

NORTHWEST FOUNDATION, INC.
**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**
YEARS ENDED JUNE 30, 2022 AND 2021



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**NORTHWEST FOUNDATION, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Northwest Foundation, Inc.
Maryville, Missouri

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Northwest Foundation, Inc. (a nonprofit organization), which comprise the financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northwest Foundation, Inc. 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 accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free 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 Northwest Foundation, Inc.'s ability to continue as a going concern for one year after the date 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:

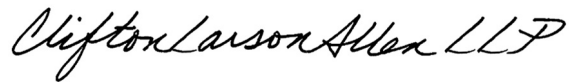
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, 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 Northwest Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Northwest Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Board of Directors
Northwest Foundation, Inc.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Statement of Revenue, Expenses, and Changes in Deposits Held for Others is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



CliftonLarsonAllen LLP

St. Joseph, Missouri
October 20, 2022

NORTHWEST FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
Cash	\$ 1,116,254	\$ 875,917
Cash Equivalents	511,269	576,166
Cash Restricted for Debt Obligations	302,277	294,572
Interest Receivable	22,422	57,966
Contributions Receivable	4,038,985	5,974,838
Investments	41,645,206	45,275,256
Cash Surrender Value	361,492	338,768
Note Receivable	3,119,915	3,544,449
Beneficial Interest in Charitable Remainder Trusts	3,040,584	2,634,781
Property and Equipment, Net	1,764,398	1,817,829
Total Assets	\$ 55,922,802	\$ 61,390,542
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 170,752	\$ 133,147
Annuity Contracts	712,484	835,113
Deferred Revenue	28,300	38,650
Deposits Held for Others	101,982	87,484
Bonds Payable	3,400,000	5,390,000
Present Value of Interest Rate Swap	48,039	279,692
Total Liabilities	4,461,557	6,764,086
NET ASSETS		
Without Donor Restrictions	5,520,697	5,954,933
With Donor Restrictions	45,940,548	48,671,523
Total Net Assets	51,461,245	54,626,456
Total Liabilities and Net Assets	\$ 55,922,802	\$ 61,390,542

See accompanying Notes to Financial Statements.

NORTHWEST FOUNDATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND GAINS			
Contributions	\$ 769,261	\$ 4,711,428	\$ 5,480,689
Contributions In-Kind	73,233	1,306	74,539
Charitable Remainder Trust Contributions	-	817,000	817,000
Fundraisers	114,273	-	114,273
Investment Return	(509,651)	(2,470,474)	(2,980,125)
Change in Present Value of Interest Rate Swap	231,653	-	231,653
Change in Value of Charitable Remainder Trust	-	(244,197)	(244,197)
Other	159,196	22,250	181,446
Net Assets Released from Restrictions	<u>5,568,288</u>	<u>(5,568,288)</u>	<u>-</u>
Total Revenue, Support, and Gains	<u>6,406,253</u>	<u>(2,730,975)</u>	<u>3,675,278</u>
EXPENSES			
Program Services	5,882,657	-	5,882,657
Support Services:			
Management and General	554,425	-	554,425
Fundraising	493,877	-	493,877
Total Expenses	<u>6,930,959</u>	<u>-</u>	<u>6,930,959</u>
CHANGE IN NET ASSETS BEFORE CONTRIBUTED SERVICES FROM AFFILIATE	(524,706)	(2,730,975)	(3,255,681)
CONTRIBUTED SERVICES FROM AFFILIATE	<u>90,470</u>	<u>-</u>	<u>90,470</u>
CHANGE IN NET ASSETS	(434,236)	(2,730,975)	(3,165,211)
Net Assets - Beginning of Year	<u>5,954,933</u>	<u>48,671,523</u>	<u>54,626,456</u>
NET ASSETS - END OF YEAR	<u><u>\$ 5,520,697</u></u>	<u><u>\$ 45,940,548</u></u>	<u><u>\$ 51,461,245</u></u>

See accompanying Notes to Financial Statements.

NORTHWEST FOUNDATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND GAINS			
Contributions	\$ 387,728	\$ 6,058,042	\$ 6,445,770
Contributions In-Kind	46,846	-	46,846
Charitable Remainder Trust Contributions	-	44,400	44,400
Fundraisers	137,044	-	137,044
Investment Return	2,746,045	6,449,750	9,195,795
Change in Present Value of Interest Rate Swap	149,306	-	149,306
Change in Value of Charitable Remainder Trust	-	351,055	351,055
Other	88,680	-	88,680
Net Assets Released from Restrictions	8,700,888	(8,700,888)	-
Total Revenue, Support, and Gains	12,254,816	4,202,359	16,457,175
EXPENSES			
Program Services	9,301,887	-	9,301,887
Support Services			
Management and General	457,840	-	457,840
Fundraising	333,380	-	333,380
Total Expenses	10,093,107	-	10,093,107
CHANGE IN NET ASSETS BEFORE CONTRIBUTED SERVICES FROM AFFILIATE	2,161,709	4,202,359	6,364,068
CONTRIBUTED SERVICES FROM AFFILIATE	45,470	-	45,470
CHANGE IN NET ASSETS	2,207,179	4,202,359	6,409,538
Net Assets - Beginning of Year	3,747,754	44,469,164	48,216,918
NET ASSETS - END OF YEAR	\$ 5,954,933	\$ 48,671,523	\$ 54,626,456

See accompanying Notes to Financial Statements.

NORTHWEST FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	<u>Program Services</u>	<u>Support Services</u>		<u>Total</u>
	<u>University Support</u>	<u>Management and General</u>	<u>Fundraising</u>	
University Support	\$ 4,026,592	\$ -	\$ -	\$ 4,026,592
Scholarships	1,302,582	-	-	1,302,582
Salaries	13,420	290,286	-	303,706
Professional Fees	51,084	91,546	-	142,630
Interest Expense	177,368	-	-	177,368
Bond Fees	89,949	-	-	89,949
Northwest Alumni Magazine	104,138	-	-	104,138
Travel, Cultivation, and Outreach	65,168	2,849	64,568	132,585
Depreciation	11,795	34,518	27,768	74,081
Events and Meetings	8,426	37,334	121,290	167,050
Computer Hardware and Software	15,673	15,970	53,047	84,690
Staff Development and Conferences	2,274	7,252	8,169	17,695
Administrative Expenses	519	47,486	-	48,005
Community Relations	-	-	7,076	7,076
Fundraisers	-	-	97,623	97,623
Supplies, Printing, and Mailing	-	11,399	78,184	89,583
Communications	7,810	-	-	7,810
Insurance	5,364	10,470	34,986	50,820
Repairs and Maintenance	495	5,315	1,166	6,976
	<u>495</u>	<u>5,315</u>	<u>1,166</u>	<u>6,976</u>
Total Expenses by Function	<u>\$ 5,882,657</u>	<u>\$ 554,425</u>	<u>\$ 493,877</u>	<u>\$ 6,930,959</u>

See accompanying Notes to Financial Statements.

NORTHWEST FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	<u>Program Services</u>	<u>Support Services</u>		<u>Total</u>
	<u>University Support</u>	<u>Management and General</u>	<u>Fundraising</u>	
University Support	\$ 7,552,596	\$ -	\$ -	\$ 7,552,596
Scholarships	1,199,474	-	-	1,199,474
Salaries	12,816	237,711	-	250,527
Professional Fees	51,084	56,047	-	107,131
Interest Expense	185,482	-	-	185,482
Bond Fees	103,792	-	-	103,792
Northwest Alumni Magazine	96,895	-	-	96,895
Travel, Cultivation, and Outreach	39,384	1,522	38,344	79,250
Depreciation	13,519	32,364	23,865	69,748
Events and Meetings	2,963	19,409	23,073	45,445
Computer Hardware and Software	16,386	14,043	52,105	82,534
Staff Development and Conferences	732	4,092	5,617	10,441
Administrative Expenses	-	62,447	-	62,447
Community Relations	-	-	8,303	8,303
Fundraisers	-	-	110,296	110,296
Supplies, Printing, and Mailing	234	7,644	37,602	45,480
Communications	5,520	-	-	5,520
Insurance	5,894	9,607	33,946	49,447
Repairs and Maintenance	116	12,954	229	13,299
Bad Debt Expense	15,000	-	-	15,000
	<u>\$ 9,301,887</u>	<u>\$ 457,840</u>	<u>\$ 333,380</u>	<u>\$ 10,093,107</u>
Total Expenses by Function	<u>\$ 9,301,887</u>	<u>\$ 457,840</u>	<u>\$ 333,380</u>	<u>\$ 10,093,107</u>

See accompanying Notes to Financial Statements.

NORTHWEST FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (3,165,211)	\$ 6,409,538
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	74,081	69,748
Net Unrealized and Realized Investment (Gain) Loss	4,005,057	(8,563,627)
Loss on Sale of Property and Equipment	-	1,721
Contributions Restricted for Endowment	(1,607,464)	(1,192,460)
Non-Cash Portion of Charitable Remainder Trust Contributions	(650,000)	(44,400)
Change in Value of Annuity Liabilities	(60,808)	(9,092)
Change in Present Value of Interest Rate Swap	(231,653)	(149,306)
Permanently Endowed Charitable Gift Annuity Liabilities	-	(17,510)
Change in Value of Charitable Remainder Trusts	244,197	(351,055)
(Increase) Decrease in Assets:		
Contributions Receivable	2,492,814	(119,958)
Interest Receivable	35,544	(43,024)
Cash Surrender Value	(22,724)	(22,864)
Increase (Decrease) in Liabilities:		
Accounts Payable	37,605	12,272
Deferred Revenue	(10,350)	(6,850)
Deposits Held for Others	14,498	(15,053)
Net Cash Provided (Used) by Operating Activities	1,155,586	(4,041,920)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	20,055,637	6,963,428
Purchase of Investments	(20,430,644)	(5,173,138)
Principal Payment on Note Receivable	424,534	406,916
Capital Expenditures	(20,650)	(3,000)
Proceeds from Sale of Property and Equipment	-	423,280
Net Cash Provided by Investing Activities	28,877	2,617,486
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Contributions Restricted for Endowments	1,050,503	1,422,016
Payments of Annuity Obligations	(61,821)	(68,565)
Principal Payments on Bonds	(1,990,000)	(595,000)
Net Cash Provided (Used) by Financing Activities	(1,001,318)	758,451
CHANGE IN CASH AND CASH EQUIVALENTS	183,145	(665,983)
Cash and Cash Equivalents - Beginning of Year	1,746,655	2,412,638
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,929,800	\$ 1,746,655

See accompanying Notes to Financial Statements.

NORTHWEST FOUNDATION, INC.
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH AND CASH EQUIVALENTS		
Cash	\$ 1,116,254	\$ 875,917
Cash Equivalents	511,269	576,166
Cash Restricted for Debt Obligations	302,277	294,572
Total Cash and Cash Equivalents	\$ 1,929,800	\$ 1,746,655
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Interest	\$ 179,341	\$ 186,159
Taxes	\$ -	\$ 2,244
 SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITY		
Contributed Securities	\$ 613,531	\$ 557,312
Noncash Contributions	\$ 982,009	\$ 92,316

See accompanying Notes to Financial Statements.

**NORTHWEST FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Northwest Foundation, Inc. (the Foundation) is organized for strictly educational, charitable, benevolent, cultural, scientific, and nonprofit purposes. Its general purpose shall be for the promotion of the welfare, goals, and programs of Northwest Missouri State University (the University) in Maryville, Missouri.

The mission of the Foundation is to encourage, receive, invest, manage, steward, and disburse private support on behalf of the donors of the University, for the benefit of the University, its students, faculty, staff, and alumni. Established in 1971, the Foundation operates independently of the University as a separate 501(c)(3) nonprofit corporation governed by its own board of directors. The Foundation is considered a component unit of the University in the University's financial reporting entity.

Basis of Accounting

The financial statements of Northwest Foundation, Inc. have been prepared on the accrual basis of accounting.

Description of Program and Supporting Services

The following program and supporting services are included in the accompanying financial statements:

Support of Northwest Missouri State University

The Foundation supports the University through scholarships and support of programs and operations with and without restriction.

Management and General

Management and general includes the functions necessary to manage the individual funds of the Foundation, including monitoring and investing assets, administering the programs of the Foundation, and managing the financial responsibilities of the Foundation.

Fundraising

Fundraising provides the structure necessary to encourage and secure private financial support from individuals and corporations.

Net Assets

The Foundation reports information regarding its financial position and activities according to two classes of net assets – net assets without donor restrictions and net assets with donor restrictions.

NORTHWEST FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

Net Assets Without Donor Restrictions – These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions. Net assets designated by the governing board are included as a component of net assets without donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates. Significant estimates incorporated in the financial statements include: the allowance for uncollectible pledges and notes receivable; the discount for pledges to be received in future periods; the useful lives used to calculate depreciation expense; the functional allocation of expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all cash and highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Restrictions on Cash and Cash Equivalents

Included in cash on the statements of financial position is \$302,277 and \$294,572 as of June 30, 2022 and 2021, respectively, held in a debt service fund for payment of scheduled principal, interest and fees payments on the Series 2008 bonds.

Certificates of deposit required by the donor to be held in a separate bank account totaled \$110,576 and \$114,398 as of June 30, 2022 and 2021, respectively.

Contributions and Contributions Receivable

Unconditional promises to give are recorded as revenues or gains in the period received and as assets or a decrease of liabilities, depending on the form of the benefits received. Conditional contributions received are accounted for as a liability or are unrecognized initially, that is, until the barriers to entitlement are overcome, and a right of return or release are no longer present, at which point the transaction is recognized as unconditional and classified as either net assets with restrictions or net assets without restrictions.

NORTHWEST FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Contributions Receivable (Continued)

All contributions are considered to be available for the general programs of the Foundation unless specifically restricted by the donor. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, reclassifications are made from net assets with donor restrictions to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

The Foundation capitalizes donated collection items and recognizes them as revenue at their estimated fair values at the date of donation.

The Foundation records various types of in-kind support. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind support are offset by like amounts included in expenses or property and equipment, if capitalized. Additionally, the Foundation receives contributed time that does not meet the two recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

The Foundation uses the allowance method for uncollectible accounts. Contributed support receivable is recorded at the amount the Foundation expects to collect on balances outstanding at year-end. Management closely monitors outstanding balances and writes off, as of year-end, all balances considered uncollectible. Based on past experience and current expectations, management has concluded that uncollectible balances outstanding at June 30, 2022 and 2021 will be immaterial.

Investments and Investment Return

Investments in equity and debt securities having a readily determinable fair value are carried at fair value. Other investments, notably investments classified as alternative investments, are generally valued at net asset value which is the reported value provided by or on behalf of the investment fund, which valuations are prepared in accordance with such investment fund's governing documents. Management considers this a reliable representation of fair value if the investment fund is accepting subscriptions and processing redemptions based on this reported value. Because of the inherent uncertainty of valuation of investments in alternative investment funds, the estimated fair values used for these investments may differ significantly from values that will eventually be realized upon an actual liquidation of the investment and such differences could be material.

NORTHWEST FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and Investment Return (Continued)

Investment return includes dividend, interest and other investment income and realized and unrealized gains and losses on investments, less investment fees.

The Foundation maintains pooled investment accounts. The total pooled earnings and realized and unrealized gains or losses are allocated quarterly based on the percentage of fund balance of each individual fund to the total of all the funds. Earnings allocated to non-endowed funds are credited to the University Venture Fund. Investment return on donor-restricted endowment investment assets are reported as increases or decreases in net assets with donor restrictions until appropriated by the Foundation.

Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as support without restriction unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Property and equipment are valued at historical cost, when available. The Foundation evaluates the recoverability of the carrying value of long-lived assets when events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the assets, the asset cost is adjusted to the fair value and an impairment loss is recognized as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

Expenditures for additions and betterments greater than \$5,000 are capitalized, while expenditures for maintenance and repairs which do not improve or extend the life of the assets are charged to expense as incurred.

Depreciation on assets has been provided over the estimated useful lives, ranging from five to thirty years, of the respective assets on the straight-line basis.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited. Donated services, software costs and certain occupancy costs are the primary costs that are allocated based on the estimated number of hours that staff spend on each of the program and supporting service activities.

**NORTHWEST FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Foundation is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. It is not considered to be a private foundation. The Foundation follows the standard for evaluating uncertain tax positions and has determined no liability should be recorded for uncertain tax positions.

Accounting Standards Implemented in Current Year

In September 2020, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This update increases the transparency of contributed nonfinancial assets for not-for-profit entities through enhancement to presentation and disclosure, including presentation of contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. This ASU was implemented for the year ended June 30, 2022 and has been applied on a retrospective basis through additional disclosures and reclassifications of amounts presented for the 2021 financial statements.

NOTE 2 CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Within One Year	\$ 1,635,956	\$ 2,663,270
In One to Five Years	2,379,385	3,310,583
Over Five Years	23,644	985
Total	<u>\$ 4,038,985</u>	<u>\$ 5,974,838</u>

Contributions receivable due in more than one year are reflected at the present value of estimated future cash flows using discount rates ranging from 1.02% to 2.93% and totaled \$185,141 and \$204,306 at June 30, 2022 and 2021, respectively.

NORTHWEST FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 3 INVESTMENTS

Investments are presented at fair value, except for certificates of deposit that are valued at cost. Equity securities and bonds are considered held for trading purposes, whereas certificates of deposit are held to maturity.

Investments are composed of the following at June 30:

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Certificates of Deposit	\$ 110,576	\$ 110,576	\$ 114,398	\$ 114,398
Mutual Funds:				
Equity:				
Domestic	13,117,782	14,230,141	5,632,324	9,795,682
International	7,629,916	7,023,379	3,337,828	4,639,309
Fixed Income:				
Core	4,422,511	3,889,122	3,513,471	3,489,564
Unconstrained	2,674,955	2,384,709	1,462,008	1,484,298
Global	550,976	-	900,030	359,390
Short-Term	1,067,233	1,007,175	1,458,088	1,444,263
Exchange Trade Products:				
Commodities	747,823	759,246	-	-
Alternate Investments:				
Equity	2,799,203	3,299,135	8,150,475	14,554,009
Fixed Income	2,769,073	3,354,110	5,096,814	6,050,224
Private Equity Partnership	2,638,157	4,275,113	1,391,156	2,031,619
Fixed Income Limited Partnerships	1,312,500	1,312,500	1,312,500	1,312,500
Total	<u>\$ 39,840,705</u>	<u>\$ 41,645,206</u>	<u>\$ 32,369,092</u>	<u>\$ 45,275,256</u>

Investment returns consisted of the following for the years ended June 30:

	2022	2021
Interest and Dividends	\$ 1,155,981	\$ 766,210
Realized Gains	7,096,606	1,043,154
Unrealized Gains/(Losses)	(11,101,663)	7,520,473
Investment Fees	(131,049)	(134,042)
Net Investment Return	<u>\$ (2,980,125)</u>	<u>\$ 9,195,795</u>

NORTHWEST FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 4 FINANCIAL INSTRUMENTS

Fair Value Measurements

The following table presents the Foundation's assets and liabilities and related valuation inputs within the fair value hierarchy utilized to measure fair value on a recurring basis:

	Fair Value	Level 1	Level 2	Level 3	Investments Measured at Net Asset Value
June 30, 2022					
Assets:					
Mutual Funds	\$ 28,534,526	\$ 28,534,526	\$ -	\$ -	\$ -
Exchange Trade Products:					
Commodities	759,246	759,246	-	-	-
Alternative Investments:					
Equity	3,299,135	-	-	-	3,299,135
Fixed Income	3,354,110	-	-	-	3,354,110
Private Equity LP	4,275,113	-	-	-	4,275,113
Fixed Income LP	1,312,500	-	-	-	1,312,500
Total Investments at Fair Value	<u>41,534,630</u>	<u>29,293,772</u>	<u>-</u>	<u>-</u>	<u>12,240,858</u>
Investments not Required to be Reported at Fair Value:					
Investments - Other Certificates of Deposit	110,576	-	-	-	-
Total Investments	<u>41,645,206</u>	<u>29,293,772</u>	<u>-</u>	<u>-</u>	<u>12,240,858</u>
Beneficial Interest in Charitable Remainder Trusts	3,040,584	-	3,040,584	-	-
Total Assets	<u>\$ 44,685,790</u>	<u>\$ 29,293,772</u>	<u>\$ 3,040,584</u>	<u>\$ -</u>	<u>\$ 12,240,858</u>
Liabilities:					
Derivative - Synthetic Fixed Interest Rate Swap on Bonds Payable	\$ 48,039	\$ -	\$ 48,039	\$ -	\$ -
Liabilities for Annuity Contracts	712,484	-	-	712,484	-
Total Liabilities	<u>\$ 760,523</u>	<u>\$ -</u>	<u>\$ 48,039</u>	<u>\$ 712,484</u>	<u>\$ -</u>
June 30, 2021					
Assets:					
Mutual Funds	\$ 21,212,506	\$ 21,212,506	\$ -	\$ -	\$ -
Alternative Investments:					
Equity	14,554,009	-	-	-	14,554,009
Fixed Income	6,050,224	-	-	-	6,050,224
Private Equity LP	2,031,619	-	-	-	2,031,619
Fixed Income LP	1,312,500	-	-	-	1,312,500
Total Investments at Fair Value	<u>45,160,858</u>	<u>21,212,506</u>	<u>-</u>	<u>-</u>	<u>23,948,352</u>
Investments not Required to be Reported at Fair Value:					
Investments - Other Certificates of Deposit	114,398	-	-	-	-
Total Investments	<u>45,275,256</u>	<u>21,212,506</u>	<u>-</u>	<u>-</u>	<u>23,948,352</u>
Beneficial Interest in Charitable Remainder Trusts	2,634,781	-	2,634,781	-	-
Total Assets	<u>\$ 47,910,037</u>	<u>\$ 21,212,506</u>	<u>\$ 2,634,781</u>	<u>\$ -</u>	<u>\$ 23,948,352</u>
Liabilities:					
Derivative - Synthetic Fixed Interest Rate Swap on Bonds Payable	\$ 279,692	\$ -	\$ 279,692	\$ -	\$ -
Liabilities for Annuity Contracts	835,113	-	-	835,113	-
Total Liabilities	<u>\$ 1,114,805</u>	<u>\$ -</u>	<u>\$ 279,692</u>	<u>\$ 835,113</u>	<u>\$ -</u>

**NORTHWEST FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 4 FINANCIAL INSTRUMENTS (CONTINUED)

Fair Value Measurements (Continued)

FASB Accounting Standards Codification 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs were only used when Level 1 or Level 2 inputs were not available.

Level 1 – The fair values of investments are based on quoted market prices of the shares held by the Foundation at year-end.

Level 2 – Inputs are those that are observable, either directly or indirectly, for the asset or liability other than quoted prices included in Level 1. Level 2 financial instruments include:

- The synthetic fixed interest rate swap is based on an income valuation model determined by calculating the present value of the future expected cash flows using discount factors based on market interest rates.
- The Foundation's interest in the trust assets and the specified future distributions is recorded at fair value as a beneficial interest held in trust using actuarial assumptions based on the donors' life expectancy and a discount rate of 3.6% and 1.2% at June 30, 2022 and 2021, respectively.

Level 3 – The liabilities for annuity contracts are not actively traded and significant other observable inputs are not available. Thus, the fair value of liabilities subject to annuity agreements is calculated each June 30 as the present value of the payments to the annuitant over the actuarially determined life expectancy of the annuitant at 3.6% and 1.2% at June 30, 2022 and 2021, respectively.

The following table provides further details of the Level 3 fair value measurements. Liabilities for annuity contracts:

	<u>2022</u>	<u>2021</u>
Balance - Beginning of Year	\$ 835,113	\$ 930,280
Change in Value of Annuity Liabilities	(60,808)	(9,092)
Expiration of Donor Contract	-	(17,510)
Payments to Annuitants	(61,821)	(68,565)
Balance - End of Year	<u>\$ 712,484</u>	<u>\$ 835,113</u>

**NORTHWEST FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 4 FINANCIAL INSTRUMENTS (CONTINUED)

Fair Value Measurements (Continued)

Investments in alternative investments are generally valued at the reported value provided by or on behalf of the investment fund, which valuations are prepared in accordance with such investment fund's governing documents. Management considers this a reliable representation of fair value if the investment fund is accepting subscriptions and processing redemptions based on this reported value.

Because of the inherent uncertainty of valuation of investments in alternative investment funds, the estimated fair values used for these investments may differ significantly from values that will eventually be realized upon an actual liquidation of the investment, and such differences could be material.

Investments for which fair value is measured using net asset value per share as a practical expedient have not been categorized within the fair value hierarchy.

The following investments, valued at Net Asset Value as a practical expedient, may impose restrictions on the Foundation's ability to respond quickly to changes in market conditions. In addition, certain of these investment vehicles may have provisions for extended initial periods during which withdrawals are restricted ("lock-up" periods). The following table provides details of redemption restrictions of such assets held at June 30, 2022 and 2021.

Investment	Fair Value Determined Using NAV		Investment Strategy	Unfunded Commitments	Redemption Terms	Redemption Restrictions
	2022	2021				
Salient MLP Total Return TE Fund	\$ 835,414	\$ 1,232,575	Energy Master Limited Partnerships	None	Weekly	No lockup provisions
Thirteen Partners Offshore, Ltd.	2,463,721	1,774,353	Long/Short Equity Fund of Funds	None	Semi-Annual with 95 Days Notice	Two-year lockup provision expired December 31, 2017
Commonfund Multi- Strategy Equity Fund Total	- \$ 3,299,135	11,547,081 \$ 14,554,009	Multi-Strategy Equity Fund of Funds	None	Monthly with 5 Days Notice	No lockup provisions
Ironwood International, Ltd.	\$ 3,354,110	\$ 1,991,941	Multi-Strategy Equity Fund of Funds	None	Semi-Annual with 95 Days Notice	One-year lockup provision expired December 31, 2016
Commonfund Multi- Strategy Bond Fund Total	- \$ 3,354,110	4,058,283 \$ 6,050,224	Multi-Strategy Income Fund of Funds	None	Monthly with 5 Days Notice	No lockup provisions

**NORTHWEST FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 4 FINANCIAL INSTRUMENTS (CONTINUED)

Fair Value Measurements (Continued)

Investment	Fair Value Determined Using NAV		Investment Strategy	Unfunded Commitments	Redemption Terms/Restrictions
	2022	2021			
Commonfund Global Private Equity Partners 2014	\$ 1,224,067	\$ 1,167,748	Private Equity	\$ 125,000	The term of the fund is 12 years with one three-year extension. The partnership is scheduled to terminate on February 4, 2026 unless terminated earlier or extended by the general partner in accordance with the partnership agreement.
Commonfund Global Private Equity Partners III	1,001,150	-	Private Equity	1,250,000	The term of the fund is 12 years with one three-year extension. The partnership is scheduled to terminate on February 27, 2032 unless terminated earlier or extended by the general partner in accordance with the partnership agreement.
Legacy Venture IX, LLC	1,682,215	787,706	Private Equity	150,000	The term of the fund will approximate 12 years with option of three additional one-year extensions. Partners may not withdraw from the fund.
Legacy Venture X, LLC	367,681	76,165	Private Equity	580,000	The term of the fund will approximate 12 years with option of three additional one-year extensions. Partners may not withdraw from the fund.
Total	<u>\$ 4,275,113</u>	<u>\$ 2,031,619</u>		<u>\$ 2,105,000</u>	
Golub Capital Partners 10, L.P.	\$ 875,000	\$ 875,000	Distressed Debt Private Equity	\$ 125,000	90% of capital commitments expected to be drawn by 18 months after final closing. Principal will be re-invested for 5.5 years from final closing date. Final closing date was January 1, 2017. The term of the fund is 10 years from the closing date, subject to a two-year extension. Profits are distributed quarterly.
Golub Capital Partners 11, L.P.	437,500	437,500	Distressed Debt Private Equity	62,500	90% of capital commitments expected to be drawn by 18 months after final closing. Principal will be re-invested for 5.5 years from final closing date. Final closing was July 1, 2018. The term of the fund is 10 years from the closing date, subject to a two-year extension. Profits are distributed quarterly.
Total	<u>\$ 1,312,500</u>	<u>\$ 1,312,500</u>		<u>\$ 187,500</u>	

**NORTHWEST FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 4 FINANCIAL INSTRUMENTS (CONTINUED)

Fair Value Measurements (Continued)

The stock market is subject to significant volatility that could directly impact the unrealized gain or loss on investments held by the Foundation. The potential effect of the market adjustments could have a material effect on carrying values of investments held by the Foundation.

There are no assets or liabilities measured on a nonrecurring basis as of June 30, 2022.

The following is a summary of market value technique for ending balances of assets and liabilities, measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the years ending June 30:

Instrument	Fair Value		Principal Valuation Technique	Inputs
	2022	2021		Life Expectancy and Discount Rate
Liabilities for Annuity Contracts	\$ 712,484	\$ 835,113	Net Present Value	

NORTHWEST FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 5 PROPERTY AND EQUIPMENT

The details of the property and equipment are as follows:

	With Donor Restrictions	Without Donor Restrictions	Less Accumulated Depreciation	Net Book Value
<u>June 30, 2022</u>				
Haderlein Farm	\$ 58,500	\$ -	\$ -	\$ 58,500
Land	-	206,000	-	206,000
Faust Center	-	1,562,187	474,748	1,087,439
House - 718 College Ave.	-	224,499	111,600	112,899
House - 720 College Ave.	-	115,272	78,131	37,141
House 714 College Ave.	-	252,678	134,709	117,969
Furniture and Equipment	-	1,725	1,725	-
Foundation Vehicles	-	21,492	21,492	-
Collections	-	144,450	-	144,450
Total Net Asset by Type	<u>\$ 58,500</u>	<u>\$ 2,528,303</u>	<u>\$ 822,405</u>	<u>\$ 1,764,398</u>

	With Donor Restrictions	Without Donor Restrictions	Less Accumulated Depreciation	Net Book Value
<u>June 30, 2021</u>				
Haderlein Farm	\$ 58,500	\$ -	\$ -	\$ 58,500
Land	-	206,000	-	206,000
Faust Center	-	1,541,537	420,687	1,120,850
House - 718 College Ave.	-	224,499	104,111	120,388
House - 720 College Ave.	-	115,272	74,112	41,160
House 714 College Ave.	-	252,678	126,197	126,481
Furniture and Equipment	-	1,725	1,725	-
Foundation Vehicles	-	21,492	21,492	-
Collections	-	144,450	-	144,450
Total Net Asset by Type	<u>\$ 58,500</u>	<u>\$ 2,507,653</u>	<u>\$ 748,324</u>	<u>\$ 1,817,829</u>

The Haderlein farm is required to be held in perpetuity for use by the University for agricultural purposes.

NORTHWEST FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 6 SPLIT INTEREST AGREEMENTS

Charitable Gift Annuities

The charitable gift annuity is a contract between a donor and a charitable organization under which, in consideration of the donor's irrevocable gift of money or property to the Foundation, the Foundation promises to pay a fixed amount annually to the annuitant for life. The liability is the present value of the payments based on the life expectancy of the donor at the date of the gift. The portion of the annuity attributable to the future interest of the Foundation is recorded at fair value in the statements of activities as contributions without donor restrictions or contributions with donor restrictions in the period the annuity is established, depending on the donor's stipulation for use of the gift. On an annual basis, the Foundation reviews the need to revalue the liability to the designated beneficiaries based on actuarial assumptions. The changes in actuarial assumptions resulted in revaluations of a loss of \$60,808 and a loss of \$9,092 for the years ended June 30, 2022 and 2021, respectively. The present value of the estimated future payments is calculated using a discount rate of 3.6% and 1.2% in 2022 and 2021, respectively, and applicable mortality tables.

For income tax purposes of the donor, the transfer for an annuity is considered to be part gift and part purchase of the annuity.

The balance of the liability for annuity contracts as of June 30, 2022 and 2021, was \$712,484 and \$835,113, respectively. Interest expense amounted to \$94,059 and \$89,953 for fiscal years 2022 and 2021, respectively.

Charitable Remainder Trusts

A beneficial interest in irrevocable rights to charitable remainder unit trusts is recorded when a donor establishes and funds a trust with specified distributions to be made to the donor and/or other beneficiaries over the trust's term. The Foundation will receive the amounts remaining in the charitable remainder unit trust at the end of the trusts' stated term.

The Foundation is not the trustee and does not hold the trust assets. The Foundation's interest in the trust assets and the specified future distributions is recorded at fair value as a beneficial interest held in trust using actuarial assumptions. Based on the donors' life expectancy and a discount rate of 3.6% and 1.2% for 2022 and 2021, respectively, the fair value of the future benefits expected to be received by the Foundation was recorded as net assets without donor restrictions or net assets with donor restrictions based on the terms of the donors' agreements. Subsequent changes in the fair value of the charitable remainder unit trust receivable are recognized in the statements of activities. At June 30, 2022 and 2021, the beneficial interests in charitable remainder unit trusts totaled \$3,040,584 and \$2,634,781, respectively.

NORTHWEST FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 7 BONDS PAYABLE

In 2003, Variable Rate Demand Educational Facilities Revenue Bonds Series 2002 in the amount of \$4,455,000 were issued to finance construction of the University stadium. The balance is \$-0- and \$1,575,000 at June 30, 2022 and 2021, respectively. The bonds were fully redeemed in the fiscal year 2022 prior to maturity at the option of the Foundation. The bonds had an original maturity date on November 1, 2032, and had a variable interest rate of 1.35% at inception with a maximum of 12%. Interest is paid monthly and totaled \$940 and \$1,313 for years ended June 30, 2022 and 2021, respectively. The bonds were repaid from the collection of donor pledges and the sale of stadium seating.

In fiscal year 2009, Variable Rate Demand Educational Facilities Revenue Bonds Series 2008 in the amount of \$7,675,000 were issued to finance the construction of the University's Studio Theatre and Valk Center renovations. The bonds mature on November 1, 2028, and had a variable interest rate of 3.5% at inception with a maximum 12%. Interest is paid monthly and totaled \$83,309 and \$95,529 for fiscal years 2022 and 2021, respectively. The balance is \$3,400,000 and \$3,815,000 at June 30, 2022 and 2021, respectively. The University signed a loan agreement with the Foundation for \$7,675,000, payable in monthly installments at 5.5% interest which is to be used for principal, interest, and letter of credit fees. The obligations of the University are payable from annual appropriation of revenues for the year plus unencumbered balances for previous years. On November 15th of each year, the Foundation will refund to the University any payments received in excess of actual costs. The amount of the excess at June 30, 2022 and 2021 was estimated at \$41,259 and \$29,586, respectively, and is reported as accounts payable on the statements of financial position.

As part of the bond financing agreement, the Foundation signed a letter of credit and Reimbursement Agreement dated December 1, 2009. The letter of credit was most recently renewed on April 1, 2018, and now expires May 20, 2023. Under the amendments, the Foundation has agreed to certain affirmative and negative covenants. Management believes that the Foundation is in compliance with all covenants at June 30, 2022 and 2021.

Maturities of bonds payable are as follows:

<u>Year Ending June 30,</u>	<u>Series 2008</u>
2023	\$ 430,000
2024	445,000
2025	465,000
2026	485,000
2027	505,000
Thereafter	1,070,000
Total	<u>\$ 3,400,000</u>

NORTHWEST FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 8 DERIVATIVES

In March of 2009, as a means to lower its borrowing costs in the long term and increase its savings when compared to fixed-rate refunding bonds at the time of the swap, the Foundation entered into an interest rate swap in connection with its \$7,675,000 Variable Rate Demand Educational Facilities Revenue Bonds, Series 2008. The intention of the swap agreement was to effectively change the Foundation's interest rate on the bonds to a synthetic fixed rate of 2.5%.

Terms: The swap agreement matures on the same date as the bonds, November 1, 2028, and the swap's notional amount of \$7,675,000 matched the \$7,675,000 variable-rate bonds. Starting in fiscal year 2010, the notional value of the swap and the principal amount of the associated debt decline concurrently. The balance of both is \$3,400,000 and \$3,815,000 at June 30, 2022 and 2021, respectively. Under the swap, the Foundation pays the counterparty a fixed payment of 2.5% and receives a variable payment computed at 68% of the London Interbank Offer Rate (LIBOR). Conversely, the bonds' variable-rate coupons are associated with the Securities Industry and Financial Markets Association Swap Index (SIFMA).

Fair Value: Because of changes in long-term interest rates since inception of the swap, the swap has a negative fair value of \$48,039 and \$279,692 at June 30, 2022 and 2021, respectively. The swap's negative fair value may be countered by a decrease in total interest payments required under the variable rate bonds, creating a lower synthetic rate. Because the coupons on the Foundation's variable-rate bonds are adjusted every seven days to changing interest rates, the bonds do not have a corresponding fair value decrease. The mark-to-market valuations were established by market quotations from the counterparty representing estimates of the amounts that would be paid for replacement transactions.

Credit Risk: As of June 30, 2022 and 2021, the Foundation is not exposed to credit risk as the fair value of the swap is negative. The swap counterparty was rated A1 by Standard & Poor's (S&P).

Basis Risk: The swap exposes the Foundation to basis risk should the relationship between LIBOR and SIFMA diverge, changing the synthetic rate on the bonds. The effect of this difference in basis is indicated by the difference between the intended synthetic rate of 2.5% and the synthetic rate as of June 30, 2022 and 2021 of 2.135401% and 2.42971%, respectively. As of June 30, 2022, the rate on the Foundation's bonds was 0.91% whereas 68% of LIBOR was 1.274599%. As of June 30, 2021, the rate on the Foundation's bonds was 0.02% whereas 68% of LIBOR was 0.09029%.

Termination Risk: The Foundation or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. An additional termination event occurs if the counterparty rating falls below Baa3 (Moody's) or BBB- (Standard & Poor's). The counterparty may terminate the swap if the letter of credit is revoked on the underlying bonds and a suitable replacement letter of credit is not found. Termination can be avoided upon posting of collateral until a replacement letter of credit is obtained. Also, if at the time of termination, the swap has a negative fair value, the Foundation would be liable to the counterparty for a payment equal to the swap's fair value.

NORTHWEST FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 8 DERIVATIVES (CONTINUED)

Swap Payments and Associated Debt

Using rates as of June 30, 2022, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for the term of the bonds, were as follows.

As rates vary, variable-rate bond interest payments and net swap payments will vary.

<u>Year Ending June 30,</u>	<u>Variable Rate Bond</u>		<u>Interest Rate</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Swap, Net</u>	
2023	\$ 430,000	\$ 27,027	\$ 36,394	\$ 493,421
2024	445,000	22,978	30,941	498,919
2025	465,000	18,746	25,243	508,989
2026	485,000	14,333	19,300	518,633
2027	505,000	9,737	13,112	527,849
2028-2029	1,070,000	4,960	6,678	1,081,638
Total	<u>\$ 3,400,000</u>	<u>\$ 97,780</u>	<u>\$ 131,669</u>	<u>\$ 3,629,449</u>

Using rates as of June 30, 2021 debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for the term of the bonds, were as follows.

As rates vary, variable-rate bond interest payments and net swap payments will vary.

<u>Year Ending June 30,</u>	<u>Variable Rate Bond</u>		<u>Interest Rate</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Swap, Net</u>	
2022	\$ 415,000	\$ 680	\$ 81,930	\$ 497,610
2023	430,000	594	71,568	502,162
2024	445,000	505	60,845	506,350
2025	465,000	412	49,640	515,052
2026	485,000	315	37,953	523,268
2027-2029	1,575,000	323	38,917	1,614,240
Total	<u>\$ 3,815,000</u>	<u>\$ 2,829</u>	<u>\$ 340,853</u>	<u>\$ 4,158,682</u>

**NORTHWEST FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 9 CONTRIBUTIONS IN-KIND

During the years ended June 30, 2022 and 2021, the Foundation received the following non-cash donations:

<u>Item Donated</u>	<u>Program Utilization</u>	<u>2022</u>	<u>2021</u>
Salaries and Benefits*	Management and General	\$ 76,000	\$ 31,000
Fundraising Supplies	Fundraising	55,047	-
University Program Support	University Support	16,046	14,189
Other University Support	University Support	-	26,105
Operating Supplies*	Management and General	14,470	14,470
Other	University Support	3,446	6,552
		<u>\$ 165,009</u>	<u>\$ 92,316</u>

* Reported on the Statement of Activities as "Contributed Services from Affiliate"

Fundraising Supplies, Operating Supplies, University Program Support, and Other University Support were valued at the contributor's cost, which was an approximation of fair value. Salaries and Benefits were valued based on the cost incurred by the University.

NOTE 10 NET ASSETS WITH BOARD RESTRICTIONS

The Foundation's Venture Fund (Fund) functions as the Foundation's unrestricted reserve. The general purpose of the Fund is to help to ensure the long-term financial stability of the Foundation and position it to respond to varying economic conditions and changes affecting the Foundation's financial position. The Fund is intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses. The Fund may also be used for one-time, non-recurring expenses that will build long-term capacity for the Foundation or the University. The Venture Fund is not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. The Fund shall carry a minimum balance sufficient to maintain ongoing operations and programs for 12 months as determined in the annual operating budget. The Fund serves a dynamic role and will be reviewed and adjusted in response to internal and external changes. The total net assets with board restrictions were \$2,831,857 and \$2,996,369 for the years ended June 30, 2022 and 2021, respectively, and are reported as net assets without donor restrictions on the statements of financial position.

NORTHWEST FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods.

	2022	2021
Subject to Expenditure for Specified Purpose:		
Hughes Fieldhouse	\$ 469,130	\$ 143,980
Agricultural Learning Center	393,298	136,729
Football Locker Room	7,114	88,958
Scholarships	3,344,060	2,917,802
Athletics	484,184	352,622
Academic Programs	2,062,296	1,504,898
Other	415,731	1,046,846
Contributions Receivable, the Proceeds from Which Have Been Restricted by Donors for:		
Hughes Fieldhouse	1,270,252	2,422,239
Agricultural Learning Center	1,060,386	1,801,490
Football Locker Room	122,374	354,121
Scholarships	163,687	32,600
Athletics	5,150	1,500
Academic Programs	-	1,075,000
Other	633,932	14,570
Total	10,431,594	11,893,355
Subject to the Passage of Time:		
Contributions Receivable that are not Restricted by Donors, but Which are Unavailable for Expenditure Until Due	149,995	137,546
Beneficial Interest in Charitable Trusts Held by Others	3,040,585	2,634,782
Assets Held Under Split-Interest Agreements	809,576	809,576
Total	4,000,156	3,581,904
Endowments:		
Subject to Perpetual Restrictions:		
Scholarships	24,464,424	22,537,615
Academic Programs	2,336,537	2,336,537
Athletics	16,069	16,069
Other	915,661	881,186
Subject to Endowment Spending Policy and Appropriation:		
Scholarships	2,038,750	5,731,098
Academic Programs	967,836	1,340,942
Athletics	5,033	7,694
Other	60,247	137,569
Unconditional Promises to Give	633,210	135,622
Total Endowments	31,437,767	33,124,332
Not Subject to Spending Policy or Appropriation:		
Real Property to be Held in Perpetuity	58,500	58,500
Investments Related to Real Property	12,531	13,432
Total	71,031	71,932
Total Net Assets with Donor Restrictions	\$ 45,940,548	\$ 48,671,523

NORTHWEST FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows:

	<u>2022</u>	<u>2021</u>
Expiration of Time Restrictions	\$ -	\$ 5,034
Satisfaction of Purpose Restrictions:		
Hughes Fieldhouse payment	875,000	1,370,908
Agricultural Learning Center payment	591,500	3,970,000
Football Locker Room	330,506	1,125,213
Martindale Hall Renovations	775,000	-
Scholarships	466,657	302,152
Academic Programs	666,193	112,359
Athletics	328,912	368,253
Other	147,979	81,072
Total	<u>4,181,747</u>	<u>7,334,991</u>
Restricted-Purpose Spending-Rate		
Distributions and Appropriations:		
Scholarships	822,883	799,724
Academic Programs	66,448	65,939
Athletics	800	750
Other	5,122	5,214
General Use	491,288	494,270
Total	<u>1,386,541</u>	<u>1,365,897</u>
Total Net Assets Released from Donor Restrictions	<u>\$ 5,568,288</u>	<u>\$ 8,700,888</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations and continued appropriation for certain programs as instructed by the donors. In accordance with GAAP, there were no deficiencies of this nature that are reported in net assets without donor restrictions as of June 30, 2022 and 2021.

NORTHWEST FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 12 ENDOWMENTS

The Foundation's endowment consists of approximately 420 individual donor-restricted endowment funds. The donor-restricted endowment funds are subject to the Missouri Uniform Management of Institutional Funds Act (UPMIFA).

The Foundation Board has interpreted the law as requiring the preservation of 75% 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 Foundation maintains in perpetuity (a) 75% of the original value of gifts donated to the permanent endowment and (b) 75% of the original value of subsequent gifts to the permanent endowment. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

The Foundation has classified the endowment into two groups. Group A is defined by gift agreements that give the Foundation explicit permission to continue distributions from the fund even if the total fund value has fallen below the original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor. Group B is defined by gift agreements that give the Foundation explicit instruction not to expend the perpetually restricted gifts to the endowment.

The Foundation considers cash, cash equivalents, investments, and pledges receivable in determining its endowment net assets.

Endowment Net Asset Composition by Type of Funds

<u>June 30, 2022</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount:			
Group A	\$ -	\$ 25,589,182	\$ 25,589,182
Group B	-	2,065,787	2,065,787
Accumulated Investment Gains	13,703	3,782,798	3,796,501
Total	<u>\$ 13,703</u>	<u>\$ 31,437,767</u>	<u>\$ 31,451,470</u>

NORTHWEST FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 12 ENDOWMENTS (CONTINUED)

Endowment Net Asset Composition by Type of Funds (Continued)

June 30, 2021	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount:			
Group A	\$ 57,732	\$ 23,807,072	\$ 23,864,804
Group B	464	1,964,335	1,964,799
Accumulated Investment Gains	-	7,352,925	7,352,925
Total	<u>\$ 58,196</u>	<u>\$ 33,124,332</u>	<u>\$ 33,182,528</u>

Changes in Endowment Net Assets

June 30, 2022	Without Donor Restriction	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 58,196	\$ 33,124,332	\$ 33,182,528
Investment Return, Net	(25,356)	(2,190,342)	(2,215,698)
Contributions	-	1,787,589	1,787,589
Appropriation of Endowment Assets Pursuant to Spending-Rate Policy	(21,278)	(1,386,541)	(1,407,819)
Other Changes:			
Revenues from Exchange Transactions	3,126	-	3,126
Expenditure of Funds from Exchange Transactions	(985)	-	(985)
Transfers From Non-Endowed Funds	-	102,729	102,729
Endowment Net Assets - End of Year	<u>\$ 13,703</u>	<u>\$ 31,437,767</u>	<u>\$ 31,451,470</u>
<u>June 30, 2021</u>			
Endowment Net Assets - Beginning of Year	\$ 13,600	\$ 27,325,539	\$ 27,339,139
Investment Return, Net	46,506	5,915,824	5,962,330
Contributions	-	1,179,730	1,179,730
Appropriation of Endowment Assets Pursuant to Spending-Rate Policy	(2,374)	(1,365,897)	(1,368,271)
Other Changes:			
Revenues from Exchange Transactions	885	-	885
Expenditure of Funds from Exchange Transactions	(421)	-	(421)
Transfers from Non-Endowed Funds	-	69,136	69,136
Endowment Net Assets - End of Year	<u>\$ 58,196</u>	<u>\$ 33,124,332</u>	<u>\$ 33,182,528</u>

NORTHWEST FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 12 ENDOWMENTS (CONTINUED)

Return Objectives and Risk Parameters: The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Foundation Board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 9% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives: To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy: The Foundation has a policy of appropriating for distribution each year a base rate of 4.0% of its endowment fund's average fair value over the prior three years through the fiscal year-end preceding the fiscal year in which the distribution is planned. Unless otherwise provided in the gift agreement, the recommended distribution shall be calculated based on the following table.

Percent of Total Fund Balance to Cumulative Gifts	Recommended Distribution Rate
> or = 100%	Base Rate (4%)
< 100% but at least 90%	2.00%
< 90% but at least 75%	1.00%
Under 75%	Suspend Distributions

In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 2.75% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as provide additional real growth through new gifts and investment return.

A management fee of 1.50% and 1.65% was charged to all endowed funds for the years ended June 30, 2022 and 2021, respectively, resulting in fees of \$524,070 and \$490,647, respectively. This management fee is recognized within net assets released from restriction on the Statement of Activities.

NORTHWEST FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 12 ENDOWMENTS (CONTINUED)

Funds with Deficiencies: 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 Foundation to retain as a fund of perpetual duration. Deficiencies of this nature exist in 27 of the donor-restricted endowment funds, which have an original gift value of \$1,745,663, a fair value of \$1,663,936, and deficiencies of \$81,727 as of June 30, 2022. There were no deficiencies of this nature as of June 30, 2021. The deficiencies resulted from poor market performance during the year.

NOTE 13 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Foundation's primary sources of support are contributions and income from investing its endowment. Most of that support is required to be used in accordance with the purpose restrictions imposed by the donors. Donor-restricted support has historically funded the majority of program activities. In addition, the Foundation receives support without donor restriction. Such support has historically represented approximately 25% of the annual supporting activities, with the remainder funded by appropriated earnings from gifts with donor restrictions per the Foundation spending policy and by university support.

The Foundation manages its cash available to meet general expenditures by maintaining adequate liquid funds. The Board must approve the purchase of all investments that are not listed on the New York Stock Exchange, American Stock Exchange, or NASDAQ; are priced daily; and have a liquidity of more than one month. At June 30, 2022 and 2021, approximately 73% of cash and investments could be liquidated within one month. The Foundation can adjust the timing of disbursements to the University when necessary.

The table below represents financial assets available for general expenditures within one year at June 30:

	<u>2022</u>	<u>2021</u>
Financial Assets Available Within One Year:		
Without Donor Restrictions:		
Cash and Short-Term Investments	\$ 4,779,545	\$ 5,799,375
Contributions Receivable, No Purpose Restrictions	<u>117,995</u>	<u>113,546</u>
Total With Donor Restrictions	4,897,540	5,912,921
With Donor Restrictions:		
Cash and Short-Term Investments	3,493,602	3,775,237
Payout on Donor-Restricted Endowment for Use	1,154,250	988,800
Payout on Donor-Restricted Quasi-Endowments for Use in One Year	<u>121,850</u>	<u>102,800</u>
Total With Donor Restrictions	<u>4,769,702</u>	<u>4,866,837</u>
 Total Financial Assets Available Within One Year	 <u>\$ 9,667,242</u>	 <u>\$ 10,779,758</u>

NORTHWEST FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 14 RELATED PARTY TRANSACTIONS

University Support: Expenses in the statements of activities include approximately \$6,100,000 and \$9,400,000 of University support with and without restriction, which included approximately \$1,300,000 and \$1,200,000 for scholarships at June 30, 2022 and 2021, respectively. Contribution revenue in the statements of activities includes approximately \$14,000 for Foundation expenses paid for by the University during June 30, 2022 and 2021. Payables to the University were \$110,545 and \$74,396 at June 30, 2022 and 2021, respectively.

Board and Employee Support: Contributions receivable in the statement of financial position include approximately \$1,900,000 and \$2,700,000 from board members and University advancement staff at June 30, 2022 and 2021, respectively.

Donated Services: The University incurs expenditures for salaries, benefits, and operating expenses that benefit the Foundation in return for advancement, development, and alumni relation services. Employees' compensation and benefits totaling \$76,000 and \$31,000 for 2022 and 2021, respectively, were not reimbursed by the Foundation and are reported in management and general expense on the statements of activities. The terms of this relationship have been formalized in a written agreement between the Foundation and the University.

Leases: Beginning July 1, 2018, the Foundation and the University entered into new leases for two properties which require no annual lease payments. Should the University wish to purchase the properties, the purchase price has been fixed in the lease agreement. The leased properties had a carrying value of \$203,000 at June 30, 2022 and 2021. No gift-in-kind contributions or expenses have been recognized in relation to the lease agreements, as the value exchanged is not considered to be material.

Note Receivable: The balance of the note receivable from the University for repayment of the Series 2008 revenue bonds was \$3,119,915 and \$3,544,449 at June 30, 2022 and 2021, respectively.

NOTE 15 CONCENTRATION OF CREDIT RISK

The Foundation maintains its cash balances in two financial institutions in Maryville, Missouri. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At various times during the year, the Foundation had uninsured deposits. The Foundation had uninsured deposits of approximately \$1,040,000 and \$1,060,000 at June 30, 2022 and 2021, respectively.

In addition, the Foundation invests in short-term investments that are reported as cash equivalents. In limited circumstances, the Securities Investor Protection Corporation (SIPC) provides up to \$500,000 of protection for brokerage accounts, including a limit of \$250,000 for claims of uninvested cash balances.

NORTHWEST FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 15 CONCENTRATION OF CREDIT RISK (CONTINUED)

Approximately 45% of the Foundation's pledges receivable were from two donors for the year ended June 30, 2022. Approximately 48% of the Foundation's pledges receivable were from two donors for the year ended June 30, 2021. Approximately 37% of the Foundation's contributions at June 30, 2022 were from two donors. Approximately 28% of the Foundation's contributions at June 30, 2021 were from two donors.

NOTE 16 COMMITMENTS AND CONTINGENCIES

The Foundation is the beneficiary of life insurance policies with net death benefit values approximating \$1,953,000 at June 30, 2022 and 2021, respectively. The cash surrender value of these policies approximated \$361,492 and \$338,768 at June 30, 2022 and 2021, respectively.

In conjunction with the issuance of the 2008 bonds, the University signed a loan agreement to reimburse the Foundation for the bond principal, interest, and letter of credit fees. The obligations of the University are payable from annual appropriation of revenues for the year plus unencumbered balances for previous years. While the Foundation does not anticipate the University will not annually appropriate adequate revenues for payment of the debt, the bond covenant ratios would be adversely affected, potentially resulting in default, if the University's payments on the note receivable were not appropriated or received.

The Foundation's investment securities are exposed to various risks including interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect investment balances reported in the statements of financial position.

Contributions receivable include estimated valuations of the Foundation's beneficiary interest in estates that are holding assets pending liquidation. The recorded amount of the receivables could be materially affected if liquidation amounts realized vary significantly from the estimated values.

Unfunded investment commitments to limited partnerships totaled \$2,292,500 and \$1,630,000 at June 30, 2022 and 2021, respectively.

Market Conditions

Financial markets as a whole incur significant volatility. The values of individual investments fluctuate with market conditions, and the amount of investment losses or gains that the Foundation will recognize in its future financial statements, if any, cannot be determined.

NORTHWEST FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 17 SUBSEQUENT EVENTS

Management evaluated subsequent events through October 20, 2022, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2022, but prior to October 20, 2022, that provided additional evidence about conditions that existed at June 30, 2022, have been recognized in the 2022 financial statements.

NORTHWEST FOUNDATION, INC.
STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN DEPOSITS HELD FOR OTHERS
YEARS ENDED JUNE 30, 2022 AND 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	2022	2021
REVENUE AND SUPPORT		
Cash Contributions	\$ 106,065	\$ 65,816
Securities Contributions	1,500	-
Fundraisers	2,908	2,411
Total Revenue and Support	110,473	68,227
EXPENSES		
Food and Beverages	7,259	-
University Support	80,785	78,126
Premiums and Gifts	5,048	2,733
Printing and Advertising	58	-
Professional Services	560	-
Grants and Assistantships	2,265	2,411
Miscellaneous	-	10
Total Expenses	95,975	83,280
EXCESS (DEFICIENCY) OF REVENUE AND SUPPORT OVER EXPENSES	14,498	(15,053)
Deposits Held for Others - Beginning of Year	87,484	102,537
DEPOSITS HELD FOR OTHERS - END OF YEAR	\$ 101,982	\$ 87,484