

**MISSOURI WESTERN STATE UNIVERSITY  
FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2016 AND 2015**

**MISSOURI WESTERN STATE UNIVERSITY  
TABLE OF CONTENTS  
YEARS ENDED JUNE 30, 2016 AND 2015**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
<b>STATEMENTS OF FINANCIAL POSITION</b>	<b>3</b>
<b>STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS</b>	<b>5</b>
<b>STATEMENTS OF CASH FLOWS</b>	<b>7</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>9</b>

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Missouri Western State University Foundation, Inc.  
St. Joseph, Missouri

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Missouri Western State University Foundation, Inc., which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility 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; this includes 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors  
Missouri Western State University Foundation, Inc.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Missouri Western State University Foundation, Inc. as of June 30, 2016 and 2015, 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.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

St. Joseph, Missouri  
September 9, 2016

**MISSOURI WESTERN STATE UNIVERSITY**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2016 AND 2015**

<b>ASSETS</b>	2016	2015
<b>CURRENT ASSETS</b>		
Cash	\$ 801,666	\$ 919,968
Pledges Receivable, Net - Current Portion	2,003,959	1,615,568
Pledges Receivable, Net - Gifts-in-Kind	1,205,805	97,058
Notes Receivable, Net - Current Portion	1,669	5,210
Interest, Dividends and Other Receivables	97,729	96,462
Prepaid Expenses	24,996	35,224
Total Current Assets	4,135,824	2,769,490
<b>INVESTMENTS</b>		
Investments	36,134,843	36,447,824
Mineral Rights	140,496	174,963
Cash Surrender Value of Life Insurance	509,708	467,479
Total Investments	36,785,047	37,090,266
<b>EQUIPMENT</b>		
Equipment, at Cost	61,432	61,432
Less: Accumulated Depreciation	52,067	48,216
Total Equipment	9,365	13,216
<b>OTHER ASSETS</b>		
Pledges Receivable - Net	1,744,723	2,450,209
Notes Receivable - Net	90,099	90,883
Beneficial Interest in Perpetual Trusts	5,238,353	5,446,736
Other Equity Interests	1,000,000	1,000,000
Total Other Assets	8,073,175	8,987,828
Total Assets	\$ 49,003,411	\$ 48,860,800

<b>LIABILITIES AND NET ASSETS</b>	<u>2016</u>	<u>2015</u>
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 629,818	\$ 460,878
Agency Funds	81,626	57,450
Deferred Revenue	153,833	117,878
Lease Payable - Current Portion	2,651	2,522
Total Current Liabilities	<u>867,928</u>	<u>638,728</u>
 <b>LONG-TERM LIABILITIES</b>		
Lease Payable - Net	<u>4,970</u>	<u>7,621</u>
Total Liabilities	872,898	646,349
 <b>NET ASSETS</b>		
Unrestricted:		
General Operating	2,310,276	2,223,112
Board Designated	<u>1,467,425</u>	<u>1,372,170</u>
Total Unrestricted Net Assets	3,777,701	3,595,282
Temporarily Restricted	17,621,836	17,955,251
Permanently Restricted	<u>26,730,976</u>	<u>26,663,918</u>
Total Net Assets	<u>48,130,513</u>	<u>48,214,451</u>
Total Liabilities and Net Assets	<u><u>\$ 49,003,411</u></u>	<u><u>\$ 48,860,800</u></u>

See accompanying Notes to Financial Statements.

**MISSOURI WESTERN STATE UNIVERSITY**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES, GAINS AND OTHER SUPPORT</b>				
Contributions	\$ 312,190	\$ 1,311,365	\$ 270,232	\$ 1,893,787
In-Kind Contributions	-	1,448,632	-	1,448,632
Investment Income	157,916	1,678,050	(345)	1,835,621
Mineral Rights Royalties	47,218	-	-	47,218
Other Income	499	937,264	-	937,763
Change in Value of Beneficial Interest in Perpetual Trusts	-	-	(208,383)	(208,383)
Net Assets Released from Donor Restrictions	4,440,238	(4,445,792)	5,554	-
Total Revenues, Gains and Other Support	<u>4,958,061</u>	<u>929,519</u>	<u>67,058</u>	<u>5,954,638</u>
<b>EXPENSES</b>				
Program Services:				
Scholarships	772,106	-	-	772,106
Allocations	3,428,836	-	-	3,428,836
Support Services:				
General and Administrative	246,588	-	-	246,588
Fundraising	168,392	-	-	168,392
Agent Fees	112,384	-	-	112,384
Uncollectible Pledges	57,103	-	-	57,103
Total Expenses	<u>4,785,409</u>	<u>-</u>	<u>-</u>	<u>4,785,409</u>
<b>OTHER REVENUES (EXPENSES)</b>				
Unrealized Gains (Losses) on Investments	44,234	(1,262,934)	-	(1,218,700)
Unrealized Losses on Mineral Rights	(34,467)	-	-	(34,467)
Total Other Revenues (Expenses)	<u>9,767</u>	<u>(1,262,934)</u>	<u>-</u>	<u>(1,253,167)</u>
<b>CHANGES IN NET ASSETS</b>	182,419	(333,415)	67,058	(83,938)
Net Assets - Beginning of Year	<u>3,595,282</u>	<u>17,955,251</u>	<u>26,663,918</u>	<u>48,214,451</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 3,777,701</u>	<u>\$ 17,621,836</u>	<u>\$ 26,730,976</u>	<u>\$ 48,130,513</u>

See accompanying Notes to Financial Statements.

**MISSOURI WESTERN STATE UNIVERSITY**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2015**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES, GAINS AND OTHER SUPPORT</b>				
Contributions	\$ 849,010	\$ 2,382,620	\$ 1,864,646	\$ 5,096,276
Legacies and Bequests	-	-	265,361	265,361
In-Kind Contributions	32,028	250,462	-	282,490
Investment Income	197,965	1,491,653	2,992	1,692,610
Mineral Rights Royalties	16,750	-	-	16,750
Other Income	3,434	878,867	239	882,540
Change in Value of Beneficial Interest in Perpetual Trusts	-	-	(221,167)	(221,167)
Net Assets Released from Donor Restrictions	3,448,409	(3,448,497)	88	-
Total Revenues, Gains and Other Support	<u>4,547,596</u>	<u>1,555,105</u>	<u>1,912,159</u>	<u>8,014,860</u>
<b>EXPENSES</b>				
Program Services:				
Scholarships	789,673	-	-	789,673
Allocations	3,029,501	-	-	3,029,501
Support Services:				
General and Administrative	207,177	-	-	207,177
Fundraising	168,638	-	-	168,638
Agent Fees	103,413	-	-	103,413
Uncollectible Pledges	43,078	-	-	43,078
Total Expenses	<u>4,341,480</u>	<u>-</u>	<u>-</u>	<u>4,341,480</u>
<b>OTHER REVENUES (EXPENSES)</b>				
Unrealized Gains (Losses) on Investments	(82,737)	(621,241)	-	(703,978)
Unrealized Losses on Mineral Rights	(16,768)	-	-	(16,768)
Total Other Revenues (Expenses)	<u>(99,505)</u>	<u>(621,241)</u>	<u>-</u>	<u>(720,746)</u>
<b>CHANGES IN NET ASSETS</b>	106,611	933,864	1,912,159	2,952,634
Net Assets - Beginning of Year	<u>3,488,671</u>	<u>17,021,387</u>	<u>24,751,759</u>	<u>45,261,817</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 3,595,282</u>	<u>\$ 17,955,251</u>	<u>\$ 26,663,918</u>	<u>\$ 48,214,451</u>

See accompanying Notes to Financial Statements.



**MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in Net Assets	\$ (83,938)	\$ 2,952,634
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	3,851	4,472
Net Unrealized Losses on Investments and Mineral Rights	1,253,167	720,746
Realized Gains on Investments	(954,979)	(853,669)
Loss on Sale of Equipment	-	336
Change in Cash Surrender Value of Life Insurance	(42,229)	66,416
Change in Value of Trusts	208,383	221,167
Contributions Restricted for Long-Term Purposes	(270,232)	(2,130,007)
Effects of Changes in Operating Assets and Liabilities:		
Pledges Receivable - Net	(791,652)	(831,781)
Notes Receivable - Net	(754)	(137)
Interest, Dividends and Other Receivables	(1,267)	44,809
Prepaid Expenses	10,228	(18,381)
Accounts Payable	168,940	179,199
Deferred Revenue	35,955	(16,826)
Net Cash Flows (Used) Provided by Operating Activities	(464,527)	338,978
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	-	(1,479)
Proceeds from Notes Receivable	5,079	12,439
Purchases of Investments	(1,615,501)	(2,771,641)
Purchases of Equity Interests	-	(50,000)
Proceeds from Sale of Investments	1,664,761	667,361
Net Cash Flows Provided (Used) by Investing Activities	54,339	(2,143,320)

**MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.  
STATEMENTS OF CASH FLOWS (CONTINUED)  
YEARS ENDED JUNE 30, 2016 AND 2015**

	2016	2015
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Contributions Restricted for Investment in Endowment	\$ 270,232	\$ 2,130,007
Repayments on Leases Payable	(2,522)	(2,399)
Net Payments on Agency Funds	24,176	(15,259)
Net Cash Provided by Financing Activities	291,886	2,112,349
<b>NET (DECREASE) INCREASE IN CASH</b>	(118,302)	308,007
Cash - Beginning of Year	919,968	611,961
<b>CASH - END OF YEAR</b>	\$ 801,666	\$ 919,968
<b>SUPPLEMENTAL CASH FLOW DISCLOSURES</b>		
Interest Paid During the Year	\$ 450	\$ 573

See accompanying Notes to Financial Statements.

**MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Missouri Western State University Foundation, Inc. (the Foundation) is a nonprofit organization incorporated in the state of Missouri on December 19, 1968. The Foundation's principal activity is to support the mission of Missouri Western State University (the University), as stated in the University's mission statement. The Foundation receives, invests, maintains and administers contributed resources; and otherwise acts to further the mission and goals of Missouri Western State University by directing acquired resources to serve the University and its students. Significant accounting policies followed by the Foundation are presented below:

**Use of Estimates in Preparing Financial Statements**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Significant estimates incorporated in the financial statements include: the allowance for uncollectible pledges and notes receivable; the discount for pledges to be received in future periods; the fair market value of mineral rights; the value of the other equity interests; and the asset values for trusts due in future years. Actual results could differ from those estimates.

**Descriptions of Programs**

The Foundation operates the following programs:

**Scholarships**

Scholarships represent financial assistance awarded to selected students, a majority of whom attend the University, based on certain academic criteria and financial need.

**Allocations**

Allocations represent support to the University faculty, staff, and students, physical plant improvements, and assistance to various departments of the University.

**Contributions**

All contributions are considered to be available for the general programs of the Foundation unless specifically restricted by the donor. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Gifts-In-Kind**

Gifts-in-kind consist of donated merchandise such as hotel rooms, food, cars, equipment for departments, and miscellaneous items used for assistance to the University. All such gifts are recorded at their estimated fair value at the date of the donation.

The Foundation recognizes the fair value of donated services that create or enhance nonfinancial assets, or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

**Cash**

The Foundation considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents. These investments, which are generally money market accounts, are recorded at cost. Certain cash equivalents are considered to be an integral part of the Foundation's investment program and are, accordingly, recognized as a component of investments on the statement of financial position.

**Investments**

Investments include marketable equity securities, debt securities, hedge funds, mineral rights, and money market funds. Investment specific money market funds are reported at cost, which approximates fair value. Investments in marketable equity securities, debt securities, hedge funds, mineral rights are carried at fair value, with unrealized and realized gains and losses on investments reported as an increase or decrease in unrestricted, temporarily restricted, or permanently restricted net assets based upon donor imposed restrictions.

Investment income is reported in the statement of activities as unrestricted, temporarily restricted, or permanently restricted revenue based upon donor imposed restrictions.

**Pledges Receivable**

Pledges receivable are generally due within one to ten years and are stated at the pledged amount. The carrying amount of pledges receivable is reduced by the amount of a discount related to those pledges that are to be collected over a period longer than one year. Management has also established a valuation allowance that reflects management's best estimate of amounts that will not be collected, based on management's assessment of the collectability of specific donors' pledges and the aging of pledges receivable. All such pledges, or portions thereof deemed to be uncollectible, are written off to the allowance for uncollectible pledges.

**MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash Surrender Value of Life Insurance**

Various contributions are received specifically to be invested in life insurance policies covering selected students and patrons of Missouri Western State University. The Foundation is the owner and beneficiary of these policies. The annual increase in the cash surrender value of the policies is recorded as either temporarily or permanently restricted income, depending upon donor intent. Any proceeds from these policies are restricted for use on physical plant maintenance and major capital improvements.

**Beneficial Interest in Perpetual Trusts**

The Foundation has a beneficial interest in various perpetual trusts. These consist of trusts created by independent donors for which the assets are not in the possession or control of the Foundation. The Foundation, along with other specified not-for-profit organizations and individuals, is a beneficiary of these trusts. The income received by the Foundation from these trusts is included in temporarily restricted contributions on the statement of activities. The Foundation's beneficial interest in these trusts is recorded at the fair value of the underlying assets in the trusts and classified within permanently restricted net assets.

**Equipment**

Equipment consists of various office furniture, equipment, and financial and fundraising software. These assets are depreciated using the straight-line method over their estimated useful lives, ranging from two to ten years. The Foundation's policy is to capitalize all items which have a unit cost greater than \$1,000.

**Impairment of Long-Lived Assets**

The Foundation reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

**Deferred Income**

Revenues from memberships and future special events are recognized in the fiscal year to which the memberships relate or the special events occur. Memberships for the upcoming fiscal year are reported as deferred revenue at June 30 of the current year.

**MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Assets**

Financial statement presentation follows the recommendations of Accounting Standards Codification (ASC) 958, *Financial Statements of Not-for-profit Associations*. Under ASC 958, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: Unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Unrestricted**

Unrestricted net assets include all net assets which are neither temporarily nor permanently restricted. This category includes board designated net assets.

**Temporarily Restricted**

Temporarily restricted net assets include contributed net assets for which donor imposed time and purpose restrictions have not been met and the ultimate purpose of the contribution is not permanently restricted.

**Permanently Restricted**

Permanently restricted net assets include contributed net assets which require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

**Income Taxes**

The Foundation is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. It is not considered to be a private foundation. The Foundation follows the standard for evaluating uncertain tax positions and has determined no liability should be recorded for uncertain tax positions.

**MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 2 FAIR VALUE MEASUREMENTS**

In determining fair value, the Foundation uses various valuation approaches within the ASC 820 fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs, by requiring that the most observable inputs be used when available. ASC 820 defines levels within the hierarchy based on the reliability of inputs as follows:

*Level 1* – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets; and

*Level 2* – Valuations based on quoted prices for similar assets or liabilities, or identical assets or liabilities in less active markets, such as dealer or broker markets; and

*Level 3* – Valuations derived from valuation techniques in which one or more significant inputs, or significant value drivers, are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

Following is a description of the valuation methodologies used for instruments measured at fair value and their classifications in the valuation hierarchy.

**Assets and Liabilities Measured on a Recurring Basis**

**Investments**

Securities listed on a national market or exchange are valued at the last sales price, or if there is no sale and the market is still considered active, at the last transaction price before year-end. Such securities are classified as Level 1 or 2 of the valuation hierarchy, dependent upon the liquidity of their respective markets.

**Beneficial Interest in Perpetual Trust**

The fair value of beneficial interests in perpetual trusts was determined by calculating the Foundation's proportional share of the underlying assets held in trust, as determined by the trustee, and is classified as Level 3 within the valuation hierarchy.

**MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 2 FAIR VALUE MEASUREMENTS (CONTINUED)**

Fair values of assets and liabilities measured on a recurring basis, as of June 30, 2016 and 2015, are as follows:

	June 30, 2016			
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Investments				
Common Stock and Equity				
Mutual Funds:	\$ -	\$ 17,496,563	\$ -	\$ -
Foreign	3,574,479	-	-	-
Energy Minerals	810,101	-	-	-
Technology Services	784,587	-	-	-
Finance	1,663,660	-	-	-
Electronic Technology	910,054	-	-	-
Consumer	2,168,819	-	-	-
Health Technology	566,291	-	-	-
Health Care	1,093,041	-	-	-
Domestic Equity	1,200,246	-	-	-
Utilities	89,251	-	-	-
Telecommunications	284,197	-	-	-
Industrials	698,787	-	-	-
Materials	306,480	-	-	-
All Other Common Stocks	1,594,866	-	-	-
Equity Mutual Funds	1,751,704	-	-	-
U.S. Government Bonds and				
Mutual Funds:	-	8,690,942	7,513,869	-
U.S. Government Issues	1,229,799	-	-	-
Corporate Issues	7,772,214	-	-	-
Foreign Issues	-	-	-	-
Taxable Municipal Issues	1,064,076	-	-	-
Fixed Income Mutual Funds	6,138,722	-	-	-
Hedge Funds	1,231,781	1,231,781	-	-
Total Investments	34,933,155	27,419,286	7,513,869	-
Beneficial Interest in Perpetual Trust	5,238,353	-	-	5,238,353
Total Assets	<u>\$ 40,171,508</u>	<u>\$ 27,419,286</u>	<u>\$ 7,513,869</u>	<u>\$ 5,238,353</u>



**MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 2 FAIR VALUE MEASUREMENTS (CONTINUED)**

	June 30, 2015			
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Investments				
Common Stock and Equity				
Mutual Funds:	\$ -	\$ 20,279,620	\$ -	\$ -
Foreign	4,678,308	-	-	-
Energy Minerals	717,619	-	-	-
Technology Services	1,642,297	-	-	-
Finance	2,136,989	-	-	-
Electronic Technology	412,496	-	-	-
Consumer	2,038,626	-	-	-
Health Technology	595,936	-	-	-
Health Care	931,759	-	-	-
Domestic Equity	1,783,490	-	-	-
Utilities	113,421	-	-	-
Telecommunications	231,798	-	-	-
Industrials	930,013	-	-	-
Materials	224,436	-	-	-
All Other Common Stocks	1,640,622	-	-	-
Equity Mutual Funds	2,201,810	-	-	-
U.S. Government Bonds				
and Mutual Funds:	-	6,649,012	7,482,679	-
U.S. Government Issues	1,280,240	-	-	-
Corporate Issues	7,375,144	-	-	-
Foreign Issues	510,541	-	-	-
Taxable Municipal Issues	615,165	-	-	-
Fixed Income Mutual Funds	4,350,601	-	-	-
Hedge Funds	851,066	851,066	-	-
Total Investments	<u>35,262,377</u>	<u>27,779,698</u>	<u>7,482,679</u>	<u>-</u>
Beneficial Interest in Perpetual Trust	5,446,736	-	-	5,446,736
Total Assets	<u>\$ 40,709,113</u>	<u>\$ 27,779,698</u>	<u>\$ 7,482,679</u>	<u>\$ 5,446,736</u>

**MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 2 FAIR VALUE MEASUREMENTS (CONTINUED)**

The following is a reconciliation of the beginning and ending balance of assets and liabilities, measured at fair value on a recurring basis using significant unobservable (Level 3) input during the years ended June 30, 2016 and 2015.

	Beneficial Interest in Perpetual Trusts
Balance - June 30, 2014	\$ 5,667,903
Change in Fair Market Value	<u>(221,167)</u>
Balance - June 30, 2015	5,446,736
Change in Fair Market Value	<u>(208,383)</u>
Balance - June 30, 2016	<u><u>\$ 5,238,353</u></u>

**NOTE 3 OTHER EQUITY INTERESTS**

During 2012, the Foundation purchased 45 Class A Units in a partnership that is carried at cost, defined as the lower of cost or fair market value. The carrying value of this equity interest totals \$450,000.

During 2013, the Foundation purchased a 7.69% ownership interest in a community based limited liability company. This investment is carried on the Foundation's books at cost, defined as the lower of cost or fair market value. The carrying value of this equity interest totals \$500,000.

During 2014, the Foundation purchased an ownership interest in a limited liability company that is carried at cost, defined as the lower of cost or fair market value. The carrying value of this equity interest totals \$50,000.

**MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 4 INVESTMENTS**

The following is a summary of investment securities:

	June 30, 2016			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money Market Funds & CDs	\$ 1,201,688	\$ -	\$ -	\$ 1,201,688
Common Stock and Equity Mutual Funds	14,675,104	2,821,459	-	17,496,563
U.S. Government Bonds and Mutual Funds	15,703,657	501,154	-	16,204,811
Hedge Funds	1,246,958	-	(15,177)	1,231,781
Total	\$ 32,827,407	\$ 3,322,613	\$ (15,177)	\$ 36,134,843

Investment returns for the year ended June 30, 2016 consist of the following:

Investment Income	\$ 880,642
Net Realized Gains	954,979
Net Unrealized Losses	(1,218,700)
Total Investment Returns	\$ 616,921
Total Investment Fees	\$ 112,384

**MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 4 INVESTMENTS (CONTINUED)**

	June 30, 2015			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money Market Funds & CDs	\$ 1,185,447	\$ -	\$ -	\$ 1,185,447
Common Stock and Equity Mutual Funds	15,557,919	4,721,701	-	20,279,620
U.S. Government Bonds and Mutual Funds	14,320,562	-	(188,871)	14,131,691
Hedge Funds	857,760	-	(6,694)	851,066
Total	<u>\$ 31,921,688</u>	<u>\$ 4,721,701</u>	<u>\$ (195,565)</u>	<u>\$ 36,447,824</u>

Investment returns for the year ended June 30, 2015 consist of the following:

Investment Income	\$ 838,941
Net Realized Gains	853,669
Net Unrealized Losses	(703,978)
Total Investment Returns	<u>\$ 988,632</u>
Total Investment Fees	<u>\$ 103,413</u>

**NOTE 5 PLEDGES RECEIVABLE**

Included in pledges receivable are the following unconditional promises to give at June 30:

	2016	2015
Total Pledges Receivable	\$ 3,825,671	\$ 4,222,028
Less: Allowance for Uncollectible Pledges	34,542	34,174
Less: Unamortized Discount	42,447	122,077
Net Pledges Receivable	3,748,682	4,065,777
Less: Pledges Receivable - Net, Current Portion	2,003,959	1,615,568
Pledges Receivable - Net, Long-Term	<u>\$ 1,744,723</u>	<u>\$ 2,450,209</u>
Amounts Due in:		
Less than One Year	\$ 2,038,501	
One to Five Years	1,724,570	
Six to Ten Years	62,600	
Total	<u>\$ 3,825,671</u>	

**MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 5 PLEDGES RECEIVABLE (CONTINUED)**

Imputed discount rates of 1.01% and 1.63% were used in discounting long-term pledges receivable for 2016 and 2015, respectively.

The Foundation has been notified that it is designated as a beneficiary of numerous trusts. These gifts are revocable and are not recognized within the accompanying financial statements due to their conditional nature.

**NOTE 6 NOTES RECEIVABLE**

Notes receivable are primarily made up of loans to students attending medical school. The notes are to be repaid over six years beginning six months after completing residency, with an interest rate of 6%. Accounts outstanding longer than the contractual payment terms are considered past due. The Foundation writes off receivables as they become uncollectible. An allowance for doubtful accounts is established based upon a review of outstanding receivables, historical collection information, and existing economic conditions. The balance was as follows at June 30:

	2016	2015
Notes Receivable	\$ 96,661	\$ 101,740
Allowance for Doubtful Accounts	(4,893)	(5,647)
Notes Receivable - Net	\$ 91,768	\$ 96,093

Total notes receivable past 90 days, or converted to non-accrual status, at June 30, 2016 are not significant to the financial statements.

**NOTE 7 BENEFICIAL INTEREST IN PERPETUAL TRUSTS**

The Foundation's beneficial interest in perpetual trusts held by third parties was valued at \$5,238,353 and \$5,446,736 at June 30, 2016 and 2015, respectively. No new trust agreements were received in 2016 or 2015. A change in value of the beneficial interest in perpetual trusts of \$(208,383) and \$(221,167) was recorded for the years ended June 30, 2016 and 2015, respectively. Interest income received from these trusts was \$203,473 and \$199,619, respectively, for the years ended June 30, 2016 and 2015.

**MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 8 MINERAL RIGHTS**

The Foundation has interests in oil and gas wells which were donated by an estate. The Foundation's cost basis in these assets was determined through appraisal at the date of the gift. Subsequently they are evaluated annually for impairment through the use of an industry standard formula based upon the average of historical royalty income times a factor of 8 in both 2016 and 2015. The factor was obtained from an applicable regional oil and mineral association in 2014, which management believes to be knowledgeable and a reasonable source for such input. This analysis resulted in impairment write-downs to the value of this asset of \$34,467 in 2016 and \$16,768 in 2015. The carrying value of the oil and gas wells is recorded as \$140,496 and \$174,963 at June 30, 2016 and 2015, respectively.

**NOTE 9 DEPRECIATION**

Depreciation charged against general and administrative expenses totaled \$3,851 in 2016 and \$4,472 in 2015.

**NOTE 10 CAPITAL LEASE**

On April 15, 2014, the Foundation leased a copier for 60 months, with lease payments of \$2,972 annually. Interest has been imputed on this lease at the rate of 5%.

	<u>2016</u>	<u>2015</u>
Capital Lease, that Matures on March 15, 2019	\$ 7,621	\$ 10,143
Less: Current Portion	<u>2,651</u>	<u>2,522</u>
Total Long-Term Portion	<u>\$ 4,970</u>	<u>\$ 7,621</u>

Minimum future lease payments under the capital lease, at June 30, 2016, for each of the remaining years and in the aggregate are:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 2,972
2018	2,972
2019	<u>2,229</u>
Total	8,173
Less: Amount Representing Interest	<u>552</u>
Present Value of Lease Payments	<u>\$ 7,621</u>

At June 30, 2016 and 2015, the carrying value of the equipment being leased was \$7,248 and \$9,884 respectively. Depreciation expense was \$2,636 for the years ended June 30, 2016 and 2015. Amortization of the capital lease asset is included as a component of depreciation expense.

**MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 11 AGENCY FUNDS**

The Foundation has various scholarship funds for which the donors have retained authority for the awarding and disbursement of grant amounts. Accordingly, these funds are not recognized as contributions by the Foundation and are instead held as agency funds in the name of the donor. These funds total \$81,626 in 2016 and \$57,450 in 2015.

**NOTE 12 NATURE AND AMOUNT OF TEMPORARILY RESTRICTED AND PERMANENTLY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Scholarships	\$ 8,222,834	\$ 8,751,469
Programmatic and Departmental Support	8,863,089	8,677,334
Special Programs	535,913	526,448
Total	<u>\$ 17,621,836</u>	<u>\$ 17,955,251</u>

Permanently restricted net assets are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Scholarships	\$ 15,784,881	\$ 15,575,722
Academic Departments	9,625,677	9,774,908
Other	1,320,418	1,313,288
Total	<u>\$ 26,730,976</u>	<u>\$ 26,663,918</u>

**NOTE 13 BOARD DESIGNATED FUNDS**

Board designated net assets are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Campaign	\$ 35,758	\$ 13,187
Allocations	1,305,243	1,273,876
Endowed Bequests	126,424	85,107
Total	<u>\$ 1,467,425</u>	<u>\$ 1,372,170</u>

**MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 14 ENDOWMENTS**

The Foundation's endowments consist of 183 funds established to support a variety of scholarships, programs, and departments at the University. Its endowments consist of both donor-restricted endowment funds and funds designated by the board of directors (the board) to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

The Board of the Foundation has interpreted Missouri's enactment of the Uniform Prudent Management of Institutional Funds Act (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. Consequently, the Foundation classifies permanently restricted net assets as:

- The original value of gifts donated to the permanent endowment, and
- The original value of subsequent gifts to the permanent endowment.

The remaining portion of the donor-restricted endowment fund not classified as permanently restricted is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation's Board.

**Return Objectives and Risk Parameters**

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs supported by the endowments. The endowment assets are invested in a manner that is intended to produce results similar to the S & P 500 index while assuming a moderate level of investment risk.

**Spending Policy**

The Foundation has a policy of appropriating for distribution each year four percent of the endowment fund's average balance using a three-year rolling average for program purposes. The Foundation policy also appropriates a one percent administrative fee based on the year end endowment balance.

In establishing this policy, the Foundation considered the long-term expected returns on its endowment investments. Accordingly, over the long-term, the Foundation expects the current spending policy will allow its endowment to retain the original corpus of the gift.



**MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 14 ENDOWMENTS (CONTINUED)**

**Strategies Employed for Achieving Objectives**

The Foundation relies on a total return strategy in which investment returns are achieved through capital appreciation and current yield (interest and dividends). The Foundation targets a diversified asset allocation that emphasizes fixed income securities to achieve its long-term objectives within prudent risk constraints.

Endowment Net Asset Composition by Type of Fund as of June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor Restricted Endowment Funds	\$ -	\$ 6,974,347	\$ 20,273,206	\$ 27,247,553
Board Designated Endowment Funds	126,424	3,151,414	-	3,277,838
Unrestricted Endowment Funds	29,473	-	-	29,473
Total Funds	<u>\$ 155,897</u>	<u>\$ 10,125,761</u>	<u>\$ 20,273,206</u>	<u>\$ 30,554,864</u>

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net Assets, Beginning of Year	\$ 114,058	\$ 10,809,825	\$ 19,732,932	\$ 30,656,815
Investment Return:				
Investment Income	523	811,233	-	811,756
Net Depreciation	-	(332,317)	(345)	(332,662)
Total	<u>523</u>	<u>478,916</u>	<u>(345)</u>	<u>479,094</u>
Contributions	41,316	134,595	540,619	716,530
Appropriation of Endowment Assets for Expenditure	-	(1,297,575)	-	(1,297,575)
Net Assets, End of Year	<u>\$ 155,897</u>	<u>\$ 10,125,761</u>	<u>\$ 20,273,206</u>	<u>\$ 30,554,864</u>

**MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 14 ENDOWMENTS (CONTINUED)**

Endowment Net Asset Composition by Type of Fund as of June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Endowment Funds	\$ -	\$ 7,658,792	\$ 19,732,932	\$ 27,391,724
Board Designated Endowment Funds	85,107	3,151,033	-	3,236,140
Unrestricted Endowment Funds	28,951	-	-	28,951
Total Funds	<u>\$ 114,058</u>	<u>\$ 10,809,825</u>	<u>\$ 19,732,932</u>	<u>\$ 30,656,815</u>

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Assets, Beginning of Year	\$ 112,470	\$ 10,848,276	\$ 18,660,043	\$ 29,620,789
Investment Return:				
Investment Income	1,588	775,569	43,299	820,456
Net Appreciation	-	155,294	2,992	158,286
Total	<u>1,588</u>	<u>930,863</u>	<u>46,291</u>	<u>978,742</u>
Contributions	-	95,682	1,026,598	1,122,280
Appropriation of Endowment Assets for Expenditure	-	(1,064,996)	-	(1,064,996)
Net Assets, End of Year	<u>\$ 114,058</u>	<u>\$ 10,809,825</u>	<u>\$ 19,732,932</u>	<u>\$ 30,656,815</u>

**NOTE 15 RELATED PARTIES**

During 2015, the Foundation received, without charge, contributed office equipment and the services of various Missouri Western State University employees. The amount recognized as In-kind contributions on the statement of activities and changes in net assets was \$32,028. In 2016, the Foundation paid the University \$32,028 for the office space, equipment, and services of the University employees. Several additional expenses paid by the University are reimbursed by the Foundation. During the years ended June 30, 2016 and 2015, the Foundation paid the University \$255,392 and \$250,173, respectively, for use of telephones, postage, printing, publications, and a portion of the salaries of staff and students employed by the University. Included in accounts payable at June 30, 2016 and 2015 was \$620,431 and \$428,956, respectively, due to the University.

**MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 16 COMMITMENTS AND CONTINGENCIES**

**Commitments**

As of June 30, 2016, the Foundation had committed \$1,374,459 of temporarily restricted funds for scholarships and various projects for next fiscal year. Additionally, the Foundation had committed \$217,800 for University allocations and \$372,570 for Foundation operations from unrestricted funds for the next fiscal year. These commitments are all contingent upon specific actions occurring by the University and Foundation and, accordingly, have not yet been recognized in the Foundation's financial statements.

**Concentration of Credit Risk**

A majority of the Foundation's pledges are made by companies and individuals located in Northwest Missouri.

**Market Conditions**

Financial markets as a whole incur significant volatility. The values of individual investments fluctuate with market conditions, and the amount of investment losses or gains that the Foundation will recognize in its future financial statements, if any, cannot be determined.

**NOTE 17 CONCENTRATIONS OF RISK**

The Foundation maintains cash in commercial banks located in the United States. The balances on deposit are insured up to specified limits. Balances in excess of these limits totaled \$408,585 at June 30, 2016.

Approximately 16% and 27% of the Foundation's contributions were from one donor for the years ended June 30, 2016 and 2015, respectively. Pledges receivable from the donor were approximately 5% and 28% for the years ended June 30, 2016 and 2015, respectively.

**NOTE 18 SUBSEQUENT EVENTS**

Management evaluated subsequent events through September 9, 2016, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2016, but prior to September 9, 2016, that provided additional evidence about conditions that existed at June 30, 2016, have been recognized in the 2016 financial statements.