

University of Central Missouri Foundation
A Component Unit of the University of Central Missouri

Independent Auditor's Report and Financial Statements

June 30, 2019 and 2018

University of Central Missouri Foundation
A Component Unit of the University of Central Missouri
June 30, 2019 and 2018

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Independent Auditor's Report

Board of Directors
University of Central Missouri Foundation
Warrensburg, Missouri

We have audited the accompanying financial statements of University of Central Missouri Foundation, a component unit of the University of Central Missouri, which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses 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.

Auditor's 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 auditor's 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of University of Central Missouri Foundation as of June 30, 2019 and 2018, 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

As described in *Note 2* to the financial statements, in 2019, University of Central Missouri Foundation adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

BKD, LLP

Springfield, Missouri
September 18, 2019

University of Central Missouri Foundation
A Component Unit of the University of Central Missouri
Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
Assets		
Cash	\$ 191,642	\$ 123,167
Investments	57,897,891	53,290,258
Accrued investment income	256,688	226,555
Contributions receivable, net	1,676,730	1,156,179
Notes receivable	2,370,169	2,577,275
Cash surrender value of life insurance	482,729	442,078
Beneficial interests in trusts	991,943	930,711
Prepaid expenses	5,690	13,822
Total assets	\$ 63,873,482	\$ 58,760,045
 Liabilities and Net Assets		
Liabilities		
Accrued expenses and due to University	\$ 495,247	\$ 285,314
Deferred revenue	-	11,882
Annuities payable	1,335,268	1,356,475
Total liabilities	1,830,515	1,653,671
 Net Assets		
Without donor restrictions	7,901,151	7,191,092
With donor restrictions	54,141,816	49,915,282
Total net assets	62,042,967	57,106,374
Total liabilities and net assets	\$ 63,873,482	\$ 58,760,045

University of Central Missouri Foundation
A Component Unit of the University of Central Missouri
Statements of Activities
Years Ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support						
Gifts	\$ 421,904	\$ 4,341,692	\$ 4,763,596	\$ 344,398	\$ 3,028,561	\$ 3,372,959
In-kind gifts	1,153,079	393,760	1,546,839	913,631	319,300	1,232,931
Other income	11,882	138,792	150,674	12,963	130,848	143,811
Net investment income	283,342	998,292	1,281,634	247,955	959,635	1,207,590
Net realized and unrealized gain (loss) on investments and beneficial interests in trusts	1,183,767	1,465,176	2,648,943	818,250	1,166,403	1,984,653
Change in donor restrictions	18,838	(18,838)	-	24,868	(24,868)	-
Net assets released from restrictions	3,033,860	(3,033,860)	-	3,144,992	(3,144,992)	-
Total revenues, gains and other support	<u>6,106,672</u>	<u>4,285,014</u>	<u>10,391,686</u>	<u>5,507,057</u>	<u>2,434,887</u>	<u>7,941,944</u>
Expenses and Losses						
Foundation expenses						
General administrative	924,608	-	924,608	749,633	-	749,633
Fundraising	1,544,839	-	1,544,839	1,179,720	-	1,179,720
Total Foundation expenses	<u>2,469,447</u>	<u>-</u>	<u>2,469,447</u>	<u>1,929,353</u>	<u>-</u>	<u>1,929,353</u>
Expenses for University advancement						
Program expenses						
Scholarships	1,369,584	-	1,369,584	1,304,079	-	1,304,079
Academic support – TV	327,351	-	327,351	346,013	-	346,013
Student services – athletics	656,215	-	656,215	635,813	-	635,813
Instruction and other departmental	481,787	-	481,787	363,590	-	363,590
Support services						
Institutional support – facilities	92,229	-	92,229	385,679	-	385,679
Total expenses for University advancement	<u>2,927,166</u>	<u>-</u>	<u>2,927,166</u>	<u>3,035,174</u>	<u>-</u>	<u>3,035,174</u>
Actuarial loss on annuity obligations	-	58,480	58,480	-	132,297	132,297
Total expenses and losses	<u>5,396,613</u>	<u>58,480</u>	<u>5,455,093</u>	<u>4,964,527</u>	<u>132,297</u>	<u>5,096,824</u>
Change in Net Assets	710,059	4,226,534	4,936,593	542,530	2,302,590	2,845,120
Net Assets, Beginning of Year	<u>7,191,092</u>	<u>49,915,282</u>	<u>57,106,374</u>	<u>6,648,562</u>	<u>47,612,692</u>	<u>54,261,254</u>
Net Assets, End of Year	<u>\$ 7,901,151</u>	<u>\$ 54,141,816</u>	<u>\$ 62,042,967</u>	<u>\$ 7,191,092</u>	<u>\$ 49,915,282</u>	<u>\$ 57,106,374</u>

See Notes to Financial Statements

University of Central Missouri Foundation
A Component Unit of the University of Central Missouri
Statement of Functional Expenses
Year Ended June 30, 2019

	<u>Expenses for University Advancement</u>					<u>Foundation Expenses</u>				
	<u>Scholarships</u>	<u>Academic Support – TV</u>	<u>Student Services – Athletics</u>	<u>Instruction and Other Departmental</u>	<u>Institutional Support – Facilities</u>	<u>University Advancement Total</u>	<u>General Administrative</u>	<u>Fundraising</u>	<u>Foundation Total</u>	<u>Total</u>
Contributed services from										
University	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 511,406	\$ 640,368	\$ 1,151,774	\$ 1,151,774
Salaries and benefits	15,650	141,131	18,647	105,278	-	280,706	230,802	480,421	711,223	991,929
Travel	18,720	3,155	25,112	71,259	-	118,246	5,472	3,733	9,205	127,451
Professional services	1,500	29,837	26,669	56,329	-	114,335	64,981	39,746	104,727	219,062
Advertising and underwriting	-	(1,613)	58,954	3,130	-	60,471	1,050	787	1,837	62,308
Bank fees	-	-	-	-	-	-	12,390	6,804	19,194	19,194
Food and beverage	4,624	2,860	13,789	3,282	-	24,555	8,162	36,479	44,641	69,196
Fundraising events	-	-	14,777	(667)	-	14,110	-	56,412	56,412	70,522
In-kind gifts	-	96,374	92,529	45,811	16,275	250,989	1,280	142,795	144,075	395,064
Promotions and recruiting	-	259	73,959	767	-	74,985	37,968	29,599	67,567	142,552
University equipment	-	(2,902)	264,663	62,120	-	323,881	-	3,326	3,326	327,207
University capital projects	-	-	-	12,515	73,328	85,843	-	-	-	85,843
Office supplies, postage, memberships and other	3,020	58,250	67,116	61,128	2,626	192,140	51,097	104,369	155,466	347,606
Scholarships and awards	1,326,070	-	-	60,835	-	1,386,905	-	-	-	1,386,905
	<u>\$ 1,369,584</u>	<u>\$ 327,351</u>	<u>\$ 656,215</u>	<u>\$ 481,787</u>	<u>\$ 92,229</u>	<u>\$ 2,927,166</u>	<u>\$ 924,608</u>	<u>\$ 1,544,839</u>	<u>\$ 2,469,447</u>	<u>\$ 5,396,613</u>

University of Central Missouri Foundation
A Component Unit of the University of Central Missouri
Statement of Functional Expenses
Year Ended June 30, 2018

	Expenses for University Advancement					Foundation Expenses				
	Scholarships	Academic Support – TV	Student Services – Athletics	Instruction and Other Departmental	Institution Support – Facilities	University Advancement Total	General Administrative	Fundraising	Foundation Total	Total
Contributed services from										
University	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 160,358	\$ 750,472	\$ 910,830	\$ 910,830
Salaries and benefits	1,295	118,337	16,290	67,916	-	203,838	334,034	18,020	352,054	555,892
Travel	915	2,002	27,637	139,004	-	169,558	11,855	645	12,500	182,058
Professional services	-	52,470	71,750	50,108	-	174,328	135,849	141,405	277,254	451,582
Advertising and underwriting	-	5,542	15,408	4,425	-	25,375	1,380	1,202	2,582	27,957
Bank fees	-	-	-	-	-	-	10,837	8,634	19,471	19,471
Food and beverage	5,800	2,447	37,064	22,486	-	67,797	11,137	3,881	15,018	82,815
Fundraising events	-	-	54,950	(54,950)	-	-	-	75,278	75,278	75,278
In-kind gifts	-	102,499	138,808	1,434	-	242,741	-	79,360	79,360	322,101
Promotions and recruiting	-	(5,000)	55,570	12,563	-	63,133	13,162	28,789	41,951	105,084
University equipment	3,152	6,841	137,303	28,057	-	175,353	2,400	-	2,400	177,753
University capital projects	-	-	-	-	385,644	385,644	-	-	-	385,644
Office supplies, postage, memberships and other	1,765	60,875	81,033	47,997	35	191,705	68,621	72,034	140,655	332,360
Scholarships and awards	1,291,152	-	-	44,550	-	1,335,702	-	-	-	1,335,702
	<u>\$ 1,304,079</u>	<u>\$ 346,013</u>	<u>\$ 635,813</u>	<u>\$ 363,590</u>	<u>\$ 385,679</u>	<u>\$ 3,035,174</u>	<u>\$ 749,633</u>	<u>\$ 1,179,720</u>	<u>\$ 1,929,353</u>	<u>\$ 4,964,527</u>

University of Central Missouri Foundation
A Component Unit of the University of Central Missouri
Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Operating Activities		
Change in net assets	\$ 4,936,593	\$ 2,845,120
Items not requiring (providing) operating activities cash flows		
Net realized and unrealized gain on investments	(2,648,943)	(1,984,653)
Actuarial loss on annuity and beneficial interests in trusts obligations	58,480	132,297
Investment income restricted for long-term investment	(51,776)	(57,120)
Contributions restricted for long-term investment	(648,641)	(920,877)
Change in cash surrender value of life insurance	(40,651)	(17,081)
Issuance of annuity obligations	54,004	47,959
Changes in		
Contributions receivable, net	(520,551)	346,179
Accrued investment income	(30,133)	7,118
Prepaid expenses	8,132	7,768
Accrued expenses and due to University	209,933	41,026
Deferred revenue	(11,882)	-
Net cash provided by operating activities	1,314,565	447,736
Investing Activities		
Purchase of investments	(9,679,999)	(10,619,227)
Proceeds from sale or maturity of investments	8,308,284	9,389,108
Issuance of note receivable from University	-	(431,170)
Principal payments received on note receivable from University	207,106	124,110
Net cash used in investing activities	(1,164,609)	(1,537,179)
Financing Activities		
Payments on annuities payable	(212,662)	(219,828)
Proceeds from contributions restricted for long-term investment	451,543	627,991
Net cash provided by financing activities	238,881	408,163
Increase (Decrease) in Cash and Restricted Cash Equivalents	388,837	(681,280)
Cash and Restricted Cash Equivalents, Beginning of Year	582,132	1,263,412
Cash and Restricted Cash Equivalents, End of Year	\$ 970,969	\$ 582,132
Reconciliation of Cash and Restricted Cash Equivalents to the Statement of Financial Position		
Cash	\$ 191,642	\$ 123,167
Restricted cash equivalents included in investments	779,327	458,965
Total cash and restricted cash equivalents	\$ 970,969	\$ 582,132

University of Central Missouri Foundation
A Component Unit of the University of Central Missouri
Notes to Financial Statements
June 30, 2019 and 2018

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The University of Central Missouri Foundation (the “Foundation”) is a not-for-profit corporation formed in 1979 to promote the educational, benevolent and research purposes of the University of Central Missouri (the “University”). The Foundation is a component unit of the University. The primary purpose of the Foundation is to solicit gifts from individuals and businesses for the benefit of the University. These gifts are utilized to provide scholarships to students and financial support to various University programs in order to continue to offer a high-quality education to the students of the University.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods. Actual results could differ from those estimates.

Investments and Net Investment Income

Investments in equity and debt securities are stated at estimated fair value based on quoted market prices at each year end. Investments in real estate held by the Foundation for probable future use toward charitable purposes are carried at estimated fair value. Gains or losses that result from market fluctuations occur and are recorded. Realized gains or losses resulting from sales of securities are calculated on an adjusted cost basis. Adjusted cost for this purpose is the estimated fair value of the security at the beginning of the year, or the cost if purchased during the year. Dividend and interest income is accrued when earned. Investment expenses of \$116,249 and \$113,808 are netted against investment income in the statement of activities for the years ended June 30, 2019 and 2018, respectively.

Where permitted by gift agreement and/or applicable regulations, certain assets are included in one of three investment pools. Pooled investments and allocation of pooled investment income are accounted for using the unit market value method.

Realized gains and losses from the sale or disposition of investments and other non-cash assets are accounted for within the unrestricted net asset class or the temporarily or permanently restricted net asset classes, if so stipulated by the donor of such assets.

Unrealized appreciation/depreciation from certain investments in securities and ordinary income earned from investments and similar sources is accounted for in the same manner as realized gains and losses.

University of Central Missouri Foundation
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Notes to Financial Statements
June 30, 2019 and 2018

Management of Pooled Investments

The Foundation manages three separate investment pools designated as Pool A, Pool B and Pool C. Pooled investments and allocation of pooled investment income are accounted for using the unit market value method. For Pool A, the annual earnings are accumulated and an annual payout is calculated based on a Board approved spending rate that is applied to the average market value of Pool A funds.

Earnings in excess of the annual payout are accumulated to be used as payouts for future years. The approved spending rate to fund programs, projects and scholarships was 3.75 percent with a 1 percent administration fee and a 0.07 percent reserve funding fee for the year ended June 30, 2019. The approved spending rate to fund programs, projects and scholarships was 3.89 percent with a 1 percent administration fee and a 0.07 percent reserve funding fee for the year ended June 30, 2018.

Pool A consists of endowment funds, as well as other funds functioning as endowments, funds with donor restrictions and funds without donor restrictions. These funds are invested for capital appreciation in anticipation of greater long-term returns recognizing that current yields from interest and dividends may be lower than the total payout. Using the total rate of return methodology, when ordinary income generated by Pool A is insufficient to provide the full amount of the total payout, the remainder may be appropriated from Pool A's accumulated undistributed realized gains. In no event will the payout cause the endowment funds to decrease below the original corpus of the endowment.

Pool B consists of funds from charitable remainder annuity trusts that are invested with a goal of meeting the specified distribution amounts as provided in the trust agreements.

Pool C consists of funds from charitable gift annuities that are invested with a goal of meeting the specified distribution amounts as provided in the gift annuity agreements.

The following is a summary of the Foundation's investment and spending policies for funds functioning as endowments:

The primary objectives of the investment policy are to: (A) maintain intergenerational equity as measured by achieving a real long-term return after total spending that at least equals inflation; (B) create investment returns to meet the current and future program or expenditure needs designated by donors; (C) create a flow of investment returns to assist the Board of Directors in funding operating expenses of the Foundation, including sufficiently building operating reserves for future use; and (D) maximize risk-adjusted returns. The objectives of the spending policy are to: (A) provide consistent funding for programs, projects or scholarships as designated by the donor(s); (B) provide for annual assessments for operating reserves and expenses; and (C) provide for long-term growth of the corpus of the investments.

University of Central Missouri Foundation
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Notes to Financial Statements
June 30, 2019 and 2018

The portfolio should be diversified both as to fixed income and equity holdings; the purpose of such diversification is to provide reasonable assurance that no single security or class of securities will have a disproportionate impact on the total portfolio.

The equity component of the portfolio shall range from 30 percent to 70 percent, the fixed income component shall range from 20 percent to 50 percent, alternative investments shall range from 10 percent to 20 percent and cash and cash equivalents shall range from 0 percent to 5 percent.

The Foundation's spending policy allows for an annual distribution to scholarship and continuing project funds based upon a calculated 12-quarter rolling average market value of the portfolio times the payout rate approved by the Board. The Committee to the Board reviews the performance of the Funds Functioning as Endowments portfolio each year and establishes a payout rate in January for the next fiscal year. The total distribution for spending may include appropriations for operating reserves and expenses.

The following is a summary of the Foundation's investment and spending policies for split-interest agreements intended to apply to the charitable gift annuity and trust investment assets:

The primary objectives of the investment policy are to: (A) invest the entire gift in order to make the required annuity payments; (B) maximize return within a reasonable and prudent level of risk; and (C) maintain an appropriate asset allocation that is compatible with the required annuity payments, while still having the potential to retain at least 50 percent of the initial gift if the donor(s) live to their life expectancy.

The equity component of the portfolio shall range from 35 percent to 75 percent, the fixed income component shall range from 20 percent to 50 percent, alternative investments shall range from 0 percent to 15 percent and the cash component shall range from 0 percent to 10 percent.

All spending will be based on the contractual requirements of each charitable gift annuity and trust agreement.

The following is a summary of the investment policy for expendable funds:

The primary objectives of the investment policy are: (A) the preservation of capital while attempting to keep up with inflation; (B) the maximization of returns with minimal levels of risk; and (C) the management of liquidity requirements.

The equity component of the portfolio shall range from 0 percent to 18 percent, the fixed income component shall range from 75 percent to 100 percent, alternative investments shall range from 0 percent to 7 percent and the cash component shall range from 0 percent to 5 percent.

Spending of expendable funds will be governed by the intent of donors.

University of Central Missouri Foundation
A Component Unit of the University of Central Missouri
Notes to Financial Statements
June 30, 2019 and 2018

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. The Board of Directors has designated, from net assets without donor restrictions, net assets for Board-designated endowment funds.

Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Gifts

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as revenue and net assets without donor restrictions.

Gifts of land, buildings, equipment and other long-lived assets are reported as revenue and net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as revenue and net assets with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets are reported when the long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

University of Central Missouri Foundation
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Notes to Financial Statements
June 30, 2019 and 2018

In-Kind Gifts

In-kind gifts are recorded as revenue and expense in the accompanying financial statements. These contributions consist of equipment, services and materials and supplies, all of which are recorded at the estimated fair value.

Compensation and benefits for some University employees who provide services for the Foundation are paid by the University and are not reimbursed by the Foundation. The unreimbursed compensation and benefits for these employees is included in in-kind gifts in the accompanying statement of activities. In-kind gifts for the year ended June 30, 2019, totaled \$1,151,774, of which \$511,406 was recognized in general administrative expenses and \$640,368 was recognized in fundraising expenses. In-kind gifts for the year ended June 30, 2018, totaled \$910,830, of which \$160,358 was recognized in general administrative expenses and \$750,472 was recognized in fundraising expenses.

Income Taxes

The Internal Revenue Service has issued a determination letter that the Foundation is a nonprofit organization, as defined under Section 501(c)(3) of the Internal Revenue Code. As such, the Foundation is generally exempt from income taxes. It is, however, required to file the information return, federal Form 990, *Return of Organization Exempt from Income Tax*, and federal Form 990-T to report unrelated business income.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated between expenses for University advancement and Foundation expenses based on various methods.

Subsequent Events

The Foundation has evaluated subsequent events through September 18, 2019, the date the financial statements were available to be issued. No subsequent events were noted.

University of Central Missouri Foundation
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Notes to Financial Statements
June 30, 2019 and 2018

Note 2: Change in Accounting Principle

In 2019, the Foundation adopted ASU 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. A summary of the changes is as follows:

Statement of Financial Position

- The statement of financial position distinguishes between two new classes of net assets—those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets—unrestricted, temporarily restricted and permanently restricted.
- Underwater donor-restricted endowment funds are shown within the donor-restricted net asset class. This is a change from the previously required classification as unrestricted net assets.

Statement of Activities

- Investment income is shown net of external and direct internal investment expenses. Disclosure of the expenses netted against investment income is no longer required.

Statement of Functional Expenses

- Expenses are reported by both nature and function in one location.

Notes to the Financial Statements

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one year from the date of the statement of financial position.
- Amounts and purposes of Board of Directors designations and appropriations as of the end of the year are disclosed.

This change had no impact on previously reported total change in net assets.

University of Central Missouri Foundation
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Notes to Financial Statements
June 30, 2019 and 2018

Note 3: Investments

Investments at June 30, 2019 and 2018, consisted of the following:

	2019		2018	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Money market				
mutual funds	\$ 779,328	\$ 779,328	\$ 458,965	\$ 458,965
Domestic equity	18,755,893	25,302,916	15,946,509	21,894,595
International equity	5,715,682	6,125,920	6,365,278	7,055,916
Fixed income	21,144,743	21,524,385	20,664,534	20,135,319
Alternative	4,264,123	4,165,342	3,415,976	3,427,463
Real estate held as an investment	-	-	301,492	318,000
	<u>\$ 50,659,769</u>	<u>\$ 57,897,891</u>	<u>\$ 47,152,754</u>	<u>\$ 53,290,258</u>

Note 4: Contributions Receivable

Contributions receivable consist of unconditional gifts and bequests to be received in future periods and are discounted to their present value based on anticipated payment streams. Unconditional contributions receivable with donor restrictions at June 30, 2019 and 2018, consisted of the following:

	2019	2018
Due within one year	\$ 618,338	\$ 161,963
Due in one to five years	1,076,817	1,154,697
Due in more than five years	11,845	89,845
	<u>1,707,000</u>	<u>1,406,505</u>
Less		
Allowance for uncollectible contributions	-	215,294
Unamortized discount	30,270	35,032
	<u>\$ 1,676,730</u>	<u>\$ 1,156,179</u>

Discount rates ranged from 1 percent to 3.6 percent and from 1 percent to 2.4 percent for 2019 and 2018, respectively.

University of Central Missouri Foundation
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Notes to Financial Statements
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Note 5: Planned Contributions (UNAUDITED)

The Foundation has been named in a number of wills as a beneficiary and has also been informed of other intentions to give. Such intentions to give, which cannot be recorded as contributions receivable until they become unconditional, aggregated approximately \$8,457,201 and \$7,918,415 at June 30, 2019 and 2018, respectively.

Note 6: Notes Receivable

	2019	2018
Note receivable from the University, unsecured, dated July 31, 2015, bearing interest at 4%, with fifteen annual payments of \$214,919, due July 31, 2030	\$ 2,017,030	\$ 2,146,105
Note receivable from the University, unsecured, dated December 31, 2017, bearing interest at 5%, with five annual payments of \$99,589, due December 31, 2022	<u>353,139</u>	<u>431,170</u>
	<u><u>\$ 2,370,169</u></u>	<u><u>\$ 2,577,275</u></u>

Note 7: Beneficial Interests in Trusts

The Foundation is named as the beneficiary of a charitable trust and a unitrust held by third-party trustees totaling \$398,070 and \$319,100 at June 30, 2019 and 2018, respectively.

The Foundation is named as the beneficiary of a perpetual trust held by a third-party trustee. Under the terms of the trust, the Foundation is designated to receive the net income derived from trust assets on a quarterly basis, which is to be used for the purpose of scholarships and is recorded as temporarily restricted net assets. The Foundation is the beneficiary of the trust with the condition that the University continues to operate or maintain an accredited four-year college for a term in excess of 24 successive calendar months. The Foundation records its beneficial interest in the trust at fair value. Changes in the fair value of the Foundation's interest in the trust are reflected as unrealized gains or losses in the statement of activities in the year in which they take place. The gain on this trust was \$7,544 and \$21,623 for the years ended June 30, 2019 and 2018, respectively. The Foundation's share in the trust had a value of \$593,873 and \$611,611 at June 30, 2019 and 2018, respectively.

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Note 8: Annuities Payable

The Foundation has entered into split-interest agreements, including a charitable remainder trust plan and a charitable gift annuity program. The Foundation has established a charitable remainder trust plan whereby donors may contribute assets to the Foundation in exchange for the right of a named beneficiary or beneficiaries to receive a fixed-dollar or a fixed-percentage annual return during their lifetimes. The Foundation has also established a charitable gift annuity program whereby, in exchange for a donor's contribution, the Foundation promises to make fixed payments for life to one or more annuitants. The amount paid is based on the age(s) of the annuitant(s), in accordance with the Foundation's rate schedule, which is based on actuarially determined life expectancy tables, trust asset growth assumptions and discount rates ranging from 2.4 percent to 7.99 percent. The difference between the amount of the gift and the present value of the liability for future payments, determined on an actuarial basis, is recognized as a contribution at the date of the gift. Contributions related to split-interest agreements, including trusts and unitrusts held by third-party trustees, totaled \$0 and \$52,033 for the years ended June 30, 2019 and 2018, respectively. The gifts are classified as either with or without donor restrictions based on how the remainder will be used at the termination of the annuity period per the individual agreements. The liability is revalued annually based upon actuarially computed present values, and any resulting actuarial gain or loss is recorded in the statements of activities and changes in net assets. The investments are held in separate accounts and follow the Investment and Spending Policies for Split-Interest Agreements as approved by the Board of Directors.

A summary of assets held and obligations related to split-interest agreements is as follows as of June 30:

	<u>2019</u>	<u>2018</u>
Assets		
Charitable remainder trusts/unitrusts (Pool B)	\$ 1,529,719	\$ 1,560,049
Charitable gift annuities (Pool C)	<u>1,071,641</u>	<u>961,486</u>
	<u>\$ 2,601,360</u>	<u>\$ 2,521,535</u>
Liabilities		
Split-interest agreement obligations	<u>\$ 951,974</u>	<u>\$ 964,501</u>

In addition to the obligations for the split-interest agreements, annuities payable also include the future obligation relating to the settlement of an estate gift. The present value of this liability was \$383,294 and \$391,974 at June 30, 2019 and 2018, respectively.

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Note 9: Net Assets Without Donor Restrictions

Net assets without donor restrictions at June 30, 2019 and 2018, are designated for the following purposes:

	2019	2018
Undesignated	\$ 1,320,181	\$ 983,188
Board-designated operating reserve fund	2,620,233	2,593,642
Board-designated endowment funds	3,759,087	3,480,142
University President directed fund	201,650	134,120
	<u>\$ 7,901,151</u>	<u>\$ 7,191,092</u>

Note 10: Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2019 and 2018, are restricted for the following purposes:

	2019	2018
Subject to expenditure for specified purpose		
Scholarships	\$ 6,875,327	\$ 5,940,627
Instruction and other departmental	8,516,831	7,312,946
Student services – athletics	411,781	352,138
Academic support – TV	308,134	188,612
Institutional support – facilities	2,696,926	2,538,375
Net accumulated earnings in excess of approved payout	7,655,721	6,814,719
	<u>26,464,720</u>	<u>23,147,417</u>
Perpetually restricted with the earnings subject to Foundation endowment spending policy		
Scholarships	23,795,468	22,964,470
Instruction and other departmental	3,715,935	3,644,722
Student services – athletics	112,358	106,357
Academic support – TV	13,090	12,071
Institutional support – facilities	40,245	40,245
	<u>27,677,096</u>	<u>26,767,865</u>
	<u>\$ 54,141,816</u>	<u>\$ 49,915,282</u>

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Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose, by occurrence of other events specified by donors or Board-approved administrative allocations.

Note 11: Endowment

The Foundation's endowment consists of approximately 542 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments (Board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including Board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's governing body has interpreted the State of Missouri Prudent Management of Institutional Funds Act (SPMIFA) as requiring 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. As a result of this interpretation, the Foundation classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before being reclassified as net assets without donor restrictions. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Foundation
7. Investment policies of the Foundation

The composition of net assets by type of endowment fund at June 30, 2019 and 2018, was:

		2019	
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 45,177,369	\$ 45,177,369
Board-designated endowment funds	3,759,087	-	3,759,087
 Total endowment funds	 \$ 3,759,087	 \$ 45,177,369	 \$ 48,936,456

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	2018		Total
	Without Donor Restrictions	With Donor Restrictions	
Donor-restricted endowment funds	\$ -	\$ 41,920,742	\$ 41,920,742
Board-designated endowment funds	3,480,142	-	3,480,142
Total endowment funds	\$ 3,480,142	\$ 41,920,742	\$ 45,400,884

Changes in endowment net assets for the years ended June 30, 2019 and 2018, were:

	2019		Total
	Without Donor Restrictions	With Donor Restrictions	
Endowment net assets, beginning of year	\$ 3,480,142	\$ 41,920,742	\$ 45,400,884
Net investment return			
Net investment income	-	945,504	945,504
Net realized and unrealized gain (loss) on investments	247,613	559,452	807,065
Total net investment return	247,613	1,504,956	1,752,569
Gifts	49,212	2,783,320	2,832,532
Appropriation of assets for expenditure	(139,246)	(1,205,856)	(1,345,102)
Change in donor restrictions	121,366	190,527	311,893
Actuarial loss on annuity obligations	-	(16,320)	(16,320)
Endowment net assets, end of year	\$ 3,759,087	\$ 45,177,369	\$ 48,936,456

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	2018		Total
	Without Donor Restrictions	With Donor Restrictions	
Endowment net assets, beginning of year	\$ 2,973,189	\$ 40,033,272	\$ 43,006,461
Net investment return			
Net investment income	-	901,608	901,608
Net realized and unrealized gain (loss) on investments	541,234	1,102,348	1,643,582
Total net investment return	541,234	2,003,956	2,545,190
Gifts	38,079	1,134,247	1,172,326
Appropriation of assets for expenditure	(130,582)	(1,218,847)	(1,349,429)
Change in donor restrictions	58,222	(16,362)	41,860
Actuarial loss on annuity obligations	-	(15,524)	(15,524)
Endowment net assets, end of year	\$ 3,480,142	\$ 41,920,742	\$ 45,400,884

The Foundation has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. At June 30, 2019 and 2018, the total deficiency of funds with fair values below original gift values of \$0 and \$38,134, respectively, were reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after investment of new restricted contributions and continued appropriation for certain purposes that was deemed prudent by the Board of Directors.

The Foundation's investment and spending policies are disclosed in the Management of Pooled Investments section of *Note 1*.

Note 12: Transactions with the University

The Foundation incurs certain expenses for the direct advancement of University programs. Total expenses incurred by the Foundation for the advancement of the University were \$2,927,166 and \$3,035,174 for the years ended June 30, 2019 and 2018, respectively, and presented by purpose in the statements of activities. The amount due to the University for expenses not yet reimbursed by the Foundation was \$378,807 and \$167,871 at June 30, 2019 and 2018, respectively, and is included in accrued expenses and due to University on the accompanying statements of financial position.

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Compensation and benefits for some University employees who provide services for the Foundation are reimbursed by the Foundation and are shown on the accompanying statements of activities as general administrative and fundraising expenses. Total compensation and benefits paid by the University and reimbursed by the Foundation were \$711,223 and \$352,055 for the years ended June 30, 2019 and 2018, respectively. The amount due to the University for compensation and benefits not yet reimbursed by the Foundation was \$86,022 and \$85,361 at June 30, 2019 and 2018, respectively, and is included in accrued expenses and due to University on the accompanying statements of financial position.

Compensation and benefits for some University employees who provide services for the Foundation are paid by the University and are not reimbursed by the Foundation. Compensation and benefits paid by the University were \$1,151,774 and \$910,830, based on the percentage of time related to the Foundation, for the years ended June 30, 2019 and 2018, respectively. The compensation and benefits for these employees is included in the accompanying statement of activities as in-kind gifts and general administrative and fundraising expenses.

The University rents certain real estate held as an investment from the Foundation. Rental income recognized by the Foundation during the years ended June 30, 2019 and 2018, was \$11,882 and \$12,963, respectively. The Foundation sold the real estate during the year ended June 30, 2019.

Note 13: Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

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Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2019 and 2018:

	2019			
	Total Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Mutual funds				
Money market	\$ 779,328	\$ 779,328	\$ -	\$ -
Domestic equity	11,016,290	11,016,290	-	-
International equity	6,063,838	6,063,838	-	-
Common stock				
Domestic	7,959,515	7,959,515	-	-
International	62,082	62,082	-	-
Exchange traded funds				
Domestic	6,327,111	6,327,111	-	-
Fixed income investments				
Mortgage	1,782,585	-	1,782,585	-
Credit	11,492,527	40,542	11,451,985	-
U.S. Treasuries	2,453,066	2,453,066	-	-
Agencies	1,411,542	-	1,411,542	-
Asset backed securities	569,595	-	569,595	-
Taxable municipal bonds	2,157,134	-	2,157,134	-
Diversified taxable funds	599,952	599,952	-	-
Domestic preferred stock	212,080	212,080	-	-
Taxable high yield funds	636,785	636,785	-	-
Emerging markets	209,119	209,119	-	-
Alternative investments				
Hedge funds	4,149,216	4,149,216	-	-
Infrastructure	16,126	16,126	-	-
Total investments	57,897,891	40,525,050	17,372,841	-
Beneficial interests in trusts	991,943	-	-	991,943
Total assets	<u>\$ 58,889,834</u>	<u>\$ 40,525,050</u>	<u>\$ 17,372,841</u>	<u>\$ 991,943</u>

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	2018			
	Fair Value Measurements Using			
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Mutual funds				
Money market	\$ 458,965	\$ 458,965	\$ -	\$ -
Domestic equity	10,493,884	10,493,884	-	-
International equity	7,031,115	7,031,115	-	-
Common stock				
Domestic	6,947,419	6,947,419	-	-
International	24,801	24,801	-	-
Exchange traded funds				
Domestic	4,453,292	4,453,292	-	-
Fixed income investments				
Mortgage	1,395,256	-	1,395,256	-
Credit	10,427,555	38,260	10,389,295	-
U.S. Treasuries	2,244,662	2,244,662	-	-
Agencies	1,585,448	-	1,585,448	-
Asset backed securities	929,982	-	929,982	-
Taxable municipal bonds	2,062,931	-	2,062,931	-
Diversified taxable funds	445,846	445,846	-	-
Domestic preferred stock	203,130	203,130	-	-
Taxable high yield funds	641,359	641,359	-	-
Emerging markets	199,150	199,150	-	-
Alternative investments				
Hedge funds	2,912,241	2,912,241	-	-
Infrastructure	14,383	14,383	-	-
Commodities	500,839	500,839	-	-
Real estate held as an investment	318,000	-	-	318,000
Total investments	53,290,258	36,609,346	16,362,912	318,000
Beneficial interests in trusts	930,711	-	-	930,711
Total assets	\$ 54,220,969	\$ 36,609,346	\$ 16,362,912	\$ 1,248,711

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Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended June 30, 2019 and 2018. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Beneficial Interest in Trusts

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

Note 14: Significant Estimates and Concentrations

Concentrations of Credit and Market Risk

The Foundation invests in various investment securities. Investment securities are subject to various risks, such as interest rate risk, credit risk and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements. The Foundation has established guidelines to mitigate these risks. These guidelines are periodically reviewed and modified when necessary.

Contributions

Approximately 21 percent of all contributions were received from one donor during the year ended June 30, 2019.

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Note 15: Liquidity and Availability

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs. In addition, the Foundation receives support without donor restrictions; such support has historically represented approximately 7 to 11 percent of annual program funding needs, with the remainder funded by investment income without donor restrictions and appropriated earnings from gifts with donor restrictions.

The Foundation considers investment income without donor restrictions, appropriated earnings from donor-restricted and Board-designated (quasi) endowments, contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, fundraising expenses and scholarship, academic enrichment and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation's fiscal year.

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability
- Maintaining adequate liquid assets
- Maintaining sufficient reserves to provide reasonable assurance that long-term commitments and obligations under endowments with donor restrictions and quasi-endowments that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation

The Foundation's Finance Committee (the "Committee") meets annually to review and approve the annual operating budget and annual payout. Due to this timing, the Foundation strives to maintain financial assets available to meet general expenditures at a level that represents 100 percent of annual expenses for administrative, general and fundraising expenses plus an amount that represents the next expected payment for the annual payout approved by the Committee, which typically represents approximately 51 percent of the expected annual cash needs.

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The table below presents financial assets available for general expenditures within one year at June 30, 2019:

Financial assets at year end	
Cash	\$ 191,642
Investments	57,897,891
Accrued investment income	256,688
Contributions receivable	1,676,730
Notes receivable	<u>2,370,169</u>
Total financial assets at year end	<u>62,393,120</u>
Less amounts restricted or not available to be used within one year	
Donor-imposed restrictions on financial assets	(52,667,144)
Board-designated operating reserve fund	(2,620,233)
Board-designated endowment funds	(3,759,087)
University President directed fund	(201,650)
Notes receivable - due after one year	<u>(2,153,999)</u>
Financial assets not available to meet general expenditures within one year	<u>(61,402,113)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 991,007</u>

Note 16: Revision of Prior Year Financial Statements

In 2018, in-kind gifts and the corresponding expenses for the Mule Train Project Underwriting in the amount of \$116,476 were not recorded for the year ended June 30, 2018. Therefore, to accurately present the statement of activities for the year ended June 30, 2018, the following financial statement lines were revised:

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	As Revised	As Previously Reported	Effect of Change
Revenues, Gains and Other Support			
In-kind gifts - with donor restrictions	\$ 319,300	\$ 202,824	\$ 116,476
Net assets released from restrictions - without donor restrictions	3,144,992	3,028,516	116,476
Net assets released from restrictions - with donor restrictions	(3,144,992)	(3,028,516)	(116,476)
Expenses and Losses			
Expenses for University advancement			
Program expenses			
Student services - athletics	635,813	519,337	116,476

This revision did not have a significant impact on the financial statement line items impacted and had no impact on the change in net assets.