UNIVERSITY OF CENTRAL MISSOURI FOUNDATION
(A Component Unit of the University of Central Missouri)

Auditor's Report and Financial Statements

June 30, 2016 and 2015

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WILSON TOELLNER
CPA

INDEPENDENT AUDITOR'S REPORT

Board of Directors
University of Central Missouri Foundation (A Component Unit of the University of Central Missouri)

We have audited the accompanying financial statements of the University of Central Missouri Foundation (a Component Unit of the University of Central Missouri) (the Foundation), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities 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 audit. We conducted our audit 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 of material misstatement.

An audit includes 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 principles 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 the Foundation as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Wilson Toellner CPA

Sedalia, Missouri
September 13, 2016

UNIVERSITY OF CENTRAL MISSOURI FOUNDATION
(a component unit of University of Central Missouri)
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
Cash and cash equivalents	$ 601,113	$ 1,323,040
Investments	46,013,639	46,569,586
Contributions receivable, net	1,455,566	2,047,605
Accrued investment income	229,412	139,178
Note receivable	2,389,553	-
Cash surrender value of life insurance	405,922	387,883
Beneficial interest in charitable trusts, net	867,580	902,878
Prepaid expenses	5,853	7,357
TOTAL ASSETS	$ 51,968,638	$ 51,377,527
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Annuities payable	$ 1,454,073	$ 1,469,468
Accrued expenses/Due to University	167,444	349,679
Deferred revenue	11,882	11,882
TOTAL LIABILITIES	1,633,399	1,831,029
NET ASSETS:		
Unrestricted	6,408,031	6,116,138
Temporarily restricted	19,487,603	20,551,570
Permanently restricted	24,439,605	22,878,790
TOTAL NET ASSETS	50,335,239	49,546,498
TOTAL LIABILITIES AND NET ASSETS	$ 51,968,638	$ 51,377,527

The accompanying notes are an integral part of these statements.

UNIVERSITY OF CENTRAL MISSOURI FOUNDATION
(a component unit of University of Central Missouri)
STATEMENT OF ACTIVITIES AND CHAGNES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2016

				Totals	
	Unrestricted	Temporarily Restricted	Permanently Restricted	2016	2015
REVENUES AND OTHER SUPPORT:					
Gifts	$ 237,651	$ 3,387,606	$ 1,321,335	$ 4,946,592	$ 3,762,963
In-kind Gifts	918,030	361,228	-	1,279,258	1,345,577
Other income	13,893	106,115	-	120,008	84,696
Investment income	206,627	816,959	-	1,023,586	953,961
Net realized & unrealized gain (loss) on investments and beneficial interests in trusts	34,309	(971,612)	(52,675)	(989,978)	(13,354)
Net assets released from restrictions	3,876,372	(3,876,372)	-	-	-
Total revenues and other support	5,286,882	(176,076)	1,268,660	6,379,466	6,133,843
Foundation Expenses					
General administrative expenses	602,092	-	-	602,092	519,444
Fundraising expense	953,020	-	-	953,020	736,009
Total Foundation expenses	1,555,112			1,555,112	1,255,453
Contributions to the University for the following purposes:					
Program expenses -					
Scholarships	1,149,039	-	-	1,149,039	1,123,069
Academic support - TV	335,810	-	-	335,810	398,879
Student Services - Athletics	620,690	-	-	620,690	730,183
Instruction and other departmental	416,361	-	-	416,361	483,143
Support services -					
Institutional support - plant facilities	1,387,922	-	-	1,387,922	769,451
Total contributions to the University	3,909,822	-	-	3,909,822	3,504,725
TOTAL EXPENSES	5,464,934	-	-	5,464,934	4,760,178
INCREASE (DECREASE) IN NET ASSETS BEFORE OTHER CHANGES	(178,052)	(176,076)	1,268,660	914,532	1,373,665
OTHER INCREASES (DECREASES):					
Adjustments to actuarial liability of annuities payable	-	(95,032)	(35,012)	(130,043)	467,549
Other	469,945	(792,859)	327,167	4,252	(6,462)
	469,945	(887,891)	292,155	(125,791)	461,087
INCREASE (DECREASE) IN NET ASSETS	291,893	(1,063,967)	1,560,815	788,741	1,834,752
NET ASSETS - Beginning of Year	6,116,138	20,551,570	22,878,790	49,546,498	47,711,746
NET ASSETS - End of Year	$ 6,408,031	$ 19,487,603	$ 24,439,605	$ 50,335,239	$ 49,546,498

The accompanying notes are an integral part of these statements.

UNIVERSITY OF CENTRAL MISSOURI FOUNDATION
(a component of University of Central Missouri)
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT:				
Gifts	$ 357,264	$ 2,788,672	$ 617,027	$ 3,762,963
In-kind Gifts	757,182	588,395	-	1,345,577
Other income	13,226	71,470	-	84,696
Investment income	193,704	760,257	-	953,961
Net realized & unrealized gain (loss) on investments and beneficial interests in trusts	(77,311)	(24,659)	88,616	(13,354)
Net assets released from restrictions	3,468,488	(3,468,488)	-	-
Total revenues and other support	4,712,553	715,647	705,643	6,133,843
Foundation Expenses				
General administrative expenses	519,444	-	-	519,444
Fundraising expense	736,009	-	-	736,009
Total Foundation expenses	1,255,453	-	-	1,255,453
Contributions to the University for the following purposes:				
Program expenses -				
Scholarships	1,123,069	-	-	1,123,069
Academic support - TV	398,879	-	-	398,879
Student Services - Athletics	730,183	-	-	730,183
Instruction and other departmental	483,143	-	-	483,143
Support services -				
Institutional support - plant facilities	769,451	-	-	769,451
Total contributions to the University	3,504,725	-	-	3,504,725
TOTAL EXPENSES	4,760,178	-	-	4,760,178
INCREASE (DECREASE) IN NET ASSETS BEFORE OTHER CHANGES	(47,625)	715,647	705,643	1,373,665
OTHER INCREASES (DECREASES):				
Adjustments to actuarial liability of annuities payable	-	143,656	323,893	467,549
Other	869,555	(949,966)	73,949	(6,462)
	869,555	(806,310)	397,842	461,087
INCREASE (DECREASE) IN NET ASSETS	821,930	(90,663)	1,103,485	1,834,752
NET ASSETS - Beginning of Year	5,294,208	20,642,233	21,775,305	47,711,746
NET ASSETS - End of Year	$ 6,116,138	$ 20,551,570	$ 22,878,790	$ 49,546,498

The accompanying notes are an integral part of these statements.

UNIVERSITY OF CENTRAL MISSOURI FOUNDATION
(a component unit of University of Central Missouri)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	$ 788,741	$ 1,834,752
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net realized and unrealized gain on investments	(954,680)	(44,833)
Actuarial adjustment to annuity liability	130,043	(467,549)
Other decreases	(4,252)	6,462
Beneficial interest in charitable trusts	35,298	58,187
(Increase) decrease in assets		
Gifts receivable	592,039	(448,861)
Note receivables	(2,389,553)	-
Accrued investment income	(90,234)	(13,445)
Gifted cash surrender value	(18,039)	(16,318)
Prepaid expenses	1,504	4,433
Increase (decrease) in liabilities		
Annuities payable	(15,395)	(548,806)
Accrued expenses	(182,235)	19,426
Deferred revenue	-	-
Net cash provided by/(used in) operating activities	(2,106,763)	383,448
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(12,454,550)	(20,237,422)
Proceeds from sale or maturity of investments	13,839,386	20,212,348
Net cash provided by/(used in) investing activities	1,384,836	(25,074)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(721,927)	358,374
CASH AND CASH EQUIVALENTS, Beginning of year	1,323,040	964,666
CASH AND CASH EQUIVALENTS, End of year	$ 601,113	$ 1,323,040

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

	2016	2015
In-kind gifts included in program and support services	$ 1,279,258	$ 1,345,577
Gifts of noncash investments	$ 815,441	$ 184,808

The accompanying notes are an integral part of these statements.

NOTE A - ORGANIZATION

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 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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. *Basis of Accounting*

The Foundation's financial statements are presented in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) on an accrual basis. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

The financial statements of the Foundation are presented in accordance with the provisions of Statement of Financial Accounting Standards ASC 958, *Not-for-Profit Entities*. ASC 958 requires the Foundation to distinguish between contributions that increase permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets. It also requires recognition of contributions, including contributed services meeting certain criteria, at fair values. In addition, it establishes standards for external financial statements of not-for-profit organizations and requires a statement of financial position, a statement of activities and changes in net assets, and a statement of cash flows.

2. *Cash and Cash Equivalents*

Cash and cash equivalents consist of cash, money market funds, repurchase agreements, short-term commercial paper, and certain government securities. The Foundation considers investments with maturities of three months or less at the time of purchase to be cash equivalents.

3. *Investments*

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

3. *Investments – Continued*

future use toward charitable purposes are carried at estimated fair value. Gains or losses that result from market fluctuations occur. 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 $100,508 and $102,012 are netted against investment income on the statements of activities and changes in net assets for the years ended June 30, 2016 and 2015, 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.

4. *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 as described below. These guidelines are periodically reviewed and modified when necessary.

5. *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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. *Management of Pooled Investments – Continued*

accumulated to be used as payouts for future years. The approved spending rate to fund programs, projects and scholarships was 3.66% for fiscal years 2016 and 2015.

Pool A consists of endowment funds, as well as other funds functioning as endowments, permanently restricted funds, temporarily restricted funds, and unrestricted funds. 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 State of Missouri adopted the Uniform Prudent Management of Institutional Funds Act (the UPMIFA) effective August 28, 2009. In previous fiscal years, the Foundation was required to follow the Uniform Management of Institutional funds Act (UMIFA). UPMIFA provides uniform and fundamental rules for the prudent investment of funds held by charitable institutions and the expenditure of funds donated as endowments to those institutions.

The following is a summary of the Foundation's investment and spending policies for funds functioning as endowments as adopted to comply with UPMIFA requirements:

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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. *Management of Pooled Investments - Continued*

The portfolio should be diversified both as to fixed income and equity holdings; the purpose of such diversification is to provide reasonable assurances 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% to 70%, the fixed income component shall range from 20% to 50%, alternative investments shall range from 10% to 20% and cash and cash equivalents shall range from 0% to 5%.

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% of the initial gift if the donor(s) live to their life expectancy.

The equity component of the portfolio shall range from 35% to 75%, the fixed income component shall range from 20% to 50%, alternative investments shall range from 0% to 10% and the cash component shall range from 5% to 15%.

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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

6. *Revenue Recognition*

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. All contributions and investment income are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received and investment income that is designated for future periods or restricted by the donor for specific purposes are reported as temporarily or permanently restricted support that increases those net asset classes. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met.

7. *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 compensation and benefits for these employees is included in the accompanying statement of activities and changes in net assets as in-kind gifts and general administrative and fundraising expenses.

8. *Split Interest Agreements*

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 1.8% to 6.8%. 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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

8. *Split Interest Agreements - Continued*

contribution at the date of the gift. Contributions related to split interest agreements, including trusts and unitrusts held by third party trustees, totaled $43,919 and $15,855 for the years ended June 30, 2016 and 2015, respectively. The gifts are classified as either temporary or permanently restricted assets 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.

A summary of assets held and obligations related to split interest agreements is as follows as of June 30, 2016 and 2015.

	2016	2015
Assets		
Charitable remainder trusts/unitrusts (Pool B)	$ 1,551,125	$ 1,692,450
Charitable gift annuities (Pool C)	694,127	631,924
	$ 2,245,252	$ 2,324,374
Liabilities		
Split interest agreement obligations	$ 1,044,449	$ 1,050,921

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 $409,624 and $418,547 for the years ended June 30, 2016 and 2015, respectively.

9. *Unrestricted Net Assets*

The Foundation reports those assets whose use is not restricted by donors as unrestricted net assets. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

10. *Temporarily Restricted Net Assets*

The Foundation reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use by time or purpose 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 statements of activities as net assets released from restrictions.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Contributions restricted for capital improvements are released to unrestricted revenue at the time the funds are expended for the specified improvement and reported in the statements of activities as net assets released from restrictions.

11. *Permanently Restricted Net Assets*

Permanently restricted net assets are those which are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity and the income only be utilized for purposes specified by the donor.

12. *Fundraising*

Costs of special events are recorded as an expense in fundraising expenses and the related revenue is included as contributions or other income in the statements of activities and change in net assets. Fundraising income from special events has been reported net of expenses that directly benefit donors. These expenses total $89,014 and $89,068 for the years ended June 30, 2016 and 2015, respectively.

13. *Tax-exempt Status*

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.

14. *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 period. Actual results could differ from those estimates.

15. *Fair Value Measurements*

The Foundation applies the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*, with respect to financial assets and liabilities. ASC Topic 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Fair value under ASC Topic 820 is defined as the price that would be received

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

15. *Fair Value Measurements – Continued*

to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

16. *Subsequent Event*

The Foundation has evaluated subsequent events through September 13, 2016, the date the financial statements were available to be issued. No subsequent events were noted.

NOTE C - CASH AND CASH EQUIVALENTS

The following summary reflects the cash and cash equivalents held by the Foundation at June 30, 2016 and 2015.

	2016	2015
Central Bank of Warrensburg	$ 260,416	$ 243,593
Commerce Trust Co.	340,697	1,079,447
	$ 601,113	$ 1,323,040

NOTE D - INVESTMENTS

The Foundation's investment portfolio consists of the following:

	June 30, 2016	
	Adjusted cost	Fair value
Domestic Equity	$ 16,051,769	$ 18,606,988
International Equity	4,444,859	3,916,420
Fixed Income	18,904,227	19,265,907
Alternative	3,454,236	3,476,581
Real Estate Investment Trust	635,977	433,743
Real Estate held as an investment	301,492	314,000
	$ 43,792,560	$ 46,013,639

NOTE D – INVESTMENTS - Continued

	June 30, 2015	
	Adjusted cost	Fair value
Domestic Equity	$ 18,259,594	$ 21,297,132
International Equity	5,140,550	4,949,433
Fixed Income	15,944,783	15,928,210
Alternative	3,546,141	3,372,100
Real Estate Investment Trust	688,518	708,711
Real Estate held as an investment	301,492	314,000
	$ 43,881,078	$ 46,569,586

The following summary reflects the placement of investments among certain classifications:

	June 30, 2016	
	Adjusted cost	Fair value
Unrestricted	$ 5,575,102	$ 5,857,861
Temporarily restricted	16,954,564	17,814,468
Permanently restricted	21,262,894	22,341,310
	$ 43,792,560	$ 46,013,639

	June 30, 2015	
	Adjusted cost	Fair value
Unrestricted	$ 5,416,785	$ 5,748,661
Temporarily restricted	18,201,590	19,316,766
Permanently restricted	20,262,703	21,504,159
	$ 43,881,078	$ 46,569,586

The adjusted cost of investments in Pool A (see Note B) was $34,692,131 and $36,309,475 and the fair value of investments was $34,605,706 and $31,232,163 for the years ended June 30, 2016 and 2015, respectively.

NOTE E – NOTES RECEIVABLE

	2016	2015
Note receivable from related party, dated July 31, 2015, with 4% interest with fifteen annual payments of $214,918.96 due July 31, 2030.	$ 2,389,553	$ -

NOTE F - ACCOUNTING FOR UNCERTAIN TAX POSITIONS

The Foundation applies the provisions of FASB ASC Topic 740, *Income Taxes* (ASC 740). As required by the uncertain tax position guidance in ASC 740, the Foundation recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. The Foundation has analyzed tax positions taken in returns filed with the Internal Revenue Service and all state jurisdictions in which it operates. The Foundation believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the financial condition, results of operations, or cash flows. Accordingly, the Foundation has not recorded any reserves, or related accruals for interest and penalties, for uncertain tax positions at June 30, 2016 or 2015.

The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Foundation believes it is no longer subject to income tax examinations for years prior to 2013.

The Foundation classifies income tax related interest and penalties in interest expense and other expenses, respectively.

NOTE G - INTERPRETATION OF RELEVANT LAW

The Foundation's endowment consists of approximately 400 individual funds established for a variety of purposes. Its endowment includes both donor-restricted and endowment funds and funds designated by the Board to function as endowments. As required by U.S. GAAP, 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.

The Board has interpreted 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. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets or unrestricted net assets if appropriate and maintained as such for appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the UPMIFA. In accordance with the UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

NOTE G - INTERPRETATION OF RELEVANT LAW - Continued

Endowment net assets composition by type of fund at June 30, 2016:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ -	$ 2,147,364	$ 22,634,432	$ 24,781,796
Board-designated endowment funds	3,067,142	11,105,099	-	14,172,241
	$ 3,067,142	$ 13,252,463	$ 22,634,432	$ 38,954,037

Changes in endowment net assets for the year ended June 30, 2016:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$ 3,266,937	$ 14,647,346	$ 21,427,282	$ 39,341,565
Investment return				
Investment income, net of fees	74,477	735,060	-	809,537
Net appreciation, realized and unrealized	(97,369)	(976,088)	(36,241)	(1,109,698)
	3,244,045	14,406,318	21,391,041	39,041,404
Contributions	1,515	351,050	1,229,853	1,582,418
Appropriation of assets for expenditure	(138,018)	(1,361,954)	-	(1,499,972)
Other changes				
Transfers to BDOR	(42,972)	(424,111)	-	(467,083)
Transfers per donor	-		22,093	22,093
Transfer to/from quasi	-	(57,850)	-	(57,850)
Transfer from Trusts/CGAs	-		-	-
Change in expendable funds	2,572	355,087	-	357,659
Other	-	(16,077)	(8,555)	(24,632)
Endowment net assets, end of year	$ 3,067,142	$ 13,252,463	$ 22,634,432	$ 38,954,037

NOTE G - INTERPRETATION OF RELEVANT LAW - Continued

Endowment net assets composition by type of fund at June 30, 2015:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ -	$ 1,792,277	$ 21,427,282	$ 23,219,559
Board-designated endowment funds	3,266,937	12,855,069	-	16,122,006
	$ 3,266,937	$ 14,647,346	$ 21,427,282	$ 39,341,565

Changes in endowment net assets for the year ended June 30, 2015:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year, as restated	$ 3,209,640	$ 15,220,643	$ 18,530,117	$ 36,960,400
Investment return				
Investment income, net of fees	74,293	676,900	-	751,193
Net appreciation (depreciation), realized and unrealized	4,937	(49,359)	67,051	22,629
	3,288,870	15,848,184	18,597,168	37,734,222
Contributions	5,840	609,286	604,828	1,219,954
Appropriation of assets for expenditure	(119,651)	(1,089,910)	-	(1,209,561)
Other changes				
Transfers per BDOR	(66,758)	(608,242)	-	(675,000)
Transfers per donor	-	-	15,209	15,209
Transfer to/from quasi	7,969	(23,355.00)	-	(15,386)
Transfer from Trusts/CGAs	-	-	2,210,660	2,210,660
Change in expendable funds	155,013	(99,806)	-	55,207
Other	(4,346)	11,189	(583)	6,260
Endowment net assets, end of year, as restated	$ 3,266,937	$ 14,647,346	$ 21,427,282	$ 39,341,565

NOTE G - INTERPRETATION OF RELEVANT LAW - Continued

Description of amounts classified as permanently restricted net assets and temporarily restricted net assets (endowment only) at June 30, 2016 and 2015 were as follows.

	2016	2015
Permanently restricted net assets		
Perpetual endowment funds required to be retained permanently by donor or by UPMIFA	$ 22,634,459	$ 21,427,282
Temporarily restricted net assets		
Perpetual endowment funds subject to a time restriction under UPMIFA		
Without purpose restrictions	$ -	$ -
With purpose restrictions	13,252,463	14,647,346
	$ 13,252,463	$ 14,647,346

Funds with deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in unrestricted net assets. The deficiencies were $295,007 and $41,463 for the years ended June 30, 2016 and 2015.

NOTE H - 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 are as follows at June 30, 2016 and 2015.

	2016	2015
Receivable in less than one year	$ 189,996	$ 541,151
Receivable in one to five years	1,331,484	1,595,529
Receivable in more than five years	7,993	10,553
Total unconditional contributions receivable	1,529,473	2,147,233
Less: Discounts to net present value	(44,800)	(56,575)
Allowance for uncollectible promises	(29,107)	(43,053)
Net unconditional contributions receivable	$ 1,455,566	$ 2,047,605

Discount rates used on long-term contributions receivable ranged from 1% to 2.4% for the years ended June 30, 2016 and 2015.

NOTE I - BENEFICIAL INTERESTS IN CHARITABLE TRUSTS

The Foundation is named as the beneficiary of a charitable trust and a unitrust held by third-party trustees totaling $310,997 and $305,639 for the years ended June 30, 2016 and 2015, 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 statements of activities in the year in which they take place. The loss on this trust was $40,656 and $28,916 for the years ended June 30, 2016 and 2015, respectively. The Foundation's share in the trust had a value of $556,583 and $597,239 at June 30, 2016 and 2015, respectively.

NOTE J - CASH SURRENDER VALUE OF LIFE INSURANCE

Cash surrender value of life insurance policies presents the cash surrender value of various gifted life insurance policies that are owned by the Foundation. The total face amount of these insurance policies is approximately $1,315,785 for the years ended June 30, 2016 and 2015.

NOTE K - 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 $6,689,100 and $4,256,600 at June 30, 2016 and 2015, respectively.

NOTE L - NET ASSETS

The following classifications reflect the nature of restrictions on temporarily and permanently restricted net assets:

	June 30, 2016	
	Temporarily restricted	Permanently restricted
Scholarships	$ 5,498,649	$ 20,768,966
Instruction and other departmental	6,583,537	3,552,312
Student services - athletics	310,371	78,082
Academic support - TV	148,481	-
Institutional support - plant facilities	3,339,231	40,245
Net accumulated earnings in excess of approved payout	3,607,334	-
	$ 19,487,603	$ 24,439,605

NOTE L - NET ASSETS - Continued

	June 30, 2015	
	Temportarily restricted	Permanently restricted
Scholarships	$ 5,294,721	$ 19,309,427
Instruction and other departmental	6,015,513	3,468,822
Student services - athletics	328,637	60,296
Academic support - TV/radio	162,065	-
Institutional support - plant facilities	3,083,711	40,245
Net accumulated earnings in excess of approved payout	5,666,923	-
	$ 20,551,570	$ 22,878,790

NOTE M - FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to significant unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820-10 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 - Inputs to the valuation methodology include -

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the assets or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

NOTE M - FAIR VALUE MEASUREMENTS - Continued

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at June 30, 2016 and 2015.

Cash and Cash Equivalents
The carrying amount reflected in the statement of financial position for cash approximates the respective fair value due to the short maturity of the instrument.

Investments
The fair value of marketable debt and equity securities is determined by reference to quoted market prices and other relevant information generated by market transactions; the fair value of alternative investments (hedge funds) is based on the quoted prices on active markets.

Beneficial interest in charitable trusts, net
Valued based on the fair value of the underlying trust assets less a payment liability. The payment liability is determined by calculating the present value of the expected future distributions, using published life expectancy tables and 7% to 7.5% rates of return.

Contributions Receivable
The fair value is determined by discounting the future cash flows of each instrument to net present value at the discount rate in effect at the date of the gift. The rates used ranged from 1% to 2.4% for the years ended June 30, 2016 and 2015. Additionally, the Foundation provides an allowance for contributions that are considered to be uncollectible. The carrying amount of contributions receivable approximates fair value.

Accrued Investment Income
The carrying amount approximates fair value due to the short maturity of such amounts.

Cash Surrender Value of Life Insurance
Represents life insurance policies for which the Foundation is the beneficiary and, as such, the carrying values approximate fair value.

NOTE M - FAIR VALUE MEASUREMENTS - Continued

Prepaid Expenses
The carrying amount approximates fair value due to the short maturity of such amounts.

Annuities Payable
The liabilities' fair value is determined by discounting the future cash flows of each annuity at actuarially computed present values, which approximates fair value.

Accrued Expenses
The carrying amount approximates fair value due to the short maturity of such amounts.

Deferred Revenue
The carrying amount approximates fair value due to the short maturity of such amounts.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. As a result of timing differences, and the fact that cash is part of the fair value of Pool A, the balance reported in Note D may vary from the fair value of investments – functioning as endowments as reported in Note K, Fair Value Measurements.

Adjusted cost and estimated fair values at June 30 were as follows.

	2016		2015	
	Adjusted cost	Fair value	Adjusted cost	Fair value
Financial assets				
Cash	$ 601,113	$ 601,113	$ 1,323,040	$ 1,323,040
Investments	43,792,560	46,013,639	43,881,078	46,569,586
Contributions receivable	1,455,566	1,455,566	2,047,605	2,047,605
Beneficial interest in trust	845,669	867,580	862,665	902,878
Other assets	3,030,740	3,030,740	534,418	534,418
Financial liabilities				
Annuities payable	1,454,073	1,454,073	1,469,468	1,469,468
Accrued expenses	167,444	167,444	349,679	349,679
Deferred revenue	11,882	11,882	11,882	11,882

NOTE M - FAIR VALUE MEASUREMENTS - Continued

The following table sets forth, by level within the fair value hierarchy, the Foundation's investments at fair value as of June 30, 2016.

		Fair value at reporting date		
	Fair value	Level 1	Level 2	Level 3
Mutual funds				
Domestic equity mutual funds	$ 8,514,933	$ 8,514,933	$ -	$ -
International equity mutual funds	3,885,084	3,885,084	-	-
Common stock				
Domestic	5,668,758	5,668,758	-	-
International	31,336	31,336	-	-
Exchange traded funds				
Domestic	4,423,297	4,423,297	-	-
Fixed income investments				
Mortgage	851,100	-	851,100	-
Credit	10,979,529	39,504	10,940,025	-
U.S. Treasuries	1,628,418	1,628,418	-	-
Agencies	1,349,516	-	1,349,516	-
Asset backed securities	1,354,106	-	1,354,106	-
Taxable municipal bonds	1,610,570	-	1,610,570	-
Diversified taxable mutual funds	217,043	217,043	-	-
Taxable high yield funds	833,177	833,177	-	-
Emerging markets	317,645	317,645	-	-
Tax exempt general obligations	71,966	-	71,966	-
Tax exempt revenues	52,837	-	52,837	-
Alternative investments				
Hedge funds	2,979,289	2,979,289	-	-
Infrastructure	497,292	497,292	-	-
Traded real estate	415,868	415,868	-	-
Real estate investment trust	17,875	-	17,875	-
Real estate held as an investment	314,000	-	-	314,000
Total investments	46,013,639	29,451,644	16,247,995	314,000
Beneficial interests in trusts	867,580	-	-	867,580
	$ 46,881,219	$ 29,451,644	$ 16,247,995	$ 1,181,580

NOTE M - FAIR VALUE MEASUREMENTS - Continued

The following table sets forth, by level within the fair value hierarchy, the Foundation's investments at fair value as of June 30, 2015.

	Fair value	Fair value at reporting date		
		Level 1	Level 2	Level 3
Mutual funds				
Domestic equity mutual funds	$ 8,525,551	$ 8,525,551	$ -	$ -
International equity mutual funds	4,910,152	4,910,152	-	-
Common stock				
Domestic	5,723,034	5,723,034	-	-
International	39,280	39,280	-	-
Exchange traded funds				
Domestic	7,048,547	7,048,547	-	-
Fixed income investments				
Mortgage	757,566	-	757,566	-
Credit	9,606,198	38,172	9,568,026	-
U.S. Treasuries	427,405	427,405	-	-
Agencies	745,423	-	745,423	-
Asset backed securities	1,363,010	-	1,363,010	-
Taxable municipal bonds	1,583,981	-	1,583,981	-
Diversified taxable mutual funds	110,818	110,818	-	-
Taxable high yield funds	731,736	731,736	-	-
Emerging markets	474,495	474,495	-	-
Tax exempt general obligations	72,990	-	72,990	-
Tax exempt revenues	54,588	-	54,588	-
Alternative investments				
Hedge funds	2,147,644	2,147,644	-	-
Infrastructure	1,224,456	1,224,456	-	-
Real estate investment trust	708,712	677,370	31,342	-
Real estate held as an investment	314,000	-	-	314,000
Total investments	46,569,586	32,078,660	14,176,926	314,000
Beneficial interests in trusts	902,878	-	-	902,878
	$ 47,472,464	$ 32,078,660	$ 14,176,926	$ 1,216,878

NOTE M - FAIR VALUE MEASUREMENTS - Continued

The table below sets forth a summary of changes in the fair value of the Foundation's Level 3 assets for the years ended June 30, 2016 and 2015.

	Real estate	Beneficial interests	Total
Fair value, July 1, 2014	$ 305,000	$ 961,065	$ 1,266,065
Transfers into Level 3	-	-	-
Total gains or losses (realized and unrealized)	9,000	(58,187)	(49,187)
Contributions	-	-	-
Purchases	-	-	-
Sales	-	-	-
Fair value, June 30, 2015	314,000	902,878	1,216,878
Transfers into Level 3	-	-	-
Total gains or losses (realized and unrealized)	-	(35,298)	(35,298)
Contributions	-	-	-
Purchases	-	-	-
Sales	-	-	-
Fair value, June 30, 2016	$ 314,000	$ 867,580	$ 1,181,580

NOTE N - RELATED-PARTY TRANSACTIONS

The University pays for certain expenses on behalf of the Foundation. On a monthly basis, the Foundation reimburses the University for specific expenses paid on the Foundation's behalf. The reimbursements are shown as contributions to the University on the accompanying statements of activities and changes in net assets by purpose. Total expenses paid by the University and reimbursed by the Foundation were $3,927,500 and $3,202,069 for the years ended June 30, 2016 and 2015, respectively. The amount due to the University for expenses not yet reimbursed by the Foundation was ($17,678) and $302,656 at June 30, 2016 and 2015, respectively, and is included in accrued expenses on the accompanying statements of financial position. 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 and changes in net assets as general administrative and fundraising expenses. Total compensation and benefits paid by the University and reimbursed by the Foundation were $304,867 and $186,106 for the years ended June 30, 2016 and 2015, respectively. The amount due to the University for compensation and benefits not yet reimbursed by the Foundation was $0 and $23,180 at June 30, 2016 and 2015, respectively, and is included in accrued expenses on the accompanying statements of financial position. Additional expenses paid directly by the University on behalf of the Foundation that were not reimbursed were $0 and $193 for the years ended June 30, 2016 and 2015 respectively.

NOTE N - RELATED-PARTY TRANSACTIONS – Continued

The University donates use of premises to the Foundation. The University is responsible for all occupancy costs other than repair and maintenance of furniture, equipment, and fixtures. The costs associated with occupancy were $39,976 and $38,958 for the years ended June 30, 2016 and 2015, respectively. 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 to these University employees were $918,030 and $757,095, based on the percentage of time related to the Foundation, for the years ended June 30, 2016 and 2017, respectively. The compensation and benefits for these employees is included in the accompanying statement of activities and changes in net assets as in-kind gifts and general administrative and fundraising expenses.

NOTE O - GOVERNMENAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 39

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the University has included the Foundation as a component unit on its financial statements.