

**THE UNIVERSITY OF SOUTHERN MISSISSIPPI ATHLETIC FOUNDATION**

**FINANCIAL STATEMENTS**

**Years Ended June 30, 2024 and 2023**

# THE UNIVERSITY OF SOUTHERN MISSISSIPPI ATHLETIC FOUNDATION

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
The University of Southern Mississippi Athletic Foundation  
Hattiesburg, Mississippi

### Opinion

We have audited the financial statements of The University of Southern Mississippi Athletic Foundation, which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The University of Southern Mississippi Athletic Foundation as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The University of Southern Mississippi Athletic 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.



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To the Board of Directors  
The University of Southern Mississippi Athletic Foundation  
Hattiesburg, Mississippi

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 University of Southern Mississippi Athletic Foundation's ability to continue as a going concern for one year after the date that the financial statements are 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 University of Southern Mississippi Athletic 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 University of Southern Mississippi Athletic Foundation's ability to continue as a going concern for a reasonable period of time.

To the Board of Directors  
The University of Southern Mississippi Athletic Foundation  
Hattiesburg, Mississippi

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.



Hattiesburg, Mississippi  
October 4, 2024

***FINANCIAL STATEMENTS***

EXHIBIT A

**THE UNIVERSITY OF SOUTHERN MISSISSIPPI ATHLETIC FOUNDATION**

**STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2024 AND 2023**

	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
<b>ASSETS</b>		
<b>ASSETS</b>		
Cash and cash equivalents - without donor restrictions	\$ 19,209	\$ 391,943
Cash and cash equivalents - with donor restrictions	1,932,994	3,016,335
Pledges receivable, net - without donor restrictions	1,887,432	1,257,467
Pledges receivable, net - with donor restrictions	3,187,495	3,315,806
Present value of amounts due from split-interest agreements - with donor restrictions	268,071	255,684
Investments - with donor restrictions	8,613,414	7,856,428
Property and equipment, net - without donor restrictions	1,326,280	513,613
Property and equipment, net - with donor restrictions	<u>150,729</u>	<u>91,262</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 17,385,624</u></b>	<b><u>\$ 16,698,538</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable - without donor restrictions	\$ 184,943	\$ 189,652
Accounts payable - with donor restrictions	200,196	432,944
Accrued interest - without donor restrictions	2,274	5,339
Accrued interest - with donor restrictions	13,767	16,245
Note payable - without donor restrictions	927,930	1,524,583
Note payable - with donor restrictions	<u>861,944</u>	<u>1,021,843</u>
Total liabilities	<u>2,191,054</u>	<u>3,190,606</u>
<b>NET ASSETS</b>		
Without donor restrictions	2,117,774	443,449
With donor restrictions	<u>13,076,796</u>	<u>13,064,483</u>
Total net assets	<u>15,194,570</u>	<u>13,507,932</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 17,385,624</u></b>	<b><u>\$ 16,698,538</u></b>

The accompanying notes are an integral part of these financial statements.

EXHIBIT B

**THE UNIVERSITY OF SOUTHERN MISSISSIPPI ATHLETIC FOUNDATION**

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2024**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>REVENUES, GAINS AND OTHER SUPPORT</b>			
Contributions	\$ 1,419,334	\$ 5,519,593	\$ 6,938,927
Net investment and interest income	11,580	1,222,789	1,234,369
Change in value of split-interest agreement	-	12,387	12,387
In-kind contributed support from The University of Southern Mississippi	470,282	-	470,282
Gain on sale of property and equipment	5,583	-	5,583
Gifts in-kind	-	402,348	402,348
Lease revenue	-	1,000	1,000
Net assets released from donor restrictions available for use in operations	7,145,804	(7,145,804)	-
Total revenues, gains, and other support	9,052,583	12,313	9,064,896
<b>EXPENSES</b>			
Program services			
Contributions to and support for The University of Southern Mississippi	6,055,040	-	6,055,040
Supporting services			
General and administrative expenses	898,540	-	898,540
Fundraising expenses	424,678	-	424,678
Total supporting services	1,323,218	-	1,323,218
Total expenses	7,378,258	-	7,378,258
<b>CHANGE IN NET ASSETS</b>	1,674,325	12,313	1,686,638
<b>NET ASSETS</b>			
Beginning of year	443,449	13,064,483	13,507,932
End of year	\$ 2,117,774	\$ 13,076,796	\$ 15,194,570

The accompanying notes are an integral part of these financial statements.

EXHIBIT C

**THE UNIVERSITY OF SOUTHERN MISSISSIPPI ATHLETIC FOUNDATION**

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUES, GAINS AND OTHER SUPPORT</b>			
Contributions	\$ 1,831,543	\$ 6,566,443	\$ 8,397,986
Net investment and interest income	7,428	793,870	801,298
Change in value of split-interest agreement	-	5,778	5,778
In-kind contributed support from The University of Southern Mississippi	546,318	-	546,318
Loss on sale of property and equipment	(15,000)	-	(15,000)
Gifts in-kind	-	304,616	304,616
Lease revenue	-	1,000	1,000
Other	-	22,775	22,775
Net assets released from donor restrictions available for use in operations	<u>5,939,747</u>	<u>(5,939,747)</u>	<u>-</u>
Total revenues, gains, and other support	<u>8,310,036</u>	<u>1,754,735</u>	<u>10,064,771</u>
<b>EXPENSES</b>			
Program services			
Contributions to and support for The University of Southern Mississippi	<u>6,049,167</u>	<u>-</u>	<u>6,049,167</u>
Supporting services			
General and administrative expenses	859,933	-	859,933
Fundraising expenses	<u>482,901</u>	<u>-</u>	<u>482,901</u>
Total supporting services	<u>1,342,834</u>	<u>-</u>	<u>1,342,834</u>
Total expenses	<u>7,392,001</u>	<u>-</u>	<u>7,392,001</u>
<b>CHANGE IN NET ASSETS</b>	918,035	1,754,735	2,672,770
<b>NET ASSETS (DEFICIT)</b>			
Beginning of year	<u>(474,586)</u>	<u>11,309,748</u>	<u>10,835,162</u>
End of year	<u>\$ 443,449</u>	<u>\$ 13,064,483</u>	<u>\$ 13,507,932</u>

The accompanying notes are an integral part of these financial statements.

EXHIBIT D

**THE UNIVERSITY OF SOUTHERN MISSISSIPPI ATHLETIC FOUNDATION**

**STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2024**

	<u>Program Services</u>	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total</u>
Advertising	\$ 4,360	\$ -	\$ -	\$ 4,360
Accounting fees	-	-	17,000	17,000
Bank charges	80,113	-	6,632	86,745
Computer software	202,876	-	-	202,876
Continuing education	249	-	460	709
Depreciation	-	-	47,969	47,969
Donor relations	158,689	-	2,929	161,618
Dues and subscriptions	2,625	-	2,080	4,705
Insurance	4,210	-	30,110	34,320
Interest expense	64,376	-	(1,708)	62,668
Legal fees	6,265	-	402,476	408,741
Meals and entertainment	56,370	-	-	56,370
Meetings, activities, and receptions	(1,423)	119,978	-	118,555
Office supplies	14,243	-	2,984	17,227
Postage	710	-	228	938
Printing	19,690	950	624	21,264
Professional fees	173,776	-	1,150	174,926
Property taxes	972	-	-	972
Provision for uncollectible pledges	70,568	-	31,562	102,130
Recognition gifts	63,733	-	5,650	69,383
Refunds	3,350	-	-	3,350
Rent expense	6,141	-	51,558	57,699
Repairs and maintenance	122,240	-	24,703	146,943
Salaries, wages, and benefits	-	303,750	107,540	411,290
Scholarships	1,775,804	-	-	1,775,804
Team supplies	262,029	-	-	262,029
Telephone	44,999	-	-	44,999
Travel	479,410	-	5,164	484,574
Utilities	-	-	7,694	7,694
University, transfers to	2,438,665	-	151,735	2,590,400
<b>Total expenses</b>	<b>\$ 6,055,040</b>	<b>\$ 424,678</b>	<b>\$ 898,540</b>	<b>\$ 7,378,258</b>

The accompanying notes are an integral part of these financial statements.

EXHIBIT E

**THE UNIVERSITY OF SOUTHERN MISSISSIPPI ATHLETIC FOUNDATION**

**STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2023**

	<u>Program Services</u>	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total</u>
Advertising	\$ 800	\$ -	\$ -	\$ 800
Accounting fees	-	-	17,000	17,000
Bank charges	82,828	-	10,214	93,042
Computer software	3,000	-	13,114	16,114
Continuing education	3,938	-	524	4,462
Depreciation	-	-	29,143	29,143
Donor relations	134,625	-	7,251	141,876
Dues and subscriptions	3,204	-	1,754	4,958
Insurance	3,359	-	27,955	31,314
Interest expense	89,800	-	(6,676)	83,124
Interfund transfers	15,001	-	-	15,001
Legal fees	2,380	-	145,592	147,972
Meals and entertainment	68,006	-	396	68,402
Meetings, activities, and receptions	1,423	102,308	-	103,731
Office supplies	10,408	-	4,069	14,477
Postage	373	-	176	549
Printing	13,210	552	-	13,762
Professional fees	191,817	-	121,300	313,117
Provision for uncollectible pledges	(162,660)	-	100,000	(62,660)
Recognition gifts	54,799	391	18,751	73,941
Refunds	1,000	-	-	1,000
Rent expense	12,929	-	51,701	64,630
Repairs and maintenance	96,152	-	14,707	110,859
Salaries, wages, and benefits	-	379,650	107,540	487,190
Scholarships	2,138,660	-	-	2,138,660
Team supplies	248,147	-	3,000	251,147
Telephone	44,735	-	502	45,237
Travel	190,246	-	1,849	192,095
Utilities	-	-	7,830	7,830
University, transfers to	2,800,987	-	182,241	2,983,228
<b>Total expenses</b>	<b>\$ 6,049,167</b>	<b>\$ 482,901</b>	<b>\$ 859,933</b>	<b>\$ 7,392,001</b>

The accompanying notes are an integral part of these financial statements.

EXHIBIT F

**THE UNIVERSITY OF SOUTHERN MISSISSIPPI ATHLETIC FOUNDATION**

**STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2024 AND 2023**

	June 30,	
	<u>2024</u>	<u>2023</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,686,638	\$ 2,672,770
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	47,969	29,143
Gain on sale of property and equipment	(5,583)	-
Provision for doubtful pledges receivable	102,130	(62,660)
Contributions restricted for long-term purpose	(135,272)	(81,309)
Net gain on investments	(940,739)	(545,970)
(Increase) decrease in assets:		
Pledges receivable	(603,784)	(244,541)
Split-interest agreements	(12,387)	(5,778)
Increase (decrease) in liabilities:		
Accounts payable	(237,457)	(378,138)
Accrued interest	(5,543)	(3,385)
Net cash provided (used) by operating activities	<u>(104,028)</u>	<u>1,380,132</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	3,700,869	3,067,413
Purchases of investments	(3,517,116)	(2,947,464)
Proceeds from sale of property and equipment	7,500	200,000
Purchases of property and equipment	(922,020)	(80,525)
Net cash provided (used) by investing activities	<u>(730,767)</u>	<u>239,424</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on notes payable	(756,552)	(738,254)
Contributions restricted for long-term purposes	135,272	81,309
Net cash used by financing activities	<u>(621,280)</u>	<u>(656,945)</u>

The accompanying notes are an integral part of these financial statements.

EXHIBIT F  
PAGE TWO

**THE UNIVERSITY OF SOUTHERN MISSISSIPPI ATHLETIC FOUNDATION**

**STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2024 AND 2023**

	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
<b><i>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</i></b>	\$ (1,456,075)	\$ 962,611
<b><i>CASH AND CASH EQUIVALENTS, BEGINNING</i></b>	<u>3,408,278</u>	<u>2,445,667</u>
<b><i>CASH AND CASH EQUIVALENTS, ENDING</i></b>	<u><u>\$ 1,952,203</u></u>	<u><u>\$ 3,408,278</u></u>
<b><i>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</i></b>		
Cash paid during year for interest	<u><u>\$ 68,211</u></u>	<u><u>\$ 86,509</u></u>
<b><i>RECONCILIATION TO STATEMENTS OF FINANCIAL POSITION</i></b>		
Cash and cash equivalents - without donor restrictions	\$ 19,209	\$ 391,943
Cash and cash equivalents - with donor restrictions	<u>1,932,994</u>	<u>3,016,335</u>
<b><i>Total cash and cash equivalents</i></b>	<u><u>\$ 1,952,203</u></u>	<u><u>\$ 3,408,278</u></u>

The accompanying notes are an integral part of these financial statements.

***NOTES TO FINANCIAL STATEMENTS***

## THE UNIVERSITY OF SOUTHERN MISSISSIPPI ATHLETIC FOUNDATION

### NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2024 AND 2023

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The summary of significant accounting policies of The University of Southern Mississippi Athletic Foundation (the Athletic Foundation) is presented to assist in understanding the Athletic Foundation's financial statements. The financial statements and notes are representations of the Athletic Foundation's management, who is responsible for their integrity and objectivity. These policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

**Organization and Nature of Activities** - The Athletic Foundation is a non-profit corporation organized under the laws of the state of Mississippi. It has elected tax-exempt status under Internal Revenue Code Section 501(c)(3) and is exempt from both federal and state income taxes. The Athletic Foundation's mission is to provide support to The University of Southern Mississippi (the "University") athletic programs and booster organizations by conducting fundraising activities, campaigns and development initiatives for the purpose of securing financial support from the general public. The Athletic Foundation began operations on July 1, 2001, when the predecessor foundation established under the University transferred all funds relating to athletics to the Athletic Foundation. The Athletic Foundation depends on the University to provide facilities and personnel for its operations.

**Basis of Presentation** - Financial statement presentation follows the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*, under which the Athletic Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

**Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor or grantor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

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

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**THE UNIVERSITY OF SOUTHERN MISSISSIPPI ATHLETIC FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS  
PAGE TWO  
YEARS ENDED JUNE 30, 2024 AND 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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 Athletic Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**Pledges Receivable** - Pledges that are to be collected within one year are recorded at net realizable value. Alternatively, the Athletic Foundation has elected the fair value option for recording pledges receivable that are to be collected in future periods. Pledges that are expected to be collected in future years are recorded at the fair value of their estimated future cash flows through the use of an expected present value calculation that discounts the risk-adjusted cash flows by an estimated risk-free interest rate. The discount rates used for pledges receivable for the years ended June 30, 2024 and 2023, were 4.61% and 4.06%, respectively. An allowance for uncollectible pledges is recorded using a rate of 2.5% historical collection experience, plus additional accounts management deems are uncertain.

**Property and Equipment** - Property and equipment are stated at cost. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets ranging from 5 to 20 years. Maintenance and repairs are expensed as incurred.

**Split-Interest Agreement** - The Athletic Foundation has been named the beneficiary of cash under a charitable remainder trust. The amount due from this split-interest agreement and the related contribution revenue has been recorded at fair value. A discount rate commensurate with the risk involved is estimated as of June 30 of each year. The discount rates for 2024 and 2023 were 4.61% and 4.06%, respectively.

**Investments** - The Athletic Foundation accounts for investments in accordance with FASB ASC Topic 958-320, *Accounting for Investments Held by Not-for-Profit Entities*. Investments are reported on the statements of financial position at fair value. Net investment income or (loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external investment expenses.

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**THE UNIVERSITY OF SOUTHERN MISSISSIPPI ATHLETIC FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS  
PAGE THREE  
YEARS ENDED JUNE 30, 2024 AND 2023**

***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)***

Investment income and gains restricted by a donor are reported as an increase in net assets with donor restrictions. When the restrictions are met (either by passage of time or by use), net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets without donor restrictions.

***Revenue Recognition*** - Contributions are recognized as revenues in the period received or when an unconditional promise to give has been made. Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, that is, when a 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 statement of activities as net assets without donor restrictions.

Gifts in-kind of services, property, equipment, marketable securities and other non-cash items are recorded as contributions at their estimated fair values at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose.

***Planned Giving Inventory*** - Planned giving inventory, which includes wills, trusts and estates, are not accrued as they represent conditional promises to give, which constitutes a future and uncertain event.

Planned giving inventory for the Athletic Foundation at both June 30, 2024 and 2023 consists of insurance policies and trusts with face amounts totaling approximately \$6,142,021 and \$6,642,021, respectively, in which the Athletic Foundation is named beneficiary.

***Functional Expenses*** - Functional expenses are allocated between program services and supporting services. Supporting services include fundraising and general and administrative expenses. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Athletic Foundation.

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**THE UNIVERSITY OF SOUTHERN MISSISSIPPI ATHLETIC FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS  
PAGE FOUR  
YEARS ENDED JUNE 30, 2024 AND 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**Advertising** - The Athletic Foundation expenses advertising costs as incurred. Advertising expenses for the years ended June 30, 2024 and 2023 were \$4,360 and \$800, respectively.

**Income Taxes** - The Athletic Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified as other than a private foundation.

**Derivative Instruments** - The Athletic Foundation makes limited use of derivative financial instruments for the purpose of managing interest rate risk. Derivative financial instruments are recorded at fair value.

**NOTE 2 - LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following at June 30, 2024:

Cash and cash equivalents	\$ 19,209
Pledges receivable	<u>1,887,432</u>
<b>Total</b>	<b><u><u>\$ 1,906,641</u></u></b>

The Athletic Foundation considers cash and cash equivalents without donor restrictions and current pledges receivable to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses expected to be paid in the subsequent year.

The Athletic Foundation's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

As part of management's liquidity plan, the Athletic Foundation maintains an operating reserve fund in the amount of \$250,000 which may also be made available, if necessary.

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**THE UNIVERSITY OF SOUTHERN MISSISSIPPI ATHLETIC FOUNDATION**

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**NOTE 3 - PLEDGES RECEIVABLE**

The amounts of pledges receivable as of June 30, 2024 and 2023, are as follows:

	<b>June 30,</b>	
	<b>2024</b>	<b>2023</b>
Pledges to departmental funds	\$ 5,882,794	\$ 5,220,421
Pledges to endowment funds	34,723	36,385
	<u>5,917,517</u>	<u>5,256,806</u>
Less:		
Discounts for the time value of money	688,997	550,813
Allowance for uncollectible pledges	153,593	132,720
	<u>5,074,927</u>	<u>4,573,273</u>
<b><i>Pledges receivable, net</i></b>	<b><u>\$ 5,074,927</u></b>	<b><u>\$ 4,573,273</u></b>

Contractual maturities of pledges as of June 30, 2024, are due as follows:

Within one year	\$ 1,449,107
One to five years	2,963,226
After five years	<u>1,505,184</u>
<b><i>Total</i></b>	<b><u>\$ 5,917,517</u></b>

During fiscal years 2024 and 2023, the Athletic Foundation wrote off certain pledges that were considered uncollectible. Provisions for uncollectible pledges totaled \$102,130 and \$(62,660) for the years ended June 30, 2024 and 2023, respectively. In year ended June 30, 2023, the Athletic Foundation recovered \$487,478 of pledges and considered \$424,818 uncollectible giving the account a credit balance.

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**NOTE 4 - INVESTMENTS**

Investments as of June 30, 2024, consisted of the following:

	<u>Fair Value</u>	<u>Cost</u>
Common and foreign stocks	\$ 4,263,538	\$ 2,783,660
U.S. government obligations	307,139	326,764
Corporate bonds	1,316,987	1,351,428
Mortgage backed securities	581,358	630,493
Mutual funds	<u>2,144,392</u>	<u>2,092,634</u>
<b>Total</b>	<u>\$ 8,613,414</u>	<u>\$ 7,184,979</u>

Investments as of June 30, 2023, consisted of the following:

	<u>Fair Value</u>	<u>Cost</u>
Common and foreign stocks	\$ 4,063,276	\$ 3,326,299
U.S. government obligations	301,943	327,475
Corporate bonds	880,153	967,843
Mortgage backed securities	472,633	530,746
Mutual funds	<u>2,138,423</u>	<u>2,242,461</u>
<b>Total</b>	<u>\$ 7,856,428</u>	<u>\$ 7,394,824</u>

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**NOTE 4 - INVESTMENTS (Cont.)**

Investment expenses for the years ended June 30, 2024 and 2023, totaled \$47,700 and \$46,100, respectively. Investment fees are netted against investment earnings in the statements of activities. The following summarizes the investment returns for the years ended June 30, 2024 and 2023:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ -	\$ 329,750	\$ 329,750
Net unrealized gain	11,580	933,278	944,858
Net realized gain	-	7,461	7,461
Investment expense	-	(47,700)	(47,700)
<b>Total investment income</b>	<b>\$ 11,580</b>	<b>\$ 1,222,789</b>	<b>\$ 1,234,369</b>

  

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ -	\$ 294,000	\$ 294,000
Net unrealized gain	7,428	263,681	271,109
Net realized gain	-	282,289	282,289
Investment expense	-	(46,100)	(46,100)
<b>Total investment income</b>	<b>\$ 7,428</b>	<b>\$ 793,870</b>	<b>\$ 801,298</b>

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**NOTE 5 - NOTES PAYABLE**

Notes payable as of June 30, 2024 and 2023, consisted of the following:

	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
Note payable to commercial bank, due in semi-annual principal and interest payments of \$312,348 each through November 1, 2025; interest at 2.77%; secured by all accounts receivable and pledges.	\$ 898,783	\$ 1,484,609
Note payable to commercial bank, due in four annual principal and interest payments of \$188,000 each at 2.75%, and one final payment of \$841,150, maturing December 1, 2024; secured by lease income of 12 baseball stadium suites at Pete Taylor Park.	861,944	1,021,843
Note payable to commercial bank, due in sixty monthly principal and interest payments of \$974 each at 2.50%, maturing January 20, 2027; secured by a 2021 Chevrolet Silverado.	<u>29,147</u>	<u>39,974</u>
<b>Total notes payable</b>	<u>\$ 1,789,874</u>	<u>\$ 2,546,426</u>

Aggregate annual maturities of notes payable outstanding at June 30, 2024, for the next five years and thereafter are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2025	\$ 1,473,494
2026	309,679
2027	<u>6,701</u>
<b>Total</b>	<u>\$ 1,789,874</u>

Interest expense for 2024 and 2023 was \$62,668 and \$83,124, respectively.

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***NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS***

Net assets with donor restrictions available for scholarships and expenses in support of the University's various athletic programs totaled \$13,076,796 and \$13,064,483 as of June 30, 2024 and 2023, respectively, including \$4,105,655 and \$5,021,012 of net assets with purpose restrictions at June 30, 2024 and 2023, respectively. Included within net assets with donor restrictions are endowments primarily established to support University athletic scholarships totaling \$8,971,139 and \$8,043,471 as of June 30, 2024 and 2023, respectively.

***NOTE 7 - NET ASSETS WITHOUT DONOR RESTRICTIONS***

During fiscal year 2009, the Athletic Foundation borrowed \$7,000,000 to supplement the University's expansion of M.M. Roberts Stadium. The University owns the stadium, capital improvements and all assets therein. The transfer of these funds to the University created a deficit in net assets without donor restrictions.

In each succeeding year, the deficit has been partially offset as related contributions are received and payments to relinquish such debt are released from restriction and the corresponding revenue is recorded in net assets without donor restrictions. In fiscal years 2024 and 2023, \$585,826 and \$571,520, respectively, were released from restriction for this purpose. In 2023, the deficit was fully offset. During fiscal year 2015, the Athletic Foundation adjusted the policy regarding pledges receivable so that all new pledges have at least one-half of the pledged amounts free from donor restriction so that those contributions collected can be used to pay down these debts.

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**NOTE 8 - PROPERTY AND EQUIPMENT**

The balance of each category as of June 30, 2024 and 2023 is as follows:

	<b>June 30,</b>	
	<b>2024</b>	<b>2023</b>
Land	\$ 439,671	\$ 439,671
Land improvements	64,552	64,552
Automobiles	161,233	118,476
Furniture and equipment	93,159	64,270
Construction in progress	829,931	-
	<u>1,588,546</u>	<u>686,969</u>
Less: Accumulated depreciation	<u>(111,537)</u>	<u>(82,094)</u>
<b><i>Property and equipment, net</i></b>	<b><u>\$ 1,477,009</u></b>	<b><u>\$ 604,875</u></b>

No donations of property and equipment were received during fiscal year 2024 and 2023. Depreciation expense was \$47,969 and \$29,143 for fiscal years 2024 and 2023, respectively.

**NOTE 9 - IN-KIND CONTRIBUTIONS**

In-kind contributions for the years ended June 30, 2024 and 2023, were as follows:

	<b>June 30,</b>	
	<b>2024</b>	<b>2023</b>
Advertising	\$ -	\$ 5,776
Automobiles	325,000	145,000
Computers	13,828	18,066
Equipment	7,900	-
Facility projects	17,082	13,138
Golf cart	-	60,925
Printing	312	594
Professional medical services	38,226	59,694
Repairs and maintenance	-	1,423
	<u>-</u>	<u>1,423</u>
<b><i>Total</i></b>	<b><u>\$ 402,348</u></b>	<b><u>\$ 304,616</u></b>

**THE UNIVERSITY OF SOUTHERN MISSISSIPPI ATHLETIC FOUNDATION**

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**NOTE 10 - RISKS, UNCERTAINTIES AND CONCENTRATIONS**

**Cash Deposits** - At June 30, 2024 and 2023, the Athletic Foundation maintained cash deposits at financial institutions, including money market accounts and certificates of deposits that exceeded the Federal Deposit Insurance Corporation coverage limits by \$820,073 and \$367,174, respectively. This subjects the Athletic Foundation to the risk of uninsured loss.

**Marketable Securities** - Marketable securities and other investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such change could materially affect the Athletic Foundation's net assets.

**Pledges Receivable** - Concentrations of credit risk with respect to pledges receivable are primarily due to the large number of contributors comprising the Athletic Foundation's contributor base, which are located primarily in the southwest region of Mississippi. At June 30, 2024 and 2023, approximately 85% of contributors were located in the state of Mississippi.

**Litigation** - The Athletic Foundation is party to legal proceedings that occur in the normal course of operations. It is not possible at the present time to estimate the ultimate outcome or liability, if any, to the Athletic Foundation with respect to various proceedings.

**NOTE 11 - RELATED PARTY TRANSACTIONS**

All Athletic Foundation staff are employed by the University. Additionally, the Athletic Foundation is housed on the University's grounds and is provided utilities at no cost. These amounts are recorded at their fair value in the statement of activities, which represent the Athletic Foundation's portion of the costs actually incurred by the University, as unrestricted contributed support and unrestricted expenses.

	<b>June 30,</b>	
	<b>2024</b>	<b>2023</b>
Wages and benefits	\$ 411,290	\$ 487,190
Facilities	51,298	51,298
Utilities	7,694	7,830
<b>Total</b>	<b>\$ 470,282</b>	<b>\$ 546,318</b>

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***NOTE 12 - ENDOWMENT FUNDS***

The Athletic Foundation's endowment consists of approximately 130 individual funds established to support University athletic scholarships. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Athletic Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to support current and future operational needs while seeking to maintain the purchasing power of these endowment assets over the long-term. The Athletic Foundation's spending and investment policies work together to achieve this objective. The investment policy seeks to establish an achievable return objective through diversification of asset classes. To satisfy its long-term rate-of-return objectives, the Athletic Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The spending policy determines the amount of money annually distributed from the Athletic Foundation's various endowed funds, for grant making and administration. The current spending policy is to distribute up to 5% of the endowment fund's average fair value of the preceding 12-month period, representing the prior fiscal year.

Accordingly, over the long-term, the Athletic Foundation expects to attain an average annual real total return (net of investment management fees) in excess of the spending rate. This is consistent with the Athletic Foundation's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Effective July 1, 2012 the state of Mississippi enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Athletic Foundation considered this legislation in its interpretation of state law and determined that the current investment policy and endowment agreements are in compliance with UPMIFA.

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**NOTE 12 - ENDOWMENT FUNDS (Cont.)**

During the years ended June 30, 2024 and 2023, the Athletic Foundation had the following endowment related activities:

	<b>June 30,</b>	
	<b>2024</b>	<b>2023</b>
Endowment net assets, beginning of year	\$ 8,043,471	\$ 7,347,411
Contributions	135,293	81,309
Investment income, net of expenses	145,077	187,613
Net appreciation (depreciation)	922,464	545,970
Amounts appropriated for expenditure	<u>(275,166)</u>	<u>(118,832)</u>
<b><i>Endowment net assets, end of year</i></b>	<b><u>\$ 8,971,139</u></b>	<b><u>\$ 8,043,471</u></b>

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 relevant state law requires. As of June 30, 2024 and 2023, there were no individual donor-restricted endowment funds whose fair value fell below the level that the donor or relevant state law requires.

**NOTE 13 - FAIR VALUE MEASUREMENT**

ASC Topic 820, *Fair Value Measurement*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under ASC Topic 820 are described as follows:

**Level 1** - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Athletic Foundation has the ability to access.

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***NOTE 13 - FAIR VALUE MEASUREMENT (Cont.)***

**Level 2** - Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2024 and 2023.

*Pledges receivable* - The fair value was determined based on the present value of future cash flows at the current market interest rates based on management's assumptions (Level 3).

*Present value of amounts due from split-interest agreements* - The fair value was determined based on the present value of future cash flows at the current market interest rates based on management's assumptions (Level 3).

*Common and foreign stocks* - The fair values of common stocks are determined based on quoted market prices (Level 1).

*U.S. government obligations* - The fair values of U.S. government obligations are based on quoted market prices in an active market, where available (Level 1). If quoted prices from active markets are not available, fair values are based on quoted market prices for similar instruments traded in active markets, quoted market prices for identical or similar instruments traded in markets that are not active, or model-based valuation techniques where all significant assumptions are observable in the market (Level 2).

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**NOTE 13 - FAIR VALUE MEASUREMENT (Cont.)**

*Corporate bonds* - The fair values of corporate bonds are based on quoted market prices in an active market, where available (Level 1). If quoted prices from active markets are not available, fair values are based on quoted market prices for similar instruments traded in active markets, quoted market prices for identical or similar instruments traded in markets that are not active, or model-based valuation techniques where all significant assumptions are observable in the market (Level 2).

*Mortgage backed securities* - The fair values of mortgage backed securities are based on quoted market prices for similar instruments traded in active markets, quoted market prices for identical or similar instruments traded in markets that are not active, or model-based valuation techniques where all significant assumptions are observable in the market (Level 2).

*Mutual funds* - The fair values of mutual funds are determined based on quoted market prices (Level 1).

Fair values of assets measured on a recurring basis at June 30, 2024, are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pledges receivable, net	\$ -	\$ -	\$ 5,074,927	\$ 5,074,927
Present value of amounts due from split-interest agreements	-	-	268,071	268,071
Common and foreign stocks	4,263,538	-	-	4,263,538
U.S. government obligations	307,139	-	-	307,139
Corporate bonds	1,316,987	-	-	1,316,987
Mortgage backed securities	-	581,358	-	581,358
Mutual funds	2,144,392	-	-	2,144,392
Totals assets at fair value	<u>\$ 8,032,056</u>	<u>\$ 581,358</u>	<u>\$ 5,342,998</u>	<u>\$ 13,956,412</u>

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**NOTE 13 - FAIR VALUE MEASUREMENT (Cont.)**

Fair values of assets measured on a recurring basis at June 30, 2023, are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pledges receivable, net	\$ -	\$ -	\$ 4,573,273	\$ 4,573,273
Present value of amounts due from split-interest agreements	-	-	255,684	255,684
Common and foreign stocks	4,063,276	-	-	4,063,276
U.S. government obligations	301,943	-	-	301,943
Corporate bonds	880,153	-	-	880,153
Mortgage backed securities	-	472,633	-	472,633
Mutual funds	2,138,423	-	-	2,138,423
Totals assets at fair value	<u>\$ 7,383,795</u>	<u>\$ 472,633</u>	<u>\$ 4,828,957</u>	<u>\$ 12,685,385</u>

**NOTE 14 - SUBSEQUENT EVENTS**

The Athletic Foundation has evaluated subsequent events through October 4, 2024 the date the financial statements were available to be issued, noting no other events requiring disclosure.

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