

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

AUDITOR'S REPORT AND FINANCIAL STATEMENTS

June 30, 2007 and 2006

WILSON, TOELLNER

& Associates, L.L.C.

**Certified Public Accountants
and Business Consultants**

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

AUDITOR'S REPORT AND FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

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Independent Auditor's Report

The Board of Directors
University of Central Missouri Foundation
Warrensburg, Missouri

We have audited the accompanying statement of financial position of the University of Central Missouri Foundation (the Foundation), a component unit of the University of Central Missouri, as of June 30, 2007, and the related statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Foundation as of June 30, 2006, were audited by other auditors whose report dated September 13, 2006, expressed an unqualified opinion on those financial statements.

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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements for the year ended June 30, 2007, referred to above present fairly, in all material respects, the financial position of the Foundation at June 30, 2007, and the results of its activities, changes in its net assets, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Wilson, Toellner & Associates, LLC

Sedalia, Missouri
September 20, 2007

UNIVERSITY OF CENTRAL MISSOURI FOUNDATION
(A Component Unit of the University of Central Missouri)
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2007 AND 2006

	2007	2006
ASSETS		
Cash and cash equivalents	\$ 1,331,423	\$ 2,615,422
Investments	32,714,681	27,895,334
Gifts receivable, net	860,751	692,148
Accrued investment income	196,445	164,444
Cash surrender value of life insurance	228,869	203,680
Assets held in trust	126,991	294,430
Prepaid expenses	1,797	1,656
TOTAL ASSETS	\$ 35,460,957	\$ 31,867,114
 LIABILITIES AND NET ASSETS		
LIABILITIES:		
Annuities payable	\$ 1,711,385	\$ 1,783,634
Accrued expenses/Due to University	569,228	336,640
TOTAL LIABILITIES	2,280,613	2,120,274
 NET ASSETS:		
Unrestricted	7,728,092	6,283,985
Temporarily restricted	10,987,177	9,876,801
Permanently restricted	14,465,075	13,586,054
TOTAL NET ASSETS	33,180,344	29,746,840
TOTAL LIABILITIES AND NET ASSETS	\$ 35,460,957	\$ 31,867,114

See accompanying notes to financial statements.

UNIVERSITY OF CENTRAL MISSOURI FOUNDATION
(A Component Unit of the University of Central Missouri)
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2007	2006
REVENUES AND OTHER SUPPORT:					
Gifts	\$ 215,202	\$ 1,654,657	\$ 610,102	\$ 2,479,961	\$ 2,866,678
In-kind Gifts	106,430	599,017	-	705,447	749,363
Other income	255	5,034	-	5,289	7,866
Investment income	166,737	653,687	-	820,424	746,687
Investment income-assets held in trust	-	7,561	-	7,561	6,906
Net realized & unrealized gain on investments	1,905,110	711,610	67,399	2,684,119	668,048
Net assets released from restrictions	2,492,445	(2,492,445)	-	-	-
Total revenues and other support	4,886,179	1,139,121	677,501	6,702,801	5,045,548
EXPENSES:					
Foundation Expenses					
General administrative expenses	380,290	-	-	380,290	367,911
Fundraising expenses	198,055	-	-	198,055	164,747
Total Foundation expenses	578,345	-	-	578,345	532,658
Contributions to the University for the following purposes:					
Program expenses:					
Scholarships	626,356	-	-	626,356	536,204
Academic Support - TV/Radio	487,061	-	-	487,061	581,068
Student Services - Athletics	751,032	-	-	751,032	1,020,352
Instruction and Other Departmental Support Services - Institutional Support - Plant Facilities	880,099	-	-	880,099	796,652
Institutional Support - Plant Facilities	137,035	-	-	137,035	657,993
Total Contributions to the University	2,881,583	-	-	2,881,583	3,592,269
TOTAL EXPENSES	3,459,928	-	-	3,459,928	4,124,927
INCREASE IN NET ASSETS BEFORE OTHER CHANGES	1,426,251	1,139,121	677,501	3,242,873	920,621
OTHER INCREASES (DECREASES):					
Adjustments to actuarial liability of annuities payable	-	(24,461)	160,312	135,851	(110,235)
Other	17,856	(4,284)	41,208	54,780	-
Net Other Increases (Decreases)	17,856	(28,745)	201,520	190,631	(110,235)
INCREASE IN NET ASSETS	1,444,107	1,110,376	879,021	3,433,504	810,386
NET ASSETS - Beginning of Year	6,283,985	9,876,801	13,586,054	29,746,840	28,936,454
NET ASSETS - End of Year	\$ 7,728,092	\$ 10,987,177	\$ 14,465,075	\$ 33,180,344	\$ 29,746,840

See accompanying notes to financial statements.

UNIVERSITY OF CENTRAL MISSOURI FOUNDATION
(A Component Unit of the University of Central Missouri)
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2007 and 2006

	2007	2006
Cash Flows From Operating Activities:		
Increase in net assets	\$ 3,433,504	\$ 810,386
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net realized and unrealized gain on investments	(2,684,119)	(668,048)
Net realized and unrealized gain on assets held in trust	(7,561)	(6,906)
Actuarial adjustment to annuity liability	(135,851)	110,235
(Increase) decrease in assets:		
Gifts receivable	(168,603)	(308,533)
Accrued investment income	(32,001)	(10,982)
Cash surrender value of life insurance	(25,189)	(26,097)
Assets held in trust	167,439	38,473
Prepaid expenses	(141)	1,844
Increase (decrease) in liabilities:		
Accrued expenses	232,588	(75,377)
Annuities payable	(72,249)	(60,139)
	<u>707,817</u>	<u>(195,144)</u>
Net Cash Provided By (Used In) Operating Activities		
Cash Flows From Investing Activities:		
Purchases of investments	(31,920,485)	(10,347,675)
Proceeds from sale or maturity of investments	29,928,669	11,647,781
	<u>(1,991,816)</u>	<u>1,300,106</u>
Net Cash Provided By (Used In) Investing Activities		
Net Increase (Decrease) In Cash And Cash Equivalents	<u>(1,283,999)</u>	<u>1,104,962</u>
Cash And Cash Equivalents, Beginning of year	<u>2,615,422</u>	<u>1,510,460</u>
Cash And Cash Equivalents, End of year	<u>\$ 1,331,423</u>	<u>\$ 2,615,422</u>
Supplemental Disclosures Of Cash Flow Information:		
In-kind gifts included in program and support services	<u>\$ 705,447</u>	<u>\$ 749,363</u>
Gifts of noncash investments	<u>\$ 154,387</u>	<u>\$ 37,344</u>

See accompanying notes to financial statements.

UNIVERSITY OF CENTRAL MISSOURI FOUNDATION
(A Component Unit of the University of Central Missouri)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007 and 2006

1. ORGANIZATION

The primary purpose of the University of Central Missouri Foundation (the "Foundation") is to solicit gifts from individuals and businesses for the benefit of the University of Central Missouri (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.

2. SIGNIFICANT ACCOUNTING POLICIES

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

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.

Investments - Investments in equity and debt securities are stated at estimated fair value based on quoted market prices. Investments in real estate held by the Foundation for probable future use in the charitable purpose 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 \$86,486 and \$76,054 are netted against investment income on the Statements of Activities and Changes in Net Assets for the years ended June 30, 2007, and 2006, respectively.

Where permitted by gift agreement and/or applicable regulations, certain assets are included in one of two 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 as Temporarily or Permanently Restricted net asset classes if so stipulated by the donor of such assets.

Unrealized appreciation 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
(A Component Unit of the University of Central Missouri)
(NOTES TO THE FINANCIAL STATEMENTS, CONTINUED)
JUNE 30, 2007 and 2006

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Management of Pooled Investments - The Foundation manages two separate investment pools designated Pool A and Pool B. 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 in future years. The approved spending rate was 3.885% for fiscal year 2007, and 3.5% for fiscal year 2006.

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 and uni-trusts that are invested to meet the specified distribution amounts as provided in the trust agreements.

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 earned that are 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.

In-kind Contributions – In-kind contributions are recorded as revenue and expense in the accompanying financial statements. These contributions consist of equipment, services and instructional and office space all of which are recorded at the estimated fair value.

Annuities Payable – 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 fixed dollar or fixed percentage annual return during their lifetimes. 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. 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.

UNIVERSITY OF CENTRAL MISSOURI FOUNDATION
(A Component Unit of the University of Central Missouri)
(NOTES TO THE FINANCIAL STATEMENTS, CONTINUED)
JUNE 30, 2007 and 2006

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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. Contributions restricted for capital improvements are released to unrestricted revenue at the time the funds are expended for the specified improvement.

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.

Fundraising – Costs of special events are recorded as an expense in support services and the related revenue is included as contributions, other income, or offset against fundraising expense in the statements of activities and change in net assets.

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 Federal Form 990 – Return of Organization Exempt from Income Tax. This is an informational return only.

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.

Reclassifications – Certain reclassifications of amounts in the financial statements for the fiscal year ended June 30, 2006, have been made to conform to the presentation in the financial statements for the fiscal year ended June 30, 2007.

UNIVERSITY OF CENTRAL MISSOURI FOUNDATION
(A Component Unit of the University of Central Missouri)
(NOTES TO THE FINANCIAL STATEMENTS, CONTINUED)
JUNE 30, 2007 and 2006

3. FINANCIAL STATEMENT PRESENTATION

The financial statements of the Foundation are presented in accordance with the provisions of Statement of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made* and No. 117, *Financial Statements of Not-For-Profit Organizations*. Statement No. 116 requires the Foundation to distinguish between contributions that increase permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets. It also required recognition of contributions, including contributed services meeting certain criteria, at fair-values. Statement No. 117 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.

4. CASH AND CASH EQUIVALENTS

The following summary reflects the cash and cash equivalents held by the Foundation at June 30, 2007 and 2006:

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Bank of Holden	\$ 546,993	\$ 607,614
Commerce Bank	<u>784,430</u>	<u>2,007,808</u>
Totals	<u>\$1,331,423</u>	<u>\$2,615,422</u>

In January 2006, the Foundation obtained a surety bond through a financial institution to insure deposits in the institution by an additional \$1,000,000 in excess of the FDIC insured limit. At June 30, 2007, and 2006, all cash balances were fully insured.

UNIVERSITY OF CENTRAL MISSOURI FOUNDATION
(A Component Unit of the University of Central Missouri)
(NOTES TO THE FINANCIAL STATEMENTS, CONTINUED)
JUNE 30, 2007 and 2006

5. INVESTMENTS

The Foundation's investment portfolio consists of the following:

	June 30, 2007		June 30, 2007
	<u>Adjusted Cost</u>		<u>Fair Value</u>
Common Stocks	\$ 17,011,599	\$	18,723,354
U.S. Government Obligations	7,849,805		7,683,265
Corporate Bonds	5,758,929		5,712,418
Certificates of Deposit	480,149		490,644
Donated Real Estate	91,000		105,000
Total	<u>\$ 31,191,482</u>	<u>\$</u>	<u>32,714,681</u>

	June 30, 2006		June 30, 2006
	<u>Adjusted Cost</u>		<u>Fair Value</u>
Common Stocks	\$ 13,203,177	\$	14,936,121
U.S. Government Obligations	6,812,553		6,581,042
Corporate Bonds	5,385,944		5,274,104
Certificates of Deposit	1,007,914		999,067
Donated Real Estate	91,000		105,000
Total	<u>\$ 26,500,588</u>	<u>\$</u>	<u>27,895,334</u>

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

	June 30, 2007		June 30, 2007
	<u>Adjusted Cost</u>		<u>Fair Value</u>
Unrestricted	\$ 7,340,956	\$	7,699,443
Temporarily Restricted	10,295,747		10,798,528
Permanently Restricted	13,554,779		14,216,710
Total	<u>\$ 31,191,482</u>	<u>\$</u>	<u>32,714,681</u>

	June 30, 2006		June 30, 2006
	<u>Adjusted Cost</u>		<u>Fair Value</u>
Unrestricted	\$ 5,598,218	\$	5,892,857
Temporarily Restricted	8,798,952		9,262,047
Permanently Restricted	12,103,418		12,740,430
Total	<u>\$ 26,500,588</u>	<u>\$</u>	<u>27,895,334</u>

Permanently restricted investments include \$593,766 and \$545,869 for fiscal years ended June 30, 2007, and 2006, respectively, of assets administered by an outside fiscal agent under the terms of an irrevocable trust arrangement. The Foundation is a beneficiary of this trust, and as such, receives periodic distributions of its income.

The fair value of investments in Pool A (see Note 2) for the years ended June 30, 2007, and 2006, was \$26,662,365 and \$23,830,546 respectively.

UNIVERSITY OF CENTRAL MISSOURI FOUNDATION
(A Component Unit of the University of Central Missouri)
(NOTES TO THE FINANCIAL STATEMENTS, CONTINUED)
JUNE 30, 2007 and 2006

6. GIFTS RECEIVABLE

Gifts receivable consists of unconditional gifts and bequests to be received in future periods and are discounted to their present value based on anticipated payment streams. Unconditional Gifts receivable at June 30, 2007, and 2006, are as follows:

As of June 30, 2007:	Amount
Receivable in less than one year	\$ 431,819
Receivable in one to five years	556,800
Receivable in more than five years	30,050
Total unconditional gifts receivable	1,018,669
Less discounts to net present value	(65,229)
Less allowance for uncollectible promises	(92,689)
Net unconditional gifts receivable at June 30, 2007	\$ 860,751
As of June 30, 2006:	
Receivable in less than one year	\$ 208,167
Receivable in one to five years	532,300
Receivable in more than five years	122,696
Total unconditional gifts receivable	863,163
Less discounts to net present value	(96,631)
Less allowance for uncollectible promises	(74,384)
Net unconditional gifts receivable at June 30, 2006	\$ 692,148

Discount rates used on long-term gifts receivable ranged from 4.25% to 6.08% for the years ended June 30, 2007, and 2006.

7. CASH SURRENDER VALUE OF LIFE INSURANCE

Cash surrender value of life insurance policies represents 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 \$1,425,785 for years ended June 30, 2007, and 2006.

8. ASSETS HELD IN TRUST

During fiscal year 2002, the Foundation received a \$2,905,572 gift from an estate which was held in trust until such time as the estate settled. In fiscal year 2005, an additional \$915,721 gift was received from the estate. The Foundation received distributions totaling \$175,000 and \$49,127 for the years ended June 30, 2007, and 2006, respectively. Distributions from the trust for the current and prior years totaled \$4,217,570, including earnings on those investments. The fair value of the undistributed assets remaining in the trust was \$126,991 and \$294,430 for the years ended June 30, 2007, and 2006, respectively. The assets held in trust consist of cash and cash equivalents. These assets have been recorded in the accompanying financial statements as temporarily restricted net assets to be used for the nutrition program.

UNIVERSITY OF CENTRAL MISSOURI FOUNDATION
(A Component Unit of the University of Central Missouri)
(NOTES TO THE FINANCIAL STATEMENTS, CONTINUED)
JUNE 30, 2007 and 2006

9. PLANNED GIFTS (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 \$4,575,000 and \$5,205,000 for the years ended June 30, 2007, and 2006, respectively.

10. NET ASSETS

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

	June 30, 2007	June 30, 2007
	Temporarily	Permanently
	Restricted	Restricted
Scholarships	\$ 3,847,553	\$ 11,323,010
Instruction and other departmental	6,526,222	3,092,044
Student Services - Athletics	80,959	50,021
Academic Support - TV/Radio	46,389	-
Institutional Support-Plant facilities	486,054	-
Total	\$ 10,987,177	\$ 14,465,075
	June 30, 2006	June 30, 2006
	Temporarily	Permanently
	Restricted	Restricted
Scholarships	\$ 3,622,364	\$ 10,873,503
Instruction and other departmental	5,811,755	2,662,585
Student Services - Athletics	40,608	49,966
Academic Support - TV/Radio	39,992	-
Institutional Support-Plant facilities	362,082	-
Total	\$ 9,876,801	\$ 13,586,054

11. RELATED PARTY TRANSACTIONS

The University pays for certain expenses on the 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 \$2,316,980 and \$3,263,494 for the fiscal years ended June 30, 2007, and 2006, respectively. The amount due to the University for expense's not yet reimbursed by the Foundation was \$564,603 and \$328,775 at June 30, 2007, and 2006, respectively, and is included in accrued expenses on the accompanying Statements of Financial Position.

UNIVERSITY OF CENTRAL MISSOURI FOUNDATION
(A Component Unit of the University of Central Missouri)
(NOTES TO THE FINANCIAL STATEMENTS, CONTINUED)
JUNE 30, 2007 and 2006

11. 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 \$15,486 and \$15,274 for the fiscal years ended June 30, 2007, and 2006, respectively. Compensation and benefits for some University employees that 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 \$232,923 and \$277,904 for the fiscal years ended June 30, 2007, and 2006, respectively.

12. GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 39

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

13. AFFILIATION AGREEMENT

During the fiscal year ended June 30, 2005, the Foundation entered into an Affiliation Agreement with the Central Missouri Development Corporation, a non-profit organization as defined under Section 501 (c)(3). The mission of the Central Missouri Development Corporation is to benefit the University of Central Missouri by facilitating the development and productive use of designated real property with focus on implementing cooperative opportunities that join the human and financial capital of the academy and free enterprise. As of June 30, 2007, the Foundation has not incurred any costs or commitments in connection with this affiliation.

