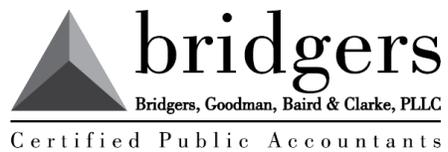


**DELTA STATE UNIVERSITY FOUNDATION, INC.**

**Audited Financial Statements and Special Reports**

**For the Years Ended June 30, 2021 and 2020**



**DELTA STATE UNIVERSITY FOUNDATION, INC.**

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**DELTA STATE UNIVERSITY FOUNDATION, INC.**

**FINANCIAL SECTION**



DAVID I. BRIDGERS, JR., CPA  
L. KARL GOODMAN, CPA, MBA  
WILLIAM F. BAIRD, CPA  
EUGENE S. CLARKE, IV, CPA  
DAVID E. CLARKE, CPA

3528 MANOR DRIVE  
VICKSBURG, MISSISSIPPI 39180

PHONE: (601) 636-1416  
FAX: (601) 636-1417

MEMBERS OF  
MISSISSIPPI SOCIETY OF CPAs  
AMERICAN INSTITUTE OF CPAs  
GOVERNMENT AUDIT QUALITY CENTER  
PRIVATE COMPANIES PRACTICE SECTION

## INDEPENDENT AUDITOR'S REPORT

To the Governing Board of the  
Delta State University Foundation, Inc.

### Opinion

We have audited the accompanying financial statements of Delta State University Foundation, Inc. (a non-profit organization), which comprise the statements of financial position as of June 30, 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Delta State University Foundation, Inc. as of June 30, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The 2020 financial statements were audited by other accountants. We do not express an opinion, a conclusion, nor provide any assurance on these financial statements. They are provided only for comparative purposes. Any modifications made from the compiled statements issued are solely for clarity and consistency of the comparative statements and do not affect the financial information present in the previously issued audit report.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Delta State University Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or

the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

*Bridgers, Goodman, Baird & Clarke, PLLC*

Bridgers, Goodman, Baird & Clarke, PLLC.  
Certified Public Accountants  
Vicksburg, Mississippi

May 27, 2022

**DELTA STATE UNIVERSITY FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

DELTA STATE UNIVERSITY FOUNDATION, INC.  
Statement of Financial Position  
For the Years Ended June 30, 2021 and 2020

	2021	2020
<b>ASSETS</b>		
Cash in banks	\$ 43,553	453,868
Cash in money market funds	2,265,162	29,370
Total cash and cash equivalents	2,308,715	483,238
Contributions receivable, net	4,111,322	4,839,609
Due From Delta State University	1,957,282	1,875,932
Investments	40,698,295	32,178,109
Building and equipment, net	38,327	15,824
Other Assets	254,185	225,965
Total Assets	49,368,126	39,618,677
<b>LIABILITIES</b>		
Accounts payable	24,844	1,183
Property held in custody	60,455	35,001
Due to Delta State University	62,600	-
Accrued interest payable	95,005	48,404
Notes payable	2,817,946	2,846,825
Total Liabilities	3,060,850	2,931,413
<b>NET POSITION</b>		
Unrestricted		
Without donor restrictions		
Undesignated	462,538	624,112
Designated		
President's Fund	224,825	-
Total unrestricted	687,363	624,112
Restricted		
With donor restrictions	45,619,913	36,063,152
Total restricted	45,619,913	36,063,152
Total Net Position	46,307,276	36,687,264
Total Liabilities and Net Position	\$ 49,368,126	39,618,677

The accompanying notes are an integral part of these financial statements.

**DELTA STATE UNIVERSITY FOUNDATION, INC.**  
**Statement of Activities**  
**For the Years Ended June 30, 2021 and 2020**

	<b>2021</b>			<b>2020</b>
	Without Restriction	With Donor Restrictions	Total	Total
<b>Revenues and grants:</b>				
Contributions	\$ 751,653	1,992,364	2,744,017	2,132,100
Fund assessment fees	981,918	-	981,918	730,245
Investment income, net	33,155	11,194	44,349	15,440
Net increase in fair value of investments	145,664	10,121,989	10,267,653	533,059
Other income	28,599	10,821	39,420	139,232
Net assets released from restriction	<u>2,579,607</u>	<u>(2,579,607)</u>	<u>-</u>	<u>-</u>
Total revenues and grants	<u>4,520,596</u>	<u>9,556,761</u>	<u>14,077,357</u>	<u>3,550,076</u>
<b>Operating expenses:</b>				
Program Services				
University support	3,023,038	-	3,023,038	3,076,555
Scholarships and awards	619,842	-	619,842	973,812
Supporting Services				
Management and general	635,710	-	635,710	595,615
Fundraising	<u>301,042</u>	<u>-</u>	<u>301,042</u>	<u>341,188</u>
Total expenses	<u>4,579,632</u>	<u>-</u>	<u>4,579,632</u>	<u>4,987,170</u>
Changes in Net Position	<u>(59,036)</u>	<u>9,556,761</u>	<u>9,497,725</u>	<u>(1,437,094)</u>
Net position- beginning, as previously stated	624,112	36,063,152	36,687,264	38,124,358
Prior period adjustments	<u>122,287</u>	<u>-</u>	<u>122,287</u>	<u>-</u>
Net position- beginning, as restated	<u>746,399</u>	<u>36,063,152</u>	<u>36,809,551</u>	<u>38,124,358</u>
Net position - ending	<u>\$ 687,363</u>	<u>45,619,913</u>	<u>46,307,276</u>	<u>36,687,264</u>

The accompanying notes are an integral part of these financial statements.

**DELTA STATE UNIVERSITY FOUNDATION, INC.**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2021**

	<b>2021</b>				
	Program Activities		Supporting Services		
	University Support	Program Services Scholarships and Awards	Management and General	Fundraising	Total
Departmental payments	\$ 1,924,770	-	-	-	1,924,770
Other restricted purposes	83,730	-	-	-	83,730
Chairs and professorships	169,573	-	-	-	169,573
Departmental endowment	243,266	-	-	-	243,266
Scholarship payments	-	619,842	-	-	619,842
Other endowed expenses	4,013	-	-	-	4,013
Supplies	313,550	-	4,718	-	318,268
University support	193,245	-	-	-	193,245
President support	25,000	-	-	-	25,000
Alumni support	25,000	-	-	-	25,000
University advertising	750	-	-	-	750
Faculty support	332	-	-	-	332
Auto lease	4,461	-	3,270	-	7,731
Public relations	1,902	-	6,273	-	8,175
Athletics support	33,446	-	-	-	33,446
Investment management fees	-	-	1,343	-	1,343
Accounting and auditing	-	-	50,994	-	50,994
Advancement support	-	-	2,751	-	2,751
Bank and credit card fees	-	-	7,933	-	7,933
Campaign expenses	-	-	-	3,414	3,414
Computer software	-	-	35,077	-	35,077
Contractual services	-	-	21,546	-	21,546
Depreciation	-	-	5,438	-	5,438
Equipment lease	-	-	8,963	-	8,963
Fundraising	-	-	-	12,394	12,394
Insurance	-	-	29,986	-	29,986
Life insurance premiums	-	-	-	10,390	10,390
Miscellaneous office expense	-	-	8,245	-	8,245
Postage	-	-	15,423	-	15,423
Printing	-	-	29,944	-	29,944
Professional and civic due	-	-	2,651	-	2,651
Professional meetings	-	-	7,732	-	7,732
Salaries	-	-	378,842	263,600	642,442
Social media	-	-	-	5,198	5,198
Staff training	-	-	100	-	100
Student worker salary	-	-	3,095	-	3,095
Telephone	-	-	5,632	-	5,632
Travel	-	-	-	6,046	6,046
Negative fund write offs	-	-	5,754	-	5,754
<b>Total Expenses</b>	<b>\$ 3,023,038</b>	<b>619,842</b>	<b>635,710</b>	<b>301,042</b>	<b>4,579,632</b>

The accompanying notes are an integral part of these financial statements.

**DELTA STATE UNIVERSITY FOUNDATION, INC.**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2020**

	<b>2020</b>				
	Program Activities		Supporting Services		
	University Support	Program Services Scholarships and Awards	Management and General	Fundraising	Total
Departmental payments	\$ 2,072,505	-	-	-	2,072,505
Other restricted purposes	299,006	-	-	-	299,006
Chairs and professorships	93,095	-	-	-	93,095
Departmental endowment	272,523	-	-	-	272,523
Scholarship payments	-	973,812	-	-	973,812
Other endowed expenses	3,361	-	-	-	3,361
Supplies	18,697	-	-	-	18,697
University support	135,112	-	-	-	135,112
President support	62,959	-	-	-	62,959
University advertising	8,470	-	-	-	8,470
Faculty support	41,000	-	-	-	41,000
Auto lease	5,947	-	525	-	6,472
Public relations	905	-	9,497	24,958	35,360
Athletics support	62,975	-	-	-	62,975
Investment management fees	-	-	2,756	-	2,756
Accounting and auditing	-	-	27,103	-	27,103
Advancement support	-	-	3,426	-	3,426
Bank and credit card fees	-	-	10,171	-	10,171
Computer software	-	-	56,748	-	56,748
Contractual services	-	-	81,001	-	81,001
Depreciation	-	-	5,461	-	5,461
Equipment lease	-	-	29,181	-	29,181
Insurance	-	-	32,020	-	32,020
Life insurance premiums	-	-	-	10,390	10,390
Miscellaneous office expense	-	-	14,837	-	14,837
Postage	-	-	49,531	-	49,531
Printing	-	-	31,667	-	31,667
Professional meetings	-	-	10,886	-	10,886
Salaries	-	-	216,197	289,930	506,127
Staff training	-	-	2,710	-	2,710
Student worker salary	-	-	3,473	-	3,473
Supplies	-	-	4,225	-	4,225
Telephone	-	-	4,200	-	4,200
Travel	-	-	-	15,910	15,910
<b>Total Expenses</b>	<b>\$ 3,076,555</b>	<b>973,812</b>	<b>595,615</b>	<b>341,188</b>	<b>4,987,170</b>

The accompanying notes are an integral part of these financial statements.

DELTA STATE UNIVERSITY FOUNDATION, INC.  
Statement of Cash Flows  
For the Years Ended June 30, 2021 and 2020

	2021	2020
<b>Cash Flows from Operating Activities:</b>		
Change in net position	\$ 9,497,725	(1,437,094)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions received for long-term investment	(552,621)	(466,047)
Depreciation and amortization expense	5,438	5,461
(Gains) Losses on investments	(8,968,684)	(389,949)
Decrease (Increase) in contributions receivable	728,287	612,175
Decrease (Increase) in due from Delta State University	(81,350)	(1,875,932)
Decrease (Increase) in other assets	(28,220)	(13,074)
Increase (Decrease) in accounts payable	23,661	(65,886)
Increase (Decrease) in property held in custody	25,454	2,460
Increase (Decrease) in due to Delta State University	62,600	(31,034)
Increase (Decrease) in accrued interest payable	46,601	19,333
Net cash provided (used) by operating activities	758,891	(3,639,587)
<b>Cash Flows from Investing Activities:</b>		
Purchases of property and equipment	(27,940)	-
Contributions received for long-term investment	552,621	466,048
Cash Withdrawals	(605,498)	-
Sales and maturities of investments	5,307,826	14,971,575
Purchases of investments	(4,131,544)	(13,442,308)
Net cash provided (used) by investing activities	1,095,465	1,995,315
<b>Cash Flows from Financing Activities:</b>		
Long-term debt issued	2,660,969	1,828,750
Payment on notes	(2,689,848)	(79,086)
Net cash provided (used) by financing activities	(28,879)	1,749,664
Net cash provided (used) by all activities	1,825,477	105,392
<b>Cash and cash equivalents, Beginning Balance</b>	483,238	377,846
<b>Cash and cash equivalents, Ending Balance</b>	\$ 2,308,715	483,238
Interest paid during the year	70,812	68,149

The accompanying notes are an integral part of these financial statements.

**DELTA STATE UNIVERSITY FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

DELTA STATE UNIVERSITY FOUNDATION, INC  
Notes to the Supplemental Information  
For the Years Ended June 30, 2021 and 2020

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization**

The Delta State University Foundation, Inc., Inc. (the "Foundation") is a Mississippi non-profit corporation that was chartered in 1967 to support and promote the programs at Delta State University (the "University"). Revenues are primarily derived from public support and investment income.

The significant accounting policies followed by the Foundation are summarized below.

**B. Basis of Financial Statement Presentation**

The Foundation's management is responsible for the preparation of the accompanying financial statements in accordance with accounting principles generally accepted in the United States of America for not-for-profit entities.

**C. Cash and Cash Equivalents**

The Foundation maintains its cash balances in bank deposit accounts, which generally exceed federally insured limits. The University has not experienced any losses in its accounts and believes it is not exposed to significant adverse credit risk on its cash deposits. Cash equivalents include liquid money market mutual fund investments. For financial reporting purposes, the Foundation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

**D. Income Taxes**

The Foundation is a nonprofit organization in accordance with Section 501(c)(3) of the Internal Revenue Code, and thereby is exempt from federal and state income taxes. However, it is required to file an annual tax return (Form 990) with the Internal Revenue Service. Income determined to be unrelated business taxable income would be taxable. The Foundation has not recorded any estimates for uncertainty in income tax amounts.

**E. Capital Assets**

Capital assets are stated at cost net of accumulated depreciation. Donations of property and equipment are recorded at their estimated fair market value when received. Property costing in excess of \$500 and having a useful life in excess of one year is capitalized. Depreciation is expended over the estimated useful life of each class of depreciable assets and is computed using the straight-line method.

**F. Concentration of Credit Risk**

The Organization receives the majority of its income through contributions received from individuals as well as local organizations and companies. Concentrations of risk from contributions are limited due to the size of the current donor base. Amounts received each year are subject to change and the Organization could be adversely affected by local and national economic conditions.

**G. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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

DELTA STATE UNIVERSITY FOUNDATION, INC  
Notes to the Supplemental Information  
For the Years Ended June 30, 2021 and 2020

in the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

**H. Net Position**

The Organization reports information regarding its net position and changes in activities in two classes of net position: without donor restrictions and with donor restrictions. The amounts for each class of net position are based on the existence or absence of donor-imposed restrictions.

Net assets without donor restrictions are resources available to support the Foundation's operations. The only limits on the use of these net assets are the broad limits resulting from the purposes specified in its corporate documents and allowed by its tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operating activities.

Net assets with donor restrictions are mostly contributions pledged, or received and not yet expended, as well as unspent investment income thereon, that are restricted by donors for use for a particular purpose or in a future period. Some donor-imposed restrictions exist for a specified term after which the restriction will lapse based on the passage of time or the use of resources as instructed by the donor.

Other donor-imposed restrictions are of a perpetual nature, generally because the donor has stipulated the contributed funds be maintained in a perpetual endowment for use in accordance with the donor's instructions. When a donor's restriction is satisfied, or funds released from the endowment, related contributions and income are reclassified from net assets with donor restrictions to those without donor restrictions and reported in the statements of activities.

**I. Classifications of Transactions**

All revenues are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses are reported as decreases in net assets without donor restrictions.

Net investment income on all unrestricted and current use restricted funds is reported as increases in net assets without donor restrictions in the statement of activities.

All revenues on endowment investments increase net assets with donor restrictions.

**J. Endowment Fund**

The long-term goal of the donor-restricted endowment fund is to achieve appreciation of invested assets with acceptable exposure to risk. The fund's investment portfolio is expected to support desired annual spending, provide growth for future increases in spending, and preserve the purchasing power of the endowment over time. The endowment fund maintains separate accounts for named scholarships and program support for Delta State University.

Most of the Foundation's endowment fund accounts require principal gifts to be invested in perpetuity and only investment returns thereon be used in the Foundation's support of Delta State

DELTA STATE UNIVERSITY FOUNDATION, INC  
Notes to the Supplemental Information  
For the Years Ended June 30, 2021 and 2020

University. The Foundation's Board has approved an investment policy statement, which sets forth investment objectives and portfolio allocation guidelines, and socially responsible investment guidelines for the Foundation's investment fund, which includes the investment assets of the donor-restricted endowment fund. The policy and guidelines are used by the Foundation's investment advisor to allocate funds into separate investment accounts, which are managed by other investment professionals who have discretionary investment authority.

The investment subcommittee of the board's finance committee manages the Foundation's relationship with the investment advisor.

**K. Investments**

Investments are recorded at fair value. The fair values of all investments other than partnership and membership interests (which include certain equities, hedge, fixed income, private equity and private real estate funds) are based on quoted market prices and observable inputs corroborated by observable market data. The Foundation utilized several externally managed funds for equities, hedge funds, fixed income, private equity and private real estate. Since such partnership and membership interests do not have readily ascertainable fair values and may be subject to withdrawal restrictions, the Foundation values these investments in accordance with valuations provided by the general partners or fund managers of the underlying partnerships or companies. The Foundation reviews and evaluates such valuations and believes the carrying amount of its partnership and member interests is a reasonable estimate of fair value. Both realized and unrealized gains and losses are allocated to net assets without donor restrictions and with donor restrictions since the investment returns are considered to have the same donor restrictions as the invested assets. Investment earnings are reported to the Foundation net of fees.

**L. Revenue Recognition**

The Foundation recognizes all contributed support received as income in the period received or unconditionally pledged under the provisions of SFAS No. 116, "Accounting for Contributions Received and Contributions Made." Contributed support is reported as either unrestricted or restricted depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the restricted net asset is reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions.

**M. Agency or Intermediary Transactions**

The Foundation acts as an intermediary for various organizations related to Delta State University. The Foundation has no discretion to direct the property held for those organizations, other than as instructed by donors or the organizations. Property received for the benefit of those organizations is not recorded as revenues or support, and the disposition of property to or for those organizations is not recorded as expenses. There was \$60,455 and \$35,001 in cash held at June 30, 2021 and June 30, 2020, respectively.

DELTA STATE UNIVERSITY FOUNDATION, INC  
Notes to the Supplemental Information  
For the Years Ended June 30, 2021 and 2020

**NOTE 2: CASH AND CASH EQUIVALENTS**

**Deposits**

The carrying amount of the Foundation's total deposits with financial institutions at June 30, 2021 was \$2,308,715, which includes highly liquid investments with an original maturity of three months or less in the amount of \$911,920.

**Custodial Credit Risk – Deposits**

The risk that in the event of the failure of a financial institution, the Foundation would not be able to recover deposits or collateral securities that are in the possession of an outside party. The Organization maintains cash balances at financial institutions that are insured by the Federal Deposit Insurance Corporation up to \$250,000. Throughout the year, the Foundation's balances at these institutions may exceed the insured amount. Additionally, the Organization maintains money market funds at a local investment firm that is subject to Securities Investor Protection Corporation insurance and additional insurance provided by the investment firm.

**NOTE 3: INVESTMENTS**

The Foundation's investments consisted of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Partnership and member interests		
U.S. Equities	\$ 8,506,510	5,838,686
International Equities	6,584,987	4,428,243
Emerging Market Equities	2,947,007	2,359,130
Hedge Funds	11,856,952	9,929,457
Fixed Income	2,159,592	2,112,656
Private Equity	3,926,706	2,404,223
Private Real Assets	959,445	839,081
Opportunistic	2,115,463	1,061,402
Corporate Bond Fund	17,123	15,837
Mutual Funds	706,078	-
	<u>39,779,863</u>	<u>28,988,715</u>
Current Use Treasury Bills	382,918	1,698,389
Current Use Mutual Funds	535,471	1,074,388
Current Use Fixed Income	43	416,617
	<u>          43</u>	<u>          416,617</u>
Totals	\$ <u>40,698,295</u>	<u>32,178,109</u>

**Fair Value Measurement - Investments**

The Foundation adopted SFAS No. 157 on July 1, 2008 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed

DELTA STATE UNIVERSITY FOUNDATION, INC  
Notes to the Supplemental Information  
For the Years Ended June 30, 2021 and 2020

at fair value in the financial statements on a recurring basis. SFAS No. 157 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 assets or liabilities that the Foundation has the ability to access at measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

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

The following table presents the financial assets carried at fair value by level within the valuation hierarchy as of June 30, 2021.

	Level 1	Level 2	Level 3	Total
Partnership and member interests	\$ -	-	39,779,863	39,779,863
Treasury bills	382,918	-	-	382,918
Mutual funds	535,471	-	-	535,471
Fixed Income	43	-	-	43
Total Investments	<u>\$ 918,432</u>	<u>-</u>	<u>39,779,863</u>	<u>40,698,295</u>

The following table presents the financial assets carried at fair value by level within the valuation hierarchy as of June 30, 2020.

	Level 1	Level 2	Level 3	Total
Partnership and member interests	\$ -	-	28,988,715	28,988,715
Treasury bills	1,698,389	-	-	1,698,389
Mutual funds	1,074,388	-	-	1,074,388
Fixed Income	416,617	-	-	416,617
Total Investments	<u>\$ 3,189,394</u>	<u>-</u>	<u>28,988,715</u>	<u>32,178,109</u>

See Note 1, Investments for information regarding the methods used to determine the fair value of the Foundation's investments. These methods may produce a fair value calculation that may not be indicative of net realizable future or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**Custodial Credit Risk - Investments**

The risk that in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments or collateral securities that is in the possession of an outside party. The portfolio

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of marketable equity securities is well diversified and includes investments in a number of national and international entities. The portfolio of marketable debt securities includes investments in U.S. Treasury securities, corporate debt securities, and government bond funds. The Foundation does not have a formal policy for custodial credit risk.

**NOTE 4: CAPITAL ASSETS**

The following is a summary of capital asset activity for the year ended June 30, 2021:

	Balance 7/1/2020	Increases	Decreases	Adjustments	Balance 6/30/2021
<u>Depreciable capital assets:</u>					
Building Improvements	58,129	27,940	-	-	86,069
Office and other equipment	73,903	-	-	-	73,903
Mobile Equipment	9,045	-	-	-	9,045
Total depreciable capital assets	<u>141,077</u>	<u>27,940</u>	<u>-</u>	<u>-</u>	<u>169,017</u>
<u>Less accumulated depreciation for:</u>					
Building Improvements	58,129	-	-	-	58,129
Office and other equipment	58,078	5,438	-	-	63,516
Mobile Equipment	9,045	-	-	-	9,045
Total accumulated depreciation	<u>125,252</u>	<u>5,438</u>	<u>-</u>	<u>-</u>	<u>130,690</u>
Total depreciable capital assets, net	<u>15,825</u>	<u>22,502</u>	<u>-</u>	<u>-</u>	<u>38,327</u>
Total Capital Assets, net	\$ <u>15,825</u>	<u>22,502</u>	<u>-</u>	<u>-</u>	<u>38,327</u>

Depreciation expense for the years ended June 30, 2021 and 2020 was \$5,438 and \$5,461, respectively.

**NOTE 5: CONTRIBUTIONS RECEIVABLE, NET**

The Foundation recognizes signed pledges representing unconditional promises to give that do not include any right for the donor to be released from the promise to transfer assets to the Foundation or for the donation to be returned to the donor. Donor pledges are generally made as personal commitments, often to a capital raising campaign, and are funded over a multi-year period. An allowance is provided for donor pledges that may not be fulfilled based on historical experience and specific promises outstanding. Pledges are reviewed periodically, and ones that are deemed uncollectible are written off against the allowance. A discount for the time value of money is also applied each June 30 to measure the fair value of the outstanding pledges.

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Contributions receivable consisted of the following:

	2021	2020
Amounts due in less than one year	\$ 795,610	1,152,905
Amounts due in one to five years	2,143,765	2,632,276
Amounts due in more than five years	1,700,000	1,635,000
Total	4,639,375	5,420,181
Allowance for doubtful accounts	-	-
Discount to net present value at 5.5%	(528,053)	(580,572)
Contributions receivable	\$ 4,111,322	4,839,609

The Foundation is named as beneficiary in the wills of several donors. The estimated value of these pledges for which a value can be determined was approximately \$4,500,000 and \$2,000,000 as of June 30, 2021 and June 30, 2020, respectively. These pledges are designed to benefit the Foundation's Enrichment program, and other programs administered through the Foundation. These pledges are not recorded in the financial statements since they are classified as intentions to give rather than unconditional promises to give. Revenues from these pledges become unconditional.

**NOTE 6: DUE FROM DELTA STATE UNIVERSITY**

At the request of the University and with approval of Mississippi Institutes of Higher Learning ("IHL") the Foundation executed a Memorandum of Understanding with Delta State University in November 2018 regarding a ground lease with the University to construct a President's Residence that will consist of a design combining the environment of a personal residence with the versatility of public event space.

The Foundation entered into a note payable for \$1,900,000 bearing an interest rate of 6% for the purpose of providing for the cost of construction of the new home for the University President. There were no requirements for principal payments until the construction was completed. During the term of the note payable the University will pay, and not seek Foundation reimbursement of, the salaries and fringes of University employees working for the Foundation to offset all costs and payments related to the President's Home.

On June 30, 2020, the amounts expended for interest payments on the note payable and the costs of construction totaled \$1,875,932. As of June 30, 2021, the balance of the note and related accrued interest totaled \$1,964,418 and was decreased by the balance of funds held restricted for the University President's use for a balance due from Delta State University of \$1,957,282

**NOTE 7: OTHER ASSETS**

The Foundation is the owner and beneficiary of several life insurance policies that were donated to support the Foundation and University projects with a total death benefit of \$2,790,060 and \$2,790,060 as of June 30, 2021 and 2020, respectively. The cash surrender value of these policies is included as other

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assets on the financial statement. The revenue from the death proceeds will be recognized when the policy benefits are received.

**NOTE 8: NOTES PAYABLE**

Debt outstanding as of June 30, 2021, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Baseball Stadium *	\$ 228,303	3.5000%	6/1/2021
Turf Loan Renewed	689,568	4.0000%	8/25/2025
DSU President's Home Renewed	1,900,075	4.0000%	8/25/2025
Total Notes Payable	<u>\$ 2,817,946</u>		

\*The Baseball Stadium Note was refinanced in July of 2021.

The annual debt service requirements of long-term debt of June 30, 2021 are as follows:

Year Ending June 30,	Notes Payable	
	Principal	Interest
2022	315,615	107,753
2023	441,619	106,763
2024	459,284	88,446
2025	477,656	69,400
2026	1,123,772	49,595
Totals	<u>\$ 2,817,946</u>	<u>421,957</u>

The following is a summary of changes in long-term debt for the year ended June 30, 2021:

	Balance July 1, 2020	Additions	Reductions	Adjustments	Balance June 30, 2021	Amount due within one year
Baseball Stadium	244,185	-	15,882	-	228,303	228,303
Turf Loan	773,891	-	84,322	(689,569)	-	-
Turf Loan Renewed	-	689,568	-	-	689,568	87,312
DSU President's Home	1,828,749	71,326	-	(1,900,075)	-	-
DSU President's Home Renewed	-	1,900,075	-	-	1,900,075	-
Total	<u>2,846,825</u>	<u>2,660,969</u>	<u>100,204</u>	<u>(2,589,644)</u>	<u>2,817,946</u>	<u>315,615</u>

Adjustments to long-term debt indicate refinanced amounts

**NOTE 9: NET ASSET CLASSIFICATION OF ENDOWMENT FUNDS**

The Foundation adopted FASB Staff Position (FSP) SFAS No. 117-1 Endowments of Not-for-Profit Organization: Net Asset Classifications of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds as of July 1, 2008. This standard, which is effective for years ending after December 31, 2008, provides guidance on the net asset classification of donor restricted endowment funds and related disclosures. FSP

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117-1 also provides guidance relative to net asset classification of funds subject to Uniform Prudent management of Institutional Funds Act (UPMIFA).

The State of Mississippi adopted UPMIFA effective July 1, 2012. The Foundation has determined its donor agreements provide for the preservation of the fair value of the original gift as of the date of the donor restricted endowment funds. As a result, the Foundation classifies as permanently restricted net assets the original gift donated to the permanent endowment and the original value of subsequent gifts and other income. The remaining portion of the donor-restricted endowment that is not classified as permanently restricted net assets is classified in temporarily restricted net assets until the amounts are appropriated for expenditure in accordance with the donor agreements.

The Foundation has established prudent investment and spending policies, with the objective of maintaining the purchasing power of its endowed assets and to provide a stable level of support to the beneficiaries. The primary investment performance objective of the Foundation is to achieve a total return, net of investment management fees and expenses, in excess of inflation and the spending rate. To achieve this objective, the Foundation's asset allocation strategy is reviewed periodically by the Finance Committee and adjusted to target a total return that covers inflation, administrative expenses, and spending allocations, while minimizing volatility.

A spending rate is determined and approved by the Board of Directors on an annual basis, with consideration given to market conditions, the spending levels of peer institutions, and the level of real return after spending measured over recent periods. No portion of the original gift value of the endowed assets will be allocated for spending.

The Foundation also manages a Quasi-Endowment fund for the Robert E. Smith Nursing School of Nursing. Quasi-endowments are funds functioning as endowments that are resources that the University has determined are to be retained and managed like an endowment. Principal and income of these funds may be utilized at the discretion of the University.

**NOTE 10: NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at June 30, 2021 and 2020 were available for the following purposes:

	2021	2020
Academic and program support	\$ 12,444,801	9,182,225
Faculty support	766,281	2,806,227
Performing arts center support	4,566,249	4,217,487
Scholarship support	27,842,582	19,857,213
Totals	\$ 45,619,913	36,063,152
	2021	2020
Endowment Funds:		
Perpetual endowment	\$ 39,039,130	25,922,094
Unconditional promises to give	788,428	696,119
Totals	\$ 39,827,558	26,618,213

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Other Funds:		
Contributions received with temporary restrictions that have not lapsed	\$ 2,195,015	5,734,796
Unconditional promises to give	<u>3,597,340</u>	<u>3,710,143</u>
Totals	\$ <u>5,792,355</u>	<u>9,444,939</u>
Total Net Assets with Donor Restrictions	<u>45,619,913</u>	<u>36,063,152</u>

**NOTE 11: RELATED PARTY DONATED SERVICES AND FACILITIES**

Pursuant to an Affiliation Agreement with Delta State University (University), the University provides to the Foundation offices and utilities adequate for the performance of the obligations and services of the Foundation. In addition, the University provides full accounting services and technology support for related services agreed to by the Foundation. The Foundation also uses office furniture and equipment furnished by the University. The value of these donated services is not quantified and not included in the financial statements.

**NOTE 12: OPERATING LEASES**

The Foundation had operating leases on various office equipment and incurred lease expense of \$8,963 and \$29,181 for the years ended June 30, 2021 and 2020, respectively. As of June 30, 2021, all contracted leases had expired with all machinery being paid on a month-to-month basis with no future lease commitment.

The Foundation had an operating lease on an automobile for the President Emeritus of Delta State University that expired in April 2021 and incurred lease expense of \$4,461 and \$5,947 for the years ended June 30, 2021 and 2020, respectively.

The Foundation entered into a new operating lease on a new automobile for the Foundation on March 5, 2021 which provides for 36 monthly payments of \$496.68. The lease expense incurred for the year ended June 30, 2021 was \$3,270.

Minimum future lease commitments as of June 30, 2021 are as follows:

2022	\$ 5,960
2023	5,960
2024	4,967

**NOTE 13: LIQUIDITY AND AVAILABILITY**

The Foundation regularly monitors the liquidity requirements of its operating activities and contractual agreements, including those for capital repairs and replacements. It seeks to maximize its short-term return on liquid financial assets by investing in bank money market accounts and money market mutual

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funds as well as U.S. Treasury obligations. The Foundation seeks a longer-term return on assets not required in the current to next fiscal years by investing in marketable securities and other investments.

The Foundation's operating budget uses a format that clearly represents the anticipated cash flow and envisions a near-balancing operating budget for its stated purposes. Whenever this is achieved the Foundation should generate positive cash flows after meeting all of its obligations for operating expenses and budgeted support to Delta State University.

Those financial assets without donor restrictions at June 30, 2021, that if required, could readily be made available to meet expenditures requirements during fiscal year 2020 are as follows:

Cash and cash equivalents	\$ 2,308,715
Less: Liabilities at June 30, 2021, to be paid in fiscal 2022	
Accounts payable	(24,844)
Property held in custody	(60,455)
Accrued interest payable	(95,005)
Principal payments on bank loans	(666,429)
Marketable securities	<u>3,801,225</u>
Readily available net assets	<u>\$ 5,263,207</u>

**NOTE 14: SUBSEQUENT EVENTS**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Organization evaluated the activity through May 27, 2022 (the date the financial statements were available to be issued) and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements.

Subsequent to June 30, 2021, the Organization entered into the following debt obligations:

Issue Date	Interest Rate	Issue Amount	Type of Financing
7/12/2021	3.50%	\$ 210,731	Refinanced Baseball Stadium