

CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

Kansas University Endowment Association
Years Ended June 30, 2024 and 2023
With Report of Independent Auditors

Ernst & Young LLP



Kansas University Endowment Association

Consolidated Financial Statements and
Supplementary Information

Years Ended June 30, 2024 and 2023

Contents

Report of Independent Auditors.....1

Consolidated Financial Statements

Consolidated Statements of Financial Position.....4

Consolidated Statements of Activities6

Consolidated Statements of Cash Flows.....8

Notes to Consolidated Financial Statements.....9

Supplementary Information

Consolidating Statement of Financial Position.....40



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Report of Independent Auditors

The Board of Trustees
Kansas University Endowment Association

Opinion

We have audited the consolidated financial statements of the Kansas University Endowment Association (KU Endowment), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of KU Endowment at June 30, 2024 and 2023, and the results of its activities and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis For Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 of 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 KU Endowment’s ability to continue as a going concern for 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 of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of KU Endowment'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 KU Endowment'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.

Report on Summarized Comparative Information

We have previously audited KU Endowment's 2023 consolidated financial statements, and we expressed an unmodified audit opinion on those consolidated financial statements in our report dated September 15, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statement of financial position as of June 30, 2024, is presented for purposes of responding to a state statute for compliance purposes and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Ernst + Young LLP

September 18, 2024

Kansas University Endowment Association
Consolidated Statements of Financial Position

	June 30	
	2024	2023
	<i>(In Thousands)</i>	
Assets		
Cash and cash equivalents	\$ 6,599	\$ 6,785
Receivables:		
Receivables from investment activities	3,230	10,837
Other receivables	2,608	3,455
Student loans receivable, less allowance of \$980 and \$953 in 2024 and 2023, respectively	20,701	20,561
Contributions pledged, less allowance of \$1,750 and \$2,150 in 2024 and 2023, respectively	258,264	119,804
Real estate loans receivable	7,151	516
Total receivables	<u>291,954</u>	<u>155,173</u>
Investments:		
Securities	2,751,498	2,583,555
Trusts held by others	52,999	49,671
Interest in other KU Endowment entities	3,222	3,140
Real estate	21,436	21,756
Total investments	<u>2,829,155</u>	<u>2,658,122</u>
Property and facilities		
Land	19,679	16,864
Buildings	78,439	40,448
Equipment and furnishings	5,373	5,058
	<u>103,491</u>	<u>62,370</u>
Accumulated depreciation	(21,989)	(20,316)
Net property and facilities	<u>81,502</u>	<u>42,054</u>
Deposits and other assets	4,146	4,007
Total assets	<u><u>\$ 3,213,356</u></u>	<u><u>\$ 2,866,141</u></u>

	June 30	
	2024	2023
	<i>(In Thousands)</i>	
Liabilities and net assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 24,557	\$ 21,422
Payables from investment activities	220	54
Trust payable	276	263
Life income gifts payable	18,002	17,987
Long-term debt	32,158	—
Agency funds	100,027	95,109
Total liabilities	<u>175,240</u>	<u>134,835</u>
Net assets:		
Without donor restrictions	296,882	282,080
With donor restrictions	2,741,234	2,449,226
Total net assets	<u>3,038,116</u>	<u>2,731,306</u>

Total liabilities and net assets	<u><u>\$ 3,213,356</u></u>	<u><u>\$ 2,866,141</u></u>
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See accompanying notes.

Kansas University Endowment Association

Consolidated Statements of Activities

	Year Ended June 30, 2024			Summarized
	Without Donor Restrictions	With Donor Restrictions	Total Current Year	Financial Information for the Year Ended June 30, 2023
	<i>(In Thousands)</i>			
Revenue, gain (loss), and other support:				
Fundraising:				
Contributions and grants received and pledged	\$ 1,339	\$ 342,635	\$ 343,974	\$ 179,183
Bequests	514	15,684	16,198	36,139
Life income gifts	–	1,476	1,476	538
Change in value of life income gifts	(61)	1,856	1,795	99
Change in net interest in other KU Endowment entities	–	82	82	(73)
Total fundraising	1,792	361,733	363,525	215,886
Income from asset holdings:				
Investment income	13,888	29,275	43,163	52,573
Realized and unrealized gain on investments and trusts held by others	53,369	141,790	195,159	46,958
Loan interest income	871	907	1,778	1,086
Agricultural and mineral income	1,102	1,113	2,215	3,655
Rental, gain on sale of assets, and other income	902	510	1,412	5,756
Total income from asset holdings	70,132	173,595	243,727	110,028
Other receipts	101	1,995	2,096	2,092
Net assets released from restrictions:				
Satisfaction of program restrictions	249,086	(249,086)	–	–
Total revenue, gain (loss), and other support	\$ 321,111	\$ 288,237	\$ 609,348	\$ 328,006

Kansas University Endowment Association

Consolidated Statements of Activities (continued)

	Year Ended June 30, 2024			Summarized Financial Information for the Year Ended June 30, 2023
	Without Donor Restrictions	With Donor Restrictions	Total Current Year	
	<i>(In Thousands)</i>			
Expenses:				
University support:				
Student support	\$ 53,064	\$ —	\$ 53,064	\$ 47,764
Faculty support and contractual services	65,500	—	65,500	56,954
Construction, furnishings, equipment, and supplies	65,102	—	65,102	36,053
Program and other educational support	92,166	—	92,166	66,302
Total University support	275,832	—	275,832	207,073
Supporting services:				
Administrative and fundraising support	26,993	—	26,993	23,547
Asset management expense	1,025	—	1,025	985
Depreciation	1,612	—	1,612	991
Total supporting services	29,630	—	29,630	25,523
Total expenses	305,462	—	305,462	232,596
Excess of revenues over expenses	15,649	288,237	303,886	95,410
Net interfund transfers	(3,771)	3,771	—	—
Change in net assets before amortization of unrecognized actuarial adjustments	11,878	292,008	303,886	95,410
Amortization of unrecognized actuarial adjustments	2,924	—	2,924	3,334
Change in net assets	14,802	292,008	306,810	98,744
Net assets at beginning of year	282,080	2,449,226	2,731,306	2,632,562
Net assets at end of year	\$ 296,882	\$ 2,741,234	\$ 3,038,116	\$ 2,731,306

See accompanying notes.

Kansas University Endowment Association

Consolidated Statements of Cash Flows

	Year Ended June 30	
	2024	2023
	<i>(In Thousands)</i>	
Operating activities		
Change in net assets	\$ 306,810	\$ 98,744
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	1,612	991
Net realized and unrealized gain on investments and trusts held by others	(195,159)	(46,958)
Contributions restricted for long-term investment	(47,130)	(50,330)
Noncash contributions	(254)	(1,172)
Changes in operating assets and liabilities:		
(Increase) decrease in student loans receivable, net	(140)	474
(Increase) decrease in contributions pledged, net	(138,460)	25,533
(Increase) decrease in real estate loans receivable	(6,635)	144
(Increase) decrease in net interest of KU Endowment entities	(82)	74
Increase (decrease) in accounts payable and accrued expenses	3,135	(572)
Increase in agency funds	4,918	3,254
Other	1,225	4,796
Net cash (used in) provided by operating activities	<u>(70,160)</u>	<u>34,978</u>
Investing activities		
Net expenditures for property and facilities	(41,450)	(13,981)
Net purchases of real estate held for investment	462	472
Net proceeds from sale of investments	417,357	366,429
Purchase of investments	(385,683)	(438,719)
Net cash used in investing activities	<u>(9,314)</u>	<u>(85,799)</u>
Financing activities		
Proceeds from donor-restricted contributions	47,130	50,330
Proceeds from issuance of long-term debt	32,158	-
Net cash provided by financing activities	<u>79,288</u>	<u>50,330</u>
Net decrease in cash and cash equivalents	(186)	(491)
Cash and cash equivalents at beginning of year	6,785	7,276
Cash and cash equivalents at end of year	<u>\$ 6,599</u>	<u>\$ 6,785</u>

See accompanying notes.

Kansas University Endowment Association

Notes to Consolidated Financial Statements (Dollars in Thousands)

June 30, 2024

1. Organization

The Kansas University Endowment Association (KU Endowment) is an independent, nonprofit organization serving as the official fundraising and fund-management foundation for the University of Kansas (the University). Founded in 1891, KU Endowment is the oldest foundation of its kind and one of the largest at a public university in the United States. KU Endowment partners with donors in providing philanthropic support to build a greater university.

KU Endowment is an organization, as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and has received an Internal Revenue Service (IRS) determination letter stating that it is exempt from tax, pursuant to Section 501(a) of the Code. Accordingly, income taxes are not provided for in the accompanying consolidated financial statements.

2. Summary of Significant Accounting Policies

Basis of Presentation

KU Endowment's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The following is a summary of the significant accounting and reporting policies used in preparing the accompanying consolidated financial statements.

KU Endowment has eleven wholly owned limited liability companies (LLCs) to hold real estate and rental properties that are purchased or contributed to benefit the University. The assets and financial activity of the LLCs are presented in the accompanying consolidated financial statements. All material intercompany balances eliminate upon consolidation.

Fund Accounting

To ensure observance of limitations and restrictions that donors have placed on the use of resources available to KU Endowment, the accounts of KU Endowment are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes, as specified by the resource donor, are classified for accounting and reporting purposes into separate fund accounts that are established according to their individual nature and purpose. However, these separate accounts that have similar characteristics have been combined into groups in the accompanying consolidated financial statements, and all financial transactions have been recorded and reported accordingly by fund groups.

Kansas University Endowment Association

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

2. Summary of Significant Accounting Policies (continued)

Funds have been grouped by classification into two categories per adoption of the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, without donor restrictions and with donor restrictions. Funds without donor restrictions represent assets and contributions that are available for the broad benefit of the University but are not otherwise restricted by donors. Funds with donor restrictions represent assets and contributions with a donor-imposed restriction that permits the organization to use or expend the donated assets and income as specified, and the restriction is satisfied either by the passage of time or by actions of the organization.

Cash and Cash Equivalents

KU Endowment considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Student Loans Receivable

As of June 30, 2024 and 2023, there was approximately \$5,170 and \$4,694, respectively, of loans 90 days or more past due. Interest is accrued on loans that are less than 180 days past due at 5% and on loans 180 days or more past due at 14%, but this interest is fully reserved within the consolidated financial statements. KU Endowment writes off uncollectible loans, both principal and interest, after the external collection agency partners have determined that they are uncollectible.

Pledges, Contributions, Bequests, and Grants

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received or the condition has been satisfied. Contributions are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is satisfied (as to either time or purpose), donor-restricted net assets are reclassified as net assets without donor restrictions and reported on the accompanying consolidated statements of activities as net assets released from restrictions.

Kansas University Endowment Association

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Summary of Significant Accounting Policies (continued)

All unconditional contributions, bequests, and grants are included in the revenue of net assets without donor restrictions at the time they are received or pledged. Donated property is recorded at fair market value on the date it is received or pledged.

Real Estate Loans Receivable

Real estate loans represent long-term loans for University-related construction projects that will be repaid by the University or its affiliates.

Investment Programs

Short-Term Investment Program

KU Endowment invests the excess cash balances in individual fund accounts by pooling them into a short-term investment program to produce a net investment yield. The total investment yield, less distributions of earnings to certain accounts, is retained by KU Endowment and is allocated to the unrestricted net asset classification to defray administrative costs.

Long-Term Investment Program

The individual fund accounts also may invest in the Long-Term Investment Program (LTIP), which are pooled together for investment purposes. Investment earnings of the LTIP are allocated to participating fund accounts on a market-value unit basis. Amounts allocated to participating fund accounts, under KU Endowment's spending policy, are based on a constant growth spending policy, where spending is adjusted annually by inflation, measured by the Consumer Price Index for All Urban Consumers (CPI-U). The target spending rate of the constant growth spending policy is 5.5% of the market value, with 4.6% out of 5.5% being allocated to participating funds for current expenditure. An amount equal to 0.9% out of 5.5% is allocated to the unrestricted fund group to defray administrative costs. To avoid potential underdistributions or unsustainable overdistributions relative to the current market value in any given year, the constant growth spending policy is subject to a 4.5% floor and a 6.5% cap of the trailing four-quarter average market value.

Kansas University Endowment Association

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Summary of Significant Accounting Policies (continued)

Investment earnings, including interest, dividends, realized gains, and unrealized gains in excess of amounts allocated as described above (accumulated investment earnings), are maintained in the LTIP. Such accumulated investment earnings are classified for consolidated financial statement purposes as funds with donor restrictions or agency funds, based on the donor's intentions for the use of the income in conjunction with KU Endowment's spending policy. Investment earnings from board-designated funds without donor restrictions that have been invested are classified as net assets without donor restrictions.

Investment Earnings

Investment earnings that are distributed to individual fund accounts as expendable resources, in accordance with KU Endowment's LTIP spending policy, are classified as funds without donor restrictions or with donor restrictions primarily based on the donor's intentions for the use of the account (see Long-Term Investment Program). The spending policy determines investment earnings that can be spent and investment earnings that are treated as funds with donor restrictions functioning as an endowment.

Realized gains and losses on sales of investments are computed on an average-cost basis. Income from asset holdings is reported net of external and direct internal investment expenses.

KU Endowment has invested in common trust funds that retain all dividends for reinvestment. Such dividends have been recorded as investment earnings and as an increase in the cost of the fund.

Property and Facilities

Assets acquired are recorded at cost if purchased. Assets held for future earnings potential are classified as investments on the accompanying consolidated statements of financial position. Improvements and replacements are capitalized, and repairs and maintenance are expensed as incurred. Assets held for use by the University or KU Endowment are classified as property and facilities.

Assets contributed are recorded at fair value at the date of donation. If the donor stipulates how long the asset must be used, the contribution is recorded as support with donor restrictions. In the absence of such stipulations, the contribution is recorded as support without donor restrictions.

Kansas University Endowment Association

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Summary of Significant Accounting Policies (continued)

Depreciation of assets held for use is computed over the estimated useful lives of the respective assets using the straight-line method. Estimated useful lives used by principal asset groups for calculating depreciation are as follows:

<u>Assets</u>	<u>Estimated Useful Life</u>
Buildings:	
New:	
Laboratories	30 years
Other	30–50 years
Used	10–30 years
Building improvements	8–30 years
Equipment and furnishings	3–15 years

Agency Funds

KU Endowment holds certain endowment and other funds on behalf of the University and other affiliated third parties. Such funds totaled approximately \$100,027 and \$95,109 at June 30, 2024 and 2023, respectively.

University Support

Expenses include distributions to support purposes of the University as a whole, as well as specific departments or schools of the University. Certain distributions, such as faculty and staff salary support, are made to the University, while others, such as student awards, are paid directly to the recipients. Total University support was approximately \$275,832 and \$207,073 during the years ended June 30, 2024 and 2023, respectively.

Fair Value of Financial Instruments

The following methods and assumptions were used to determine the fair value of each class of financial instruments that appears on the accompanying consolidated statements of financial position. For all categories listed, the carrying value approximates fair value.

Kansas University Endowment Association

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents – Cash and cash equivalents are defined as cash on hand and cash in demand accounts. Cash is held in on-demand deposit accounts, and cash equivalents are held in money markets with same-day liquidity.

Contributions Pledged – Fair value, after allowance for uncollectible pledges, is determined by discounting the expected future cash flows.

Loans Receivable – Loans receivable are reported on the accompanying consolidated statements of financial position as outstanding principal, adjusted for the allowance for doubtful accounts. Management estimates the allowance for doubtful accounts based on losses inherent in the loan portfolio and existing economic conditions.

Investments – Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value, with gains and losses included on the accompanying consolidated statements of activities. The fair value is recorded based on prices quoted by securities dealers or brokers, investment bankers, or valuation specialists on the valuation date. Management's estimate of the fair value of investments is included in Note 5.

KU Endowment invests in limited partnerships and commingled vehicles, some of which employ traditional strategies in readily marketable securities and others of which employ less traditional strategies. The fair value of these investments is generally determined by an investment manager or its third-party administrator based on the net asset value (NAV) of the underlying investments. These investments are accounted for using the NAV practical expedient. A portion of the underlying investments is not readily marketable. Therefore, its estimated fair value is subject to uncertainty and may differ from the value that would have been used had a ready market for such investments existed.

Trusts Held by Others – Trusts that provide an irrevocable beneficial interest to KU Endowment and that are administered by third parties for the benefit of KU Endowment are included in the consolidated financial statements at the fair value of the assets contributed to the trust in the appropriate net asset class.

Kansas University Endowment Association

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Summary of Significant Accounting Policies (continued)

Life Income Gifts – Life income gifts consist primarily of gift annuities and charitable remainder trusts and are recognized at fair value in the period the trust is established and adjusted accordingly in subsequent years. Generally, the terms of the life income gifts require KU Endowment to pay a specified amount or percentage of a fund’s market value to a designated beneficiary for a specified term or the beneficiary’s lifetime. Assets of such gifts are reported as a component of investment securities. Liabilities related to the gifts are recognized at the present value of the expected future cash payments to the beneficiaries and are discounted at the 2012 Individual Annuity Reserving table rates. Obligations to beneficiaries at June 30, 2024 were approximately \$6,192 for gift annuities and approximately \$11,810 for charitable remainder trusts. Obligations to beneficiaries at June 30, 2023 were approximately \$7,058 for gift annuities and approximately \$10,929 for charitable remainder trusts.

Pursuant to charitable gift annuity regulations COMAR 31.09.07.03, KU Endowment maintains adequate reserves for these obligations in unrestricted net assets, which totaled approximately \$296,882 and \$282,080 at June 30, 2024 and 2023, respectively.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue, gains, and other support and expenses during the reporting periods. Actual results could differ from those estimates.

Concentrations of Credit Risk

Financial instruments that potentially subject KU Endowment to concentrations of credit risk include cash and cash equivalents, investments, loans receivable, and contributions receivable. Investments and cash and cash equivalents are managed within guidelines established by KU Endowment which, as a matter of policy, require prudent diversification in order to minimize risk exposures. Concentrations of credit risk with respect to loans receivable and contributions receivable are limited, since amounts are generally due from a large number of individual donors or corporations.

Kansas University Endowment Association

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Summary of Significant Accounting Policies (continued)

KU Endowment's investment programs are exposed to various kinds and levels of risk. Fixed-income securities expose KU Endowment to interest rate risk, credit risk, and liquidity risk. The current value of many fixed-income securities is affected as interest rates change, particularly those with fixed interest rates. Credit risk is the risk that the obligor of the security will not fulfill its obligation. Liquidity risk is affected by the willingness of market participants to buy and sell given securities.

Equity securities expose KU Endowment to market risk, performance risk, and liquidity risk. Market risk is the risk associated with major movements of equity markets, both domestic and international. Performance risk is the risk associated with a particular company's operating performance. Liquidity risk, as previously defined, tends to be higher for international equities and small capitalization equity companies.

Contingencies

As further described in the Basis of Presentation note, KU Endowment has certain wholly owned subsidiaries and investments in unconsolidated subsidiaries that own real estate and conduct leasing operations for the benefit of the University. For investments where KU Endowment controls the underlying investee, the results are consolidated within the consolidated financial statements. For investments where KU Endowment holds more than a minor interest but does not control the underlying investee, the results are not consolidated and KU Endowment accounts for those investments in accordance with the equity method. One of the Company's wholly owned subsidiaries holds an equity method investment in a residential apartment complex near the University of Kansas Medical Center campus. The new apartments, once constructed, will help to serve the needs of employees, residents, and students at the Medical Center campus. As a part of the investment in the apartment complex venture, KU Endowment and the other unrelated investors are subject to a joint and several guarantee of the outstanding debt obligation related to the apartment complex, which includes a total borrowing capacity of \$59,200, which bears interest at an annual rate of 6% with a maturity date of February 10, 2028. As of June 30, 2024, the outstanding balance on the debt obligation held by the underlying investee was \$17,861.

Kansas University Endowment Association

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Summary of Significant Accounting Policies (continued)

2023 Financial Information

The accompanying consolidated financial statements include certain prior year summarized, comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with KU Endowment's consolidated financial statements for the year ended June 30, 2023, from which the summarized information was derived.

3. Contributions Receivable

Contributions are generally recognized at fair value when unconditional contributions are made. Contributions receivable at June 30 are classified in the accompanying consolidated financial statements, as follows:

	2024	2023
Without donor restrictions	\$ 321	\$ 336
With donor restrictions	259,693	121,618
	\$ 260,014	\$ 121,954

Contributions receivable at June 30 are due to be received in the following periods:

	2024	2023
Receivable in less than one year	\$ 97,522	\$ 47,916
Receivable in one to five years	164,868	75,131
Receivable after five years	22,321	4,312
Total undiscounted contributions receivable	284,711	127,359
Less present value discount (weighted average discount rate of 3.7% and 2.07% in 2024 and 2023, respectively)	(24,697)	(5,405)
	260,014	121,954
Less allowance for doubtful contributions	(1,750)	(2,150)
Contributions receivable, net	\$ 258,264	\$ 119,804

Kansas University Endowment Association

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

3. Contributions Receivable (continued)

An allowance for doubtful contributions is estimated from past-due pledge balances. Special consideration is given to significant pledges for which KU Endowment is concerned about future collectability.

4. Securities

Securities carried at fair value or amounts that approximate fair value consist of the following:

	June 30	
	2024	2023
Money market and short-term investments	\$ 264,715	\$ 206,054
Marketable domestic equity	510	1,346
U.S. treasury obligations	1,197	768
Exchange-traded funds	6,708	40,541
Open-ended mutual funds	267,449	235,604
Closed-ended mutual funds	64,423	47,277
Common trust funds – equities	422,247	387,522
Common trust funds – fixed income	186,686	175,274
Real estate	1,048	972
Royalties and mineral interests	161	97
Hedge funds	692,460	691,723
Private investments	763,706	734,063
Other LLCs and LLPs	80,188	62,314
	\$ 2,751,498	\$ 2,583,555

5. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting Standards Codification 820, *Fair Value Measurement*, issued by the FASB, establishes a fair value hierarchy that prioritizes the inputs 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 unobservable inputs (Level 3 measurements). In determining fair value,

Kansas University Endowment Association

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

5. Fair Value Measurements (continued)

KU Endowment uses various methods, including the market, income, and cost approaches. Based on these approaches, KU Endowment utilizes certain assumptions that market participants would use in pricing the assets, including assumptions about risk and the risks inherent in the inputs to the valuation techniques. The inputs can be readily observable, market corroborated, or generally unobservable inputs. KU Endowment uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The observability of the inputs used in the valuation techniques is the basis for determining the appropriate fair value hierarchy level.

Certain of KU Endowment's financial assets and financial liabilities are measured at fair value on a recurring basis, including money market, fixed-income, and equity instruments. The three levels of the fair value hierarchy and a description of the valuation methodologies used for instruments measured at fair value are as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities as of the reporting date. Level 1 primarily consists of financial instruments, such as money market securities and exchange-traded equities.

Level 2 – Pricing inputs other than quoted prices included in Level 1 that are either directly observable or that can be derived or supported by observable data as of the reporting date. Instruments in this category include certain U.S. government agency and sponsored entity debt securities and commingled common trust funds.

Level 3 – Pricing inputs include those that are significant to the fair value of the financial asset or financial liability and are not observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value. Investments in this category include real estate and mineral interest royalties.

Kansas University Endowment Association

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

5. Fair Value Measurements (continued)

The fair value of financial assets measured at fair value on a recurring basis was determined using the following inputs at June 30, 2024:

	Fair Value Measurements at Reporting Date Using			
	June 30, 2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Long-term investments:				
Money markets and short-term investments	\$ 264,715	\$ 264,715	\$ —	\$ —
Marketable domestic equity securities	510	510	—	—
U.S. treasury obligations	1,197	—	1,197	—
Open-ended mutual funds	267,449	267,449	—	—
Closed-ended mutual funds	64,423	64,423	—	—
Exchange-traded funds	6,708	6,708	—	—
Real estate	1,048	—	—	1,048
Royalties and mineral rights	161	—	—	161
	606,211	603,805	1,197	1,209
Trusts held by others	45,228	37,704	1,480	6,044
Interest in other KU Endowment entities	2,213	2,213	—	—
	\$ 653,652	\$ 643,722	\$ 2,677	\$ 7,253

Changes in Level 3 fair value measurements were as follows for the year ended June 30, 2024:

Fair value beginning balance	\$ 6,905
Realized and unrealized loss on trusts held by others	208
Realized and unrealized loss on real estate, royalties, and mineral rights	140
Fair value ending balance	\$ 7,253

Kansas University Endowment Association

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

5. Fair Value Measurements (continued)

The fair value of financial assets measured at fair value on a recurring basis was determined using the following inputs at June 30, 2023:

	Fair Value Measurements at Reporting Date Using			
	June 30, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Long-term investments:				
Money markets and short-term investments	\$ 206,054	\$ 206,054	\$ —	\$ —
Marketable domestic equity securities	1,346	1,346	—	—
U.S. treasury obligations	768	—	768	—
Open-ended mutual funds	235,604	235,604	—	—
Closed-ended mutual funds	47,278	47,278	—	—
Exchange-traded funds	40,541	40,541	—	—
Collateralized mortgage obligations (CMOs)	—	—	—	—
Real estate	972	—	—	972
Royalties and mineral rights	97	—	—	97
	<u>532,660</u>	<u>530,823</u>	<u>768</u>	<u>1,069</u>
Trusts held by others	42,534	35,315	1,383	5,836
Interest in other KU Endowment entities	2,189	2,189	—	—
	<u>\$ 577,383</u>	<u>\$ 568,327</u>	<u>\$ 2,151</u>	<u>\$ 6,905</u>

Changes in Level 3 fair value measurements were as follows for the year ended June 30, 2023:

Fair value beginning balance	\$ 6,843
Realized and unrealized loss on trusts held by others	62
Realized and unrealized loss on real estate, royalties, and mineral rights	—
Fair value ending balance	<u>\$ 6,905</u>

Kansas University Endowment Association

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

5. Fair Value Measurements (continued)

The fair values of the securities included in Level 1 were determined through quoted market prices. The fair values of Level 2 securities were determined through evaluated bid prices based on recent trading activity and other relevant information, including market interest rate curves, referenced credit spreads, and estimated prepayment rates, where applicable, which are used for valuation purposes and are provided by third-party pricing services where quoted market values are not available. Level 2 investments include corporate fixed income, government bonds, American depository receipts, CMOs, and commingled common trust funds. Due to the volatility of the capital markets, there is a reasonable possibility of significant changes in fair value and additional gains (losses) in the near term subsequent to June 30, 2024.

The fair value of trusts held by others is estimated based on KU Endowment's beneficial interests in the trusts held by others. Certain of the underlying investments within the trusts held by others utilize significant unobservable inputs. Thus, KU Endowment's ownership of these underlying investments is categorized as Level 3 in the fair value hierarchy. The fair values of real estate, royalties, and mineral rights are based on inputs that are not observable in the market. Thus, KU Endowment's ownership of these investments is categorized as Level 3 in the fair value hierarchy.

In accordance with the amendments to FASB issued ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, KU Endowment has removed certain investments that are measured using the NAV practical expedient from the fair value hierarchy in all periods presented in the consolidated financial statements. These investments, by type, are outlined in the table below:

	Fair Value June 30, 2024	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Common trust funds – equities	\$ 427,885	\$ –	Daily, monthly, quarterly	1–31 days
Common trust funds – fixed income	188,128	–	Daily, semi-monthly, monthly	1–10 days
Hedge funds	692,799	17,000	Monthly, semi- monthly, quarterly, annually, tri-annually	2–126 days
Private investments	763,747	289,274	N/A	N/A
Other LLCs and LLPs	81,508	–	Quarterly	45–90 days
Total	<u>\$ 2,154,067</u>	<u>\$ 306,274</u>		

Kansas University Endowment Association

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

5. Fair Value Measurements (continued)

	Fair Value June 30, 2023	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Common trust funds – equities	\$ 392,178	\$ –	Daily, monthly	1–31 days
Common trust funds – fixed income	177,023	–	Daily, monthly	1–10 days
Hedge funds	692,057	6,500	Monthly, quarterly, semiannually, annually	2–180 days
Private investments	734,429	321,369	N/A	N/A
Other LLCs and LLPs	63,297	–	Monthly, quarterly	5–90 days
Total	<u>\$ 2,058,984</u>	<u>\$ 327,869</u>		

Investments in common trust funds are invested primarily in marketable common stocks and bonds. The fair values of these investments have been estimated using the NAV per share of the investments.

Hedge funds, private investments (private equity, venture capital, and private real assets), and investments in other LLCs and limited liability partnerships (LLPs) are also accounted for at fair value using the NAV as the practical expedient. The primary objectives for these investment types are to improve diversification and reduce volatility. These investments have various liquidity schedules, which are monitored on a continuous basis. Redemption frequency of hedge funds and other LLCs and LLPs can be subject to rolling lockups. Of the hedge funds and other LLCs and LLPs listed above, for the year ended June 30, 2024, approximately 82.6% is available for redemption within 12 months, 14.5% is available for redemption within 3 years, and 2.7% is available within 6 years. The remaining .2% is deemed to be illiquid due to special investments of the manager. For the year ended June 30, 2023, approximately 88.1% is available for redemption within 12 months, 11.1% is available for redemption within 3 years, and 0.6% is available within 6 years. The remaining 0.2% is deemed to be illiquid due to special investments of the manager. Private investments cannot be redeemed with the investees, but instead KU Endowment will receive distributions through the liquidation of the underlying assets of the investees.

Kansas University Endowment Association

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

6. Benefit Plans

Pension Plan

KU Endowment has a defined benefit pension plan (the Plan) that provides the participants of the Plan with a life annuity benefit. Employees of KU Endowment meeting years of service requirements are eligible to participate in the Plan with contributions funded solely by KU Endowment. KU Endowment's policy is to make periodic employer contributions in conformance with at least the minimum funding requirements as set forth in the Employee Retirement Income Security Act of 1974, as amended (ERISA).

The benefit obligation is the present value of benefits for all retired and vested terminated participants, plus a present value of benefits for active participants, based on service rendered prior to June 30, 2024, and projected future pay levels at expected retirement ages. The Plan's funded status and the amounts recognized on KU Endowment's consolidated statements of financial position are as follows:

	2024	2023
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 46,889	\$ 47,612
Service cost	1,302	1,474
Interest cost	2,403	2,179
Actuarial loss	(700)	(2,451)
Benefits and expenses paid	(1,881)	(1,925)
Benefit obligation at end of year	48,013	46,889
Change in plan assets		
Fair value of plan assets at beginning of year	45,349	41,590
Actual return on plan assets	5,402	3,608
Employer contribution	2,043	2,076
Benefits and expenses paid	(1,881)	(1,925)
Fair value of plan assets at end of year	50,913	45,349
Funded (unfunded) status included in accounts payable and accrued expenses on the consolidated statements of financial position	\$ 2,900	\$ (1,540)

Kansas University Endowment Association

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

6. Benefit Plans (continued)

Federal legislation requires KU Endowment to fund the value of accrued benefits for the pension plan over time, based on the average discount rate derived from high-quality corporate bonds. The intent of the legislation is to measure the Plan's liability based on benefits earned to date by plan participants. For the plan years ended June 30, 2024 and 2023, the percentage of the value of accrued benefits then funded in the Plan was 122.01% and 124.78%, respectively, as determined by KU Endowment's independent actuarial consultant. The Plan's accumulated benefit obligation was approximately \$43,312 and \$41,975 on June 30, 2024 and 2023, respectively.

Included in unrestricted net assets at June 30 are the following amounts that have not yet been recognized in net periodic pension cost:

	2024	2023
Unrecognized actuarial losses	\$ 445	\$ 3,369

Changes in plan assets and benefit obligations in unrestricted net assets during the years ended June 30 include the following:

	2024	2023
Unrecognized actuarial gain	\$ (2,924)	\$ (3,140)
Amortization of actuarial loss	-	(194)
	\$ (2,924)	\$ (3,334)

The amount of unrecognized actuarial losses expected to be recognized through the net periodic pension cost during the year ending June 30, 2025 is \$0.

Kansas University Endowment Association

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

6. Benefit Plans (continued)

The components of the net periodic pension cost were as follows for the years ended June 30:

	2024	2023
Service cost	\$ 1,302	\$ 1,474
Interest cost	2,403	2,179
Expected return on plan assets	(3,177)	(2,920)
Recognized net actuarial loss	—	194
Net periodic pension cost	\$ 528	\$ 927

KU Endowment's funding policy is to make at least the minimum annual contributions required by ERISA. The expected total contributions during the year ending June 30, 2025 will be approximately \$2,043.

KU Endowment's asset-allocation target is 65% equity and 35% fixed income for pension fund assets. The actual pension plan weighted average asset allocations, by asset category, are as follows:

	June 30	
	2024	2023
Equity securities	71%	67%
Debt and other securities	29	33
	100%	100%

Kansas University Endowment Association

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

6. Benefit Plans (continued)

The fair value of pension plan assets was determined using the following inputs at June 30, 2024:

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money markets and short-term investments	\$ 659	\$ 659	\$ —	\$ —
Domestic equity funds	26,835	26,835	—	—
International equity funds	9,114	9,114	—	—
Domestic fixed-income funds	14,305	14,305	—	—
	<u>\$ 50,913</u>	<u>\$ 50,913</u>	<u>\$ —</u>	<u>\$ —</u>

The fair value of pension plan assets was determined using the following inputs at June 30, 2023:

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money markets and short-term investments	\$ 630	\$ 630	\$ —	\$ —
Domestic equity funds	22,052	22,052	—	—
International equity funds	8,416	8,416	—	—
Domestic fixed-income funds	14,251	14,251	—	—
Foreign fixed-income funds	—	—	—	—
	<u>\$ 45,349</u>	<u>\$ 45,349</u>	<u>\$ —</u>	<u>\$ —</u>

Kansas University Endowment Association

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

6. Benefit Plans (continued)

The actuarial valuation of the Plan used a 7.0% long-term return assumption for the years ended June 30, 2024 and 2023. These amounts are consistent with the return expectations for a diversified, equity-oriented portfolio of publicly traded stocks and bonds over long periods of time. KU Endowment's review of long-term risk and return assumptions supports this target allocation.

The assumptions used in determining pension information for the Plan for the years ended June 30, using a June 30 measurement date were as follows:

	2024	2023
Benefit obligations:		
Weighted average discount rate	5.51%	5.23%
Rate of compensation increase	2.50%–6.50%	2.50%–6.50%
Benefit costs:		
Weighted average discount rate	5.23%	4.66%
Expected return on plan assets	7.00	7.00
Rate of compensation increase	3.60	3.60

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid, as follows:

Fiscal Year	Future Expected Benefit Payments
2025	\$ 1,972
2026	2,001
2027	2,096
2028	2,211
2029	2,453
2030–2034	15,578

Kansas University Endowment Association

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

6. Benefit Plans (continued)

Defined Contribution Plan

KU Endowment also has a 401(k) Plan, which is a defined contribution plan that covers substantially all employees meeting the eligibility requirements set forth under the 401(k) Plan. KU Endowment contributes an amount based on a percentage of the amount contributed to the 401(k) Plan by eligible employees. KU Endowment recorded expenses of \$430 and \$374 related to the 401(k) Plan during fiscal years 2024 and 2023, respectively, which are included in administrative and fundraising support on the accompanying consolidated statements of activities.

7. Long-term Debt

Long-term debt at June 30, 2024 and 2023 consisted of the following:

	<u>2024</u>	<u>2023</u>
Revenue Bonds Series 2024E	\$ 32,158	\$ —
	<u>\$ 32,158</u>	<u>\$ —</u>

The Revenue Bonds Series 2024E were issued in the amount of \$32,158. These revenue bonds were issued for the purpose of providing liquidity to KU Endowment that is necessary to assist and support the University with certain projects and activities during the period.

Principal payments are due annually beginning in 2026 and ending in 2054. Interest is payable at the rate of 4.22% per year through the initial period ending May 1, 2029. On subsequent periods beginning May 1, 2029 and each May 1 thereafter the rate is subject to adjustment based on the current 1-year Treasury rates and credit spreads.

Kansas University Endowment Association

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

7. Long-term Debt (continued)

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

	Long-term Debt
2025	\$ —
2026	586
2027	611
2028	637
2029	663
2030	691
Thereafter	28,970
	\$ 32,158

8. Donor Restrictions Satisfied

For the years ended June 30, donor-restricted net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors, as follows:

	2024	2023
Program restrictions:		
University support:		
Student support	\$ 47,899	\$ 43,729
Faculty support and contractual services	60,666	53,357
Construction, furnishings, equipment, and supplies	51,813	33,468
Program and other educational support	88,708	64,384
	\$ 249,086	\$ 194,938

Kansas University Endowment Association

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

9. Net Assets With Donor Restrictions

Restricted net assets available at June 30 are restricted for the following purposes:

	2024	2023
Subject to expenditure for specified purpose:		
Scholarships, fellowships, and awards	\$ 50,040	\$ 48,732
Construction	304,370	187,395
Equipment	5,980	5,121
Research	37,517	33,732
Salaries and services	67,175	62,703
Other University support	170,051	83,084
Subject to passage of time	3,609	2,945
Endowments, subject to spending policy and appropriation:		
Scholarships, fellowships, and awards	865,546	808,859
Construction	13,443	10,365
Equipment	9,871	6,884
Research	95,608	86,146
Salaries and services	444,567	407,880
Other University support	600,653	638,045
Unrealized planned gifts for multiple purposes	72,804	67,335
	\$ 2,741,234	\$ 2,449,226

The income generated from donor-restricted assets is to be used for activities relating to the purpose.

10. Endowment

KU Endowment's endowment consists of approximately 4,200 individual fund accounts established for a variety of purposes to benefit the University. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported on the existence or absence of donor-imposed restrictions.

Kansas University Endowment Association

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

10. Endowment (continued)

Interpretation of Relevant Law

KU Endowment has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, KU Endowment classifies as net assets with donor restrictions: (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, KU Endowment considers the following factors in making a determination whether to appropriate or to accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of KU Endowment
- The investment policies of KU Endowment

At June 30, 2024, KU Endowment's net assets composition, by type of fund, consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ 3,538	\$ 1,798,683	\$ 1,802,221
Board-designated endowment funds	227,203	296,905	524,108
Total funds	\$ 230,741	\$ 2,095,588	\$ 2,326,329

Kansas University Endowment Association

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

10. Endowment (continued)

For the year ended June 30, 2024, the changes in the endowment net assets are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 216,750	\$ 1,946,637	\$ 2,163,387
Investment return:			
Investment income	2,367	25,556	27,923
Net appreciation	13,110	143,391	156,501
Total investment return	15,477	168,947	184,424
Contributions	1,310	51,997	53,307
Appropriation of endowment assets for expenditure	(469)	(65,817)	(66,286)
Other changes:			
Other receipts	1,037	1,823	2,860
Interfund transfer within KU			
Endowment fund accounts, including wholly expendable accounts	(3,364)	(7,999)	(11,363)
Endowment net assets, end of year	<u>\$ 230,741</u>	<u>\$ 2,095,588</u>	<u>\$ 2,326,329</u>

Kansas University Endowment Association

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

10. Endowment (continued)

At June 30, 2023, KU Endowment's net assets composition, by type of fund, consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ 3,366	\$ 1,665,674	\$ 1,669,040
Board-designated endowment funds	213,384	280,963	494,347
Total funds	\$ 216,750	\$ 1,946,637	\$ 2,163,387

For the year ended June 30, 2023, the changes in the endowment net assets are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 201,828	\$ 1,930,109	\$ 2,131,937
Investment return:			
Investment income	3,334	35,958	39,292
Net appreciation	(1,815)	(18,713)	(20,528)
Total investment return	1,519	17,245	18,764
Contributions	6,447	59,767	66,214
Appropriation of endowment assets for expenditure	(471)	(57,363)	(57,834)
Other changes:			
Other receipts	1,998	3,294	5,292
Interfund transfer within KU			
Endowment fund accounts, including wholly expendable accounts	5,429	(6,415)	(986)
Endowment net assets, end of year	\$ 216,750	\$ 1,946,637	\$ 2,163,387

Kansas University Endowment Association

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

10. Endowment (continued)

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor contributed, which is defined by KU Endowment as the amount required under UPMIFA to be retained as a fund of perpetual duration. In the absence of donor stipulations or law to the contrary, decreases in the value of assets of a donor-restricted endowment fund to an amount below the historical gift value shall reduce donor-restricted net assets. Accordingly, the aggregate of these deficiencies shall reduce donor-restricted net assets to the extent there is net appreciation on related funds with donor-imposed restrictions. As of June 30, 2024, deficiencies of this nature exist in 73 donor-restricted endowment funds, which together have an original gift value of approximately \$24,703 and a current fair value of \$24,115, resulting in a deficiency of \$588. As of June 30, 2023, deficiencies of this nature exist in 159 donor-restricted endowment funds, which together have an original gift value of approximately \$44,575 and a current fair value of \$42,510, resulting in a deficiency of \$2,065. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs, which was deemed prudent by the Board of Trustees.

Return Objectives and Risk Parameters

KU Endowment has investment policies that attempt to provide a predictable stream of funding to programs supported by operations, as well as endowment donations. Assets are invested in a manner that is intended to produce results which exceed the respective benchmark, while assuming a moderate level of investment risk. KU Endowment expects its endowment funds, over time, to provide an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, KU Endowment relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends, net of fees). KU Endowment targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Kansas University Endowment Association

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

10. Endowment (continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

Except as specified by the donor, KU Endowment has adopted a constant growth policy in which earnings are allocated monthly for spending using a target spending rate of 5.5% of the market value of the endowment fund investment pool. Spending is adjusted annually by inflation, measured by the CPI-U. The policy is subject to a 4.5% floor and a 6.5% cap of the trailing four-quarter average market value. In establishing this policy, KU Endowment considered the long-term expected return on its endowment. Accordingly, over the long term, KU Endowment expects the current spending policy to allow its endowment to grow at an average of the long-term rate of inflation. This is consistent with KU Endowment's objective to maintain the purchasing power of the endowed assets held in perpetuity, while providing a stable source of funding for the University, as well as growing over the years through the addition of new gifts.

11. Liquidity

The general expenditures of KU Endowment are currently adequately funded by the administrative fee charged on investment accounts. Amounts generated by the fee are classified as funds without donor restrictions. Funds without donor restrictions also make possible various grants to benefit specific projects of the University, as recommended by the Chancellor and approved by the Executive Committee of the Board of Trustees, in addition to funding KU Endowment's operations. The Executive Committee meets three times a year, and on an ad-hoc basis, to review and approve grant requests from resources that are without donor restrictions.

KU Endowment manages its funds available to meet general expenditures following these principles:

- Operating within a prudent range of financial soundness and stability
- Maintaining a sufficient level of liquidity
- Monitoring and maintaining reserves to provide reasonable assurance that long-term obligations related to endowments with donor restrictions and quasi-endowments continue to be met

Kansas University Endowment Association

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

11. Liquidity (continued)

KU Endowment's general operating expenditures include administrative and fundraising expenses. KU Endowment has established a guideline for an annual minimum cash balance of funds without donor restrictions that are available to fund operations equal to no less than 75% of KU Endowment's annual operating budget that is funded by such funds without donor restrictions. The Executive Committee approves the annual operating budget.

KU Endowment is party to an agreement to advance unrestricted funds to KU Athletics to assist with construction projects undertaken by KU Athletics. As of June 30, 2024, there were no unrestricted funds advanced. If unrestricted funds are utilized in future periods, cash received against pledge commitments will be utilized to reduce the amounts advanced with appropriate presentation and disclosure made in the period of the transaction.

The following balances of financial assets without donor restrictions would be available for funding of operations within one year:

	June 30	
	2024	2023
Financial assets:		
Cash and cash equivalents	\$ 6,599	\$ 6,785
Receivables	8,525	2,487
Investments	254,789	246,047
Real estate and mineral interests	79,071	42,499
Other assets	1,408	782
Total financial assets	350,392	298,600
Less amounts not available in one year:		
Cash designated for specific University uses	3,674	6,785
Receivables	6,807	1,885
Investments	68,250	66,503
Real estate and mineral interests	79,071	42,499
Other assets	1,408	782
Total financial assets not available in one year	159,210	118,454
Total financial assets available within one year	\$ 191,182	\$ 180,146

Kansas University Endowment Association

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

12. Functional Expenses

KU Endowment is the fundraising entity for the University of Kansas and its affiliates. The University of Kansas controls and has written affiliation agreements with the following affiliated corporations: University of Kansas Center for Research, Inc. (KUCR); University of Kansas Memorial Corporation (d.b.a. Kansas and Burge Unions); Kansas Athletics, Inc.; Studio 804, Inc.; Hilltop Child Development Center, Inc.; KU Campus Development Corporation; University of Kansas Medical Center Research Institute (KUMC RI) (including its subsidiary corporations, the KU Center for Technology Commercialization (KUCTC); KUMC Research Properties, Inc.; and Kansas Life Sciences Development Company, Inc. (KLSDC)); The Student Union Corporation of The University of Kansas Medical Center; KU Medical Alumni Association; Center for Residency Education, Inc.; Jayhawk Community Partners, Inc.; and Jayhawk Health, Inc. Funds are also held by KU Endowment for entities that are affiliated with the University of Kansas but are not controlled by the University. These noncontrolled affiliates include the University of Kansas Alumni Association, the University of Kansas Health System, and other related organizations.

Expenses are presented below by functional classification in accordance with the overall service mission of KU Endowment. Each functional classification displays all expenses related to the underlying operations by natural classification.

	Year Ended June 30, 2024				Summarized Financial Information for the Year Ended June 30, 2023
	University	University Controlled Affiliates	University Noncontrolled Affiliates	Total	
Expenses					
University support:					
Student support	\$ 43,672	\$ 9,128	\$ 264	\$ 53,064	\$ 47,764
Faculty support and contractual services	62,598	962	1,940	65,500	56,954
Construction, furnishings, equipment, and supplies	12,423	36,030	16,649	65,102	36,053
Program and other educational support	25,064	52,244	14,858	92,166	66,302
Total University support	143,757	98,364	33,711	275,832	207,073
Supporting services:					
Administrative and fundraising support	–	–	26,993	26,993	23,547
Asset management expense	175	14	836	1,025	985
Depreciation	46	2	1,564	1,612	991
Total supporting services	221	16	29,393	29,630	25,523
Total expenses	\$ 143,978	\$ 98,380	\$ 63,104	\$ 305,462	\$ 232,596

Kansas University Endowment Association

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

13. Subsequent Events

KU Endowment evaluated events and transactions occurring subsequent to June 30, 2024 through September 18, 2024, the date the accompanying consolidated financial statements are available to be issued. During this period, there were no subsequent events requiring recognition or disclosure in the consolidated financial statements.

Supplementary Information

Kansas University Endowment Association
Consolidating Statement of Financial Position
(Dollars in Thousands)

June 30, 2024

The following supplementary statement is provided to fulfill certain statutory requirements as part of KU Endowment's Life Income Gift Program. The column labeled Kansas University Endowment Association within the consolidating statements of financial position below includes the assets, liabilities, and net assets directly controlled by KU Endowment. The column labeled Combined Real Estate LLCs includes the LLCs wholly owned by KU Endowment as described in Note 2, which are included within the consolidated financial statements of KU Endowment.

	Kansas University Endowment Association	Combined Real Estate LLCs	Consolidated
Assets			
Cash and cash equivalents	\$ 6,449	\$ 150	\$ 6,599
Receivables:			
Receivables from investment activities	3,230	–	3,230
Other receivables	2,595	13	2,608
Student loans receivable, less allowance of \$980	20,701	–	20,701
Contributions pledged, less allowance of \$2,150	258,264	–	258,264
Real estate loans receivable	6,597	554	7,151
Total receivables	291,387	567	291,954
Investments:			
Securities	2,742,047	9,451	2,751,498
Trusts held by others	52,999	–	52,999
Interest in other KU Endowment entities	3,222	–	3,222
Real estate	21,436	–	21,436
Total investments	2,819,704	9,451	2,829,155
Property and facilities:			
Land	11,229	8,450	19,679
Buildings	24,573	53,866	78,439
Equipment and furnishings	5,373	–	5,373
	41,175	62,316	103,491
Less accumulated depreciation	(19,376)	(2,613)	(21,989)
Net property and facilities	21,799	59,703	81,502
Deposits and other assets	4,146	–	4,146
Total assets	\$ 3,143,485	\$ 69,871	\$ 3,213,356

Kansas University Endowment Association

Consolidating Statement of Financial Position (continued)

(Dollars in Thousands)

	Kansas University Endowment Association	Combined Real Estate LLCs	Consolidated
Liabilities and net assets			
Liabilities:			
Accounts payable and accrued expenses	\$ (4,024)	\$ 28,581	\$ 24,557
Payables from investment activities	220	–	220
Trust payable	276	–	276
Life income gift payable	18,002	–	18,002
Long-term debt financing	32,158	–	32,158
Agency funds	100,027	–	100,027
Total liabilities	146,659	28,581	175,240
Net assets:			
Without donor restrictions	258,123	38,759	296,882
With donor restrictions	2,738,703	2,531	2,741,234
Total net assets	2,996,826	41,290	3,038,116
Total liabilities and net assets	\$ 3,143,485	\$ 69,871	\$ 3,213,356

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