

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

AUDITOR'S REPORT AND FINANCIAL STATEMENTS

June 30, 2009 and 2008

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)

AUDITORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

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Independent Auditors' Report

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

We have audited the accompanying statements of financial position of the University of Central Missouri Foundation (the Foundation) a nonprofit organization, a component unit of the University of Central Missouri, as of June 30, 2009 and 2008, and the related statements of activities and changes in net assets and cash flows for the years 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 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 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 audits provide a reasonable basis for our 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, 2009 and 2008, and the results of its activities, changes in its net assets, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Wilson, Toellner & Associates, LLC

Sedalia, Missouri
September 30, 2009

UNIVERSITY OF CENTRAL MISSOURI FOUNDATION
(A Component Unit of the University of Central Missouri)
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2009 AND 2008

	2009	2008
ASSETS		
Cash and cash equivalents	\$ 2,890,098	\$ 745,460
Investments	26,350,852	33,781,736
Contributions receivable, net	661,581	883,655
Accrued investment income	148,711	157,948
Cash surrender value of life insurance	269,800	245,730
Prepaid expenses	1,322	5,150
	\$ 30,322,364	\$ 35,819,679
TOTAL ASSETS		
 LIABILITIES AND NET ASSETS		
LIABILITIES:		
Annuities payable	\$ 1,472,045	\$ 1,627,078
Accrued expenses/Due to University	335,840	585,992
	1,807,885	2,213,070
TOTAL LIABILITIES		
NET ASSETS:		
Unrestricted	1,580,799	7,203,116
Temporarily restricted	11,746,499	11,271,973
Permanently restricted	15,187,181	15,131,520
	28,514,479	33,606,609
TOTAL NET ASSETS		
TOTAL LIABILITIES AND NET ASSETS	\$ 30,322,364	\$ 35,819,679

See accompanying notes to financial statements.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	Totals				
	Unrestricted	Temporarily Restricted	Permanently Restricted	2009	2008
REVENUES AND OTHER SUPPORT:					
Gifts	\$ 259,065	\$ 1,413,234	\$ 479,912	\$ 2,152,211	\$ 3,306,111
In-kind Gifts	169,625	420,851		590,476	630,383
Other income	2,334	29,794		32,128	4,019
Investment income	176,709	598,102	1,649	776,460	838,711
Investment income-assets held in trust				0	868
Net realized & unrealized gain (loss)					
on investments	(5,077,655)	556,040	(122,556)	(4,644,171)	(652,588)
Net assets released from restrictions	2,756,197	(2,756,197)		0	0
Total revenues and other support	(1,713,725)	261,824	359,005	(1,092,896)	4,127,504
EXPENSES					
Foundation Expenses					
General administrative expenses	454,479			454,479	431,760
Fundraising expense	239,335			239,335	238,033
Total Foundation expenses	693,814			693,814	669,793
Contributions to the University for the following purposes:					
Program expenses:					
Scholarships	809,971			809,971	638,809
Academic support - TV/Radio	630,869			630,869	864,175
Student Services - Athletics	601,169			601,169	442,379
Instruction and other departmental	474,113			474,113	637,740
Support services -					
Institutional support - plant facilities	158,963			158,963	188,797
Total contributions to the University	2,675,085			2,675,085	2,771,900
TOTAL EXPENSES	3,368,899			3,368,899	3,441,693
INCREASE (DECREASE) IN NET ASSETS BEFORE OTHER CHANGES	(5,082,624)	261,824	359,005	(4,461,795)	685,811
OTHER INCREASES (DECREASES):					
Adjustments to actuarial liability of annuities payable		(22,614)	(357,366)	(379,980)	(146,964)
Other	(475,701)	235,316	(9,970)	(250,355)	(112,582)
Net Other Increases (Decreases)	(475,701)	212,702	(367,336)	(630,335)	(259,546)
INCREASE (DECREASE) IN NET ASSETS BEFORE OTHER CHANGES	(5,558,325)	474,526	(8,331)	(5,092,130)	426,265
OTHER CHANGES					
Cumulative effect of change in accounting principle	(63,992)	0	63,992	0	0
INCREASE (DECREASE) IN NET ASSETS	(5,622,317)	474,526	55,661	(5,092,130)	426,265
NET ASSETS - Beginning of Year	7,203,116	11,271,973	15,131,520	33,606,609	33,180,344
NET ASSETS - End of Year	\$ 1,580,799	\$ 11,746,499	\$ 15,187,181	\$ 28,514,479	\$ 33,606,609

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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash Flows From Operating Activities:		
Increase or (decrease) in net assets	\$ (5,092,130)	\$ 426,265
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net realized and unrealized gain (loss) on investments	4,644,171	652,588
Net realized and unrealized gain on assets held in trust		(868)
Actuarial adjustment to annuity liability	344,548	(22,927)
(Increase) decrease in assets:		
Gifts receivable	222,074	(22,904)
Accrued investment income	9,237	38,497
Cash surrender value of life insurance	(24,070)	(16,861)
Assets held in trust		126,991
Prepaid expenses	3,828	(3,353)
Increase (decrease) in liabilities:		
Accrued expenses	(250,152)	16,764
Annuities payable	(155,033)	(84,307)
 Net Cash Provided By Operating Activities	 <u>(297,527)</u>	 <u>1,109,885</u>
 Cash Flows From Investing Activities:		
Purchases of investments	(15,071,149)	(19,019,593)
Proceeds from sale or maturity of investments	17,513,314	17,323,745
 Net Cash Used In Investing Activities	 <u>2,442,165</u>	 <u>(1,695,848)</u>
 Net Decrease In Cash And Cash Equivalents	 2,144,638	 (585,963)
 Cash And Cash Equivalents, Beginning of year	 <u>745,460</u>	 <u>1,331,423</u>
 Cash And Cash Equivalents, End of year	 <u>\$ 2,890,098</u>	 <u>\$ 745,460</u>
 Supplemental Disclosures Of Cash Flow Information:		
In-kind gifts included in program and support services	\$ <u>590,476</u>	\$ <u>630,383</u>
Gifts of noncash investments	\$ <u>21,468</u>	\$ <u>57,650</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, 2009 and 2008

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 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 \$82,370 and \$95,493 are netted against investment income on the Statements of Activities and Changes in Net Assets for the years ended June 30, 2009 and 2008, 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 (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
(A Component Unit of the University of Central Missouri)
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2009 and 2008

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Management of Pooled Investments - The Foundation manages two separate investment pools designated as 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 4.75% for fiscal year 2009 and 4.125% for fiscal year 2008.

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. For fiscal year 2009, the payout was supplemented by accumulated realized gains of \$295,704 and a transfer from unrestricted funds of \$192,656. 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.

The State of Missouri adopted the Uniform Prudent Management of Institutional Funds Act (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 as adopted to comply with UPMIFA requirements. The primary objective of the investment policy is to create a flow of reasonably stable and predictable investment returns to achieve the funds needed to meet the current and future program or expenditure needs designated by donors. 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 percent to 65 percent of the assets (market value). The fixed income component, including short-term cash other than operating capital, shall not be less than 35 percent (market value). Corporate bonds must have a Standard and Poor credit rating of AAA through BBB or a Moody's credit rating of Aaa through Baa. The aggregate fixed income portfolio will not exceed 10 percent of BBB rated bonds. Investments in international equities shall range from 10 percent to 30 percent of the equity portfolio.

UNIVERSITY OF CENTRAL MISSOURI FOUNDATION
(A Component Unit of the University of Central Missouri)
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2009 and 2008

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The concentration in any single industry of equity investments shall not exceed 30 percent of the equity portfolio and no single corporate common stock shall exceed 5 percent of the equity

The Foundation's spending policy allows for an annual distribution to scholarship and continuing project funds based upon a calculated twelve-quarter rolling average market value of the portfolio times the payout rate approved by the Board. The Foundation Finance Committee reviews the performance of the Funds Functioning as Endowments portfolio each year and establishes a payout rate by the end of February for the next fiscal year. An administrative fee of up to 2 percent can be assessed annually to the Funds Functioning as Endowments and distributed to the operating account to pay portfolio management expenses and other operating expenses.

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 a fixed dollar or a 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 gifts are classified as Permanently Restricted assets because they will be used to establish, or add to existing, endowment funds. The investments are held in a separate account with the Commerce Trust Company. Market value of the investment account was \$2,012,322 at June 30, 2009 and \$2,617,377 at June 30, 2008. 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.

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.

UNIVERSITY OF CENTRAL MISSOURI FOUNDATION
(A Component Unit of the University of Central Missouri)
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2009 and 2008

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 fundraising expenses and the related revenue is included as contributions or other income 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.

3. CASH AND CASH EQUIVALENTS

The following summary reflects the cash and cash equivalents held by the Foundation at June 30, 2009 and 2008:

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
First Central Bank	\$ 275,498	\$ 365,256
Commerce Trust Co.	<u>2,614,600</u>	<u>380,204</u>
Totals	<u>\$ 2,890,098</u>	<u>\$ 745,460</u>

UNIVERSITY OF CENTRAL MISSOURI FOUNDATION
(A Component Unit of the University of Central Missouri)
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2009 and 2008

4. INVESTMENTS

The Foundation's investment portfolio consists of the following:

	June 30, 2009	June 30, 2009
	<u>Adjusted Cost</u>	<u>Fair Value</u>
Common Stocks	\$ 14,734,819	\$ 11,880,784
U.S. Government Obligations	6,717,783	7,019,201
Corporate Bonds	7,358,186	7,359,867
Donated Real Estate	77,000	91,000
Total	<u>\$ 28,887,788</u>	<u>\$ 26,350,852</u>

	June 30, 2008	June 30, 2008
	<u>Adjusted Cost</u>	<u>Fair Value</u>
Common Stocks	\$ 19,845,344	\$ 19,551,982
U.S. Government Obligations	7,420,109	7,552,226
Corporate Bonds	6,650,594	6,586,528
Donated Real Estate	77,000	91,000
Total	<u>\$ 33,993,047</u>	<u>\$ 33,781,736</u>

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

	June 30, 2009	June 30, 2009
	<u>Adjusted Cost</u>	<u>Fair Value</u>
Unrestricted	\$ 1,601,495	\$ 1,460,851
Temporarily Restricted	11,900,283	10,855,196
Permanently Restricted	15,386,010	14,034,805
Total	<u>\$ 28,887,788</u>	<u>\$ 26,350,852</u>

	June 30, 2008	June 30, 2008
	<u>Adjusted Cost</u>	<u>Fair Value</u>
Unrestricted	\$ 7,285,944	\$ 7,240,652
Temporarily Restricted	11,401,588	11,330,712
Permanently Restricted	15,305,515	15,210,372
Total	<u>\$ 33,993,047</u>	<u>\$ 33,781,736</u>

Permanently restricted investments include \$509,176 and \$571,132 for fiscal years ended June 30, 2009 and 2008, 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, 2009 and 2008, was \$21,897,290 and \$27,074,820 respectively.

UNIVERSITY OF CENTRAL MISSOURI FOUNDATION
(A Component Unit of the University of Central Missouri)
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2009 and 2008

5. 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 endowment funds and funds designated by the Board to function as endowments. As required by 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 the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. 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 unrestricted net assets and maintained as such for appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Endowment Net Asset Composition by Type of Fund at June 30, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment Funds	\$ -	\$ -	\$12,334,357	\$12,334,357
Board-Designated Endowment Funds	4,859,004	4,703,929	-	9,562,933
Total funds	<u>\$4,859,004</u>	<u>\$4,703,929</u>	<u>\$12,334,357</u>	<u>\$21,897,290</u>

UNIVERSITY OF CENTRAL MISSOURI FOUNDATION
(A Component Unit of the University of Central Missouri)
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2009 and 2008

5. INTERPRETATION OF RELEVANT LAW (continued)

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$6,632,736	\$6,060,278	\$14,381,806	\$27,074,820
Investment Return:				
Investment Income	590,843	70,899	1,649	663,391
Net Appreciation (Depreciation) (realized & unrealized)	(741,599)	(1,404,659)	(2,637,856)	(4,784,114)
Total funds	\$6,481,980	\$4,726,518	\$11,745,599	\$22,954,097
Contributions	6,635	25	479,912	486,572
Appropriation of Assets for Expenditure	(1,335,420)	-	-	(1,335,420)
Other Changes:				
Transfer to Board Designated Fund	(294,191)	(22,614)	-	(316,805)
Transfer from uni- trust	-	-	108,846	108,846
Endowment Net Assets, End of Year	<u>\$4,859,004</u>	<u>\$4,703,929</u>	<u>\$12,334,357</u>	<u>\$21,897,290</u>

Endowment Net Asset Composition by Type of Fund at June 30, 2008:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment Funds	\$ -	\$ -	\$14,381,806	\$14,381,806
Board-Designated Endowment Funds	\$6,632,736	\$6,060,278	-	12,693,014
Total funds	<u>\$6,632,736</u>	<u>\$6,060,278</u>	<u>\$14,381,806</u>	<u>\$27,074,820</u>

UNIVERSITY OF CENTRAL MISSOURI FOUNDATION
(A Component Unit of the University of Central Missouri)
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2009 and 2008

5. INTERPRETATION OF RELEVANT LAW (continued)

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2008:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$6,362,317	\$5,979,159	\$14,320,889	\$26,662,365
Investment Return:				
Investment Income	641,244	42,484	1,785	685,513
Net Appreciation (Depreciation) (realized & unrealized)	(24,217)	58,669	(752,263)	(717,811)
Total funds	<u>\$6,979,344</u>	<u>\$6,080,312</u>	<u>\$13,570,411</u>	<u>\$26,630,067</u>
Contributions	627,919	2,748	754,792	1,385,459
Appropriation of Assets for Expenditure	(972,119)	-	-	(972,119)
Other Changes:				
Transfer to Board Designated Fund	(2,408)	(22,782)	-	(25,190)
Transfer per donor	-	-	56,603	56,603
Endowment Net Assets, End of Year	<u>\$6,632,736</u>	<u>\$6,060,278</u>	<u>\$14,381,806</u>	<u>\$27,074,820</u>

**Description of Amounts Classified as Permanently Restricted Net Assets and
Temporarily Restricted Net Assets (Endowment Only):**

	<u>2009</u>	<u>2008</u>
Permanently Restricted Net Assets		
Perpetual Endowment Funds Required to be Retained Permanently by Donor or by UPMIFA	<u>\$12,334,357</u>	<u>\$14,381,806</u>
Total Endowment Funds Classified as Permanently Restricted Net Assets	<u>\$12,334,357</u>	<u>\$14,381,806</u>
Temporarily Restricted Net Assets		
Perpetual Endowment Funds Subject to a Time Restriction Under UPMIFA:		
Without Purpose Restrictions	<u>4,703,929</u>	<u>6,060,278</u>
With Purpose Restrictions	<u>4,703,929</u>	<u>6,060,278</u>
Total Endowment Funds Classified as Temporarily Restricted Net Assets	<u>\$4,703,929</u>	<u>\$6,060,278</u>

UNIVERSITY OF CENTRAL MISSOURI FOUNDATION
(A Component Unit of the University of Central Missouri)
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2009 and 2008

5. INTERPRETATION OF RELEVANT LAW (continued)

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 GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$1,090,414 as of June 30, 2009. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board. There were no such deficiencies as of June 30, 2008.

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, 2009 and 2008 are as follows:

As of June 30, 2009:	<u>Amount</u>
Receivable in less than one year	\$ 294,891
Receivable in one to five years	435,210
Receivable in more than five years	48,985
Total unconditional gifts receivable	779,086
Less discounts to net present value	(45,873)
Less allowance for uncollectible promises	(71,632)
Net unconditional gifts receivable at June 30, 2009	\$ 661,581

As of June 30, 2008:	<u>Amount</u>
Receivable in less than one year	\$ 509,259
Receivable in one to five years	488,736
Receivable in more than five years	6,000
Total unconditional gifts receivable	1,003,995
Less discounts to net present value	(20,842)
Less allowance for uncollectible promises	(99,498)
Net unconditional gifts receivable at June 30, 2008	\$ 883,655

Discount rates used on long-term gifts receivable ranged from 3.40% to 6.08% for the years ended June 30, 2009 and 2008.

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 \$1,525,785 and \$1,425,785 for years ended June 30, 2009 and 2008 respectively.

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8. 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 \$4,315,000 and \$4,485,000 for the years ended June 30, 2009 and 2008, respectively.

9. NET ASSETS

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

	June 30, 2009	June 30, 2009
	Temporarily	Permanently
	Restricted	Restricted
Scholarships	\$ 4,197,007	\$ 12,322,678
Instruction and other departmental	6,969,952	2,814,231
Student Services - Athletics	106,739	50,272
Academic Support - TV/Radio	21,267	-
Institutional Support-Plant facilities	451,534	-
Total	\$ 11,746,499	\$ 15,187,181
	June 30, 2008	June 30, 2008
	Temporarily	Permanently
	Restricted	Restricted
Scholarships	\$ 3,922,312	\$ 12,035,108
Instruction and other departmental	6,721,002	3,046,140
Student Services - Athletics	150,936	50,272
Academic Support - TV/Radio	20,878	-
Institutional Support-Plant facilities	456,845	-
Total	\$ 11,271,973	\$ 15,131,520

10. NEW ACCOUNTING STANDARD

In August 2008, the FASB issued Staff Position (FSP) FAS 117-1, Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for all Endowment Funds. The guidance is intended to improve the quality and consistency of financial reporting of endowments held by not-for-profit organizations. This FSP provides guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of UPMIFA. UPMIFA which serves as a model act for states to modernize their laws governing donor-restricted endowment funds was enacted by Missouri in August 2009. The provisions of this FSP are effective for fiscal years ending after December 15, 2008.

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11. 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.

12. 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 \$2,351,829 and \$2,199,750 for the fiscal years ended June 30, 2009 and 2008, respectively. The amount due to the University for expense's not yet reimbursed by the Foundation was \$323,256 and \$572,150 at June 30, 2009 and 2008, respectively, and is included in accrued expenses on the accompanying Statements of Financial Position.

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 \$33,976 and \$33,188 for the fiscal years ended June 30, 2009 and 2008, 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 \$718,594 and \$761,820 for the fiscal years ended June 30, 2009 and 2008, respectively.

13. 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 (the "University"), has included the Foundation as a component unit on its financial statements.

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14. 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, 2009, the Foundation has not incurred any costs or commitments in connection with this affiliation. The agreement will expire on May 13, 2010, unless renewed. At this time the Foundation is unlikely to renew the agreement.

