Audited Financial Statements

Ferris Foundation

Years Ended June 30, 2023 and 2022
with Report of Independent Auditors

Ferris Foundation

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Contents

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Independent Auditor's Report

To the Board of Directors
Ferris Foundation

Opinion

We have audited the financial statements of Ferris Foundation (the "Foundation"), which comprise the statement of financial position as of June 30, 2023 and the related statements of activities and cash flows for the year 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 Foundation as of June 30, 2023 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As described in Note 8 to the financial statements, the financial statements include investments of $65,610,897, or 53 percent of net assets, at June 30, 2023, which have been estimated by management. Management's estimates are based on information provided by the fund managers or the general partners. Our opinion is not modified with respect to this matter.

Report on Prior Year Financial Statements

The financial statements of Ferris Foundation as of June 30, 2022 were audited by other auditors, who expressed an unmodified opinion on those statements on October 4, 2022.

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 the Foundation's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

To the Board of Directors
Ferris Foundation

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

Plante & Moran, PLLC

September 21, 2023

Ferris Foundation

Statements of Financial Position

	June 30	
	2023	**2022**
Assets		
Cash and cash equivalents – Note 4	**$ 4,500,565**	$ 3,856,898
Investments – Note 4	**116,038,302**	111,587,372
Pledges receivable – Note 7	**2,880,212**	2,744,410
Total assets	**$ 123,419,079**	$ 118,188,681
Liabilities		
Accounts payable	**$ 44,430**	$ 50,877
Annuity liability – Note 3	**86,596**	96,108
Total liabilities	**131,026**	146,985
Net Assets – Note 1		
Without donor restrictions	**23,427,923**	24,832,534
With donor restrictions	**99,860,130**	93,209,161
Total net assets	**123,288,053**	118,041,695
Total liabilities and net assets	**$ 123,419,079**	$ 118,188,681

See accompanying notes.

Ferris Foundation

Statements of Activities

	Year Ended June 30					
	2023			2022		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Support, revenue, and gains (losses)						
Gifts and contributions of cash and other financial assets	**$ 162,915**	**$ 4,982,402**	**$ 5,145,317**	$ 1,210,441	$ 5,398,132	$ 6,608,573
Gifts and contributions of nonfinancial assets	**2,044,214**		**2,044,214**	2,404,957		2,404,957
Change in split-interest agreement	**-**	**(5,797)**	**(5,797)**	-	(26,380)	(26,380)
Investment income, net	**1,317,174**	**5,133,589**	**6,450,763**	(846,789)	(2,878,562)	(3,725,351)
Net assets released from restrictions	**6,078,328**	**(6,078,328)**	**-**	6,302,144	(6,302,144)	-
Total support, revenue, and gains (losses)	**9,602,631**	**4,031,866**	**13,634,497**	9,070,753	(3,808,954)	5,261,799
Expenses – Note 6						
Meals, travel, and entertainment	**18,333**	**-**	**18,333**	14,583	-	14,583
Board expenses	**4,940**	**-**	**4,940**	4,625	-	4,625
Professional fees and other services	**558,210**	**-**	**558,210**	715,160	-	715,160
Supplies	**3,500**	**-**	**3,500**	2,365	-	2,365
Support services donated from Ferris State University – Note 5	**1,269,464**	**-**	**1,269,464**	1,677,785	-	1,677,785
In-Kind Gift contributions to Ferris State University	**774,749**		**774,749**	727,172		727,172
Disbursements to Ferris State University – Note 5	**4,282,507**	**-**	**4,282,507**	3,501,343	-	3,501,343
Support to Ferris State University – Note 5	**1,671,738**	**-**	**1,671,738**	3,118,419	-	3,118,419
Total expenses	**8,583,442**	**-**	**8,583,442**	9,761,452	-	9,761,452
Support, revenue, and gains over (under) expenses	**1,019,189**	**4,031,866**	**5,051,055**	(690,699)	(3,808,954)	(4,499,652)
Other changes in net assets						
Net transfers for Ferris Futures Endowment – Note 5	**(3,159,883)**	**3,159,883**	**-**	(2,775,506)	2,775,506	-
Net transfers from (to) Ferris State University – Note 5	**736,083**	**(540,780)**	**195,303**	(113,345)	122,006	8,661
Increase (decrease) in net assets	**(1,404,611)**	**6,650,969**	**5,246,358**	(3,579,550)	(911,442)	(4,490,992)
Net assets – beginning of year	**24,832,534**	**93,209,161**	**118,041,695**	28,412,084	94,120,603	122,532,687
Net assets – end of year	**$ 23,427,923**	**$ 99,860,130**	**$ 123,288,053**	$ 24,832,534	$ 93,209,161	$ 118,041,695

See accompanying notes.

Statements of Cash Flows

	Year Ended June 30	
	2023	**2022**
Operating activities		
Change in net assets	**$ 5,246,358**	$ (4,490,992)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Provision for losses on pledges receivable	**10,302**	38,992
Net transfer to (from) Ferris State University	**(195,305)**	(8,661)
Net realized and unrealized loss (gain) from security transactions	**(6,450,763)**	5,081,955
Contributions restricted for long-term investments	**(3,152,407)**	(3,724,866)
Decrease (increase) in assets:		
Pledges receivable	**(146,104)**	1,455,945
Increase (decrease) in liabilities:		
Accounts payable	**(6,446)**	33,099
Annuity liability	**(3,715)**	26,380
Net cash from operating activities	**(4,698,080)**	(1,588,148)
Investing activities		
Proceeds from the sale of investments	**6,437,750**	10,057,320
Purchases of investments	**(4,404,455)**	(9,433,403)
Net cash from investing activities	**2,033,295**	623,917
Financing activities		
Net transfer from (to) Ferris State University	**195,302**	8,661
Payment on annuity obligation	**(39,257)**	(39,635)
Investments in endowment	**3,152,407**	3,724,866
Net cash from financing activities	**3,308,452**	3,693,892
Net change in cash and cash equivalents	**643,667**	2,729,661
Cash and cash equivalents – beginning of year	**3,856,898**	1,127,237
Cash and cash equivalents – end of year	**$ 4,500,565**	$ 3,856,898

See accompanying notes.

1. Summary of Significant Accounting Policies

Nature of Operations

The Ferris Foundation (Foundation) is a Michigan not-for-profit corporation. The Foundation was established to advance the mission and goals of Ferris State University (University) by generating and managing private support for the University. Both the Foundation and University boards believe that the investment strategy of the Foundation will provide high investment income yields over time.

Basis of Presentation

The financial statements of the Foundation have been prepared on the accrual basis following accounting policies established by the Financial Accounting Standards Board (FASB).

Types of Restrictions

The Foundation is required to report information regarding its financial position and activities according to two classes of net assets: 1) net assets with donor restrictions and 2) net assets without donor restrictions.

Net assets with donor restrictions are gifts of cash and other assets with donor stipulations that limit the use of the donated assets and, in some cases, the investment earnings on those assets. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. When a stipulated time or donor restriction expires or when funds are used for the donor-specified purpose, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Net assets with donor restrictions include interest earnings and spending on endowments, funds held for the charitable gift annuity program, funds held for merit grant awards, funds held for pledges relating to Ferris State University gifts, funds held in perpetuity for endowments, and other funds considered to be restricted. Earnings, gains, and losses on net assets with donor restrictions are classified as net assets without donor restrictions unless otherwise restricted by the donor or by applicable state laws.

Net assets without donor restrictions are net assets of the Foundation that are not restricted by donor-imposed stipulations. Net assets without donor restrictions include funds designated by Ferris State University as endowments and funds the Ferris Foundation Board of Directors considers operating funds for the Foundation.

1. Summary of Significant Accounting Policies (continued)

The Foundation further classified net assets without donor restrictions as follows as of June 30:

	2023	2022
Quasi-endowment transfer and earnings	**$10,738,251**	$10,225,565
Funds functioning as quasi-endowments	**12,207,880**	14,110,784
Unrestricted endowments	**22,946,131**	24,336,349
Current funds (non-endowment)	**481,792**	496,185
Total net assets without donor restrictions	**$23,427,923**	$24,832,534

The Foundation classified net assets with donor restrictions as follows as of June 30:

	2023	2022
Temporary		
Scholarships	**$21,664,307**	$20,247,430
Student loans	**410,121**	401,653
Departmental use	**5,999,412**	5,815,238
Other – time restricted	**3,086,959**	2,934,230
Other – temporarily restricted	**0**	1,595,987
Perpetual		
Scholarships	**60,543,051**	54,217,055
Student loans	**505,893**	505,893
Departmental use	**7,650,387**	7,491,675
Total net assets with donor restrictions	**$ 99,860,130**	$ 93,209,161

Cash and Cash Equivalents

Cash and cash equivalents consist of all highly liquid investments with an initial maturity of three months or less.

Investments

Investments are stated at fair value. Investments in bond and equity mutual funds are based on quoted market prices. Investments in limited partnerships are valued at the most recent valuation adjusted for capital calls and distributions. Investment transactions are accounted for on the trade date (date the order to buy or sell is executed). Unrealized gains or losses resulting from changes in the market value of investments are included annually in the statement of activities. Realized gains or losses on investments sold are determined using the specific identification method. Realized and unrealized investment activity is net of investment expenses.

1. Summary of Significant Accounting Policies (continued)

Contributions

Unconditional promises to give cash and other assets to the Foundation are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift becomes unconditional or is received. The gifts are reported as contributions with donor restrictions 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 the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. Certain contributions received related to fundraising events that were canceled or postponed have been recorded as deferred gift income and will be recognized as revenue in the period in which the rescheduled event takes place.

Pledges Receivable

Pledges receivable consist of unconditional promises to give. Pledges are recorded at fair value, with the inputs being discount rates adjusted each year and considers collectability factors. Fair value inputs are discussed in Note 8.

Gifts and Contributions of Nonfinancial Assets

The Foundation recognized contributed nonfinancial assets within revenue, which is reported on the statement of activities as in-kind contributions. These contributions include vehicles, educational supplies, clothing, museum artifacts, and other miscellaneous items that the Foundation accepts on behalf of Ferris State University and immediately distributes to the University. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions and are valued using the fair market value of the contributed nonfinancial assets on the date of donation. Supplies, capital assets and other assets are estimated at the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States. The Foundation also receives support from the University primarily consisting of administrative and clerical personnel services paid directly by the University (see Note 5). The support received from the University is valued based on the actual costs incurred by the University.

Contributed nonfinancial assets consisted of the following for the year ended June 30, 2023:

Supplies	$654,487
Capital Assets	103,841
Salary Support from University	1,269,464
Other	16,422
	$2,044,214

1. Summary of Significant Accounting Policies (continued)

Contributed nonfinancial assets consisted of the following for the year ended June 30, 2022:

Supplies	$563,347
Capital Assets	139,567
Salary Support from University	1,677,785
Other	24,258
	$2,404,957

Concentration of Credit Risk Arising from Deposit Accounts

The Foundation maintains cash balances at a local bank. Accounts at the financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. Cash balances, at times, may exceed the FDIC insured limit; however, management believes that the Foundation is subject to minimal risk.

Risks and Uncertainties

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as 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 changes could materially affect the amounts reported in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Federal Income Taxes

The Internal Revenue Service (IRS) has determined that the Foundation is tax exempt under Section 501(c)(3) of the Internal Revenue Code. Consequently, the Foundation is exempt from federal income tax and certain excise taxes imposed on private foundations.

1. Summary of Significant Accounting Policies (continued)

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. Salary support from university was reported in gifts and contributions as of June 30, 2022 and reclassed to in-kind contributions as of June 30, 2023 on the Statement of Activities.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including September 21, 2023, which is the date the financial statements were available to be issued.

2. Liquidity and Availability

As part of the Foundation's liquidity management plan, cash in excess of daily requirements are invested in short-term investments and money market funds. Unrestricted gifts or funds transferred from Ferris State University to set up endowments are considered board-designated and could be drawn upon, if necessary, to meet liquidity needs.

Financial assets available for general expenditure within one year of the statement of financial position date consist of the following as of June 30:

	2023	**2023**
Financial assets at year-end:		
Cash and cash equivalents	**$ 4,500,565**	$ 3,856,898
Pledges receivable	**2,880,212**	2,744,410
Total financial assets	**7,380,777**	6,601,308
Restrictions limiting availability:		
Donor restricted pledges receivable	**(2,880,212)**	(2,744,410)
Endowment cash and cash equivalents	**(3,938,415)**	(3,354,524)
Financial assets available to meet general expenditures within one year	**$ 562,150**	$ 502,374

3. Liability for Charitable Gift Annuity Program

The Foundation operates a charitable gift annuity program whereby donors receive a life income payment stream in exchange for assets conveyed to the Foundation under an annuity contract. The market value of the assets was $132,782 as of June 30, 2023 ($136,768 as of June 30, 2022). The liability under the annuity contracts was $86,596 as of June 30, 2023 ($96,108 as of June 30, 2022). The liability is recorded at its present value based on the donors' life expectancy.

3. Liability for Charitable Gift Annuity Program (continued)

During the year ended June 30, 2023, payments in the amount of $39,257 were made to the donors and have been recorded as a reduction in the annuity liability ($8,973 during the year ended June 30, 2022). The discount rates used to compute the annuity liability ranged from 4.0 percent to 9.4 percent for 2023 and 2022. Under the terms of the contracts, the assets are restricted until the death of the donors.

4. Investment Income

Income (losses) from investments consists of the following as of June 30:

	2023	**2022**
Investment income – interest and dividends	**$ 1,548,192**	$ 1,356,104
Realized gains	**1,027,737**	4,400,367
Unrealized gains (losses)	**3,874,834**	(9,482,322)
Total	**$ 6,450,763**	$ (3,725,351)

5. Related Party Transactions

During the year ended June 30, 2023, the Foundation matched $3,159,883 in Ferris Futures Endowment funds and $2,775,506 during the year ended June 30, 2022. The University transferred $195,302 for the year ended June 30, 2023 to the Foundation, and $8,661 for the year ended June 30, 2022 to the University. In addition, the Foundation made distributions from the endowment funds and the merit grant program to the University in the amounts of $4,282,507 for the year ended June 30, 2023 and $3,501,343 for the year ended June 30, 2022. These distributions provided support to various University scholarships, loans, and departmental accounts and to fund merit grant awards to faculty and staff.

Gifts to Ferris State University, Kendall College of Art and Design, and the Ferris Foundation are processed by the Foundation and transferred to the appropriate designation as support to these organizations. This approach enhances stewardship and communication with donors, creating a more unified approach to philanthropy and further strengthens the Foundation's mission as the fundraising arm of the University. Gift revenue is reflected in the with donor restrictions fund of the statements of activities. Support designated to Ferris State University for the year ended June 30, 2023 was $1,671,738 and for the year ended June 30, 2022 was $3,118,419.

5. Related Party Transactions (continued)

It is the University's policy to pay substantially all of the Foundation's expenses relating to the soliciting and collecting of donations. FASB accounting standards require the Foundation to recognize personnel costs that an affiliated organization provides as support services to the Foundation. As a result, Ferris State University staff completed a calculation that indicates its overall support to the Ferris Foundation. This figure measured for the year ended June 30, 2023 is $1,269,464 and for the year ended June 30, 2022 is $1,677,785. This amount is reported in the statements of activities as in-kind contributions and under expenses as support services donated from Ferris State University in the without donor restrictions fund and has no effect on net assets.

6. Functional Expenses

The Foundation is required to provide information about expenses by their functional classification. Functional classifications most likely to be used by the Foundation include program services, management and general, and fundraising. Program services expenses result from goods and services being distributed in support of the mission (see Note 5 for further information); management and general expenses result from administrative activities; and fundraising expenses result from the costs of fundraising campaigns and other activities involved in soliciting gifts from donors. Support services are identified as those services donated by Ferris State University and considered to be expensed in the year the service is provided (see Note 5 for further information).

Total expenses of the Foundation by functional classification are summarized as follows as of June 30:

	2023	**2022**
Program services	**$ 5,954,245**	$ 6,619,762
Management and general	**310,568**	449,543
Fundraising	**274,416**	287,190
In-kind contributions passed to Ferris State University	**774,749**	727,172
Support services	**1,269,464**	1,677,785
Total expenses	**$ 8,583,442**	$ 9,761,452

As noted above, program services and support services are amounts contributed to Ferris State University and amounts donated by Ferris State University to the Foundation for the direct benefit in support of the Foundation's mission. Management and general and fundraising expenses include meals, travel, and entertainment; board expenses; professional fees and other services; and supplies, which are recorded based on direct costs.

7. Pledges Receivable

The fair value of pledges receivable is estimated by discounting expected cash inflows and outflows to their present value using appropriate rates with the risk of realizing such cash inflows and outflows, which was 3.0 percent as of June 30, 2023 and 3.0 percent as of June 30, 2022. The fair value of pledges also includes adjusting for amounts not deemed collectible totaling $10,302 for June 30, 2023 and $38,992 for June 30, 2022.

The following shows the balance due of unconditional promises to give to the Foundation as of June 30:

	2023	**2022**
Pledges receivable in less than one year	**$ 1,444,338**	$ 797,598
Pledges receivable in one to five years	**1,559,026**	2,127,924
Pledges receivable in more than five years	**35,714**	731
Present value discount	**(158,866)**	(181,843)
Total	**$ 2,880,212**	$ 2,744,410

Approximately 56 percent of the Foundation's pledges receivable were due from two donors as of June 30, 2023 and approximately 66 percent were due from three donors as of June 30, 2022.

8. Fair Value Measurements

The following presents information about the Foundation's assets measured at fair value on a recurring basis and the valuation techniques used to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

8. Fair Value Measurements (continued)

The Foundation's policy is to recognize transfers between levels of the fair value hierarchy as of the end of the reporting period. For the year ending June 30, 2023, based on a revised analysis of the underlying type of investment, there were two transfers from Level 1 (quoted prices in active markets for identical assets) to Global equity net asset value, totaling $19,573,269.

The Foundation adopted a standard permitting the Foundation to choose to measure many financial instruments and certain other items at fair value. The fair value option may be applied instrument by instrument, is irrevocable, and is applied only to entire instruments and not to a portion of instruments. The Foundation has elected the fair value option election with respect to pledges receivable.

Assets measured at fair value on a recurring basis as of June 30, 2023 include the following:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of June 30
Public equity mutual funds	$ 32,997,647	$ 0	$ 0	$ 32,997,647
Fixed-income mutual funds	17,296,976			17,296,976
Charitable gift annuity funds	132,782			132,782
Pledges receivable			2,880,212	2,880,212
Total	$ 50,427,405	$ 0	$ 2,880,212	53,307,617
Limited partnerships that calculate net asset value per share				65,610,897
Balance as of June 30, 2023				$118,918,514

8. Fair Value Measurements (continued)

Assets measured at fair value on a recurring basis as of June 30, 2022 include the following:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Balance as of June 30**
Public equity mutual funds	$ 50,490,116	$ 0	$ 0	$ 50,490,116
Fixed-income mutual funds	16,104,597			16,104,597
Charitable gift annuity funds	136,768			136,768
Pledges receivable			2,744,410	2,744,410
Total	$ 66,731,481	$ 0	$ 2,744,410	69,475,891
Limited partnerships that calculate net asset value per share				44,855,891
Balance as of June 30, 2022				$114,331,782

The Foundation has adopted, on a prospective basis, accounting standards, which require additional classifications in disclosures of the changes in Level 3 assets measured at fair value on a recurring basis.

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets. As a result, the unrealized gains and losses for these assets presented in the previous tables may include changes in fair value that were attributable to both observable and unobservable inputs.

Pledges receivable categorized as Level 3 assets consist of pledges receivable balances discounted at the University's borrowing rate each fiscal year end and adjusted for amounts not deemed collectible.

Changes in Level 3 assets measured at fair value on a recurring basis include the following:

Pledges receivable as of July 1, 2021	4,239,347
Net pledges collected	1,494,937
Pledges receivable as of June 30, 2022	2,744,410
Net pledges received	135,802
Pledges receivable as of June 30, 2023	**$ 2,880,212**

The Foundation holds shares or interests in investment companies at year end whereby the fair value of the investment held is estimated based on the net asset value per share (or its equivalent) of the investment company.

8. Fair Value Measurements (continued)

Investments held as of June 30, 2023 include the following:

	Fair Value	**Unfunded Commitments**
Limited partnerships – real estate	**$ 5,649,442**	**$ 2,698,557**
Limited partnerships – private equity/distressed	**26,578,908**	**3,005,432**
Limited partnerships – hedge funds	**9,298,234**	**0**
Limited partnerships – fund of funds	**19,573,269**	**0**
Limited partnerships – natural resources/commodities	**1,776,299**	**381,368**
Limited partnerships – private credit	**2,734,745**	**582,681**
Balance as of June 30, 2023	**$ 65,610,897**	**$ 6,668,038**

Investments held as of June 30, 2022 include the following:

	Fair Value	**Unfunded Commitments**
Limited partnerships – real estate	$ 4,227,557	$ 1,358,148
Limited partnerships – private equity/distressed	27,156,717	5,176,356
Limited partnerships – hedge funds	8,585,948	0
Limited partnerships – natural resources/commodities	1,997,935	441,368
Limited partnerships – private credit	2,887,734	1,111,576
Balance as of June 30, 2022	$ 44,855,891	$ 8,087,448

Real Estate

Seven limited partnerships comprise the total investment in real estate.

Each limited partnership invests in office, multifamily, apartment, industrial, retail, ad other commercial real estate properties primarily in the United States, and in real estate related securities. Each limited partnership diversifies by geography and property type. The initial commitment date for each of the seven real estate limited partnerships is the following: 2006, 2007, 2013, 2018, 2019, 2021, 2024. It is anticipated that each limited partnership will sell most of the investments within ten years and make distributions to the Foundation. The limited partnerships may request an extension to finish selling investments if market conditions are not favorable during the typical 10-year fund term.

8. Fair Value Measurements (continued)

Private Equity/Distressed

Combined for financial statement presentation purposes, the private equity manager(s) are fund of funds managers and direct placement fund managers investing in a program of venture capital, domestic private equity, distressed and buyout strategies, and international private capital investments using a value-added approach. The private capital program is designed to also invest in opportunistic funds. The Foundation utilizes twelve managers to invest in twenty-one private equity funds. Investment commitments are spread across multiple years to create vintage year diversification in addition to program diversification.

Hedge Funds

Four limited partnerships make up the investments in hedge funds.

Investment manager (a) is an event driven hedge fund that invests across the capital structure in order to exploit inefficiencies in companies or securities that are complex, misunderstood, or underfollowed. The team invests in both equities and credit. The long side of the portfolio focuses on three primary types of securities: equities with multiple paths to value creation and/or strong free cash flow, sub investment grade bank debt with attractive yields, and stressed/distressed credit that have near-term catalysts. The short side of the portfolio will be comprised of single named equity and credit shorts, as well as portfolio hedges.

Investment manager (b) employs a fundamental approach to identify macroeconomic trends across both developed and emerging markets. The funds seek to generate absolute returns across the market cycles with high single/low double digit returns with low volatility. The process seeks to take advantage of non-optimal policy settings or imbalances in a market or country that are forecasted to reprice in the next one to three months.

Investment manager (c) employs a fundamental bottom-up investment approach that is aided by a sophisticated top-down oriented risk management process. Exposures for the fund are managed in a fairly tight band and will typically average 135 percent long and 90 percent short.

Investment manager (d) is a global multi-strategy hedge fund comprised of three primary strategies: credit, value, and arbitrage. Arbitrage is focused on mergers, including corporate takeover situations where the team looks to capture the spread between acquirer and the company being acquired by being long and short the two companies. Credit is focused on stressed, distressed, restructuring, in liquidation, undervalued, or companies experiencing an event where there is a catalyst to unlock value. The team purchases equities with an event that can unlock value for equity holders where the equities are selling at a discount to intrinsic value.

8. Fair Value Measurements (continued)

Natural Resources/Commodities

Four limited partnerships comprise the total of investments in natural resources/commodities.

Investment manager (a) invests in a multi-fund manager approach in the areas of oil and gas production, energy services, and other natural resource related industries including timber, power services, infrastructure and manufacturing, mining and mineral extraction, and renewable and alternative energy technology. Diversification occurs through private equity strategies and property acquisition strategies. The partnership will terminate 12 years after official partnership filing, and liquidation is limited.

Investment manager (b) invests in a multi-fund manager approach in the areas of oil and gas production, energy services, and other natural resource related industries including timber, power services, infrastructure and manufacturing, mining and mineral extraction, and renewable and alternative energy technology. Diversification occurs through private equity strategies and property acquisition strategies.

Investment manager (c) is a fund of funds manager investing in 7 to 10 energy funds engaged in acquisition and exploitation of proved oil and natural gas reserves in North America. Modest exposure to energy infrastructure, technology, services, and international reserve-based opportunities are allowed. Limited partners may seek liquidation through the general partner by selling its partnership share to other limited partners, the general partners, or a third party.

Investment manager (d) invests in primary or secondary acquisitions of non-marketable limited partnerships that invest in the energy, mining, and/or minerals industries, or through co-investments alongside the managers of the partnerships or alongside other persons or entities. The general purpose of this partnership is to hold and manage its interests to realize significant long-term capital appreciation in a variety of security types, either purchased through public or private markets or in connection with a loan.

Private Credit

Two limited partnerships comprise the total of investments in private credit.

Investment manager (a) is focused on providing debt capital to borrowers based on real estate collateral. High points are its ability to take advantage of market opportunities during period of market dislocation/increased financial regulation. The management team has a proven track record through multiple real estate cycles. The fund’s first close was in April 2020 and has a 7 year commitment plus two one-year extensions with an option to extend.

8. Fair Value Measurements (continued)

Investment manager (b) is focused on a broad universe of short to medium duration mispriced, stressed, and distressed credit. The management team employs a bottom-up, fundamental research to find investments that offer both a discount to fundamental value and downside protection. The manager invests all capital and strategies as a single platform, which provides flexibility to access both illiquid and liquid assets across secondary and primary markets globally.

Fund of Funds

Two limited partnerships comprise the total of investments in fund of funds.

There are two institutional commingled funds that comprise the public equity investment. The investment managers primarily invest in publicly traded companies domiciled in the U.S., developed non-U.S. or emerging markets. These funds offer monthly liquidity for either new investments or redemptions. Both investment managers seek to outperform public market benchmarks on a risk-adjusted basis.

Liquidity and Redemption Notice Requirements

Investments in entities that calculate net asset value per share have illiquid properties associated with the nature and type of investment in private capital and hedge funds. Certain lock up periods and redemption notification requirements are mandatory to liquidate these funds. Limited secondary markets exist for certain types of investment vehicles.

For private equity, real estate, and natural resource investments that calculate net asset value per share, the Foundation must hold these assets and receive distributions through the period of investment until the partnership terminates. Although distributions are made throughout the period of time the investment is held, this is not considered a liquid market. The Foundation's investments with hedge funds also have written notification requirements to access the funds. Funds requested for liquidation are made available depending on partnership agreements; currently this range is between 30 – 100 days. Hedge funds may also have other provisions on liquidity to meet annual audit requirements.

9. Donor- and Board-restricted Endowments

The Foundation's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors or management to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

9. Donor- and Board-restricted Endowments (continued)

Endowment net asset composition by type of fund as of June 30, 2023 is as follows:

	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Original donor-restricted amount and amounts required to be maintained in perpetuity by the donor	**$ –**	**$ 68,699,331**	**$ 68,699,331**
Accumulated investment gains		**28,073,838**	**28,073,838**
Quasi-endowment	**22,946,131**	**–**	**22,946,131**
Total funds	**$ 22,946,131**	**$ 96,773,169**	**$119,719,300**

Changes in endowment net assets for the fiscal year ended June 30, 2023 include:

	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Endowment net assets – beginning of year	**$ 24,336,349**	**$ 88,678,944**	**$ 113,015,293**
Investment return:			
Investment income	**324,293**	**1,199,968**	**1,524,261**
Net realized/unrealized gain	**989,805**	**3,922,802**	**4,912,607**
Total investment return	**1,314,098**	**5,122,771**	**6,436,869**
Contributions	**1,615,754**	**3,152,407**	**4,768,161**
Appropriation of endowment assets for expenditures, net of administrative expenses	**(1,231,271)**	**(3,513,253)**	**(4,744,524)**
Matching gifts for Ferris Futures Endowment	**(3,159,883)**	**3,159,883**	**-**
Transfers to create endowment funds	**71,084**	**172,417**	**243,501**
Endowment net assets – end of year	**$ 22,946,131**	**$ 96,773,169**	**$ 119,719,300**

9. Donor- and Board-restricted Endowments (continued)

Endowment net asset composition by type of fund as of June 30, 2022 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Original donor-restricted amount and amounts required to be maintained in perpetuity by the donor	$ –	$ 62,214,623	$ 62,214,623
Accumulated investment gains		26,464,321	26,464,321
Quasi-endowment	24,336,349	–	24,336,349
Total funds	$ 24,336,349	$ 88,678,944	$113,015,293

Changes in endowment net assets for the fiscal year ended June 30, 2022 include:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets – beginning of year	$ 27,946,984	$ 88,108,909	$ 116,055,893
Investment return:			
Investment income	301,428	1,031,869	1,333,297
Net realized/unrealized loss	(993,350)	(3,954,278)	(4,947,628)
Total investment return	(691,922)	(2,922,409)	(3,614,331)
Contributions	1,005,970	3,724,866	4,730,836
Appropriation of endowment assets for expenditures, net of administrative expenses	(1,180,157)	(3,007,077)	(4,187,234)
Matching gifts for Ferris Futures Endowment	(2,794,242)	2,649,957	(125,549)
Transfers to create endowment funds	30,980	124,798	155,778
Endowment net assets – end of year	$ 24,336,349	$ 88,678,944	$ 113,015,293

9. Donor- and Board-restricted Endowments (continued)

Interpretation of Relevant Law

The Board of Directors of the Foundation has reviewed the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and established investment and spending policies requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund. The Foundation retains in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor-restricted endowment fund not retained in perpetuity is appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considered the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Foundation and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Foundation
(7) The investment policies of the Foundation

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. As of June 30, 2023 11 funds of this nature that had a fair value of $2,851,363 and an original endowment of $2,883,236 which resulted in an under water amount of $31,873. As of June 30, 2022 54 funds of this nature that had a fair value of $4,339,399 and an original endowment of 4,599,418 which resulted in an underwater amount of $260,019.

9. Donor- and Board-restricted 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(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed a target-weighted index in proportion to invested assets, while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return that exceeds the Consumer Price Index (CPI) plus 5.0 percent 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 public and private based equity 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 investment and spending policy stipulates that 4.0 percent of a 12-quarter moving average of the market value of the endowment be available to spend and the remaining income is to be reinvested; however, an additional 1.0 percent of the 12-quarter moving average may be used to offset Foundation administration, as calculated at December 31 of each calendar year. If an investment loss is incurred, the loss is allocated entirely as currently expendable. Further, if an endowment is considered underwater, the spending policy restricts the Foundation from spending from that fund. In establishing this policy, the Foundation considered the long-term expected Ferris return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at a rate that exceeds the average of CPI 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 to provide additional real growth through new gifts and investment return.