THE UNIVERSITY OF OKLAHOMA FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 and 2021

WITH

INDEPENDENT AUDITOR'S REPORT

HoganTaylor LLP
CPAs + ADVISORS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
The University of Oklahoma Foundation, Inc.

Opinion

We have audited the consolidated financial statements of The University of Oklahoma Foundation, Inc. and its subsidiaries (the Foundation), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, 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, 2022 and 2021, and the results of their activities and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the 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 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 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.

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.

Hogan Taylor LLP

Oklahoma City, Oklahoma
October 31, 2022

THE UNIVERSITY OF OKLAHOMA FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	$ 24,885,626	$ 26,769,162
Receivable for investment securities sold	383,539	421,487
Pledges receivable, net	91,323,086	95,623,487
Other receivables	15,782,863	8,454,616
Investments	2,430,867,542	2,569,660,841
Art collections	39,926,563	38,826,563
Leasehold improvements and equipment, net	4,586,636	1,733,659
Total assets	$ 2,607,755,855	$ 2,741,489,815
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	$ 12,898,833	$ 34,413,098
Assets held for others	467,669,271	449,942,826
Charitable remainder trust obligations	798,629	869,640
Total liabilities	481,366,733	485,225,564
Net assets:		
Without donor restrictions:		
Available for operations	3,197,889	31,311,456
Board designated	58,661,234	36,496,055
Total net assets without donor restrictions	61,859,123	67,807,511
With donor restrictions:		
Purpose restricted	458,945,453	446,385,144
Perpetual	1,605,584,546	1,742,071,596
Total net assets with donor restrictions	2,064,529,999	2,188,456,740
Total net assets	2,126,389,122	2,256,264,251
Total liabilities and net assets	$ 2,607,755,855	$ 2,741,489,815

THE UNIVERSITY OF OKLAHOMA FOUNDATION, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Contributions	$ 2,727,111	$ 193,662,110	$ 196,389,221
Gifts of art	-	1,100,000	1,100,000
Investment return:			
Interest, dividends and royalties	4,367,410	18,981,774	23,349,184
Net realized and unrealized losses on investments, net	(18,812,871)	(130,227,967)	(149,040,838)
Total investment loss	(14,445,461)	(111,246,193)	(125,691,654)
Other revenues (losses)	7,264,458	(16,508,206)	(9,243,748)
Endowment distributions	21,163,286	(21,163,286)	-
Reinvestment of endowment distributions and donor redesignations	(104,318)	104,318	-
Net assets released from restrictions	169,875,484	(169,875,484)	-
Total revenues	186,480,560	(123,926,741)	62,553,819
Expenses			
Program services:			
The University of Oklahoma:			
General University educational assistance	35,571,094	-	35,571,094
Salary supplements	49,438,186	-	49,438,186
Facilities and equipment	14,859,475	-	14,859,475
Student scholarships	69,192,672	-	69,192,672
Supporting services:			
Management and general	8,135,289	-	8,135,289
Fundraising	15,232,232	-	15,232,232
Total expenses	192,428,948	-	192,428,948
Decrease in net assets	(5,948,388)	(123,926,741)	(129,875,129)
Net assets, beginning of year	67,807,511	2,188,456,740	2,256,264,251
Net assets, end of year	$ 61,859,123	$ 2,064,529,999	$ 2,126,389,122

See notes to consolidated financial statements.

THE UNIVERSITY OF OKLAHOMA FOUNDATION, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Contributions	$ 507,806	$ 225,441,661	$ 225,949,467
Investment income:			
Interest, dividends and royalties	3,306,632	13,849,186	17,155,818
Net realized and unrealized gains on investments, net	14,139,537	438,156,837	452,296,374
Total investment income	17,446,169	452,006,023	469,452,192
Other revenues	4,978,092	2,027,961	7,006,053
Endowment distributions	17,799,081	(17,799,081)	-
Reinvestment of endowment distributions and donor redesignations	11,476,121	(11,476,121)	-
Net assets released from restrictions	123,562,337	(123,562,337)	-
Total revenues	175,769,606	526,638,106	702,407,712
Expenses			
Program services:			
The University of Oklahoma:			
General University educational assistance	29,156,643	-	29,156,643
Salary supplements	43,614,346	-	43,614,346
Facilities and equipment	18,972,401	-	18,972,401
Student scholarships	35,332,768	-	35,332,768
Supporting services:			
Management and general	7,381,702	-	7,381,702
Fundraising	6,140,142	-	6,140,142
Total expenses	140,598,002	-	140,598,002
Increase in net assets	35,171,604	526,638,106	561,809,710
Net assets, beginning of year	32,635,907	1,661,818,634	1,694,454,541
Net assets, end of year	$ 67,807,511	$ 2,188,456,740	$ 2,256,264,251

THE UNIVERSITY OF OKLAHOMA FOUNDATION, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2022

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Total Expenses
University support:				
Grants and other assistance to organizations	$ 34,322,162	$ -	$ -	$ 34,322,162
Salary supplements	49,438,186	-	-	49,438,186
Facilities and equipment	14,859,475	-	-	14,859,475
Scholarships and awards	69,192,672	-	-	69,192,672
Operations support	941,638	-	-	941,638
Technology support	34,086	-	-	34,086
Salaries and benefits	-	3,489,734	13,780,385	17,270,119
Professional fees	273,208	1,509,418	50,417	1,833,043
Information technology	-	879,348	6,748	886,096
Facilities	-	538,260	222	538,482
Office	-	1,337,148	1,394,460	2,731,608
Insurance	-	195,934	-	195,934
Depreciation	-	185,447	-	185,447
Total expenses	$ 169,061,427	$ 8,135,289	$ 15,232,232	$ 192,428,948

THE UNIVERSITY OF OKLAHOMA FOUNDATION, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2021

		Supporting Services		
	Program Services	Management and General	Fundraising	Total Expenses
University support:				
Grants and other assistance to organizations	$ 28,525,395	$ -	$ -	$ 28,525,395
Salary supplements	43,614,346	-	-	43,614,346
Facilities and equipment	18,972,401	-	-	18,972,401
Scholarships and awards	35,332,768	-	-	35,332,768
Operations support	492,925	-	-	492,925
Technology support	138,323	-	-	138,323
Salaries and benefits	-	5,316,832	4,760,612	10,077,444
Professional fees	-	487,672	297,208	784,880
Information technology	-	181,203	209,129	390,332
Facilities	-	142,464	-	142,464
Office	-	1,021,346	873,193	1,894,539
Insurance	-	140,977	-	140,977
Depreciation	-	91,208	-	91,208
Total expenses	$ 127,076,158	$ 7,381,702	$ 6,140,142	$ 140,598,002

THE UNIVERSITY OF OKLAHOMA FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Increase (decrease) in net assets	$ (129,875,129)	$ 561,809,710
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Contributions restricted for endowment	(46,980,488)	(131,035,792)
Endowment investment (income) loss	124,586,026	(448,353,742)
Benefit for unfulfilled pledges	(935,748)	(5,622,570)
Change in discount on contributions receivable	7,112,029	913,661
Net realized and unrealized gains on nonendowment investments	5,791,242	(17,647,543)
Gifts of art	(1,100,000)	-
Depreciation expense	185,447	91,208
Change in operating assets and liabilities:		
Pledges receivable	(30,923,718)	(15,901,538)
Other receivables	(7,328,247)	9,672,470
Accounts payable and accrued liabilities	(20,120,466)	18,140,126
Assets held for others	17,726,445	80,908,168
Charitable remainder trust obligations	(71,011)	(74,768)
Net cash provided by (used in) operating activities	(81,933,618)	52,899,390
Cash Flows from Investing Activities		
Purchase of investments	(365,878,686)	(375,654,855)
Proceeds from sale of investments	372,938,866	204,149,955
Purchase of property and equipment	(3,038,424)	-
Proceeds from sale of property and equipment	-	123,192
Net cash provided by (used in) investing activities	4,021,756	(171,381,708)
Cash Flows from Financing Activities		
Proceeds from contributions restricted for endowment	76,028,326	122,955,304
Net increase (decrease) in cash and cash equivalents	(1,883,536)	4,472,986
Cash and cash equivalents, beginning of year	26,769,162	22,296,176
Cash and cash equivalents, end of year	$ 24,885,626	$ 26,769,162

Note 1 – Nature of Operations and Consolidation

The University of Oklahoma Foundation, Inc. (the Foundation) is a not-for-profit corporation organized and operated for the purpose of receiving and administering gifts for the benefit of The University of Oklahoma (the University).

The Foundation also acts as a custodian and investment manager of assets for certain charitable/tax exempt organizations so that they may participate in the Foundation's investment portfolio (see Note 7).

The consolidated financial statements (the financial statements) of the Foundation include the following wholly owned subsidiaries:

- University North Park, LLC
- UNP Realty Investors, LLC
- L.W. Cary Investors, LLC
- Hamm Family Diabetes Center, LLC
- OUF Real Estate Holdings, LLC

Also included in the accompanying financial statements are the accounts of Foundation for Engineering at the University of Oklahoma, Inc. (FEOU), a supporting organization of the Foundation. The bylaws of FEOU require that a majority of the members of the board of directors be appointed by the Foundation (see Note 15).

All significant intercompany balances and transactions have been eliminated in consolidation.

Although the University is the exclusive beneficiary of the Foundation, the Foundation is independent of the University in all respects. The Foundation is not a subsidiary or affiliate of the University and is not directly or indirectly controlled by the University. The University is not accountable for, and does not have ownership of, any of the financial and capital resources of the Foundation. The University does not have the power or authority to mortgage, pledge or encumber the assets of the Foundation. The trustees of the Foundation are entitled to make all decisions regarding the business and affairs of the Foundation, including, without limitation, distributions made to the University.

Assets that the University places with the Foundation for investment, together with investment income (see Note 2), are held, administered, and distributed to the University under the direction and supervision of the Foundation based upon university policies and instructions. See Note 7 regarding assets placed with the Foundation for investment under investment services agreements with The Board of Regents of the University of Oklahoma (Board of Regents), The University of Oklahoma Health Sciences Center (OUHSC), and Oklahoma Health Sciences Facility, Inc. (OHSF). Except for assets that the University and others have placed with the Foundation for investment (and the investment income from such assets), the assets held by the Foundation are the exclusive property of the Foundation.

Under state law, neither the principal nor income generated by the assets of the Foundation can be taken into consideration in determining the amount of state-appropriated funds allocated to the University. Third parties dealing with the University, the Oklahoma State Regents for Higher Education and the State of Oklahoma (or any agency thereof) should not rely upon the financial statements of the Foundation for any purpose without consideration of all of the foregoing conditions and limitations.

Note 2 – Summary of Significant Accounting Policies

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities, Presentation of Financial Statements*.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents.

Pledges receivable

The Foundation's periodic assessment of pledges receivable and credit loss provisions are based on the Foundation's best estimates of pledges which may not be recoverable. Pledges are written off when deemed uncollectible. Pledges receivable expected to be collected within one year are reported at their net realizable value. Pledges receivable expected to be collected in future years are reported at the present value of estimated future cash flows.

Investments

Investments are initially recorded at their acquisition cost (including brokerage and other transaction fees) if they were purchased or at fair value at the date of contribution if they were received as contributions. Securities contributed to the Foundation for which a value cannot be reasonably determined are recorded at a nominal amount of $1.00.

Investments consist of both marketable and nonmarketable investment securities as follows:

> *Marketable securities* – Marketable securities consist of investments in debt and equity securities (other than closely held common stock), including mutual funds and money market funds, and are recorded at fair value. These marketable securities are subject to overall market risks which could result in a temporary or permanent decline in the fair value of these securities. Declines in the fair value of individual investments below their cost that are other than temporary are included in earnings as impairment of investments. There were no impairments recorded at June 30, 2022 or 2021.

Nonmarketable securities – Nonmarketable securities are classified according to the nature of the underlying investment and primarily include hedge funds, real estate funds, private equity funds, and closely held common stock. The Foundation elected to report the fair value of its nonmarketable securities, excluding real estate and other investments, using net asset value (NAV) as reported by fund managers based on the fair value of the underlying assets.

Other nonmarketable investments consists of real estate and other investments measured at carrying value. Underlying real property is initially recorded at appraised value on the date donated or at cost. Investments are subsequently reported at the lower of cost or market. Management reviews investments measured at carrying value and the underlying assets and activity periodically and assesses the need for any impairment. Management does not believe any investments need to be impaired at the present time.

Investment income includes interest, dividends, royalties, and other investment income, realized and unrealized gains and losses on investments carried at fair value, net of investment fees and direct internal investment expenses, and realized gains and losses on other investments. Income from investments measured at carrying value is recorded when received.

The majority of investments are combined in common investment pools (see Note 5) and invested on the basis of a total return policy (see Note 9).

Art collections

The Foundation's collection is maintained for public exhibition, education, and research in furtherance of public service, rather than for financial gain. All collections of works of art, historical treasures and similar assets are carried at the lower of cost or fair value at the time of donation, which is determined by an appraisal provided by the donor. The Foundation has a policy, if so restricted by the donor, to use deaccession proceeds for direct care of the collection. The Foundation defines direct care as investing in the works of art, historical treasures and similar assets by enhancing their life, usefulness or quality thereby ensuring they will continue to benefit the public.

Leasehold improvements and equipment

Equipment is depreciated on a straight-line basis over the estimated useful life of each asset. Assets under leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

Assets held for others

The Foundation recognizes a liability for the NAV of the Consolidated Investment Fund (CIF) and Expendable Investment Pool (EIP) units held for other not-for-profit organizations (see Note 7 along with Note 5 and Note 13 for the Foundation's fair value policy and measurements) as well as an alternative investment in a separate investment vehicle (see Note 7).

Charitable remainder trusts

The Foundation receives gifts of the future interests in charitable remainder trusts. Under the related agreements, the donors retain the rights to periodic distributions from the trusts for specified terms. At the end of the trusts' terms, the assets of the trusts become the property of the Foundation. Charitable remainder trust contributions are recorded as gifts in the year received. The contribution amounts recorded represent the difference between the fair market value of the assets donated and the present value of future expected distributions to the donors. Related liabilities for the present value of the future expected distributions to the donors are recorded as liabilities under charitable remainder trusts.

Net assets

The Foundation classifies net assets, revenues, gains and losses on investments based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

> *Net assets without donor restrictions* – Net assets without donor restrictions are available for use at the discretion of the Foundation's Board for general operating purposes. From time-to-time the Board may designate a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion. See Note 9 for information about Board-designated endowments.
>
> *Net assets with donor restrictions* – Net assets with donor restrictions consist of assets whose use is limited by donor-imposed restrictions. Some donor-imposed restrictions are perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity and are subject to the fluctuation of investment returns and periodic allocations for spending as specified by donors, Foundation policy, or applicable law. These net assets with donor restrictions typically include a stipulation that assets be maintained permanently (perpetual in nature) while permitting the Foundation to expend the investment income generated by the assets in accordance with the provisions of additional donor-imposed stipulations, a Board-approved endowment distribution policy, or relevant state law. Other 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. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished or time restriction ends, the net assets are reclassified as net assets without donor restrictions and are reported in the consolidated statements of activities as net assets released from restrictions.

Net assets with donor restrictions consist of the following at June 30:

	Purpose	Perpetual
2022:		
The University of Oklahoma:		
General University educational assistance	$ 257,927,450	$ 216,866,286
Salary supplements	41,130,405	681,810,850
Facilities and equipment (1)	135,891,162	50,142,153
Student scholarships	23,996,436	656,765,257
	$ 458,945,453	$ 1,605,584,546
2021:		
The University of Oklahoma:		
General University educational assistance	$ 304,083,398	$ 481,730,031
Salary supplements	33,366,385	636,991,608
Facilities and equipment (1)	87,809,131	50,345,773
Student scholarships	21,126,230	573,004,184
	$ 446,385,144	$ 1,742,071,596

(1) Includes art collections in the amount of $39,926,563 and $38,826,563 for the years ended June 30, 2022 and 2021, respectively.

Contributions

The Foundation recognizes nonreciprocal transactions (nonexchange) in accordance with ASC 958-605, *Not-for-Profit Entities, Revenue Recognition*, which includes clarified guidance from FASB Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope of Accounting*

Guidance for Contributions Received and Contributions Made. The amendment clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions.

Unconditional promises to give are recorded as contributions in the period in which a written or oral agreement to contribute cash or other assets is received. Conditional promises to give, which contain donor-imposed conditions that represent a barrier that must be overcome as well as a right of release from obligation, are recognized when the conditions on which they depend are substantially met. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions until restrictions are satisfied, at which point the net assets are reclassified as net assets without donor restrictions and are reported in the consolidated statements of activities as net assets released from restrictions. Contributions received are measured at fair value in accordance with ASC 820, *Fair Value Measurement*.

Functional allocation of expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification of expenses by function. Indirect costs that benefit multiple functional areas are allocated to the various functional areas based on the estimated cost attributable to each function.

Income taxes

The Foundation and supporting organization (see Note 15) are not-for-profit corporations and are exempt from income taxes under Internal Revenue Code Section 501(c)(3). However, the Foundation is subject to federal income tax on any unrelated business taxable income. The Foundation has limited unrelated business activity, and therefore, no provision for income taxes is included in the accompanying financial statements.

Reclassifications

Certain reclassifications have been made to the 2021 financial statements to confirm with the 2022 presentation. These reclassifications had no impact on the previously reported change in net assets.

Recently adopted accounting pronouncement

In September 2020, the FASB issued ASU No 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* The amendments require presentation of contributed nonfinancial assets as a separate line item in the statement of activities (apart from contributions of cash and other financial assets). In addition, disclosure is required for each type of contributed financial asset including uses, policies, restrictions, valuation details, and market information. The Foundation implemented this standard effective July 1, 2021. The adoption of this standard had no material effect on the Foundation's financial statements or disclosures.

Accounting pronouncement not yet adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which modifies lease accounting for lessees to increase transparency and comparability by recording lease assets and liabilities for operating leases and disclosing key information about leasing arrangements. Under the new guidance, at the commencement date, lessees will be required to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discount basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The new guidance is not applicable for leases with a term of 12 months or less. Lessor accounting is largely unchanged. As deferred by ASU 2020-05 issued in June 2020, the standard is effective for the Foundation for the year ending June 30, 2023. The Foundation has not yet evaluated the impact the standard will have on its financial statements and related disclosures.

Subsequent events

Subsequent events have been evaluated through October 31, 2022, the date the financial statements were available to be issued. See Notes 7 and 11.

Note 3 – Liquidity and Availability of Financial Assets

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity, with the investment income generated from such endowments used to fund programs.

The Foundation funds its operations primarily through administrative fees charged to endowed and nonendowed funds. Annual operations are defined as activities occurring during the Foundation's fiscal year. General expenditures include administrative, general and fundraising expenses, and exclude program related expenditures. Other than the payment of administrative fees to the Foundation, investment income from endowments restricted by donors for specific purposes is not available for general expenditure.

Financial assets available for general expenditure, that is, without donor restrictions or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following at June 30:

	2022	2021
Cash and cash equivalents	$ 2,000,000	$ 3,000,000
Appropriations from Board-designated endowment	1,825,000	1,730,000
Estimated administrative fees from restricted funds	22,430,000	20,220,000
Fundraising services funds	6,792,500	6,500,000
	$ 33,047,500	$ 31,450,000

Board-designated endowments were $31,819,401 and $32,529,773 at June 30, 2022 and 2021, respectively, and are subject to an annual distribution rate as described in Note 9. Although the Foundation does not intend to spend from its Board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriations), these amounts could also be made available if necessary and upon approval from the Board. To further help manage unanticipated liquidity needs, the Foundation has a committed line of credit of $60,000,000, which it could draw upon (see Note 8).

Additionally, as part of the Foundation's liquidity plan, the Foundation has created various reserves, funded with cash and cash equivalents and investments. Such reserves can be made available as necessary upon approval from the Board.

Operating reserve – The operating reserve is intended to provide an internal source of funds for situations which may include, but are not limited to, a one-time unbudgeted expense, a sudden increase in overall expenses, or an unanticipated loss of a significant funding source. The target balance of the operating reserve is equal to 50% of the Foundation's normalized operating budget for any given fiscal year and is funded from surplus unrestricted operating funds. At June 30, 2022 and 2021, the operating reserve had a balance of $25,827,474 and $2,951,923, respectively.

EIP reserve – The EIP reserve is intended to help mitigate liquidity risks associated with the EIP. Investments in these pools primarily consist of liquid funds that are expendable and available for distribution to the University under the direction and supervision of the Foundation based upon University policies and instructions. Thus, the EIP offers immediate liquidity to unit holders and holds no reserve against investment losses. Based on investment performance as well as ongoing unknown liquidity risk at June 30, 2022 and 2021, the EIP reserve had a balance of $26,027,800 and $25,997,900, respectively, and was included in the board-designated endowments noted above.

Building reserve fund – The building reserve is intended for building renovations and expansion. At June 30, 2022 and 2021, the building reserve had a balance of $1,014,359.

Note 4 – Pledges Receivable

Pledges receivable are recorded at present value based on the payment schedules indicated by the donors. Present value is calculated using a risk-free interest rate estimate based on the yield of U.S. Treasury securities with a five-year maturity. The total present value discount, which is reflected in the following schedules, was $8,646,974 and $1,534,945 as of June 30, 2022 and 2021, respectively.

Credit losses are provided for based on periodic assessments of outstanding pledges, particularly those pledges which are past due as well as historical trends related to the collection of pledges receivable. The Foundation has a policy to specifically reserve for 20% of outstanding pledge balances when pledge payments have not been received within 12 months. This reserve increases 20% for each year outstanding. Based on past experience with pledge collections, the Foundation also records an additional general reserve of 1% on all outstanding pledges not specifically reserved for.

The scheduled discounted and undiscounted payment amounts as of June 30, are as follows:

2022	Discounted	Undiscounted
2023	$ 47,377,840	$ 48,801,070
2024	14,570,851	15,459,416
2025	13,037,341	14,247,914
2026	7,743,768	8,717,033
2027	6,410,851	7,433,377
Thereafter	11,301,522	14,430,337
	100,442,173	109,089,147
Less: allowance for doubtful accounts	9,119,087	9,119,087
Total pledges receivable, net	$ 91,323,086	$ 99,970,060
2021		
2022	$ 73,352,430	$ 74,005,267
2023	12,087,265	12,303,376
2024	10,834,639	11,126,506
2025	6,974,267	7,225,885
2026	1,845,343	1,928,935
Thereafter	584,378	623,298
	105,678,322	107,213,267
Less: allowance for doubtful accounts	10,054,835	10,054,835
Total pledges receivable, net	$ 95,623,487	$ 97,158,432

Note 5 – Investments

Investments consist of the following at June 30:

	2022	2021
Investments measured at fair value:		
Equity securities	$ 168,043,667	$ 168,747,870
U.S. government securities	287,060,609	262,840,767
Mutual funds	525,224,357	555,868,702
Master trusts	149,638,709	193,352,596
Money market funds	285,028,209	302,929,430
Alternative investments	986,504,084	1,053,425,753
	2,401,499,635	2,537,165,118
Investments measured at carrying value:		
Real estate	25,942,575	25,900,615
Other investments	3,425,332	6,595,108
	29,367,907	32,495,723
	$ 2,430,867,542	$ 2,569,660,841

Pooled investments

The Foundation's investments are pooled for investment management purposes as follows:

Consolidated Investment Fund – Investments in this pool consist primarily of domestic and international equity securities, U.S. government securities, derivative financial instruments and alternative holdings.

Expendable Investment Pools – Investments in these pools primarily consist of liquid money market funds, mutual funds, equities, notes related to investment interests in real estate and separate accounts holding U.S. government and corporate fixed income securities.

Ownership interests in each pool are unitized. The Foundation calculates the NAV per unit monthly based on the value of the underlying assets in each pool. New investments and withdrawals from these pools for the benefit of the unit holders are transmitted at the NAV per unit on the monthly valuation dates. With the exception of alternative investments, the pooled funds are held in the custody of the Bank of New York Mellon.

Investments not included in the pooled investment funds consist of U.S. government securities, equity securities, mutual funds, money market funds, real property, notes receivable, and cash surrender value of life insurance policies. Investments are included in the following pools at June 30:

	2022	2021
Consolidated investment fund (CIF)	$ 1,818,904,698	$ 1,883,224,120
Expendable investment pools (EIP)	299,354,288	387,372,430
Nonpooled investments	312,608,556	299,064,291
	$ 2,430,867,542	$ 2,569,660,841

Note 6 – Leasehold Improvements and Equipment

Leasehold improvements and equipment consist of the following at June 30:

	2022	2021
Computer equipment and software	$ 308,405	$ 912,019
Buildings and leasehold improvements	4,201,085	2,281,237
Other equipment	251,407	448,763
Furniture and fixtures	1,539,715	499,372
	6,300,612	4,141,391
Accumulated depreciation and amortization	(1,713,976)	(2,407,732)
	$ 4,586,636	$ 1,733,659

Note 7 – Assets Held for Others

Pursuant to an investment agreement dated October 15, 2010, certain endowed assets of Presbyterian Health Foundation (PHF) were placed with the Foundation for a fee and invested in the Foundation's CIF. The PHF investment in the CIF is subject to the same investment management and distribution policies as the Foundation investments in the CIF. Investment performance results of the CIF are allocated to PHF on a pro rata basis based on the number of CIF units held by PHF. The initial term of the agreement ended October 31, 2012, with a provision to automatically renew annually thereafter. PHF is independent of the Foundation in all respects. PHF is not a subsidiary or affiliate of the Foundation and is not directly or indirectly controlled by the Foundation. Moreover, the CIF units held by PHF are the exclusive property of PHF and do not belong to the Foundation. The Foundation does not have ownership of any of the financial and capital resources of PHF. The directors or trustees of PHF are entitled to make all decisions regarding the business and affairs of PHF. Neither the principal nor income generated by the net assets of PHF can be taken into consideration in determining the amount of net assets of the Foundation. PHF does not have an ownership interest, beneficial or outright, in, or any voting rights with respect to the Foundation.

Pursuant to an investment and administrative services agreement dated July 1, 2014, certain endowed and nonendowed assets of the Board of Regents were placed with the Foundation for a fee and invested in the Foundation's CIF and EIP. The Board of Regents' investment funds are subject to the same investment management and distribution policies as the Foundation investments. The initial term of the agreement ended June 30, 2016, with a provision to automatically renew annually thereafter. The Board of Regents is independent of the Foundation in all respects. The Board of Regents is not a subsidiary or affiliate of the Foundation and is not directly or indirectly controlled by the Foundation. Moreover, the assets are the exclusive property of the Board of Regents and do not belong to the Foundation. The Foundation does not have ownership of any of the financial and capital resources of the Board of Regents. The Board of Regents is entitled to make all decisions regarding the business and affairs of the Board of Regents. Neither the principal nor income generated by the net assets of the Board of Regents can be taken into consideration in determining the amount of net assets of the Foundation. The Board of Regents does not have an ownership interest, beneficial or outright, in, or any voting rights with respect to the Foundation.

Pursuant to an investment services agreement dated June 15, 2015, certain nonendowed assets of the OUHSC were placed with the Foundation for a fee and invested in the Foundation's EIP. The OUHSC investment in the EIP is subject to the same investment management and distribution policies as the Foundation investments. The initial term of the agreement ended June 30, 2017, with a provision to automatically renew annually thereafter. An amendment to the investment services agreement was entered into as of December 18, 2017, in which the majority of the OUHSC nonendowed assets were transferred from the EIP into a separate investment vehicle. On January 31, 2018, as directed by the Board of Regents, the Foundation entered into a $135,000,000 loan agreement with OU Medicine, Inc. (OU Medicine). OU Medicine, a not-for-profit corporation, is affiliated with the University and is not a subsidiary or affiliate of the Foundation. The investment by OUHSC in OU Medicine is being facilitated by the Foundation based on the amended investment services agreement. The Foundation will service the transactions as generated by the investment and update the separate investment vehicle fair value on an annual basis (see Note 13). Interest accrues on the note at an interest rate of 5%, and the transactions consist of collection of various payments based on certain operating conditions being met by OU Medicine. Initial payments began during the year ended June 30, 2021, and will continue annually through December 15, 2032. As stated within the loan agreement, the maximum annual payment from OU Medicine in a single period cannot exceed $17,500,000. This separate investment vehicle is included in the Foundation's nonpooled investments and is considered an alternative investment. OUHSC is independent of the Foundation in all respects. OUHSC is not a subsidiary or affiliate of the Foundation and is not directly or indirectly controlled by the Foundation. Moreover, the EIP units held by OUHSC are the exclusive property of OUHSC and do not belong to the Foundation. The Foundation does not have ownership of any of the financial and capital resources of OUHSC. The Board of Regents is entitled to make all decisions regarding the business and affairs of OUHSC. Neither the principal nor income generated by the net assets of OUHSC can be taken into consideration in determining the amount of net assets of the Foundation. OUHSC does not have an ownership interest, beneficial or outright, in, or any voting rights with respect to the Foundation.

Pursuant to an investment services agreement dated March 15, 2016, certain nonendowed assets of Oklahoma Health Sciences Facility, Inc. (OHSF) were placed with the Foundation for a fee and invested in the Foundation's EIP. The OHSF investment in the EIP is subject to the same investment management and distribution policies as the Foundation investments. The initial term of the agreement ended June 30, 2017, with a provision to automatically renew annually thereafter. OHSF is independent of the Foundation in all respects. OHSF is not a subsidiary or affiliate of the Foundation and is not directly or indirectly controlled by the Foundation. Moreover, the EIP units held by OHSF are the exclusive property of OHSF and do not belong to the Foundation. The Foundation does not have ownership of any of the financial and capital resources of OHSF. Neither the principal nor income generated by the net assets of OHSF can be taken into consideration in determining the amount of net assets of the Foundation. OHSF does not have an ownership interest, beneficial or outright, in, or any voting rights with respect to the Foundation.

Pursuant to an investment agreement dated August 27, 2020, certain endowed assets of the Mewbourne Family Supporting Organization (MFSO) were placed with the Foundation for a fee and invested in the Foundation's CIF and EIP. The MFSO's investment funds are subject to the same investment management and distribution policies as the Foundation investments. The initial term of the agreement ended August 31, 2022, with a provision to automatically renew annually thereafter. MFSO is independent of the Foundation in all respects. MFSO is not a subsidiary or affiliate of the Foundation and is not directly or indirectly controlled by the Foundation. Moreover, the assets are the exclusive property of MFSO and do not belong to the Foundation. The Foundation does not have ownership of any of the financial and capital resources of MFSO. MFSO is entitled to make all decisions regarding the business and affairs of MFSO. Neither the principal nor income generated by the net assets of MFSO can be taken into consideration in determining the amount of net assets of the Foundation. MFSO does not have an ownership interest, beneficial or outright, in, or any voting rights with respect to the Foundation.

Pursuant to an investment and fundraising support services agreement dated January 1, 2021, certain endowed assets of OU Medicine, Inc. (OUMI) were placed with the Foundation for a fee and invested in the Foundation's CIF and EIP. The OUMI investment funds are subject to the same investment management and distribution policies as the Foundation investments. The initial term of the agreement ends December 31, 2022, with a provision to automatically renew annually thereafter. OUMI is independent of the Foundation in all respects. OUMI is not a subsidiary or affiliate of the Foundation and is not directly or indirectly controlled by the Foundation. Moreover, the assets are the exclusive property of OUMI and do not belong to the Foundation. The Foundation does not have ownership of any of the financial and capital resources of OUMI. OUMI is entitled to make all decisions regarding the business and affairs of OUMI. Neither the principal nor income generated by the net assets of OUMI can be taken into consideration in determining the amount of net assets of the Foundation. OUMI does not have an ownership interest, beneficial or outright, in, or any voting rights with respect to the Foundation.

As of June 30, 2022, certain endowed assets of Children's Medical Research Institute (CMRI) were placed with the Foundation and invested in the Foundation's CIF and EIP, and were subsequently withdrawn in August 2022.

Assets held for others were comprised of the following as of June 30:

	2022	2021
Board of Regents	$ 186,062,165	$ 176,793,245
OUHSC	165,753,553	159,764,664
PHF	79,625,780	90,675,250
MFSO	19,715,344	21,460,487
OHSF	876,657	915,140
OUMI	1,432,782	334,040
CMRI	14,202,990	-
	$ 467,669,271	$ 449,942,826

Note 8 – Credit Facility

The Foundation has a $60,000,000 revolving line of credit agreement (the credit agreement) with a bank for liquidity and working capital. Amounts drawn on the credit agreement are secured by marketable securities. The credit agreement matures on April 28, 2025, and borrowings bear interest at a variable interest rate (0.73% at June 30, 2022). There were no borrowings outstanding under this line of credit at June 30, 2022 or 2021.

Note 9 – Endowment

The Foundation's endowment consists of approximately 3,300 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. The Foundation has adopted investment and distribution policies for endowment assets that attempt to provide a predictable stream of funding for programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. 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 current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

The Foundation has a policy (the endowment distribution policy) of distributing to beneficiaries each year a percentage of the endowment fund's average fair value over the prior 12 quarters through the fiscal year-end preceding the year in which expenditure is planned. In establishing the percentage for distribution, the Foundation considers the long-term expected return on its endowment. The Board annually reviews the endowment distribution policy as it relates to maintaining the purchasing power of endowment assets. For the years ended June 30, 2022 and 2021, the Foundation established a distribution rate of 4.50% for beneficiaries. The distribution per unit in any single fiscal year shall not exceed the prior year's distribution by more than 5%. Over the long term, the Foundation expects the endowment distribution policy to allow the endowment to grow by inflation. Actual returns in any given year will vary from the amount distributed.

Due to the difference in the long-term rate of return objectives used in determining the endowment distribution policy and actual short-term investment returns, as of June 30, 2022, the fair value of endowment investments for approximately 100 endowment funds were less than the value of the original gift (underwater) by approximately $3,400,000. The total fair value and cost of endowed funds considered to be underwater were approximately $166,200,000 and $169,600,000, respectively. At June 30, 2021, there were no endowment funds less than the original gift value. The Foundation monitors these conditions and, if necessary, will take appropriate steps including modifying distributions to the beneficiaries of the affected endowment funds in order to maintain their long-term fiscal health.

Some of the individual endowment funds were created under agreements that provide for the permanent retention of investment returns in excess of or less than endowment distributions made available to beneficiaries. For all other endowments, the Board has interpreted the State of Oklahoma Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the purchasing power of the original gift. Under the Foundation's investment return objectives and endowment distribution policy, over the long term, the Foundation expects that the real value of the endowment will be maintained in perpetuity. As a result of explicit endowment agreements and interpretation of donor intent, the Foundation classifies as perpetual endowment funds (a) the original value of all gifts donated to the endowment, (b) accumulation of investment returns in excess of or less than amounts distributed under the Foundation's endowment distribution policy, and (c) endowment distributions that are returned to the endowment fund.

Endowment fund distributions are placed in separate accounts maintained in short-term highly liquid investments and are distributed to beneficiaries as they are expended. Unexpended endowment fund distributions are reported as either net assets without donor restrictions or net assets with donor restrictions depending on donor stipulations. The fair value of unexpended endowment distributions available for expenditure by endowment beneficiaries as of June 30, 2022 and 2021, were $81,449,300 and $73,231,220, respectively.

Changes in endowment net assets for the years ended June 30, were:

	Without Donor Restrictions	With Donor Restrictions	Total
2022:			
Endowment net assets, beginning of year	$ 32,529,773	$ 1,742,071,596	$ 1,774,601,369
Investment return:			
Investment income	150,921	18,663,570	18,814,491
Net depreciation	(729,300)	(143,249,596)	(143,978,896)
Total investment loss	(578,379)	(124,586,026)	(125,164,405)
Contributions	100,000	46,980,488	47,080,488
Reinvestment of endowment distributions and donor redesignations	-	15,833,380	15,833,380
Distributions	(231,993)	(74,714,892)	(74,946,885)
Endowment net assets, end of year	$ 31,819,401	$ 1,605,584,546	$ 1,637,403,947

	Without Donor Restrictions	With Donor Restrictions	Total
2021:			
Endowment net assets, beginning of year	$ 24,952,334	$ 1,240,126,648	$ 1,265,078,982
Investment return:			
Investment income	6,166,336	13,704,911	19,871,247
Net appreciation	2,558,929	434,648,831	437,207,760
Total investment return	8,725,265	448,353,742	457,079,007
Contributions	-	131,035,792	131,035,792
Reinvestment of endowment distributions and donor redesignations	-	(10,158,490)	(10,158,490)
Distributions	(1,147,826)	(67,286,096)	(68,433,922)
Endowment net assets, end of year	$ 32,529,773	$ 1,742,071,596	$ 1,774,601,369

Endowment funds were comprised of the following assets at June 30:

	2022	2021
Pledges receivable	$ 17,076,665	$ 45,108,413
Investments	1,580,400,719	1,690,666,393
Art collections	39,926,563	38,826,563
	$ 1,637,403,947	$ 1,774,601,369

Note 10 – University Transactions

The Foundation makes certain purchases through the University, and the University provides certain services to the Foundation. The Foundation's management believes that purchases made and services received were at prices and terms comparable to those that would be obtained in similar transactions with unrelated parties. In addition, the Foundation reimburses the University for various individuals' time and expenses relating to fundraising activities. Substantially all amounts due for such transactions were paid to the University prior to June 30, 2022 and 2021. Upon receiving adequate documentation, the Foundation will reimburse the University for certain expenditures in accordance with the fund purpose and based on program guidelines established by the donors. Pursuant to an Advancement Services Agreement dated February 28, 2021, the University engaged the Foundation to oversee, coordinate, and manage advancement, development, alumni and donor relations, and fundraising. The initial term of the agreement ends June 30, 2026, with a provision to automatically renew annually thereafter.

Note 11 – Operating Lease

In the early 1980s, the Foundation raised funds through a special fund drive to construct a building currently occupied by the Foundation on land owned by the University. Upon completion, the building was given to the University in exchange for a long-term lease of the land and related improvements at a stated rental rate of $1.00 per year.

In February 2021, the Foundation entered an operating lease with the Board of Regents for three properties. In November 2021, the Foundation entered operating leases for two properties. Additionally, in August 2022, the Foundation entered an operating lease for one property. Lease expenses were approximately $394,000 and $88,000 for the years ended June 30, 2022 and 2021, respectively.

Minimum future rental payments under operating leases are as follows:

Year ending June 30,	Amount
2023	$ 680,587
2024	725,615
2025	726,746
2026	727,877
2027	557,118
Thereafter	2,741,327
	$ 6,159,270

Note 12 – Retirement Plan

The Foundation has a defined contribution 401(k) benefit plan covering all eligible employees. Under this plan, the Foundation contributes 10% of an employee's base pay. In addition, the Foundation will match 100% of the employee's elective deferrals up to 3% of the employee's base pay. Contribution expense was $1,692,745 and $866,235 for 2022 and 2021, respectively.

Note 13 – Fair Value Measurement

The FASB ASC establishes a consistent framework for measuring fair value and fair value hierarchy based on the observability of inputs used to measure fair value. These inputs are summarized in three broad levels:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Certain alternative investments are exempted from classification of the above fair value hierarchy and are reported using NAV (or its equivalent) as a practical expedient as determined by management. These investments are less liquid than the Foundation's other investments and are generally accessed via limited partnerships, limited liability corporations, and offshore investment funds. There is generally no readily determinable fair value for alternative investments, though certain funds may invest in securities for which there is a public market. These investments are subject to varying degrees of liquidity restrictions. The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

Assets held for others

The fair value of assets held for others in the CIF is based on the NAV of the CIF, a Level 3 input, and the fair value of assets held for others in the EIP is based on the NAV of the EIP, a Level 2 input. The underlying investments of the CIF include significant amounts of Level 1, 2 and 3 inputs, and the underlying investments of the EIP include significant amounts of Level 1 and 2 inputs. The fair value of the alternative investment has been determined at book value. The investment agreements related to the assets held for others include restrictions and notice requirements for redemptions.

Other financial instruments

The carrying amounts of other financial instruments, including cash and cash equivalents, receivables, accounts payable and cash value of life insurance policies approximate fair value due to the short-term maturity of these instruments.

Investments

Investments measured at fair value on a recurring basis at June 30, are summarized as follows:

	Fair Value	Level 1	Level 2	Level 3
2022:				
Equity securities	$ 168,043,667	$ 29,447,217	$ -	$ 138,596,450
Debt securities	287,060,609	258,580,909	28,479,700	-
Mutual funds	525,224,357	525,224,357	-	-
Master trusts	149,638,709	-	149,638,709	-
Money market funds	285,028,209	285,028,209	-	-
Alternative investment	135,784,877	-	-	135,784,877
Total investments in the fair value hierarchy	1,550,780,428	$ 1,098,280,692	$ 178,118,409	$ 274,381,327
Investments measured at NAV [(1)]	850,719,207			
Total financial assets at fair value	$ 2,401,499,635			
2021:				
Equity securities	$ 168,747,870	$ 41,764,550	$ -	$ 126,983,320
Debt securities	262,840,767	233,798,442	29,042,325	-
Mutual funds	555,868,702	555,868,702	-	-
Master trusts	193,352,596	-	193,352,596	-
Money market funds	302,929,430	302,929,430	-	-
Alternative investment	135,784,877	-	-	135,784,877
Total investments in the fair value hierarchy	1,619,524,242	$ 1,134,361,124	$ 222,394,921	$ 262,768,197
Investments measured at NAV [(1)]	917,640,876			
Total financial assets at fair value	$ 2,537,165,118			

[(1)] In accordance with ASC 820-10, certain investments that are measured at fair value using NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

There were no transfers into or out of Level 3 measurements for the years ended June 30, 2022 or 2021. There were no purchases of Level 3 investments during the years ended June 30, 2022 or 2021. There have been no changes in the methodologies used at June 30, 2022 or 2021.

Closely held common stock

The closely held common stock consist of Class C nonvoting shares of an Oklahoma-based company (see Note 15). The fair value of the stock has been estimated based on an independent third-party appraisal. The investment was measured at fair value using primarily a market approach, and several criteria are considered Level 3 inputs. The stock is adjusted to fair value annually based upon the impact that significant factors, events and assumptions have on fair value, including the company's improving or deteriorating operating performance, market outlook, financial condition and other relevant inputs. The company intends to purchase approximately $1,000,000 of stock from the Foundation annually.

Alternative investment

As described in Note 7, the alternative investment represents the separate investment vehicle created pursuant to an amended investment services agreement with OUHSC. For the years ended June 30,2022 and 2021, the $135,000,000 loan agreement with OU Medicine was the only investment within this separate investment vehicle. The fair value of the alternative investment has been determined at book value. This valuation has been confirmed by a third-party appraisal using Level 3 inputs and various assumptions to approximate estimated future cash flows associated with the underlying loan agreement. Accrued interest on the loan (recorded within other receivables in the accompanying consolidated statements of financial position) was $13,500,000 and $6,750,000 for the years ended June 30, 2022 and 2021, respectively.

Master trusts

This class includes limited partnerships, trusts and master limited partnerships, which invest in a variety of areas including foreign investments and emerging markets.

Investments measured at NAV

The following table summarizes investments in certain entities that calculate NAV per share and for which there is not a readily determinable fair value with related unfunded commitments and redemption restrictions by each category as follows:

	Fair Value, June 30		Unfunded Commitments, June 30		Redemption	Redemption Notice
	2022	2021	2022	2021	Frequency	Period
Equity long/ short hedge funds (a)	$ 223,791,515	$ 306,711,051	$ -	$ -	Quarterly - 3 years	30 - 90 days
Real estate funds (b)	18,959,872	27,092,518	10,263,206	12,037,652	N/A	N/A
Private equity funds (c)	607,967,820	583,837,307	226,619,735	233,730,202	N/A	N/A
	$ 850,719,207	$ 917,640,876	$ 236,882,941	$ 245,767,854		

(a) The purpose of this asset class is to enhance portfolio diversification and reduce volatility of returns. Hedge funds take both long and short positions, primarily in common stocks, credit securities, and arbitrage trades. Management of the funds has the ability to shift investments among differing strategies according to their specific mandate. Some of the funds in this class are subject to lock-up periods where funds cannot be redeemed (without being subjected to a penalty) for as long as three years after the anniversary date of the investment. As of June 30, 2022, 58.7% of the funds in the hedge fund category can be redeemed in less than 12 months and approximately 39% of the funds could not be redeemed within two years. Of that portion, approximately 38% are in illiquid side pockets with an indefinite redemption period. Side pockets can only be redeemed upon realization of the underlying investment which is entirely at the discretion of the hedge fund manager. Fund managers calculate NAV based on the fair value of the underlying assets, which are primarily valued with Level 1 inputs.

(b) This class includes real estate limited partnerships that invest in diversified portfolios of real property. These investments cannot be redeemed and are subject to the terms of the individual funds. The funds typically have lives of up to ten years (with the potential for extensions if necessary), and distributions are at the discretion of the general partners. The general partners calculate NAV based on the fair value of the underlying investments, which are primarily valued with Level 3 inputs.

(c) This class includes private equity limited partnerships which may be more specifically referred to as private equity buyout funds, venture capital funds, distressed-for-control funds, mortgage-backed securities funds, natural resource funds or energy funds. The fund managers or general partners typically invest in the equity or debt of privately held companies, these investments cannot be redeemed and are subject to the terms of the individual funds. The funds typically have lives of up to ten years (with the potential for extensions if necessary) and are at the discretion of the general partners. The fund managers or general partners calculate NAV based on the fair value of the underlying investments, which are valued with Level 1, 2, and 3 inputs.

Note 14 – Concentrations

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist primarily of cash and cash equivalents, pledges receivable and investments. Bank deposit balances typically exceed Federal Deposit Insurance Corporation insurance limits. The Foundation manages this risk through utilization of various sweep accounts to convert uninsured cash and cash equivalents into overnight investments that generate a nominal return. Concentrations of credit risk with respect to pledges receivable are limited due to the large number of donors comprising the Foundation's donor base. The Foundation's two largest donors with pledges receivable, net of allowance, accounted for 27% of net pledges receivable, as of June 30, 2022. The Foundation's three largest donors with pledges receivable, net of allowance, accounted for 55% of net pledges receivable, as of June 30, 2021. All investments are managed within established guidelines which limit the amounts which may be invested with one issuer.

Note 15 – Foundation for Engineering

FEOU is a supporting organization formed for charitable and educational purposes exclusively to support the Foundation benefitting the College of Engineering at the University. This not-for-profit corporation was formed in 2011 based on a request from donors with the objective of providing resources to attract and retain faculty and students through scholarships and enhanced college resources. FEOU has applied for and received tax-exempt status with the Internal Revenue Service. During 2012, FEOU received contributions of closely held stock of $68,902,380. Since the initial contribution, FEOU has sold $7,203,427 worth of stock and the fair market value of the stock increased by $76,760,300. The closely held stock is classified as a Level 3 investment as there is little or no market activity or other observable inputs for the stock.

Note 16 – 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. In March 2020, the pandemic outbreak of a novel coronavirus known as COVID-19 began to spread throughout the United States, resulting in emergency declarations by national, state and local governments and municipalities. The pandemic in the United States and throughout the world has resulted in substantial volatility in financial markets. 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 Foundation's investments and the amounts reported in the statements of financial position. Additionally, the Foundation acknowledges the continued spread of COVID-19 could potentially negatively impact contributions and other support; however, any related financial impact cannot be reasonably estimated at this time. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.