basis. ASU 2016-02 requires the Foundation to adopt the standard using a modified retrospective approach. In June 2020, the FASB issued ASU 2020-05, which deferred the effective date of this standard until annual reporting periods beginning after December 15, 2021, which would be fiscal year 2023 for the Foundation. The adoption of ASU 2016-02 during 2023 did not have a material impact on the consolidated financial statements.

**(m) Subsequent Events**

The Foundation evaluated all events or transactions that occurred after June 30, 2023 through October 23, 2023, the date the consolidated financial statements were available to be issued. There were no material subsequent events that required recognition or disclosure in the Foundation's June 30, 2023 consolidated financial statements.

**MISSISSIPPI STATE UNIVERSITY FOUNDATION, INC.**

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

**(2) Investments**

Investments are summarized as follows as of June 30, 2023 and 2022:

|  | <u>2023</u>           | <u>2022</u>        |
|--|-----------------------|--------------------|
| Short-term investments                     | \$ 9,706,527          | 7,219,683          |
| Agility Comprehensive Solutions Fund       | 539,529,880           | 516,633,642        |
| Global fixed income                        | 4,308,808             | 4,169,211          |
| Global equities                            | 9,414,879             | 8,519,491          |
| Real assets                                | 65,076,407            | 27,596,321         |
| Absolute return strategies                 | 30,020                | 30,105             |
| Private capital                            | 26,260,831            | 31,219,702         |
| Contributed properties held for investment | 32,143,644            | 30,339,389         |
| Cash-surrender value of life insurance     | <u>3,025,775</u>      | <u>3,047,163</u>   |
|  | <u>\$ 689,496,771</u> | <u>628,774,707</u> |

Total investments include amounts related to noncontrolling interests (note 1(g)) included within the accompanying consolidated financial statements totaling \$49,194,917 and \$45,425,424 as of June 30, 2023 and 2022, respectively.

During 2023 and 2022, the MSIP held a limited partnership interest in the Agility Comprehensive Solutions Fund LP, a Delaware limited partnership (the Fund). Perella Weinberg Partners Agility Comprehensive Solutions Fund GP LP serves as general partner of the Fund. The Fund invests in five broad assets classes with the following approximate allocation percentages at June 30, 2023 and 2022, respectively: global equities, 61%; absolute return strategies, 8% and 15%; global fixed income, 9% and 4%; real assets, 9%; and private capital, 13% and 11%.

The Foundation has entered into various split interest agreements, including charitable remainder unitrusts and charitable gift annuities, whereby the Foundation serves as trustee. The assets held under these split interest agreements are included in investments at June 30, 2023 and 2022 with a fair value of \$13,966,722 and \$13,738,670, respectively.

**MISSISSIPPI STATE UNIVERSITY FOUNDATION, INC.**

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

**(3) Pledges Receivable**

Pledges receivable, net, are summarized as follows at June 30, 2023 and 2022:

|   | <u>2023</u>           | <u>2022</u>        |
|---|-----------------------|--------------------|
| Unconditional promises expected to be collected in:         |                       |                    |
| Less than one year  | \$ 11,979,691         | 11,965,844         |
| One year to five years                                      | 133,096,163           | 27,338,409         |
| Over five years   | <u>17,943,348</u>     | <u>11,024,303</u>  |
|   | 163,019,202           | 50,328,556         |
| Less unamortized discount (rates ranging from 0.3% to 5.0%) | <u>(18,791,077)</u>   | <u>(5,364,078)</u> |
|   | 144,228,125           | 44,964,478         |
| Less allowance for uncollectible pledges                    | <u>(928,150)</u>      | <u>(879,246)</u>   |
|   | <u>\$ 143,299,975</u> | <u>44,085,232</u>  |

As of June 30, 2023, the two largest donor pledge balances represented 69% of the Foundation's gross pledges receivable.

**(4) Land, Buildings, and Equipment**

Land, buildings, and equipment are summarized as follows at June 30, 2023 and 2022:

|                                    | <u>2023</u>          | <u>2022</u>         |
|------------------------------------|----------------------|---------------------|
| Land and buildings                 | \$ 19,776,147        | 16,940,250          |
| Furniture, fixtures, and equipment | <u>10,582,250</u>    | <u>9,018,822</u>    |
|                                    | 30,358,397           | 25,959,072          |
| Less accumulated depreciation      | <u>(4,851,283)</u>   | <u>(12,026,997)</u> |
|                                    | <u>\$ 25,507,114</u> | <u>13,932,075</u>   |

During fiscal year 2023, the Foundation sold its headquarters, located at 1 Hunter Henry Boulevard, Mississippi State, MS, to the University for \$16,500,000. As a result of the sale, the Foundation recognized a gain on sale of assets in the amount of \$11,946,850. This gain is included in the accompanying consolidated statement of activities in the "Other" category of revenues and support for the year ended June 30, 2023.

The Foundation used the proceeds from this sale to purchase The Mill at Mississippi State University, located at 600 Russell Street, Starkville, MS, from an unrelated third party and paid a purchase price of \$16,000,000. The assets associated with this purchase are included in the accompanying consolidated statements of financial position as land, buildings, and equipment.



**MISSISSIPPI STATE UNIVERSITY FOUNDATION, INC.**

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

**(5) Note Payable**

The Foundation entered into a \$3,080,000 term note with a bank on December 30, 2020. Monthly principal and interest payments are due in the amount of \$29,270 and interest is calculated on the outstanding borrowings based on a fixed rate of 2.63%. The note matures on December 30, 2030, and is secured by real property located in Oktibbeha County, Mississippi. The outstanding balance on the note as of June 30, 2023, was \$2,383,405.

Principal and interest payments for each of the next five years and thereafter are the following:

|                             | <u>Principal</u>    | <u>Interest</u> | <u>Total</u>     |
|-----------------------------|---------------------|-----------------|------------------|
| Fiscal year ending June 30: |                     |                 |                  |
| 2024                        | \$ 291,021          | 60,221          | 351,242          |
| 2025                        | 299,040             | 52,202          | 351,242          |
| 2026                        | 307,112             | 44,130          | 351,242          |
| 2027                        | 315,402             | 35,840          | 351,242          |
| 2028                        | 323,843             | 27,399          | 351,242          |
| Thereafter                  | <u>846,987</u>      | <u>31,118</u>   | <u>878,105</u>   |
| Total future debt service   | <u>\$ 2,383,405</u> | <u>250,910</u>  | <u>2,634,315</u> |

On May 9, 2023, West Side Fund II, LLC, obtained a construction/term loan not to exceed \$5.5 million. Additionally, on May 9, 2023, West Side Fund III, LLC, obtained a construction/term loan not to exceed \$3.2 million. Both loans are unsecured but guaranteed by the Foundation. The balance on both loans as of June 30, 2023, is \$0. Construction is set to begin in November 2023 with a 24-month construction period. The terms of both loans are an interest rate of 5.75% for sixty months, converting at month sixty-one to a fixed rate annually at one percentage point below the Wall Street Journal prime rate, changing on each anniversary date of the remaining amortization not to exceed 180 months from the original loan closing. The loans have an interest rate ceiling of 6.80% and a floor of 3.70%.

**(6) Net Assets Without Donor Restrictions**

Net assets attributable to the Foundation without donor restrictions as of June 30, 2023 and 2022:

|   | <u>2023</u>          | <u>2022</u>       |
|---|----------------------|-------------------|
| Spendable funds                                 | \$ 28,716,699        | 24,465,799        |
| Quasi-endowment funds                           | 22,008,466           | 22,341,847        |
| Net investment in land, buildings and equipment | <u>23,123,709</u>    | <u>11,264,942</u> |
|   | <u>\$ 73,848,874</u> | <u>58,072,588</u> |

Quasi-endowment funds are those funds held by the Foundation to function as endowments for the benefit of the University.

**MISSISSIPPI STATE UNIVERSITY FOUNDATION, INC.**

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

**(7) Net Assets With Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes:

|   | <u>2023</u>           | <u>2022</u>        |
|---|-----------------------|--------------------|
| Subject to expenditure for specified purpose:   |                       |                    |
| General college support   | \$ 28,483,329         | 20,714,082         |
| Student financial aid   | 23,464,227            | 19,666,007         |
| Research  | 395,319               | 303,367            |
| Faculty and staff support   | 2,532,406             | 624,985            |
| Facilities  | 902,110               | 871,493            |
| Other   | <u>2,827,580</u>      | <u>2,111,560</u>   |
|   | <u>58,604,971</u>     | <u>44,291,494</u>  |
| Subject to the passage of time and specified purpose:   |                       |                    |
| Charitable remainder trusts, cash surrender value of life insurance, gift annuities and other   | 12,086,126            | 11,603,788         |
| Pledges receivable restricted by donors   | <u>24,053,632</u>     | <u>22,860,103</u>  |
|   | <u>36,139,758</u>     | <u>34,463,891</u>  |
| Donor restricted endowments subject to spending policy and appropriation to support the following purposes (including net accumulated earnings of approximately \$95,700,000 and \$74,544,000 at June 30, 2023 and 2022, respectively): |                       |                    |
| Subject to endowment spending policy and appropriation:   |                       |                    |
| General college support   | 142,446,749           | 127,296,636        |
| Student financial aid   | 268,982,634           | 249,282,242        |
| Research  | 17,252,583            | 16,812,511         |
| Faculty and staff support   | 67,296,132            | 62,592,547         |
| Facilities  | 8,270,248             | 8,188,019          |
| Other   | <u>8,535,407</u>      | <u>8,282,444</u>   |
|   | 512,783,753           | 472,454,399        |
| Charitable remainder trusts, gift annuities and other   | 53,610,457            | 52,274,601         |
| Pledges receivable restricted to endowment by donors  | <u>119,246,343</u>    | <u>21,225,129</u>  |
|   | <u>\$ 780,385,282</u> | <u>624,709,514</u> |

**MISSISSIPPI STATE UNIVERSITY FOUNDATION, INC.**

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

**(8) Fair Value Measurement**

The following tables summarize the Foundation's financial instruments by major category in the fair value hierarchy as of June 30, 2023 and 2022:

|  | 2023          |           |            | Investments<br>at NAV | Total       |
|--|---------------|-----------|------------|-----------------------|-------------|
|  | Level 1       | Level 2   | Level 3    |                       |             |
| Recurring:   |               |           |            |                       |             |
| Short-term investments   | \$ 9,706,527  | —         | —          | —                     | 9,706,527   |
| Agility Comprehensive Solutions<br>Fund(1)                     | —             | —         | —          | 539,529,880           | 539,529,880 |
| Global fixed income:   |               |           |            |                       |             |
| Interest-rate sensitive  | 4,308,808     | —         | —          | —                     | 4,308,808   |
| Global equities:   |               |           |            |                       |             |
| Domestic   | 9,414,879     | —         | —          | —                     | 9,414,879   |
| Real assets:   |               |           |            |                       |             |
| Real estate funds(2)   | —             | —         | —          | 5,207,134             | 5,207,134   |
| Natural resources(3)   | —             | —         | —          | 16,229,053            | 16,229,053  |
| Direct real estate(7)  | —             | —         | 43,640,220 | —                     | 43,640,220  |
| Total real assets  | —             | —         | 43,640,220 | 21,436,187            | 65,076,407  |
| Absolute return strategies(4)                                  | —             | —         | —          | 30,020                | 30,020      |
| Private capital(2)   | —             | —         | —          | 26,260,831            | 26,260,831  |
| Contributed properties held for<br>investment(5)               | —             | —         | 32,143,644 | —                     | 32,143,644  |
| Cash-surrender value of life<br>insurance(6)                   | —             | 3,025,775 | —          | —                     | 3,025,775   |
| Total investments  | \$ 23,430,214 | 3,025,775 | 75,783,864 | 587,256,918           | 689,496,771 |
| Present value of amounts due<br>from externally managed trusts | \$ —          | —         | 56,102,682 | —                     | 56,102,682  |

**MISSISSIPPI STATE UNIVERSITY FOUNDATION, INC.**

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

|  | <b>2022</b>          |                  |                   |                               |                    |
|--|----------------------|------------------|-------------------|-------------------------------|--------------------|
|  | <b>Level 1</b>       | <b>Level 2</b>   | <b>Level 3</b>    | <b>Investments<br/>at NAV</b> | <b>Total</b>       |
| Recurring:   |                      |                  |                   |                               |                    |
| Short-term investments   | \$ 7,219,683         | —                | —                 | —                             | 7,219,683          |
| Agility Comprehensive Solutions<br>Fund(1)                     | —                    | —                | —                 | 516,633,642                   | 516,633,642        |
| Global fixed income:   |                      |                  |                   |                               |                    |
| Interest-rate sensitive  | 4,169,211            | —                | —                 | —                             | 4,169,211          |
| Global equities:   |                      |                  |                   |                               |                    |
| Domestic   | 8,519,491            | —                | —                 | —                             | 8,519,491          |
| Real assets:   |                      |                  |                   |                               |                    |
| Real estate funds(2)   | —                    | —                | —                 | 8,371,796                     | 8,371,796          |
| Natural resources(3)   | —                    | —                | —                 | 19,224,525                    | 19,224,525         |
| Total real assets  | —                    | —                | —                 | 27,596,321                    | 27,596,321         |
| Absolute return strategies(4)                                  | —                    | —                | —                 | 30,105                        | 30,105             |
| Private capital(2)   | —                    | —                | —                 | 31,219,702                    | 31,219,702         |
| Contributed properties held for<br>investment(5)               | —                    | —                | 30,339,389        | —                             | 30,339,389         |
| Cash-surrender value of life<br>insurance(6)                   | —                    | 3,047,163        | —                 | —                             | 3,047,163          |
| Total investments  | \$ <u>19,908,385</u> | <u>3,047,163</u> | <u>30,339,389</u> | <u>575,479,770</u>            | <u>628,774,707</u> |
| Present value of amounts due<br>from externally managed trusts | \$ —                 | —                | 54,819,357        | —                             | 54,819,357         |

- (1) The Fund's terms allow for 5-day notice withdrawals at any month-end totaling up to 10% of its account balance at the Fund's previous fiscal year end (plus any capital contributions to the Fund during the current year). In addition, the MSIP may make withdrawals from its capital account, of up to 100% of its Agility Global Equities, Agility Fixed Income, and Agility Real Asset holdings, as well as 25% of its Agility Absolute Return holdings, as of any fiscal quarter end, with at least one quarter's prior written notice to the general partner. Further, approximately \$86.4 million and \$65.4 million of MSIP's investment in the Fund is considered illiquid at June 30, 2023 and 2022, respectively, with up to a 10-year lockup period and 1-3 year extensions. Agility is a global fund that invests in a multitude of industries.

**MISSISSIPPI STATE UNIVERSITY FOUNDATION, INC.**

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

- (2) These funds have initial 10-year terms or 12-year terms, unless extended or dissolved sooner in accordance with the limited partnership agreements. Future commitments to these funds approximate \$6,610,000 and \$7,288,000 at June 30, 2023 and 2022, respectively. Private capital and real estate funds are generally made through limited partnerships. Under the terms of such agreements, the MSIP may be required to provide additional funding when capital or liquidity calls are made by fund managers. These partnerships have a limited existence, and they may provide for annual extensions for the purpose of disposing portfolio positions and returning capital to investors. However, depending on market conditions, the inability to execute the fund's strategy, or other factors, a manager may extend the terms of a fund beyond its originally anticipated existence or may wind the fund down prematurely. The Foundation cannot anticipate such changes because they generally arise from unforeseeable events, but should they occur they could reduce liquidity or originally anticipated investment returns. Accordingly, the timing and amount of future capital or liquidity calls in any particular future year are uncertain. The funds make direct and indirect investments in real estate and private capital in the United States.
- (3) The MSIP invests in three natural resource investments at both June 30, 2023 and 2022, which have terms ending in 2023, 2026 and 2027. Investments with lockup periods are subject to one or more one to two-year extensions. Future commitments to these funds approximate \$1,891,200 and \$3,262,000 at June 30, 2023 and 2022, respectively. The funds invest primarily in the oil and gas sector in North America.
- (4) Generally, MSIP's investments in absolute return strategies (or hedge funds) allow early redemption for specified fees. The terms and conditions upon which an investor may redeem an investment vary, usually with the majority requiring 60 days' to 12 months' notice after the initial lock up period, which may be from one to three years. At June 30, 2023 and 2022, the Foundation had no absolute return strategy investments for which an otherwise redeemable investment was not redeemable.
- (5) Bulldog Forest properties totaling \$28,800,108 and \$27,560,708 at June 30, 2023 and 2022, respectively, may be held in perpetuity or liquidated at the Foundation's discretion. Other properties are for immediate sale.
- (6) The Foundation currently has no plans to surrender these policies prior to maturity, but cash would be realized in a minimal amount of time if an insurance policy is canceled.
- (7) The MSIP invests in direct real estate in 2023 through its ownership of all outstanding stock of West Side Funds, Inc. This corporation is the owner of three hotels located in Starkville, MS in close proximity to the MSU campus.

**MISSISSIPPI STATE UNIVERSITY FOUNDATION, INC.**

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

The following table presents the Foundation's activities for the years ended June 30, 2023 and 2022 for contributed properties held for investment classified as Level 3:

|  | <u>2023</u>          | <u>2022</u>       |
|--|----------------------|-------------------|
| Balance, beginning of year                 | \$ 30,339,389        | 30,531,907        |
| Acquisitions                               | 829,855              | 2,462,750         |
| Dispositions                               | (154,676)            | (2,037,308)       |
| Net realized and unrealized gains (losses) | <u>1,129,076</u>     | <u>(617,960)</u>  |
| Balance, end of year                       | \$ <u>32,143,644</u> | <u>30,339,389</u> |

For the years ended June 30, 2023 and 2022, the changes in present value of amounts due from externally managed trusts classified as Level 3 are as follows:

|                            | <u>2023</u>          | <u>2022</u>        |
|----------------------------|----------------------|--------------------|
| Balance, beginning of year | \$ 54,819,357        | 59,215,668         |
| Contributions              | —                    | 4,925,120          |
| Terminations               | —                    | (72,463)           |
| Change in valuation        | <u>1,283,325</u>     | <u>(9,248,968)</u> |
| Balance, end of year       | \$ <u>56,102,682</u> | <u>54,819,357</u>  |

For the year ended June 30, 2023, the changes in direct real estate classified as level 3 are as follows:

|                                   | <u>2023</u>          |
|-----------------------------------|----------------------|
| Direct real estate:               |                      |
| Balance, beginning of year        | \$ —                 |
| Acquisitions                      | 36,750,000           |
| Dispositions                      | —                    |
| Net realized and unrealized gains | <u>6,890,220</u>     |
| Balance, end of year              | \$ <u>43,640,220</u> |

**(a) Pledges Receivable**

Unconditional promises to give are recognized initially at fair value as contributions revenue in the period such promises are made by donors. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at a risk-adjusted rate commensurate with the duration of the donor's payment plan. These inputs to the fair value estimate are considered Level 3 in the fair value hierarchy. In subsequent periods, the discount rate is unchanged and the allowance for uncollectible contributions is reassessed and adjusted if necessary. Amortization of the discounts is recorded as additional contribution revenue.

**MISSISSIPPI STATE UNIVERSITY FOUNDATION, INC.**

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

**(b) Other Receivables and Payables**

The carrying amounts of receivables from the MSU Alumni Association and Mississippi State University, other receivables, accounts payable and accrued liabilities, and payable to Mississippi State University approximate fair value because of the short-term maturity of these instruments.

**(c) Liabilities under Split Interest Agreements**

Liabilities include the present value of projected future distributions to the annuity or trust beneficiary and are determined using appropriate discount rates at the date of contribution.

**(9) Liquidity and Availability**

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Foundation has a liquid operating reserve of approximately \$9.4 million and \$9.5 million at June 30, 2023 and 2022, respectively. The primary source of this reserve is long-term board-directed prudent budgeting and expenditure management; this reserve may be drawn upon in the event of unusual, extreme, or prolonged financial distress. Other possible uses of the reserve could be a board-approved response to an immediate, unplanned liquidity need outside the typical operating budget life cycle. The current operating reserve exceeds the Foundation's \$5.0 million operating reserve target, which is based on management's subjective judgment.

As of June 30, 2023 and 2022, the following assets could readily be available within one year to meet general expenditures:

|   | <u>2023</u>                 | <u>2022</u>              |
|---|-----------------------------|--------------------------|
| Financial assets:   |                             |                          |
| Unrestricted cash   | \$ 3,200,533                | 1,943,067                |
| Investments   | 689,496,771                 | 628,774,707              |
| Current receivables   | <u>1,579,299</u>            | <u>304,066</u>           |
| Total financial assets at year-end                                  | 694,276,603                 | 631,021,840              |
| Less amounts with limits on usage:                                  |                             |                          |
| Amounts held for noncontrolling interests                           | (49,194,917)                | (45,425,424)             |
| Donor restricted endowments   | (417,083,653)               | (397,909,963)            |
| Internally managed trusts   | (13,966,722)                | (13,738,670)             |
| Subject to passage of time and/or specified purpose                 | (154,305,071)               | (118,835,929)            |
| Quasi-endowment funds   | (22,008,466)                | (22,341,847)             |
| Operating reserves  | <u>(9,427,392)</u>          | <u>(9,453,774)</u>       |
| Total financial assets available for general use<br>within one year | \$ <u><u>28,290,382</u></u> | <u><u>23,316,233</u></u> |

## MISSISSIPPI STATE UNIVERSITY FOUNDATION, INC.

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

### (10) Endowment

The Foundation's endowment consists of approximately 1,985 individual donor-restricted endowment funds established for a variety of purposes. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors of the Foundation (the Board) to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

#### (a) *Interpretations of Relevant Law*

The Board has interpreted the State of Mississippi Code of 1972 §79-11-701 through §79-11-719 cited as the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as requiring the Board to use reasonable care, skill, and caution as exercised by a prudent investor, in considering the investment management and expenditures of endowment funds. In accordance with UPMIFA, the Board may expend so much of an endowment fund's net appreciation as the Board determines to be prudent for the uses and purposes for which the endowment fund is established, consistent with the goal of conserving the long-term purchasing power of the endowment fund. The Board considered the following factors in making its determination:

- 1) The purpose of the Foundation
- 2) The intent of the donor of the endowment fund
- 3) The terms of the applicable instrument
- 4) The long-term and short-term needs of the Foundation and the University in carrying out their purposes
- 5) General economic conditions
- 6) The possible effect of inflation or deflation
- 7) The other resources of the Foundation and the University
- 8) Perpetuation of the endowment

As a result of this interpretation, the Board classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment and (b) the original value of subsequent gifts to the endowment. The investment income and appreciation of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

Where the Board designates net assets without donor restrictions to function as endowments, they are classified as net assets without donor restrictions.

#### (b) *Spending Policy*

The Foundation's spending policy is designed to provide for positive growth in the market value of its endowment, net of distributions, over an extended period of time. In establishing this policy, the Board considered the long-term expected return of the endowment investment pool and the goal of



**MISSISSIPPI STATE UNIVERSITY FOUNDATION, INC.**

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

maintaining the purchasing power of the endowment asset. Over the long-term, the current spending policy is designed to return a net positive gain in market value (growth) after spendable transfers.

The annual rate for spendable transfers, distributed annually, is 4% of the investment pool's average unit value over the 36-month period ending September 30 of the previous year. In addition, each endowed fund is assessed an annual 1.50% administrative fee. This fee covers administrative costs related to the operations of the MSIP and is a major portion of the funding mechanism for the operations of the Foundation.

**(c) Investment Policy**

The Foundation's investment objectives are to provide an annualized real (adjusted for inflation) rate of return of 5.50% or more to preserve, or increase, the purchasing power of endowment capital, while generating an income stream to support donor-specified purposes for the funds held for the colleges and units of the University. This policy is designed to tolerate volatility in short and intermediate-term performance. The endowment assets are invested as a part of the investment pool, as discussed in note 1(g).

To satisfy its long-term rate of return objectives, the pool employs a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation, through Agility, targets a diversified asset allocation that includes global equities, global fixed income, absolute return, real assets, and private capital to achieve long-term objectives within prudent risk constraints.

Endowment net asset composition by type of fund as of June 30, 2023 and 2022:

|                                  | <b>2023</b>                           |                                    |                    |
|----------------------------------|---------------------------------------|------------------------------------|--------------------|
|                                  | <b>Without donor<br/>restrictions</b> | <b>With donor<br/>restrictions</b> | <b>Total</b>       |
| Donor-restricted endowment funds | \$ —                                  | 512,783,753                        | 512,783,753        |
| Board designated funds           | 22,008,466                            | —                                  | 22,008,466         |
| Total funds                      | <u>\$ 22,008,466</u>                  | <u>512,783,753</u>                 | <u>534,792,219</u> |

|                                  | <b>2022</b>                           |                                    |                    |
|----------------------------------|---------------------------------------|------------------------------------|--------------------|
|                                  | <b>Without donor<br/>restrictions</b> | <b>With donor<br/>restrictions</b> | <b>Total</b>       |
| Donor-restricted endowment funds | \$ —                                  | 472,454,399                        | 472,454,399        |
| Board designated funds           | 22,341,847                            | —                                  | 22,341,847         |
| Total funds                      | <u>\$ 22,341,847</u>                  | <u>472,454,399</u>                 | <u>494,796,246</u> |

**MISSISSIPPI STATE UNIVERSITY FOUNDATION, INC.**

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

Changes in endowment net assets for the fiscal years ended June 30, 2023 and 2022:

|  | <b>2023</b>                           |                                    |                    |
|--|---------------------------------------|------------------------------------|--------------------|
|  | <b>Without donor<br/>restrictions</b> | <b>With donor<br/>restrictions</b> | <b>Total</b>       |
| Endowment net assets, beginning of year              | \$ 22,341,847                         | 472,454,399                        | 494,796,246        |
| Investment returns(loss), net                        | (290,316)                             | 37,188,351                         | 36,898,035         |
| Contributions  | 4,200                                 | 18,075,539                         | 18,079,739         |
| Appropriation of endowment assets<br>for expenditure | (781,680)                             | (15,345,586)                       | (16,127,266)       |
| Other  | 734,415                               | 411,050                            | 1,145,465          |
| Endowment net assets, end of year                    | <u>\$ 22,008,466</u>                  | <u>512,783,753</u>                 | <u>534,792,219</u> |

  

|  | <b>2022</b>                           |                                    |                    |
|--|---------------------------------------|------------------------------------|--------------------|
|  | <b>Without donor<br/>restrictions</b> | <b>With donor<br/>restrictions</b> | <b>Total</b>       |
| Endowment net assets, beginning of year              | \$ 23,294,756                         | 510,583,283                        | 533,878,039        |
| Investment loss, net                                 | (1,252,132)                           | (51,615,407)                       | (52,867,539)       |
| Contributions  | 5,000                                 | 23,077,683                         | 23,082,683         |
| Appropriation of endowment assets<br>for expenditure | (931,480)                             | (12,037,224)                       | (12,968,704)       |
| Other  | 1,225,703                             | 2,446,064                          | 3,671,767          |
| Endowment net assets, end of year                    | <u>\$ 22,341,847</u>                  | <u>472,454,399</u>                 | <u>494,796,246</u> |

**(d) Underwater Endowment Funds**

As a result of market declines for certain recently established endowments, the fair value of certain donor-restricted endowments was less than the historical cost value (original gift/book value) of such funds (underwater) by \$1,774,315 and \$2,024,922 as of June 30, 2023 and 2022, respectively. These endowments had an original gift value of approximately \$29,110,000 and \$21,581,000 at June 30, 2023 and 2022, respectively.

**MISSISSIPPI STATE UNIVERSITY FOUNDATION, INC.**

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

**(11) Contributed Nonfinancial Assets**

The following table summarizes the Foundation's contributed nonfinancial assets received by major category for the years ended June 30, 2023 and 2022.

|                      | <u>2023</u>          | <u>2022</u>      | <u>Usage in<br/>programs/<br/>activities</u>  | <u>Donor-<br/>imposed<br/>restrictions</u> | <u>Fair value<br/>techniques and<br/>inputs</u>                         |
|----------------------|----------------------|------------------|---|--|---|
| Software             | \$ 12,000,863        | 7,204,647        | Contributions and support for the University  | None                                       | Estimates based on the US software licensing sale prices.               |
| Land and buildings   | 626,500              | 382,705          | To be held or sold to benefit the University, as deemed necessary by the Foundation | Restricted for use specified by donors     | Appraised value based on an independent expert's appraisal inspection.  |
| Supplies             | 168,745              | 345,325          | Contributions and support for the University  | None                                       | Estimates based on US wholesale prices of identical or similar products |
| Historical artifacts | 187,050              | 262,930          | Contributions and support for the University  | Restricted for use specified by donors     | Appraised value based on an independent expert's appraisal inspection.  |
| Miscellaneous        | 1,341,258            | 605,930          | Contributions and support for the University  | None                                       | Estimates based on US wholesale prices of identical or similar products |
|                      | <u>\$ 14,324,416</u> | <u>8,801,537</u> |   |  |   |

**MISSISSIPPI STATE UNIVERSITY FOUNDATION, INC.**

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

**(12) Functional and Natural Expenses**

Expenses are presented by functional classification in accordance with the overall service mission of the Foundation, which is to provide funds to the University. Program services or distributing to MSU are categorized in the primary areas of student financial aid, research, faculty and staff support, facilities and general college support. The operations of the Foundation are categorized as either fundraising or general and administrative according to the department in which the expense is incurred and allocated with techniques such as time and effort.

|  | <b>2023</b>   |   |   |                                   |                    |                   |
|--|---|---|---|-----------------------------------|--------------------|-------------------|
|  | <b>Contributions and support for Mississippi State University</b> | <b>Contributions and support for Bulldog Club</b> | <b>Contributions and support for MSU Alumni Association</b> | <b>General and administrative</b> | <b>Fundraising</b> | <b>Total</b>      |
| Distributions for:                       |   |   |   |                                   |                    |                   |
| General college support                  | \$ 28,177,047   | —   | —   | —                                 | —                  | 28,177,047        |
| Student financial aid                    | 12,223,921  | —   | —   | —                                 | —                  | 12,223,921        |
| Research                                 | 713,635   | —   | —   | —                                 | —                  | 713,635           |
| Faculty and staff support                | 2,273,859   | —   | —   | —                                 | —                  | 2,273,859         |
| Facilities                               | 1,241,045   | —   | —   | —                                 | —                  | 1,241,045         |
| Other                                    | 646,153   | 1,799,555   | 1,259,471   | —                                 | —                  | 3,705,179         |
| Compensation                             | 654,103   | —   | —   | 3,469,014                         | 3,412,163          | 7,535,280         |
| Professional fees                        | 44,408  | —   | —   | 596,535                           | —                  | 640,943           |
| Travel, events and communications        | 55,146  | —   | —   | 561,009                           | 629,296            | 1,245,451         |
| Rentals and other contractual            | 594,469   | —   | —   | 662,309                           | 38,477             | 1,295,255         |
| Technology, office services and supplies | 367,081   | —   | —   | 1,283,951                         | 734,141            | 2,385,173         |
| Other                                    | —   | —   | —   | 200,593                           | —                  | 200,593           |
| Depreciation                             | —   | —   | —   | 811,729                           | —                  | 811,729           |
|  | <u>\$ 46,990,867</u>  | <u>1,799,555</u>                                  | <u>1,259,471</u>  | <u>7,585,140</u>                  | <u>4,814,077</u>   | <u>62,449,110</u> |

|  | <b>2022</b>   |   |   |                                   |                    |                   |
|--|---|---|---|-----------------------------------|--------------------|-------------------|
|  | <b>Contributions and support for Mississippi State University</b> | <b>Contributions and support for Bulldog Club</b> | <b>Contributions and support for MSU Alumni Association</b> | <b>General and administrative</b> | <b>Fundraising</b> | <b>Total</b>      |
| Distributions for:                       |   |   |   |                                   |                    |                   |
| General college support                  | \$ 20,980,856   | —   | —   | —                                 | —                  | 20,980,856        |
| Student financial aid                    | 10,599,174  | —   | —   | —                                 | —                  | 10,599,174        |
| Research                                 | 676,213   | —   | —   | —                                 | —                  | 676,213           |
| Faculty and staff support                | 1,698,206   | —   | —   | —                                 | —                  | 1,698,206         |
| Facilities                               | 642,635   | —   | —   | —                                 | —                  | 642,635           |
| Other                                    | 716,145   | 1,707,478   | 1,037,584   | —                                 | —                  | 3,461,207         |
| Compensation                             | 586,288   | —   | —   | 2,788,146                         | 3,158,796          | 6,533,230         |
| Professional fees                        | 45,418  | —   | —   | 524,506                           | 5,311              | 575,235           |
| Travel, events and communications        | 53,415  | —   | —   | 246,450                           | 417,049            | 716,914           |
| Rentals and other contractual            | 596,666   | —   | —   | 558,360                           | 104,526            | 1,259,552         |
| Technology, office services and supplies | 330,125   | —   | —   | 947,741                           | 691,020            | 1,968,886         |
| Depreciation                             | —   | —   | —   | 753,307                           | —                  | 753,307           |
|  | <u>\$ 36,925,141</u>  | <u>1,707,478</u>                                  | <u>1,037,584</u>  | <u>5,818,510</u>                  | <u>4,376,702</u>   | <u>49,865,415</u> |