



2003 – 2004

Financial Report

Southwest Missouri State University

2003 – 2004 Financial Report

Southwest Missouri State University

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Southwest Missouri State University is a multi-campus metropolitan university system with a statewide mission in public affairs, whose purpose is to develop educated persons while focusing on five themes: professional education, health, creative arts, business and economic development, and science and the environment.

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Management’s Discussion and Analysis



Dr. John Keiser, SMSU President

We are providing Southwest Missouri State University's (the University) discussion and analysis of our financial statements and related notes as of June 30, 2004 and 2003, and for the fiscal years then ended. Three statements are described in the following discussion and analysis: The Statement of Net Assets, which presents the assets, liabilities, and net assets of the institution as of the end of the fiscal year; the Statement of Revenues, Expenses, and Changes in Net Assets, which reflects revenues and expenses recognized during the fiscal year; and the Statement of Cash Flows, which provides information on all of the cash inflows and outflows for the institution by major category during the fiscal year.

We hope this information will assist you as you seek to understand the University's financial position and operating activities, accomplishments and challenges. For the first time, as required by recent changes in governmental accounting standards, we are also presenting financial information of the SMSU Foundation, Inc. (the Foundation). The Foundation is a legally separate support organization that raises and holds funds to support the University and its public affairs mission. As you read through the next few pages, please review and refer to the Statements of Net Assets, Revenues, Expenses and Changes in Net Assets, and Cash Flows in addition to the Notes to the Financial Statements that we have described above.

Financial Overview

In the fiscal year ending June 30, 2004, the University received all of the State of Missouri's appropriations budgeted for the first time since the fiscal year ended in 2001. In addition, student enrollment continued to increase in spite of increases in required student fee charges. Comparing FY 2004 with FY 2003, operating revenues increased slightly less than \$10 million, operating expenses increased by less than \$4 million and net nonoperating revenues and capital gifts, grants and contracts increased by approximately \$1 million resulting in an increase in net assets of slightly more than \$7 million. Revenues and expenses in FY 2003 were

comparable with FY 2002. Later, a more detailed chart of net assets of the University will show that unrestricted net assets and capital assets, net of related debt increased while restricted net assets decreased as capital projects were completed.

The Foundation had a stellar financial year with the strengthening equity markets resulting in substantial investment gains and approximately \$1.5 million more gifts in fiscal year 2004 than 2003. Net assets increased more than \$6 million in fiscal year 2004 to more than \$51 million as of June 30, 2004.

	University			Foundation	
	2004	2003	2002	2004	2003
Total operating revenues	\$ 125,617,248	\$ 115,675,384	\$ 107,604,888	\$ 7,758,222	\$ 6,520,872
Total operating expenses	196,859,433	193,133,764	183,784,736	4,697,300	5,028,898
Net operating income (loss)	(71,242,185)	(77,458,380)	(76,179,848)	3,060,922	1,491,974
Total nonoperating revenues (expenses) and capital endowment activities	78,574,760	77,408,409	71,742,087	3,167,180	(229,015)
Increase (decrease) in net assets	\$ 7,332,575	\$ (49,971)	\$ (4,437,761)	\$ 6,228,102	\$ 1,262,959

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Current assets on June 30, 2004, for the University were only slightly more than the same day in 2003. Current assets on June 30, 2003 were \$1.2 million more than the same day in 2002. Noncurrent assets increased by more than \$2.5 million from 2003 to 2004, in part through the acquisition of capital assets and construction projects. Current liabilities on June 30, 2004, were just over \$2 million more than on June 30, 2003 and since no bonded or other long-term debt was issued during the fiscal year 2004 and the current year payment exceeded \$5 million, there was a substantial

decrease in noncurrent liabilities. Total liabilities on June 30, 2004, was almost \$3 million less than the amount on June 30, 2003. From June 30, 2002 to June 30, 2003 noncurrent liabilities were reduced by almost \$8.7 million. Total liabilities were reduced \$6.6 million over the same period.

Assets of the Foundation increased by more than \$7.1 million when comparing the balances as of June 30, 2004 and 2003. Most of this increase resulted from investment gains, but noncurrent assets also increased by more than \$5.5 million.

	University			Foundation	
	2004	2003	2002	2004	2003
Current assets	\$ 54,592,705	\$ 52,936,963	\$ 51,771,632	\$ 11,482,785	\$ 9,841,687
Noncurrent assets					
Endowment and other investments	12,108,130	5,031,330	8,804,801	40,634,580	34,959,992
Capital assets, net	256,919,415	258,069,637	261,070,878	1,467,342	1,594,966
Other	4,046,252	7,430,187	8,437,600	2,045	4,282
Total assets	327,666,502	323,468,117	330,084,911	53,586,752	46,400,927
Current liabilities	30,548,131	28,512,070	26,397,009	1,558,076	365,510
Noncurrent liabilities	51,687,332	56,857,583	65,539,467	914,821	1,149,664
Total liabilities	82,235,463	85,369,653	91,936,476	2,472,897	1,515,174
Net assets	\$ 245,431,039	\$ 238,098,464	\$ 238,148,435	\$ 51,113,855	\$ 44,885,753

Statement of Net Assets

Comparing the current assets on June 30, 2004 with current assets as of June 30, 2003, cash and investments are almost the same (approximately \$42 million). Cash and investments on June 30, 2002 were approximately \$1.5 million less than the balance on June 30, 2003. Accounts receivable, net of related allowances for uncollectible accounts increased only a little more than \$700 thousand and inventories increased approximately \$450 thousand. Noncurrent investments increased in 2004 by approximately \$7 million, appropriations receivable from the State of Missouri for capital

projects declined by more than \$3 million reflecting the completion of capital projects approved and funded several years ago. The amount of noncurrent assets at June 30, 2003 was \$7.8 million less than the amount at June 30, 2002. Construction in progress at the end of fiscal year 2004 totaled \$10 million, an increase of approximately \$4.7 million over the same date in 2003.

The following table shows the breakdown of net assets at June 30, 2004 and 2003 for both the University and Foundation.

Amounts in \$ millions	University			Foundation	
	2004	2003	2002	2004	2003
Invested in Capital Assets, Net of Related Debt	\$ 205.5	\$ 201.5	\$ 201.9	\$ 1.0	\$ 0.9
Restricted					
Unexpendable	3.6	3.6	3.6	20.6	18.3
Expendable	4.8	7.8	7.7	27.3	22.5
Unrestricted	31.5	25.2	24.9	2.2	3.2
Total Net Assets	\$ 245.4	\$ 238.1	\$ 238.1	\$ 51.1	\$ 44.9

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Capital and Debt Activities

During the fiscal year ended June 30, 2004, the University acquired capital assets totaling approximately \$14.3 million, including \$70 thousand in land, \$4.9 million of furniture, fixtures and equipment, \$1.9 million in library materials, and \$7.4 million of construction. During the fiscal year 2004, assets that cost \$3.9 million with an undepreciated value of slightly less than \$160 thousand were sold, abandoned or otherwise retired. Construction projects with a cost totaling approximately \$2.8 million were capitalized. Note 10, Capital Assets, shows the capital asset changes for the fiscal years ended June 30, 2004 and 2003.

During the year, depreciation expense, the systematic allocation of a capital assets cost over its estimated useful life, totaling \$15.3 million was recorded in the financial statements. This is approximately \$330 thousand less than the

amount recorded during the fiscal year ended June 30, 2003.

On June 30, 2004, the University had 17 construction projects in progress with costs totaling approximately \$10 million incurred to date. The remaining project costs budgeted for these projects totals \$9 million. These projects are being funded by restricted net assets of \$1.95 million and unrestricted net assets of \$6.97 million (of which \$2.99 million are auxiliary activities projects). A table of the construction projects is provided for your analysis.

During 2003, the University refunded the 1993 bonds. Total bonds payable decreased over \$7 million from 2002 as a result of bond payments and the refunding. Note 8, Long-term Liabilities, illustrates the changes in long-term liabilities for the fiscal years ended June 30, 2004 and 2003.

Project Name	Project Budget (Not Previously Capitalized)	Amount Expended (Construction in Progress)	Project Balance
Tunnel Renovation	\$ 3,395,301	\$ 2,995,164	\$ 400,137
Forsythe Athletic Center Renovation	7,463		7,463
Meyer Library Addition	56,976		56,976
Viticulture & Enology Center	830,856	559,499	271,357
KOZK Digital Upgrade	2,289,975	2,195,450	94,525
Intermodel Transfer Facility II	902,970	902,970	
Siceluff Improvements	868,500	522,725	345,775
Darr Agriculture Center Phase I	617,461	164,976	452,485
Parking Lot Improvements	1,083,198	453,657	629,541
Ellis Hall Water Line Replacement	380,000	156,347	223,653
Blair-Shannon Hall Renovation	2,080,000	1,007,433	1,072,567
Woods Hall Renovation	2,125,385	836,627	1,288,758
Temple Hall Laboratory	625,000	88,230	536,770
Jim D. Morris Center Renovation	1,148,000	53,324	1,094,676
Jordan Valley Innovation Center	152,440	13,314	139,126
McDonald Arena Pool/Tunnel Repair	2,100,000	106,850	1,993,150
Artificial Turf Installation - Rec Field West	311,960		311,960
Total	\$ 18,975,485	\$ 10,056,566	\$ 8,918,919

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Year Ended June 30, 2004			
	Operating	Nonoperating	Total
Revenues			
Net student tuition and fees	\$ 54,901,269		\$ 54,901,269
State appropriations		\$ 75,441,324	75,441,324
Grants and contracts	29,672,149		29,672,149
Sales and services	38,325,866		38,325,866
Gifts		2,655,775	2,655,775
Investment Income		630,935	630,935
Other	2,717,964		2,717,964
Revenues supporting core activities	125,617,248	78,728,034	204,345,282
Expenses			
Compensation an benefits	128,761,914		128,761,914
Scholarships and benefits	6,947,508		6,947,508
Supplies and services	40,783,156		40,783,156
Utilities	5,081,510		5,081,510
Interest Expense		2,565,871	2,565,871
Depreciation	15,285,345		15,285,345
Expenses associated with core activities	196,859,433	2,565,871	199,425,304
Income (loss) from core activities	(71,242,185)	76,162,163	4,919,978
Other Nonoperating Activities and Changes in Net Assets			
Gain (loss) on disposal of fixed assets		(79,895)	(79,895)
Capital gifts		1,738,241	1,738,241
Capital grants and contracts		754,251	754,251
Other nonoperating revenues			
Increase in net assets	(71,242,185)	78,574,760	7,332,575
Net assets			
Beginning of Year			\$ 238,098,464
End of Year			\$ 245,431,039

Statement of Revenues, Expenses, and Changes in Net Assets

The statement of revenues, expenses, and changes in net assets presents the University's results of operations, as well as the nonoperating revenues and expenses. State appropriations are classified as nonoperating revenues as required by the Governmental Accounting Standards Board accounting principles even though these revenues are used to support the operations of the University.

Revenues from operating and nonoperating sources (total revenues) totaled \$206.8 million for the year ended June 30, 2004, \$195.9 million for June 30, 2003, and \$189.9 million for June 30, 2002. State Appropriations, Student Fees net of scholarships and Sales and Services of Educational and Auxiliary Activities make up the lion's share of our sources of funds. Student Fees, after subtracting \$24.7 million of scholarship allowances, were \$5.7 million more in FY 2004 than FY 2003 and generated 26.55% of these revenues (up from 25.13%). When comparing the same amounts to FY 2002,

the increase is \$11.7 million. Increases in Net Student Fees made up 52% of the \$10.9 million increase in total revenues in FY 2004. The State of Missouri provided 36.47% of total revenues (down from 38.04% in FY 2003 and 38.93% in FY 2002). Sales and services (residence hall, intercollegiate athletics, student union, parking, bookstore) revenues made up 18.53% of the funds in FY 2004. Our grants and contracts revenue for FY 2004 totals more than 14% of our total revenues. Approximately \$10 million of the \$29.7 million grants and contracts revenue in FY 2004 was generated from Pell grants.

Statement of Cash Flows

The Statement of Cash Flows reports the major sources and uses of cash and reveals further information for assessing the University's ability to meet financial obligations as they become due. Inflows and outflows of cash are summarized by operating, noncapital financing, capital and related financing, and investing activities.

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Year Ended June 30, 2003

	Operating	Nonoperating	Total
Revenues			
Net student tuition and fees	\$ 49,225,879		\$ 49,225,879
State appropriations		\$ 75,228,005	75,228,005
Grants and contracts	27,031,282		27,031,282
Sales and services	36,648,405		36,648,405
Gifts		2,245,431	2,245,431
Investment Income		1,036,038	1,036,038
Other	2,769,818		2,769,818
Revenues supporting core activities	115,675,384	78,509,474	194,184,858
Expenses			
Compensation an benefits	126,013,323		126,013,323
Scholarships and benefits	6,723,883		6,723,883
Supplies and services	40,118,638		40,118,638
Utilities	4,666,823		4,666,823
Interest Expense		2,820,473	2,820,473
Depreciation	15,611,097		15,611,097
Expenses associated with core activities	193,133,764	2,820,473	195,954,237
Income (loss) from core activities	(77,458,380)	75,689,001	(1,769,379)
Other Nonoperating Activities and Changes in Net Assets			
Gain (loss) on disposal of fixed assets		32,918	32,918
Capital gifts		623,895	623,895
Capital grants and contracts		1,056,937	1,056,937
Other nonoperating revenues		5,658	5,658
Increase in net assets	(77,458,380)	77,408,409	(49,971)
Net assets			
Beginning of Year			\$ 238,148,435
End of Year			\$ 238,098,464

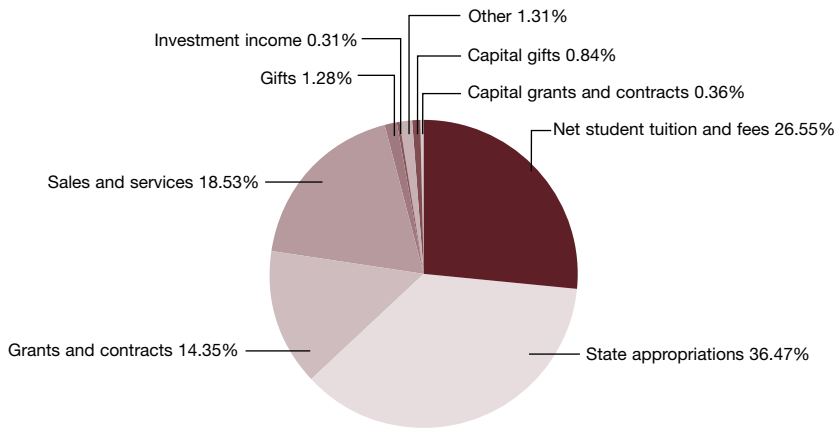
Year Ended June 30, 2002

	Operating	Nonoperating	Total
Revenues			
Net student tuition and fees	\$ 43,138,165		\$ 43,138,165
State appropriations		\$ 73,949,654	73,949,654
Grants and contracts	26,746,147		26,746,147
Sales and services	34,783,217		34,783,217
Gifts		2,330,843	2,330,843
Investment Income		1,706,334	1,706,334
Other	2,937,359		2,937,359
Revenues supporting core activities	107,604,888	77,986,831	185,591,719
Expenses			
Compensation an benefits	123,263,915		123,263,915
Scholarships and benefits	6,828,724		6,828,724
Supplies and services	35,324,524		35,324,524
Utilities	4,529,065		4,529,065
Interest Expense		2,941,323	2,941,323
Depreciation	13,838,508		13,838,508
Expenses associated with core activities	183,784,736	2,941,323	186,726,059
Income (loss) from core activities	(76,179,848)	75,045,508	(1,134,340)
Other Nonoperating Activities and Changes in Net Assets			
Gain (loss) on disposal of fixed assets		(34,644)	(34,644)
Capital gifts		3,116,460	3,116,460
Capital grants and contracts		1,232,253	1,232,253
Loss of State capital appropriation		(7,757,431)	(7,757,431)
Other nonoperating revenues		139,941	139,941
Increase in net assets	(76,179,848)	71,742,087	(4,437,761)
Net assets			
Beginning of Year			\$ 242,358,288
Adjustment applicable to prior year			227,908
End of Year			\$ 238,148,435

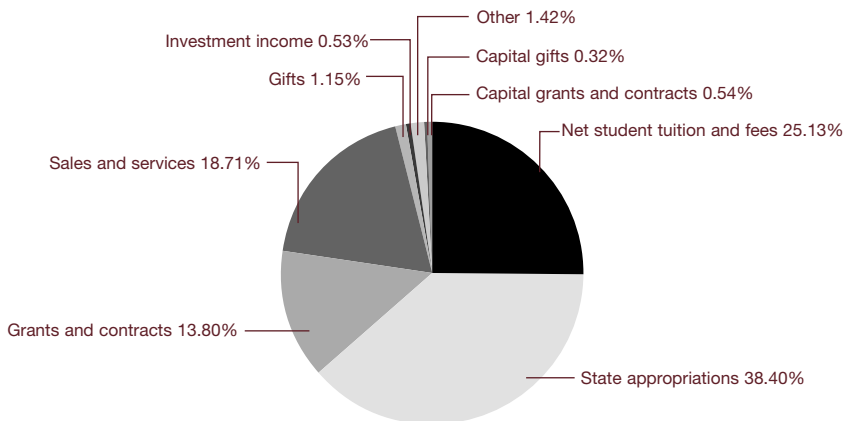
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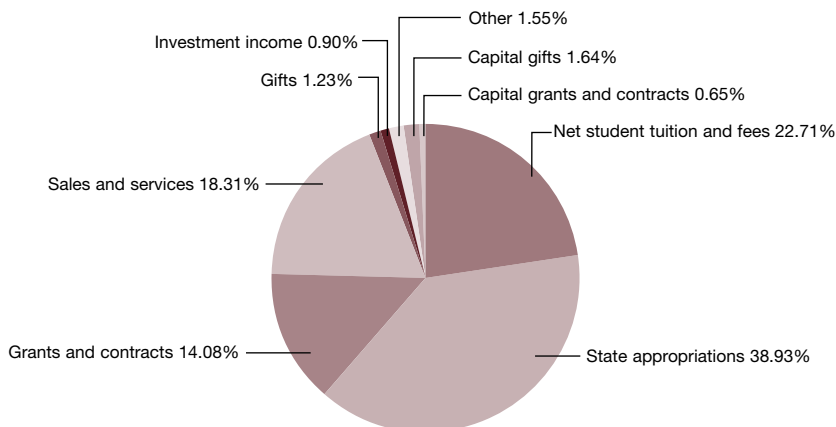
FY 2004 Operating and Nonoperating Revenues



FY 2003 Operating and Nonoperating Revenues



FY 2002 Operating and Nonoperating Revenues



Economic Factors That Will Affect The Future

The University's statewide mission in public affairs is to develop educated persons. In order to effectively accomplish our mission, we must employ and retain excellent educators, researchers, and public servants. Consequently, we are people helping people and we face economic pressures attracting and retaining the individuals necessary to accomplish our mission. Health care costs are expected to continue an upward movement resulting in an anticipated increase in health care insurance premiums of 13.5%. In fiscal year ending June 30, 2005, retirement contributions increased more than 20% and we have been notified that retirement contributions for the fiscal year ending June 30, 2006 will increase by another 18%. The University's average faculty and staff salaries are below our benchmarks and remain a point of emphasis within our funding discussions.

The state of Missouri appropriates funds each year to the University for operating costs and capital expenditures. For the year ending June 30, 2005, the University was appropriated \$2.5 million more than the previous year. While we are thankful, the amount of state appropriations for fiscal year 2005 (\$77.8 million) is still \$6.9 million less than the amount received in fiscal year 2001. The fiscal year 1998 appropriation was larger than the amount appropriated for fiscal year 2005. As in prior years, there is also the possibility that state funding will fall short. When this happens, the state withholds payments to institutions of higher education and state agencies as directed by the governor. The University has identified net assets specifically to fund up to a 4% withhold. If the amount of withheld state appropriations exceeds this amount, the University would implement various cost-saving measures to balance its own budget.

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Hammons Tower
901 E. St. Louis Street, Suite 1000
P.O. Box 1190
Springfield, MO 65801-1190
417 865-8701 Fax 417 865-0682

1034 W. Main Street
P.O. Box 1277
Branson, MO 65615-1277
417 334-5165 Fax 417 334-4823

bkd.com

Independent Accountants' Report on Financial Statements and Supplementary Information

The Board of Governors
Southwest Missouri State University
Springfield, Missouri

We have audited the accompanying basic financial statements of SOUTHWEST MISSOURI STATE UNIVERSITY (University) and its discretely presented component unit, collectively a component unit of the State of Missouri, as of and for the years ended June 30, 2004 and 2003, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions 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 and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of SOUTHWEST MISSOURI STATE UNIVERSITY and of its discretely presented component unit as of June 30, 2004 and 2003, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 12, in 2004 the University changed its method of determining its financial reporting entity by retroactively restating prior years' financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2004, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

BKD, LLP

September 7, 2004

**Solutions
for
Success**

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Statements of Net Assets

June 30, 2004 and 2003

	University 2004	University 2003	Component Unit Foundation 2004	Component Unit Foundation 2003
Assets				
Current assets:				
Cash and cash equivalents	\$ 29,204,511	\$ 11,934,100	\$ 6,217,425	\$ 4,656,911
Restricted cash and cash equivalents	454,369	593,113	96,657	95,597
Short-term investments	12,336,640	26,648,389	2,862,205	2,917,490
Restricted short-term investments		2,820,594		
Accounts receivable, net	5,979,278	5,248,141	31,736	40,328
Pledges receivable, net			1,323,510	1,327,981
Grants receivable	1,541,443	1,179,574		
Accrued interest receivable-unrestricted	67,094	84,393	29,752	23,566
Accrued interest receivable-restricted	21,611	45,808	104	89
Inventories	3,775,427	3,331,604		
Loans to students, net	575,088	539,025		
Deposits recoverable	23,500	23,500		
Prepaid expenses	613,744	488,722		
Assets for resale			921,396	779,725
Total current assets	54,592,705	52,936,963	11,482,785	9,841,687
Noncurrent assets:				
Restricted cash and cash equivalents			1,478,502	1,151,686
Pledges receivable, net			3,548,405	4,227,597
Restricted long-term investments	348,906	351,569	34,075,467	28,123,181
Investments restricted for bonds	6,074,146	3,947,163		
Investments held in trust			1,105,177	1,093,736
Other long-term investments	5,485,316	532,836	427,029	363,792
Appropriations due from State of Missouri	1,061,207	4,139,591		
Deferred bond issue costs and discounts	934,595	1,117,115	2,045	4,282
Loans to students, net	2,050,450	2,173,481		
Due from Foundation	199,762	199,762		
Construction in progress	10,056,566	5,386,513		
Capital assets, net	246,862,849	252,683,124	1,467,342	1,594,966
Total noncurrent assets	273,073,797	270,531,154	42,103,967	36,559,240
Total assets	327,666,502	323,468,117	53,586,752	46,400,927
Liabilities				
Current liabilities:				
Account payable and accrued expenses	5,537,930	4,544,140	1,264,308	70,764
Accrued compensated absences	3,264,288	3,257,432		
Accrued payroll	7,453,991	7,547,608		
Deferred revenue	6,316,411	5,769,693		
Deposits	527,181	513,160		
Accrued interest payable	538,699	567,021	1,283	1,983
Long-term liabilities-current portion	5,580,863	5,403,610	292,485	292,763
Insurance claims payable	1,328,768	909,406		
Total current liabilities	30,548,131	28,512,070	1,558,076	365,510
Noncurrent liabilities:				
Accrued compensated absences	3,326,780	2,916,168		
Annuity obligations			515,059	509,902
Capital lease obligations	252,825	1,153,604		
Revenue bonds payable	48,107,727	52,787,811	200,000	440,000
Due to SMSU			199,762	199,762
Total noncurrent liabilities	51,687,332	56,857,583	914,821	1,149,664
Total liabilities	82,235,463	85,369,653	2,472,897	1,515,174
Net Assets				
Invested in capital assets, net of related debt	205,484,863	201,566,409	1,027,342	914,966
Restricted for:				
Nonexpendable:				
Scholarships and fellowships	199,762	199,762	13,423,733	12,208,220
Loans	3,349,926	3,346,335		
Other			7,138,783	6,117,591
Expendable:				
Research	6,393	718,556		
Scholarships and fellowships	53,771	53,771	10,136,480	7,633,712
Loans	187,242	203,289		
Capital projects	2,023,087	4,751,917		
Debt service	2,580,093	2,105,000		
Other			17,180,933	14,855,414
Unrestricted	31,545,902	25,153,425	2,206,584	3,155,850
Total net assets	\$ 245,431,039	\$ 238,098,464	\$ 51,113,855	\$ 44,885,753

See Notes to Financial Statements

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Statements of Revenues, Expenses and Changes in Net Assets

For the Years Ended June 30, 2004 and 2003

	University 2004	University 2003	Component Unit Foundation 2004	Component Unit Foundation 2003
Operating Revenues				
Student tuition and fees	\$ 79,631,358	\$ 71,785,371	\$	\$
less scholarship allowances	(24,730,089)	(22,559,492)		
Total student tuition and fees	54,901,269	49,225,879		
Sales and services of educational departments	10,904,146	10,873,447		
Federal grants and contracts	20,387,772	18,117,546		
State and local grants and contracts	4,838,503	4,793,144		
Nongovernmental grants and contracts	4,445,874	4,120,592		
Gifts and contributions			6,663,409	5,344,040
Auxiliary enterprises:				
Residential life (net of scholarship allowances of \$2,534,469 in 2004 and \$2,398,994 in 2003)	16,927,193	16,118,202		
Bookstore (net of scholarship allowances of \$420,390 in 2004 and \$412,878 in 2003)	2,334,626	1,685,804		
Parking (net of scholarship allowances of \$208,844 in 2004 and \$197,076 in 2003)	2,545,819	2,468,959		
Athletics	4,773,542	4,269,313		
Recreational facilities	185,595	597,102		
Student Union	654,945	635,578		
Other operating revenues	2,717,964	2,769,818	1,094,813	1,176,832
Total operating revenues	125,617,248	115,675,384	7,758,222	6,520,872
Operating Expenses				
Salaries	101,191,899	100,786,530		
Benefits	27,570,015	25,226,793		
Scholarships and fellowships	6,947,508	6,723,883	1,139,308	1,180,963
Utilities	5,081,510	4,666,823	111,688	91,359
Supplies and other services	40,783,156	40,118,638	3,318,680	3,598,133
Depreciation	15,285,345	15,611,097	127,624	158,443
Total operating expenses	196,859,433	193,133,764	4,697,300	5,028,898
Operating income (loss)	(71,242,185)	(77,458,380)	3,060,922	1,491,974
Nonoperating Revenues (Expenses)				
State appropriations	75,441,324	75,228,005		
Gifts	2,655,775	2,245,431		
Investment income	630,935	1,036,038	5,492,721	968,725
Interest on capital asset-related debt	(2,565,871)	(2,820,473)	(19,250)	(33,150)
Other nonoperating revenues		5,658		
Other nonoperating expenses and losses			(148,980)	(383,691)
Expenditures to SMSU			(2,655,775)	(2,245,431)
Gain (loss) on disposal of fixed assets	(79,895)	32,918		
Net nonoperating revenues	76,082,268	75,727,577	2,668,716	(1,693,547)
Income (loss) before other revenues, expenses, gains, or losses	4,840,083	(1,730,803)	5,729,638	(201,573)
Capital gifts	1,738,241	623,895		
Capital projects to SMSU			(1,738,241)	(623,895)
Capital grants and contracts	754,251	1,056,937		
Additions to permanent endowments			2,236,705	2,088,427
Increase (Decrease) in net assets	7,332,575	(49,971)	6,228,102	1,262,959
Net Assets				
Net assets — beginning of year	238,098,464	238,148,435	44,885,753	43,622,794
Net assets — end of year	\$ 245,431,039	\$ 238,098,464	\$ 51,113,855	\$ 44,885,753

See Notes to Financial Statements

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Southwest Missouri State University

Statements of Cash Flows

For the Years Ended June 30, 2004 and 2003

	2004	2003
Cash Flows From Operating Activities		
Tuition and fees	\$ 54,713,983	\$ 49,971,473
Sales and services of educational departments	10,904,146	9,581,792
Federal grants and contracts	20,025,903	18,802,421
State grants and contracts	4,838,503	4,793,144
Nongovernmental grants and contracts	4,445,874	3,362,330
Payments to suppliers	(52,966,973)	(49,066,804)
Payments to employees	(128,438,063)	(125,850,268)
Loans issued to students	(648,733)	(575,571)
Collection of loans to students	735,701	834,590
Auxiliary enterprise charges:		
Residential life	16,927,193	16,118,202
Bookstore	2,334,626	1,685,804
Parking	2,545,819	2,468,959
Athletics	4,773,542	4,269,313
Recreational facilities	185,595	597,102
Student Union	654,945	635,578
Other receipts	3,137,326	3,027,304
Net cash used by operating activities	(55,830,613)	(59,344,631)
Cash Flows From Noncapital Financing Activities		
State appropriations	75,441,324	75,228,005
Gifts and grants received for other than capital purposes	2,655,775	2,245,431
Other nonoperating revenues		5,658
Net cash flows provided by noncapital financing activities	78,097,099	77,479,094
Cash Flows From Capital and Related Financing Activities		
Cash received from disposal of fixed assets	80,078	80,526
Purchase of capital assets	(6,256,457)	(8,934,017)
Construction in progress	(7,443,405)	(3,654,866)
Capital appropriation	3,095,272	817,613
Capital grants and contracts	754,251	1,056,937
Gifts of cash	1,738,241	588,270
Proceeds from capital debt		21,955,000
Cash paid to defease outstanding debt		(24,685,000)
Principal paid on capital debt and lease	(5,496,769)	(5,106,869)
Interest paid on capital debt and lease	(2,334,004)	(2,898,246)
Loss on defeased debt		(192,387)
Deferred bond issuing expense		(527,611)
Net cash used by capital and related financing activities	(15,862,793)	(21,500,650)
Cash Flows From Investing Activities		
Proceeds from sales and maturities of investments	73,483,342	73,762,021
Purchase of investments	(63,452,469)	(77,063,995)
Interest on investments	697,101	1,043,983
Net cash provided (used) by investing activities	10,727,974	(2,257,991)
Net increase (decrease) in cash	17,131,667	(5,624,178)
Cash and cash equivalents—beginning of year	12,527,213	18,151,391
Cash and cash equivalents—end of year	\$ 29,658,880	\$ 12,527,213

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Southwest Missouri State University

Statements of Cash Flows (continued)

For the Years Ended June 30, 2004 and 2003

		2004	2003	
Reconciliation of net operating revenues (expenses) to net cash used by operating activities:	Operating loss	\$ (71,242,185)	\$ (77,458,380)	
	Adjustments to reconcile net loss to net cash used by operating activities:			
	Depreciation expense	15,285,345	15,611,097	
	Change in operating assets and liabilities			
	Accounts receivable	(731,137)	567,546	
	Loans to students	86,968	259,019	
	Appropriations due from State	(16,888)	(49,078)	
	Federal and state grant receivable	(361,869)	(73,387)	
	Inventories	(443,823)	(248,196)	
	Prepaid expenses	(125,022)	58,843	
	Accounts payable and accrued expenses	414,046	1,407,745	
	Accrued compensated absences	417,468	97,940	
	Accrued payroll	(93,617)	(2,392)	
	Deferred revenue	546,718	228,509	
	Deposits	14,021	(1,383)	
	Insurance claims payable	419,362	257,486	
	Net cash used by operating activities	<u>\$ (55,830,613)</u>	<u>\$ (59,344,631)</u>	
	Supplemental Cash Flows Information	Increase in accounts payable incurred for capital asset purchases	\$ 579,744	\$ 26,530
		Gifts in kind of capital assets		35,625

See Notes to Financial Statements

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Southwest Missouri State University

Notes to Financial Statements June 30, 2004 and 2003

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

Nature of Institution

Southwest Missouri State University (the University) is a state assisted University with campuses in Springfield, West Plains and Mountain Grove, Missouri. An eight-member Board of Governors, appointed by the Governor and confirmed by the Senate of the State of Missouri, governs the University, a component unit of the State of Missouri.

Component Unit

The SMSU Foundation Inc. (the Foundation) is a legally separate, tax-exempt component unit of the University. The Foundation's primary function is to raise and hold funds to support the University and its programs. The board of the Foundation is self-perpetuating and consists of graduates and friends of the University.

Although the University does not control the timing or amount of receipts from the Foundation, the majority of the Foundation's resources and related income are restricted by donors for the benefit of the University. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

During the year ended June 30, 2004 and 2003, the Foundation provided \$4,394,016 and \$2,869,326, respectively, of support to the University. Complete financial statements of the Foundation may be obtained from its Administrative Office at the following address: 901 S. National, Springfield, MO 65804.

The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation features. No modifications have been made to the Foundation's statements in the University's financial reporting entity for these differences.

Basis of Presentation

The financial statements have been prepared to incorporate all fund groups utilized internally by the University. These statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the GASB. The University prepares its financial statements as a business-type activity in conformity with applicable pronouncements of GASB. Pursuant to GASB Statement No. 20, these reports are based on all applicable GASB pronouncements as well as applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Review Boards of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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Southwest Missouri State University

Measurement Focus and Basis of Accounting

The financial statements of the University have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place while those from government-mandated nonexchange transactions (principally state appropriations) are recognized when all applicable eligibility requirements are met. Internal activity and balances are eliminated in preparation of the financial statements unless they relate to services provided and used internally. Government-mandated nonexchange transactions that are not program specific such as state appropriations, gifts, investment income, and interest on capital asset-related debt are included in nonoperating revenues and expenses. Revenues for nonexchange transactions are recognized when all eligibility requirements have been satisfied. The University first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

Operating revenues of the University consist of student fees, sales and services of educational activities, grants and contracts that are exchange transactions and auxiliary enterprise revenues. Transactions related to capital and financing activities, noncapital financing activities, investing activities and state appropriations are components of nonoperating income.

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The University considers all liquid investments with original maturities of three months or less to be cash equivalents.

Investments

The University accounts for its investments at fair value, as determined by quoted market prices, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of the investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net assets.

2003 – 2004 Financial Report

Southwest Missouri State University

Notes to Financial Statements June 30, 2004 and 2003

Student Accounts and Notes Receivable

Student accounts receivable consists of fees charged to students and charges for auxiliary enterprise services provided to students, faculty, and staff. Accounts receivable also include amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts of \$899,311 and \$714,000 at June 30, 2004 and 2003, respectively.

Student accounts receivable are stated at the amount billed to the students less applied scholarships and loan proceeds. The University provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Required student fees and residence hall charges are due at the beginning of the semester unless the student is enrolled in the Deferred Payment Plan. Fee payment deadlines vary depending upon when the student registers. If the required student fees are not paid in full by that date, a finance charge is assessed on the remaining balance. Miscellaneous charges are due when billed. A finance charge is assessed on the next statement date after a miscellaneous charge is first billed. Charges that are past due without payments for one year and have had no response to the due diligence process are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the student.

Notes receivable consist of amounts due under the Federal Perkins Loan Program and institutional loan programs and are stated at their outstanding principal amount, net of an allowance for doubtful notes. Loans are made to students based on demonstrated financial need for both Perkins and institutional loans and satisfaction of federal eligibility requirements for the Federal Perkins Loan Program. Principal and interest payments on Federal Perkins Loans generally do not commence until after the borrower graduates or otherwise ceases enrollment. The University provides an allowance for doubtful notes which is based upon a review of outstanding loans, historical collection information and existing economic conditions. Interest income is recorded as received which is not materially different from the amount that would have been recognized on the accrual basis. Loans that are delinquent continue to accrue interest. Loans that are past due for at least one payment are considered delinquent. Delinquent institutional loans are written off based on individual credit evaluation and specific circumstances of the student. Loans receivable are recorded net of estimated uncollectible amounts. The allowance for uncollectible loans netted against loans to students was \$1,295,846 and \$1,265,522 at June 30, 2004, and 2003, respectively.

Inventories

Nonauxiliary inventories consist of supplies for use by the University and merchandise available for sale consisting of art supplies and pharmacy stock. These inventories are stated at the lower of cost, determined using the first-in, first-out method, or market.

Auxiliary enterprises inventories consist of merchandise available for sale at the bookstore, student union, recreation facilities and vending machines. These inventories are stated at the lower of cost, determined using the first-in, first-out method, or market.

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Southwest Missouri State University

Capital Assets

Land is stated at cost. Buildings and improvements are stated at June 30, 1953, replacement costs with subsequent additions stated at cost. Library books are stated at June 30, 1978, estimated historical cost, with subsequent additions stated at cost.

Building additions and improvements with a cost in excess of \$200,000 are capitalized if the life of the building is extended. Equipment with a cost in excess of \$1,000 with a useful life greater than one year is capitalized. Donated assets are transferred from the SMSU Foundation and are recorded at the fair value at the date of donation to the Foundation. Infrastructure assets are included in the financial statements and are depreciated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation is computed using the straight-line method over the estimated useful life of the asset. Assets under capital lease obligations are depreciated over the shorter of the lease term or their respective estimated useful lives. Expenditures for construction in progress are capitalized when the project is completed. The following estimated useful lives are being used by the University:

Land improvements	20 years
Buildings and improvements	7– 40 years
Furniture, fixtures and equipment	3– 15 years
Infrastructure	20 years
Library materials	10 years

The University capitalizes interest costs as a component of construction in progress, based on the weighted-average rates paid for long-term borrowing. Interest expense is capitalized net of interest income earned on resources set aside for this purpose. Total interest capitalized for the year ended June 30, 2004 was \$15,490 and for the year ended June 30, 2003 was \$25,562.

Foundation Real Estate and Equipment

Buildings, improvements and equipment are depreciated over the estimated useful life of each asset. Annual depreciation is computed using the straight-line method. Real estate and equipment includes tenant remodeling improvements of \$235,269 and equipment of \$445,848. Depreciation for the tenant remodeling for the year ended June 30, 2004, totaled \$18,125. Real estate and equipment also includes \$220,000 for a residence on the West Plains campus used to house administration. Depreciation for the residence for the year ended June 30, 2004, totaled \$5,263.

Foundation Valuation of Gifts of Property

Gifts of real and personal property are reported at their estimated fair value as of the date the property is received. Fair value is determined either by a staff member of the university with expertise in the valuation of the particular property, or by appropriate documentation furnished by the donor.

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Southwest Missouri State University

Notes to Financial Statements June 30, 2004 and 2003

Deferred Revenue

Deferred revenue represents unearned student fees and advances on program tickets.

Compensated Absences

It is the University's policy to permit employees to accumulate earned but unused sick and vacation pay benefits using the vesting method. Accrued vacation is the amount earned by all eligible employees through June 30. All eligible employees can accrue an unlimited amount of sick leave. Employees who retire under one of the University's public retirement plans will be paid for 40 percent of any accumulated unused sick leave rounded up or down to the nearest full day (up to a maximum of 48 days) and the remaining unused sick leave will be reported to Missouri State Employees' Retirement System (MOSERS) for inclusion as creditable service in accordance with MOSERS' policies regarding the reporting of unused sick leave. Accrued sick leave is based on a historic factor with these policies taken into consideration.

Deferred Bond Issue Costs

Bond issue costs incurred on the revenue bond issues have been deferred and are being amortized over the life of the bonds using the effective interest method. Total amortization for the year ended June 30, 2004 was \$275,679 and for the year ended June 30, 2003, was \$177,284.

Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of revenue bonds payable and capital lease obligations with contractual maturities greater than one year and (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year.

Net Assets

The University's net assets are classified as follows:

Invested in capital assets, net of related debt — This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets - nonexpendable — Nonexpendable restricted net assets consist of the federal portion of the Federal Perkins Loan program and endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The endowment funds represent the amount of endowment given to the University before the organization of the Southwest Missouri State University Foundation.

Restricted net assets - expendable — Restricted expendable net assets include resources in which the University is legally and contractually obligated to spend in accordance with restrictions imposed by external third parties.

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Unrestricted net assets — Unrestricted net assets represent resources derived from student fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board to meet current expenses for any purpose. Auxiliary enterprises, which are substantially self-supporting activities, provide services for students, faculty and staff.

The Foundation's net assets, which under FASB standards are reported as either unrestricted, temporarily restricted, or permanently restricted based on the presence or absence of donor restrictions, have been presented based on the GASB classifications with like characteristics.

Classification of Revenues

The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues — Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student fees, net of scholarship allowances, (2) sales and services of auxiliary enterprises, (3) interest on student loans, and (4) grants and contracts meeting certain criteria.

Nonoperating revenues — Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as grants, gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Funds Accounting*, and GASB No. 34, such as state appropriations and investment income.

Federal Financial Assistance Programs

The University participates in the following federal student financial aid programs: Federal Pell Grant, Federal Supplemental Educational Opportunity Grant, Federal Work Study, Federal Family Education Loan, Federal Direct Loan, and Federal Perkins Loan Programs. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, the U. S. Office of Management and Budget Revised Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*, and the Compliance Supplement.

Scholarship Allowances

Student tuition and fees and auxiliary enterprise revenues, presented net of scholarships and fellowships of \$27,893,792, and \$25,568,440 at June 30, 2004 and 2003, respectively, are applied to student accounts, while stipends and other payments made directly to students are reported as scholarships and fellowships expense. Net tuition and fees, except for summer session, are recognized as revenues as they are assessed. The portion of summer session tuition and fees applicable to the following fiscal year is deferred.

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Southwest Missouri State University

Notes to Financial Statements June 30, 2004 and 2003

Income Taxes

As a state institution of higher education, the income of the University is generally exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code; however, income generated from activities unrelated to the University's exempt purpose is subject to income taxes under Internal Revenue Code Section 511(a)(2)(B).

Reclassifications

Certain reclassifications have been made to the 2003 financial statements to conform to the 2004 financial statement presentation. These reclassifications had no effect on net earnings.

Note 2: Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The University's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Missouri; bonds of any city, county, school district or special road district of the state of Missouri; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

At June 30, 2004 and 2003, none of the University's bank balances held by the current depository, a United States financial institution, were exposed to custodial credit risk. All of these domestic deposits were fully collateralized at the end of fiscal year 2004 and 2003. The funds held by international banks for the University's foreign education activities were not collateralized. The University is exposed to custodial credit risk for these deposits of \$319,914.

	2004	2003
Uninsured and uncollateralized	\$ 319,914	\$

Foreign Currency Risk. The risk related to adverse affects on the fair value of a deposit from changes in exchange rates. The University does not have any policies related to foreign currency risk. The University has \$319,914 of foreign deposits denominated in Chinese Yuan and the Hong Kong Dollar at June 30, 2004.

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Southwest Missouri State University

Investments

The University may invest in United States Treasury and Federal Agency securities, repurchase agreements, corporate bonds, commercial paper, and bankers acceptances.

At June 30, 2004 and 2003, the University had the following investments and maturities:

June 30, 2004					
Maturities in Years					
Type	Fair Value	Less than 1	1–5	6–10	More than 10
U.S. Treasury obligations	\$ 462,563	\$	\$ 121,681	\$ 241,229	\$ 99,653
U.S. agencies obligations	21,782,960	12,494,032	9,288,928		
Bankers acceptance	1,999,485	1,999,485			
	\$ 24,245,008	\$ 14,493,517	\$ 9,410,609	\$ 241,229	\$ 99,653

June 30, 2003					
Maturities in Years					
Type	Fair Value	Less than 1	1–5	6–10	More than 10
U.S. Treasury obligations	\$ 512,293	\$	\$ 144,590	\$ 253,661	\$ 114,042
U.S. agencies obligations	35,085,962	30,766,687	4,319,275		
	\$ 35,598,255	\$ 30,766,687	\$ 4,463,865	\$ 253,661	\$ 114,042

Interest Rate Risk. As a means of limiting its exposure to fair value losses, the University's investment policy limits the type of investments to those which are not exposed to fair value losses arising from increasing interest rates. The maturities are structured to meet the cash flow needs of the University. The prohibition of speculative investments precludes pursuit of gain or profit through unusual risk. Investment trading in response to changes in market value or market direction is warranted under active portfolio managements. Interest rate risk is not specifically discussed in the University's investment policy.

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the University's policy to limit its investment in bankers acceptances to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). At June 30, 2004, the University's investment in bankers acceptances was rated A1 by Standard & Poor's and P1 by Moody's Investors Service. At June 30, 2004 and 2003, the University's investments not directly guaranteed by the U.S. government were rated either A1+ or Aaa by Standard & Poor's and/or either P1 or Aaa by Moody's Investors Service and/or F1+ by Fitch Investors Service.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The University had no investments exposed to custodial credit risk at the end of June 30, 2004 or 2003.

Concentration of Credit Risk. The University's investment places maximum percentages on the total investment funds held in each type of instrument. The type of investments that can be held in the University's portfolio include U.S. Treasury and Federal Agency Securities, repurchase agreements, corporate bonds, commercial paper and bankers acceptance. It is the University's policy that no more than 15% of the total portfolio will be held in any one bank. There are no restrictions on direct obligations of the U.S. Government, U.S. Government Agency issues or U.S. Government guaranteed securities.

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Notes to Financial Statements June 30, 2004 and 2003

There are no restrictions for repurchase agreements which are fully collateralized by U.S. Government securities. No more than 20% of the portfolio will be held in corporate bonds or bankers acceptances with no more than 5% of the portfolio to be held with any one issuer. No more than 30% of the portfolio will be held in commercial paper, with no more than 5% of the portfolio to be held with any one issuer.

Foreign Currency Risk. This risk relates to adverse affects on the fair value of an investment from changes in exchange rates. The University's exposure to foreign currency risk did not exist at June 30, 2004 or 2003 because there were no foreign investments in the University's investment portfolio at any time during these two fiscal years.

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the Statement of Net Assets as follows:

	2004	2003
Carrying Value:		
Deposits	\$ 29,658,880	\$ 11,229,509
Investments	24,245,008	35,598,255
	<u>\$ 53,903,888</u>	<u>\$ 46,827,764</u>

Included in the following statement of net assets captions

	2004	2003
Cash and cash equivalents	\$ 29,204,511	\$ 11,934,100
Restricted cash and cash equivalents	454,369	593,113
Short-term investments	12,336,640	26,648,389
Restricted short-term investments		2,820,594
Investments restricted for bonds	6,074,146	3,947,163
Long-term investments	5,485,316	532,836
Restricted long-term investments	348,906	351,569
Cash, cash equivalents and investments total	<u>\$ 53,903,888</u>	<u>\$ 46,827,764</u>

Investment Income

Investment income for the years ended June 30, 2004 and 2003, consisted of:

	2004	2003
Interest and dividend income	\$ 651,792	\$ 1,046,694
Net decrease in fair value of investments	(20,857)	(10,656)
	<u>\$ 630,935</u>	<u>\$ 1,036,038</u>

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Southwest Missouri State University

Foundation Pooled Investments

Funds treated as endowment by the Foundation are managed as a pooled investment fund. The various subsidiary accounts purchase shares in the investment pool when additions are received. The investment pool is operated on a unit market basis. The following schedule summarizes data related to the investment pool for the years ended June 30:

	2004	2003
Pooled investment at market value	\$ 35,288,588	\$ 29,063,121
Number of pool shares	153,576	141,428
Market value per pool share	\$ 229.78	\$ 205.50
Time weighted total return	18.3%	2.6%
Interest and dividend earnings	\$ 312,342	\$ 395,058
Net gains	\$ 5,075,506	\$ 339,423

Endowment assets consist of the following as of June 30, 2004:

Pooled assets from above	\$ 35,288,588	\$ 29,063,121
Non-pooled endowment assets	2,947,634	3,175,196
<u>Total endowment assets</u>	<u>\$ 38,236,222</u>	<u>\$ 32,238,317</u>

Foundation Investments and Investment Return

Investments in equity securities and debt securities are carried at fair value.

While the Foundation does not invest directly in derivative securities, it may, through investment holdings with various money managers and through its investment in a limited partnership, indirectly hold these securities. The Foundation has significant investments in marketable securities, which are subject to price fluctuation. These instruments could potentially subject the Foundation to significant concentrations of market risk. This risk is controlled through a diversified portfolio and regular monitoring procedures.

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Southwest Missouri State University

Notes to Financial Statements June 30, 2004 and 2003

Investments are summarized as follows at June 30:

	2004	2003
Accrued income	\$ 42,127	\$ 38,869
The Common Fund		
Money market accounts	4,804,539	4,513,902
Intermediate cash fund	2,862,205	2,917,490
International fund	1,992,175	1,364,561
Multi-strategy bond fund	1,194,332	1,184,654
Endowment Realty Investors, Inc.	234,841	468,126
Charles Schwab		
Money market fund	306,450	19,501
Vanguard Value Index	2,132,276	1,763,307
Vanguard 500 Index Admiral	3,233,076	
Vanguard Mid Cap Index	759,730	594,637
DFA U.S. 4-10 Value Portfolio	1,793,903	1,428,667
MSDW Institutional International Small Cap	2,053,774	1,943,434
SSgA Emerging Markets	2,253,882	1,707,397
PIMCO	2,366,779	1,935,750
Scudder Rreef Real Estate	1,632,291	1,195,487
Axa. Rosenberg U.S. Small Cap		1,309,481
Laudus U.S. Small Cap	1,611,487	
Westridge Capital Management Enhancement Fund		1,721,165
Harris Aurora Offshore Limited Fund	1,470,073	1,108,542
Lotsoff Capital Management Small Cap	1,572,458	1,472,089
Cadogan Alternative Strategies Fund	1,346,018	1,000,000
Highland Investors L.P. — equities	1,629,956	1,266,902
Springfield Trust Company		
Money market accounts	39,270	253,093
Fixed income	3,345,383	3,350,040
Rorer Asset Management — equities	1,943,282	1,746,652
Rorer Asset Management — balanced fund	235,667	263,116
Trust Company of the Ozarks		
Money market accounts	57,988	102,516
Fixed income	1,270,585	1,295,675
Other	3,500	3,500
	<u>\$ 42,188,047</u>	<u>\$ 35,968,553</u>
Investment return consists of the following:		
Investment income	\$ 466,402	\$ 592,130
Net realized and unrealized gains on investments reported at fair value	5,048,308	390,422
	<u>\$ 5,514,710</u>	<u>\$ 982,552</u>

Investments held in trust are deposited with Rorer Asset Management's balanced fund or are in municipal bonds and other investments.

Investment expenses incurred for the years ended June 30, 2004 and 2003 totaled \$120,620 and \$112,301, respectively.

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Note 3: Foundation Pledges Receivable

Pledges receivable for the Foundation are a credit risk to the extent donors choose not to complete their pledge payments. Pledges receivable consist of the following unconditional promises to give at June 30:

	2004	2003
Due in less than one year	\$ 2,054,944	\$ 1,984,205
Due in one to five years	2,601,681	3,155,035
Due in more than five years	727,562	847,165
	<hr/> 5,384,187	<hr/> 5,986,405
Less: Allowance for doubtful accounts	141,186	114,841
Unamortized discount	371,086	315,986
	<hr/> 512,272	<hr/> 430,827
	<hr/> <hr/> \$ 4,871,915	<hr/> <hr/> \$ 5,555,578

Note 4: Related Party Transactions

In 1982, the University's Board of Regents authorized the transfer of its endowment fund of \$199,762 to the Foundation for management purposes. This balance is shown on the University's statements of net assets as noncurrent assets. All investment earnings from these funds have been recorded in the accounting records of the Foundation and are not shown on the University's financial statements. All endowment additions since 1982, including gifts and other income, have been recorded in the Foundation's accounting records. The total endowment fund managed by the Foundation at June 30, 2004, is \$38,236,222 and at June 30, 2003 was \$32,238,317.

Additionally, the Foundation owed the University approximately \$1,110,000 and \$42,000 at June 30, 2004 and 2003, respectively for pledges receivable and expenses paid by the University for costs to be funded by the Foundation. The balance is shown on the University's statements of net assets as current assets, and is included in accounts receivable.

Note 5: Pension and Post-Retirement Plan

The University participates in the Missouri State Employees' Retirement System (MOSERS), a cost-sharing, multiple-employer, defined-benefit, public employee retirement system. MOSERS is administered by an 11-member Board of Trustees. A publicly available financial report that includes the financial statements and required supplemental information is issued. This report may be obtained by writing to P.O. Box 209, Jefferson City, MO 65102, or calling (573) 751-2342.

MOSERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by state statute which may be changed by the Missouri legislature with concurrence of the Governor.

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Notes to Financial Statements June 30, 2004 and 2003

The University was required to contribute 9.35, 8.81 and 11.59 percent of eligible salaries for the years ended June 30, 2004, 2003 and 2002, respectively. No employee contributions are required or permitted. Contributions, which equaled the contribution requirements for years ended June 30, 2004, 2003, and 2002 were \$6,819,248, \$7,318,245, and \$9,662,237, respectively.

Beginning July 1, 2002, all faculty on full-time, regular appointment are enrolled in the College and University Retirement Plan (CURP) if they have not previously been enrolled in MOSERS. CURP is a non-contributory 401(a) defined contribution retirement plan which uses TIAA-CREF as its third party administrator. The University was required to contribute 7.47% and 7.22% of the participants salary to CURP for the years ended June 30, 2004 and 2003 respectively. The total contributed for fiscal year 2004 and 2003 was \$354,272 and \$199,097, respectively. CURP provides a retirement program which offers interstate portability, immediate vesting, and no minimum service requirement. Contributions made by the University are self-directed by participants into their selected individual accounts. After participating in CURP for at least six years, a faculty member may elect to become a member of the Missouri State Employees' Retirement System (MOSERS).

In addition to the pension benefits described above, the Board of Governors has authorized the University to provide post-retirement health care benefits to enrolled employees who are eligible for normal retirement under either MOSERS or the Public School Retirement System (PSR), who have applied for and have been accepted to the program, and who have retired by a specified date. Currently, a limited number of retirees meet those eligibility requirements. The University pays the retirees' health insurance premiums through the month of their 65th birthday. Expenditures for post-retirement health care benefits are recognized as the premiums are paid and are not considered material. This program is currently closed to additional participants.

In May 2000, the Board of Governors approved a retirement incentive plan for current employees eligible for retirement from either MOSERS or PSR who have worked for the University for at least 10 years. Those who accepted the offer will receive a cash payment equal to 36 percent of their base salary. The cash payment will be paid in three installments over three years. The plan went into effect July 1, 2000, and remained in effect until December 31, 2002. Expenditures under this retirement incentive plan are recognized as the benefits are paid and are not considered material.

Note 6: Risk Management

The University is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accidental benefits. Commercial insurance coverage is purchased for claims arising from such matters other than those related to general liability, workers' compensation, natural disasters and employee health benefits.

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Settled claims have not exceeded this commercial coverage in any of the three preceding years. Additional coverage is provided through the State Self Insurance program, through the Risk Management Division of the Department of Administration Services, in Jefferson City. The State of Missouri self-insures the workers' compensation benefits for all state employees, including University employees. Claims are administered by the Missouri Office of Administration, Risk Management Section.

Liabilities for employee health and dental benefits are included in liabilities for claims incurred but not yet reported or paid. The liability is estimated based on subsequent payments and historical information. Changes in the balance of claims liabilities for the years ended June 30, 2004 and 2003, is summarized as follows:

	2004	2003
Balance at beginning of year	\$ 909,406	\$ 651,920
Health and dental claims	11,540,792	10,019,873
Health insurance payments	(11,121,430)	(9,762,387)
Balance at end of year	<u>\$ 1,328,768</u>	<u>\$ 909,406</u>

Note 7: Operating Expenses by Function

Operating expenses by functional classification for the years ended June 30, 2004 and 2003 are summarized as follows:

	Salaries	Benefits	Scholarships and Fellowships	Utilities	Supplies and other Services	Depreciation	2004 Total	2003 Total
Instruction	\$ 52,227,657	\$ 13,139,615	\$ 336,695	\$ 20,269	\$ 6,551,325	\$	\$ 72,275,561	\$ 72,049,129
Research	3,548,562	761,810	41,355	869	1,798,931		6,151,527	5,262,240
Public service	3,098,587	801,890	118,882	94,923	3,171,869		7,286,151	8,186,924
Academic support	11,753,348	3,189,239	137,632	117,080	5,087,721		20,285,020	18,862,095
Student services	6,343,713	1,687,492	86,206		3,751,438		11,868,849	12,079,004
Institutional support	10,610,137	4,105,715	33,310	9,949	1,981,479		16,740,590	16,640,300
Operation and maintenance of plant	4,407,936	1,376,457	2,927	2,949,116	4,946,112		13,682,548	12,543,345
Scholarships and fellowships	112,430	7,638	5,021,149		87,197		5,228,414	5,305,898
Auxiliary Enterprises	9,089,529	2,500,159	1,169,352	1,889,304	13,407,084		28,055,428	26,593,732
Depreciation						15,285,345	15,285,345	15,611,097
Total operating expenses for fiscal year 2004	<u>\$ 101,191,899</u>	<u>\$ 27,570,015</u>	<u>\$ 6,947,508</u>	<u>\$ 5,081,510</u>	<u>\$ 40,783,156</u>	<u>\$ 15,285,345</u>	<u>\$ 196,859,433</u>	<u>\$ 193,133,764</u>
Total operating expenses for fiscal year 2003	<u>\$ 100,786,530</u>	<u>\$ 25,226,793</u>	<u>\$ 6,723,883</u>	<u>\$ 4,666,823</u>	<u>\$ 40,118,638</u>	<u>\$ 15,611,097</u>	<u>\$ 193,133,764</u>	<u>\$ 193,133,764</u>

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Notes to Financial Statements June 30, 2004 and 2003

Note 8: Long-term Liabilities

Long-term debt and other obligations consist of the following as of June 30, 2004:

	Bond Series	Interest Rate	Maturity	Beginning Balance July 1, 2003	Additions	Reductions	Ending Balance June 30, 2004	Current Portion
Revenue Issue								
Auxiliary Enterprise System								
1988 Note Payable		3%	2018	\$ 2,228,603	\$	\$ 119,627	\$ 2,108,976	\$ 123,243
1997	A	4.2 to 5.1%	2018	15,850,000		930,000	14,920,000	960,000
1999	A	4.0 to 5.2%	2020	18,170,000		655,000	17,515,000	680,000
2002	A	1.45 to 3.2%	2010	16,510,000		2,625,000	13,885,000	2,685,000
				52,758,603	0	4,329,627	48,428,976	4,448,243
Classroom Building 2002		1.35 to 4.35%	2016	5,445,000		355,000	5,090,000	325,000
Total Bonds Payable				58,203,603	0	4,684,627	53,518,976	4,773,243
Unamortized loss on prior bond defeasance				(824,324)		(93,159)	(731,165)	(93,159)
Total Bonds Payable less unamortized loss				57,379,279	0	4,591,468	52,787,811	4,680,084
Compensated absences				6,173,600	3,859,251	3,441,783	6,591,068	3,264,288
Capital lease obligations		5.9%		1,965,746		812,142	1,153,604	900,779
Total other obligations				8,139,346	3,859,251	4,253,925	7,744,672	4,165,067
Total long-term debt and other obligations				\$ 65,518,625	\$ 3,859,251	\$ 8,845,393	\$ 60,532,483	\$ 8,845,151

Long-term debt and other obligations consist of the following as of June 30, 2003:

	Bond Series	Interest Rate	Maturity	Beginning Balance July 1, 2002	Additions	Reductions	Ending Balance June 30, 2003	Current Portion
Revenue Issue								
Auxiliary Enterprise System								
1988 Note Payable		3%	2018	\$ 2,344,720	\$	\$ 116,117	\$ 2,228,603	\$ 119,627
1993	A	4.45 to 4.9%	2007	6,425,000		6,425,000		
1993	B	4.7 to 5.25%	2012	15,550,000		15,550,000		
1997	A	4.2 to 5.1%	2018	16,740,000		890,000	15,850,000	930,000
1999	A	4.0 to 5.2%	2020	18,800,000		630,000	18,170,000	655,000
2002	A	1.45 to 3.2%	2010		16,510,000		16,510,000	2,625,000
				59,859,720	16,510,000	23,611,117	52,758,603	4,329,627
Classroom Building 1996		4.625 to 5.625%	2017	5,405,000		5,405,000		
Classroom Building 2002		1.35 to 4.35%	2016		5,445,000		5,445,000	355,000
Total Bonds Payable				65,264,720	21,955,000	29,016,117	58,203,603	4,684,627
Unamortized loss on prior bond defeasance				(328,565)	(588,918)	(93,159)	(824,324)	(93,159)
Total Bonds Payable less unamortized loss				64,936,155	21,366,082	28,922,958	57,379,279	4,591,468
Compensated absences				6,075,660	3,825,913	3,727,973	6,173,600	3,257,432
Capital lease obligations		5.9%		2,760,635		794,889	1,965,746	812,142
Total other obligations				8,836,295	3,825,913	4,522,862	8,139,346	4,069,574
Total long-term debt and other obligations				\$ 73,772,450	\$ 25,191,995	\$ 33,445,820	\$ 65,518,625	\$ 8,661,042

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The University has bonds, notes, and capital lease obligations due in the total amount of \$53,941,415 and \$59,345,025 as of June 30, 2004 and 2003, respectively. These bonds and notes bear interest at rates ranging from 1.35 percent to 5.9 percent annually, and mature at various dates through fiscal year 2020. The revenue bonds are payable, both as to principal and interest, solely and only out of net income arising from the operation of the various revenue funds.

The revenue bond issues and the 1988 Housing System note payable require the University to establish and fund various Debt Service Reserve Funds. At June 30, 2004 and 2003, all Debt Service Reserve Funds have been fully funded. The University also is required to maintain certain rate covenants related to the Auxiliary Enterprise System bonds.

During 1991, revenue bonds totaling \$8,106,000 were defeased. At June 30, 2004 and 2003, the current outstanding balance of these defeased bonds was \$505,000, and \$750,000, respectively.

During 1998, Recreation Building 1991 bonds of \$4,475,000 and Parking System 1993 bonds of \$2,990,000 were defeased. At June 30, 2004 and 2003, the current outstanding balance of these defeased bonds was \$4,545,000 and \$5,035,000, respectively.

During 2003, Auxiliary System bonds, series 1993A and 1993B of \$5,295,000 and \$14,235,000 respectively and Classroom Building 1996 bonds of \$5,155,000 were defeased. At June 30, 2004 and 2003, the current outstanding balance of these defeased bonds was \$21,840,000 and \$24,685,000, respectively. In accordance with accounting principles generally accepted in the United States of America, the outstanding balances of the defeased bonds are not reflected on the statement of net assets of the University. The difference in cash flows required to service the old debt and those required to service the new debt were \$1,940,669 for the Auxiliary System bonds and \$488,989 for the Classroom Building bonds. The net present value savings of the aggregate decreased debt service payments for the Auxiliary System Revenue bonds was \$1,787,134 and for the Classroom Building bonds was \$379,173.

The principal and interest requirements on notes and bonds payable to maturity at June 30, 2004 are as follows:

	Principal	Interest	Total
2005	\$ 4,773,242	\$ 2,094,909	\$ 6,868,151
2006	4,921,968	1,966,205	6,888,173
2007	4,675,805	1,829,519	6,505,324
2008	3,109,759	1,708,081	4,817,840
2009	3,218,832	1,597,597	4,816,429
2010–2014	15,459,696	6,139,008	21,598,704
2015–2019	15,679,674	2,222,896	17,902,570
2020	1,680,000	43,680	1,723,680
	<u>\$ 53,518,976</u>	<u>\$ 17,601,895</u>	<u>\$ 71,120,871</u>

Present value of future minimum lease payments at June 30, 2004 are as follows:

2005	\$ 944,831
2006	255,413
Total minimum lease payments	1,200,244
Less amount representing interest	(46,640)
	<u>\$ 1,153,604</u>

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Notes to Financial Statements June 30, 2004 and 2003

Foundation Bonds and Notes Payable

Details of Real Estate Revenue bonds and notes for the Foundation, as of June 30 are as follows:

Bond Issue/Note	Bonds Series	Balance June 30, 2004	Balance June 30, 2003	Original Amount	Interest Rate	Due in One Year	Date Last Payment Due
Office Building—1991	B	\$440,000	\$680,000	\$900,000	3.5%	\$240,000	4/1/06

Aggregate annual maturities of long-term debt at June 30, 2004, are as follows: 2005–\$240,000; 2006–\$200,000.

The Office Building Revenue Bonds were issued under the authority of The Industrial Development Authority of Greene County, Missouri, and the debt is secured by a deed of trust on The Alumni Center.

Foundation Leases

Noncancelable leases for space in The Alumni Center expire in various years through 2007. Several of these leases contain renewal options for periods ranging from one to four years. Future minimum lease income at June 30, 2004, is as follows: 2005–\$565,313; 2006–\$53,857; 2007–\$13,501

Note 9: Auxiliary Enterprise System

The outstanding debt of the University consists of Auxiliary Enterprise System Revenue Bonds. The most recent Auxiliary Enterprise System Revenue Bonds were issued in accordance with a Resolution adopted by the Board of Governors in September 2002. The Resolution provides that the bonds are payable from the gross income and revenues derived from the housing, parking and recreational facilities serving the University and its students. The housing facilities consist of 14 residence halls, four dining facilities, and the Student Union Building. The parking facilities consist of all facilities, lots and equipment for the parking of vehicles and the movement of passengers around campus. The recreational facilities include the Hammons Student Center, the Plaster Sports Complex and the athletic programs of the University. The Auxiliary Enterprise System also includes the University's Bookstore and certain auxiliary operations at the University's West Plains campus.

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Financial information for the Auxiliary Enterprise System for June 30, 2004 and 2003 is summarized as follows:

	2004	2003
Condensed Statement of Net Assets		
Assets:		
Current assets	\$ 18,746,962	\$ 20,408,341
Noncurrent assets	83,793,731	83,667,133
Total assets	102,540,693	104,075,474
Liabilities:		
Current liabilities	10,387,322	9,752,266
Noncurrent liabilities	42,021,265	45,800,307
Total liabilities	52,408,587	55,552,573
Net assets:		
Invested in capital assets, net of related debt	33,892,840	33,786,196
Restricted -		
Expendable	2,397,593	2,343,225
Unrestricted	13,841,673	12,393,480
Total net assets	50,132,106	48,522,901
Total liabilities and net assets	\$ 102,540,693	\$ 104,075,474

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	2004	2003
Operating revenues	\$ 29,925,931	\$ 28,101,581
Operating expenses:		
Depreciation	3,520,233	3,496,320
All other operating expenses	28,018,522	26,552,708
Total operating expenses	31,538,755	30,049,028
Operating income (loss)	(1,612,824)	(1,947,447)
Nonoperating revenues (expenses)	89,733	(243,301)
Excess (deficit) of revenues over expenses	(1,523,091)	(2,190,748)
Transfer from other University units	3,132,296	2,934,664
Increase in net assets	1,609,205	743,916
Net assets, beginning of year	48,522,901	47,778,985
Net assets, end of year	\$ 50,132,106	\$ 48,522,901

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Notes to Financial Statements June 30, 2004 and 2003

Note 10: Capital Assets

Capital asset activity for the year ended June 30, 2004 was as follows:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Land	\$ 28,459,393	\$ 70,099	\$	\$ 136,762	\$ 28,666,254
Infrastructure	13,553,449				13,553,449
Buildings	276,477,919			2,636,590	279,114,509
Furniture, fixtures, and equipment	50,582,610	4,895,200	3,877,954		51,599,856
Library materials	33,553,439	1,886,392			35,439,831
Capitalized collections	119,892				119,892
Construction in progress	5,386,513	7,443,405		(2,773,352)	10,056,566
Total	408,133,215	14,295,096	3,877,954		418,550,357

Less accumulated depreciation:

Infrastructure	5,943,637	548,636			6,492,273
Buildings	82,576,164	7,229,855			89,806,019
Furniture, fixtures, and equipment	38,194,127	5,615,939	3,717,981		40,092,085
Library materials	23,313,683	1,878,925			25,192,608
Capitalized collections	35,967	11,990			47,957
Total accumulated depreciation	150,063,578	15,285,345	3,717,981		161,630,942
Capital assets, net	\$ 258,069,637	\$ (990,249)	\$ 159,973		\$ 256,919,415

Capital asset activity for the year ended June 30, 2003 restated was as follows:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Land	\$ 28,350,614	\$ 89,468	\$	\$ 19,311	\$ 28,459,393
Infrastructure	13,553,449				13,553,449
Buildings	274,453,279	108,768		1,915,872	276,477,919
Furniture, fixtures, and equipment	49,668,718	4,899,595	4,091,286	105,583	50,582,610
Library materials	31,667,945	1,885,494			33,553,439
Capitalized collections	119,892				119,892
Construction in progress	1,753,140	5,674,139		(2,040,766)	5,386,513
Total	399,567,037	12,657,464	4,091,286		408,133,215

Less accumulated depreciation:

Infrastructure	5,393,972	549,665			5,943,637
Buildings	75,464,056	7,112,108			82,576,164
Furniture, fixtures, and equipment	36,162,744	6,075,061	4,043,678		38,194,127
Library materials	21,451,409	1,862,274			23,313,683
Capitalized collections	23,978	11,989			35,967
Total accumulated depreciation	138,496,159	15,611,097	4,043,678		150,063,578
Capital assets, net	\$ 261,070,878	\$ (2,953,633)	\$ 47,608		\$ 258,069,637

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Note 11: Commitments and Contingencies

Claims and Litigation

As is common with most large governmental entities, various parties have asserted claims against the University through litigation and by other means. The University is vigorously defending each of these matters, the eventual outcomes of which management presently believes will not be material.

Government Grants

The University is currently participating in numerous grants from various departments and agencies of the federal and state governments. The expenditures of grant proceeds must be for allowable and eligible purposes. Single audits and audits by the granting department or agency may result in requests for reimbursement of unused grant proceeds or disallowed expenditures. Upon notification of final approval by the granting department or agency, the grants are considered closed.

Note 12: Changes in Accounting Principles

During 2004, the University retroactively changed its method of determining its financial reporting entity by adopting the provisions of Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This standard requires certain organizations be reported as component units of a primary government based on the nature and significance of that organization's relationship to the primary government. Application of this statement resulted in including Southwest Missouri State University Foundation as a discretely presented component unit of the University.

In 2004, the University adopted the provisions of Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*, by retroactively restating prior year's financial statements. This new standard revises the existing requirements regarding disclosure of custodial credit risk and establishes requirements for disclosures regarding credit risk, concentration of credit risk, interest rate risk and foreign currency risk. Adoption of GASBS 40 had no effect on the net assets and change in net assets in the prior or current year.

Note 13: Subsequent Event

At the August 20, 2004 Board of Governors' meeting, the Board approved a contract with Johnson Controls for the installation of energy savings improvements in various locations throughout the SMSU-Springfield campus. The financing for this contract will be a capital lease/purchase agreement which settled on September 7, 2004. The total amount financed will be \$10,902,115. The annual payments of \$1,051,869 will begin on August 30, 2006 or the date on which a Certificate of Substantial Completion is executed, whichever is earlier. ■

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Southwest Missouri State University

Private Giving

It was a great year for the Southwest Missouri State University Foundation. Donors contributed a record \$9,285,422 (cash basis) in outright gifts. An additional \$905,531 was recorded in deferred gift commitments during the fiscal year. The number of gifts totaled 34,954 — the second highest giving total ever achieved in the 23-year history of the SMSU Foundation. Endowment earnings for the year were 18.3 percent, bringing the 10-year compound return for the endowment pool to 10.2 percent. The market value of the endowment pool increased 21 percent to \$35,288,588. Fiscal Year 2004 was an excellent year.

In September of 2003, the SMSU Foundation made public the announcement of the university's first comprehensive campaign, *The Campaign for SMS: Imagine the Possibilities*. The Campaign is raising funds for students, faculty, facilities and programs. By June 30, 2004, the Campaign total had climbed to \$35,788,912. Campaign Co-Chairs Bill Darr and Tom Strong encourage participation from alumni, parents, community residents, organizations, foundations and businesses.

Every gift is important. As President John H. Keiser noted in his remarks at the Campaign kickoff, "Every gift matters. There are no small gifts." The gifts cut across the university in their impact. One 85-year old music alumna has faithfully supported her department. Some, like Raymond and Rhonda Brune, began giving as new graduates and have never missed a year. Others realize the vital importance of private giving for program support and have diligently given to KSMU or The Bears Fund. In fact, one donor is so attuned to his giving that he wrote the President when he thought he hadn't been asked for his annual gift. He did not realize that the calling schedule had been changed, which would have delayed the request for his contribution until the fall semester began.

Major gifts are important, too. They create an immediate impact in the area they are given. The largest gift in this past year established the Hutchens/SGA Centennial Leaders Scholarship, which will fund 40–45 freshman and sophomore scholarships each year beginning in the Centennial year with the first 20–25 freshmen. Students selected for the scholarship will participate in the Emerging Leaders Academy and have opportunities to serve on university-wide committees.

Gifts large, small and in between have been given in Fiscal Year 2004 for the benefit of students, academic programs, university centers of excellence, all three campuses, facilities and faculty. Donor support often provides the extra edge or fulfills an opportunity that would otherwise be missed. The alumni, faculty and staff, parents and friends of SMS have made 2004 a banner year. ■

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The Board of Governors



Barbara D. Burns
*President
Lamar*



Michael L. Franks
*Vice President
Neosho*



Tom Carlson
Springfield



Bill Darr
Springfield



Mary Sheid
West Plains



Phyllis Washington
Kansas City



Michael Duggan
Chesterfield



Kelli A. Wolf
*Student Member
Springfield*

Officers of the University



John H. Keiser
SMSU President

Don A. Aripoli, *Vice-President for Student Affairs*

Greg L. Burris, *Vice-President for Administration and Finance*

Gregory P. Onstot, *Vice-President for University Advancement*

Bruno F. Schmidt, *Vice-President for Academic Affairs*

Kent Thomas, *Chancellor—West Plains Campus*

James P. Baker, *Chancellor—Mountain Grove Campus and
Assistant to the President*

Financial Services Staff

Kent Kay, CPA, *Associate Vice-President for Finance-CFO*

Nila Vaughn Hayes, CGFM, *Controller*

Jan Lewis, CPA, *Director of Accounting*

Wendell Northrip, *Director of ZipCard Services*

Douglas B. Willson, *Bursar*

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