



KANSAS MASONIC FOUNDATION, INC.

FINANCIAL STATEMENTS TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

MARCH 31, 2022 AND 2021

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Independent Auditor's Report

To the Board of Directors
Kansas Masonic Foundation, Inc.

Qualified Opinion

We have audited the accompanying financial statements of the Kansas Masonic Foundation, Inc. (the Foundation) which comprise the statements of financial position as of March 31, 2022 and 2021 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the Kansas Masonic Foundation, Inc. as of March 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

We were unable to obtain audited financial statements supporting the Foundation's investment in United Development Funding Land Opportunity Fund Investors LP stated at \$845,425 at March 31, 2022 and 2021; nor were we able to obtain sufficient appropriate audit evidence about the carrying value of the investment by other auditing procedures.

As more fully described in Note 17 to the financial statements, the Foundation has not recorded the liability associated with five commitments of funding to universities treated as conditional which we believed to be unconditional. In our opinion, accounting principles generally accepted in the United States of America require that unconditional pledges to give be recorded at present value at the date of the commitment as a liability. The effects on the accompanying financial statements of the failure to record nondiscounted unconditional pledges to give results in an understatement of liabilities and an overstatement of net assets without donor restrictions of \$3,150,000 and \$3,600,000 as of March 31, 2022 and 2021, respectively.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Kansas Masonic Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Kansas Masonic Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility 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 higher 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 judgement 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 Kansas Masonic Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Kansas Masonic Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

SSC CPAs, P.A.

SSC CPAs, P.A.
Topeka, KS
August 18, 2022

KANSAS MASONIC FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION

March 31,	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 930,452	\$ 1,386,205
Accounts receivable, net	121,185	23,710
Student loan receivable, current, net	74,094	104,856
50th anniversary pledges receivable, current, net	189,953	241,740
Prepaid expenses	93,257	71,575
Total current assets	1,408,941	1,828,086
Other assets		
Beneficial interest in trusts	439,766	436,593
Long-term investments	23,875,524	23,976,796
Property and equipment, net	6,531	10,121
Student loan receivable, noncurrent, net	202,445	291,169
50th anniversary pledges receivable, noncurrent, net	274,721	394,076
Other long-term assets	9,923	20,000
Total other assets	24,808,910	25,128,755
TOTAL ASSETS	\$ 26,217,851	\$ 26,956,841
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 82,900	\$ 47,420
Deferred revenue	7,967	15,548
Total current liabilities	90,867	62,968
Long-term liabilities		
Endowment payable	3,843,385	3,817,960
Due to beneficiaries	1,904,372	1,699,634
Annuity payable	2,505	3,605
Total long-term liabilities	5,750,262	5,521,199
Total liabilities	5,841,129	5,584,167
Net assets		
Without donor restriction		
Board designated	1,426,692	1,359,220
Undesignated	9,068,468	10,265,371
Total net assets without donor restrictions	10,495,160	11,624,591
With donor restriction	9,881,562	9,748,083
Total net assets	20,376,722	21,372,674
TOTAL LIABILITIES AND NET ASSETS	\$ 26,217,851	\$ 26,956,841

KANSAS MASONIC FOUNDATION, INC.
STATEMENTS OF ACTIVITIES

For the years ended March 31,	2022			2021		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Revenues, supporting services and gains						
Contributions	\$ 609,849	\$ 66,702	\$ 676,551	\$ 252,013	\$ 126,136	\$ 378,149
50th anniversary contributions	-	12,299	12,299	-	52,802	52,802
Investment return, net	500,360	423,419	923,779	3,179,749	2,250,367	5,430,116
Change in value of split-interest agreement and beneficial interest in trusts	-	3,173	3,173	-	75,617	75,617
Administrative fees	38,829	-	38,829	33,275	-	33,275
Gain on sale of assets	-	-	-	322,316	-	322,316
Paycheck Protection Program loan forgiveness	-	-	-	100,300	-	100,300
Refundable employee retention credits	53,736	-	53,736	-	-	-
Miscellaneous	1,230	-	1,230	38,198	-	38,198
Net assets released from restrictions	372,114	(372,114)	-	565,674	(565,674)	-
Total revenues	1,576,118	133,479	1,709,597	4,491,525	1,939,248	6,430,773
Expenses						
Program services	2,238,378	-	2,238,378	1,363,737	-	1,363,737
Management and general	285,540	-	285,540	310,814	-	310,814
Fundraising	181,631	-	181,631	176,613	-	176,613
Total expenses	2,705,549	-	2,705,549	1,851,164	-	1,851,164
Increase (decrease) in net assets	(1,129,431)	133,479	(995,952)	2,640,361	1,939,248	4,579,609
Net assets, beginning of year	11,624,591	9,748,083	21,372,674	8,984,230	7,808,835	16,793,065
Net assets, end of year	\$ 10,495,160	\$ 9,881,562	\$ 20,376,722	\$ 11,624,591	\$ 9,748,083	\$ 21,372,674

KANSAS MASONIC FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the year ended March 31,

2022

	Program services	Management & general	Fundraising	Total
50th anniversary payments to universities	\$ 700,000	\$ -	\$ -	\$ 700,000
Advertising and promotion	2,056	3,427	1,371	6,854
Bad debts	56,901	-	-	56,901
Band	15,000	-	-	15,000
C Club Expense	1,119	1,492	1,119	3,730
Computer expenses	8,744	30,604	4,372	43,720
Contributions, grants, and scholarships	1,225,690	-	-	1,225,690
Depreciation	969	969	1,652	3,590
Employee benefits	14,560	20,475	10,465	45,500
Fundraising	-	-	46,871	46,871
Lodge activities	61,190	7,649	7,649	76,488
Office supplies	6,977	11,628	4,651	23,256
Other expenses	5,921	19,244	4,441	29,606
Payroll taxes	6,474	9,104	4,653	20,231
Printing and postage	9,569	12,303	5,468	27,340
Professional fees	14,766	18,985	8,438	42,189
Publications	1,025	3,074	1,025	5,124
Rent	2,430	2,430	4,140	9,000
Salaries	82,671	116,257	59,420	258,348
Travel and meetings	19,540	25,123	11,166	55,829
Utilities	2,776	2,776	4,730	10,282
Total expenses	\$ 2,238,378	\$ 285,540	\$ 181,631	\$ 2,705,549

KANSAS MASONIC FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the year ended March 31,

2021

	Program services	Support services	Fundraising	Total
50th anniversary payments to universities	\$ 270,000	\$ -	\$ -	\$ 270,000
Advertising and promotion	3,424	5,849	1,957	11,230
Bad debts	137,962	-	-	137,962
Band	15,000	-	-	15,000
C Club Expense	747	1,015	731	2,493
Computer expenses	14,015	56,696	7,695	78,406
Contributions, grants, and scholarships	715,308	-	-	715,308
Depreciation	1,223	1,223	2,084	4,530
Employee benefits	14,809	19,413	7,552	41,774
Fundraising	-	-	40,097	40,097
Lodge activities	31,810	2,822	4,628	39,260
Office supplies	8,183	13,889	5,190	27,262
Other expenses	6,969	21,777	4,278	33,024
Payroll taxes	8,107	10,264	5,263	23,634
Printing and postage	7,190	9,128	11,089	27,407
Professional fees	16,326	20,203	9,882	46,411
Publications	2,376	7,276	1,990	11,642
Rent	4,416	5,586	3,877	13,879
Repairs and maintenance	2,812	4,146	1,607	8,565
Salaries	87,672	111,719	59,626	259,017
Travel and meetings	11,136	14,297	6,446	31,879
Utilities	4,252	5,511	2,621	12,384
Total expenses	\$ 1,363,737	\$ 310,814	\$ 176,613	\$ 1,851,164

KANSAS MASONIC FOUNDATION, INC.
STATEMENTS OF CASH FLOWS

For the years ended March 31,	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (995,952)	\$ 4,579,609
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation	3,590	4,530
Non-cash investment earnings, net of fees	(923,779)	(5,430,116)
Non-cash stock transfer	-	(1,042,163)
Increase (decrease) in allowance for bad debt	(46,827)	137,962
Gain on sale of property and equipment	-	(322,316)
Paycheck Protection Program loan forgiveness	-	(100,300)
Decrease (increase) in operating assets		
Accounts receivable	(97,475)	75,237
50th anniversary pledges receivable	219,642	200,287
Prepaid expenses	(21,682)	(8,715)
Beneficial interest in trusts	(3,173)	(75,617)
Increase (decrease) in operating liabilities		
Accounts payable	35,480	(62,775)
Deferred revenue	(7,581)	(14,361)
Endowment payable	25,425	933,537
Due to beneficiaries	204,738	559,792
Annuity payable	(1,100)	(1,151)
NET CASH USED IN OPERATING ACTIVITIES	(1,608,694)	(566,560)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments received on student loans	117,813	176,213
Proceeds from sale of investments	10,129,349	12,148,092
Purchase of investments	(9,104,298)	(11,308,856)
Payments received on annuities	10,077	-
Proceeds from sale of property and equipment	-	438,896
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,152,941	1,454,345
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	-	100,300
NET CASH PROVIDED BY FINANCING ACTIVITIES	-	100,300
Net increase (decrease) in cash and cash equivalents	(455,753)	988,085
Cash and cash equivalents, beginning of year	1,386,205	398,120
Cash and cash equivalents, end of year	\$ 930,452	\$ 1,386,205

KANSAS MASONIC FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

1. DESCRIPTION OF ORGANIZATION

The Kansas Masonic Foundation, Inc. is a non-profit organization incorporated in 1966 for the purposes of educational, charitable, and scientific endeavors. The Foundation's major program is to support cancer research and education programs at the Kansas Masonic Cancer Research Institute. Other programs include providing educational loans and scholarships to Kansas college students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements of the Foundation have been prepared on the accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP).

Basis of presentation

Under GAAP, net assets, revenues, expenses, gains and losses are classified 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 resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. The Board of Directors has designated from net assets without donor restrictions, net assets for the establishment of board designated endowments. These amounts are available for expenditure at the discretion of the Board for certain, specific purposes or projects.

Net assets with donor restrictions – Net assets with donor restrictions are resources that are restricted by donors for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor's instructions.

Cash and cash equivalents

The Federal Deposit Insurance Corporation insures amounts held by each institution in the Foundation's name up to \$250,000. At various times during the fiscal year, the Foundation's cash in bank balances exceeded the federally insured limits.

For the statement of cash flows, cash and cash equivalents include cash in checking and savings accounts.

Property and equipment

Property and equipment are stated at cost. Expenditures for additions and improvement that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to expense currently.

KANSAS MASONIC FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

Depreciation is determined on the straight-line basis with estimated useful lives as follows:

Furniture and equipment	5 – 7 years
Software	3 years
Computer	3 years

Investments

Investments received by the Foundation by gift, bequest or devise are stated at their fair value as of the date of receipt. Fair value is determined by appraisal, quoted market, etc. At year-end, investments are stated at fair market value. Investment Income or loss (including gains and losses on investments, interest, and dividends) is included in the statement of activities as increases and decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law. Investment securities are exposed to various risks, such as interest rate, market fluctuation and credit risk. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in risks in the near term would materially affect investments and the amounts reported in the statements of financial position.

Advertising costs

The Foundation expenses advertising costs as they are incurred. Advertising expense for the years ended March 31, 2022 and 2021 was \$6,854 and \$11,230, respectively.

Use of estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Income taxes

The Foundation is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

Expense allocation

The costs of providing various programs, fundraising, and other activities have been summarized on a functional basis in the statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied. The Foundation allocates costs across programs on the basis of periodic time and expense studies. The basis on which costs are allocated is evaluated periodically as needed and more often when new space or programs are added.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Foundation.

Student loan receivable

Student loan receivables are carried at unpaid principal balances, less an allowance for estimated uncollectible amounts and unearned discounts. Management’s periodic evaluation of the adequacy of the allowance is based on past loan loss experience, specific impaired loans, adverse situations that may affect the borrower’s ability to repay, and current economic conditions. Past due status is determined based on contractual terms. Loans are considered impaired if full principal or interest payments are not anticipated in accordance with the contractual terms. The Foundation’s practice is to charge off any loan or portion of a

KANSAS MASONIC FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

loan when the loan is determined by management to be uncollectible due to the borrower's failure to meet repayment terms, the borrower's deteriorating or deteriorated financial condition, or for other reasons. Interest is not accrued on outstanding loans until they are in repayment status upon the student's completion or withdraw from school. At the time the loan enters the repayment phase, interest is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

Pledges receivable

Pledges are recorded as a receivable and revenue when pledged. Unconditional pledges receivable that are expected to be received within one year are recorded at their net realizable value. Unconditional pledges receivable that are expected to be collected in future years are recorded at the present value of the estimate future cash flows. The discounts on those amounts are determined using the risk-free rates applicable to the years in which the pledges are received. On a periodic basis, the Foundation evaluates its pledges receivable and determines the necessity for an allowance for doubtful accounts, based on history of past write-offs, collection and other current conditions. As of March 31, 2022 and 2021, the Foundation has recorded an allowance for uncollectible pledges of \$548,400 and \$596,900, respectively. A pledge receivable is written off when it is determined that all collection efforts have been exhausted. Because of the inherent uncertainties in estimation the present value and allowance for doubtful accounts, it is at least reasonably possible that the estimates used will change within the near term.

The Foundation has been notified of additional intentions to give that are expected to be collected in future periods, principally through wills and revocable trusts. As such, these intentions to give are considered conditional and have not been recorded in the financial statements.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as revenue and net assets without donor restrictions.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

Pending accounting pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The guidance in the ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, leases will be classified as either finance or operating with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years.

In September 2020, the FASB issued ASU 2020-07, *Not for Profit Entities (Topic 958), Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments in this update improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for not-for-profits, including additional disclosure requirements for recognized contributed services. The amendments in this update should be applied on a retrospective basis and are

KANSAS MASONIC FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

effect for annual periods beginning after June 15, 2021. Early adoption is permitted. The Organization has not yet implemented this ASU and is currently evaluating the impact of the adoption of this standard on the financial statements.

3. LIQUIDITY AND AVAILABILITY

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

	2022	2021
Cash and cash equivalents	\$ 930,452	\$ 1,386,205
Investments (less illiquid amounts)	20,813,885	21,017,677
Accounts receivable	121,185	23,710
Student loan receivable – current	74,094	104,856
Pledges receivable – current	189,953	241,740
Total financial assets as of year end	22,129,569	22,774,188
Less financial assets held for other purposes:		
Board designated net assets	(1,426,692)	(1,352,729)
Net assets with donor restrictions	(9,881,562)	(9,748,083)
Endowment payable	(3,843,385)	(3,817,960)
Amounts held in agency transactions	(1,904,372)	(1,699,634)
Financial assets available to meet cash needs for general expenditures within one year	\$ 5,073,558	\$ 6,155,782

The above table reflects board designated funds, net assets with donor restrictions for purpose and for time, and other investments held in agency transactions as unavailable because it is the Foundation’s intention to invest those resources for the long-term support of the Foundation or because they are restricted for a purpose beyond meeting general expenditures. The amount remaining in the investment fund that does not have donor restrictions is intended to be invested for the long-term support of the Foundation. However, in the case of need, the Board of Directors could appropriate additional resources from these investments. Note 12 provides more information about the endowment funds, including the spending policies. In addition to the financial assets available to meet general expenditures over the next 12 months, the Foundation anticipates collecting revenue to cover a portion of the general expenditures. The Foundation regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. As part of the liquidity management plan, the Foundation invests cash in excess of regular requirement in investments.

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at March 31:

	2022	2021
Furniture and fixtures	\$ 10,304	\$ 10,304
Computer equipment	12,600	12,600
Equipment	10,435	10,435
Less accumulated depreciation	(26,808)	(23,218)
Property and equipment, net	\$ 6,531	\$ 10,121

Depreciation expense for the years ended March 31, 2022 and 2021 was \$3,590 and \$4,530, respectively.

KANSAS MASONIC FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

5. 50th ANNIVERSARY PLEDGES RECEIVABLE

During the year ended March 31, 2016, the Foundation launched a 50th Anniversary “Building Kansas” Campaign. This campaign requested multi-year pledges to support the nine foundational campaign pillars.

50th anniversary pledges receivable represents unconditional promises to give as follows:

	2022	2021
Unconditional promises to give	\$ 1,119,300	\$ 1,350,741
Less unamortized discount	(106,226)	(118,025)
Less allowance for uncollectible pledges receivable	(548,400)	(596,900)
50th anniversary pledges receivable, net	\$ 464,674	\$ 635,816

Pledges receivable with due dates extending beyond one year are discounted using Treasury Bill rates for similar term investments in the year the pledge is originally recorded.

The pledges receivable are due as follows at March 31, 2022 and 2021:

	2022	2021
In one year or less (included in current assets)	\$ 189,953	\$ 241,740
Between one year and five years	677,498	701,404
More than five years	251,849	407,597
Total 50th anniversary pledges receivable	\$ 1,119,300	\$ 1,350,741

6. FAIR VALUE MEASUREMENTS

Financial reporting standards establish a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument’s categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quotes prices for identical assets or liabilities in active markets.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

KANSAS MASONIC FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

Management endeavors to utilize the best available information in measuring fair value. The following table summarizes the best valuation of assets and liabilities measured at fair value by the above pricing level as of March 31, 2022 and 2021.

2022	Fair value	Level 1	Level 2	Level 3
Assets				
Investments – publicly-held				
Money market funds	\$ 17,620	\$ 17,620	\$ -	\$ -
Fixed income	4,093,362	4,093,362	-	-
Mutual funds	9,255,163	9,255,163	-	-
Savings bonds	30,000	30,000	-	-
	<u>\$ 13,396,145</u>	<u>\$ 13,396,145</u>	<u>\$ -</u>	<u>\$ -</u>
NAV investments				
Alternative investments				
Closely held equity	1,220,595			
Equities – international	6,091,980			
Private equity	<u>2,214,050</u>			
Subtotal	9,526,625			
Limited partnerships				
Equities – opportunistic	58,868			
Real assets	893,886			
Subtotal	<u>952,754</u>			
Total NAV Investments	10,479,379			
Total Investments	\$ 23,875,524			
Other assets				
Beneficial interest in trust	\$ 439,766	\$ -	\$ -	\$ 439,766
Gift annuities	9,923	-	-	9,923
Liabilities				
Endowment payable	3,843,385	-	-	3,843,385
Annuity liability	2,505	-	-	2,505

KANSAS MASONIC FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

2021	Fair value	Level 1	Level 2	Level 3
Assets				
Investments – publicly-held				
Money market funds	\$ 18,551	\$ 18,551	\$ -	\$ -
Fixed income	5,477,390	5,477,390	-	-
Mutual funds	9,540,501	9,540,501	-	-
Savings bonds	30,000	30,000	-	-
	<u>\$ 15,066,442</u>	<u>\$ 15,066,442</u>	<u>\$ -</u>	<u>\$ -</u>
NAV investments				
Alternative investments				
Equities – domestic	175,254			
Equities – international	5,666,371			
Private equity	2,115,732			
Subtotal	<u>7,957,357</u>			
Limited partnerships				
Equities – opportunistic	59,111			
Real assets	893,886			
Subtotal	<u>952,997</u>			
Total NAV Investments	8,910,354			
Total Investments	\$ 23,976,796			
Other assets				
Beneficial interest in trust	\$ 436,593	\$ -	\$ -	\$ 436,593
Gift annuities	20,000	-	-	20,000
Liabilities				
Endowment payable	3,817,960	-	-	3,817,960
Annuity liability	3,605	-	-	3,605

The following is a reconciliation of the Foundation’s assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended March 31, 2022 and 2021:

Assets	2022	2021
Total Level 3 – beginning of the year	\$ 456,593	\$ 380,976
Change in value of beneficial interest in trust	3,173	75,617
Change in gift annuities	(10,077)	-
Total Level 3 – end of the year	\$ 449,689	\$ 456,593
Liabilities	2022	2021
Total Level 3 – beginning of the year	\$ 3,821,565	\$ 2,889,179
Change in annuity liability	(1,100)	(1,151)
Change in value of endowment payable	25,425	933,537
Total Level 3 – end of the year	\$ 3,845,890	\$ 3,821,565

KANSAS MASONIC FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

The table below summarizes the fair value and other pertinent liquidity information of the alternative investment funds and investments in limited partnerships included in investments by major category as of March 31:

	2022	2021	Redemption	Redemption
	Fair value	Fair value	Frequency	Notice Period
Equities – domestic	\$ -	\$ 175,254	Monthly	5-30 days
Equities - opportunistic	58,868	59,111	Quarterly	60-90 days
Equities – international	6,091,980	5,666,371	Monthly	5-30 days
Closely held equity	1,220,595	-	Quarterly	60-90 days
Private equity	2,214,050	2,115,732	Illiquid	N/A
Real assets	893,886	893,886	Quarterly	60 days
	\$ 10,479,379	\$ 8,910,354		

The Foundation has investments in certain limited partnerships which have capital commitments outstanding at March 31, 2022 and 2021 as follows:

	2022	2021
Summit Strategies COI Fund I, LP	\$ 86,710	\$ 86,710
Summit Private Capital	261,750	261,750
Total capital commitments	\$ 348,460	\$ 348,460

These funds are Private Equity Limited Partnerships and are currently illiquid. In the first several years each fund will call portions of what Kansas Masonic Foundation has committed. It is expected within 5 to 7 years of initial investment, the fund will start liquidating and distributions will be made to the Foundation. The intent of each fund is to be fully distributed and liquidated within 10 years.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants used to make valuation decisions, including assumptions about risk. Inputs may include market price information, volatility statistics, specific and broad credit data, liquidity statistics and other factors. The classification of a financial asset within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

However, the determinate of what constitutes “observable” requires significant judgement by management. Management considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by multiple, independent sources that are actively involved in the relevant market. The categorization of a fund within the hierarchy is based upon the pricing transparency of that fund and does not necessarily correspond to management’s perceived risk of that fund.

Following is a description of the valuation methodologies used for significant assets measured at fair value with the exception of the United Development Funding Land Opportunity Fund Investors LP. The Foundation was unable to obtain the fair value as of March 31, 2022 and 2021, which is the basis for the qualified opinion. There have been no changes in the methodologies used during the years ended March 31, 2022 and 2021.

Publicly-held Securities

Publicly-held equity and debt investments that are traded on an active exchanged are valued at the quoted market prices based on the last sale price on the measurement date. Quoted market prices in an active market are classified as a Level 1 input. If an active market does not exist for such publicly-held equity investments, alternative valuation models using Level 2 or Level 3 inputs may be used to determine fair value.

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Beneficial Interest in Trusts

Fair value for the beneficial interest in trusts is determined based on the present value of the expected future cash flows from the trust.

Alternative Investment Funds

Alternative investment funds are generally valued at the reported value provided by or on behalf of the investment fund, which valuations are prepared in accordance with such investment fund's governing documents. Management considers this a reliable representation of fair value if the investment fund is accepting subscriptions and processing redemptions based on this reported value. Management may take discounts to supplied net asset valuations where the Fund cannot verify the accuracy or where liquidity is restricted. The amount of liquidity provided to redemptions is dictated by such fund's governing documents. The amount of liquidity provided to investors in a particular fund is generally consistent with the liquidity and risk associated with the underlying portfolio (i.e. the more liquid the investment in the portfolio, the greater the liquidity provided to the investors). Liquidity of individual hedge funds varies based on various factors and may include "gates", "holdbacks" and "side pockets" imposed by the manager of the hedge fund, as well as redemption fees which may also apply. As these investments are generally illiquid in whole or in part, they are generally classified as net asset value investments (NAV).

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

Limited Partnerships

Management generally uses the capital balance reported by the investee as the primary input to its valuation; however, adjustments to the reported capital balance may be made based on various factors, including any restrictions or illiquidity on such interests.

Liabilities

Fair value for the endowment payable and gift annuity liabilities is determined based on the present value of the expected future cash flows to be paid to beneficiaries or other organizations under various agreements. The fair value option was chosen to measure these liabilities in order to eliminate changes in net assets from being reported that are not representative of economic events as the related investments are reported at fair value and unrealized gains and losses recorded on those assets.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the instruments could result in a different fair value measurement at the reporting date.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Management evaluated the significance of transfers between levels based upon the nature of the financial instruments and size of the transfer relative to total assets. For the years ended March 31, 2022 and 2021, there were no significant transfers between Levels 1, 2 or 3.

KANSAS MASONIC FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

7. BENEFICIAL INTEREST IN TRUSTS

Beneficial interest in Buechner Trust – The Foundation has been named a remainder beneficiary of the Buechner Trust. The Foundation does not exercise control over the trust assets. Under the trust, the income beneficiaries are to receive a distribution from the trust each year. Upon the death of the income beneficiaries, 30% of the remaining assets will be distributed to the Foundation. The amount received by the Foundation is to be invested in perpetuity with earnings used for purposes as specified by the donor. The Foundation has recorded a donor restricted asset for the beneficial interest in the trust in the amount of \$340,390 and \$335,760 as of March 31, 2022 and 2021, respectively. The beneficial interest in the trust asset is recorded at fair value, which is measured at the present value of the estimated future cash flows. The income beneficiary's life expectancy and a discount rate of 7% was used in determining the present value of the estimated future cash flows from the trust.

Beneficial interest in Fellers Trust – The Foundation has been named as a beneficiary of the Fellers Trust. As a beneficial interest in a perpetual trust, the Foundation is receiving 18.2% of the earning each year. The Foundation has recorded a donor restricted asset for the beneficial interest in trust in the amount of \$81,864 and \$83,321 as of March 31, 2022 and 2021, respectively. As a perpetual trust, the fair value of the Foundation's interest in the trust is calculated as their proportionate share of the total value of the plan assets. Income received from the trust is restricted to certain purposes as designated by the donor.

Beneficial interest in Heide Trust – The Foundation has been named as a beneficiary of the Heide Trust. As a beneficial interest in a perpetual trust, the Foundation is receiving 2.5% of the earnings each year. The Foundation has recorded a donor restricted asset for the beneficial interest in trust in the amount of \$17,513 as of March 31, 2022 and 2021. As a perpetual trust, the fair value of the Foundation's interest in the trust is calculated as their proportionate share of the total value of the plan assets. Income received from the trust is restricted to certain purposes as designated by the donor.

Assets held in Neiswender Trust and liability under split interest agreement – The Foundation is the trustee of the Raymond Neiswender Trust, which is a perpetual trust. During the year ended March 31, 2018, the Foundation explored ways to obtain sole interest of the trust as the cost of administration due to the number of beneficiaries receiving income distributions was quite extensive, annually. The Foundation contacted all beneficiaries to discuss dissolution of the trust which was ultimately agreed to by all parties either through donation of interest to the Foundation or negotiated settlement based on proportionate share of the value of the assets held in the trust and projected earnings, leaving the Foundation as the sole beneficiary of the trust. Accordingly, the remaining assets included cash, savings bond and farm real estate were added to the Foundation's assets and reported on the statement of financial position in their respective classifications. During the prior year, the Foundation gained court approval to dissolve the trust and sell the assets, which were held within the trust. The Foundation reported a gain on sale of assets totaling \$322,316 for the year ended March 31, 2021.

Beneficial interest in other trusts – The Foundation has been named a remainder beneficiary in various other trusts, but the Foundation does not have all of the information necessary to calculate the present value of the expected future cash flows and as a result has not recorded the beneficial interest in these trusts in the accompanying financial statements. The Foundation will receive a portion of the assets remaining upon the death of the income beneficiaries.

KANSAS MASONIC FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

8. ENDOWMENT PAYABLE

Endowment payable includes amounts due to the University of Kansas Endowment Association (KU) under agreements that pledge all future earnings on specific Foundation investments to KU. The endowment payable liability was initially recorded at fair value and is revalued each year. Since these agreements require that earnings are to be paid to KU in perpetuity along with a transfer of the original investments to KU should the Foundation cease to exist, the fair value of this liability has been determined to be equal to the fair value of the investments held by the Foundation.

9. DUE TO BENEFICIARIES

Various organizations or donors have transferred assets to the Foundation through an agency transaction. The Foundation has no variance power over the funds; accordingly, the foundation has recognized the assets received as a liability in the accompanying statement of financial position.

10. RESTRICTED NET ASSETS

Net assets are restricted for the following purposes as of March 31:

	2022	2021
Restricted for purpose:		
Scholarships	\$ 6,058,728	\$ 5,847,959
Charitable and scientific purpose endowment	514,700	595,163
Amounts to be held in perpetuity:		
Scholarships endowment	1,986,575	1,986,575
Charitable and scientific purpose endowment	881,793	881,793
Beneficial interest in perpetual trusts	439,766	436,593
Total	\$ 9,881,562	\$ 9,748,083

11. PENSION PLANS

The Foundation has a simplified employee pension plan that includes all eligible employees. The Foundation contributed 5% of eligible compensation during fiscal years 2022 and 2021.

The Foundation also has a tax-deferred 403(b) qualified retirement plan for all eligible employees. The plan allows eligible participants to defer a percentage of their salary to the plan. All participants are 100% vested upon entering the plan, and employee contributions are non-forfeitable at all times. During fiscal year 2022 and 2021, the Foundation elected to contribute 50% of each participant's deferral up to 3% of eligible compensation.

Total pension expense for all plans for the years ended March 31, 2022 and 2021 was \$19,758 and \$18,236, respectively.

12. ENDOWMENT FUNDS

The Foundation's endowment funds have been established for a variety of purposes to provide income in support of certain designated activities. Endowments include donor-designated and Board designated funds and are classified and reported in net assets based on the existence or absence of donor-imposed restrictions.

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During 2008, Kansas adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which provides guidance and authority to charitable organizations regarding the management and investment of endowment funds.

The Board of Directors has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Foundation retains in perpetuity (a) the original value of the gifts donated to permanent endowments, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation.

In accordance with UPMIFA, the Foundation considers the following factors in make a determinate to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the funds
- The purpose of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effects of inflation or deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

The Foundation has adopted investment and spending policies for endowment assets that have long-term investment objectives to preserve the purchasing power of the Foundation's investments and to provide for growing, spendable revenue stream to support the Foundation's expense and mission. As the Foundation has an infinite life and the investment horizon is long-term, reduction of volatility in the market value is a secondary objective. In pursuing the Foundation's investment objectives, management endeavors to achieve a total return, net of all fees, that meets and exceeds relevant market indices over time.

In light of the portfolio's long-term horizon, the portfolio can assume an above average level of risk, when risk is defined as standard deviation of returns. Reasonable consistency of returns is desirable as a means of providing stability to the process of managing the portfolio. The asset allocation and investment manager structure should ensure adequate diversification in order to reduce the volatility of investment returns over the long-term.

The Foundation has a policy of allowing for the appropriation for distributions each year, 5% of its average investment fair value over the prior twelve quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

KANSAS MASONIC FOUNDATION, INC.
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Endowment net asset composition at March 31, 2022:

2022	Without donor restriction	With donor restriction	Total
Donor restricted endowments	\$ -	\$ 8,970,867	\$ 8,970,867
Board designated endowments	1,426,692	-	1,426,692
Total endowment funds	\$ 1,426,692	\$ 8,970,867	\$ 10,397,559

Changes in endowment net assets for the year ended March 31, 2022 are as follows:

	Without donor restriction	With donor restriction	Total
Endowment net assets, beginning of year	\$ 1,359,220	\$ 8,716,379	\$ 10,075,599
Contributions	-	9,135	9,135
Investment return	70,765	399,690	470,455
Appropriated for expenditure	-	(154,337)	(154,337)
Endowment net assets, end of year	\$ 1,426,692	\$ 8,970,867	\$ 10,397,559

Endowment net asset composition at March 31, 2021:

2021	Without donor restriction	With donor restriction	Total
Donor restricted endowments	\$ -	\$ 8,716,379	\$ 8,716,379
Board designated endowments	1,359,220	-	1,359,220
Total endowment funds	\$ 1,359,220	\$ 8,716,379	\$ 10,075,599

Changes in endowment net assets for the years ended March 31, 2021 are as follows:

	Without donor restriction	With donor restriction	Total
Endowment net assets, beginning of year	\$ 739,950	\$ 6,711,151	\$ 7,451,101
Contributions	243,937	105,989	349,926
Investment return	375,333	2,099,936	2,475,269
Appropriated for expenditure	-	(200,697)	(200,697)
Endowment net assets, end of year	\$ 1,359,220	\$ 8,716,379	\$ 10,075,599

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration (underwater endowments). These deficiencies result from unfavorable market fluctuations and continued appropriation for certain programs as deemed prudent by the Board of Directors. The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. No endowments were underwater for the years ended March 31, 2022 and 2021.

KANSAS MASONIC FOUNDATION, INC.
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Included in the pledges receivable that have been recorded, is a pledge based on a verbal promise from one donor to give \$500,000 payable over 10 years. Since the pledge has been deemed revocable, it has been fully reserved. The Foundation believes the entire amount will be collected, although the timing and amount of payments cannot be determined. The balance of this pledge receivable at March 31, 2022 and 2021 was \$488,000.

13. LINE OF CREDIT

The Foundation has a \$1,000,000 line of credit maturing March 2023. The line of credit is secured by a securities account control agreement dated November 25, 2019. Advances bear interest at the prime rate plus 0.5% with a minimum of 4.00%. There were no outstanding advances on the line of credit for the years ending March 31, 2022 and 2021.

14. PAYCHECK PROTECTION PROGRAM

As a result of significant disruption in the U.S. economy due to the outbreak of the COVID-19 coronavirus in March 2020, Congress passed the CARES Act which allowed for small and medium sized businesses and certain nonprofit organizations to apply for the Paycheck Protection Program (PPP). Businesses and organizations could apply for a forgivable loan based on the average cost of an eight-week payroll cycle. The Foundation received \$100,300 through the PPP in April 2020 and recognized the full amount of the loan forgiveness as revenue in the accompanying statements of activities.

15. REFUNDABLE EMPLOYEE RETENTION CREDITS

Under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) signed into law on March 27, 2020 and the subsequent extension of the CARES Act, the Organization was eligible for a refundable employee retention credit subject to certain criteria. The Organization has qualified for \$53,736 in employee retention credits during the current year; and has elected to present the refundable credits as revenue in the accompanying statements of activities. The Organization has filed for refunds of the employee retention credits, and has received the full refunds subsequent to December 31, 2021.

16. OPERATING LEASE

The Foundation leases its office space under an operating lease which commenced October 2020 and expires September 2035. Monthly payments under the lease are \$750 per month.

Future minimum rental payments due under the lease are as follows for the year ended March 31, 2022:

2023	\$ 9,000
2024	9,000
2025	9,000
2026	9,900
2027	9,900
Thereafter	98,700
Total	\$ 145,500

17. COMMITMENTS TO OTHER ORGANIZATIONS

The Foundation has elected to treat the following commitments as conditional and not record the expense until the payment has been made or obligation fulfilled.

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The Foundation has made promises to give to university foundations across Kansas that are not recorded as a liability in the financial statements because the Foundation has deemed them conditional. These promises to give are conditional on annual review and approval by the Foundation's Board of Directors and available funding. The terms of the conditional promises to give are as follows:

Conditional promises to give to Emporia State University Foundation entered into on March 27, 2015 for the creation of the Kansas Masonic Literacy Center Fund. Total promise to give of \$4,000,000 to be paid over ten years. As of March 31, 2022 and 2021, \$1,400,000 and \$1,200,000, respectively, had been paid on this agreement.

Conditional promises to give to Kansas State University Foundation entered into on April 29, 2015 for the creation of the Kansas Pride Excellence Fund. Total promise to give of \$1,000,000 to be paid over five years. As of March 31, 2022 and 2021, \$800,00 and \$600,000, respectively, had been paid on this agreement.

Conditional promises to give to Kansas State University Foundation entered into on April 29, 2015 for the creation of the Kansas Entrepreneurship Challenge Excellence Fund. Total promise to give of \$750,000 to be paid over five years. As of March 31, 2022 and 2021, \$450,000 had been paid on this agreement.

Conditional promises to give to Fort Hays State University Foundation entered into in March, 2016 for the creation of the Kansas Masonic Adult Speech, Language and Hearing Services Fund. Total promise to give of \$250,000 to be paid over five years. As of March 31, 2022 and 2021, \$200,000 and \$150,000, respectively, had been paid on this agreement.

Conditional promise to give to Kansas University Endowment Association entered into on May 7, 2019. The Foundation has agreed to restrict \$5,000,000 to support the operations of the Midwest Cancer Alliance. Until such time that the Foundation has notified Kansas University Endowment Association that it has restricted and designated the gift, the Foundation further commits to make an irrevocable additional donation of \$250,000 per year to Kansas University Endowment Association to support the operations of the Midwest Cancer Alliance. If the Kansas University Cancer Center disbands Midwest Cancer Alliance or significantly changes its purpose as reasonably determined by the Foundation, the Foundation may cease making gift payments and additional donations to the Kansas University Endowment Association. As of March 31, 2022, the Foundation has not designated or restricted the gift to Kansas University Endowment Association.

18. RISKS AND UNCERTAINTIES

As a result of significant disruption in the U.S. economy due to the outbreak of the COVID-19 coronavirus in 2020, uncertainties have arisen which potentially may impact future operating results. The duration and extent to which COVID-19 may impact financial performance is being monitored closely by management.

19. RECLASSIFICATION

Certain reclassifications of prior year amounts have been made to conform to current year presentation with no effect on previously reported change in net assets.

20. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through August 18, 2022, the date these financial statements were available to be issued, and determined that no subsequent events have occurred that would require recognition in these financial statements.