

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

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

**MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.
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YEARS ENDED JUNE 30, 2017 AND 2016**

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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, 2017 and 2016, 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, 2017 and 2016, 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
August 28, 2017

MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

ASSETS	2017	2016
CURRENT ASSETS		
Cash	\$ 792,073	\$ 801,666
Pledges Receivable, Net - Current Portion	2,023,276	2,003,959
Pledges Receivable, Net - Gifts-in-Kind	78,000	1,205,805
Notes Receivable, Net - Current Portion	9,394	1,669
Interest, Dividends, and Other Receivables	101,494	97,729
Prepaid Expenses	19,256	24,996
Total Current Assets	3,023,493	4,135,824
INVESTMENTS		
Investments	38,552,785	36,134,843
Mineral Rights	116,988	140,496
Cash Surrender Value of Life Insurance	523,345	509,708
Total Investments	39,193,118	36,785,047
EQUIPMENT		
Equipment, at Cost	35,976	61,432
Less: Accumulated Depreciation	29,460	52,067
Total Equipment	6,516	9,365
OTHER ASSETS		
Pledges Receivable, Net	1,486,395	1,744,723
Notes Receivable, Net	67,516	90,099
Beneficial Interest in Perpetual Trusts	5,516,962	5,238,353
Other Equity Interests	1,000,000	1,000,000
Total Other Assets	8,070,873	8,073,175
Total Assets	\$ 50,294,000	\$ 49,003,411

See accompanying Notes to Financial Statements.

LIABILITIES AND NET ASSETS	<u>2017</u>	<u>2016</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 412,574	\$ 629,818
Agency Funds	688	81,626
Deferred Revenue	177,455	153,833
Lease Payable - Current Portion	<u>2,787</u>	<u>2,651</u>
Total Current Liabilities	593,504	867,928
 LONG-TERM LIABILITIES		
Lease Payable - Net	<u>2,183</u>	<u>4,970</u>
Total Liabilities	595,687	872,898
 NET ASSETS		
Unrestricted:		
General Operating	2,829,959	2,310,276
Board Designated	<u>1,437,044</u>	<u>1,467,425</u>
Total Unrestricted Net Assets	4,267,003	3,777,701
Temporarily Restricted	18,228,779	17,621,836
Permanently Restricted	<u>27,202,531</u>	<u>26,730,976</u>
Total Net Assets	<u>49,698,313</u>	<u>48,130,513</u>
Total Liabilities and Net Assets	<u>\$ 50,294,000</u>	<u>\$ 49,003,411</u>

MISSOURI WESTERN STATE UNIVERSITY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT				
Contributions	\$ 553,343	\$ 1,262,732	\$ 129,879	\$ 1,945,954
Legacies and Bequests	31,748	-	25,650	57,398
In-Kind Contributions	33,407	667,786	-	701,193
Investment Income	227,022	1,407,461	16,417	1,650,900
Mineral Rights Royalties	10,319	-	-	10,319
Other Income	100	842,833	-	842,933
Change in Value of Beneficial Interest in Perpetual Trusts	-	-	278,609	278,609
Net Assets Released from Donor Restrictions	5,380,305	(5,401,305)	21,000	-
Total Revenues, Gains, and Other Support	<u>6,236,244</u>	<u>(1,220,493)</u>	<u>471,555</u>	<u>5,487,306</u>
EXPENSES				
Program Services:				
Scholarships	850,439	-	-	850,439
Allocations	4,284,606	-	-	4,284,606
Support Services:				
General and Administrative	229,311	-	-	229,311
Fundraising	143,429	-	-	143,429
Agent Fees	115,645	-	-	115,645
Uncollectible Pledges	67,746	-	-	67,746
Total Expenses	<u>5,691,176</u>	<u>-</u>	<u>-</u>	<u>5,691,176</u>
OTHER REVENUES (EXPENSES)				
Unrealized Gains (Losses) on Investments	(32,258)	1,827,436	-	1,795,178
Unrealized Losses on Mineral Rights	(23,508)	-	-	(23,508)
Total Other Revenues (Expenses)	<u>(55,766)</u>	<u>1,827,436</u>	<u>-</u>	<u>1,771,670</u>
CHANGES IN NET ASSETS				
	489,302	606,943	471,555	1,567,800
Net Assets - Beginning of Year	<u>3,777,701</u>	<u>17,621,836</u>	<u>26,730,976</u>	<u>48,130,513</u>
NET ASSETS - END OF YEAR	<u>\$ 4,267,003</u>	<u>\$ 18,228,779</u>	<u>\$ 27,202,531</u>	<u>\$ 49,698,313</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, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES, GAINS, AND OTHER SUPPORT				
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>
EXPENSES				
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>
OTHER REVENUES (EXPENSES)				
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>
CHANGES IN NET ASSETS	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>
NET ASSETS - END OF YEAR	<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 FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ 1,567,800	\$ (83,938)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	3,960	3,851
Net Unrealized (Gains) Losses on Investments and Mineral Rights	(1,771,670)	1,253,167
Realized Gains on Investments	(733,215)	(954,979)
Change in Cash Surrender Value of Life Insurance	(13,637)	(42,229)
Change in Value of Trusts	(278,609)	208,383
Contributions Restricted for Long-Term Purposes	(155,529)	(270,232)
Effects of Changes in Operating Assets and Liabilities:		
Pledges Receivable - Net	1,366,816	(791,652)
Notes Receivable - Net	(803)	(754)
Interest, Dividends, and Other Receivables	(3,765)	(1,267)
Prepaid Expenses	5,740	10,228
Accounts Payable	(217,244)	168,940
Deferred Revenue	23,622	35,955
Net Cash Flows Used by Operating Activities	(206,534)	(464,527)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(1,111)	-
Proceeds from Notes Receivable	15,661	5,079
Purchases of Investments	(1,448,338)	(1,615,501)
Proceeds from Sale of Investments	1,558,789	1,664,761
Net Cash Flows Provided by Investing Activities	125,001	54,339
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Contributions Restricted for Investment in Endowment	155,529	270,232
Repayments on Leases Payable	(2,651)	(2,522)
Net Payments on Agency Funds	(80,938)	24,176
Net Cash Provided by Financing Activities	71,940	291,886
 NET DECREASE IN CASH	(9,593)	(118,302)
Cash - Beginning of Year	801,666	919,968
 CASH - END OF YEAR	\$ 792,073	\$ 801,666
 SUPPLEMENTAL CASH FLOW DISCLOSURES		
Interest Paid During the Year	\$ 321	\$ 450

See accompanying Notes to Financial Statements.

MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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, 2017 AND 2016

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, 2017 AND 2016

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 nonprofit 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, 2017 AND 2016

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, 2017 AND 2016

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, 2017 AND 2016

NOTE 2 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair values of assets and liabilities measured on a recurring basis are as follows:

	June 30, 2017			
	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:	\$ -	\$ 19,765,125	\$ -	\$ -
Foreign	3,882,375	-	-	-
Energy Minerals	731,226	-	-	-
Technology Services	967,055	-	-	-
Finance	2,338,349	-	-	-
Electronic Technology	1,614,934	-	-	-
Consumer	1,821,070	-	-	-
Health Technology	568,171	-	-	-
Health Care	1,349,692	-	-	-
Domestic Equity	1,204,165	-	-	-
Utilities	153,516	-	-	-
Telecommunications	326,647	-	-	-
Industrials	696,041	-	-	-
Materials	599,858	-	-	-
All Other Common Stocks	1,548,528	-	-	-
Equity Mutual Funds	1,963,498	-	-	-
U.S. Government Bonds and				
Mutual Funds:	-	9,098,017	7,675,505	-
U.S. Government Issues	675,623	-	-	-
Corporate Issues	7,174,600	-	-	-
Foreign Issues	22,919	-	-	-
High Yield Bond Funds	59,214	-	-	-
Taxable Municipal Issues	1,928,649	-	-	-
Fixed Income Mutual Funds	6,912,517	-	-	-
Hedge Funds	858,287	858,287	-	-
Total Investments	37,396,934	29,721,429	7,675,505	-
Beneficial Interest in Perpetual Trust	5,516,962	-	-	5,516,962
Total Assets	<u>\$ 42,913,896</u>	<u>\$ 29,721,429</u>	<u>\$ 7,675,505</u>	<u>\$ 5,516,962</u>

MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2 FAIR VALUE MEASUREMENTS (CONTINUED)

	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	-	-	-
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, 2017 AND 2016

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, 2017 and 2016.

	Beneficial Interest in Perpetual Trusts
Balance - June 30, 2015	\$ 5,446,736
Change in Fair Market Value	<u>(208,383)</u>
Balance - June 30, 2016	5,238,353
Change in Fair Market Value	<u>278,609</u>
Balance - June 30, 2017	<u><u>\$ 5,516,962</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, 2017 AND 2016

NOTE 4 INVESTMENTS

The following is a summary of investment securities:

	June 30, 2017			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money Market Funds and CDs	\$ 1,155,851	\$ -	\$ -	\$ 1,155,851
Common Stock and Equity Mutual Funds	14,805,323	4,959,802	-	19,765,125
U.S. Government Bonds and Mutual Funds	16,611,595	161,927	-	16,773,522
Hedge Funds	877,402	-	(19,115)	858,287
Total	\$ 33,450,171	\$ 5,121,729	\$ (19,115)	\$ 38,552,785

Investment returns for the year ended June 30, 2017 consist of the following:

Investment Income	\$ 917,685
Net Realized Gains	733,215
Net Unrealized Gains	1,795,178
Total Investment Returns	\$ 3,446,078
Total Investment Fees	\$ 115,645

	June 30, 2016			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money Market Funds and 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, 2017 AND 2016

NOTE 5 PLEDGES RECEIVABLE

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

	2017	2016
Total Pledges Receivable	\$ 3,779,015	\$ 3,825,671
Less: Allowance for Uncollectible Pledges	64,592	34,542
Less: Unamortized Discount	204,752	42,447
Net Pledges Receivable	3,509,671	3,748,682
Less: Pledges Receivable - Net, Current Portion	2,023,276	2,003,959
Pledges Receivable - Net, Long-Term	\$ 1,486,395	\$ 1,744,723
Amounts Due in:		
Less than One Year	\$ 2,087,868	
One to Five Years	1,276,760	
Six to Ten Years	414,387	
Total	\$ 3,779,015	

Imputed discount rates of 1.89% and 2.84% were used in discounting long-term pledges receivable for 2017. Imputed discount rate of 1.01% was used in discounting long-term pledges for 2016.

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:

	2017	2016
Notes Receivable	\$ 81,000	\$ 96,661
Allowance for Doubtful Accounts	(4,090)	(4,893)
Notes Receivable - Net	\$ 76,910	\$ 91,768

Total notes receivable past 90 days, or converted to nonaccrual status, at June 30, 2017 are not significant to the financial statements.

MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 7 BENEFICIAL INTEREST IN PERPETUAL TRUSTS

The Foundation's beneficial interest in perpetual trusts held by third parties was valued at \$5,516,962 and \$5,238,353 at June 30, 2017 and 2016, respectively. No new trust agreements were received in 2017 or 2016. A change in value of the beneficial interest in perpetual trusts of \$278,609 and \$(208,383) was recorded for the years ended June 30, 2017 and 2016, respectively. Interest income received from these trusts was \$249,973 and \$203,473, respectively, for the years ended June 30, 2017 and 2016.

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 2017 and 2016. 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 \$23,508 in 2017 and \$34,467 in 2016. The carrying value of the oil and gas wells is recorded as \$116,988 and \$140,496 at June 30, 2017 and 2016, respectively.

NOTE 9 DEPRECIATION

Depreciation charged against general and administrative expenses totaled \$3,960 in 2017 and \$3,851 in 2016.

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>2017</u>	<u>2016</u>
Capital Lease, that Matures on March 15, 2019	\$ 4,970	\$ 7,621
Less: Current Portion	<u>2,787</u>	<u>2,651</u>
Total Long-Term Portion	<u>\$ 2,183</u>	<u>\$ 4,970</u>

Minimum future lease payments under the capital lease, at June 30, 2017, for each of the remaining years and in the aggregate are:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 2,972
2019	<u>2,229</u>
Total	5,201
Less: Amount Representing Interest	<u>231</u>
Present Value of Lease Payments	<u>\$ 4,970</u>

MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 10 CAPITAL LEASE (CONTINUED)

At June 30, 2017 and 2016, the carrying value of the equipment being leased was \$4,612 and \$7,248 respectively. Depreciation expense was \$2,636 for the years ended June 30, 2017 and 2016. Amortization of the capital lease asset is included as a component of depreciation expense.

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 \$688 in 2017 and \$81,626 in 2016.

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

Temporarily restricted net assets are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Scholarships	\$ 9,426,095	\$ 8,222,834
Programmatic and Departmental Support	7,890,175	8,863,089
Special Programs	912,509	535,913
Total	<u>\$ 18,228,779</u>	<u>\$ 17,621,836</u>

Permanently restricted net assets are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Scholarships	\$ 17,770,346	\$ 15,784,881
Academic Departments	8,105,041	9,625,677
Other	1,327,144	1,320,418
Total	<u>\$ 27,202,531</u>	<u>\$ 26,730,976</u>

NOTE 13 BOARD DESIGNATED FUNDS

Board designated net assets are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Campaign	\$ 34,448	\$ 35,758
Allocations	1,276,172	1,305,243
Endowed Bequests	126,424	126,424
Total	<u>\$ 1,437,044</u>	<u>\$ 1,467,425</u>

MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 14 ENDOWMENTS

The Foundation's endowments consist of 182 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 4% of the endowment fund's average balance using a three-year rolling average for program purposes. The Foundation policy also appropriates a 1% 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, 2017 AND 2016

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, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor Restricted Endowment Funds	\$ -	\$ 8,310,896	\$ 20,799,244	\$ 29,110,140
Board Designated Endowment Funds	126,424	3,151,714	-	3,278,138
Unrestricted Endowment Funds	43,644	-	-	43,644
Total Funds	<u>\$ 170,068</u>	<u>\$ 11,462,610</u>	<u>\$ 20,799,244</u>	<u>\$ 32,431,922</u>

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net Assets - Beginning of Year	\$ 155,897	\$ 9,711,039	\$ 20,273,206	\$ 30,140,142
Investment Return:				
Investment Income	14,171	743,973	-	758,144
Net Appreciation	-	2,438,896	16,417	2,455,313
Total	<u>14,171</u>	<u>3,182,869</u>	<u>16,417</u>	<u>3,213,457</u>
Contributions	-	15,410	151,715	167,125
Transfers to Investments	-	59,192	357,906	417,098
Appropriation of Endowment Assets for Expenditure	-	(1,505,900)	-	(1,505,900)
Net Assets - End of Year	<u>\$ 170,068</u>	<u>\$ 11,462,610</u>	<u>\$ 20,799,244</u>	<u>\$ 32,431,922</u>

MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 14 ENDOWMENTS (CONTINUED)

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	\$ -	\$ 6,559,625	\$ 20,273,206	\$ 26,832,831
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>\$ 9,711,039</u>	<u>\$ 20,273,206</u>	<u>\$ 30,140,142</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	\$ 10,515,537	\$ 19,732,932	\$ 30,362,527
Investment Return:				
Investment Income	523	690,799	-	691,322
Net Depreciation	-	(332,317)	(345)	(332,662)
Total	<u>523</u>	<u>358,482</u>	<u>(345)</u>	<u>358,660</u>
Contributions	41,316	77,214	233,663	352,193
Transfers to Investments	-	57,381	306,956	364,337
Appropriation of Endowment Assets for Expenditure	-	(1,297,575)	-	(1,297,575)
Net Assets - End of Year	<u>\$ 155,897</u>	<u>\$ 9,711,039</u>	<u>\$ 20,273,206</u>	<u>\$ 30,140,142</u>

NOTE 15 RELATED PARTIES

During the years ended June 30, 2017 and 2016, the Foundation paid the University \$265,937 and \$255,392, 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, 2017 and 2016 was \$410,191 and \$620,431, respectively, due to the University.

MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 16 COMMITMENTS AND CONTINGENCIES

Commitments

As of June 30, 2017, the Foundation had committed \$1,604,906 of temporarily restricted funds for scholarships and various projects for next fiscal year. Additionally, the Foundation had committed \$245,800 for University allocations and \$454,975 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 \$306,308 at June 30, 2017.

Approximately 43% and 16% of the Foundation's contributions were from two donors and one donor for the years ended June 30, 2017 and 2016, respectively. Pledges receivable from the donors were approximately 25% and 5% for the years ended June 30, 2017 and 2016, respectively.

NOTE 18 SUBSEQUENT EVENTS

Management evaluated subsequent events through August 28, 2017, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2017, but prior to August 28, 2017, that provided additional evidence about conditions that existed at June 30, 2017, have been recognized in the 2017 financial statements.