CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Kansas University Endowment Association Years Ended June 30, 2025 and 2024 With Report of Independent Auditors



Consolidated Financial Statements and Supplementary Information

Years Ended June 30, 2025 and 2024

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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, 2025 and 2024, 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, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis For Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 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 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 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 18, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, 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 financial statements as a whole. The accompanying consolidating statement of financial position as of June 30, 2025, 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 audits of the financial statements and certain additional procedures, 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 17, 2025

Consolidated Statements of Financial Position

	June 30			
	 2025		2024	
	(In Tho	usa	nds)	
Assets				
Cash and cash equivalents	\$ 13,722	\$	6,599	
Receivables:				
Receivables from investment activities	16,601		3,230	
Other receivables	2,316		2,608	
Student loans receivable, less allowance of \$978 and \$980 in 2025 and 2024, respectively	21,772		20,701	
Contributions pledged, less allowance of \$3,081 and	21,772		20,701	
\$1,750 in 2025 and 2024, respectively	238,286		258,264	
Real estate loans receivable	 41,871		7,151	
Total receivables	320,846		291,954	
Investments:				
Securities	2,762,168		2,751,498	
Trusts held by others	56,545		52,999	
Interest in other KU Endowment entities	3,353		3,222	
Real estate	 21,826		21,436	
Total investments	2,843,892		2,829,155	
Property and facilities:				
Land	16,145		19,679	
Buildings	51,363		78,439	
Equipment and furnishings	 6,037		5,373	
	73,545		103,491	
Accumulated depreciation	 (23,639)		(21,989)	
Net property and facilities	 49,906		81,502	
Deposits and other assets	4,230		4,146	
Total assets	\$ 3,232,596	\$	3,213,356	

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Consolidated Statements of Financial Position (continued)

	June 30			
		2025		2024
		(In The	ousa	inds)
Liabilities and net assets				
Liabilities:				
Accounts payable and accrued expenses	\$	6,189	\$	24,557
Payables from investment activities		1,155		220
Trust payable		295		276
Life income gifts payable		19,319		18,002
Long-term debt		32,158		32,158
Agency funds		100,260		100,027
Total liabilities		159,376		175,240
Net assets:				
Without donor restrictions		251,672		296,882
With donor restrictions		2,821,548		2,741,234
Total net assets		3,073,220		3,038,116

Total liabilities and net assets \$ 3,232,596 \$ 3,213,356

See accompanying notes.

Consolidated Statements of Activities

	Year	· Ended June 30.	, 2025	Financial Information
	Without With Donor Donor estrictions Restrictions		Total Current Year	for the Year Ended June 30, 2024
			ousands)	
Revenue, gain (loss), and other support:		,	,	
Fundraising:				
Contributions and grants received and pledged	\$ 86,121			· ·
Bequests	1,121	15,905	17,026	16,198
Life income gifts	_	909	909	1,476
Change in value of life income gifts	(58)	379	321	1,795
Change in net interest in other KU Endowment entities	 _	131	131	82
Total fundraising	87,184	170,716	257,900	363,525
Income from asset holdings:				
Investment income	12,477	39,599	52,076	43,163
Realized and unrealized gain on investments and trusts held by others	54,742	132,478	187,220	195,159
Loan interest income	4,835	919	5,754	1,778
Agricultural and mineral income	861	916	1,777	2,215
Rental, gain on sale of assets, and other income	5,304	439	5,743	1,412
Total income from asset holdings	 78,219	174,351	252,570	243,727
Other receipts	271	2,720	2,991	2,096
Net assets released from restrictions:		ŕ	,	•
Satisfaction of program restrictions	268,781	(268,781)	_	_
Total revenue, gain (loss), and other support	\$ 434,455	\$ 79,006		\$ 609,348

Summarized

Consolidated Statements of Activities (continued)

		Year	· Ended June 30	, 2025	Financial Information
	Without Donor Restrictions		With Donor Restrictions	Total Current Year	for the Year Ended June 30, 2024
	·		(In Th	ousands)	
Expenses:					
University support:					
Student support	\$	70,579	\$ -	. ,	·
Faculty support and contractual services		72,162	_	72,162	65,500
Construction, furnishings, equipment, and supplies		214,812	_	214,812	65,102
Program and other educational support		88,785	_	88,785	92,166
Total University support		446,338	_	446,338	275,832
Supporting services:					
Administrative and fundraising support		29,807	_	29,807	26,993
Asset management expense		1,050	_	1,050	1,025
Depreciation		2,072	_	2,072	1,612
Total supporting services		32,929	_	32,929	29,630
Total expenses		479,267	_	479,267	305,462
Excess of revenues over expenses		(44,812)	79,006	34,194	303,886
Net interfund transfers		(1,308)	1,308		-
Change in net assets before amortization of unrecognized actuarial adjustments		(46,120)	80,314	34,194	303,886
Amortization of unrecognized actuarial adjustments		910	_	910	2,924
Change in net assets		(45,210)	80,314	35,104	306,810
Net assets at beginning of year		296,882	2,741,234	3,038,116	2,731,306
Net assets at end of year	\$	251,672	\$ 2,821,548		

See accompanying notes.

Summarized

Consolidated Statements of Cash Flows

	Year Ended June 30 2025 2024			
	(In Thousands)			
Operating activities				
Change in net assets	\$	35,104 \$	306,810	
Adjustments to reconcile change in net assets to net cash				
used in operating activities:				
Depreciation		2,072	1,612	
Net realized and unrealized gain on investments and				
trusts held by others		(187,220)	(195,159)	
Contributions restricted for investment		(50,512)	(47,130)	
Noncash contributions		(440)	(254)	
Changes in operating assets and liabilities:				
Increase in student loans receivable, net		(1,071)	(140)	
Decrease (increase) in contributions pledged, net		19,978	(138,460)	
Increase in real estate loans receivable		(34,720)	(6,635)	
Increase in net interest of KU Endowment entities		(131)	(82)	
(Decrease) increase in accounts payable and accrued				
expenses		(18,368)	3,135	
Increase in agency funds		233	4,918	
Other		2,029	1,225	
Net cash used in operating activities		(233,046)	(70,160)	
Investing activities				
Net purchases for property and facilities		29,020	(41,450)	
Net purchases of real estate held for investment		50	462	
Net proceeds from sale of investments		373,965	417,357	
Purchase of investments		(213,378)	(385,683)	
Net cash provided by (used in) investing activities		189,657	(9,314)	
Financing activities				
Proceeds from donor-restricted contributions		50,512	47,130	
Proceeds from issuance of long-term debt		_	32,158	
Net cash provided by financing activities		50,512	79,288	
Net increase (decrease) in cash and cash equivalents		7,123	(186)	
Cash and cash equivalents at beginning of year		6,599	6,785	
Cash and cash equivalents at end of year	\$	13,722 \$	6,599	

See accompanying notes.

Notes to Consolidated Financial Statements (Dollars in Thousands)

June 30, 2025

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 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 15 wholly owned limited liability companies (LLCs) to hold real estate and rental properties that are purchased or contributed to benefit the University and for other purposes as needed. 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.

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, 2025 and 2024, there was approximately \$5,682 and \$5,170, 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.

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.

From time to time, the Endowment enters into leases as both as lessee and lessor and accounts for those leases pursuant to Accounting Standards Codification (ASC) 842, *Leases*, which sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both lessees and lessors. The standard requires lessees and lessors to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense or income is recognized based on an effective interest method or on a straight-line basis over the term of the lease.

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.

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

2. Summary of Significant Accounting Policies (continued)

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 under distributions 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.

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.

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

2. Summary of Significant Accounting Policies (continued)

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.

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:

	Estimated
Assets	Useful Life
Buildings:	
e e e e e e e e e e e e e e e e e e e	
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 \$100,260 and \$100,027 at June 30, 2025 and 2024, respectively.

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

2. Summary of Significant Accounting Policies (continued)

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 \$446,338 and \$275,832 during the years ended June 30, 2025 and 2024, 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.

Cash and Cash Equivalents – Cash and cash equivalents are defined as cash on hand and cash in on-demand deposit accounts.

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 6.

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

2. Summary of Significant Accounting Policies (continued)

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.

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, 2025, were approximately \$5,630 for gift annuities and approximately \$13,689 for charitable remainder trusts. Obligations to beneficiaries at June 30, 2024, were approximately \$6,192 for gift annuities and approximately \$11,810 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 \$251,672 and \$296,882 at June 30, 2025 and 2024, respectively.

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

2. Summary of Significant Accounting Policies (continued)

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.

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.

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

2. Summary of Significant Accounting Policies (continued)

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 KU Endowment'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 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 and bears interest at an annual rate of 6% with a maturity date of February 10, 2028. As of June 30, 2025, the outstanding balance on the debt obligation held by the underlying investee was \$51,835.

Income Tax Status

KU Endowment is recognized as an organization exempt from federal income tax under Section 501(a) of the Internal Revenue Code (the Code) as an organization described in Section 501(c)(3), whereby only unrelated business income, as defined by Section 512(a) of the Code, is subject to federal income tax. KU Endowment reviews its tax positions annually and has determined that there are no material uncertain tax positions that require recognition in the consolidated financial statements at June 30, 2025 or 2024.

2024 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, 2024, from which the summarized information was derived.

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

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:

	 2025	2024
Without donor restrictions With donor restrictions	\$ 85,233 156,134	\$ 321 259,693
	\$ 241,367	\$ 260,014

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

	 2025	2024
Receivable in less than one year	\$ 83,410 \$	97,522
Receivable in one to five years	134,740	164,868
Receivable after five years	42,064	22,321
Total undiscounted contributions receivable	260,214	284,711
Less present value discount (weighted average discount		
rate of 3.9% and 3.7% in 2025 and 2024, respectively)	(18,847)	(24,697)
	241,367	260,014
Less allowance for doubtful contributions	(3,081)	(1,750)
Contributions receivable, net	\$ 238,286 \$	258,264

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.

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

4. Real Estate Loans Receivable

During the period ended June 30, 2025, KU Endowment entered into a lease with the University for an apartment complex that was acquired by KU Endowment in the prior period. This lease was accounted for as a finance lease and KU Endowment's net investment in the lease as of June 30, 2025 was \$32,158 and is recorded within real estate loans receivable within the consolidated statement of financial position. 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. The University has signed a memorandum of understanding agreement with KU Endowment guaranteeing that KU Endowment will recoup all direct costs of acquisition and ownership of the apartment complex. Lease income received during the period totaled \$1,228 and expected remaining lease payments received are as follows:

	 nce Lease
2026	\$ 586
2027	611
2028	637
2029	663
2030	691
2031	721
Thereafter	 28,249
	\$ 32,158

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

5. Securities

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

	June 30			
		2025		2024
Money market and other investments	\$	121,600	\$	264,715
Marketable domestic equity		5,271		510
U.S. treasury obligations		1,192		1,197
Exchange-traded funds		30,917		6,708
Open-ended mutual funds		257,856		267,449
Closed-ended mutual funds		74,496		64,423
Common trust funds – equities		446,499		422,247
Common trust funds – fixed income		190,057		186,686
Real estate		1,048		1,048
Royalties and mineral interests		131		161
Hedge funds		736,763		692,460
Private investments		797,869		763,706
Other LLCs and LLPs		98,469		80,188
	\$	2,762,168	\$	2,751,498

6. 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. ASC 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, 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.

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

6. Fair Value Measurements (continued)

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.

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

6. 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, 2025:

			Fair Value Measurements at Reporting Date Using						
		June 30, 2025		uoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant nobservable Inputs (Level 3)	
Assets									
Investments:									
Money markets and other	Φ.	101 600	Φ.	121 600	Φ.		Φ.		
investments	\$	121,600	\$	121,600	\$	_	\$	_	
Marketable domestic equity securities		5,271		5,271		_		_	
U.S. treasury obligations		1,192		_		1,192		_	
Open-ended mutual funds		257,856		257,856		_		_	
Closed-ended mutual funds		74,496		74,496		_		_	
Exchange-traded funds		30,917		30,917		_		_	
Real estate		1,048		_		_		1,048	
Royalties and mineral rights		131		_		_		131	
		492,511		490,140		1,192		1,179	
Trusts held by others		48,875		40,623		1,811		6,441	
Interest in other KU									
Endowment entities		2,293		2,293		_		_	
	\$	543,679	\$	533,056	\$	3,003	\$	7,620	

Changes in Level 3 fair value measurements were as follows for the year ended June 30, 2025:

Fair value beginning balance	\$ 7,253
Realized and unrealized gain on trusts held by others	397
Realized and unrealized loss on real estate, royalties, and mineral rights	 (30)
Fair value ending balance	\$ 7,620

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

6. 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						
		Q	Quoted Prices					
			in Active		Significant			
		1	Markets for		Other	,	Significant	
			Identical		Observable	U	nobservable	
	June 30,		Assets		Inputs		Inputs	
	2024		(Level 1)		(Level 2)	(Level 3)		
Assets								
Investments:								
Money markets and other								
investments	\$ 264,715	\$	264,715	\$	_	\$	_	
Marketable domestic equity	Ź		Ź					
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 gain on trusts held by others	208
Realized and unrealized gain on real estate, royalties, and mineral rights	 140
Fair value ending balance	\$ 7,253

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

6. Fair Value Measurements (continued)

The fair values of Level 2 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, collateralized mortgage obligations, 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, 2025.

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, 2025		Unfunded Commitments		Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Common trust funds – equities	\$	453,064	\$	_	Daily, monthly, quarterly	1–31 days
Common trust funds – fixed income		191,348		-	Daily, semimonthly, monthly Monthly,	1–10 days
Hedge funds		737,122		29,000	semimonthly, quarterly, annually, tri-annually	2–126 days
Private investments		798,264		299,499	N/A	2–120 days N/A
Other LLCs and LLPs		98,588			Quarterly	45–90 days
Total	\$	2,278,386	\$	328,499	:	

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

6. Fair Value Measurements (continued)

	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, semimonthly, monthly Monthly,	1–10 days
					semimonthly, quarterly, annually,	
Hedge funds		692,799		17,000	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	\$	2,154,067	\$	306,274		-

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, 2025, approximately 80.1% is available for redemption within 12 months, 17.0% is available for redemption within 3 years, and 1.6% is available within 6 years. The remaining 1.3% is deemed to be illiquid due to special investments of the manager. 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 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.

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

7. 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, 2025, 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:

	2025	2024
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 48,013 \$	46,889
Service cost	1,383	1,302
Interest cost	2,592	2,403
Actuarial gain (loss)	403	(700)
Benefits and expenses paid	 (1,953)	(1,881)
Benefit obligation at end of year	 50,438	48,013
Change in plan assets		
Fair value of plan assets at beginning of year	50,913	45,349
Actual return on plan assets	4,879	5,402
Employer contribution	2,043	2,043
Benefits and expenses paid	(1,953)	(1,881)
Fair value of plan assets at end of year	 55,882	50,913
Funded status included in accounts payable and accrued expenses on the consolidated statements of		
financial position	\$ 5,444 \$	2,900

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

7. 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, 2025 and 2024, the percentage of the value of accrued benefits then funded in the Plan was 119.15% and 122.01%, respectively, as determined by KU Endowment's independent actuarial consultant. The Plan's accumulated benefit obligation was approximately \$45,753 and \$43,312 on June 30, 2025 and 2024, respectively.

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

	2025		2024	
Unrecognized actuarial losses	\$	(465) \$	445	

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

	2025		2024
Unrecognized actuarial gain Amortization of actuarial loss	\$	(910) \$	(2,924)
	\$	(910) \$	(2,924)

The amount of unrecognized actuarial losses expected to be recognized through the net periodic pension cost during the year ending June 30, 2026 is \$0.

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

7. Benefit Plans (continued)

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

	 2025	2024
Service cost	\$ 1,383 \$	1,302
Interest cost	2,592	2,403
Expected return on plan assets	(3,566)	(3,177)
Net periodic pension cost	\$ 409 \$	528

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, 2026, will be approximately \$2,041.

KU Endowment's asset-allocation target is 55% equity and 45% fixed income for pension fund assets. The actual pension plan weighted average asset allocations, by asset category, are as follows:

	June	e 30
	2025	2024
Equity securities	62%	71%
Debt and other securities	38	29
	100%	100%

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

7. Benefit Plans (continued)

The fair value of pension plan assets was determined using the following inputs at June 30, 2025:

			ie Measureme	surements Using			
		Fair Value	uoted 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 Domestic equity funds International equity funds Domestic fixed-income funds	\$	441 25,897 8,703 20,692	\$ 441 25,897 8,703 20,692	\$ -	\$ - - - -		
		55,733 air Value ne 30, 202	55,733 Unfunded Commitment		f Redemption Notice Period		
Private investments Total	\$ \$	149 149	\$ 573 \$ 573	N/A	N/A		

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

7. 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		Ouoted Prices in Active Markets for Identical Assets (Level 1)	O	gnificant Other bservable Inputs Level 2)	Un	dignificant nobservable Inputs (Level 3)
Money markets and short- term investments Domestic equity funds International equity funds Domestic fixed-income	\$	659 26,835 9,114	\$	659 26,835 9,114	\$	- - -	\$	- - -
funds	\$	14,305 50,913	\$	14,305 50,913	\$		\$	
		air Value ne 30, 202		Unfunded Commitment s	Fre	edemption equency (if furrently Eligible)		edemption Notice Period
Private investments Total	<u>\$</u> \$	<u>-</u>		\$ 750 \$ 750	_	N/A		N/A

Private investments (private equity, venture capital, and private real assets) are 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. 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.

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

7. Benefit Plans (continued)

The actuarial valuation of the Plan used a 7.0% long-term return assumption for the years ended June 30, 2025 and 2024. 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:

	2025	2024	
Benefit obligations:		_	
Weighted average discount rate	5.64%	5.51%	
Rate of compensation increase	2.50%-6.50%	2.50%-6.50%	
Benefit costs: Weighted average discount rate Expected return on plan assets Rate of compensation increase	5.51% 7.00 3.70	5.23% 7.00 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
2026	\$ 2,021
2027	2,123
2028	2,253
2029	2,500
2030	2,782
2031–2035	16,981

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

7. 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 \$457 and \$430 related to the 401(k) Plan during fiscal years 2025 and 2024, respectively, which are included in administrative and fundraising support on the accompanying consolidated statements of activities.

8. Long-Term Debt

Long-term debt at June 30 consisted of the following:

	 2025	2024
Revenue Bonds Series 2024E	\$ 32,158 \$	32,158
	\$ 32,158 \$	32,158

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 one-year Treasury rates and credit spreads.

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

8. Long-Term Debt (continued)

Aggregate annual maturities of long-term debt at June 30, 2025, are as follows:

	Long-Term Debt
2026	\$ 586
2027	611
2028	637
2029	663
2030	691
2031	721
Thereafter	28,249
	\$ 32,158

9. 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:

	 2025	2024
Program restrictions:		
University support:		
Student support	\$ 65,213	\$ 47,899
Faculty support and contractual services	69,294	60,666
Construction, furnishings, equipment, and supplies	52,673	51,813
Program and other educational support	81,601	88,708
	\$ 268,781	\$ 249,086

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

10. Net Assets With Donor Restrictions

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

	2025	2024
Subject to expenditure for specified purpose:		_
Scholarships, fellowships, and awards	\$ 52,678	\$ 50,040
Construction	229,410	304,370
Equipment	5,078	5,980
Research	37,273	37,517
Salaries and services	74,128	67,175
Other University support	230,416	170,051
Subject to passage of time	3,723	3,609
Endowments, subject to spending policy and appropriation:		
Scholarships, fellowships, and awards	919,607	865,546
Construction	13,954	13,443
Equipment	10,058	9,871
Research	101,486	95,608
Salaries and services	467,646	444,567
Other University support	596,101	600,653
Unrealized planned gifts for multiple purposes	 79,990	72,804
	\$ 2,821,548	\$ 2,741,234

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

11. Endowment

KU Endowment's endowment consists of approximately 4,300 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.

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

11. 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, 2025, KU Endowment's net assets composition, by type of fund, consisted of the following:

	Without Donor Restrictions			With Donor estrictions	Total
Donor-restricted endowment funds Board-designated endowment funds Total funds	\$	233,231		1,905,437 313,120 2,218,557	546,351

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

11. Endowment (continued)

For the year ended June 30, 2025, the changes in the endowment net assets are as follows:

	Without			With		
		Donor	Donor			
	Re	strictions	Restrictions			Total
Endowment net assets, beginning of year	\$	230,741	\$	2,095,588	\$	2,326,329
Investment return:						
Investment income		3,247		36,121		39,368
Net appreciation		9,072		101,752		110,824
Total investment return		12,319		137,873		150,192
Contributions		1,316		61,624		62,940
Appropriation of endowment assets for						
expenditure		(1,140)		(72,259)		(73,399)
Other changes:						
Other receipts		809		1,498		2,307
Interfund transfer within KU						
Endowment fund accounts, including						
wholly expendable accounts		(6,984)		(5,767)		(12,751)
Endowment net assets, end of year	\$	237,061	\$	2,218,557	\$	2,455,618
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Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

11. Endowment (continued)

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

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

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

	Without			With	
		Donor strictions	R	Donor estrictions	Total
Endowment net assets, beginning of year Investment return:	\$	216,750	\$	1,946,637	\$ 2,163,387
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 Interfund transfer within KU		1,037		1,823	2,860
Endowment fund accounts, including wholly expendable accounts		(3,364)		(7,999)	(11,363)
Endowment net assets, end of year	\$	230,741	\$	2,095,588	\$ 2,326,329

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

11. 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, 2025, deficiencies of this nature exist in 53 donor-restricted endowment funds, which together have an original gift value of approximately \$12,564 and a current fair value of \$12,426, resulting in a deficiency of \$138. 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. 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.

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

11. 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.

12. 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

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

12. 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, 2025, \$175 of unrestricted funds were advanced. In future periods, cash received against pledge commitments will be utilized to reduce the amounts advanced with appropriate presentation and disclosure in the period of transaction. As of June 30, 2024, there were no unrestricted funds advanced.

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

		2025		2024
Financial assets:				
Cash and cash equivalents	\$	13,722	\$	6,599
Receivables		127,611		8,525
Investments		94,745		254,789
Real estate and mineral interests		47,638		79,071
Other assets		1,753		1,408
Total financial assets		285,469		350,392
Less amounts not available in one year:				
Cash designated for specific University uses		5,657		3,674
Receivables		104,397		6,807
Investments		74,615		68,250
Real estate and mineral interests		47,638		79,071
Other assets		1,752		1,408
Total financial assets not available in one year		234,059		159,210
Total financial assets available within one year	\$	51,410	\$	191,182

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

13. 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.; and Jayhawk Community Partners, 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.

			Ye	ar Ended	Jun	e 30, 2025		I	mmarized Financial formation
				niversity		J niversity		fo	r the Year
				ntrolled		ncontrolled		_	Ended
	U	niversity	A	ffiliates		Affiliates	Total	Ju	ne 30, 2024
Expenses									
University support:									
Student support	\$	45,482	\$	9,196	\$	15,901	\$ 70,579	\$	53,064
Faculty support and contractual services		69,884		1,574		704	72,162		65,500
Construction, furnishings, equipment, and									
supplies		16,662		34,107		164,043	214,812		65,102
Program and other educational support		25,739		48,232		14,814	88,785		92,166
Total University support		157,767		93,109		195,462	446,338		275,832
Supporting services:									
Administrative and fundraising support		_		_		29,807	29,807		26,993
Asset management expense		111		7		932	1,050		1,025
Depreciation		89		2		1,981	2,072		1,612
Total supporting services		200		9		32,720	32,929		29,630
Total expenses	\$	157,967	\$	93,118	\$	228,182	\$ 479,267	\$	305,462

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

14. Subsequent Events

KU Endowment evaluated events and transactions occurring subsequent to June 30, 2025 through September 17, 2025, the date the accompanying consolidated financial statements are available to be issued.

Subsequent to the fiscal year-end June 30, 2025, KU Endowment received a significant pledge of at least \$100,000, subject to valuation. This pledge was not recognized in the financial statements for the year ended June 30, 2025, as it was received after the reporting period.

Supplementary Information

Consolidating Statement of Financial Position (Dollars in Thousands)

June 30, 2025

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 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 LLCs	Co	onsolidated
Assets		SSUCIALIUII		LLCS	Cu	onsonuateu
Cash and cash equivalents	\$	13,722	\$	_	\$	13,722
Receivables:	Ψ	13,722	Ψ		Ψ	13,722
Receivables from investment activities		16,601		_		16,601
Other receivables		2,316		_		2,316
Student loans receivable, less allowance of \$978		21,772		_		21,772
Contributions pledged, less allowance of \$3,081		238,286		_		238,286
Real estate loans receivable		9,713		32,158		41,871
Total receivables		288,688		32,158		320,846
Investments:						
Securities		2,752,717		9,451		2,762,168
Trusts held by others		56,545		_		56,545
Interest in other KU Endowment entities		3,353		_		3,353
Real estate		21,826		_		21,826
Total investments		2,834,441		9,451		2,843,892
Property and facilities:						
Land		11,379		4,766		16,145
Buildings		25,441		25,922		51,363
Equipment and furnishings		6,037		_		6,037
		42,857		30,688		73,545
Less accumulated depreciation		(20,711)		(2,928)		(23,639)
Net property and facilities		22,146		27,760		49,906
Deposits and other assets		4,230		_		4,230
Total assets	\$	3,163,227	\$	69,369	\$	3,232,596

Consolidating Statement of Financial Position (continued) (Dollars in Thousands)

	E	Kansas University ndowment association	Combined LLCs	Co	onsolidated
Liabilities and net assets					
Liabilities:					
Accounts payable and accrued expenses	\$	(25,982)	\$ 32,171	\$	6,189
Payables from investment activities		1,155	_		1,155
Trust payable		295	_		295
Life income gift payable		19,319	_		19,319
Long-term debt financing		32,158	_		32,158
Agency funds		100,260	_		100,260
Total liabilities		127,205	32,171		159,376
Net assets:					
Without donor restrictions		216,720	34,952		251,672
With donor restrictions		2,819,302	2,246		2,821,548
Total net assets		3,036,022	37,198		3,073,220
Total liabilities and net assets	\$	3,163,227	\$ 69,369	\$	3,232,596

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