ASU Foundation
Arizona State University

2019-20

Audited Financial Statements

ARIZONA STATE UNIVERSITY FOUNDATION

For A New American University

FINANCIAL STATEMENTS

June 30, 2020

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For A New American University

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ASU Foundation
Arizona State University

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INTRODUCTION

The Arizona State University Foundation for A New American University (Foundation) was incorporated in 1955 to use philanthropy to help meet the needs of Arizona State University (ASU or University), the largest public university in the United States under a single administration, and one ranked as the most innovative by *U.S. News & World Report*. The University has established itself as the model for a New American University, whose charter describes it as a comprehensive public research university, measured not by whom it excludes, but rather by whom it includes and how they succeed, by advancing research and discovery of public value, and by assuming fundamental responsibility for the economic, social, cultural and overall health of the community it serves.

The mission of the Foundation is simple and direct: to advance the success of the University as a New American University. The Foundation does this by uniting the University and the community as a force for positive change through a variety of means:

- the Foundation's model of donor relations identifies each investor's passion and facilitates a sustainable affiliation between the investor and the University college or institute that shares that passion;
- the Foundation supports the activities of the University through fundraising activities and investment management services; and
- the Foundation encourages and enables individuals and organizations to partner with the University through volunteer opportunities, engagement activities, and financial gifts.

The Foundation continues to be recognized as a top-scoring nonprofit among the foundations related to universities, graduate schools and technological institutes ranked by Charity Navigator, the country's largest and most-utilized evaluator of charities. The Foundation maintains Charity Navigator's premier four-star rating for the eighth consecutive year.

The University continues to provide access to education for qualified students from all walks of life while addressing global challenges and improving the economic and educational endeavors in Arizona and the Foundation remains dedicated to supporting this mission by identifying and securing new partners to invest in these goals, while focusing on controlling costs and generating revenue.

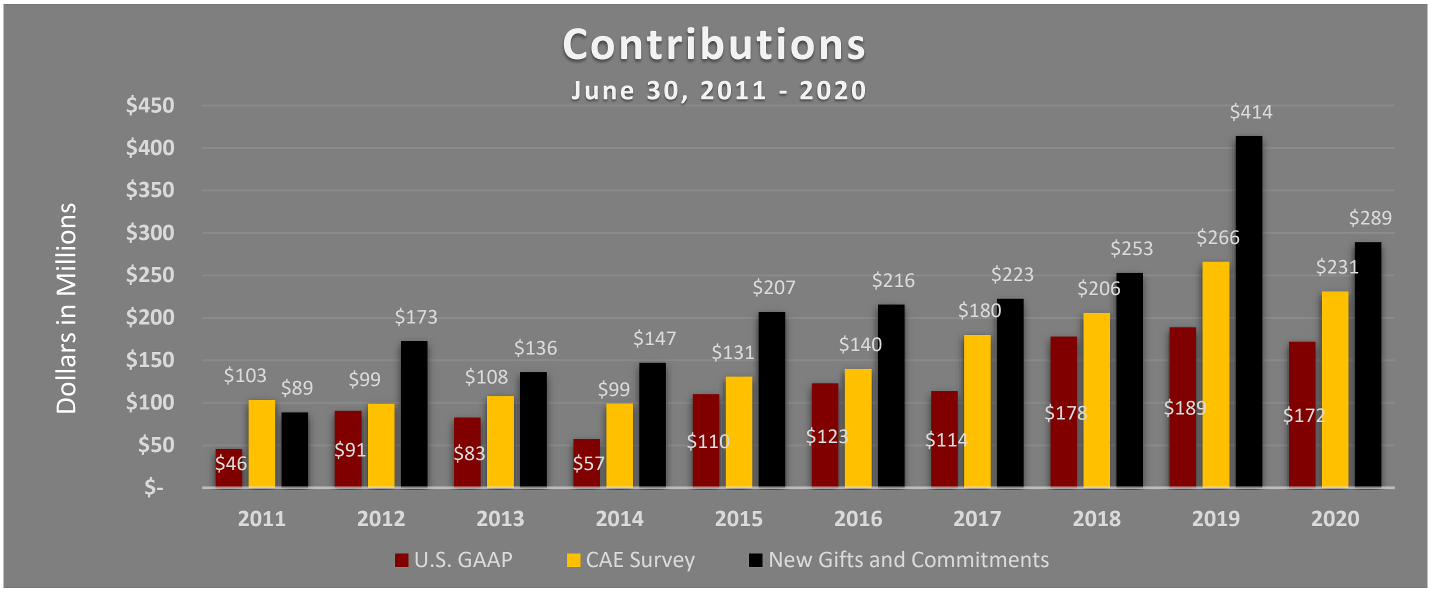
The Foundation is a membership organization with one member, ASU Enterprise Partners (EP). EP has organized its operations to focus on its business lines, which include philanthropy, technology, realty, research and global initiatives. For its administration and back office, the Foundation uses the shared services provided by EP that include human resources, communications, technology and data management, investment, legal, and financial services. The Foundation's 2020 financial results are summarized in the graphs below.

FUNDRAISING PROGRESS

The Foundation reports its fundraising progress using a variety of measuring methodologies. The attached audited financial statements record contributions according to accounting principles generally accepted in the United States of America (U.S. GAAP). U.S. GAAP requires contribution revenue to be recorded using a full accrual methodology. This methodology includes new pledges in contribution revenue and does not include pledge payments in contribution revenue.

However, the Council for Aid to Education (CAE) publishes a widely used survey called Voluntary Support of Education (VSE), recently acquired by the Council for Advancement and Support of Education using a measuring methodology that counts dollars in the door. This includes pledge payments received in the contribution total, but not new pledges. Another difference in the measuring methodologies is that the CAE survey counts contributions for the entire University enterprise (i.e., the CAE total includes gifts to the Alumni Association, the University, the Foundation itself and Sun Angel Foundation) while the attached audited financial statements include only gifts made to the Foundation.

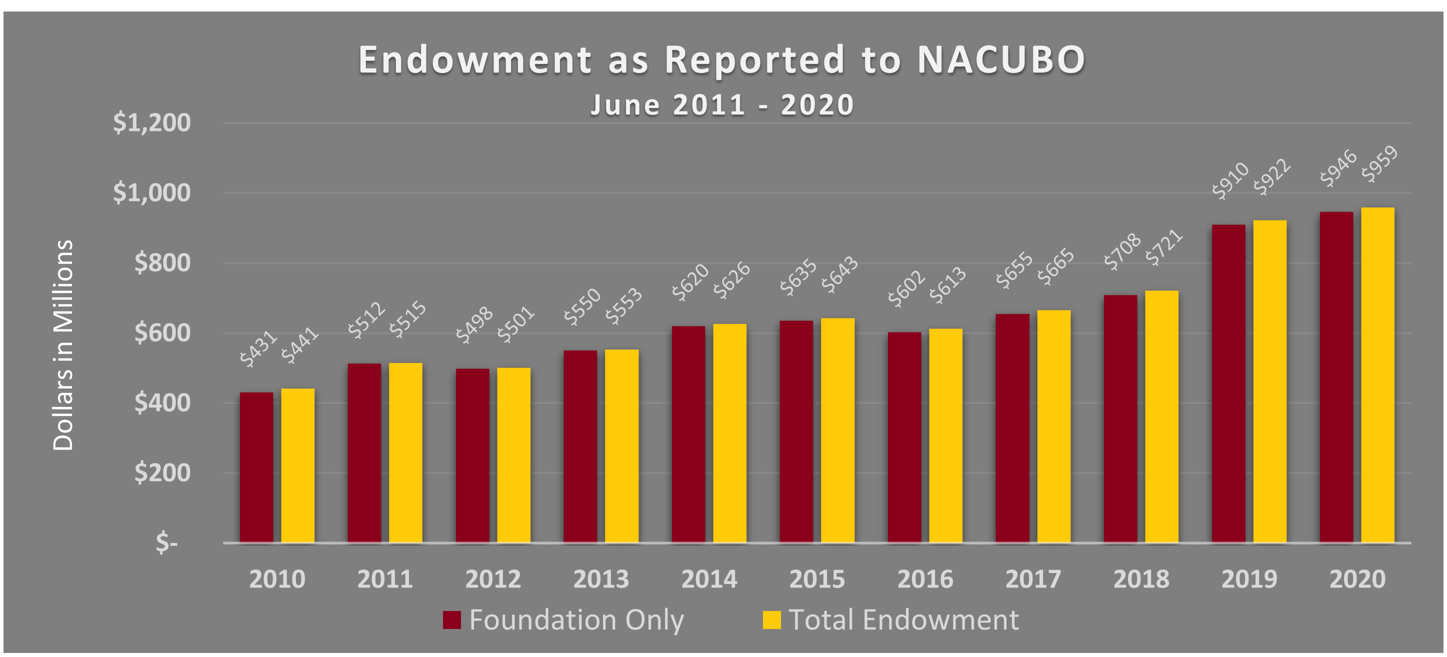
New Gifts and Commitments is an internal productivity measure that provides the broadest possible view of the Foundation fundraising progress. Its contribution total includes new pledges, advised bequests, in-kind gifts, and deferred gifts for the entire University community. During fiscal year 2020, the Foundation exceeded its fundraising goals bringing in approximately $289 million.



ENDOWMENT VALUE

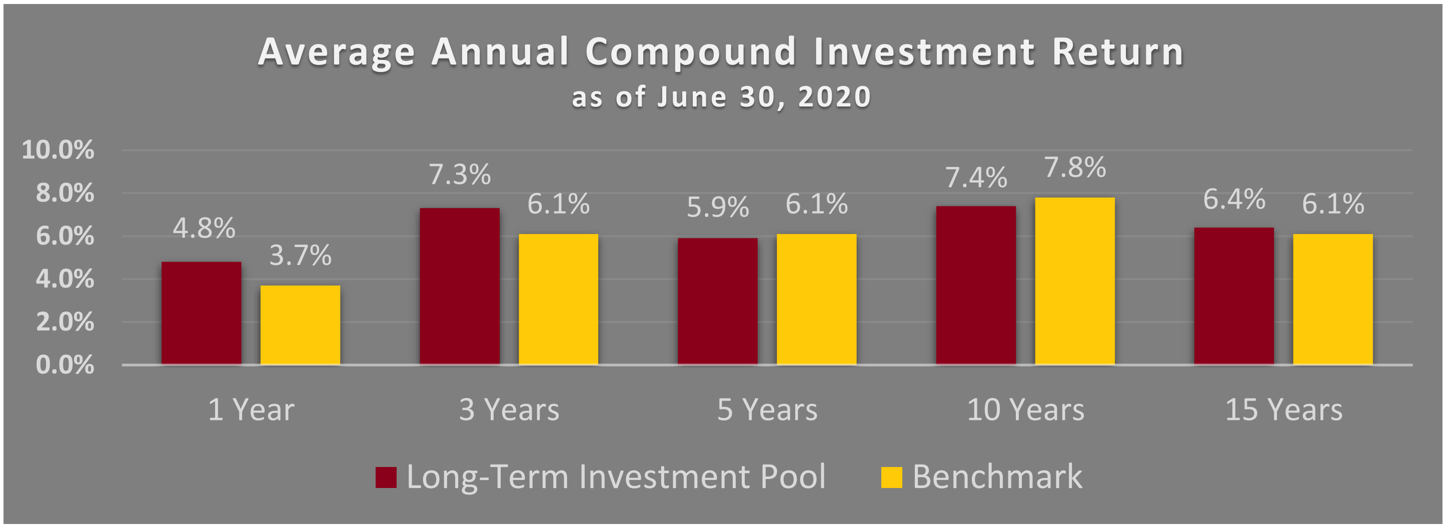
The Foundation reports its endowment value using two different measuring methods as well. The attached audited financial statements report the endowment value for assets held by the Foundation and a related liability for any assets held by the Foundation on behalf of other entities, such as the endowments held in trust for the University and others. The National Association of College and University Business Officers (NACUBO) partners with TIAA to publish the NACUBO-TIAA Study of Endowments (NTSE) survey. This survey counts the ASU endowment value for the entire University enterprise, including assets held by the Foundation, as well as other ASU affiliates. NTSE totals do not reflect a reduction for the corresponding liability for assets held for others that is reported in the U.S. GAAP financial statements.

Endowment gifts are intended to be held in perpetuity with a portion of the income each year made available to spend on University needs. The Foundation's development staff continues to solicit endowment gifts to aid in the endowment's growth.



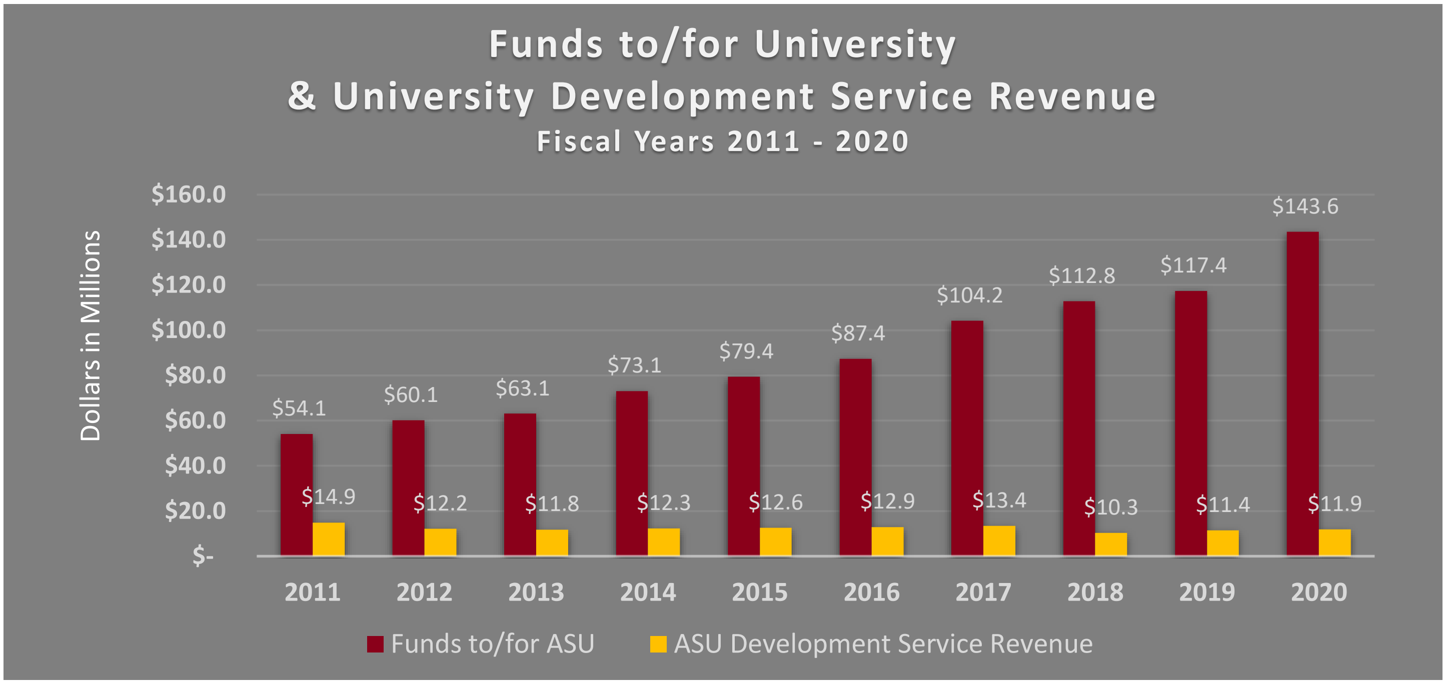
ENDOWMENT INVESTMENT

The Foundation invests the endowment funds under the direction of the Investment Committee of EP's Board of Directors and under the management of an Outsourced Chief Investment Officer, currently BlackRock, in collaboration with the EP Investment Office. The endowment investment performance is compared to the performance of the benchmark, which is a custom formulated passive index reflecting a similar asset allocation.



SUPPORT TO AND FOR ASU AND ITS STUDENTS AND FACULTY

The main purpose of the Foundation is to provide funding for University programs and activities and to support students and faculty. The Foundation was able to increase that funding from $117.4 million in 2019 to approximately $143.6 million in 2020. The sources of these funds are primarily gifts restricted for a period of time or a specific purpose. Many are endowment gifts that provide a portion of the income from the total endowment for each year's spending. Others are gifts received this year, or in previous years, to provide funding for a specific purpose designated by the donor.



FOUNDATION OPERATIONS

The Foundation funds its operations from four sources: 1) EP's Master Services Agreement with the University for development services; 2) asset management fees on the endowment; 3) subsidy from the enterprise reserves; and 4) unrestricted gifts. Between fiscal year 2019 and 2020, contributions measured according to U.S. GAAP remained steady, investment returns were positive, payments for the benefit of the University increased significantly and the Foundation experienced an expected increase in operating expenses.

CONCLUSION

The University has continued to increase the number of students enrolled, continues to create new knowledge to address global challenges and works to improve the economic and educational endeavors in Arizona. The Foundation remains dedicated to supporting this mission by identifying and securing new partners to invest in these goals, while focusing on controlling costs and generating revenue.

GRANT THORNTON LLP
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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
ASU Enterprise Partners
and Arizona State University Foundation
for A New American University

We have audited the accompanying financial statements of Arizona State University Foundation for A New American University (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Arizona State University Foundation for A New American University as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

Other information
The management's discussions and analysis on pages 3 through 6 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Report on 2019 summarized comparative information
We have previously audited the Organization's 2019 financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 30, 2019. In our opinion, the accompanying summarized comparative information as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Grant Thornton LLP

Phoenix, Arizona
August 31, 2020

ARIZONA STATE UNIVERSITY FOUNDATION
for A New American University
STATEMENT OF FINANCIAL POSITION

June 30, 2020
(with comparative totals for June 30, 2019)

	June 30, 2020	June 30, 2019
ASSETS		
Cash and cash equivalents	$ 4,796,588	$ 1,702,521
Receivables		
Pledges receivable, net	165,353,667	156,535,925
Charitable trusts receivable	1,858,725	1,312,842
Other receivables	3,353,076	406,967
Total receivables	170,565,468	158,255,734
Investments	1,119,885,582	1,083,513,469
Land and buildings held for investment	682,280	682,280
Assets held under split-interest agreements	6,594,526	7,455,838
Property and equipment, net	4,465	5,954
Other assets	1,551,064	81,651
TOTAL ASSETS	$ 1,304,079,973	$ 1,251,697,447
LIABILITIES		
Accounts payable and other liabilities	$ 4,669,396	$ 2,565,964
Assets held for other entities	300,796,363	295,809,301
Obligations under split-interest agreements	2,898,332	2,655,272
TOTAL LIABILITIES	308,364,091	301,030,537
NET ASSETS		
Without donor restrictions	2,250,734	5,150,283
With donor restrictions		
Temporarily restricted	389,736,818	377,549,783
Permanently restricted	603,728,330	567,966,844
Total with donor restrictions	993,465,148	945,516,627
TOTAL NET ASSETS	995,715,882	950,666,910
TOTAL LIABILITIES AND NET ASSETS	$ 1,304,079,973	$ 1,251,697,447

See Notes to Financial Statements

ARIZONA STATE UNIVERSITY FOUNDATION
for A New American University
STATEMENT OF ACTIVITIES

Year Ended June 30, 2020
(with comparative totals for year ended June 30, 2019)

	Year Ended June 30, 2020					
	Without Donor Restrictions	With Donor Restrictions: Temporarily Restricted	Permanently Restricted	Subtotal	Total	Year Ended June 30, 2019
SUPPORT AND REVENUES						
Contributions	$ 7,124,974	$ 121,078,324	$ 43,844,871	$ 164,923,195	$ 172,048,169	$ 188,502,843
Change in estimate for uncollectible pledges	(8,000)	1,772,000	(975,000)	797,000	789,000	(3,173,000)
Change in present value discount	(6,000)	242,000	523,000	765,000	759,000	(1,592,000)
Net investment return (loss)	(35,870)	32,581,532	(320,033)	32,261,499	32,225,629	59,691,829
Service agreement revenue	11,902,819	-	-	-	11,902,819	11,350,467
Asset management fees	2,200,961	-	-	-	2,200,961	1,870,183
Program revenue and memberships	(62,985)	-	-	-	(62,985)	31,021
Other revenue	808,896	-	-	-	808,896	1,549,651
Reclassification of donor intent and transfers	529,644	6,781,708	(7,311,352)	(529,644)	-	-
Net assets released from restriction	150,268,529	(150,268,529)	-	(150,268,529)	-	-
TOTAL SUPPORT AND REVENUES	172,722,968	12,187,035	35,761,486	47,948,521	220,671,489	258,230,994
EXPENSES						
Payments for the benefit of the University:						
Directly to the University:						
Donations and reimbursements	100,691,220	-	-	-	100,691,220	95,251,676
Scholarships - ASU selected	11,631,825	-	-	-	11,631,825	9,537,726
To Vendors on behalf of the University	29,087,035	-	-	-	29,087,035	11,473,318
Subtotal	141,410,080	-	-	-	141,410,080	116,262,720
Scholarships - Non ASU selected	958,585	-	-	-	958,585	162,476
Payments to other charitable entities	1,246,261	-	-	-	1,246,261	926,076
Total payments for the benefit of the University	143,614,926	-	-	-	143,614,926	117,351,272
Operating expenses:						
Salaries and benefits	14,236,078	-	-	-	14,236,078	11,214,943
Depreciation	1,488	-	-	-	1,488	2,753
Professional services	1,464,910	-	-	-	1,464,910	2,268,545
Other expense	6,117,087	-	-	-	6,117,087	6,115,291
Shared services	10,188,028	-	-	-	10,188,028	9,194,911
Total operating expenses	32,007,591	-	-	-	32,007,591	28,796,443
TOTAL EXPENSES	175,622,517	-	-	-	175,622,517	146,147,715
CHANGE IN NET ASSETS	(2,899,549)	12,187,035	35,761,486	47,948,521	45,048,972	112,083,279
NET ASSETS, BEGINNING OF PERIOD	5,150,283	377,549,783	567,966,844	945,516,627	950,666,910	838,583,631
NET ASSETS, END OF PERIOD	$ 2,250,734	$ 389,736,818	$ 603,728,330	$ 993,465,148	$ 995,715,882	$ 950,666,910

See Notes to Financial Statements

ARIZONA STATE UNIVERSITY FOUNDATION
for A New American University
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2020
(with comparative totals for year ended June 30, 2019)

	Year Ended June 30, 2020			
	Program	Management & General	Fundraising	Total
EXPENSES				
Payments for the benefit of the University:				
Directly to the University:				
Donations and reimbursements	$ 100,691,220	$ -	$ -	$ 100,691,220
Scholarships - ASU selected	11,631,825	-	-	11,631,825
To vendors on behalf of the University	29,087,035	-	-	29,087,035
Subtotal	141,410,080	-	-	141,410,080
Scholarships - Non ASU selected	958,585	-	-	958,585
Payments to other charitable entities	1,246,261	-	-	1,246,261
Total payments for the benefit of the University	143,614,926	-	-	143,614,926
Operating expenses:				
Salaries and benefits	-	-	14,236,078	14,236,078
Depreciation	-	1,488	-	1,488
Professional services	9,000	363,658	1,092,252	1,464,910
Other expense	3,631,609	309,422	2,176,056	6,117,087
Shared services	-	10,188,028	-	10,188,028
Total operating expenses	3,640,609	10,862,596	17,504,386	32,007,591
TOTAL EXPENSES	$ 147,255,535	$ 10,862,596	$ 17,504,386	$ 175,622,517

	Year Ended June 30, 2019			
	Program	Management & General	Fundraising	Total
EXPENSES				
Payments for the benefit of the University:				
Directly to the University:				
Donations and reimbursements	$ 95,251,676	$ -	$ -	$ 95,251,676
Scholarships - ASU selected	9,537,726	-	-	9,537,726
To vendors on behalf of the University	11,011,518	-	461,800	11,473,318
Subtotal	115,800,920	-	461,800	116,262,720
Scholarships - Non ASU selected	162,476	-	-	162,476
Payments to other charitable entities	926,076	-	-	926,076
Total payments for the benefit of the University	116,889,472	-	461,800	117,351,272
Operating expenses:				
Salaries and benefits	-	-	11,214,943	11,214,943
Depreciation	-	2,753	-	2,753
Professional services	-	289,047	1,979,498	2,268,545
Other expense	3,463,250	252,031	2,400,010	6,115,291
Shared services	-	9,194,911	-	9,194,911
Total operating expenses	3,463,250	9,738,742	15,594,451	28,796,443
TOTAL EXPENSES	$ 120,352,722	$ 9,738,742	$ 16,056,251	$ 146,147,715

See Notes to Financial Statements

ARIZONA STATE UNIVERSITY FOUNDATION
for A New American University
STATEMENT OF CASH FLOWS

Year Ended June 30, 2020
(with comparative totals for year ended June 30, 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 45,048,972	$ 112,083,279
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Change in present value discount on pledges receivable	(759,000)	1,592,000
Change in estimate for uncollectible pledges	(789,000)	3,173,000
Net realized and unrealized investment (gains) or losses	(32,225,629)	(59,689,027)
Net realized and unrealized investment (gains) or losses on land and buildings held for investment	-	(2,802)
Depreciation	1,488	2,753
Contributions restricted for long-term investment	(43,392,871)	(81,336,123)
(New) or terminated split-interest agreements	(284,040)	(225,917)
Change in present value of split-interest agreements	2,194,828	76,149
Changes in operating assets and liabilities:		
(Increase) / decrease in:		
Pledges receivable	(1,209,846)	16,172,901
Other receivables	(2,946,109)	506,686
Other assets	(1,469,411)	59,097
Increase / (decrease) in:		
Accounts payable and other liabilities	2,103,432	618,017
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(33,727,186)	(6,969,987)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	374,426,280	1,243,145,332
Purchases of investments	(369,422,916)	(1,411,579,136)
Change in assets held for other entities	(5,515,086)	114,344,879
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(511,722)	(54,088,925)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for long-term investment	37,332,975	60,198,892
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	37,332,975	60,198,892
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,094,067	(860,020)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,702,521	2,562,541
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 4,796,588	$ 1,702,521
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Disposal of property and equipment	$ 11,664	$ 29,707

See Notes to Financial Statements

(1) Operations and summary of significant accounting policies

Operations – **Arizona State University Foundation for A New American University (Foundation or Organization)** is an Arizona nonprofit corporation and is recognized as a 501(c)(3) tax-exempt organization by the Internal Revenue Service (IRS). ASU Enterprise Partners (EP) serves as the sole member and parent and holding company of the Organization and is recognized as a 501(c)(3) tax-exempt organization by the IRS. The Organization supports Arizona State University (ASU or University) through raising, investing and managing private philanthropic gifts and serving as an advisor to the University President.

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

Basis of presentation – The financial statements of the Organization have been prepared on the accrual basis of accounting according to the accounting principles generally accepted in the United States of America (U.S. GAAP). The financial position and activities are reported according to two classes of net assets: without donor restrictions and with donor restrictions.

Net assets – Net assets and changes therein are classified and reported as follows:

Without Donor Restrictions – Includes net assets that are not subject to donor restrictions, as well as unrestricted reserves associated with the operating activities of the Organization and any funds designated by the boards for various purposes.

With Donor Restrictions – Includes net assets that are subject to donor restrictions, which the Foundation has defined into two categories.

Temporarily restricted net assets - Includes amounts for which donor-imposed purpose or time restrictions have not been met. Donor-restricted contributions for which restrictions are met within the same fiscal year as they are received are reported as temporarily restricted net assets within net assets with donor restrictions. Expenditures that fulfill the temporary restriction are shown as expenses in net assets without donor restrictions and a reduction in net assets with donor restriction revenue as a release from restriction.

Permanently restricted net assets - Includes amounts for which the donor-imposed restrictions state that the corpus is to be invested in perpetuity with the income to be made available for specified programs or uses. With the exception of certain permanently restricted contributions that the donor requires to be separately invested, all permanently restricted contributions are invested in a long-term investment pool (LTIP) or sustainable responsible impact pool (SRIP). Appreciation, depreciation, income and expense relative to the pooled investments are allocated to each endowment based upon the ratio of that endowment's investment balance to the total investment pool, and are shown as a change in temporarily restricted net assets or permanently restricted net assets, as governed by the terms of the endowment. If there are underwater endowments, the amount that the current value of the endowment is lower than corpus is shown as a reduction in net assets with donor restrictions. The Investment Committee analyzes the underwater policy each year to consider changes to the policy. No changes to the policy occurred in FY20.

Comparative financial information – The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Since prior-year information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP, such information should be read in conjunction with the Organization's audited financial statements as of and for the year ended June 30, 2019, from which the summarized information was derived.

(1) Operations and summary of significant accounting policies (continued)

Reclassifications – Certain amounts have been reclassified in the 2019 financial statements to conform to the presentation of the 2020 financial statements. The Organization reclassified Other Assets on the Statement of Cash Flows from “Cash Flows from Investing Activities” to “Cash Flows from Operating Activities” and reclassified Unallocated Gift Revenue from Cash and Cash Equivalents to Accounts Payable and Other Liabilities on the Statement of Financial Position. The reclassification resulted in no change in the total net assets or cash reported in 2019.

Management’s use of estimates – The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from the estimates. Significant estimates include allowance for uncollectible pledges, present value discount on pledges receivable, value of Level 3 investments, obligations under split-interest agreements, value of investment properties and estimated useful lives for depreciation of property and equipment.

Cash and cash equivalents – For purposes of reporting cash flows and cash balances, cash and cash equivalents include liquid accounts with original maturities of three months or less that are not designated for investment purposes. Cash deposits in qualifying domestic financial institutions are insured up to the limits of the Federal Deposit Insurance Corporation (FDIC) and at times may exceed those limits.

Pledges receivable – Unconditional promises to give (pledges) are recognized as assets and contribution revenue in the period the pledges are received. Conditional promises to give are recognized when the conditions (e.g., barriers) on which they depend are substantially met.

Pledges that are to be collected within one year are recorded at net realizable value. Pledges that are expected to be collected in future years are initially recorded at the fair value of their estimated future cash flows as of the date of the promise to give through the use of an expected present value calculation that discounts the risk-adjusted cash flows by an estimated risk-free interest rate. In periods subsequent to initial recognition, pledges are reported at the amount management expects to collect and are discounted over the collection period using the same interest rate determined at the time of initial recognition. The change in present value discounts is recorded as a change on the statement of activities and the estimate is adjusted up or down as the estimate changes each year.

An allowance for uncollectible pledges is estimated based on the Organization’s collection history and is presented as a component of net pledges receivable. The change in estimate for uncollectible pledges is recorded as a change on the statement of activities and the allowance is adjusted up or down as the estimate changes each year.

Charitable trusts receivable – Periodically, the Organization learns it is the beneficiary of a charitable trust for which the Organization is not the trustee and the trust is held by others, such as banks, trust companies, or investment firms. In accordance with U.S. GAAP, the Organization records the fair value of the assets and the related gift income when the Organization is notified of its existence and the value can be reasonably determined. Gains or losses resulting from changes in actuarial assumptions and amortization of discounts are recorded as gains or losses in the appropriate net asset category in the statement of activities.

(1) Operations and summary of significant accounting policies (continued)

Investments – Investments are recorded at fair value. Fair value is defined as 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. U.S. GAAP establishes a framework for measuring fair value, establishes a fair value hierarchy based on the inputs used to measure fair value and enhances disclosure requirements for fair value measurements. This guidance maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the transparency of inputs as follows:

- **Level 1 -** Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable in the market.

- **Level 2 -** Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.

- **Level 3 -** Securities that have little to no pricing observability as of the report date. These securities are measured using management’s best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Investments measured using a Net Asset Value (NAV) per share, or its equivalent, are not classified in the fair value hierarchy above because they may or may not be redeemed at the NAV or because redemption at NAV is uncertain due to lock-up periods or other investment restrictions.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics and other factors. A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes “observable” requires significant judgment by the Organization. The Organization considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Organization’s perceived risk of that instrument.

(1) Operations and summary of significant accounting policies (continued)

The fair values of publicly traded securities are based on quoted market prices. The fair value of securities related to investments in limited partnerships is measured using the NAV per share of the investment. Certain of the Organization's investments consist of equity interests in private venture companies. These companies are not publicly traded or do not have readily available fair values. These investments are initially evaluated to determine whether they are required to be consolidated or to be accounted for under the equity method of accounting. Investments that are not required to be consolidated or accounted for under the equity method are valued using the option pricing model. The option pricing model establishes a total equity value for the company and simultaneously allocates that total equity value among the company's various equity classes. The fair value of securities related to investments in commingled investment vehicles (Level 3) is generally based on price quotations for marketable securities or fair market value as determined by the external investment managers for non-marketable securities. Investment income is recorded on an accrual basis and purchases and sales of investment securities are reflected on a trade-date basis. Realized gains and losses are calculated using the average cost for securities sold.

Investments, in general, are exposed to various risks, such as interest rate, credit and market. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the near term could materially affect account balances and the amounts reported in the accompanying financial statements.

The Organization has ownership of certain cash and cash equivalents held, along with other marketable securities, by outside investment managers for the benefit of the Organization. Although these cash and cash equivalents are readily available, it is the intent of the Organization to hold these cash and cash equivalents for investment purposes, and accordingly, these cash and cash equivalents are classified as investment assets in the accompanying financial statements.

Split-interest agreements – The Organization is the trustee for two types of split-interest agreements: charitable remainder trusts and charitable gift annuities. Assets held in trust are invested in common trust funds. Contribution revenue is reported as the difference between the assets related to split-interest agreements and the related liabilities, and is classified as changes in temporarily restricted net assets (within net assets with donor restrictions). Liabilities associated with split-interest agreements represent the present value of the expected payments to the beneficiaries over the terms of the agreements. Gains or losses resulting from changes in actuarial assumptions and amortization of discounts are recorded as changes in the value of split-interest agreements in the appropriate net asset category in the statement of activities.

Property and equipment and related depreciation – Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at the fair value as of the date of donation to the Organization. Purchased property and equipment in excess of $5,000 are capitalized. Depreciation is computed using the straight-line method over the following estimated useful lives of the assets.

	Estimated Useful Lives
Buildings and improvements	40 years
Building fixtures	3 - 7 years
Equipment	3 - 7 years

Impairment of long-lived assets – The Organization reviews the carrying value of its long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of assets to be held and used may not be recoverable. Upon determining that an asset is impaired, the Organization reports the asset at the lower of the carrying amount or fair value less the costs to sell. Management does not believe there are any indications of impairment of any long-lived assets at June 30, 2020 and 2019.

(1) Operations and summary of significant accounting policies (continued)

Contributions – Contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions.

Contributed assets and services – Donations of securities, land, buildings and other non-monetary assets, which can be objectively measured, are recorded at fair value on the date of contribution. Assets that cannot be objectively measured are not included in the accompanying financial statements. Donated services of volunteers are not recorded in the accompanying financial statements since they do not meet the recognition criteria.

Revenue recognition –The Organization previously adopted Accounting Standards Codification (ASC) Topic 606, Revenue from Contracts with Customers. ASC 606 prescribes a five-step model that includes: (1) identify the contract; (2) identify the performance obligations; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations; and (5) recognize revenue when (or as) performance obligations are satisfied. All significant revenue streams of the Organization are non-exchange transactions (e.g. contributions) and are not subject to ASC 606.

Revenue from exchange transactions, investment activities, rental and property management activities, management fees, other fees and non-contribution revenue are recognized when the transfer of risks and rewards of ownership and control pass to the customer. The Organization recognizes revenue at the agreed-upon amount stated in the contract for the aforementioned revenue transactions. Payments from customers are typically due upon receipt. For contracts that span over a period of time, revenue is recognized ratably over the term of the agreement or as the Organization achieves specified milestones.

Shared services - EP provides various supporting services to the Organization and charges a proportionate share of its actual costs. This is reflected as shared services in the statement of activities.

Reserves subsidy – EP may provide a subsidy to the Organization to help fund operations and for strategic new initiatives. These subsidies are determined annually through the budgeting process. This is reflected as a reserves subsidy in the statement of activities.

Functional expense allocation – Expenses are charged to program services, fundraising and management and general categories based on direct expenditures incurred. Any expenditure not directly chargeable to a functional expense category is allocated based on appropriate allocation methods, such as percentage of time spent or percentage of space used.

Reclassification of donor intent – From time to time, the Organization receives requests by donors or their designees to change the use for which the donor's original gift was intended. These donor requests are considered by the Organization, and if approved, may result in the reclassification of net assets between without donor restrictions and with donor restrictions. These reclassifications are reflected in the statement of activities as a reclassification of donor intent and transfers.

Income taxes –The Foundation is exempt from federal income tax under Section 501(a) as an organization described in Section 501(c)(3) and is further classified as a public charity as described in Sections 509(a)(1) and 170(b)(1)(A)(iv) of the Internal Revenue Code. Though generally tax-exempt it is subject to tax on income unrelated to its exempt purposes, unless that income is otherwise excluded by the Code. The Foundation has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions.

(1) Operations and summary of significant accounting policies (continued)

The Organization follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is “more-likely-than-not” to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The tax years ending June 30, 2020, 2019, 2018 and 2017 are still open to audit for both federal and state purposes. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements as June 30, 2020 and 2019.

Recent accounting pronouncements:

In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases (Topic 842).* The guidance redefines the term “lease” to mean “conveys the right to control the use of identified property, plant and equipment for a period of time in exchange for consideration.” The customer has the right to control if it receives both 1) the right to obtain substantially all economic benefits from using an asset and 2) the right to direct the use of that asset.

- Lessee Impact: The key impact to lessees is the requirement to show operating leases on the statement of financial position through recognizing a Right of Use (ROU) asset and liability, with the lease liability measured at the present value of the future lease payments and the asset measured at the lease liability adjusted for payments made before lease commencement and initial indirect costs. The leases would be classified into financing leases (recognize interest expense and amortization based on the interest method) and operating leases (recognize rent expense on a straight-line basis over the lease term).

- Lessor Impact: The impact to lessors is minimal, remaining similar to today’s standards. For direct financing leases, the lessor recognizes any loss up front, defers profit and accounts for investment in the lease using the interest method, and for operating leases, recognizes an asset sale and accounts for the investment in the lease using the interest method of the lease term.

The new guidance is effective for annual reporting periods beginning after December 15, 2020. Management is still evaluating the impact and cannot provide an estimate at this time.

(2) Liquidity and availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2020	2019
Cash and cash equivalents	$ 4,796,588	$ 1,702,521
Unrestricted portion of net pledges receivable within one year	3,121,769	1,958,192
Other receivables, net within one year	3,353,076	406,967
Total liquidity and availability	$ 11,271,433	$ 4,067,680

As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. The Organization invests cash in excess of daily requirements in short-term investments and money market funds.

In addition to available financial assets, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover all general expenditures.

(3) Pledges receivable, net

Pledges receivable, net, discounted using rates ranging from 1.2% to 6.0%, consist of the following unconditional promises to give:

	2020	2019
Gross pledges receivable	$ 233,645,667	$ 226,375,925
Present value discount	(16,769,000)	(17,528,000)
Allowance for uncollectible pledges	(51,523,000)	(52,312,000)
Pledges receivable, net	$ 165,353,667	$ 156,535,925

Gross pledges are receivable as follows:

	2020	2019
Receivable in one year	$ 79,618,955	$ 64,173,867
Receivable in two to five years	57,406,173	63,775,614
Receivable after five years	96,620,539	98,426,444
Total gross pledges receivable	$ 233,645,667	$ 226,375,925

The Organization had conditional pledges receivable totaling approximately $73,000,000 and $69,200,000 at June 30, 2020 and 2019, respectively; no amounts are included in the above pledges receivable balance. Conditional pledges receivable are recorded when the conditions are substantially met.

(4) Other receivables

Other receivables include operating receivables generated through a variety of activities and are stated at the amount management expects to collect.

Other receivables relate to the following activities:

	2020	2019
Accounts receivable, affiliate	$ 2,790,707	$5,450
Receivables from operations	551,507	393,449
Payroll and benefits	10,862	8,068
Total other receivables	$ 3,353,076	$ 406,967

Management provides for uncollectible amounts through a charge to earnings and a credit to the allowance for doubtful accounts based on its assessment of the current status of individual receivables. Management has determined that no allowance for uncollectible receivables as of June 30, 2020 and 2019 is needed.

(5) Investments

The Organization holds investment funds in the Long-Term Investment Pool (LTIP), the Sustainable Responsible Impact Pool (SRIP), the Short-Term Investment Pool (STIP) and Other Investments.

Investments consist of:

2020	LTIP	SRIP	STIP	Other	Total
Global equities	$ 334,757,574	$ 70,824,478	$ -	$ 15,174,250	$ 420,756,302
Global fixed income	187,473,714	27,626,320	109,835,880	1,192,315	326,128,229
Diversifying strategies	119,935,243	-	-	-	119,935,243
Real assets	116,072,411	-	-	594,745	116,667,156
Private capital	101,298,120	-	-	-	101,298,120
Cash and cash equivalents	18,143,049	2,171,826	13,583,275	1,202,382	35,100,532
Total investments	$ 877,680,111	$ 100,622,624	$ 123,419,155	$ 18,163,692	$ 1,119,885,582

2019	LTIP	SRIP	STIP	Other	Total
Global equities	$ 354,305,332	$ -	$ -	$ 15,567,523	$ 369,872,855
Global fixed income	176,500,942	-	93,538,055	1,125,203	271,164,200
Diversifying strategies	111,671,838	-	-	-	111,671,838
Real assets	121,138,030	-	-	521,293	121,659,323
Private capital	85,844,784	-	-	-	85,844,784
Cash and cash equivalents	1,060,046	100,018,173	21,037,995	1,184,255	123,300,469
Total investments	$ 850,520,972	$ 100,018,173	$ 114,576,050	$ 18,398,274	$ 1,083,513,469

Investment valuations are established and classified based on a variety of inputs. In accordance with Accounting Standards Codification (ASC) Topic 820, certain investments that are measured at fair value using the NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position. The input classifications or levels by investment category are shown in the following table:

(5) Investments (continued)

2020	Level 1	Level 2	Level 3	NAV	Total
Global equities	$ 342,404,988	$ -	$ 78,351,314	$ -	$ 420,756,302
Global fixed income	192,817,045	11,130,957	31,263,571	90,916,656	326,128,229
Diversifying strategies	325,677	-	13,884,915	105,724,651	119,935,243
Real assets	23,166,178	-	93,500,978	-	116,667,156
Private capital	-	-	101,298,120	-	101,298,120
Cash and cash equivalents	35,096,331	-	4,201	-	35,100,532
Total investments	$ 593,810,219	$ 11,130,957	$ 318,303,099	$ 196,641,307	$ 1,119,885,582

2019	Level 1	Level 2	Level 3	NAV	Total
Global equities	$239,683,807	$ -	$105,583,920	$ 24,605,128	$ 369,872,855
Global fixed income	165,843,020	6,212,820	16,869,765	82,238,595	271,164,200
Diversifying strategies	3,826	-	12,120,890	99,547,122	111,671,838
Real assets	37,326,499	-	84,332,824	-	121,659,323
Private capital	149	-	83,508,182	2,336,453	85,844,784
Cash and cash equivalents	123,278,102	-	22,367	-	123,300,469
Total investments	$ 566,135,403	$ 6,212,820	$ 302,437,948	$ 208,727,298	$ 1,083,513,469

Certain investments are valued using NAV and are reported at the net asset values calculated by the investment manager. These investments, at June 30, 2020, detailed in the following table, are subject to capital calls and specific redemption terms:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Global equities	$ -	$ -		
Global fixed income	90,916,656	-	Daily to quarterly	Daily - 60 days
Diversifying strategies	105,724,651	-	Quarterly to not available	3 - 90 days
Real assets	-	-		
Private capital	-	-		
Cash and cash equivalents	-	-		
Total	$ 196,641,307	$ -		

Level 3 investments have unfunded commitments of approximately $150,000,000 as of June 30, 2020.

(5) Investments (continued)

The following table summarizes the change in value of the Level 3 investments:

2020	Beginning Balance	Realized or Unrealized Gains or (Losses)	Purchases	Sales	Ending Balance
Global equities	$ 105,583,920	$ 5,090,267	$ 43,617	$ (32,366,490)	$ 78,351,314
Global fixed income	16,869,765	1,772,171	12,793,372	(171,737)	31,263,571
Diversifying strategies	12,120,890	(265,706)	4,959,043	(2,929,312)	13,884,915
Real assets	84,332,824	(2,431,793)	18,364,920	(6,764,973)	93,500,978
Private capital	83,508,182	6,037,136	35,382,674	(23,629,872)	101,298,120
Cash and cash equivalents	22,367	(122,833)	104,667	-	4,201
Total Level 3	$ 302,437,948	$ 10,079,242	$ 71,648,293	$ (65,862,384)	$ 318,303,099

2019	Beginning Balance	Realized or Unrealized Gains or (Losses)	Purchases	Sales	Ending Balance
Global equities	$ 99,074,392	$ 6,825,471	$ -	$ (315,943)	$ 105,583,920
Global fixed income	9,388,468	400,623	8,419,782	(1,339,108)	16,869,765
Diversifying strategies	3,782,498	(311,464)	11,000,439	(2,350,583)	12,120,890
Real assets	62,756,120	24,109,130	11,152,312	(13,684,738)	84,332,824
Private capital	51,372,367	9,973,553	38,294,357	(16,132,095)	83,508,182
Cash and cash equivalents	45,585	-	85,000	(108,218)	22,367
Total Level 3	$ 226,419,430	$ 40,997,313	$ 68,951,890	$ (33,930,685)	$ 302,437,948

The investments are diversified both by asset class and within asset classes. As a general practice, the investments are managed by external investment management firms.

The global equities include domestic and international equities, including emerging market investments, which are invested in either publicly traded equities listed on national exchanges or in limited partnerships or commingled formats.

The global fixed income investments include US treasuries, securitized debt, agency and corporate bonds, as well as sovereign debt from other nationalities.

(5) Investments (continued)

Diversifying strategies investments typically include hedge funds, but may include other diversifying strategies oriented investments that are more liquid than private capital investments. These diversifying strategies are meant to diversify in order to supplement traditional portfolios and are usually offered through partnership structures. Hedge funds may combine long positions with short positions to reduce overall market exposure, though, not all hedge funds "hedge" against market exposure. They also include diverse strategies that attempt to identify or exploit pricing inefficiencies between related securities or involve transaction-based strategies that tend to have lower statistical correlations to traditional equity and fixed income markets. Examples of these strategies are convertible arbitrage, event-driven arbitrage, fixed income arbitrage, distressed securities, and equity market-neutral. Investments in the underlying funds may include publicly traded securities, but may also include less liquid investments.

Real assets investments include global energy, natural resource, real estate and inflation-linked bond investments. Real assets may be publicly traded or illiquid, private investments.

Private capital includes investments in private equity, venture capital, opportunistic credit and distressed credit limited partnerships.

(6) Land and buildings held for investment

Land and buildings held for investment are recorded at the fair value on the date of acquisition and are periodically revalued through the use of a third-party appraiser, comparable market analysis, or property tax valuation statement. Changes in fair value are included in net investment return on the statement of activities.

Land and buildings held for investment includes:

	2020	2019
Copper mine	$ 633,000	$ 633,000
Other gifted properties	49,280	49,280
Total land and buildings held for investment	$ 682,280	$ 682,280

(7) Endowment and net asset classifications

Management of the Organization's endowments is governed by laws in the state of Arizona based on the Uniform Prudent Management of Institutional Funds Act (the statute). The Organization has interpreted the statute 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, the Organization classifies as permanently restricted net assets (within net assets with donor restrictions): (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level required to be held in perpetuity. For these funds, the change in value is shown as net investment return within net assets with donor restrictions and is reported in net assets with donor restrictions.

(7) Endowment and net asset classifications (continued)

The Organization's endowments by net asset category are shown in the following table:

2020	Without Donor Restrictions	With Donor Restrictions: Temporarily Restricted	With Donor Restrictions: Permanently Restricted	Total
Donor-restricted endowments	$ -	$ 61,557,413	$ 526,437,247	$ 587,994,660
Quasi-endowments	-	82,406,103	-	82,406,103
Total funds	$ -	$ 143,963,516	$ 526,437,247	$ 670,400,763

2019	Without Donor Restrictions	With Donor Restrictions: Temporarily Restricted	With Donor Restrictions: Permanently Restricted	Total
Donor-restricted endowments	$ -	$ 62,088,770	$ 496,391,365	$ 558,480,135
Quasi-endowments	-	81,562,295	-	81,562,295
Total funds	$ -	$ 143,651,065	$ 496,391,365	$ 640,042,430

Included in the Organization's endowments are the ASU Trust (Trust) assets held under a trust agreement with the University and the ASU Alumni Association's (Alumni) assets held under an investment management agreement with the Alumni. The Trust's and the Alumni's funds are maintained separately on the financial system of the Organization and receive a proportional share of the activity of the LTIP or SRIP as appropriate. As such, the Organization owns the assets of the LTIP and SRIP; the Trust and the Alumni have a financial interest in the LTIP or SRIP but do not own any of the underlying assets. The Organization has recorded a liability at fair value to the Trust and the Alumni.

Assets held for other entities consists of:

	2020	2019
ASU Trust	$ 256,932,221	$ 250,355,514
ASU Alumni Association	19,020,892	18,942,712
Total assets held for other entities	$ 275,953,113	$ 269,298,226

The associated financial statements include a non-endowed asset held for others in the amount of $24,843,250 and $26,511,076 as June 30, 2020 and 2019, respectively that is not included in the above totals.

The Organization's endowment is invested in the LTIP and SRIP. The Organization's investment policies for the LTIP and SRIP are reviewed periodically. The long-term financial objectives are to produce a relatively predictable and stable payout stream that increases over time, at least as fast as the general rate of inflation, and to preserve inter-generational equity by achieving a growth rate that at least keeps pace with the general rate of inflation, net of spending.

(7) Endowment and net asset classifications (continued)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with US GAAP, for the year ended June 30, 2020, 238 deficiencies of this nature exist in donor-restricted endowment, with an original gift value of $108,201,978, a current fair value of $105,775,252 and a deficiency of $2,426,726. As of June 30, 2019, there were 168 deficiencies totaling $1,833,854 from an original gift value of $39,835,712 and a fair value of $38,001,858.

The spending policy for the endowment follows the objectives of the investment policy and establishes the amount made available for spending from the endowment. The spending policy is based on a constant growth formula, in which the amount available for spending is based on the prior-year spending amount plus a current year inflation factor measured at mid-fiscal year, collared by a cap and floor based on a percentage of a 12-quarter moving average. The inflation rate used for 2020 was 2.3% and for 2019 was 1.9%. The cap and floor were based on 4.25% and 3.25% for both 2020 and 2019, respectively. In the event the current market value of the endowment is less than the historical gift value, spending will continue unless the gift agreement does not permit spending in this circumstance.

(7) Endowment and net asset classifications (continued)

Changes in endowment net assets are shown in the following table:

2020	Without Donor Restriction	With Donor Restriction Temporarily Restricted	With Donor Restriction Permanently Restricted	Total
Endowment net assets, June 30, 2019	$ -	$ 143,651,065	$ 496,391,365	$ 640,042,430
Adjustment due to restriction reclassifications	-	(176,365)	122,548	(53,817)
Contributions and other additions	-	4,305,392	37,554,719	41,860,111
Investment return:				
Interest and dividends	-	(8,254,808)	1,639,855	(6,614,953)
Net realized and unrealized gains or (losses)	-	43,809,199	(1,778,422)	42,030,777
Assets due to others	-	(12,813,207)	194	(12,813,013)
Total investment return	$ -	$ 22,741,184	$ (138,373)	$ 22,602,811
Appropriation for expenditure	-	(23,645,749)	(181,660)	(23,827,409)
Reclassification of donor intent	-	(2,912,011)	(7,311,352)	(10,223,363)
Endowment net ssets, June 30, 2020	$ -	$ 143,963,516	$ 526,437,247	$ 670,400,763

2019	Without Donor Restriction	With Donor Restriction Temporarily Restricted	With Donor Restriction Permanently Restricted	Total
Endowment net assets, June 30, 2018	$ (6,025,264)	$ 124,670,984	$ 434,558,258	$ 553,203,978
Adjustment due to accounting regulation*	6,025,264	(6,025,264)	-	-
Contributions and other additions	-	1,447,324	60,248,590	61,695,914
Investment return:				
Interest and dividends	-	8,294,900	441,052	8,735,952
Net realized and unrealized gains or (losses)	-	62,517,705	1,191,298	63,709,003
Assets due to others	-	(20,824,761)	-	(20,824,761)
Total investment return	$ -	$ 49,987,844	$ 1,632,350	$ 51,620,194
Appropriation for expenditure	-	(26,475,136)	(514,917)	(26,990,053)
Reclassification of donor intent	-	45,313	467,084	512,397
Endowment net assets, June 30, 2019	$ -	$ 143,651,065	$ 496,391,365	$ 640,042,430

(8) Assets held under split-interest agreements

The Organization is currently the beneficiary of certain charitable remainder trusts (CRT) where the Organization is the trustee. The Organization also administers certain charitable gift annuities (CGA). The CRT's and CGA's provide for the payment of distributions to the grantor or other designated beneficiaries over the trust's or annuity's term (usually the designated beneficiary's lifetime). At the end of the CRT's or CGA's term, the remaining assets are available for use by the Organization as specified by the grantor. The portion of the trust attributable to the present value of the future benefits to be received by the Organization is recorded as a temporarily restricted contribution (within net assets with donor restrictions) in the period the trust is established.

Investments held in the trusts and annuities are invested in equities and bonds and reported at fair value. On an annual basis, the Organization revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. Adjustments to reflect the present value of the estimated annuity payments and changes in actuarial assumptions are included as a component of net investment return in the statement of activities. The present value of the estimated payments for the trusts and annuities, shown below, is calculated using a discount rate of 0.6% for 2020 and 2.8% for 2019, and is based on mortality expectations found in the IRS Actuarial Valuations Publication.

The Organization is the beneficiary of certain life insurance instruments. The assets contributed under the life insurance policies are carried at fair value, approximated by the cash surrender value of the policy, and are shown in the table below.

Assets held under split-interest agreements consists of:

	2020	2019
Charitable gift annuities		
Equities	$ 3,267,914	$ 3,616,363
Fixed income	1,605,921	1,455,247
Other	62,565	73,913
	4,936,400	5,145,523
Charitable remainder trusts		
Equities	600,371	871,901
Fixed income	600,331	767,050
Other	341,927	31,916
	1,542,629	1,670,867
Life insurance	115,497	639,448
Total assets held under split-interest agreements	$ 6,594,526	$ 7,455,838

Obligations under split-interest agreements consists of:

	2020	2019
Charitable gift annuities	2,313,323	1,969,205
Charitable remainder trust	585,009	686,067
Total obligations under split-interest agreements	2,898,332	2,655,272

(9) Property and equipment, net

Property and equipment consists of:

	2020	2019
Buildings and improvements	$ -	$ -
Building fixtures	24,918	628,288
Equipment		
Information systems	3,492,374	3,492,374
Other equipment	591,705	-
Total cost	4,108,997	4,120,662
Accumulated depreciation	(4,104,532)	(4,114,708)
Total property and equipment, net	$ 4,465	$ 5,954

Depreciation expense charged to operations totaled $1,488 and $2,753 for the years ended 2020 and 2019, respectively.

(10) Accounts payable and other liabilities

Accounts payable and other liabilities consists of:

	2020	2019
Accrued expenses	$ 133,985	$ 1,049,376
General accounts payable	2,985,686	859,744
Payroll liabilities	2,064,151	950,923
Unallocated gift revenue	(567,628)	(294,079)
Deferred revenue/rent	53,202	-
	$ 4,669,396	$ 2,565,964

(11) Net assets with donor restrictions

Temporarily and permanently restricted net assets (within net assets with donor restrictions) are available for the following purposes:

	2020		2019	
	With Donor Restriction		With Donor Restriction	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Academic support	$ 72,425,447	$ 168,596,347	$ 65,892,791	$ 165,363,589
Athletics	12,906,687	4,340,510	11,540,220	4,071,122
Capital	28,554,644	-	21,803,236	-
Discretionary use for ASU	20,320,382	18,672,241	20,278,497	18,638,856
Faculty	42,651,680	134,156,020	39,912,526	129,429,656
Financial aid	81,355,941	186,751,128	75,004,948	160,586,937
Library	1,286,026	3,005,141	1,315,802	1,820,752
Miscellaneous	4,664,092	137,557	4,835,587	137,557
Operations and maintenance	1,199,327	-	618,253	-
Research	54,702,379	43,375,914	60,397,908	43,347,674
Specific programs	99,289,594	83,350,472	107,711,732	82,653,154
Pledge reserve and discount	(29,619,381)	(38,657,000)	(31,635,000)	(38,205,000)
Total restricted net assets	$ 389,736,818	$ 603,728,330	$ 377,676,500	$ 567,844,297

(12) Net investment return (loss)

Net investment return (loss) consists of:

2020	Without Donor Restriction	With Donor Restriction: Temporarily Restricted	With Donor Restriction: Permanently Restricted	Total
Dividends and interest	$ 6,016	$ 16,501,533	$ 434,138	$ 16,941,687
Change in value of split interest agreements	(9,359)	1,352,300	-	1,342,941
Net realized gain/(loss)	1,606	40,617,216	95,384	40,714,206
Net unrealized gain/(loss)	(34,133)	(12,210,019)	(198,223)	(12,442,375)
Change in assets due to other entities	-	(9,959,361)	(542,786)	(10,502,147)
Investment management fees	-	(3,720,137)	(108,546)	(3,828,683)
Total net investment return (loss)	$ (35,870)	$ 32,581,532	$ (320,033)	$ 32,225,629

2019	Without Donor Restriction	With Donor Restrictions: Temporarily Restricted	With Donor Restrictions: Permanently Restricted	Total
Dividends and interest	$ -	$ 11,730,552	$ 441,052	$ 12,171,604
Change in value of split interest agreements	20,326	581,776	-	602,102
Net realized gain/(loss)	-	46,158,597	558,365	46,716,962
Net unrealized gain/(loss)	1,459	17,848,353	156,895	18,006,707
Change in assets due to other entities	-	(14,974,357)	-	(14,974,357)
Investment management fees	-	(2,792,310)	(38,879)	(2,831,189)
Total net investment return (loss)	$ 21,785	$ 58,552,611	$ 1,117,433	$ 59,691,829

(13) Other revenue

Other revenue consists of:

	2020	2019
ASU program support	$ 460,297	$ 498,006
Services provided to affiliate	40,000	-
Insurance reimbursement	-	292,330
Miscellaneous	308,599	759,315
Total other revenue	$ 808,896	$ 1,549,651

(14) Net assets released from restrictions

Net assets were released from restriction for the following purposes:

	2020	2019
Academic support	$ 11,448,597	$ 12,830,567
Athletics	4,176,088	4,512,939
Capital	6,612,555	8,111,796
Discretionary use for ASU	1,160,440	564,742
Faculty	3,963,684	4,099,663
Financial aid	12,990,664	10,651,142
Library	112,483	115,714
Miscellaneous	18,695,116	10,184,092
Operations and maintenance	353,490	594,578
Research	39,308,766	31,740,088
Specific University programs	51,446,646	40,117,199
Total net assets released from restrictions	$ 150,268,529	$ 123,522,520

(15) Retirement plan

The Organization sponsors a 401(k) savings plan (Plan) that provides retirement benefits for employees who meet the following eligibility criteria: eligible for medical and dental insurance and a minimum age of 18 years.

There are three components to the Plan: employee contributions, discretionary matching of employee contributions by the employer and employer discretionary contributions.

The first component of the Plan is employee contributions made through payroll deductions in accordance with requirements of the Plan. An employee may contribute part of his or her annual compensation to the Plan, limited to a maximum annual amount as set periodically by the IRS. Employee contributions to the Plan are immediately vested.

The second component of the Plan is the employer discretionary matching of employee contributions by the Organization. The Organization matches 50% of the employee's contribution, not to exceed 3% of the employee's compensation. The Organization’s matching contributions to the Plan were approximately $257,000 and $223,000 for the years ended June 30, 2020 and 2019, respectively.

The third component of the Plan provides for employer discretionary contributions by the Organization. The annual contribution for the year ended June 30, 2020 was 4% of compensation for all eligible employees. The Organization’s discretionary contributions were approximately $380,000 and $322,000 for the years ended June 30, 2020 and 2019, respectively.

Employer contributions vest evenly over five years.

(16) Related party transactions

From time to time, the Organization may receive or transfer cash to or from related entities. Contributions from these entities are reflected in contributions and were $1,896,192 and $5,250,831 in fiscal years ended 2020 and 2019, respectively. Donations to related entities are reflected in other expense and were $3,735,000 and $3,570,000 in 2020 and 2019, respectively. Services provided by a related entity were $275,625 and $387,201 in fiscal years ended 2020 and 2019, respectively.

During fiscal years 2020 and 2019, the Organization recognized contribution revenue from the members of the Organization's Board of Directors of $269,005 and $1,091,250, respectively. At June 30, 2020 and 2019, net unconditional pledges receivable from the members of the Foundation's Board of Directors were $314,000 and $887,500, respectively

(17) Fair value of financial instruments and fair value measurements

For the financial and non-financial instruments, except for investments, noted throughout the accompanying financial statements and notes that are measured at fair value on a recurring basis, the following table summarizes the valuation based on the fair value hierarchy level detailed in Note 1:

2020	Level 1	Level 2	Level 3
Assets at fair value (recurring basis)			
Charitable trusts receivable	$ -	$ -	$ 1,858,725
Land and buildings held for investment	-	-	682,280
Assets held under split interest agreements	6,594,526	-	-
Total assets at fair value	$ 6,594,526	$ -	$ 2,541,005
Liabilities at fair value (recurring basis)			
Assets held for other entities	$ -	$ -	$ 300,796,363
Total liabilities at fair value	$ -	$ -	$ 300,796,363

2019	Level 1	Level 2	Level 3
Assets at fair value (recurring basis)			
Charitable trusts receivable	$ -	$ -	$ 1,312,842
Land and buildings held for investment	-	-	682,280
Assets held under split interest agreements	7,455,838	-	-
Total assets at fair value	$ 7,455,838	$ -	$ 1,995,122
Liabilities at fair value (recurring basis)			
Assets held for other entities	$ -	$ -	$ 295,809,301
Total liabilities at fair value	$ -	$ -	$ 295,809,301

Disclosure related to the fair value hierarchy for investments is included in Note 5.

(17) Fair value of financial instruments and fair value measurements (continued)

For all financial instruments not addressed previously and not reported at fair value, the carrying amounts approximate fair value due to the following factors:

- Cash and cash equivalents, other receivables, accounts payable and other liabilities because of the short-term maturities of these instruments;

- Pledges receivable and obligations under split-interest agreements at initial recording because the risk-adjusted cash flows are discounted using applicable risk free rates; and

The change in value of the assets, except for investments, and liabilities measured using Level 3 inputs is shown in the following table:

2020	Beginning Balance	Total Realized or Unrealized Gains or (Losses)	Purchases or (Sales)	Ending Balance
Level 3 assets				
Charitable trusts receivable	$ 1,312,842	$ 545,883	$ -	$ 1,858,725
Land/Buildings held for investment	682,280	-	-	682,280
Total Level 3 assets	$ 1,995,122	$ 545,883	$ -	$ 2,541,005
Level 3 liabilities				
Assets held for other entities	$ 295,809,301	$ 4,987,062	$ -	$ 300,796,363
Total Level 3 liabilities	$ 295,809,301	$ 4,987,062	$ -	$ 300,796,363

2019	Beginning Balance	Total Realized or Unrealized Gains or (Losses)	Purchases or (Sales)	Ending Balance
Level 3 assets				
Charitable trusts receivable	$ 1,723,252	$ 189,590	$ (600,000)	$ 1,312,842
Land/Buildings held for investment	679,478	2,802	-	682,280
Total Level 3 assets	$ 2,402,730	$ 192,392	$ (600,000)	$ 1,995,122
Level 3 liabilities				
Assets held for other entities	$ 166,490,065	$ 129,319,236	$ -	$ 295,809,301
Total Level 3 liabilities	$ 166,490,065	$ 129,319,236	$ -	$ 295,809,301

(18) Subsequent events

The Foundation evaluated subsequent events through August 31, 2020, which is the date these financial statements were issued.

In March 2020, the World Health Organization officially declared COVID-19, the disease caused by the novel coronavirus, a pandemic. Management is closely monitoring the financial implications that may impact the Foundation. Due to the many uncertainties associated with the disease, management is unable to determine the financial impact, if any, that it may have on the Organization’s financial position and operations.