

OLE MISS ATHLETICS FOUNDATION

**Audited Financial Statements
and Supplementary Information**

**Years Ended
June 30, 2023 and 2022**

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INDEPENDENT AUDITORS' REPORT

Board of Governors
Ole Miss Athletics Foundation

Opinion

We have audited the accompanying financial statements of Ole Miss Athletics Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, 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 Ole Miss Athletics Foundation as of June 30, 2023 and 2022, 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. 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 Ole Miss Athletics Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 Ole Miss Athletics Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards, 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 Ole Miss Athletics 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 Ole Miss Athletics 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of revenues and schedules of expenses on pages 28 through 32 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Ridgeland, Mississippi
October 24, 2023

OLE MISS ATHLETICS FOUNDATION
Statements of Financial Position
June 30, 2023 and 2022

<u>ASSETS</u>	<u>2023</u>	<u>2022</u>
Current Assets:		
Cash Without Donor Restrictions	\$ 15,477,377	\$ 2,285,813
Cash With Donor Restrictions	6,229,981	7,576,233
Investments	636,060	9,419,114
University of Mississippi Foundation Receivable	1,417,866	515,512
Pledges Receivable, Current Portion	15,274,050	11,083,524
Capital Gift Agreements Pledges Receivable, Net	99,494	21,380
Annual Fund Pledges Receivable	6,911,171	4,023,922
Other Receivables	456,469	224,579
Prepaid Expenses	304,273	133,624
Total Current Assets	46,806,741	35,283,701
Long-Term Pledges Receivable, Net of Current Portion	28,451,553	29,480,117
Charitable Trust	1,278,188	1,281,897
Property and Equipment, Net	58,444,169	30,376,566
Operating Right of Use Assets, Net	1,130,765	-
Endowment	101,947	88,925
Other Assets	-	25,000
Cash Surrender Value of Life Insurance	46,049	529,080
Total Assets	\$ 136,259,412	\$ 97,065,286
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Current Installments of Long-Term Debt	\$ 2,889,465	\$ 4,507,638
Accounts Payable	6,638,118	5,344,256
Payroll and Taxes Payable	30,701	128,817
Deferred Liabilities, Current Portion	2,025,225	2,195,629
Deferred Revenues, Current Portion	20,600	44,549
Operating Lease Liabilities - Current	564,030	-
University of Mississippi Payable	3,587,589	2,947,540
Total Current Liabilities	15,755,728	15,168,429
Long-Term Debt, Net of Current Installments:	46,736,301	19,816,860
Less Debt Issuance Costs, Net	(17,750)	(24,204)
Net Long-Term Debt	46,718,551	19,792,656
Deferred Liabilities, Net of Current Portion	2,008,094	1,280,862
Deferred Revenues, Net of Current Portion	20,599	41,199
Operating Lease Liabilities, Net of Current Portion	572,156	-
Total Liabilities	65,075,128	36,283,146
Net Assets:		
Net Assets Without Donor Restrictions	19,826,550	17,158,397
Net Assets With Donor Restrictions	51,357,734	43,623,743
Total Net Assets	71,184,284	60,782,140
Total Liabilities and Net Assets	\$ 136,259,412	\$ 97,065,286

The Notes to Financial Statements are an integral part of these statements.

OLE MISS ATHLETICS FOUNDATION
Statement of Activities
Year Ended June 30, 2023

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues and Support:			
Annual Fund Contributions	\$ 27,924,631	\$ -	\$ 27,924,631
Other Contributions	-	18,343,510	18,343,510
Gifts In Kind	521,720	19,603	541,323
Other Revenues	3,784,323	82,934	3,867,257
Net Assets Released from Restrictions	10,712,056	(10,712,056)	-
Total Revenues and Support	42,942,730	7,733,991	50,676,721
Expenses:			
Program Expenses			
Athletics Department Administration	28,882,384	-	28,882,384
Team Programs	1,062,580	-	1,062,580
Other Program Restricted Expenses	7,723,907	-	7,723,907
Fundraising Expenses	1,844,523	-	1,844,523
Management and General Expenses	761,183	-	761,183
Total Expenses	40,274,577	-	40,274,577
Change in Net Assets	2,668,153	7,733,991	10,402,144
Net Assets at Beginning of Year	17,158,397	43,623,743	60,782,140
Net Assets at End of Year	\$ 19,826,550	\$ 51,357,734	\$ 71,184,284

OLE MISS ATHLETICS FOUNDATION
Statement of Activities
Year Ended June 30, 2022

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
Revenues and Support:			
Annual Fund Contributions	\$ 22,257,005	\$ -	\$ 22,257,005
Other Contributions	-	31,273,570	31,273,570
Gifts in Kind	413,748	16,685	430,433
Other Revenues	2,334,693	(246,995)	2,087,698
Net Assets Released from Restrictions	<u>16,738,738</u>	<u>(16,738,738)</u>	<u>-</u>
Total Revenues and Support	<u>41,744,184</u>	<u>14,304,522</u>	<u>56,048,706</u>
Expenses:			
Program Expenses			
Support for Athletics Department Administration	26,600,696	-	26,600,696
Support for Team Programs	710,609	-	710,609
Other Restricted Expenses Including Facilities	9,016,055	-	9,016,055
Fundraising Expenses	1,665,844	-	1,665,844
Management and General Expenses	<u>632,460</u>	<u>-</u>	<u>632,460</u>
Total Expenses	<u>38,625,664</u>	<u>-</u>	<u>38,625,664</u>
Change in Net Assets	3,118,520	14,304,522	17,423,042
Net Assets at Beginning of Year	<u>14,039,877</u>	<u>29,319,221</u>	<u>43,359,098</u>
Net Assets at End of Year	<u>\$ 17,158,397</u>	<u>\$ 43,623,743</u>	<u>\$ 60,782,140</u>

OLE MISS ATHLETICS FOUNDATION
Statement of Functional Expenses
Year Ended June 30, 2023

	Athletics Department Administration	Team Programs	Other Program Restricted Expenses	Fundraising	Management and General	Total
Academic Services	\$ 3,571	\$ -	\$ -	\$ -	\$ -	\$ 3,571
Accounting	-	-	-	-	61,293	61,293
Advertising	-	-	-	38,701	-	38,701
Annual Report	-	-	-	10,498	-	10,498
Athletics Director	71,447	-	-	-	-	71,447
Auto Stipends and Expenses	192,457	-	-	31,462	-	223,919
Consulting	90,240	-	-	55,000	-	145,240
Credit Card Fees	816,603	-	-	-	-	816,603
Depreciation	1,735,464	-	-	10,527	3,509	1,749,500
Donations and Sponsorships	-	-	-	-	39,804	39,804
Donor Gifts	-	-	-	151,784	-	151,784
Dues, Conferences, and Subscriptions	-	-	-	-	12,761	12,761
Expendable Equipment	1,089,922	-	-	-	-	1,089,922
Facility Improvements	256,934	-	2,782,503	-	-	3,039,437
Former Student Athlete Relations	25,352	-	-	-	-	25,352
Gameday RV Parking	67,414	-	-	-	-	67,414
Gifts in Kind Expense and Credits	1,076,670	-	-	-	-	1,076,670
Grove Tent Vendors	92,275	-	-	-	-	92,275
Insurance	132,312	-	-	-	130,720	263,032
Interest Expense	195,559	-	669,033	-	-	864,592
Marketing	194,857	-	-	-	-	194,857
Media Relations	5,963	-	-	-	-	5,963
Off-Campus Property	11,850	-	-	-	-	11,850
Office Administration	16,757	-	-	25,238	58,888	100,883
Other	3,160	-	-	-	20,537	23,697
Personnel Compensation and Benefits	19,292,080	-	-	1,210,539	403,515	20,906,134
Philanthropic Events, Stewardship and Cultivation	-	-	-	185,419	-	185,419
Postage	-	-	-	12,603	12,602	25,205
Post Season	85,495	-	-	-	-	85,495
Priority Seating and Gameday	1,843,404	-	-	-	-	1,843,404
Provision for Uncollectible Pledges	-	-	198,750	-	-	198,750
Scholarships and Support	3,663,491	-	73,621	-	-	3,737,112
Team Programs	-	1,062,580	-	-	-	1,062,580
Telephone	63,102	-	-	4,389	17,554	85,045
Ticketing and Technology	967,685	-	-	-	-	967,685
Travel and Entertainment	888,320	-	-	108,363	-	996,683
Net Restricted Expenses Allocated	(4,000,000)	-	4,000,000	-	-	-
	<u>\$ 28,882,384</u>	<u>\$ 1,062,580</u>	<u>\$ 7,723,907</u>	<u>\$ 1,844,523</u>	<u>\$ 761,183</u>	<u>\$ 40,274,577</u>

See accompanying notes to financial statements.

OLE MISS ATHLETICS FOUNDATION
Statement of Functional Expenses
Year Ended June 30, 2022

	Athletics Department Administration	Team Programs	Other Program Restricted Expenses	Fundraising	Management and General	Total
Academic Services	\$ 3,125	\$ -	\$ -	\$ -	\$ -	\$ 3,125
Accounting	-	-	-	-	40,620	40,620
Advertising	-	-	-	69,504	-	69,504
Annual Report	-	-	-	2,319	-	2,319
Athletics Director	32,096	-	-	-	-	32,096
Auto Stipends and Expenses	182,945	-	-	29,969	-	212,914
Consulting	70,146	-	-	35,000	-	105,146
Credit Card Fees	438,395	-	-	-	-	438,395
Depreciation	1,721,738	-	-	6,821	2,274	1,730,833
Donations and Sponsorships	-	-	-	-	40,560	40,560
Donor Gifts	-	-	-	126,903	-	126,903
Dues, Conferences, and Subscriptions	-	-	-	-	14,555	14,555
Expendable Equipment	1,190,950	-	-	-	-	1,190,950
Facility Improvements	249,446	-	4,074,069	-	-	4,323,515
Former Student Athlete Relations	30,839	-	-	-	-	30,839
Gameday RV Parking	50,961	-	-	-	-	50,961
Gifts in Kind Expense and Credits	724,273	-	-	-	-	724,273
Grove Tent Vendors	94,232	-	-	-	-	94,232
Insurance	132,679	-	-	-	131,855	264,534
Interest Expense	56,031	-	602,080	-	-	658,111
Legal	14,144	-	-	-	-	14,144
Marketing	153,886	-	-	-	-	153,886
Media Relations	37,522	-	-	-	-	37,522
Off-Campus Property	9,715	-	-	-	-	9,715
Office Administration	18,806	-	-	22,872	53,368	95,046
Other	-	-	-	-	5,785	5,785
Personnel Compensation and Benefits	15,732,998	-	-	929,629	309,877	16,972,504
Philanthropic Events, Stewardship and Cultivation	-	-	-	280,207	-	280,207
Postage	-	-	-	9,485	9,486	18,971
Post Season	108,486	-	-	-	-	108,486
Priority Seating and Gameday	1,779,829	-	-	-	-	1,779,829
Provision for Uncollectible Pledges	-	-	4,270,596	-	-	4,270,596
Scholarships and Support	2,495,222	-	69,310	-	-	2,564,532
Team Programs	-	710,609	-	-	-	710,609
Telephone	24,684	-	-	6,020	24,080	54,784
Ticketing and Technology	916,576	-	-	-	-	916,576
Travel and Entertainment	330,972	-	-	147,115	-	478,087
	<u>\$ 26,600,696</u>	<u>\$ 710,609</u>	<u>\$ 9,016,055</u>	<u>\$ 1,665,844</u>	<u>\$ 632,460</u>	<u>\$ 38,625,664</u>

See accompanying notes to financial statements.

OLE MISS ATHLETICS FOUNDATION
Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities:		
Change in Net Assets	\$ 10,402,144	\$ 17,423,042
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	1,749,500	1,730,833
Amortization of Debt Issuance Costs	6,454	6,454
Bad Debt Expense	454,227	2,072,817
Provision for Uncollectible Pledges Restricted for Long-Term Purposes	314,902	1,324,750
Amortization of Discount on Pledges Restricted for Long-Term Purposes	359,407	1,029,783
Contributions Restricted for Long-Term Purposes	(18,149,958)	(30,804,972)
Unrealized and Realized (Gain) Loss on Sale of Investments	(197,781)	1,671,005
Loss on Disposal of Asset	25,000	-
Reduction in Carrying Amount of Operating Right of Use Assets	588,086	-
Cash Surrender Value of Life Insurance	(177,410)	(16,714)
(Increase) Decrease in:		
University of Mississippi Foundation Receivable	(902,354)	1,126,253
Pledges Receivable	521,171	2,755,061
Capital Gift Agreement Pledges Receivable	(15,186)	30,598
Annual Fund Pledges Receivable	(2,887,249)	(648,937)
Prepaid and Other Assets	(402,539)	(203,597)
Increase (Decrease) in:		
Accounts Payable and Other Current Liabilities	1,195,746	4,853,111
Deferred Liabilities	556,828	(2,012,676)
Deferred Revenues	(44,549)	(73,206)
Operating Lease Liabilities	(582,665)	-
University of Mississippi Payable	640,049	2,164,813
Net Cash Provided by (Used in) Operating Activities	<u>(6,546,177)</u>	<u>2,428,418</u>
Cash Flows From Investing Activities:		
Proceeds from Sale of Investments	17,942,555	112,932
Proceeds from Life Insurance Policy	660,441	-
Payments Received on Notes Receivable	-	897,865
Purchases of Property and Equipment and Construction in Progress	(29,817,103)	(10,005,291)
Purchase of Investments	(8,960,783)	(6,274,806)
Net Cash Used in Investing Activities	<u>(20,174,890)</u>	<u>(15,269,300)</u>
Cash Flows From Financing Activities:		
Contributions Restricted for Long-Term Purposes	13,265,111	9,497,588
Proceeds from Long-Term Debt	27,226,838	4,953,636
Payments on Long-Term Debt	(1,925,570)	(7,012,073)
Net Cash Provided by Financing Activities	<u>38,566,379</u>	<u>7,439,151</u>
Net Change in Cash and Cash Equivalents	<u>11,845,312</u>	<u>(5,401,731)</u>
Cash and Cash Equivalents, at Beginning of Year	<u>9,862,046</u>	<u>15,263,777</u>
Cash and Cash Equivalents, at End of Year	<u>\$ 21,707,358</u>	<u>\$ 9,862,046</u>

OLE MISS ATHLETICS FOUNDATION
Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
Cash and Cash Equivalents, at End of Year:		
Cash Without Donor Restrictions	\$ 15,477,377	\$ 2,285,813
Cash With Donor Restrictions	6,229,981	7,576,233
	\$ 21,707,358	\$ 9,862,046
Supplemental Disclosures of Cash Flow Information:		
Cash Paid For:		
Interest, Including Capitalized Interest; 2023 \$700,182; 2022 \$107,619	\$ 1,564,774	\$ 727,647
Non-Cash Operating Activity:		
Additions to Operating Right of Use Liabilities for New Leases	\$ 1,684,388	\$ -
Additions to Operating Right of Use Assets for New Leases	(1,684,388)	-
	\$ -	\$ -

OLE MISS ATHLETICS FOUNDATION
Notes to Financial Statements
June 30, 2023 and 2022

NOTE 1 NATURE OF ORGANIZATION

The Ole Miss Athletics Foundation (the Foundation) is a Mississippi nonprofit corporation whose mission is to provide resources for the Department of Intercollegiate Athletics (the Athletics Department) at the University of Mississippi (the University). Formerly known as the Ole Miss Loyalty Foundation and the UMAA Foundation, the Foundation adopted amended and restated articles of incorporation and bylaws effective March 1, 2013, and the name was formally changed. The currently effective bylaws were amended and restated March 26, 2021. The Foundation has an affiliation agreement with the University that defines arrangements between the two organizations concerning services, facilities, premises, activities, and other miscellaneous provisions. The agreement currently in effect commenced on January 1, 2020 and is set to expire on December 31, 2024. Among other terms, the affiliation agreement calls for the Foundation and the Athletics Department to agree on an amount of financial support for scholarships, facilities, compensation, and other support provided by the Foundation each year.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Assets

In accordance with ASU 2016-14, the Foundation reports net assets in two categories as follows:

Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. Contributions gifted for recurring programs are generally not considered “restricted” under accounting principles generally accepted in the United States of America (GAAP). Net assets restricted solely through the actions of the Board, if any, are reported as net assets without donor restrictions, board designated.

With Donor Restrictions – Net assets subject to donor-imposed stipulations that are more restrictive than the Foundation’s general purpose. 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. Donor-imposed restrictions are released when the 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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenditures are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as release from restriction between the two classes of net assets.

Income and realized and unrealized gains and losses on investments of net assets with donor restrictions are reported as follows:

- as increases in net assets with donor restrictions if the terms of the gift or the Foundation’s interpretation of relevant state law require that gains be added to the principal of a permanent endowment fund; as increases or decreases in net assets with donor restrictions if the terms of the gift impose restrictions on their use;

OLE MISS ATHLETICS FOUNDATION
Notes to Financial Statements
June 30, 2023 and 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

- as increases or decreases in net assets without donor restrictions in all other cases.

Net assets with donor restrictions as of June 30, 2023 and 2022, are available for the following purposes:

	2023	2022
Facility Improvements	\$ 48,707,196	\$ 41,314,691
Team Programs	1,270,403	938,230
Total Time and Purpose Restrictions	49,977,599	42,252,921
Investments in Perpetuity		
The Income From Which is Expendable to Support:		
Football, Basketball, Women's Athletics	101,947	88,925
Scholarships	1,278,188	1,281,897
Total Perpetual Restrictions	1,380,135	1,370,822
Total Net Assets With Donor Restrictions	\$ 51,357,734	\$ 43,623,743

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Such estimates include the present value discount rates applied to pledges receivable, the allowance for uncollectible pledges and estimated useful lives and salvage values of property and equipment. Accordingly, actual results could differ significantly from those estimates.

Fixed Assets

The Foundation records equipment, furniture and fixtures, buildings, improvements, and land at cost if purchased or at fair market value if donated. The Foundation capitalizes all fixed asset acquisitions over \$1,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Cash and Cash Equivalents

In general, for purposes of the statement of cash flows, the Foundation considers all highly-liquid investments available for current use with maturities of three months or less to be cash equivalents.

Income Tax Status

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except for taxes on income from activities unrelated to its exempt purpose.

Accordingly, no provision for income taxes has been made in the accompanying financial statements.

GAAP outlines the accounting for uncertainty in income taxes in an entity's financial statements and prescribes a recognition threshold and measurement attribute for tax positions taken or expected to be taken on a tax return including the entity's status as a tax-exempt entity. Additionally, GAAP provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, and disclosure. The Foundation had no significant

OLE MISS ATHLETICS FOUNDATION
Notes to Financial Statements
June 30, 2023 and 2022

NOTE 2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Income Tax Status (Continued)

uncertain tax positions at June 30, 2023 and 2022, respectively. If interest and penalties are incurred related to uncertain tax positions, such amounts are recognized as income tax expense in the statement of activities. As of June 30, 2023, periods for tax years 2022, 2021, and 2020 remain open to examination by the federal and state taxing jurisdictions to which the Foundation is subject.

Fair Value Measurements

GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements that involve significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- a) Level 1: Unadjusted quoted prices for identical assets or liabilities in active markets that are observable at the measurement date;
- b) Level 2: Significant observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that are observable or can be corroborated by observable market data; and
- c) Level 3: Significant unobservable inputs for the asset or liability that reflects the reporting entity's own estimates about the assumptions that market participants would use in pricing the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based upon the lowest level input that is significant to the fair value measurement in its entirety. In accordance with Accounting Standards Update (ASU) 2009-12, *Investments that can be redeemed at Net Asset Value on the Measurement Date or in the Near Term*, such investments may be classified as Level 2. NAV is used as a practical expedient to estimate the fair value of such investments unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2023, the Foundation had no plans or intentions to sell investments at amounts different from NAV.

Investments

Investments are recorded at fair value. The fair values of all investments and trusts are based on quoted market prices and other observable inputs such as quoted prices for similar assets, quoted prices in inactive markets, or inputs corroborated by observable market data. Both realized and unrealized gains and losses are included in the change in net assets. Real estate and other properties donated to the Foundation and held by the University of Mississippi Foundation (the UM Foundation) are also carried at fair value based on appraisal values at the date of receipt and as subsequently updated.

The Foundation's investments include commodities, a charitable trust, equity securities, fixed income and pooled accounts. These investments are exposed to several risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the fair value of these investments will occur in the near term and such changes could materially affect the amounts reported in the Foundation's financial statements.

OLE MISS ATHLETICS FOUNDATION
Notes to Financial Statements
June 30, 2023 and 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Priority seats in the football stadium, basketball arena and baseball stadium require annual donations separate from the cost of the tickets. The donation amounts are set by the Foundation. Capital gift agreements may be signed to secure priority seats for football and basketball seasons. This unconditional revenue is restricted for the Forward Together capital campaign. These donations fall under ASC Topic 605 because they include an exchange transaction in addition to a contribution. A portion of the seating annual donation and capital gift agreement revenue is recognized in the period the pledge is made and the remainder is recognized when the exchange transaction is completed. The exchange transaction is completed when the donor is able to purchase the tickets corresponding to the priority seating. For annual donation revenue, the amount recognized when received often corresponds with the year in which the sport season occurs. Unconditional contributions not tied to seating are recognized in full when the pledge is made. Other unpledged revenue is recognized in the period received.

The Tax Cuts and Jobs Acts amended Internal Revenue Code Section 170(l) that previously allowed for up to an 80% charitable deduction for donations to or for the benefit of an institution of higher learning that resulted, directly or indirectly, in the right to purchase tickets for seating in an athletic venue of such institution, to no longer allow such a deduction. This amendment was signed into law in December 2017 and went into effect January 1, 2018. The Foundation implemented the change as of January 1, 2018 and began receipting the total amount of donations of this type as non-charitable.

Unconditional promises to give that are expected to be collected in future years are reported at the present value of their future cash flows. The discounts on these amounts are computed using risk-free interest rates applicable to the years in which the promises are scheduled to be received. Accretion of the discounts is included in contribution revenues. The Foundation uses the allowance method to determine uncollectible pledges receivable. The allowance is based on management's judgment, including such factors as prior collection history, the nature of the fund-raising activity, and the type of contributions made.

Contributed Nonfinancial Assets- Donated Property and Services

During the year ended June 30, 2022, the Foundation adopted the Financial Accounting Standards Board (FASB) ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This guidance requires an entity to disclose contributed nonfinancial assets as a separate line in the statement of activities and include additional disclosures in the footnotes, including a summary of assets by type, description of any donor-imposed restrictions, description of the valuation method used to arrive at fair value, and additional qualitative information. The standard was adopted as of July 1, 2021. Implementation of this standard did not have a material effect on the financial statements.

Donations of real property received are recorded as gift-in-kind contributions at their estimated fair values at the date of donation. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. All real property donations to the Foundation are held by the UM Foundation until such properties are sold. Proceeds are subsequently transferred to the Foundation.

OLE MISS ATHLETICS FOUNDATION
Notes to Financial Statements
June 30, 2023 and 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Nonfinancial Assets- Donated Property and Services (Continued)

Donations of personal property received, such as automobiles, equipment and apparel are recorded as gift-in-kind contributions at estimated fair value at the date of donation. If an asset is provided that does not allow the Foundation to utilize it in its normal course of business, the asset will be sold at its fair market value.

Donated services received are recognized as contributions if the services either (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people or entities with those skills, and would otherwise be purchased by the Foundation.

See *Note 20, Gifts in Kind*, for further discussion.

Charitable Trust

The Foundation is the beneficiary under an irrevocable charitable remainder unitrust with a local bank as trustee. Under the terms of the trust agreement, the Foundation receives distributions from the trust based on a formula using the lesser of the net income of the trust or 7% of the fair market value of the trust assets at the beginning of the trust taxable year. The trustee performs this calculation and makes the distribution. Expenses of the trust, such as taxes and administrative fees, are paid from the trust assets. The remaining principal of the trust is reported as a net asset with donor restrictions, perpetual in nature, per the terms of the trust agreement. Assets of the trust are reported at fair market value in the statements of financial position at \$1,278,188 and \$1,281,897, as of June 30, 2023 and 2022, respectively.

Advertising

Advertising costs are expensed as incurred and include annual priority seating information, promotional items for members, listings in gameday programs, and other marketing material related to Foundation memberships and donations. Advertising expenses for 2023 and 2022, were \$38,701 and \$69,504, respectively.

Leases

Effective July 1, 2022, the Foundation adopted the provisions of Financial Accounting Standards Board (FASB) ASU No. 2016-02, *Leases (Topic 842)*, which replaced existing lease accounting guidance. The new standard is intended to provide enhanced transparency and comparability by requiring lessees to record right-of-use (ROU) assets and corresponding lease liabilities on the statement of financial position. ROU assets represent the Foundation's right to use an underlying asset for the lease term and lease liabilities represent the Foundation's obligation to make lease payments arising from the lease. The new guidance requires the Foundation to classify leases as either an operating or finance lease, with classification affecting the pattern of expense recognition in the income statement. In addition, the new standard requires enhanced disclosure surrounding the amount, timing and uncertainty of cash flows arising from leasing agreements.

In July 2018, the FASB issued ASU No. 2018-11, which provided entities with an additional transition method. Under the new transition method, an entity initially applies the new standard at the adoption date, versus at the beginning of the earliest period presented, and recognizes a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. The Foundation elected this transition method and adopted Topic 842 using a modified retrospective method with the cumulative effect of initially applying the new standard recognized in net assets at July 1, 2022. Comparative prior period information has not been adjusted and continues to be reported in accordance with previous lease accounting guidance in ASC Topic 840 — *Leases*.

OLE MISS ATHLETICS FOUNDATION
Notes to Financial Statements
June 30, 2023 and 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Upon adoption, the Foundation elected the package of transition practical expedients which allowed the Foundation to carry forward prior conclusions related to: (i) whether any expired or existing contracts are or contain leases, (ii) the lease classification for any expired or existing leases and (iii) initial direct costs for existing leases. Additionally, the Foundation elected the practical expedient to not separate lease components from non-lease components for all real estate leases within the portfolio. The Foundation made an accounting policy election to not record leases with an initial term of 12 months or less on the statement of financial position unless the Foundation extended the lease beyond 12 months from the initial lease term. The Foundation made an accounting election to use the practical expedient of using the Risk-Free Discount Rate expedient for all leases.

Upon adoption, the Foundation recognized \$1,684,388 of total lease liabilities and \$1,684,388 of operating lease right of use (ROU) assets as of July 1, 2022. The adoption of the standard did not have a material impact on the statement of operations and statement of cash flows.

The Foundation is a lessee in several noncancellable operating leases, for office space, sports equipment, and office equipment. The Foundation determines if an arrangement is a lease, or contains a lease, at inception of a contract when the terms of an existing contract are changed. The Foundation recognizes a lease liability and right of use (ROU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. The risk-free rate was determined by using the Treasury bill rates using comparable terms. The Operating ROU assets are subsequently amortized throughout the lease term at the amount of the remeasured lease liability, plus unamortized indirect costs, (if any), plus/ minus any prepaid/ accrued lease payments (if any), less the unamortized balance of lease incentives received (if any), and any impairment recognized (if any). Lease cost for operating leases payments is recognized on a straight-line basis over the lease term and lease expense is included in the statement of financial position. Finance ROU assets are amortized over a straight-line basis and amortization expense is recorded on statement of operations. Finance lease liabilities payments are amortized based on present value calculation of the lease liability and will include a component of interest expense on the statement of activities.

Debt Issuance Costs

The Foundation incurred debt issuance costs pursuant to a financial agreement in 2019. Such costs will be amortized based on the straight-line method which is not materially different from the effective interest method over the seven-year life of the debt. The total cost was \$45,180. Amortization expense included in interest expense for the years ended June 30, 2023 and 2022, was \$6,454 for each year.

Future amortization expense is noted to be:

<u>Year Ending June 30,</u>	
2024	\$ 6,454
2025	6,454
2026	<u>4,842</u>
	<u>\$ 17,750</u>

OLE MISS ATHLETICS FOUNDATION
Notes to Financial Statements
June 30, 2023 and 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The financial statements present expenses by functional classification in accordance with the overall mission and activities of the Foundation. Each functional classification displays all expenses related to the underlying operations by natural classification. Accordingly, certain costs have been allocated among program, fundraising and management and general services.

Subsequent Events

Management has evaluated subsequent events through October 24, 2023, the date the financial statements were available to be issued.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

NOTE 3 ACCOUNTS RECEIVABLE

University of Mississippi Foundation Receivable

Cash contributions are received directly by the Foundation with the University of Mississippi Foundation (UMF) maintaining donor records for tax receipt purposes. Contributions to the Foundation in the form of securities are received directly by the UMF. Funds associated with contributions in the form of securities are transferred to the Foundation immediately after being processed and recorded. Receivable balances from the UMF of \$912,996 and \$10,642 at June 30, 2023 and 2022, respectively, represent amounts to be received in the beginning of fiscal years 2023 and 2022, respectively.

The remaining receivable balance of \$504,870 at June 30, 2023 and 2022, from the UMF, represents land and other interests contributed to the Foundation to be sold.

NOTE 4 PLEDGES RECEIVABLE

The Foundation obtains pledges through fundraising programs in support of various activities. At June 30, 2023, pledges for the Vaught Society are scheduled to mature at various dates through 2030. The Capital Gift Agreements receipts are due primarily in the next year.

A summary of the pledges receivable as of June 30, 2023 and 2022, is as follows:

	<u>2023</u>	<u>2022</u>
Receivable in One Year	\$ 15,373,544	\$ 11,104,904
Receivable in Two to Five Years	29,320,371	30,502,523
Receivable in More Than Five Years	4,873,129	4,045,232
	<u>\$ 49,567,044</u>	<u>\$ 45,652,659</u>
Pledges Receivable Without Donor Restrictions	\$ 101,612	\$ 1,087,500
Pledges Receivable With Donor Restrictions	49,465,432	44,565,159
	<u>49,567,044</u>	<u>45,652,659</u>
Less: Allowance for Doubtful Pledges Receivable	<u>(3,949,404)</u>	<u>(3,634,502)</u>
	45,617,640	42,018,157
Less: Unamortized Discount (3.56% and 2.93% at June 30, 2023 and 2022, respectively)	<u>(1,792,543)</u>	<u>(1,433,136)</u>
Net Pledges Receivable	<u>\$ 43,825,097</u>	<u>\$ 40,585,021</u>

OLE MISS ATHLETICS FOUNDATION
Notes to Financial Statements
June 30, 2023 and 2022

NOTE 4 PLEDGES RECEIVABLE (CONTINUED)

	<u>2023</u>	<u>2022</u>
Pledges Receivable, Current Portion	\$ 15,274,050	\$ 11,083,524
Capital Gift Agreement Pledges Receivable, Net	99,494	21,380
Long-Term Pledges Receivable, Net of Current Portion	<u>28,451,553</u>	<u>29,480,117</u>
	<u>\$ 43,825,097</u>	<u>\$ 40,585,021</u>

NOTE 5 INVESTMENTS AND CHARITABLE TRUST

The following table presents the financial assets carried at fair value within the valuation hierarchy as of June 30, 2023 and 2022:

<u>2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity and Futures	\$ 84,280	\$ -	\$ -	\$ 84,280
Fixed Income	450,437	-	-	450,437
Other Investments	101,343	-	-	101,343
Total Investments	<u>636,060</u>	<u>-</u>	<u>-</u>	<u>636,060</u>
Pooled Investments -				
Endowment	101,947	-	-	101,947
Charitable Trust	1,278,188	-	-	1,278,188
	<u>\$ 2,016,195</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,016,195</u>
<u>2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity and Futures	\$ 4,222,845	\$ -	\$ -	\$ 4,222,845
Fixed Income	4,790,602	-	-	4,790,602
Other Investments	405,667	-	-	405,667
Total Investments	<u>9,419,114</u>	<u>-</u>	<u>-</u>	<u>9,419,114</u>
Pooled Investments -				
Endowment	88,925	-	-	88,925
Charitable Trust	1,281,897	-	-	1,281,897
	<u>\$ 10,789,936</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,789,936</u>

Investment return is summarized as follows for each year:

<u>June 30, 2023</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Interest and Dividend Income From Marketable Securities, Cash and Cash Equivalents	\$ 490,136	\$ 22,097
Investment Expenses	(28,616)	(123,140)
Net Realized and Unrealized Gains	97,675	100,106
Total Investment Income (Loss), Net	<u>\$ 559,195</u>	<u>\$ (937)</u>
<u>June 30, 2022</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Interest and Dividend Income From Marketable Securities, Cash and Cash Equivalents	\$ 193,416	\$ (18,943)
Investment Expenses	(28,802)	(84,130)
Net Realized and Unrealized Losses	(1,412,800)	(219,232)
Total Investment Loss, Net	<u>\$ (1,248,186)</u>	<u>\$ (322,305)</u>

OLE MISS ATHLETICS FOUNDATION
Notes to Financial Statements
June 30, 2023 and 2022

NOTE 6 PROPERTY AND EQUIPMENT

A summary of property and equipment at June 30, 2023 and 2022 is as follows:

	2023	2022
Office Equipment and Furniture	\$ 103,304	\$ 84,348
Automobiles	320,155	320,155
Manning Center	30,778,778	30,778,778
Video Boards and Audio	10,925,403	10,925,403
Construction in Process	39,680,664	9,882,517
Condominium	160,881	160,881
Total Property and Equipment at Cost	81,969,185	52,152,082
Less Accumulated Depreciation	(23,525,016)	(21,775,516)
Property and Equipment, Net	\$ 58,444,169	\$ 30,376,566

Depreciation expense for the years 2023 and 2022 totaled \$1,749,500 and \$1,730,833, respectively. The Manning Center, video boards, and audio systems are currently pledged as collateral on indebtedness.

NOTE 7 UNIVERSITY OF MISSISSIPPI ATHLETICS DEPARTMENT PAYABLE

In addition to support throughout the year for Athletics Department activities and team programs, the Foundation is committed to providing a year-end supplement to meet the needs of the Athletics Department. For the fiscal years ended June 30, 2023 and 2022, the year-end support amount payable was \$2,940,852 and \$837,198, respectively, to provide a supplement for operating needs of the Athletics Department.

As a supplement for facilities improvements, the Foundation had an additional payable of \$646,737 and \$2,055,515 to the Athletics Department for major renovations to existing facilities at June 30, 2023 and 2022, respectively.

The remaining balances of University of Mississippi Payable as of June 30, 2023 and 2022 on the Statement of Financial Position, if any, relate to payables due to other departments other than the Athletics Department.

NOTE 8 LONG-TERM DEBT

	2023	2022
<p>On February 1, 2021, the terms were changed on a loan for capital facilities in the amount of \$15,907,655. The original loan amount was \$30,000,000 and was obtained on October 30, 2012, with interest amortized over thirteen years and a maturity date of March 30, 2019. The revised loan terms include an interest rate of 3.90% and quarterly installments due of \$308,643 of principal and interest. Interest is amortized over a period of eighteen years, and the loan has a maturity date of March 25, 2026. The loan is collateralized by a deed of trust on the Manning Center.</p>	\$ 11,598,271	\$ 12,356,700

OLE MISS ATHLETICS FOUNDATION
Notes to Financial Statements
June 30, 2023 and 2022

NOTE 8 LONG-TERM DEBT (CONTINUED)

	2023	2022
<p>On November 15, 2015, the Foundation obtained a loan to finance improvements to various athletics facilities including Vaught-Hemingway Stadium in the amount of \$11,500,000. The first twelve months of the loan term were a non-revolving line of credit phase. The line of credit became a permanent term loan on November 5, 2016, with a maturity date of November 5, 2025. The loan was amended on July 5, 2022 to include an interest rate of SOFR plus 100 basis points floating. The interest rate was 6.91% at June 30, 2023. Collateral for the loan includes all equipment and property purchased with loan proceeds and a pledge of revenues.</p>	3,347,021	4,514,161
<p>On August 5, 2019, the Foundation entered into a loan agreement for a revolving line of credit not to exceed \$5,000,000 with a variable interest rate equal to SOFR plus 174 basis points floating and a maturity of December 31, 2025. The interest rate at June 30, 2023 was 6.14%. The purpose of the line of credit is to assist with operating needs. The loan agreement was amended on September 18, 2020 to increase the credit amount to \$12,500,000.</p>	4,000,000	2,500,000
<p>On December 10, 2021, the Foundation entered into a loan agreement to finance improvements to athletic facilities in the amount of \$20,077,040. The first twenty-four months of the loan term are a non-revolving line of credit phase. The line of credit will become a permanent term loan on March 30, 2024 with an interest rate of 3.49% with quarterly installments due of \$351,295.78 of principal and interest. The loan has a maturity date of December 29, 2028. The loan is collateralized by a deed of trust on the Manning Center.</p>	20,077,040	4,953,637
<p>On November 15, 2022, the Foundation entered into a loan agreement to finance improvements to athletic facilities in the amount of \$20,077,316. The first twenty-four months of the loan term are a non-revolving line of credit phase. The line of credit will become a permanent term loan on March 30, 2024 with an interest rate of 6.88% with quarterly installments due of \$464,657 of principal and interest. The loan has a maturity date of December 31, 2028. The loan is collateralized by a deed of trust on the Manning Center.</p>	10,603,434	-
Gross Notes Payable	49,625,766	24,324,498
Debt Issuance Costs, Net	(17,750)	(24,204)
	49,608,016	24,300,294
Current Installments of Long-Term Debt	(2,889,465)	(4,507,638)
Net Long-Term Debt Excluding Current Installments	\$ 46,718,551	\$ 19,792,656

OLE MISS ATHLETICS FOUNDATION
Notes to Financial Statements
June 30, 2023 and 2022

NOTE 8 LONG-TERM DEBT (CONTINUED)

A summary of the debt maturities is as follows:

Year Ending June 30,	Amount
2024	\$ 2,889,465
2025	3,997,020
2026	16,943,677
2027	2,153,005
2028	2,261,332
Thereafter	21,381,267
	\$ 49,625,766

NOTE 9 ENDOWMENTS

The UMF holds certain funds that are considered permanent endowments and scholarship funds. These endowments are created for the benefit of the Athletics Department, and any contributions to the Foundation that are designated for these funds are transferred to the UMF. Funds that amounted to \$4,692,826 and \$4,431,869 at June 30, 2023 and 2022, respectively, are managed by the UMF and are not included in these financial statements. Funds that amounted to \$101,947 and \$88,925 at June 30, 2023 and 2022, respectively, are managed by the UMF and are included in investments. These endowments were created for the benefit of the Foundation.

NOTE 10 LIFE INSURANCE POLICIES

The Foundation has been gifted life insurance policies for which it has been named owner and beneficiary. The face amounts of life insurance policies in excess of cash surrender values held by the Foundation are recognized as revenue only when collected. For the year ended June 30, 2023, the Foundation received a payout from one of these policies in the amount of \$660,441 and included it in revenue. The cash surrender values of the remaining policies at June 30, 2023 and 2022 were \$46,049 and \$529,080 respectively.

NOTE 11 CONCENTRATIONS OF CREDIT RISK

The total cash held by the Foundation at June 30, 2023 and 2022 included \$20,731,872 and \$9,112,046, respectively in monies that were not covered by insurance provided by the Federal Deposit Insurance Corporation. The risk is minimized by the fact that cash is held in high quality financial institutions.

NOTE 12 LEASES UNDER ASU NO. 2016-02, LEASES (TOPIC 842)

The following leases met the requirements of Topic 842 and therefore are recorded as Operating Right of Use Assets and Operating Lease Liabilities in the Statement of Financial Position.

The Foundation leased a copier in September 2019 under a sixty-month cost per copy lease agreement. This agreement provided for a stated cost per copy over the life of the lease with an established monthly minimum payment.

In June 2014, the Foundation entered into a lease agreement for retail and office space off campus. The lease term is for eleven years and is payable monthly at \$19,185 per month.

OLE MISS ATHLETICS FOUNDATION
Notes to Financial Statements
June 30, 2023 and 2022

NOTE 12 LEASES UNDER ASU NO. 2016-02, LEASES (TOPIC 842) (CONTINUED)

In July 2021, the Foundation entered into a four-year lease agreement for campus equipment. The lease is payable annually at \$383,265 per year.

The following schedule illustrates the lease costs associated with recording these operating lease costs included in Office Administration, Expendable Equipment, and Facilities Support on the Statement of Functional Expenses for the year ended June 30, 2023:

Operating Lease Expense	\$ 588,086
Variable Lease Expense	42,641
Total Lease Expense	<u>\$ 630,727</u>

The weighted-average remaining lease term in years for these leases is 1.99 and the weighted-average discount rate is 2.85% for the year ended June 30, 2023.

The following table displays the undiscounted cash flow due related to these operating leases as of June 30, 2023, along with a reconciliation of the discounted amount recorded on the June 30, 2023, Statement of Financial Position:

<u>Maturity Analysis</u>	
2024	\$ 582,665
2025	<u>574,611</u>
Total Undiscounted Cash Flows	1,157,276
Less: Present Value Discount	<u>(21,090)</u>
Total Lease Liabilities	1,136,186
Less: Current Liabilities	<u>(564,030)</u>
Total Lease Liabilities, Net of Current	<u>\$ 572,156</u>

The operating cash flows used by these operating leases were \$582,665 in the year ended June 30, 2023.

NOTE 13 LEASES EXCLUDED FROM ASU NO. 2016-02, LEASES (TOPIC 842)

The following leases were not recorded under Topic 842 because they did not meet the requirements of the standard. Therefore, these leases were recorded under Topic 840.

The Foundation leases office space from the University at no cost, in accordance with the affiliation agreement. The Foundation leases from the University the land upon which the Manning Center is located, and the Foundation subleases the Manning Center back to the University for operations at a net cost of zero.

In April 2017 and August 2019, the Foundation entered into a dry lease agreement for private airplane usage. The initial term was for one year, and thereafter went to a month-to-month basis. Lease payments are based on hourly usage, and there is no minimum requirement other than the days the aircraft is occupied by the Foundation, at which time the minimum is two hours per day.

In May 2022, the Foundation entered into a dry lease agreement for private airplane usage. The initial term is for five years, and thereafter on a month-to-month basis. Lease payments are based on hourly usage, and there is no minimum requirement.

OLE MISS ATHLETICS FOUNDATION
Notes to Financial Statements
June 30, 2023 and 2022

NOTE 13 LEASES EXCLUDED FROM ASU NO. 2016-02, LEASES (TOPIC 842)
(CONTINUED)

Rental expenses for these leases amounted to \$492,000 in fiscal year 2023 and \$536,808 in fiscal year 2022. There are no future minimum lease payments under these operating leases as they are variable in nature.

NOTE 14 COMMITMENTS

Pursuant to its affiliation agreement with the University, the Foundation and the Athletics Department agree on an amount of support provided by the Foundation each year. In the absence of an agreed upon amount in any given year, the Foundation will provide a minimum of \$8 million, per the terms of the affiliation agreement.

As part of annual support, the Foundation has agreed to supplement the compensation paid to several employees of the University's Athletics Department under their state employment contracts with the University. The University and Board of Trustees of Mississippi Institutions of Higher Learning have no obligations under the terms of these supplemental compensation agreements. The amounts paid for these supplemental compensation and incentive packages for the years ending June 30, 2023 and 2022, were \$13,030,560 and \$13,811,033, respectively. The amount expected to be paid in fiscal year 2024 exceeds \$14,284,700. The Foundation has also agreed to support severance and separation agreements with former Athletics Department personnel. The amounts paid for these agreements for the fiscal years ended June 30, 2023 and 2022, were \$3,704,204 and \$1,758,210, respectively. The amount expected to be paid in fiscal year 2024 is \$1,872,406.

For the fiscal year ended June 30, 2023, the Foundation has committed to provide support for scholarships and other operating needs of the Athletics Department. The Foundation has also committed to provide financial support for specific projects undertaken for constructing and improving Athletics' facilities.

NOTE 15 RESTRICTED EXPENSES ALLOCATED

Administration and fundraising costs for the capital campaign are paid from Foundation operating funds. For the fiscal year ended June 30, 2023, \$4 million was allocated separately. No amount was allocated separately for the fiscal year ended June 30, 2022.

NOTE 16 RELATED PARTY

In June 2014, the Foundation entered into a lease for commercial office space with a third-party landlord, a company in which a member of the board of governors of the Foundation has an interest. The term of the lease is for eleven years and commenced on July 1, 2014. The agreement calls for monthly payments of \$19,185. The total amounts paid to the related party for the lease and related expenses for the year ended June 30, 2023 was \$214,152. The board member recused himself from all proceedings and did not participate in the decision in any way. As of June 1, 2022, the property was sold to an unrelated party and was not considered a related party for fiscal year 2023. See Note 12.

NOTE 17 NET ASSETS RELEASED FROM RESTRICTIONS

For the years ended June 30, 2023 and 2022, net assets with donor restrictions were released from restrictions for the following purposes:

OLE MISS ATHLETICS FOUNDATION
Notes to Financial Statements
June 30, 2023 and 2022

NOTE 17 NET ASSETS RELEASED FROM RESTRICTIONS (CONTINUED)

	<u>2023</u>	<u>2022</u>
Support for Team Programs and Other	\$ 1,136,201	\$ 779,920
Facility Improvements	2,782,503	4,074,069
Interest Expense	669,033	602,080
Net Restricted Expenses Allocated	4,000,000	-
Provision for Uncollectible Pledges	198,750	4,270,596
Principal Payments on Capital Debt	1,925,570	7,012,073
Total Net Assets Released From Restrictions	<u><u>\$ 10,712,057</u></u>	<u><u>\$ 16,738,738</u></u>

NOTE 18 RETIREMENT PLAN

The Foundation sponsors a SEP IRA plan for all employees. The Foundation makes a contribution to the Plan each year equal to 17.4% of each employee's compensation up to the maximum prescribed by the Internal Revenue Service. The expenses incurred by the Foundation for the years ended June 30, 2023 and 2022 were \$183,900 and \$156,085, respectively.

The Foundation also sponsors a 403b Plan for employee deferrals only.

NOTE 19 NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions as of June 30, 2023 and 2022, are detailed as shown:

	<u>2023</u>	<u>2022</u>
Net Assets Designated by Board as a Reserve	\$ 939,775	\$ 878,297
Net Assets Without Board Designation	18,886,775	16,280,100
Total Net Assets Without Donor Restrictions	<u><u>\$ 19,826,550</u></u>	<u><u>\$ 17,158,397</u></u>

NOTE 20 GIFTS IN KIND

The Foundation did not receive donated real property during the years ended June 30, 2023 and 2022.

Personal property received, utilized, and recognized as contributions from donated personal property in each respective year are as follows:

<u>2023</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Event Supplies	\$ 36,823	\$ -	\$ 36,823
Equipment	7,000	-	7,000
Advertising	160,000	-	160,000
Total Donated Personal Property	<u><u>\$ 203,823</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 203,823</u></u>
<u>2022</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Event Supplies	\$ 14,017	\$ -	\$ 14,017
Vehicle Use	141,035	-	141,035
Equipment	29,786	-	29,786
Advertising	160,000	-	160,000
Total Donated Personal Property	<u><u>\$ 344,838</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 344,838</u></u>

OLE MISS ATHLETICS FOUNDATION
Notes to Financial Statements
June 30, 2023 and 2022

NOTE 20 GIFTS IN KIND (CONTINUED)

The Foundation received donated flowers with an estimated fair market value of \$14,723 and \$14,017 for the years ended June 30, 2023 and 2022, respectively. The floral arrangements were used for events hosted or gifts made by the Foundation.

The vehicle and equipment were donated to the Foundation for general use by the Athletics department. The fair value was determined by current market price at the time of donation

Advertising services were donated to the Foundation in return for tickets and parking passes to various athletic events. The value of the donated advertising was based on current market prices at time of donation.

All personal property received by the Foundation for the years ended June 30, 2023 and 2022 was considered without donor restrictions and was able to be used by the Foundation as determined by the board of directors and management.

Donated services received, utilized, and recognized as contributions from donated services in each respective year are as follows:

2023	Unrestricted	Restricted	Total
Airplane Services	\$ 317,897	\$ -	\$ 317,897
Bus Services	-	19,603	19,603
Total Donated Services	\$ 317,897	\$ 19,603	\$ 337,500
2022	Unrestricted	Restricted	Total
Airplane Services	\$ 68,910	\$ -	\$ 68,910
Bus Services	-	16,685	16,685
Total Donated Services	\$ 68,910	\$ 16,685	\$ 85,595

Use of donor airplanes were gifted to the Foundation on an as-needed basis for use on recruiting, fundraising, and private travel as part of some employee contracts.

The bus services were donated with donor restrictions only allowing use for Athletics team travel.

The value of these services are based on market price at time of donation.

NOTE 21 DEFERRED REVENUE

As discussed in Note 2, the passage of the Tax Cuts and Jobs Acts eliminated the charitable deduction for contributions made for priority seating beginning January 1, 2018. The Foundation allowed members to make donations for priority seating for future years before January 1, 2018, and the payments are shown as deferred revenue at June 30, 2023 and 2022 to be recognized as revenue per the following schedule.

Year Ending June 30,	
2024	\$ 20,600
2025	20,599
Total Deferred Revenue	\$ 41,199

OLE MISS ATHLETICS FOUNDATION
Notes to Financial Statements
June 30, 2023 and 2022

NOTE 22 LIQUIDITY AND AVAILABILITY OF RESOURCES

The table that follows presents the Foundation's financial assets at June 30 that are available to meet obligations for general expenditures that may arise within one year of the balance sheet date.

	<u>2023</u>	<u>2022</u>
Cash Without Donor Restrictions	\$ 15,477,377	\$ 2,285,813
Investments	636,060	9,419,114
UM/UMF Receivable, Cash Portion	912,996	10,642
Annual Fund Pledges Receivable, Current Portion	6,911,171	4,023,922
Other Receivables	456,469	224,579
Less Those Unavailable for General Expenditures Within One Year, Due to:		
Investments - Board-Designated Restrictions	<u>(939,775)</u>	<u>(878,297)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 23,454,298</u>	<u>\$ 15,085,773</u>

In addition to the assets shown above, at June 30, 2023 and 2022, the Foundation had \$6,229,981 and \$7,576,233 of cash and \$15,373,544 and \$11,104,904 of pledges receivable within one year with restrictions as to their use, each respectively at June 30, 2023 and 2022.

These funds may not be used to cover general expenditures of the Foundation. The Foundation also had \$939,775 and \$878,297 of short-term investments at June 30, 2023 and 2022, respectively, that have been designated by the board of governors to be held in reserve for contractual purposes. These funds could be drawn upon for immediate liquidity following approval by the board.

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations come due. The Foundation's cash flows vary throughout the year due to the timing of receipt of pledge receivables and contributions from donors. To assist in managing liquidity, the Foundation has a line of credit with a commercial bank with borrowing limits of \$12.5 million in the aggregate that can be drawn upon as needed to manage cash flow.

NOTE 23 DEFERRED LIABILITY AND NOTES RECEIVABLE

A severance agreement with a former coach was entered into by the Foundation in December 2019. The agreement states that a total of \$8,872,500 will be paid through December 31, 2023 at varying monthly amounts. A discount rate of 2% was used to determine the present value of future payments.

A severance agreement with a former coach was entered into by the Foundation in March 2023. The agreement states that a total of \$3,919,500 will be paid through October 1, 2026 at varying amounts. A discount rate of 4.45% was used to determine the present value of future payments.

The amounts due in future years are as follows:

<u>Year Ending June 30,</u>	
2024	\$ 2,025,225
2025	669,364
2026	669,364
2027	669,366
	<u>\$ 4,033,319</u>

OLE MISS ATHLETICS FOUNDATION
Notes to Financial Statements
June 30, 2023 and 2022

NOTE 23 DEFERRED LIABILITY AND NOTES RECEIVABLE (CONTINUED)

A promissory note in the amount of \$3,555,916 related to income tax due on the severance contract was signed by the former coach in December 2019. The promissory note bears interest at 2% with monthly installments of \$151,270 being withheld by the Foundation from each monthly severance payment made to the coach through December 31, 2021 for principal and interest payments. The remaining principal amounts were received in the fiscal year ended June 30, 2022.

Supplementary Information

OLE MISS ATHLETICS FOUNDATION
Schedules of Revenues
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Donor Contributions Without Restrictions:		
Baseball Annual Fund	\$ 4,209,796	\$ 3,361,515
Basketball Annual Fund	3,368,799	2,084,828
Football Annual Fund	20,183,088	16,456,389
General Annual Fund	162,948	354,273
Total Donor Contributions Without Restrictions	<u>27,924,631</u>	<u>22,257,005</u>
Contributions Restricted by Donor:		
Baseball	277,268	124,269
Capital Gift Agreements	185,251	30,501
Facility and Capital Improvements - Other	215,271	6,000
Football	14,574	27,345
Capital Campaign - Other	87,960	-
Capital Campaign - Vaught Society	16,897,854	30,428,176
Men's Basketball	150,876	131,981
Men's Golf	19,200	17,150
Men's and Women's Tennis	1,640	63,078
Men's and Women's Track	4,225	8,900
Other Restricted Contributions	287,273	179,622
Student-Athlete Development	45,000	40,000
Women's Athletics	5,000	50,250
Women's Basketball	126,065	142,490
Women's Golf	150	4,925
Women's Rifle	6,129	3,859
Women's Soccer	9,022	6,424
Women's Softball	9,252	4,600
Women's Volleyball	1,500	4,000
Total Contributions Restricted by Donor	<u>18,343,510</u>	<u>31,273,570</u>

OLE MISS ATHLETICS FOUNDATION
Schedules of Revenues
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Gifts in Kind :		
Without Donor Restrictions	521,720	413,748
With Donor Restrictions	19,603	16,685
Total Gifts in Kind	<u>541,323</u>	<u>430,433</u>
Other Revenue Without Donor Restrictions:		
Investment Income, Net of Investment Expenses	461,520	164,614
Gameday RV Parking	136,827	126,598
Grove Tent Vendors	79,869	69,390
Realized/Unrealized Gains (Losses)	97,675	(1,412,800)
Other Income	2,356,583	3,376,197
Contributions - Vaught Society	676,849	10,694
Loss on Disposal of Asset	(25,000)	-
Total Other Revenue Without Donor Restrictions	<u>3,784,323</u>	<u>2,334,693</u>
Other Revenue with Donor Restrictions:		
Investment Income (Loss), Net of Investment Expenses	(101,043)	(103,073)
Endowment Gifts	10,250	6,000
Potts Trust	73,621	69,310
Realized Gains (Losses)	100,106	(219,232)
Total Other Revenue With Donor Restrictions	<u>82,934</u>	<u>(246,995)</u>
 Total Revenue	 <u><u>\$ 50,676,721</u></u>	 <u><u>\$ 56,048,706</u></u>

OLE MISS ATHLETICS FOUNDATION
Schedules of Expenses
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
General and Administrative Expenses:		
Accounting and Legal	\$ 61,293	\$ 40,620
Advertising	38,701	69,504
Annual Report	10,498	2,319
Auto Stipends and Maintenance	31,462	29,969
Consulting	55,000	35,000
Depreciation	14,036	9,095
Donations and Sponsorships	39,804	40,560
Donor Gifts	151,784	126,903
Dues, Conferences, and Subscriptions	12,761	14,555
Insurance	130,720	131,855
Office Administration	84,128	76,241
Other	20,539	5,785
Personnel Benefits	253,433	207,217
Personnel Compensation and Tax	1,360,621	1,032,288
Philanthropic Events, Stewardship and Cultivation	185,419	280,207
Postage	25,205	18,971
Telephone	21,939	30,100
Travel	108,363	147,115
Total Fundraising, General, and Administrative Expenses	<u>2,605,706</u>	<u>2,298,304</u>
Support for Athletics Department Administration:		
Academic Services	3,571	3,125
Athletics Director	71,447	32,096
Auto Stipends and Leases	192,457	182,945
Consulting	90,240	70,146
Credit Card Fees	816,603	438,395
Depreciation	1,735,464	1,721,738
Expendable Equipment	1,089,922	1,190,950
Former Student Athlete Relations	25,352	30,839
Facilities Support	256,934	249,446
Gameday RV Parking	67,414	50,961
Gifts in Kind Expense and Credits	1,076,670	724,273
Grove Tent Vendors	92,275	94,232
Insurance	132,312	132,679
Interest	195,559	56,031

OLE MISS ATHLETICS FOUNDATION
Schedules of Expenses
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Support for Athletics Department Administration: (Continued)		
Legal	-	14,144
Marketing	194,857	153,886
Media Relations	5,963	37,522
Off-Campus Property	11,850	9,715
Office Administration	16,757	18,806
Other	3,160	-
Personnel Compensation and Tax	19,292,080	15,732,998
Post Season	85,495	108,486
Priority Seating and Gameday	1,843,404	1,779,829
Scholarships and Support	3,663,491	2,495,222
Telephone	63,102	24,684
Ticketing and Technology	967,685	916,576
Travel and Entertainment	888,320	330,972
Net Restricted Expenses Allocated	<u>(4,000,000)</u>	<u>-</u>
Total Support for Athletics Department Administration	<u>28,882,384</u>	<u>26,600,696</u>
Support for Team Programs:		
Baseball	181,610	62,130
Football	30,195	10,545
Gifts in Kind	19,603	16,685
Men's Basketball	236,475	161,304
Men's Golf	36,726	60,226
Men's and Women's Tennis	1,063	79,405
Men's and Women's Track	962	16,336
Other Restricted Expenses	147,746	17,024
Spirit Groups	166,699	104,829
Student-Athlete Development	48,684	17,866
Women's Athletics	22,683	451
Women's Basketball	143,356	130,911
Women's Golf	3,377	4,142
Women's Rifle	1,000	4,009
Women's Soccer	6,227	16,505
Women's Softball	16,059	6,760
Women's Volleyball	<u>115</u>	<u>1,481</u>
Total Support for Team Programs	<u>1,062,580</u>	<u>710,609</u>

OLE MISS ATHLETICS FOUNDATION
Schedules of Expenses
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Other Restricted Expenses:		
Facility Improvements	2,782,503	4,074,069
Interest Expense	669,033	602,080
Net Restricted Expenses Allocated	4,000,000	-
Scholarships	73,621	69,310
Provision for Uncollectible Pledges	198,750	4,270,596
Total Other Program Restricted Expenses	<u>7,723,907</u>	<u>9,016,055</u>
Net Assets Released from Restriction	<u>8,786,487</u>	<u>9,726,664</u>
Total Expenses	<u><u>\$ 40,274,577</u></u>	<u><u>\$ 38,625,664</u></u>