



2002 – 2003 FINANCIAL REPORT

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Southwest Missouri State University

FOUNDATION

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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.

## 2002–2003 FINANCIAL REPORT

### Southwest Missouri State University Foundation



*Dr. John H. Keiser  
SMSU President*

Thanks to a record 34,992 gifts, the Southwest Missouri State University Foundation topped the \$7 million mark in gifts during 2002–03 as a prelude to the public announcement of SMSU's first comprehensive fund-raising initiative — *The Campaign for SMSU: Imagine the Possibilities*.

During 2002–03 (July 1–June 30), the SMSU Foundation received \$7,061,031 (cash basis) in gifts from a total of 26,774 separate donors. In its 22 years of existence, the SMSU Foundation has received more than \$89 million in outright gifts and acknowledged an additional \$26.2 million in deferred commitments. Of the \$89 million, \$44 million has been in annual gifts, more than \$24 million in one-time gifts, and \$21 million given through special campaigns.

Annual gifts to the Foundation were up again in 2002–03, increasing from \$4,224,465 a year ago to \$4,468,546 this year.

The endowment pool earned 2.6 percent for 2002–03. Over the past 10 years, the compound return for the endowment pool has been 8.5 percent. The market value of the endowment pool as of June 30, 2003, was \$29,063,121.

#### **Fulfilling Commitments**

During the year, several individuals and foundations made six-figure gifts to fulfill earlier pledge commitments.



*Tom Strong, '52  
Former SMSU Board  
of Governors President*

Tom Strong and family made gifts to support the Thomas G. Strong Chair in Public Affairs and the Strong Family Graduate Scholars Endowment Fund. In May 2002, the Strong Family made the largest single gift commitment in the history of SMSU and the Foundation — \$3 million — to fund two chairs and graduate scholarships. The other chair is named the Blanche Gorman Strong Chair in Protestant Studies in memory of Tom's mother. In recognition of their gift, the SMSU Board of Governors named the Public Affairs Classroom Building "Strong Hall."

The C.W. Titus Foundation continued its pledged support of Ozarks Public Television. In the summer of 2001, the Titus Foundation pledged \$1 million to construct and equip the new Master Control facility. On July 1, 2001, SMSU became the licensee of Ozarks Public Television. Together with KSMU National Public Radio station, they form Broadcast Services at SMSU. The gift from the Titus Foundation continues a long relationship between the Titus Foundation and the University.



*Home of the College of Humanities and Public Affairs; KSMU radio station, the area's National Public Radio station; and Ozarks Public Television, the region's Public Broadcasting Service, Strong Hall is a state-of-the-art facility housing technologically advanced equipment.*



*The new Master Control facility within Ozarks Public Television is one aspect of OPT's conversion to digital broadcasting, a mandate set by the Federal Communications Commission for all public television stations.*

## 2002–2003 FINANCIAL REPORT

### Southwest Missouri State University Foundation



*The William H. Darr Agricultural Center is a unique educational entity and point of emphasis for the School of Agriculture Sciences. Renovations to the facility will enhance the quality of classroom and laboratory offerings, which will not only help educate students, but also help facilitate faculty research.*



*Bill Darr, SMSU Board of Governors Member*



*The Jane A. Meyer Carillon, a 140-foot bell tower housing 48 bronze bells, not only adds to the spirit of campus, but it also serves as a unique classroom to upper-level music students.*

St. John's Regional Health Center made a gift in support of the renovation and expansion of the Forsythe Athletics Center. The \$1.8 million project is scheduled to be completed in 2003–04. Forsythe provides support facilities for SMS's intercollegiate athletics program, including The Achievement Center, an academic support center used by all sports.

Tom Black continued his support for the renovation and expansion of the Duane G. Meyer Library and the Tom Black Debate Endowment. At \$29.6 million, the Meyer Library and Jane A. Meyer Carillon project is the largest in school history. Meanwhile, the SMS debate program continues to excel on the national level.

Bill and Virginia Darr made a gift to support capital projects at the Darr Agricultural Center. The Board of Governors named the Center for Mr. Darr in recognition of a seven-figure gift for the facility. In addition, the Darrs made a gift to establish the Douglas W. Darr Leadership Scholarship in Agriculture. The gift was made in memory of Mr. Darr's son who was killed in a car accident at age 17.

#### **Estate Gifts**

The SMSU Foundation received several planned gifts during the year, including two estates.

The estate of John and Rita Bangs, valued at about \$80,000, will be used for scholarships in the College of Business Administration and for the Jane A. Meyer Carillon Fund.

The estate of Dr. George Klinkerfuss will benefit the Music Department. Dr. Klinkerfuss has been a longtime donor to the department, funding a string scholarship annually. In addition, for the past several years he had underwritten the spring Masterworks Concert, which is one of the musical highlights of the year.

#### **Deferred Gifts**

In all, there were 21 deferred gift commitments made during the year, many of which were made anonymously.

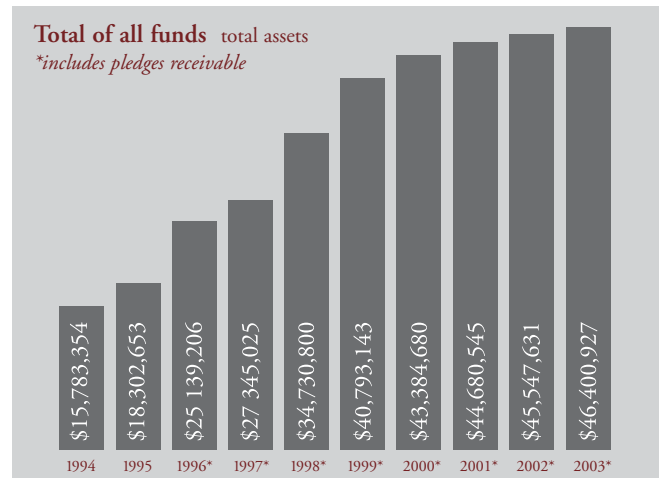
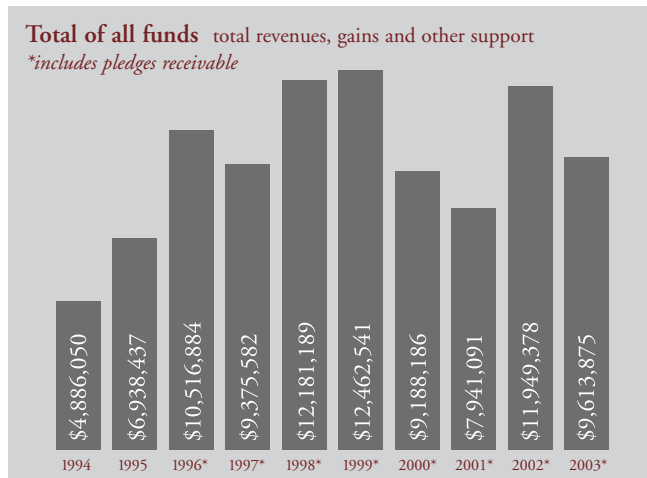
Bob and Fran Keever made one of the deferred gift commitments. Both Bob and Fran were born and raised in Kansas City, and neither are graduates of SMS. Bob came to Springfield after World War II and sold advertising for the Southwestern Bell Yellow Pages. He began working in management for Southwestern Bell and advanced through the Company. The Keevers moved 15 times in 20 years during his career. He retired in 1982 while working in St. Louis and they moved to Lake of the Ozarks. After about five years they moved to Springfield and fell in love with the community again.

The scholarship established through their deferred gift will benefit SMS students with financial need no matter what academic discipline they choose. The Keevers want to ensure that academically talented students don't forego a college education because they lack financial resources. "My father always taught me to support your community," says Bob. And the Keevers are doing exactly that.

Anna and Della Knox also made deferred commitments, but these sisters chose to use the charitable gift annuity as the vehicle. Through the annuity, Anna and Della receive a guaranteed income from their investment for their lifetimes. Then, upon their deaths, the sisters have stipulated that the remainder of their gifts be used to provide athletics scholarships. More and more individuals, especially seniors, are considering the charitable gift annuity as a viable option for making a gift to the SMSU Foundation, especially since the income through the annuity is significantly higher than from other investments — sometimes four or five times greater.

# 2002–2003 FINANCIAL REPORT

## Southwest Missouri State University Foundation



### The Campaign for SMS

As 2002–03 came to a close, SMS was preparing for the September public announcement of its first comprehensive fund-raising campaign. The “quiet phase” of the Campaign has been under way for about two years.

At the September 13 kickoff event, the SMSU Foundation announced that it would seek \$50 million by the conclusion of the year-long Centennial Celebration in 2004–05. The theme is *The Campaign for SMS: Imagine the Possibilities*. Bill Darr and Tom Strong are the co-chairs of the campaign.

During its first 100 years, one of the university’s trademarks was its intense desire to excel. According to Don Landon, who researched and wrote the Centennial history, “The status quo was always seen as temporary. The commitment to excel quickly became part of the institution’s culture. The culture of excellence drew outstanding faculty who, in turn, drew students with high aspirations.”

And so it is again as the institution looks toward its second 100 years, beginning in 2005. The comprehensive fund-raising campaign will position SMS to continue to excel in its next 100 years.

The \$50 million in projects and initiatives will help SMS accomplish its goals over the next 5–10 years. *The Campaign for SMS* seeks philanthropic funding for projects in five areas:

- Supporting the student body through undergraduate scholarships and graduate fellowships — \$12 million
- Promoting faculty recruitment, retention, and excellence through endowed positions and support for other faculty activities — \$7 million
- Assuring continued program support for academic programs and centers of excellence, such as Greenwood Laboratory School, Tent Theatre, KSMU Public Radio Station, Ozarks Public Television, the Juanita K. Hammons Hall for the Performing Arts, intercollegiate athletics, the SMSU Alumni Association, educational partnerships in China, and others — \$17.5 million
- Enhancing the learning environment through strategic investments in campus facilities — \$12 million
- Capitalizing on various opportunities through Unrestricted Gifts — \$1.5 million

Through the Campaign, the goal is to increase the endowment fund by over 40 percent from its current \$29 million to \$42 million.

More information about *The Campaign for SMS* is available on the university web site at: [www.smsu.edu/campaign](http://www.smsu.edu/campaign).



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## Independent Accountants' Report

The Board of Directors  
Southwest Missouri State University Foundation  
Springfield, Missouri

We have audited the accompanying statement of financial position of Southwest Missouri State University Foundation as of June 30, 2003, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Foundation's June 30, 2002 financial statements and in our report dated August 9, 2002, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwest Missouri State University Foundation as of June 30, 2003, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Solutions  
for  
Success**

*BKD, LLP*

August 14, 2003

**2002–2003 FINANCIAL REPORT**  
 Southwest Missouri State University Foundation

## Statement of Financial Position

June 30, 2003 (with comparative totals for June 30, 2002)

		<b>2003 Total</b>	<b>2002 Total</b>
<b>Assets</b>	Cash	\$ 999,967	\$ 639,602
	Accounts receivable, net	24,925	10,026
	Pledges receivable, net	5,555,578	5,389,800
	Investments	35,968,553	35,402,189
	Investments held in trust	1,093,736	1,085,283
	Investments held for resale	472,742	276,987
	Real estate held for resale	306,983	376,983
	Notes receivable	15,403	27,357
	Cash value of life insurance	363,792	349,359
	Real estate and equipment, at cost	3,114,155	3,379,162
	Accumulated depreciation	(1,519,189)	(1,390,023)
	Deferred bond issuing expense	4,282	906
	<b>Total Assets</b>	<b>\$ 46,400,927</b>	<b>\$ 45,547,631</b>
<b>Liabilities</b>	Accounts payable and accrued expenses	\$ 72,747	\$ 225,529
	Annuity obligations	562,665	588,872
	Bonds and notes payable	680,000	910,674
	Funds managed for Southwest Missouri State University	199,762	199,762
	<b>Total Liabilities</b>	<b>1,515,174</b>	<b>1,924,837</b>
<b>Net Assets</b>	Unrestricted	4,070,816	3,995,486
	Temporarily restricted	22,489,126	23,389,924
	Permanently restricted	18,325,811	16,237,384
	<b>Total Net Assets</b>	<b>44,885,753</b>	<b>43,622,794</b>
	<b>Total Liabilities and Net Assets</b>	<b>\$ 46,400,927</b>	<b>\$ 45,547,631</b>

*See Notes to Financial Statements*

**2002–2003 FINANCIAL REPORT**  
 Southwest Missouri State University Foundation

## Statement of Activities

Year ended June 30, 2003 (with comparative totals for June 30, 2002)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2003 Total	2002 Total
<b>Revenues, Gains and Other Support</b>					
Contributions	\$ 212,451	\$ 5,131,589	\$ 2,017,281	\$ 7,361,321	\$ 10,558,842
Investment return	584,485	398,067		982,552	(505,226)
Gain (loss) on assets held in trust		(13,827)	10,901	(2,926)	(54,013)
Life insurance cash value increase	1,333	17,036		18,369	20,869
Rental income	721,869			721,869	749,649
Other income	63,687	372,907	96,096	532,690	1,179,257
Net assets released from restrictions	6,436,054	(6,436,054)			
<b>Total Revenues, Gains and Other Support</b>	<b>8,019,879</b>	<b>(530,282)</b>	<b>2,124,278</b>	<b>9,613,875</b>	<b>11,949,378</b>
<b>Expenses and Losses</b>					
Instruction and academic program support	1,541,324			1,541,324	1,366,438
Student services	1,708,325			1,708,325	1,767,590
Institutional support	282,803			282,803	199,194
Scholarships	1,180,963			1,180,963	1,090,463
Broadcast services	1,245,146			1,245,146	1,382,591
Rental expenses	591,484			591,484	646,163
Capital project payments to Southwest Missouri State University	367,759			367,759	2,268,124
Costs of direct benefits to donors	249,445			249,445	271,542
Fund raising	764,125			764,125	729,693
<b>Total Expenses</b>	<b>7,931,374</b>			<b>7,931,374</b>	<b>9,721,798</b>
Actuarial (gain) loss on trust and annuity obligations	13,175	(15,642)	17,383	14,916	13,013
Provision for uncollectible pledges and rent receivable		86,451	18,468	104,919	154,423
Realized and unrealized losses on real estate held for resale		59,885		59,885	243,911
Reduction in value of depreciable real estate		239,822		239,822	
<b>Total Expenses and Losses</b>	<b>7,944,549</b>	<b>370,516</b>	<b>35,851</b>	<b>8,350,916</b>	<b>10,133,145</b>
Change in Net Assets	75,330	(900,798)	2,088,427	1,262,959	1,816,233
Net Assets, Beginning of Year	3,995,486	23,389,924	16,237,384	43,622,794	41,806,561
<b>Net Assets, End of Year</b>	<b>\$4,070,816</b>	<b>\$22,489,126</b>	<b>\$18,325,811</b>	<b>\$44,885,753</b>	<b>\$43,622,794</b>

*See Notes to Financial Statements*



**2002 – 2003 FINANCIAL REPORT**  
 Southwest Missouri State University Foundation

## Statement of Cash Flows

Year ended June 30, 2003 (with comparative totals for June 30, 2002)

		<b>2003 Total</b>	<b>2002 Total</b>
<b>Cash Flows From Operating Activities</b>	Change in net assets	\$ 1,262,959	\$ 1,816,233
	Adjustments to reconcile change in net assets to net cash provided by operating activities		
	Depreciation	158,443	177,445
	Amortization	1,098	625
	Non-cash contribution to university	35,625	1,118,989
	Realized and unrealized losses on real estate held for resale	59,885	243,911
	Reduction in value of depreciable real estate	239,822	
	Net realized and unrealized (gains) losses on investments	(390,422)	1,250,778
	Net realized and unrealized losses on investments held in trust	2,926	54,013
	Actuarial loss on trust obligations	5,162	23,205
	Non-cash gifts	(382,716)	(1,259,034)
	Changes in:		
	Accounts receivable	(14,899)	71,539
	Pledges receivable	(165,778)	(2,063,215)
	Accounts payable and accrued expenses	(152,782)	32,750
	Annuity obligations	(45,033)	(37,309)
	Deferred revenue		(764,588)
	Contributions restricted for long-term investment	(1,544,647)	(1,462,594)
	Trust (gain) loss restricted for long-term investment	(10,901)	48,836
	Other income restricted for long-term investment	(96,096)	(105,879)
	<b>Net Cash Used In Operating Activities</b>	<b>(1,037,354)</b>	<b>(854,295)</b>
<b>Cash Flows From Investing Activities</b>	Proceeds from sale of investments	7,964,319	7,817,451
	Purchases of investments	(8,140,261)	(8,802,123)
	Proceeds from sale of investments held in trust	93,627	
	Purchases of investments held in trust	(55,006)	
	Proceeds from collections on notes receivable	11,954	11,653
	Proceeds from sale of real estate held for resale	125,115	163,365
	Proceeds from life insurance cashed	3,937	15,405
	Fixed asset acquisitions	(4,092)	(73,561)
	Increase in cash value of life insurance	(18,370)	(20,869)
	<b>Net Cash Used in Investing Activities</b>	<b>(18,777)</b>	<b>(888,679)</b>
<b>Cash Flows From Financing Activities</b>	Proceeds from contributions restricted for investment in endowment	1,544,647	1,462,594
	Trust gain (loss) restricted for reinvestment	10,901	(48,836)
	Other income restricted for reinvestment	96,096	105,879
	Principal payments of debt	(230,674)	(180,000)
	Increase in bond issuing costs	(4,474)	
	<b>Net Cash Provided by Financing Activities</b>	<b>1,416,496</b>	<b>1,339,637</b>
	Increase (Decrease) in Cash	360,365	(403,337)
	Cash, Beginning of Year	639,602	1,042,939
	<b>Cash, End of Year</b>	<b>\$ 999,967</b>	<b>\$ 639,602</b>
	Supplemental Data		
	Interest paid	\$ 35,743	\$ 63,195

See Notes to Financial Statements

## Notes to Financial Statements June 30, 2003

### Note 1: Summary of Significant Accounting Principles

#### **Purpose of the Foundation**

The purpose of the Southwest Missouri State University Foundation is to be the legal vehicle to receive, manage and distribute all private gifts, restricted and unrestricted, for the benefit of Southwest Missouri State University, or its successors, or any institution of higher learning with which it may merge. The Foundation provides funds from private sources to a variety of university departments and programs.

The Board of Directors which governs the Foundation is separate and distinct from the Board of Governors, the governing body of the university.

The Foundation's primary source of revenue is from contributions and their investment return.

#### **Description of Net Assets**

The net assets of the Foundation are reported in the following categories:

- A. Unrestricted Net Assets — net assets that are neither permanently nor temporarily restricted by donor-imposed stipulations, and are expendable for any purpose.
- B. Temporarily Restricted Net Assets — net assets which result from donor-imposed restrictions that permit the Foundation to expend the donated assets as specified, and are satisfied by either the passage of time or by actions of the Foundation.
- C. Permanently Restricted Net Assets — net assets which result from donor-imposed restrictions that such assets be maintained permanently, but permit the Foundation to expend part of the income and gains derived from the donated assets.

#### **Contributions and Pledges Receivable**

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

Gifts of land, buildings, equipment and other long-lived assets are reported as unrestricted revenue and net assets unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as temporarily or permanently restricted revenue and net assets. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets to unrestricted net assets are reported when the long-lived assets are placed in service.

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

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Southwest Missouri State University Foundation

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### **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, 2003, totaled \$39,629 and is included in rental expenses. Real estate and equipment also includes \$220,000 for a residence on the West Plains campus used to house administration. During the year, the property value was reduced by \$239,822 as the result of an appraisal. Depreciation for the residence for the year ended June 30, 2003, totaled \$10,768 and is included in institutional support.

### **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.

### **Income Tax Exempt Status**

The Foundation is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code.

### **Deferred Bond Issuing Expense**

The bond issuing expenses incurred on the revenue bond issue 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, 2003, was \$1,098 and is included in rental expenses.

### **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.

### **Comparative Amounts**

The financial statements include certain prior year comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2002, from which the comparative information was derived.

### **Functional Allocation of Expenses**

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. Certain costs have been allocated among the program and support services categories based on various methods.

## Notes to Financial Statements June 30, 2003

### Note 2: Pooled Investments

Funds treated as endowment by the Foundation are managed as a pooled investment fund. This pool includes funds from the unrestricted, temporarily restricted and permanently restricted net asset classes. 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 year ended June 30, 2003:

Pooled investment at market value	\$ 29,063,121
Number of pool shares	141,428
Market value per pool share	\$ 205.50
Time weighted total return	2.6%
Interest and dividend earnings	\$ 395,058
Net gains	\$ 339,423

Endowment assets consist of the following as of June 30, 2003:

Pooled assets from above	\$ 29,063,121
Non-pooled endowment assets	3,175,196
<u>Total endowment assets</u>	<u>\$ 32,238,317</u>

Endowment assets are included within:

Unrestricted net assets	\$ 2,239,524
Temporarily restricted net assets	11,751,963
Permanently restricted net assets	18,047,068
Funds managed for Southwest Missouri State University	199,762
<u>Total endowment assets</u>	<u>\$ 32,238,317</u>

### Note 3: Investments and Investment Return

Investments in equity securities and debt securities are carried at fair value. Investment income and gains that are restricted by donor stipulation are initially included in temporarily restricted net assets. When the restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets. Other investment income, gains and losses are reflected in the statement of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

At June 30, 2003, the fair value of the portion of investments for certain endowments was approximately \$522,000 less than the historical contribution 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 Foundation

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Investments are summarized as follows:

Accrued income	\$ 38,869
The Common Fund	
Money market accounts	4,513,902
Intermediate cash fund	2,917,490
International fund	1,364,561
Multi-strategy bond fund	1,184,654
Endowment Realty Investors, Inc.	468,126
Charles Schwab	
Money market fund	19,501
Vanguard Value Index	1,763,307
Vanguard Mid Cap Index	594,637
DFA U.S. 4-10 Value Portfolio	1,428,667
MSDW Institutional International Small Cap	1,943,434
SSgA Emerging Markets	1,707,397
PIMCO	1,935,750
Scudder Reef Real Estate	1,195,487
Axa. Rosenberg U.S. Small Cap	1,309,481
Westridge Capital Management Enhancement Fund	1,721,165
Harris Aurora Offshore Limited Fund	1,108,542
Lotsoff Capital Management Small Cap	1,472,089
Cadogan Alternative Strategies Fund	1,000,000
Highland Investors L.P.—equities	1,266,902
Springfield Trust Company	
Money market accounts	253,093
Fixed income	3,350,040
Rorer Asset Management—equities	1,746,652
Rorer Asset Management—balanced fund	263,116
Trust Company of the Ozarks	
Money market accounts	102,516
Fixed income	1,295,675
Other	3,500
	\$ 35,968,553

Investment return consists of the following:

Investment income	\$ 592,130
Net realized and unrealized gains on investments reported at fair value	390,422
	\$ 982,552

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 year ended June 30, 2003 totaled \$112,301.

## Notes to Financial Statements June 30, 2003

### Note 4: Related Party Transactions

The Foundation receives administrative support from the university without charge. The value of these services is not recorded as revenues or expenditures by the Foundation. The university pays the Foundation for space occupied by various university departments within The Alumni Center. Rental payments for the year ended June 30, 2003, were \$291,792 and are included in rental income. Accounts payable and accrued expenses include \$42,071 due the university at June 30, 2003. The Foundation owns real estate in West Plains used by the West Plains campus.

In 1982 the university's Board of Governors authorized the transfer of its endowment fund of \$199,762 to the Foundation for management purposes. This balance is shown on the Foundation's statement of financial position as funds managed for Southwest Missouri State University. All investment earnings from these funds have been recorded in the accounting records of the Foundation. All endowment additions since 1982, including gifts, student fees designated for endowment, and other income, have been recorded in the Foundation accounting records.

### Note 5: Bonds and Notes Payable

Details of Real Estate Revenue bonds and notes, as of June 30, 2003, are as follows:

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

Aggregate annual maturities of long-term debt at June 30, 2003, are as follows: 2004 – \$240,000; 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. During the year ended June 30, 2003, the Series A bonds were paid-in-full and the Series B interest rate of 6.0% was reduced to 3.5%. For the year ended June 30, 2003, total interest expense on the 1991 office building debt was \$33,150 and is included in rental expenses.

### Note 6: Leases

Noncancelable leases for space in The Alumni Center expire in various years through 2006. Several of these leases contain renewal options for periods ranging from one to four years. Future minimum lease income at June 30, 2003, is as follows: 2004 – \$558,385; 2005 – \$32,911; 2006 – \$16,601.

### Note 7: Other Investments

#### Investments Held for Resale

Investments held for resale consist of tangible personal property, closely held corporate stock and publicly traded common stock which are carried at the fair value as of the date received. These investments totaled \$472,742 at June 30, 2003.

**Note 8: Split-Interest Agreements**

The Foundation is one beneficiary of a perpetual split-interest trust which is held by others. The fair value of the Foundation interest in the trust at June 30, 2003, is \$84,936. The income received by the Foundation from this trust was \$4,102 for this fiscal year. The Foundation also is the beneficiary of thirteen charitable remainder trusts with a fair value at June 30, 2003, of \$1,008,800. The Foundation recognized \$36,336 in contribution revenue under these agreements during the year ended June 30, 2003.

The Foundation has entered into annuity agreements with various individuals whereby the annuitants have given certain assets to the Foundation on the condition that the Foundation pay stipulated amounts periodically to the annuitants during their lifetime. Any assets remaining upon the death of the annuitants become the property of the Foundation and available for its use, subject to the restrictions of the annuity agreement, if any. The Foundation recognized \$27,291 in contribution revenue under these agreements during the year ended June 30, 2003.

The annuity obligation at June 30, 2003, of \$562,665 was calculated over the terms of the agreements based on the rates for government securities with similar maturities.

**Note 9: Pledges Receivable**

Pledges receivable 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, 2003:

Due in less than one year	\$ 1,984,205
Due in one to five years	3,155,035
Due in more than five years	847,165
	<u>5,986,405</u>
Less: Allowance for doubtful accounts	114,841
Unamortized discount	315,986
	<u>430,827</u>
	<u>\$ 5,555,578</u>

**Note 10: Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes:

Any purpose, time restricted	\$ 24,890
Instruction and academic program support	8,737,275
Student services	4,061,355
Institutional support	1,313,337
Scholarships	7,633,712
Broadcast services	718,557
	<u>\$ 22,489,126</u>

## Notes to Financial Statements June 30, 2003

### Note 11: Permanently Restricted Net Assets

Permanently restricted net assets are restricted to investments in perpetuity, the revenue from which is expendable to support:

Instruction and academic program support	\$ 4,410,368
Student services	677,904
Institutional support	964,218
Scholarships	12,208,220
Broadcast services	65,101
	<hr/>
	\$ 18,325,811

### Note 12: Conditional Promise

On June 25, 1998, the Foundation received notification from a donor contributing one parcel of real estate, subject to the donor providing acceptable documentation stating that the parcel meets the established real estate guidelines of the Foundation related to environmental considerations. As the value of this property is subject in large part to the documentation not yet obtained, the fair value of the property cannot be reasonably estimated at June 30, 2003. ■



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### Private Giving

The loyalty of alumni and previous donors was evident during the fiscal year July 1, 2002, through June 30, 2003. A record number of 34,992 gifts were given, totaling \$7,061,031 (cash basis). As part of that number, the Annual Fund, which supports academic and other programs, received the highest gift amount ever: \$4,468,546. The other approximately \$2.5 million were designated for special campaigns or were one-time gifts.

Many donors choose to support scholarships. Indeed, 551 endowed funds (or 78 percent of all endowments) are designated for scholarships. There are also 354 restricted, i.e., not endowed, funds for scholarships. Because of the generosity of scholarship donors, in the past academic year, students received \$1,180,963 in scholarships from private sources.

Endowed funds are critical to ongoing institutional planning and support. At the end of the fiscal year, the total endowment pool assets stood at \$29,063,121. In addition to providing scholarship support, endowments provide critical program support, fund ongoing maintenance and equipment needs, bring in guest artists and lecturers, and fund faculty growth and development. Continued growth in the endowment parallels continued progress for the University.

Deferred gifts continue to be important for the future of SMSU. The 21 deferred gift commitments established in FY02-03 assist a variety of areas. Paul Connery, for the tenth consecutive year, established a trust for capital purposes of the College of Business Administration. Other trusts will ultimately benefit scholarships and academic departments, the Juanita K. Hammons Hall for the Performing Arts and Ozarks Public Television.

Other deferred gift commitments were in the form of bequests, for a variety of capital projects, Public Broadcasting, and the area of greatest need. Two gifts of life insurance policies will benefit the Grizzly Volleyball program and the Jane A. Meyer Carillon Fund. And charitable gift annuities established will benefit several scholarships, as well as intercollegiate athletics. Charitable gift annuities are life income gifts, providing income for the life of the donor and/or the donor's spouse. Part of the annuity income is taxable and part of it is not.

Whether gifts are made for immediate use, designated for permanent needs by funding endowments or planned through a deferred gift vehicle, all gifts are important to SMSU, both now and in the future. Across the University, many giving opportunities exist along with a range of giving vehicles, from cash to stock to real estate. All gifts advance the opportunities for SMSU students and enhance the University.

Fiscal Year 2003 was an exceptional year in which alumni, parents and friends of SMSU demonstrated their loyalty to the University, its students, faculty, facilities and programs with their gifts. ■

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