

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

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

**MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2018 AND 2017**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS	5
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8

INDEPENDENT AUDITORS' REPORT

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

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, 2018 and 2017, 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, 2018 and 2017, 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.

Emphasis-of-Matter Regarding a Correction of an Error

As discussed in Note 19 to the financial statements, certain errors resulting in an overstatement of temporarily restricted net assets and understatement of unrestricted – board designated net assets as of June 30, 2017 were discovered by management of the Foundation during the current year. Accordingly, amounts reported for net assets have been restated in the 2017 financial statements to correct the error. Our opinion is not modified with respect to this matter.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

St. Joseph, Missouri
September 4, 2018

MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

ASSETS	<u>2018</u>	<u>2017 - Restated</u>
CURRENT ASSETS		
Cash	\$ 557,352	\$ 792,073
Pledges Receivable, Net - Current Portion	1,829,279	2,023,276
Pledges Receivable, Net - Gifts-in-Kind	664,750	78,000
Notes Receivable, Net - Current Portion	12,200	9,394
Interest, Dividends, and Other Receivables	108,893	101,494
Prepaid Expenses	38,466	19,256
Total Current Assets	<u>3,210,940</u>	<u>3,023,493</u>
INVESTMENTS		
Investments	41,664,928	38,552,785
Mineral Rights	101,015	116,988
Cash Surrender Value of Life Insurance	572,023	523,345
Total Investments	<u>42,337,966</u>	<u>39,193,118</u>
EQUIPMENT		
Equipment, at Cost	37,531	35,976
Less: Accumulated Depreciation	33,285	29,460
Total Equipment	<u>4,246</u>	<u>6,516</u>
OTHER ASSETS		
Pledges Receivable, Net	837,258	1,486,395
Notes Receivable, Net	60,769	67,516
Beneficial Interest in Perpetual Trusts	5,487,410	5,516,962
Other Equity Interests	1,000,000	1,000,000
Total Other Assets	<u>7,385,437</u>	<u>8,070,873</u>
Total Assets	<u><u>\$ 52,938,589</u></u>	<u><u>\$ 50,294,000</u></u>

See accompanying Notes to Financial Statements.

MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2018 AND 2017

	2018	2017 - Restated
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 617,642	\$ 412,574
Agency Funds	2,033	688
Deferred Revenue	265,972	177,455
Lease Payable - Current Portion	2,183	2,787
Total Current Liabilities	887,830	593,504
 LONG-TERM LIABILITIES		
Lease Payable - Net	-	2,183
Total Liabilities	887,830	595,687
 NET ASSETS		
Unrestricted:		
General Operating	2,834,908	2,829,960
Board Designated	3,436,655	3,016,624
Total Unrestricted Net Assets	6,271,563	5,846,584
Temporarily Restricted	17,723,414	16,649,198
Permanently Restricted	28,055,782	27,202,531
Total Net Assets	52,050,759	49,698,313
Total Liabilities and Net Assets	\$ 52,938,589	\$ 50,294,000

See accompanying Notes to Financial Statements.

MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT				
Contributions	\$ 302,665	\$ 1,053,573	\$ 314,671	\$ 1,670,909
Legacies and Bequests	-	37,155	521,534	558,689
In-Kind Contributions	13,823	836,599	-	850,422
Investment Income	300,325	2,618,841	11,334	2,930,500
Mineral Rights Royalties	7,917	-	-	7,917
Other Income	365	830,154	-	830,519
Change in Value of Beneficial Interest in Perpetual Trusts	-	-	(29,552)	(29,552)
Net Assets Released from Donor Restrictions:				-
Satisfaction of Purpose Restrictions	4,131,517	(4,166,781)	35,264	-
Total Revenues, Gains, and Other Support	4,756,612	1,209,541	853,251	6,819,404
EXPENSES				
Program Services:				
Scholarships	885,948	-	-	885,948
Allocations	2,714,114	-	-	2,714,114
Support Services:				
General and Administrative	298,878	-	-	298,878
Fundraising	188,137	-	-	188,137
Agent Fees	133,064	-	-	133,064
Uncollectible Pledges	45,436	-	-	45,436
Total Expenses	4,265,577	-	-	4,265,577
OTHER EXPENSES				
Unrealized Losses on Investments	(50,083)	(135,325)	-	(185,408)
Unrealized Losses on Mineral Rights	(15,973)	-	-	(15,973)
Total Other Expenses	(66,056)	(135,325)	-	(201,381)
CHANGES IN NET ASSETS	424,979	1,074,216	853,251	2,352,446
Net Assets - Beginning of Year	5,846,584	16,649,198	27,202,531	49,698,313
NET ASSETS - END OF YEAR	\$ 6,271,563	\$ 17,723,414	\$ 28,055,782	\$ 52,050,759

See accompanying Notes to Financial Statements.

MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS, AS RESTATED
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	557,979	1,076,504	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:				
Satisfaction of Purpose Restrictions	5,380,305	(5,401,305)	21,000	-
Total Revenues, Gains, and Other Support	<u>6,567,201</u>	<u>(1,551,450)</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	820,259	275,986	471,555	1,567,800
Net Assets - Beginning of Year	<u>5,026,325</u>	<u>16,373,212</u>	<u>26,730,976</u>	<u>48,130,513</u>
NET ASSETS - END OF YEAR	<u>\$ 5,846,584</u>	<u>\$ 16,649,198</u>	<u>\$ 27,202,531</u>	<u>\$ 49,698,313</u>

See accompanying Notes to Financial Statements.

MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017 - Restated
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ 2,352,446	\$ 1,567,800
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	3,825	3,960
Net Unrealized (Gains) Losses on Investments and Mineral Rights	185,408	(1,795,178)
Net Unrealized (Gains) Losses on Mineral Rights	15,973	23,508
Realized Gains on Investments	(1,970,626)	(733,215)
Change in Cash Surrender Value of Life Insurance	(48,678)	(13,637)
Change in Value of Trusts	29,552	(278,609)
Contributions Restricted for Long-Term Purposes	(836,205)	(155,529)
Effects of Changes in Operating Assets and Liabilities:		
Pledges Receivable - Net	256,384	1,366,816
Notes Receivable - Net	(229)	(803)
Interest, Dividends, and Other Receivables	(7,399)	(3,765)
Prepaid Expenses	(19,210)	5,740
Accounts Payable	205,068	(217,244)
Agency Funds - Net	1,345	(80,938)
Deferred Revenue	88,517	23,622
Net Cash Provided (Used) by Operating Activities	256,171	(287,472)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Equipment	(1,555)	(1,111)
Proceeds from Notes Receivable	4,170	15,661
Purchases of Investments	(1,974,289)	(1,448,338)
Proceeds from Sale of Investments	647,364	1,558,789
Net Cash Provided (Used) by Investing Activities	(1,324,310)	125,001
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Contributions Restricted for Investment in Endowment	836,205	155,529
Repayments on Leases Payable	(2,787)	(2,651)
Net Cash Provided by Financing Activities	833,418	152,878
 NET DECREASE IN CASH	(234,721)	(9,593)
Cash - Beginning of Year	792,073	801,666
 CASH - END OF YEAR	\$ 557,352	\$ 792,073
 SUPPLEMENTAL CASH FLOW DISCLOSURES		
Interest Paid During the Year	\$ 205	\$ 321

See accompanying Notes to Financial Statements.

MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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, 2018 AND 2017

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, money market funds and CDs. Investment specific money market funds and CDs 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.

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.

MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

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 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 Pronouncements Effective in Future Accounting Period

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Not-For-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*. This standard was issued to improve the information presented in financial statements and notes about a nonprofit entity's liquidity, financial performance, and Cash flows. ASU 2016-14 is effective for fiscal year ending June 30, 2019. Management will be evaluating the effects of this new standard.

On May 28, 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The standard does not impact the recording of contributions. Since then, the board issued proposed ASU, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*. The amendments in this update defer the effective date of Update 2014-09 for all entities by one year, making the standard effective for fiscal year ending June 30, 2020. Management will be evaluating the effects of this new standard.

In February 2016, FASB issued ASU 2016-02 *Leases (Topic 842)*. This update increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 is effective for the Foundation for the fiscal year ending June 30, 2021. Management will be evaluating the effects of this new standard.

MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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, 2018 AND 2017

NOTE 2 FAIR VALUE MEASUREMENTS (CONTINUED)

Assets and Liabilities Measured on a Recurring Basis (Continued)

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

	June 30, 2018			
	Total	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:				
Foreign	\$ 4,827,478	\$ 4,827,478	\$ -	\$ -
Energy Minerals	1,183,756	1,183,756	-	-
Technology Services	1,092,385	1,092,385	-	-
Finance	1,815,410	1,815,410	-	-
Electronic Technology	2,148,566	2,148,566	-	-
Consumer	2,433,407	2,433,407	-	-
Health Technology	668,168	668,168	-	-
Health Care	834,942	834,942	-	-
Domestic Equity	675,585	675,585	-	-
Utilities	202,009	202,009	-	-
Telecommunications	173,519	173,519	-	-
Industrials	495,470	495,470	-	-
Materials	300,859	300,859	-	-
All Other Common Stock	1,286,566	1,286,566	-	-
Equity Mutual Funds	3,782,238	3,782,238	-	-
U.S. Government Bonds and				
Fixed Income Mutual Funds:				
U.S. Government Issues	152,401	-	152,401	-
Corporate Issues	8,084,489	2,203,637	5,880,852	-
Foreign Issues	-	-	-	-
High Yield Bond Funds	-	-	-	-
Taxable Municipal Issues	1,883,233	-	1,883,233	-
Fixed Income Mutual Funds	7,666,299	7,666,299	-	-
Hedge Funds	805,888	805,888	-	-
Total Investments	40,512,668	32,596,182	7,916,486	-
Beneficial Interest in Perpetual Trust	5,487,410	-	-	5,487,410
Total Assets	<u>\$ 46,000,078</u>	<u>\$ 32,596,182</u>	<u>\$ 7,916,486</u>	<u>\$ 5,487,410</u>

MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 2 FAIR VALUE MEASUREMENTS (CONTINUED)

Assets and Liabilities Measured on a Recurring Basis (Continued)

	June 30, 2017			
	Total	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:				
Foreign	\$ 3,882,375	\$ 3,882,375	\$ -	\$ -
Energy Minerals	731,226	731,226	-	-
Technology Services	967,055	967,055	-	-
Finance	2,338,349	2,338,349	-	-
Electronic Technology	1,614,934	1,614,934	-	-
Consumer	1,821,070	1,821,070	-	-
Health Technology	568,171	568,171	-	-
Health Care	1,349,692	1,349,692	-	-
Domestic Equity	1,204,165	1,204,165	-	-
Utilities	153,516	153,516	-	-
Telecommunications	326,647	326,647	-	-
Industrials	696,041	696,041	-	-
Materials	599,858	599,858	-	-
All Other Common Stock	1,548,528	1,548,528	-	-
Equity Mutual Funds	1,963,498	1,963,498	-	-
U.S. Government Bonds and Fixed Income Mutual Funds:				
U.S. Government Issues	305,842	-	305,842	-
Corporate Issues	7,544,382	2,194,789	5,349,593	-
Foreign Issues	22,919	22,919	-	-
High Yield Bond Funds	59,214	59,214	-	-
Taxable Municipal Issues	1,928,649	-	1,928,649	-
Fixed Income Mutual Funds	6,912,516	6,912,516	-	-
Hedge Funds	858,287	858,287	-	-
Total Investments	37,396,934	29,812,850	7,584,084	-
Beneficial Interest in Perpetual Trust	5,516,962	-	-	5,516,962
Total Assets	<u>\$ 42,913,896</u>	<u>\$ 29,812,850</u>	<u>\$ 7,584,084</u>	<u>\$ 5,516,962</u>

**MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 2 FAIR VALUE MEASUREMENTS (CONTINUED)

Assets and Liabilities Measured on a Recurring Basis (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, 2018 and 2017.

	Beneficial Interest in Perpetual Trusts
Balance - June 30, 2016	\$ 5,238,353
Change in Fair Market Value	278,609
Balance - June 30, 2017	5,516,962
Change in Fair Market Value	(29,552)
Balance - June 30, 2018	\$ 5,487,410

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.

These equity investments are reviewed for impairment on an annual basis. Management does not believe there is any impairment at June 30, 2018.

MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 4 INVESTMENTS

The following is a summary of investment securities:

	June 30, 2018			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money Market Funds and CDs	\$ 1,152,260	\$ -	\$ -	\$ 1,152,260
Common Stock and Equity Mutual Funds	16,786,559	5,133,799	-	21,920,358
U.S. Government Bonds and Fixed Income Mutual Funds	18,063,513		(277,091)	17,786,422
Hedge Funds	745,390	60,498		805,888
Total	<u>\$ 36,747,722</u>	<u>\$ 5,194,297</u>	<u>\$ (277,091)</u>	<u>\$ 41,664,928</u>

	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 Fixed Income Mutual Funds	16,611,595	161,927	-	16,773,522
Hedge Funds	877,402	-	(19,115)	858,287
Total	<u>\$ 33,450,171</u>	<u>\$ 5,121,729</u>	<u>\$ (19,115)</u>	<u>\$ 38,552,785</u>

Investment returns for the years ended June 30, 2018 and 2017 consist of the following:

	2018	2017
Investment Income	\$ 959,874	\$ 917,685
Net Realized Gains	1,970,626	733,215
Net Unrealized Losses	(185,408)	1,795,178
Total Investment Returns	<u>\$ 2,745,092</u>	<u>\$ 3,446,078</u>
Total Investment Fees	<u>\$ 133,064</u>	<u>\$ 115,645</u>

MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 5 PLEDGES RECEIVABLE

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

	2018	2017
Total Pledges Receivable	\$ 2,869,290	\$ 3,779,015
Less: Allowance for Uncollectible Pledges	13,191	64,592
Less: Unamortized Discount	189,562	204,752
Net Pledges Receivable	2,666,537	3,509,671
Less: Pledges Receivable - Net, Current Portion	1,829,279	2,023,276
Pledges Receivable - Net, Long-Term	\$ 837,258	\$ 1,486,395

Amounts Due in:	Amount
Less than One Year	\$ 1,842,470
One to Five Years	660,078
Six to Ten Years	66,984
Thereafter	299,758
Total	\$ 2,869,290

Imputed discount rates of 2.73% and 2.98% were used in discounting long-term pledges receivable for 2018. Imputed discount rates of 1.89% and 2.84% were used in discounting long-term pledges for 2017.

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:

	2018	2017
Notes Receivable	\$ 76,830	\$ 81,000
Allowance for Doubtful Accounts	(3,861)	(4,090)
Notes Receivable - Net	\$ 72,969	\$ 76,910

Total notes receivable past 90 days, or converted to nonaccrual status, at June 30, 2018 are not significant to the financial statements.

MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 7 BENEFICIAL INTEREST IN PERPETUAL TRUSTS

The Foundation's beneficial interest in perpetual trusts held by third parties was valued at \$5,487,410 and \$5,516,962 at June 30, 2018 and 2017, respectively. No new trust agreements were received in 2018 or 2017. A change in value of the beneficial interest in perpetual trusts of \$(29,552) and \$278,609 was recorded for the years ended June 30, 2018 and 2017, respectively. Interest income received from these trusts was \$274,852 and \$249,973, respectively, for the years ended June 30, 2018 and 2017.

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 2018 and 2017. 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 \$15,973 in 2018 and \$23,508 in 2017. The carrying value of the oil and gas wells is recorded as \$101,015 and \$116,988 at June 30, 2018 and 2017, respectively.

NOTE 9 DEPRECIATION

Depreciation charged against general and administrative expenses totaled \$3,825 in 2018 and \$3,960 in 2017.

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>2018</u>	<u>2017</u>
Capital Lease, that Matures on March 15, 2019	\$ 2,183	\$ 4,970
Less: Current Portion	<u>2,183</u>	<u>2,787</u>
Total Long-Term Portion	<u>\$ -</u>	<u>\$ 2,183</u>

Minimum future lease payments under the capital lease, at June 30, 2018, for each of the remaining years and in the aggregate are:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 2,229
Less: Amount Representing Interest	<u>46</u>
Present Value of Lease Payments	<u>\$ 2,183</u>

MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 10 CAPITAL LEASE (CONTINUED)

At June 30, 2018 and 2017, the carrying value of the equipment being leased was \$1,976 and \$4,612 respectively. Depreciation expense was \$2,636 for the years ended June 30, 2018 and 2017. Amortization of the capital lease asset is included as a component of depreciation expense.

NOTE 11 AGENCY FUNDS

The Foundation has various funds for which the donors have retained authority for the disbursement of the funds. 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 \$2,033 in 2018 and \$688 in 2017.

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

Temporarily restricted net assets are available for the following purposes:

	<u>2018</u>	<u>2017</u>
Scholarships	\$ 8,304,917	\$ 7,846,515
Programmatic and Departmental Support	8,514,667	7,890,175
Special Programs	903,830	912,508
Total	<u>\$ 17,723,414</u>	<u>\$ 16,649,198</u>

Permanently restricted net assets are available for the following purposes:

	<u>2018</u>	<u>2017</u>
Scholarships	\$ 18,606,674	\$ 17,770,346
Academic Departments	8,110,620	8,105,041
Other	1,338,488	1,327,144
Total	<u>\$ 28,055,782</u>	<u>\$ 27,202,531</u>

NOTE 13 BOARD DESIGNATED FUNDS

Board designated net assets are available for the following purposes:

	<u>2018</u>	<u>2017</u>
Campaign	\$ 33,683	\$ 34,448
Allocations	1,465,351	1,276,172
Scholarships	1,811,197	1,579,580
Endowed Bequests	126,424	126,424
Total	<u>\$ 3,436,655</u>	<u>\$ 3,016,624</u>

MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 14 ENDOWMENTS

The Foundation's endowments consist of 179 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 5% of the endowment fund's average balance using a five-year rolling average for program purposes. The Foundation policy also appropriates a 1.5% administrative fee based on the fiscal 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.

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.

MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 14 ENDOWMENTS (CONTINUED)

Strategies Employed for Achieving Objectives (Continued)

Endowment net asset composition by type of fund as of June 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Endowment Funds	\$ -	\$ 8,212,851	\$ 21,837,170	\$ 30,050,021
Quasi-Endowment Funds	-	2,213,992	-	2,213,992
Unrestricted Endowment Funds	1,991,391	-	-	1,991,391
Total Funds	<u>\$ 1,991,391</u>	<u>\$ 10,426,843</u>	<u>\$ 21,837,170</u>	<u>\$ 34,255,404</u>

Changes in endowment net assets for the fiscal year ended June 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Assets - Beginning of Year	\$ 1,749,647	\$ 9,883,031	\$ 20,799,244	\$ 32,431,922
Investment Return:				
Investment Income	104,771	658,188	-	762,959
Net Appreciation	-	1,774,545	11,334	1,785,879
Total	<u>104,771</u>	<u>2,432,733</u>	<u>11,334</u>	<u>2,548,838</u>
Contributions	136,973	4,365	817,182	958,520
Transfers to Investments	-	(89,087)	209,410	120,323
Appropriation of Endowment Assets for Expenditure	-	(1,804,199)	-	(1,804,199)
Net Assets - End of Year	<u>\$ 1,991,391</u>	<u>\$ 10,426,843</u>	<u>\$ 21,837,170</u>	<u>\$ 34,255,404</u>

Endowment net asset composition by type of fund as of June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Endowment Funds	\$ -	\$ 7,532,166	\$ 20,799,244	\$ 28,331,410
Quasi-Endowment Funds	-	2,350,865	-	2,350,865
Unrestricted Endowment Funds	1,749,647	-	-	1,749,647
Total Funds	<u>\$ 1,749,647</u>	<u>\$ 9,883,031</u>	<u>\$ 20,799,244</u>	<u>\$ 32,431,922</u>

MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 14 ENDOWMENTS (CONTINUED)

Changes in endowment net assets for the fiscal year ended June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Assets - Beginning of Year	\$ 1,404,519	\$ 8,462,417	\$ 20,273,206	\$ 30,140,142
Investment Return:				
Investment Income	214,329	543,815	-	758,144
Net Appreciation	-	2,438,896	16,417	2,455,313
Total	<u>214,329</u>	<u>2,982,711</u>	<u>16,417</u>	<u>3,213,457</u>
Contributions	130,799	15,410	151,715	297,924
Transfers to Investments	-	59,192	357,906	417,098
Appropriation of Endowment Assets for Expenditure	<u>-</u>	<u>(1,636,699)</u>	<u>-</u>	<u>(1,636,699)</u>
Net Assets - End of Year	<u>\$ 1,749,647</u>	<u>\$ 9,883,031</u>	<u>\$ 20,799,244</u>	<u>\$ 32,431,922</u>

NOTE 15 RELATED PARTIES

During the years ended June 30, 2018 and 2017, the Foundation paid the University \$377,367 and \$265,937, respectively, for use of office space, 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, 2018 and 2017 was \$614,617 and \$410,191, respectively, due to the University.

NOTE 16 ECONOMIC RISKS

In December 2017, the Tax Cuts and Jobs Act (TCJA) was approved by the United States Congress and signed into law. Provisions in the TCJA increase the standard deduction for taxpayers, lower tax rates, and increase estate tax exclusions and limits on the deductibility for contributions of cash to public charities. Uncertainty exists on the potential impact of contribution revenue to the Foundation.

MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 17 COMMITMENTS AND CONTINGENCIES

Commitments

As of June 30, 2018, the Foundation had committed \$1,858,645 of temporarily restricted funds for scholarships and various projects for next fiscal year. Additionally, the Foundation had committed \$288,300 for University allocations and \$481,327 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 18 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 \$82,531 at June 30, 2018.

Approximately 26% and 43% of the Foundation's contributions were from two donors for the years ended June 30, 2018 and 2017, respectively.

NOTE 19 CORRECTION OF AN ERROR

The Foundation holds several quasi-endowments. The income earned on these endowments has been incorrectly classified as temporarily restricted rather than unrestricted. As a result, the unrestricted – board designated net assets of the Foundation were understated by \$1,579,581 and temporarily restricted net assets were overstated by \$1,579,581 for the year ended June 30, 2017. Additionally, investment income of \$330,957 was incorrectly classified as temporarily restricted during the year ended June 30, 2017. Accordingly, the following accounts were adjusted for 2017.

Account	Balance as Previously Stated	Prior Period Adjustment	Balance as Restated
Net Assets - Temporarily Restricted	\$ 18,228,779	\$ (1,579,581)	\$ 16,649,198
Net Assets - Unrestricted, Board Designated	1,437,043	1,579,581	3,016,624
Investment Income - Temporarily Restricted	1,407,461	(330,957)	1,076,504
Investment Income - Unrestricted	227,022	330,957	557,979

MISSOURI WESTERN STATE UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 20 SUBSEQUENT EVENTS

Management evaluated subsequent events through September 4, 2018, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2018, but prior to September 4, 2018, that provided additional evidence about conditions that existed at June 30, 2018, have been recognized in the 2018 financial statements.