

**MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.**  
**St. Joseph, Missouri**

**FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2015 AND 2014**

**MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.  
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## 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, 2015 and 2014, 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, 2015 and 2014, 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 10, 2015

**MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2015 AND 2014**

<b>ASSETS</b>	2015	2014
<b>CURRENT ASSETS</b>		
Cash	\$ 919,968	\$ 611,961
Pledges Receivable, Net - Current Portion	1,615,568	3,009,585
Pledges Receivable, Net - Gifts-in-Kind	97,058	73,803
Notes Receivable, Net - Current Portion	5,210	10,218
Interest, Dividends and Other Receivables	96,462	141,271
Prepaid Expenses	35,224	16,843
Total Current Assets	2,769,490	3,863,681
<b>INVESTMENTS</b>		
Investments	36,447,824	34,193,853
Mineral Rights	174,963	191,731
Cash Surrender Value of Life Insurance	467,479	533,895
Total Investments	37,090,266	34,919,479
<b>EQUIPMENT</b>		
Equipment, at Cost	61,432	62,139
Less: Accumulated Depreciation	48,216	45,594
Total Equipment	13,216	16,545
<b>OTHER ASSETS</b>		
Pledges Receivable - Net	2,450,209	247,666
Notes Receivable - Net	90,883	98,177
Beneficial Interest in Perpetual Trusts	5,446,736	5,667,903
Other Equity Interests	1,000,000	950,000
Total Other Assets	8,987,828	6,963,746
Total Assets	\$ 48,860,800	\$ 45,763,451

<b>LIABILITIES AND NET ASSETS</b>	<u>2015</u>	<u>2014</u>
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 460,878	\$ 281,679
Agency Funds	57,450	72,709
Deferred Revenue	117,878	134,704
Lease Payable - Current Portion	<u>2,522</u>	<u>2,399</u>
Total Current Liabilities	638,728	491,491
 <b>LONG-TERM LIABILITIES</b>		
Lease Payable - Net	<u>7,621</u>	<u>10,143</u>
Total Liabilities	646,349	501,634
 <b>NET ASSETS</b>		
Unrestricted:		
General Operating	2,223,112	2,088,429
Board Designated	<u>1,372,170</u>	<u>1,400,242</u>
Total Unrestricted Net Assets	3,595,282	3,488,671
Temporarily Restricted	17,955,251	17,021,387
Permanently Restricted	<u>26,663,918</u>	<u>24,751,759</u>
Total Net Assets	48,214,451	45,261,817
Total Liabilities and Net Assets	<u>\$ 48,860,800</u>	<u>\$ 45,763,451</u>

See accompanying Notes to Financial Statements.

**MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.**  
**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 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.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2014**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES, GAINS AND OTHER SUPPORT</b>				
Contributions	\$ 296,172	\$ 2,035,341	\$ 305,936	\$ 2,637,449
Legacies and Bequests	-	116,019	100	116,119
In-Kind Contributions	-	230,519	-	230,519
Investment Income	237,889	1,512,018	24,810	1,774,717
Mineral Rights Royalties	21,343	-	-	21,343
Other Income	1,481	850,852	52,448	904,781
Change in Value of Beneficial Interest in Perpetual Trusts	-	-	389,203	389,203
Change in Donor Restriction	-	(10,000)	10,000	-
Net Assets Released from Donor Restrictions	3,384,165	(3,380,553)	(3,612)	-
Total Revenues, Gains and Other Support	<u>3,941,050</u>	<u>1,354,196</u>	<u>778,885</u>	<u>6,074,131</u>
<b>EXPENSES</b>				
Program Services:				
Scholarships	806,083	-	-	806,083
Allocations	2,684,966	-	-	2,684,966
Support Services:				
General and Administrative	215,617	-	-	215,617
Fundraising	177,947	-	-	177,947
Agent Fees	91,142	-	-	91,142
Uncollectible Pledges	18,918	-	-	18,918
Total Expenses	<u>3,994,673</u>	<u>-</u>	<u>-</u>	<u>3,994,673</u>
<b>OTHER REVENUES (EXPENSES)</b>				
Unrealized Gains (Losses) on Investments	(10,150)	2,289,805	-	2,279,655
Unrealized Losses on Mineral Rights	(48,464)	-	-	(48,464)
Total Other Revenues (Expenses)	<u>(58,614)</u>	<u>2,289,805</u>	<u>-</u>	<u>2,231,191</u>
<b>CHANGES IN NET ASSETS</b>	(112,237)	3,644,001	778,885	4,310,649
Net Assets, Beginning of Year	<u>3,600,908</u>	<u>13,377,386</u>	<u>23,972,874</u>	<u>40,951,168</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 3,488,671</u>	<u>\$ 17,021,387</u>	<u>\$ 24,751,759</u>	<u>\$ 45,261,817</u>

See accompanying Notes to Financial Statements.



**MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in Net Assets	\$ 2,952,634	\$ 4,310,649
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	4,472	4,416
Net Unrealized Losses (Gains) on Investments and Mineral Rights	720,746	(2,231,191)
Realized Gains on Investments	(853,669)	(979,922)
Loss on Sale of Equipment	336	2,921
Change in Cash Surrender Value of Life Insurance	66,416	(11,805)
Change in Value of Trusts	221,167	(389,203)
Contributions Restricted for Long-Term Purposes	(2,130,007)	(306,036)
Effects of Changes in Operating Assets and Liabilities:		
Pledges Receivable - Net	(831,781)	(667,521)
Notes Receivable - Net	(137)	147
Interest, Dividends and Other Receivables	44,809	(62,368)
Prepaid Expenses	(18,381)	20,621
Accounts Payable	179,199	(73,918)
Deferred Revenue	(16,826)	(94,692)
Net Cash Flows Provided by (Used in) Operating Activities	338,978	(477,902)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	(1,479)	(2,970)
Proceeds from Notes Receivable	12,439	23,555
Purchases of Investments	(2,771,641)	(2,986,004)
Purchases of Equity Interests	(50,000)	-
Proceeds from Sale of Investments	667,361	2,968,687
Net Cash Flows (Used in) Provided by Investing Activities	(2,143,320)	3,268

**MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Contributions Restricted for Investment in Endowment	2,130,007	306,036
Repayments on Leases Payable	(2,399)	(5,423)
Net Payments on Agency Funds	(15,259)	34,401
Net Cash Provided by Financing Activities	2,112,349	335,014
<b>NET INCREASE (DECREASE) IN CASH</b>	308,007	(139,620)
Cash, Beginning of Year	611,961	751,581
<b>CASH, END OF YEAR</b>	\$ 919,968	\$ 611,961
<b>SUPPLEMENTAL CASH FLOW DISCLOSURES</b>		
Interest Paid During the Year	\$ 573	\$ 280
<b>NONCASH ACTIVITIES</b>		
Equipment Purchased with Lease Payable	\$ -	\$ 12,520

See accompanying Notes to Financial Statements.

**MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Missouri Western State University Foundation, Inc. (the Foundation) is a not-for-profit 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, 2015 AND 2014**

**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 balance sheets.

**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, 2015 AND 2014**

**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, 2015 AND 2014**

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

*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* 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 not-for-profit 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.

**New Accounting Standards**

In April 2013, the FASB issued Accounting Standards Update (ASU) No. 2013-06, *Services Received from Personnel of an Affiliate*. It is effective for fiscal years beginning after June 15, 2014. Under the ASU, a recipient not-for-profit entity is required to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. Those services should be measured at the cost recognized by the affiliate for the personnel providing those services. The Foundation adopted the provisions of this standard for its June 30, 2015 financial statements. There was no material effect to the financial statements related to adoption of this standard.

**MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**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, 2015 AND 2014**

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

Fair values of assets and liabilities measured on a recurring basis, as of June 30, 2015 and 2014, are as follows:

	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)
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	-	-
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, 2015 AND 2014**

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

	June 30, 2014			
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Common Stock and Equity				
Mutual Funds:	\$ -	\$ 19,375,858	\$ -	\$ -
Foreign	4,487,878	-	-	-
Energy Minerals	841,644	-	-	-
Technology Services	1,494,920	-	-	-
Finance	1,622,415	-	-	-
Electronic Technology	257,467	-	-	-
Consumer	1,318,516	-	-	-
Health Technology	507,622	-	-	-
Health Care	767,248	-	-	-
Domestic Equity	322,039	-	-	-
Utilities	291,480	-	-	-
Telecommunications	196,326	-	-	-
Industrials	1,087,544	-	-	-
Materials	207,827	-	-	-
All Other Common Stocks	3,683,340	-	-	-
Equity Mutual Funds	2,289,592	-	-	-
U.S. Government Bonds				
and Mutual Funds:	-	5,251,467	6,865,908	-
U.S. Government Issues	933,538	-	-	-
Corporate Issues	6,084,364	-	-	-
Foreign Issues	147,150	-	-	-
Taxable Municipal Issues	298,495	-	-	-
Fixed Income Mutual Funds	4,653,828	-	-	-
Hedge Funds	540,935	540,935	-	-
Beneficial Interest in Perpetual Trust	5,667,903	-	-	5,667,903
Total Assets	<u>\$ 37,702,071</u>	<u>\$ 25,168,260</u>	<u>\$ 6,865,908</u>	<u>\$ 5,667,903</u>

**MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**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, 2015 and 2014.

	Beneficial Interest in Perpetual Trusts
Balance, June 30, 2013	\$ 5,278,700
Change in Fair Market Value	<u>389,203</u>
Balance, June 30, 2014	5,667,903
Change in Fair Market Value	<u>(221,167)</u>
Balance, June 30, 2015	<u>\$ 5,446,736</u>

**NOTE 3 OTHER EQUITY INTERESTS**

Other equity interests include a 3.973% interest in a privately held limited liability company, which was contributed to the Foundation in 2010. It was carried on the Foundation's books at cost, defined as the lower of cost or fair market value. This investment was sold during 2013 with a recognized loss of \$161,704. A final distribution amount of \$29,798 relating to this equity interest was received in 2014 and recorded as Other income on the statement of activities and changes in net assets.

A second equity interest was received in 2012 of an additional 3.02% interest in the same privately held limited liability company. It was carried on the Foundation's books at cost, defined as the lower of cost or fair market value. This investment was sold during 2013 with a recognized loss of \$122,916. A final distribution amount of \$22,650 relating to this equity interest was received in 2014 and recorded as Other Income on the statement of activities and changes in net assets.

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.

**MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.**  
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**NOTE 3 OTHER EQUITY INTERESTS (CONTINUED)**

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.

**NOTE 4 INVESTMENTS**

The following is a summary of investment securities:

	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	\$ 31,921,688	\$ 4,532,830	\$ (6,694)	\$ 36,447,824

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	\$ 988,632
Total Investment Fees	\$ 103,413

**MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.**  
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**NOTE 4 INVESTMENTS (CONTINUED)**

	June 30, 2014			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money Market Funds	\$ 2,159,685	\$ -	\$ -	\$ 2,159,685
Common Stock and Equity Mutual Funds	14,551,366	4,824,492	-	19,375,858
U.S. Government Bonds and Mutual Funds	11,746,469	370,906	-	12,117,375
Hedge Funds	506,219	34,716	-	540,935
Total	<u>\$ 28,963,739</u>	<u>\$ 5,230,114</u>	<u>\$ -</u>	<u>\$ 34,193,853</u>

Investment returns for the year ended June 30, 2014 consist of the following:

Investment Income	\$ 794,795
Net Realized Gains	979,922
Net Unrealized Gains	2,279,655
Total Investment Returns	<u>\$ 4,054,372</u>
Total Investment Fees	<u>\$ 91,142</u>

**NOTE 5 PLEDGES RECEIVABLE**

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

	2015	2014
Total Pledges Receivable	\$ 4,222,028	\$ 3,314,479
Less: Allowance for Uncollectible Pledges	34,174	23,474
Less: Unamortized Discount	122,077	33,754
Net Pledges Receivable	4,065,777	3,257,251
Less: Pledges Receivable - Net, Current Portion	1,615,568	3,009,585
Pledges Receivable - Net, Long-Term	<u>\$ 2,450,209</u>	<u>\$ 247,666</u>
Amounts Due in:		
Less than One Year	\$ 1,649,742	
One to Five Years	2,478,386	
Six to Ten Years	93,900	
Total	<u>\$ 4,222,028</u>	

**MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.**  
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**NOTE 5 PLEDGES RECEIVABLE (CONTINUED)**

Imputed discount rates of 1.63% and 5% were used in discounting long-term pledges receivable for 2015 and 2014, 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, 2015 and 2014:

	2015	2014
Notes Receivable	\$ 101,740	\$ 114,179
Allowance for Doubtful Accounts	(5,647)	(5,784)
Notes Receivable - Net	\$ 96,093	\$ 108,395

Total notes receivable past 90 days, or converted to non-accrual status, at June 30, 2015 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 \$5,446,736 and \$5,667,903 at June 30, 2015 and 2014, respectively. No new trust agreements were received in 2015 or 2014. A change in value of the beneficial interest in perpetual trusts of \$(221,167) and \$389,203 was recorded for the years ended June 30, 2015 and 2014, respectively. Interest income received from these trusts was \$119,895 and \$152,567, respectively, for the years ended June 30, 2015 and 2014.

**MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.**  
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**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 2015 and 2014. 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 \$16,768 in 2015 and \$48,464 in 2014. The carrying value of the oil and gas wells is recorded as \$174,963 and \$191,731 at June 30, 2015 and 2014, respectively.

**NOTE 9 DEPRECIATION**

Depreciation charged against general and administrative expenses totaled \$4,472 in 2015 and \$4,416 in 2014.

**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>2015</u>	<u>2014</u>
Capital Lease, that Matures on March 15, 2019	\$ 10,143	\$ 12,542
Less: Current Portion	2,522	2,399
Total Long-Term Portion	<u>\$ 7,621</u>	<u>\$ 10,143</u>

Minimum future lease payments under the capital lease, at June 30, 2015, for each of the remaining years and in the aggregate are:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 2,972
2017	2,972
2018	2,972
2019	2,229
Total	<u>11,145</u>
Less: Amount Representing Interest	1,002
Present Value of Lease Payments	<u>\$ 10,143</u>

At June 30, 2015 and 2014, the carrying value of the equipment being leased was \$9,884 and \$12,520, respectively. Depreciation expense was \$2,636 and \$659 for the years ended June 30, 2015 and 2014, respectively. Amortization of the capital lease asset is included as a component of depreciation expense.

**MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.**  
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**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 \$57,450 in 2015 and \$72,709 in 2014.

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

Temporarily restricted net assets are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Scholarships	\$ 6,793,604	\$ 6,832,316
Programmatic and Departmental Support	9,517,870	8,888,251
Special Programs	1,643,777	1,300,820
Total	<u>\$ 17,955,251</u>	<u>\$ 17,021,387</u>

Permanently restricted net assets are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Scholarships	\$ 15,575,722	\$ 15,076,362
Academic Departments	9,774,908	8,370,631
Other	1,313,288	1,304,766
Total	<u>\$ 26,663,918</u>	<u>\$ 24,751,759</u>

**NOTE 13 BOARD DESIGNATED FUNDS**

Board designated net assets are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Campaign	\$ 13,187	\$ 38,075
Allocations	1,273,876	1,277,060
Endowed Bequests	85,107	85,107
Total	<u>\$ 1,372,170</u>	<u>\$ 1,400,242</u>

**MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.**  
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**NOTE 14 ENDOWMENTS**

The Foundation's endowments consist of 176 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.**  
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**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, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor Restricted Endowment Funds	\$ -	\$ 7,658,792	\$ 19,732,932	\$ 27,391,724
Board Designated Endowment Funds	114,058	3,151,033	-	3,265,091
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:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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
Change in Donor Restrictions	-	-	-	-
Total	<u>-</u>	<u>95,682</u>	<u>1,026,598</u>	<u>1,122,280</u>
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>

**MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.**  
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**NOTE 14 ENDOWMENTS (CONTINUED)**

Endowment Net Asset Composition by Type of Fund as of June 30, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor Restricted Endowment Funds	\$ -	\$ 7,773,261	\$ 18,660,043	\$ 26,433,304
Board Designated Endowment Funds	112,470	3,075,015	-	3,187,485
Total Funds	<u>\$ 112,470</u>	<u>\$ 10,848,276</u>	<u>\$ 18,660,043</u>	<u>\$ 29,620,789</u>

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net Assets, Beginning of Year	\$ 99,432	\$ 7,841,619	\$ 18,328,921	\$ 26,269,972
Investment Return:				
Investment Income	13,038	760,856	-	773,894
Net Appreciation	-	3,124,164	24,810	3,148,974
Total	<u>13,038</u>	<u>3,885,020</u>	<u>24,810</u>	<u>3,922,868</u>
Contributions	-	9,491	296,312	305,803
Change in Donor Restrictions	-	(10,000)	10,000	-
Total	<u>-</u>	<u>(509)</u>	<u>306,312</u>	<u>305,803</u>
Appropriation of Endowment Assets for Expenditure	-	(877,854)	-	(877,854)
Net Assets, End of Year	<u>\$ 112,470</u>	<u>\$ 10,848,276</u>	<u>\$ 18,660,043</u>	<u>\$ 29,620,789</u>

**NOTE 15 RELATED PARTIES**

The Foundation receives, 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 for 2015. Several additional expenses paid by the University are reimbursed by the Foundation. During the years ended June 30, 2015 and 2014, the Foundation paid the University \$250,173 and \$258,190, 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, 2015 and 2014 was \$428,956 and \$248,176, respectively, due to the University.

**MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 16 COMMITMENTS AND CONTINGENCIES**

**Commitments**

As of June 30, 2015, the Foundation had committed \$1,334,014 of temporarily restricted funds and \$620,001 of unrestricted funds for scholarships and various projects to be completed in future years. Additionally, \$25,000 from unrestricted funds were designated by the board to fund the Centennial Capital Campaign. These commitments are all contingent upon specific actions occurring by the University 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 \$463,013 at June 30, 2015.

Approximately 27% and 36% of the Foundation's contributions were from one donor for the years ended June 30, 2015 and 2014, respectively.

**NOTE 18 SUBSEQUENT EVENTS**

Management evaluated subsequent events through September 10, 2015, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2015, but prior to September 10, 2015, that provided additional evidence about conditions that existed at June 30, 2015, have been recognized in the 2015 financial statements.