



UVM FOUNDATION

Financial Statements

June 30, 2022 and 2021

(With Independent Auditors' Report Thereon)

UVM FOUNDATION
Financial Statements
June 30, 2022 and 2021

Table of Contents

	Page(s)
Independent Auditors' Report	1–2
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6–25



KPMG LLP
One Park Place
463 Mountain View Drive, Suite 400
Colchester, VT 05446-9909

Independent Auditors' Report

The Board of Directors
The University of Vermont and State Agricultural College Foundation, Inc.:

Opinion

We have audited the financial statements of The University of Vermont and State Agricultural College Foundation, Inc. (the UVM Foundation), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the UVM Foundation as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the 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 the UVM Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the UVM Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

Colchester, Vermont
October 28, 2022

UVM FOUNDATION

Statements of Financial Position

June 30, 2022 and 2021

Assets	2022	2021
	<u> </u>	<u> </u>
Cash and cash equivalents (note 3)	\$ 60,321,072	55,976,780
Accounts receivable	240,758	189,751
Prepaid expenses	566,987	276,070
Contributions receivable, net (note 4)	13,018,734	67,461,957
Investments (note 5)	245,363,912	174,483,058
Property and equipment, net (note 7)	7,557,321	7,822,778
Beneficial interest in trust held by others	1,472,726	1,679,273
Other assets	<u>131,685</u>	<u>6,053</u>
Total assets	\$ <u><u>328,673,195</u></u>	<u><u>307,895,720</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable to the University	\$ 10,080,327	5,878,832
Accounts payable and accrued expenses	791,444	752,021
Notes payable (note 8)	4,442,609	4,665,066
Other liabilities	<u>1,823,107</u>	<u>41,383</u>
Subtotal liabilities	<u>17,137,487</u>	<u>11,337,302</u>
Net assets:		
With donor restrictions (note 9)	295,560,033	279,677,229
Without donor restrictions (note 10)	<u>15,975,675</u>	<u>16,881,189</u>
Subtotal net assets	<u>311,535,708</u>	<u>296,558,418</u>
Total liabilities and net assets	\$ <u><u>328,673,195</u></u>	<u><u>307,895,720</u></u>

See accompanying notes to financial statements.

UVM FOUNDATION
Statements of Activities
June 30, 2022 and 2021

	2022	2021
Changes in net assets with donor restrictions:		
Contributions of cash and financial assets	\$ 54,821,806	91,919,092
Contributions of nonfinancial assets (note 11)	134,475	991,564
Gift administration fees	(852,929)	(1,286,541)
Investment (loss) return, net	(11,486,448)	30,707,172
Change in trust held by others	(206,547)	353,681
Net assets released from donor restrictions (note 12)	(22,043,651)	(16,957,023)
Net assets transferred from the University (note 13)	75,817	76,380
Net assets transferred to the University (note 14)	(4,666,283)	(1,594,820)
Transfers from net assets without donor restrictions	106,564	18,238
Changes in net assets with donor restrictions	15,882,804	104,227,743
Changes in net assets without donor restrictions:		
Revenues, gains and other support:		
Service agreements	11,549,964	8,857,223
Program sales	184,912	93,491
Contributions of cash and financial assets	600,000	—
Contributions of nonfinancial assets (note 11)	1,000	—
Gift administration fees	845,264	1,283,373
Investment (loss) return, net	(1,710,308)	5,566,286
Change in value of derivatives	125,632	6,053
Net assets released from donor restrictions (note 12)	22,043,651	16,957,023
Net assets transferred to the University (note 14)	(63,909)	—
Transfers to net assets with donor restrictions	(106,564)	(18,238)
Total revenues, gains and other support	33,469,642	32,745,211
Expenses (note 15):		
Programs for the University	21,977,889	16,903,604
Programs for UVM alumni	1,867,322	1,672,277
Fundraising	6,948,527	6,116,987
Management and general	3,581,418	2,685,664
Total expenses	34,375,156	27,378,532
Changes in net assets without donor restrictions	(905,514)	5,366,679
Net assets, beginning of year	296,558,418	186,963,996
Net assets, end of year	\$ 311,535,708	296,558,418

See accompanying notes to financial statements.

UVM FOUNDATION

Statements of Cash Flows

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Receipts from service contracts	\$ 11,536,673	8,928,706
Receipts from contributors	27,786,518	24,562,157
Receipts from programs and members	187,119	95,242
Interest, dividends and investment income received	2,162,139	1,834,218
Payments to employees and suppliers	(12,112,471)	(10,032,768)
Distributions to the University and other charities for programs	(17,838,924)	(16,619,489)
Interest paid	(55,301)	(53,207)
Net asset transfers from the University	60,911	340
Net asset transfers to the University	(4,623,917)	(1,512,041)
University gifts held and other receipts (distributions)	1,758,894	577,434
Net cash provided by operating activities	<u>8,861,641</u>	<u>7,780,592</u>
Cash flows from investing activities:		
Purchases of property and equipment	(77,753)	—
Purchases of investments	(86,788,159)	(10,397,636)
Sales of investments	527,908	133,819
Net cash used for investing activities	<u>(86,338,004)</u>	<u>(10,263,817)</u>
Cash flows from financing activities:		
Receipts from contributions for long-term investment	82,027,681	18,994,950
Net asset transfers from the University for long-term investment	15,431	75,565
Payments on notes payable	(222,457)	(222,434)
Net cash provided by financing activities	<u>81,820,655</u>	<u>18,848,081</u>
Net increase in cash and cash equivalents	4,344,292	16,364,856
Cash and cash equivalents, beginning of year	<u>55,976,780</u>	<u>39,611,924</u>
Cash and cash equivalents, end of year	<u>\$ 60,321,072</u>	<u>55,976,780</u>
Supplemental cash flow information		
Gift-in-kind/property restricted to long-term investment	—	350,000

See accompanying notes to financial statements.

UVM FOUNDATION

Notes to Financial Statements

June 30, 2022 and 2021

(1) Organization

The University of Vermont and State Agricultural College Foundation, Inc. (UVM Foundation) was incorporated on March 14, 2011 by the Board of Trustees of the University of Vermont to secure and manage private support for the benefit of the University of Vermont. UVM Foundation is a component unit of the University of Vermont (the University).

UVM Foundation formed UVMF Holdings, LLC on June 17, 2015 to hold certain investments. UVM Foundation is the sole member of UVMF Holdings, LLC, which is a disregarded entity for income tax reporting purposes.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial statements of UVM Foundation have been prepared in accordance with U.S. generally accepted accounting principles (GAAP).

(b) Basis of Presentation

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of UVM Foundation are classified into the following two classes:

- **Net assets with donor restrictions** consist of contributions that have been restricted by the donor for specific purposes or are time restricted, including contributions that have been restricted by the donor that stipulate the resources be maintained in perpetuity, but permit UVM Foundation to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.
- **Net assets without donor restrictions** represent funds that are available for support of the operations of UVM Foundation, and that are not subject to donor stipulation.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Board-designated net assets are net assets without donor restrictions that are used only for the specific purpose passed by Board resolution. Changes to designations require a subsequent Board resolution. The President/CEO and other staff of UVM Foundation may not change the purpose of any Board-designated funds without the consent of the Board. From time to time, the Board may designate unexpended net assets with donor restrictions to be invested in the endowment, until expended per the donor's restrictions.

(c) Cash and Cash Equivalents

For purposes of the statement of cash flows, UVM Foundation considers cash and cash equivalents to be cash on hand, cash in banks and money market type accounts, with original maturities of three months or less when purchased.

UVM FOUNDATION

Notes to Financial Statements

June 30, 2022 and 2021

(d) Investments

Investments are presented at fair value in accordance with GAAP.

Restricted endowment contributions are invested in the Long-Term Pool, which is exclusively invested in the University of Vermont's endowment pool. Based on donor agreement, UVM Foundation will invest restricted endowment contributions: in the Green Fund that excludes fossil fuel and nuclear power investments; in the Student-Managed Pool that serves primarily as an educational activity where loss of principal is possible; or in separate investments of UVMF Holdings. In addition to Long-Term Pool endowment assets, UVM Foundation invests a portion of operating cash in the University of Vermont's endowment pool.

Investments in the University of Vermont's endowment pool are reported at net asset value (NAV) as a practical expedient to determine fair value. The University's pooled investments include alternative investments whose fair values have been estimated by the respective funds' general managers in the absence of readily determinable fair market values and reported to UVM Foundation by the University. The estimated values may differ materially from the values that would have been used had readily available markets for the investments existed.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while UVM Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Unrealized gains and losses are included in the change in net assets as part of investment returns. Periodic distributions from endowments are made available for spending based on the value of the invested gift in accordance with UVM Foundation's Spending Policy. To the extent the pool's total return is greater or less than the spending distribution, the market value of the endowment will increase or decrease accordingly.

If an investment does not have a readily determinable fair value and does not qualify for the practical expedient to estimate fair value (using net asset value), then it is recorded at cost.

(e) Fair Value Measurements

Fair value is defined as a market-based measurement, not an entity-specific measurement. The objective of fair value measurement is to estimate the price at which an orderly transaction to sell the asset would take place between market participants at the measurement date under current market conditions. A fair value measurement assumes that the transaction to sell the asset either occurs in the principal market or, in its absence, the most advantageous market for the asset.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by UVM Foundation for financial instruments measured at fair value on a recurring basis. A financial instrument's categorization within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement.

UVM FOUNDATION

Notes to Financial Statements

June 30, 2022 and 2021

Level 1 – quoted prices (unadjusted) in active markets that are accessible for assets and liabilities at the measurement date. Assets and liabilities classified as Level 1 generally include listed equities.

Level 2 – observable prices that are based on inputs not quoted in active markets, but corroborated by market data.

Level 3 – inputs include pricing inputs that are unobservable for the assets and reflect certain assumptions to determine fair value.

Investments carried at NAV or cost are not categorized in the fair value hierarchy.

(f) Property and Equipment

Land, buildings and equipment are reported in the statements of financial position at cost, if purchased, and at fair value at the date of the gift, if donated. All land and buildings are capitalized. Equipment is capitalized if it has a cost of \$5,000 or more and a useful life when acquired of more than two years. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

- Buildings and improvements: 30 years
- Leasehold improvements: the lesser of 30 years or the remaining lease term including the years of lease renewals that are reasonably assured
- Computer software, computer hardware and other equipment: 3-7 years

Gifts of real estate are classified as investments until sold if the donor's intent is for the gift to be sold with proceeds to benefit UVM Foundation, or if UVM Foundation decides to hold such real estate as an investment rather than to liquidate them.

(g) Beneficial Interest in Trust Held by Others

UVM Foundation is the beneficiary of a perpetual trust held and invested by others. A perpetual trust provides UVM Foundation the right, in perpetuity, to the income earned on the assets of the trust; UVM Foundation's beneficial interest in a perpetual trust is measured at fair value.

(h) Use of Estimates

The preparation of financial statements in conformity with GAAP required management to make estimates and judgments that affect the reported amounts of assets and liabilities, and disclosures of contingencies at the date of the financial statements, as well as revenue and expenses recognized during the reporting period. Actual results could differ from those estimates.

(i) Contributions

Unconditional contributions, including cash, promises to give and noncash assets, are recognized as revenues in the period received. A contribution is conditional if the agreement includes both a barrier that must be overcome by UVM Foundation and a right of return to the donor of the transferred assets. Conditional contributions are not recognized as revenues until they become unconditional, which is when the barrier is met and there is no right of return. Promises to give that are scheduled to be

UVM FOUNDATION

Notes to Financial Statements

June 30, 2022 and 2021

received after the statement of financial position date are reported at fair value as increases in net assets with donor restrictions and are reclassified to net assets without donor restrictions when the purpose and time restrictions are met, except for promises to give subject to donor-imposed stipulations that the principal be maintained in perpetuity, which are recognized as increases in, and will remain as, net assets with donor restrictions. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. UVM Foundation does not make program expenses in support of the University based on contributions receivable.

UVM Foundation and the University have separate endowments. Contributions to the UVM Foundation endowment are invested in the Long Term Pool unless a donor stipulates a different pool. From time to time, donors make contributions to UVM Foundation to support endowments at, or other funds controlled by, the University. These contributions are recorded as revenue by UVM Foundation and are distributed to the University as net asset transfers.

(j) Gift Administration Fees

UVM Foundation assesses a 5% fee on monetized gifts received, as determined by UVM Foundation's Board of Directors. The University may pay the gift administration fee in lieu of assessing a donor's gift. Effective January 1, 2021, gift administration fees are not assessed on endowment gifts.

(k) Accounting Standards Update

In 2022, UVM Foundation adopted ASU 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*, which increases transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. There were no material changes to the financial statements as a result of implementing this standard.

(3) Cash, Other Financial Assets and Liquidity

UVM Foundation manages its financial assets to provide sufficient liquidity for operations and to provide operating income through investments while safeguarding principal. The Cash Management section of the Investment Policy details the composition, objectives and types of investments for liquidity. Key provisions are: investments will be consistent with maturity ranges that match expected cash flows; no more than \$5 million will be held on deposit with any one bank for more than one month; and limited investment in the University's endowment with approval of the Treasurer. In addition, cash and cash equivalents at quarter-end will be sufficient to cover: a) cash and cash equivalents held for endowment investment (see note 6); b) cash and cash equivalents held for capital purposes (see note 7); c) all liabilities (excluding notes payable); and d) 25% of UVM Foundation's total fiscal year operating budget. The University requests distributions on a quarterly basis.

UVM FOUNDATION

Notes to Financial Statements

June 30, 2022 and 2021

Cash and other financial assets available within one year for general use (primarily UVM Foundation fundraising, management and other operating expenses as well as operating liabilities) at June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash and cash equivalents:		
Deposit accounts	\$ 13,265,334	14,859,773
Certificates of deposits	47,055,738	41,117,007
Accounts receivable	240,758	189,751
Contributions receivable, net	13,018,734	67,461,957
Investments	<u>245,363,912</u>	<u>174,483,058</u>
Subtotal financial assets at year-end	318,944,476	298,111,546
Less amounts with limits on usage:		
Spendable net assets with donor restrictions	(51,238,807)	(48,692,537)
Spendable net assets with board designations	(979,378)	(860,178)
Endowment cash, receivables and investments	(234,655,728)	(167,676,250)
Capital cash, receivables and investments	(1,506,168)	(1,526,312)
Pledged net assets with donor restrictions	<u>(13,018,734)</u>	<u>(67,461,957)</u>
Total financial assets available for general use within one year	\$ <u>17,545,661</u>	<u>11,894,312</u>

As of June 30, 2022, UVM Foundation has \$51,238,807 in spendable net assets with donor restrictions, expects to collect \$5,578,813 donor restricted pledges within one year, and will appropriate \$8,396,636 from the endowment for University purposes within one year; however, these funds are not available for spending by UVM Foundation until the University has spent the funds in accordance with donor restrictions and board designations and the University has requested reimbursement from UVM Foundation.

At June 30, 2022 and 2021, deposit accounts exceeded the FDIC insured limit of \$250,000 per owner per bank, where the largest amount held in a deposit account at one institution was \$3,897,949 and \$4,858,326, respectively. Certificates of deposit were at or under the FDIC insured limit of \$250,000 per owner per bank.

UVM FOUNDATION

Notes to Financial Statements

June 30, 2022 and 2021

(4) Contributions Receivable

Contributions receivable are reported based on the present value of the estimated future cash flows using discount rates that range between 0% and 4%. The discount rate applied is based upon applicable risk-adjusted interest rates for the length of time before payments are scheduled to be received. In addition, an estimate is made to allow for uncollectible contributions based on UVM Foundation's collection history and other relevant credit factors. At June 30, 2022 and 2021, contributions receivable were as follows:

	2022	2021
Unconditional promises expected to be collected in:		
One year	\$ 5,578,813	61,751,126
Two to five years	9,352,274	7,326,058
More than five years	380,083	443,321
Subtotal	15,311,170	69,520,505
Less:		
Allowance for uncollectible contributions	(1,575,949)	(1,627,669)
Discount to present value	(716,487)	(430,879)
Total contributions receivable, net	\$ 13,018,734	67,461,957

During years ending June 30, 2022 and 2021, UVM Foundation charged off \$201,965 and \$742,446 in uncollectible pledges.

UVM Foundation had conditional pledge balances of \$2,000,000 and \$6,838,766 that stipulated fundraising achievements or other requirements of UVM Foundation or the University that were not met as of June 30, 2022 and 2021.

(5) Investments and Fair Value Measurements

Investment oversight is provided by the Finance and Investment Committee of UVM Foundation's Board of Directors and is subject to the Investment Policy as approved by UVM Foundation's Board of Directors. Investments are associated primarily with endowment funds (see note 6) and secondarily with operating and capital funds (see note 7).

UVM Foundation investments in the University's endowment are as a pooled interest and are denominated in units which are a percentage of the University's endowment. While UVM Foundation owns units of the University's endowment, UVM Foundation does not own the underlying assets themselves. The University's endowment is invested in a balanced portfolio consisting of: traditional stocks (domestic and international) and bonds; marketable alternatives (hedge funds); nonmarketable alternatives (venture capital and private equity); and a diversified portfolio of inflation hedges (real estate and commodities). The liquidity of UVM Foundation's investment in the University's endowment is based on the University's investment liquidity. Liquidations require 90-day notice and will be conducted in an orderly manner that does not compromise the investment policies of UVM Foundation and the University.

UVM FOUNDATION

Notes to Financial Statements

June 30, 2022 and 2021

There are two partnerships and one real estate property held by UVMF Holdings at June 30, 2022. The largest partnership is governed by a partnership agreement that may be terminated with 30-days' notice and a donor agreement that permits the partnership to be terminated if, in the opinion of UVMF Holdings, the investment becomes impractical, illegal or otherwise not providing value. The other partnership is a 99.8% interest in an LLC that owns 50% of common shares of a REIT and is recorded at fair value and cost. The real estate property is governed by two contracts that may be sold at any time and a donor agreement that permits the property to be sold if, in the opinion of UVMF Holdings, the investment becomes impractical, illegal or otherwise not providing value.

The following table presents the placement in the fair value hierarchy of all investments that are held by UVM Foundation that are measured at fair value on a recurring basis at June 30, 2022 and 2021, and includes, for reconciliation purposes, investments using net asset value as a practical expedient for fair value as well as investments at cost.

		2022			
		<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
US equity	\$	253,333	253,333	—	—
Mutual funds and ETFs		13,801,399	13,801,399	—	—
Partnership		9,020,000	—	—	9,020,000
Real estate		23,200,000	—	—	23,200,000
Cryptocurrency		4,567	—	—	4,567
Subtotal fair value investments		46,279,299	\$ 14,054,732	—	32,224,567
Investments in the University's endowment at NAV		199,084,563			
Partnership at cost		50			
Total investments		\$ 245,363,912			

		2021			
		<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
US equity	\$	280,001	280,001	—	—
Mutual funds and ETFs		3,091,178	3,091,178	—	—
Partnership		8,100,000	—	—	8,100,000
Real estate		22,750,000	—	—	22,750,000
Subtotal fair value investments		34,221,179	\$ 3,371,179	—	30,850,000
Investments in the University's endowment at NAV		140,261,829			
Partnership at cost		50			
Total investments		\$ 174,483,058			

UVM FOUNDATION

Notes to Financial Statements

June 30, 2022 and 2021

The following table summarizes the Level 3 activity for the year ended June 30, 2022:

	<u>Beginning balance at June 30, 2021</u>	<u>Additions</u>	<u>Realized loss</u>	<u>Change in unrealized gains (losses)</u>	<u>Deductions</u>	<u>Ending balance at June 30, 2022</u>
Partnership	\$ 8,100,000	600,000	—	320,000	—	9,020,000
Real estate	22,750,000	—	—	800,000	(350,000)	23,200,000
Cryptocurrency	—	10,162	—	(5,585)	(10)	4,567
Total investments	\$ <u>30,850,000</u>	<u>610,162</u>	<u>—</u>	<u>1,114,415</u>	<u>(350,010)</u>	<u>32,224,567</u>

The following table summarizes the Level 3 activity for the year ended June 30, 2021:

	<u>Beginning balance at June 30, 2020</u>	<u>Additions</u>	<u>Realized loss</u>	<u>Change in unrealized gains (losses)</u>	<u>Deductions</u>	<u>Ending balance at June 30, 2021</u>
Partnership	\$ 8,200,000	—	—	(100,000)	—	8,100,000
Real estate	20,300,000	350,000	—	2,100,000	—	22,750,000
Total investments	\$ <u>28,500,000</u>	<u>350,000</u>	<u>—</u>	<u>2,000,000</u>	<u>—</u>	<u>30,850,000</u>

At June 30, 2022 and 2021, investment in the University's endowment was comprised of balances in the following asset classes:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	4.3 %	2.6 %
Fixed income/debt	9.1	8.4
Public global equity	48.5	41.9
Marketable alternatives	11.3	24.5
Private investments	26.8	22.2
Public real assets	—	0.4
Total investments in the University's endowment	<u>100.0 %</u>	<u>100.0 %</u>

(6) Endowment

UVM Foundation's endowment consists of 341 donor-restricted funds and 50 board-designated funds invested in one of several pools. UVM Foundation has defined an overall approach to the prudent management of spending and long term preservation of capital and has defined that approach in the Investment Policy outlining protocols for institutional funds.

(a) Relevant Law

Under Uniform Prudent Management of Institutional Funds Act (UPMIFA), the governing board has the discretion to determine how much to appropriate of a donor-restricted endowment fund in accordance

UVM FOUNDATION

Notes to Financial Statements

June 30, 2022 and 2021

with a robust set of guidelines about what constitutes prudent spending. UPMIFA permits UVM Foundation to appropriate or accumulate so much of an endowment fund as UVM Foundation determines to be prudent for the uses, benefits, purposes and duration for which the endowment fund is established. Seven criteria are to be used to guide UVM Foundation in its yearly expenditure decisions: 1) duration and preservation of the endowment fund; 2) the purposes of UVM Foundation and the endowment fund; 3) general economic conditions; 4) effect of inflation or deflation; 5) the expected total return from income and the appreciation of investments; 6) other resources of UVM Foundation; and, 7) the investment policy of UVM Foundation.

UPMIFA broadens and clarifies the latitude of institutions to manage overall endowment returns without specifically isolating those particular endowments that, because of the timing of the gift and market conditions, are deemed underwater. Under UPMIFA, the Board is permitted to determine and continue a prudent payout amount, even if the market value of the endowment is below historic dollar value. UVM Foundation's underwater endowment protocol outlines an approach for the Board and management to determine adjustments in spending and investment strategy for underwater endowments, if any, and appropriate communication with donors. Although UPMIFA offers short term spending flexibility, the explicit consideration of the preservation of funds among factors for prudent spending suggests that a donor-restricted endowment fund is still perpetual in nature. There is an expectation that, over time, the historic dollar value will remain intact.

(b) Endowment Classifications

The principal of a donor-restricted endowment is: (a) the original value of initial and subsequent gifts, net of fees, restricted to the endowment, (b) accumulations or additions stipulated by the applicable donor gift instrument to be added to principal and (c) for perpetual endowments only, accumulations stipulated by UPMIFA, if any, to be held in perpetuity. The appreciation of a donor-restricted endowment is: (a) accumulated net investment gains and losses net of (b) amounts appropriated for spending by the Board of Directors. The fair value of donor-restricted endowment is the combination of principal and appreciation.

A donor-restricted endowment is classified as either perpetual (donor stipulates investment in perpetuity of certain net assets) or term (donor stipulates investment for a specific period of time of certain net assets). Unless stipulated by the donor as a term endowment, all donor-restricted endowments funds are classified as perpetual.

A board-designated quasi endowment is created when the Board (not the donor) authorizes investment of net assets into an endowment pool. Board-designated quasi endowments are created primarily from net assets without donor restriction; however, the Board may designate unexpended net assets with donor restrictions to be invested in an endowment pool; until expended per the donor's restrictions.

(c) Endowment Spending Policy

The Investment Policy includes a Spending Policy governing distributions from a donor's individual endowment. Effective July 1, 2021, the annual distribution is calculated at 4.5% of the average market value per unit for the trailing 13 quarters as of December 31 of the preceding fiscal year. In 2021, the annual distribution on new additions to the endowment was calculated at 4.5%, thereafter inflated by the Higher Education Price Index but limited to a minimum of 3.5% and a maximum of 5.5% of an endowment's four quarter trailing market value.

UVM FOUNDATION
Notes to Financial Statements
June 30, 2022 and 2021

(d) Endowment Financial Position

The endowment's financial position (excluding contributions receivable) at June 30, 2022 and 2021 was as follows:

	<u>2022</u>	<u>2021</u>
Endowment assets:		
Cash and cash equivalents	\$ 5,412,604	8,311,059
Accounts receivable and other	46,092	41,017
Investments:		
U.S. equity	253,333	280,001
Mutual funds and ETFs	13,653,596	2,937,359
Investments in the University's endowment	183,635,536	125,606,814
Partnerships	8,450,000	8,100,000
Real estate	23,200,000	22,400,000
Cryptocurrency	4,567	—
Subtotal investments	<u>229,197,032</u>	<u>159,324,174</u>
Beneficial interest in trust held by others	<u>1,472,726</u>	<u>1,679,273</u>
Total endowment assets	<u>\$ 236,128,454</u>	<u>169,355,523</u>
Endowment net assets:		
With donor restrictions:		
Perpetual endowment principal	\$ 209,957,662	128,276,302
Perpetual endowment appreciation	10,299,458	26,581,046
Term endowment	4,168,003	3,636,290
Board-designated quasi endowment	5,404,643	3,349,824
Trusts held by others	<u>1,472,726</u>	<u>1,679,273</u>
Subtotal with donor restrictions	231,302,492	163,522,735
Without donor restrictions:		
Board-designated quasi endowment	<u>4,825,962</u>	<u>5,832,788</u>
Total endowment net assets	<u>\$ 236,128,454</u>	<u>169,355,523</u>

UVM FOUNDATION

Notes to Financial Statements

June 30, 2022 and 2021

(e) Endowment Changes in Net Assets

The endowment's changes in net assets (excluding contributions receivable) at June 30, 2022 and 2021 was the following:

	<u>2022</u>	<u>2021</u>
Endowment net assets, beginning of year	\$ 169,355,523	122,990,847
Changes in endowment net assets:		
With donor restrictions:		
Contributions	82,023,766	19,068,987
Gift administration fees	—	(248,246)
Investment return, net	(11,605,733)	30,707,172
Change in trust held by others	(206,547)	353,681
Distributions to spendable	(5,138,905)	(5,281,591)
Net assets transferred from the University	14,906	76,040
Donor-restricted transfers	527,167	(284,815)
Board designations	2,165,103	(69,527)
Subtotal with donor restrictions	<u>67,779,757</u>	<u>44,321,701</u>
Without donor restrictions:		
Investment return, net	(828,122)	2,217,460
Distributions to spendable	(317,437)	(383,723)
Donor-restricted transfers	(6,164)	(13,789)
Board designations	144,897	223,027
Subtotal without donor restrictions	<u>(1,006,826)</u>	<u>2,042,975</u>
Endowment net assets, end of year	\$ <u>236,128,454</u>	<u>169,355,523</u>

(f) Underwater Endowment Funds

An underwater endowment fund is a donor-restricted perpetual endowment for which the fair value is less than the historic dollar value (which is either the original gift amount or the amount required to be maintained by the donor or by law that extends donor restrictions). The Finance and Investment Committee monitors underwater endowment funds as part of its decision-making process for determining amounts to appropriate for spending, and currently applies the endowment spending policy in note 6(c) to underwater endowments. Underwater endowment funds consisted of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Fair value	\$ 77,438,329	—
Historic dollar value	82,826,799	—
Underwater amount	(5,388,470)	—

UVM FOUNDATION

Notes to Financial Statements

June 30, 2022 and 2021

(7) Property and Equipment

The financial position of the Capital Fund reflects current property and equipment as well as the associated assets identified to fund liabilities or future purchases of property and equipment as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Capital assets:		
Cash and cash equivalents	\$ 1,374,142	1,520,259
Accounts receivable and other	132,026	6,053
Property and equipment	<u>7,557,321</u>	<u>7,822,778</u>
Total capital assets	\$ <u>9,063,489</u>	<u>9,349,090</u>
Capital liabilities and net assets:		
Capital liabilities:		
Accounts payable and accrued expenses	\$ —	1,203
Notes payable	<u>4,442,609</u>	<u>4,665,066</u>
Subtotal capital liabilities	<u>4,442,609</u>	<u>4,666,269</u>
Capital net assets:		
Without donor restrictions:		
Board-designated	4,489,195	4,676,768
Undesignated	<u>131,685</u>	<u>6,053</u>
Subtotal capital net assets	<u>4,620,880</u>	<u>4,682,821</u>
Total capital liabilities and net assets	\$ <u>9,063,489</u>	<u>9,349,090</u>

Property and equipment assets consist of the following as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Building leasehold improvement	\$ 9,187,992	9,187,992
Equipment	304,149	282,102
Computer software	54,120	54,120
Computer software - in progress	38,766	—
Less accumulated depreciation	<u>(2,027,706)</u>	<u>(1,701,436)</u>
Property and equipment, net	\$ <u>7,557,321</u>	<u>7,822,778</u>

UVM FOUNDATION
Notes to Financial Statements
June 30, 2022 and 2021

(8) Notes Payable

UVM Foundation has two credit facilities at the end of fiscal year 2022, which are:

- 2016 term note – A \$3,000,000 term note with one bank (matures April 13, 2030). Interest payable is accrued on the outstanding borrowings based on one-month LIBOR plus 2.1% and there is no annual fee. Borrowing is collateralized by the lease and leasehold improvements at 61 Summit Street. The maturity date, interest rate and amortization schedule were amended in 2020.
- 2017 note – A \$2,700,000 note with the University of Vermont. The note is free from interest and from annual fees. Borrowing is collateralized by a pledge agreement that has no fixed payment schedule. The loan matures on or about full satisfaction of the pledge, and is estimated to mature no earlier than July 1, 2029.

UVM Foundation debt is as follows for years ending June 30, 2022 and 2021:

	2022	2021
2016 term loan note	\$ 1,742,609	1,965,066
2017 loan note	2,700,000	2,700,000
Total notes payable	\$ 4,442,609	4,665,066

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

	Principal
Fiscal year ending June 30:	
2023	\$ 222,458
2024	222,458
2025	222,458
2026	222,458
2027	222,458
Thereafter	3,330,319
Total principal	\$ 4,442,609

In January, 2021, UVM Foundation entered into an interest rate swap agreement, which matures in April 2030 and is used to swap the variable rate (one-month LIBOR plus 2.1%) on the 2016 term loan note for a fixed rate (2.927%). The swap is recorded at fair value as other assets and change in value of derivatives. Settlement payments paid or received are recorded as interest expense. As of June 30, 2021, the fair value was \$131,685 with a notional amount of \$1,742,609. The fair value of the swap is considered level 2 in the fair value hierarchy.

UVM FOUNDATION

Notes to Financial Statements

June 30, 2022 and 2021

(9) Net Assets with Donor Restrictions

Net assets with donor restrictions were comprised of the following as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Spendable:		
University scholarships	\$ 7,146,131	5,630,448
University chairs and professorships	3,935,537	3,488,307
University facilities	8,232,985	7,472,480
University program support	31,884,291	31,739,165
UVM Foundation funds	<u>39,863</u>	<u>362,137</u>
Subtotal spendable	<u>51,238,807</u>	<u>48,692,537</u>
Endowment:		
Donor-restricted:		
University scholarships	37,531,501	35,930,005
University chairs and professorships	71,767,838	62,442,375
University program support	116,595,137	61,796,791
UVM Foundation funds	<u>3,373</u>	<u>3,740</u>
Subtotal donor-restricted	<u>225,897,849</u>	<u>160,172,911</u>
Board-designated quasi:		
University scholarships	1,969,187	2,158,985
University chairs and professorships	3,052,581	779,495
University program support	<u>382,875</u>	<u>411,344</u>
Subtotal board-designated quasi	<u>5,404,643</u>	<u>3,349,824</u>
Subtotal endowment	<u>231,302,492</u>	<u>163,522,735</u>
Pledged:		
Spendable:		
University scholarships	1,430,371	1,075,012
University chairs and professorships	159,812	56,584
University facilities	2,206,877	2,583,143
University program support	2,296,278	3,312,051
UVM Foundation funds	1,409	2,326
Endowment:		
University scholarships	1,342,803	1,021,865
University chairs and professorships	638,541	844,771
University program support	4,938,968	58,560,057
Capital:		
UVM Foundation funds	<u>3,675</u>	<u>6,148</u>
Subtotal pledged	<u>13,018,734</u>	<u>67,461,957</u>
Total net assets with donor restrictions	\$ <u>295,560,033</u>	\$ <u>279,677,229</u>

UVM FOUNDATION
Notes to Financial Statements
June 30, 2022 and 2021

(10) Net Assets without Donor Restrictions

Net assets without donor restrictions were comprised of the following as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Board-designated:		
Spendable:		
University scholarships	\$ 3,968	—
University chairs and professorships	975,410	860,178
Subtotal spendable	<u>979,378</u>	<u>860,178</u>
Quasi endowment:		
University scholarships	758,083	962,603
University chairs and professorships	3,607,377	4,330,718
University program support	326,474	390,886
UVM Foundation funds	134,028	148,581
Subtotal quasi endowment	4,825,962	5,832,788
Capital:		
UVM Foundation funds	4,489,195	4,676,768
Subtotal board-designated	<u>10,294,535</u>	<u>11,369,734</u>
Undesignated:		
Spendable:		
UVM Foundation funds	5,549,455	5,505,402
Capital:		
UVM Foundation funds	131,685	6,053
Subtotal undesignated	<u>5,681,140</u>	<u>5,511,455</u>
Total net assets without donor restrictions	<u>\$ 15,975,675</u>	<u>16,881,189</u>

UVM FOUNDATION

Notes to Financial Statements

June 30, 2022 and 2021

(11) Contributed Nonfinancial Assets

For the years ended June 30, 2022 and 2021, contributed nonfinancial assets recognized within the statement of activities included:

	<u>2022</u>	<u>2021</u>
Works of art	\$ 60,300	159,700
Books and publications	—	18,300
Household goods	650	—
Real estate	—	350,000
Equipment	39,305	450,814
Livestock	19,150	12,750
Other consumables	<u>16,070</u>	<u>—</u>
Total contributed nonfinancial assets	\$ <u>135,475</u>	<u>991,564</u>

In 2021, real estate was donated with the intent to be sold and the net proceeds therefrom to be added to an endowment; the real estate is located in rural Vermont and was recognized at fair value based on an independent appraisal of comparable real estate sales in rural Vermont. All other contributions of nonfinancial assets are measured at fair value and distributed to the University for use by programs designated by the donors.

(12) Net Assets Released from Donor Restrictions

Net assets utilized in accordance with donor restrictions during the years ended June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Spendable:		
University scholarships	\$ 3,207,028	3,068,495
University chairs and professorships	1,823,435	1,874,872
University facilities	5,469,553	1,644,398
University program support	11,515,735	10,314,258
UVM Foundation funds	<u>24,181</u>	<u>29,409</u>
Subtotal spendable	22,039,932	16,931,432
Capital:		
UVM Foundation funds	<u>3,719</u>	<u>25,591</u>
Total net assets released from restrictions	\$ <u>22,043,651</u>	<u>16,957,023</u>

UVM FOUNDATION

Notes to Financial Statements

June 30, 2022 and 2021

(13) Net Assets Transferred from the University

The following net assets were transferred from the University for years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
With donor restrictions:		
Spendable:		
University scholarships	\$ 60,911	100
University program support	—	240
Endowment:		
University scholarships	14,906	500
University chairs and professorships	—	70,515
University program support	—	5,025
Total net assets transferred from the University	\$ <u>75,817</u>	<u>76,380</u>

(14) Net Assets Transferred to the University

The following net assets were transferred to the University for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Without donor restrictions:		
Spendable:		
University program support	\$ 63,909	—
With donor restrictions:		
Spendable:		
University scholarships	6,749	29,589
University chairs and professorships	10,000	—
University program support	394,881	179,313
Endowment:		
University scholarships	3,716,372	741,647
University chairs and professorships	170,573	447,786
University program support	367,708	196,485
Total net assets transferred to the University	\$ <u>4,730,192</u>	<u>1,594,820</u>

UVM FOUNDATION

Notes to Financial Statements

June 30, 2022 and 2021

(15) Functional Expenses

Expenses by function and natural classification for the years ended June 30, 2022 and 2021 were as follows:

	2022				
	Programs for the University	Programs for UVM alumni	Fundraising	Management and general	Total
Distributions to the University of Vermont for:					
University scholarships	\$ 3,218,434	—	—	—	3,218,434
University chairs and professorships	1,858,738	—	—	—	1,858,738
University facilities	5,469,553	—	—	—	5,469,553
University program support	11,051,164	—	—	—	11,051,164
Distributions to other charities	380,000	—	—	—	380,000
Compensation	—	1,322,174	5,589,781	2,246,926	9,158,881
Professional fees	—	—	105,126	571,035	676,161
Travel, events and communications	—	296,626	717,665	107,504	1,121,795
Technology and office services and supplies	—	154,861	434,684	500,859	1,090,404
Depreciation	—	93,661	101,271	155,094	350,026
Total expenses	\$ 21,977,889	1,867,322	6,948,527	3,581,418	34,375,156

	2021				
	Programs for the University	Programs for UVM alumni	Fundraising	Management and general	Total
Distributions to the University of Vermont for:					
University scholarships	\$ 3,071,120	—	—	—	3,071,120
University chairs and professorships	1,966,078	—	—	—	1,966,078
University facilities	1,644,398	—	—	—	1,644,398
University program support	9,916,408	—	—	—	9,916,408
Distributions to other charities	305,600	—	—	—	305,600
Compensation	—	1,345,086	5,331,784	1,821,265	8,498,135
Professional fees	—	—	2,500	253,867	256,367
Travel, events and communications	—	104,914	409,385	29,515	543,814
Technology and office services and supplies	—	131,034	278,695	428,945	838,674
Depreciation	—	91,243	94,623	152,072	337,938
Total expenses	\$ 16,903,604	1,672,277	6,116,987	2,685,664	27,378,532

Certain expenses are allocated to more than one function on a reasonable and consistently applied basis: compensation is allocated based on estimates of time and effort; depreciation of leasehold improvement is allocated based on a square-footage basis; and other expenses are allocated based on estimates of usage.

(16) Retirement Plans

UVM Foundation has a defined contribution salary deferral 403(b) plan for the benefit of its employees. During the years ended June 30, 2022 and 2021, UVM Foundation contributed 10% of salaries for each regular staff member who voluntarily contributed a minimum of 2% of pre-tax earnings to the plan. UVM Foundation's contributions were \$589,069 and \$564,381 for the years ended June 30, 2022 and 2021, respectively.

UVM FOUNDATION

Notes to Financial Statements

June 30, 2022 and 2021

UVM Foundation has a retirement health savings plan (RHSP), which consists of (a) a defined contribution from UVM Foundation for eligible former University employees and (b) a voluntary employee contribution. Annual contributions from UVM Foundation and employee contributions were permitted effective January 1, 2014 under the plan. UVM Foundation's contributions were \$55,835 and \$59,169 for the years ended June 30, 2022 and 2021, respectively.

UVM Foundation has a 457(b) plan, which consists of voluntary employee salary deferrals for those employees whose positions are covered by the plan and employer contributions. The plan is recorded as an asset and a liability of UVM Foundation until such time the employee withdraws funds during retirement or for transfer to another employer upon termination. Each employee selects investments based on options available within the plan. UVM Foundation's contributions were \$0 and \$8,419 and the plan's assets and liabilities were \$147,803 and \$154,633 for the years ended June 30, 2022 and 2021, respectively.

(17) Related-Party Transactions

UVM Foundation provides much of the development function for the University of Vermont and State Agricultural College. An annual amount is allocated by the University pursuant to a service agreement between it and UVM Foundation. UVM Foundation received operating support from the University in accordance with this agreement of \$11,053,878 and \$8,460,017 for the years ended June 30, 2022 and 2021, respectively, which included primary provisions of \$10,461,834 and \$7,971,823 and supplemental provisions of \$592,044 and \$488,194, respectively. UVM Foundation leases office space at 411 Main Street, Burlington, Vermont, which expires June 30, 2022. UVM Foundation leases office space at 61 Summit Street, Burlington, Vermont, which expires April 13, 2030 and includes the right to extend the lease for three consecutive five-year terms. Future minimum lease payments under these leases are \$1 per year per lease. The lessor for both leases is the University. UVM Foundation paid the University \$11,500 in gift fees for the year ended June 30, 2022.

(18) Income Taxes

UVM Foundation generally does not provide for income taxes because it is a tax-exempt organization under Section 501(c)3 of the Internal Revenue Code.

ASC 740, *Income Taxes*, permits an entity to recognize the benefit and requires accrual of an uncertain tax position only when the position is "more likely than not" to be sustained in the event of examination by tax authorities. In evaluating whether a tax position has met the recognition threshold, UVM Foundation must presume that the position will be examined by the appropriate taxing authority that has full knowledge of all relevant information. ASC 740 also provides guidance on the recognition, measurement, and classification of income tax uncertainties, along with any related interest or penalties. Tax positions deemed to meet the "more likely than not" threshold are recorded as a tax expense in the current year.

UVM Foundation has analyzed all open tax years, defined by the statutes of limitations for all major jurisdictions. Open tax years are those that are open for exam by taxing authorities. Major jurisdictions for UVM Foundation include Federal and the State of Vermont. As of June 30, 2022, open Federal and Vermont tax years for UVM Foundation include tax years ended June 30, 2019, 2020, and 2021. UVM Foundation has no examinations in progress. UVM Foundation believes that it has no significant uncertain tax positions.

UVM FOUNDATION

Notes to Financial Statements

June 30, 2022 and 2021

(19) Subsequent Events

UVM Foundation considers events or transactions that occur after the statement of financial position date, but before the financial statements are issued, to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. These financial statements were issued on October 28, 2022 and subsequent events have been evaluated through that date.