



2003 – 2004

Financial Report

Southwest Missouri State University

Foundation

2003 – 2004 Financial Report

Southwest Missouri State University Foundation

Contents

Financial Highlights	3
Independent Accountants' Report	8
Financial Statements	9
Notes to Financial Statements	12
Private Giving	18
Officers and Directors	19

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.

2003–2004 Financial Report

Southwest Missouri State University Foundation

the
CAMPAIGN
for
SMS
IMAGINE the
POSSIBILITIES



Dr. John H. Keiser
SMSU President

Thanks to a significant increase in support for student scholarships, the Southwest Missouri State University Foundation set a record in 2003–04 with \$9,285,422 (cash basis) in private contributions. In addition, SMS’s \$50 million comprehensive fund-raising campaign, *The Campaign for SMS: Imagine the Possibilities*, remained on schedule. A total of \$35,788,912 in gifts and commitments has now been received or committed for the campaign.

The \$9,285,422 (cash basis) raised from July 1, 2003 through June 30, 2004, is over \$2 million more than last year’s \$7,061,031 and almost \$1 million more than the previous high of \$8,365,498 in 2001–02. This year, the contributions came as the result of 34,954 gifts.

Annual gifts to the Foundation were up again in 2003–04, increasing from \$4,468,546 a year ago to \$4,674,219 this year.

Of the \$2 million increase from a year ago, a significant portion of this amount was designated for student scholarships. Two of the major scholarship funds established during the year were the Hutchens/SGA Centennial Leaders Scholarship Program and the W. L. “Les” and Jennie McQueary Athletics Scholarship Fund.

Additional monies were received in major gifts for the William H. Darr Agricultural Center and Hammons Field, as well as a nearly 50 percent increase in contributions for SMSU-West Plains — \$346,541 from 889 gifts last year to \$507,996 from 1,165 gifts this year.

Meanwhile, support for *The Campaign for SMS* continued to grow. During 2003–04, \$11,568,971 was raised or committed, bringing the total to \$35,788,912. The \$50 million campaign, the first comprehensive campaign in SMS’s history, runs through 2005 in conjunction with the Centennial Celebration. The five major goal areas are for faculty, students, programs, facilities and unrestricted.

“2003–04 was a tremendous year for private giving to SMS,” said Al R. Ellison, president of the SMSU Foundation. “It shows the great depth of feeling that alumni and friends have for the university. In the end, the generosity of our donors means more support for the outstanding faculty, more scholarships for SMS students, stronger academic programs, and better facilities. After all, that is the purpose of the Foundation — to support the university priorities.”

In its 23 years of existence, the Foundation has received more than \$103 million in outright gifts and pledges, and another \$26.5 million in deferred commitments.

The Foundation’s endowment pool earned 18.3 percent for 2003–04. Over the past 10 years, the compound annual return for the endowment pool has been 10.2 percent. The market value of the endowment pool as of June 30, 2004, was \$35,288,588, a 21 percent increase from June 30, 2003.

2003–2004 Financial Report

Southwest Missouri State University Foundation



The SMS Student Government Association rallied the student body to recommend a new fee to help establish the Hutchens/SGA Centennial Leaders Scholarship Program. Members of the SGA pictured on left, front to back, left to right are 2003–04 SGA President Rafiel Warfield, Maria Williams, Abigail Hagy, Helen Herschel, Jamie Gibson, Travis Weathermon, Chris Curtis, Lindsay Haymes, Lisa Steinbring and Kyle Moles.

Hutchens/SGA Centennial Leaders Scholarship Program

Beginning in the fall of 2005, students at Southwest Missouri State University will be eligible for a new scholarship program that recognizes leadership potential. When fully implemented, the program will provide 40–45 scholarships each year valued at \$1,250–\$2,500 each, depending upon financial need.

The new scholarship program is being made possible through a major gift from the Hutchens Family of Springfield and a new fee recommended by the Student Government Association. This combination has resulted in the Hutchens/SGA Centennial Leaders Scholarship Program.

The first 20–25 scholarships will be awarded to freshmen entering SMS in the fall of 2005 and are renewable for the sophomore year, provided the renewal criteria is met. The second group of 20–25 scholarships will be awarded to freshmen entering in the fall of 2006 and also are renewable for the sophomore year.

To be eligible for the Hutchens/SGA Centennial Leaders Scholarship Program, entering freshmen must have a minimum ACT of 20, and either be ranked in the top half of their graduating class or have a 3.0 high school GPA. In addition, the students must have demonstrated leadership potential.

Approximately half of the scholarships will be reserved for students who are not receiving any other type of institutionally funded academic entitlement scholarships. The intent is to provide students who have leadership potential with the opportunity to receive a college education.

2003–2004 Financial Report

Southwest Missouri State University Foundation



Fred (left) and Bill McQueary sit among the treasured artifacts of the family's pharmaceutical business that spanned nearly 120 years. The brothers established the W. L. "Les" and Jennie McQueary Athletics Scholarship Fund.



David Harrell and Mabel Jackson Northrip pose for a family portrait with baby Wendell. Wendell and his family established the David Harrell and Mabel Jackson Northrip Scholarship Fund.

W. L. "Les" and Jennie McQueary Athletics Scholarship Fund

The W. L. "Les" and Jennie McQueary Athletics Scholarship Fund is a tribute to the memory of a couple who actively enjoyed SMS athletics for decades.

The McQueary Family has a long history in the pharmaceutical business. Members of the McQueary family have attended many different schools, with Greenwood and SMS being among them.

Les McQueary loved athletics. Baseball was his favorite sport, and he sponsored many Kiwanis and American Legion teams for his sons. Les started attending SMS football games prior to 1920. Basketball was another love.

Jennie McQueary would take in baseball and basketball with her husband, but would not attend football games. In turn, Les escorted Jennie to the Springfield Civic Symphony concerts, and they were actively involved in First and Calvary Presbyterian Church.

It is little surprise that in seeking to honor their parents, Bill and Fred McQueary, their families and their business chose to establish a scholarship for football, basketball and baseball. The W. L. "Les" and Jennie McQueary Athletics Scholarship Fund is an endowment that will assist student-athletes in these three sports forever. Approximately \$9,000 will be available annually to be divided among student-athletes in the three sports.

David Harrell and Mabel Jackson Northrip Scholarship Fund

Christmas of 2003 probably wasn't very joyful for Wendell Northrip and his family. His beloved mother, Mabel Jackson Northrip, widowed for 40 years, died on Dec. 3. Twenty days later, his elderly aunt Bernice Jackson, who had shared a home with his mother for 40 years, also passed away.

A few months later, Wendell and his wife, Chris, decided to honor his parents by endowing a scholarship with proceeds from his mother's estate. The David Harrell and Mabel Jackson Northrip Scholarship Fund will forever benefit a graduate of Logan-Rogersville High School.

Wendell, a 1974 SMS graduate, grew up in Springfield and went to SMS on the GI Bill. He now directs SMS's ZipCard office.

2003–2004 Financial Report

Southwest Missouri State University Foundation



Arlen Diamond, director of Broadcast Services (center), provides a tour of the KSMU facility to the late Gov. Mel Carnahan and Chris Sifford in 1998.



A Missouri Valley Conference all-time record crowd of 9,017 was on hand April 2 when the SMS Bears and Southern Illinois Salukis played the first baseball game in the newly opened Hammons Field, four blocks north of the SMS campus in Springfield. Hammons Field is the \$32 million ball park built by John Q. Hammons.

Chris Sifford Memorial Scholarship

Chris Sifford was best described as a bright, talented, loyal, kind-hearted and all-around good guy. When he died on Oct. 16, 2000, in a plane crash that also took the life of Gov. Mel Carnahan and Randy Carnahan, those who knew and loved Chris were left to reflect upon the life of a man who was both decidedly ordinary and extraordinary.

Chris was from the bootheel of Missouri and graduated from Puxico High School in 1981. From high school, he attended Three Rivers Community College, and then transferred to Southwest Missouri State University, where he graduated in 1987 with a bachelor's degree in communication.

The Chris Sifford Memorial Scholarship was established to provide assistance to students seeking a degree in communication or journalism.

Others Student Scholarships

- The Jennifer L. Stewart Psychology Scholarship was established by SMS library employee Byron Stewart and his wife, Beth. Jennifer, a psychology major, was tragically killed in 2002 in a boating accident. The scholarship will be awarded to a graduate psychology student.
- Jim Ferguson made a significant commitment to the previously established Jim Ferguson African American Scholarship. The scholarship fund currently assists two students with annual fees. When fully funded, the scholarship will assist 10 students annually.

Facilities Gifts

- Several donations were made to equip and furnish the SMS facilities at Hammons Field, the new home of the SMS baseball program. Bill Mueller, former Bears player and third baseman for the Boston Red Sox, provided funding for the clubhouse. The Andy Newton Family provided funding for the conference room. Bill and Virginia Darr provided funding for the locker room. And Dr. and Mrs. Vernon Renner provided funding for the weight room. Thirty-six former players and friends of SMS baseball funded individual lockers in the players' locker room.

2003–2004 Financial Report

Southwest Missouri State University Foundation



The renovated Shannon Hall brings new opportunities for students at the SMSU-Mountain Grove Campus.



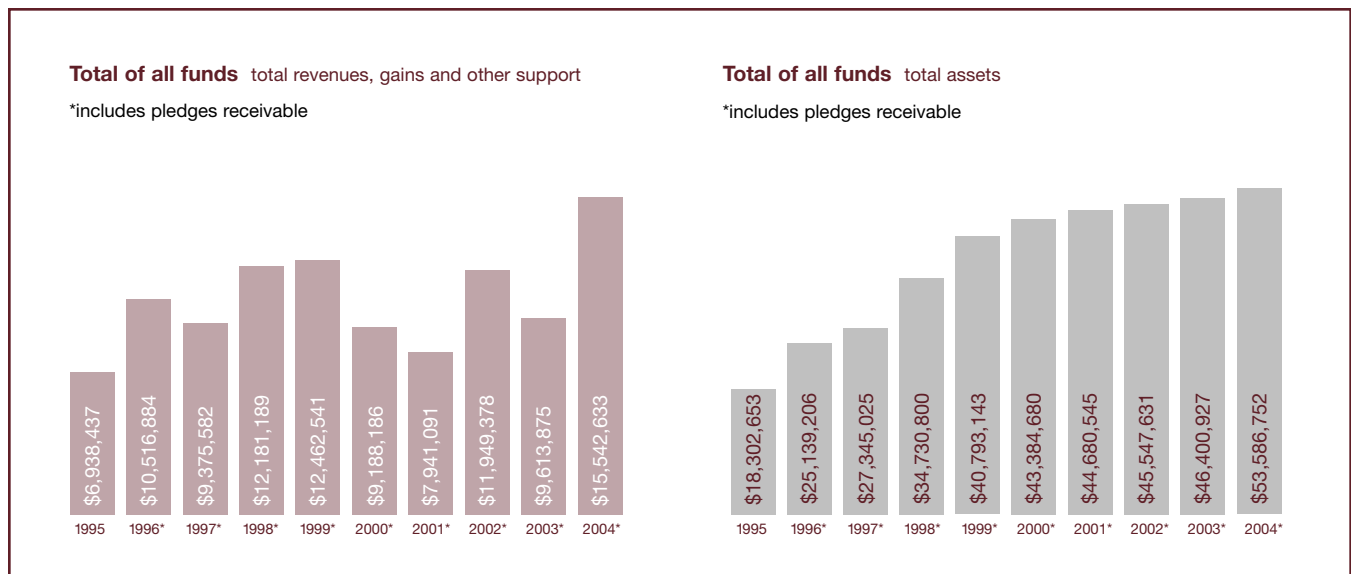
- Several donors, including O’Sullivan Furniture, First Home Savings Bank, the Wright County Industrial Authority, Worrel Transport, Mary and Richard Sheid, and Bill and Virginia Darr contributed to renovate Shannon Hall in Mountain Grove. Shannon Hall is the new location for SMSU-West Plains courses offered in Mountain Grove.

Program Support

- Bill and Virginia Darr, Errett and Pat Sechler, Ken Meyer, Fred and Ramona McQueary, and Bill and Shirley McQueary all provided funding for new uniforms for the SMS Pride Band.
- Wayne and Janet Bischler made a gift to the Women’s History Month Endowment. This fund will help cover the expenses for presenting and promoting activities included in this month-long celebration.
- Virginia Bussey established the Virginia C. Bussey Opera Performance Endowment. This endowment will provide annual support for opera productions at Juanita K. Hammons Hall for the Performing Arts in partnership with the local opera company whenever possible.



An avid supporter of the arts, Virginia Cox Bussey has assisted Juanita K. Hammons Hall for the Performing Arts and the Springfield community by sponsoring a number of opera productions over the years.



2003–2004 Financial Report

Southwest Missouri State University Foundation



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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, 2004, 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, 2003 financial statements and in our report dated August 14, 2003, 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, 2004, 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.

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BKD, LLP

August 16, 2004

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2003 – 2004 Financial Report

Southwest Missouri State University Foundation

Statement of Financial Position

June 30, 2004 (with comparative totals for June 30, 2003)

		2004	2003
		Total	Total
Assets	Cash	\$ 2,572,065	\$ 999,967
	Accounts receivable, net	25,478	24,925
	Pledges receivable, net	4,871,915	5,555,578
	Investments	42,188,047	35,968,553
	Investments held in trust	1,105,177	1,093,736
	Investments held for resale	533,413	472,742
	Real estate held for resale	387,983	306,983
	Notes receivable	6,258	15,403
	Cash value of life insurance	427,029	363,792
	Real estate and equipment, at cost	3,114,155	3,114,155
	Accumulated depreciation	(1,646,813)	(1,519,189)
	Deferred bond issuing expense	2,045	4,282
	Total Assets	\$ 53,586,752	\$ 46,400,927
Liabilities	Accounts payable and accrued expenses	\$ 319,922	\$ 72,747
	Pledges payable	945,669	
	Annuity obligations	567,544	562,665
	Bonds and notes payable	440,000	680,000
	Funds managed for Southwest Missouri State University	199,762	199,762
	Total Liabilities	2,472,897	1,515,174
Net Assets	Unrestricted	3,233,926	4,070,816
	Temporarily restricted	27,317,413	22,489,126
	Permanently restricted	20,562,516	18,325,811
	Total Net Assets	51,113,855	44,885,753
	Total Liabilities and Net Assets	\$ 53,586,752	\$ 46,400,927

See Notes to Financial Statements

2003–2004 Financial Report

Southwest Missouri State University Foundation

Statement of Activities

Year ended June 30, 2004 (with comparative totals for June 30, 2003)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2004 Total	2003 Total
Revenues, Gains and Other Support					
Contributions	\$ 232,354	\$ 6,431,055	\$ 2,169,542	\$ 8,832,951	\$ 7,361,321
Investment return	537,567	4,977,143		5,514,710	982,552
Gain (loss) on assets held in trust		(21,989)	22,051	62	(2,926)
Life insurance cash value increase	617	22,891		23,508	18,369
Rental income	736,645			736,645	721,869
Other income	78,262	256,398	100,097	434,757	532,690
Net assets released from restrictions	6,694,959	(6,694,959)			
Total Revenues, Gains and Other Support	8,280,404	4,970,539	2,291,690	15,542,633	9,613,875
Expenses and Losses					
Instruction and academic program support	1,823,776			1,823,776	1,541,324
Student services	1,986,577			1,986,577	1,708,325
Institutional support	305,939			305,939	282,803
Scholarships	1,139,308			1,139,308	1,180,963
Broadcast services	494,611			494,611	1,245,146
Rental expenses	587,894			587,894	591,484
Capital projects – Southwest Missouri State University	1,738,241			1,738,241	367,759
Costs of direct benefits to donors	314,171			314,171	249,445
Fund raising	720,049			720,049	764,125
Total Expenses	9,110,566			9,110,566	7,931,374
Actuarial (gain) loss on trust and annuity obligations	6,728	(19,004)	27,138	14,862	14,916
Provision for uncollectible pledges		161,256	27,847	189,103	104,919
Realized and unrealized losses on real estate held for resale					59,885
Reduction in value of depreciable real estate					239,822
Total Expenses and Losses	9,117,294	142,252	54,985	9,314,531	8,350,916
Change in Net Assets	(836,890)	4,828,287	2,236,705	6,228,102	1,262,959
Net Assets, Beginning of Year	4,070,816	22,489,126	18,325,811	44,885,753	43,622,794
Net Assets, End of Year	\$ 3,233,926	\$ 27,317,413	\$ 20,562,516	\$ 51,113,855	\$ 44,885,753

See Notes to Financial Statements

2003 – 2004 Financial Report

Southwest Missouri State University Foundation

Statement of Cash Flows

Year ended June 30, 2004 (with comparative totals for June 30, 2003)

	2004 Total	2003 Total
Cash Flows From Operating Activities		
Change in net assets	\$ 6,228,102	\$ 1,262,959
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	127,624	158,443
Amortization	2,237	1,098
Non-cash contribution to university		35,625
Realized and unrealized losses on real estate held for resale		59,885
Reduction in value of depreciable real estate		239,822
Net realized and unrealized (gains) losses on investments	(5,048,308)	(390,422)
Net realized and unrealized losses on investments held in trust	(62)	2,926
Actuarial (gain) loss on trust obligations	(5,146)	5,162
Non-cash gifts	(253,895)	(382,716)
Changes in:		
Accounts receivable	(553)	(14,899)
Pledges receivable	683,663	(165,778)
Accounts payable and accrued expenses	247,175	(152,782)
Pledges payable	945,669	
Annuity obligations	(46,326)	(45,033)
Contributions restricted for long-term investment	(2,438,236)	(1,544,647)
Trust gain restricted for long-term investment	(22,051)	(10,901)
Other income restricted for long-term investment	(100,097)	(96,096)
Net Cash Provided (Used) In Operating Activities	319,796	(1,037,354)
Cash Flows From Investing Activities		
Proceeds from sale of investments	8,433,743	7,964,319
Purchases of investments	(9,604,930)	(8,140,261)
Proceeds from sale of investments held in trust	232,708	93,627
Purchases of investments held in trust	(145,240)	(55,006)
Proceeds from collections on notes receivable	9,145	11,954
Proceeds from sale of real estate held for resale	30,000	125,115
Proceeds from life insurance cashed		3,937
Fixed asset acquisitions		(4,092)
Increase in cash value of life insurance	(23,508)	(18,370)
Net Cash Used in Investing Activities	(1,068,082)	(18,777)
Cash Flows From Financing Activities		
Proceeds from contributions restricted for investment in endowment	2,438,236	1,544,647
Trust gain restricted for reinvestment	22,051	10,901
Other income restricted for reinvestment	100,097	96,096
Principal payments of debt	(240,000)	(230,674)
Increase in bond issuing costs		(4,474)
Net Cash Provided by Financing Activities	2,320,384	1,416,496
Increase in Cash	1,572,098	360,365
Cash, Beginning of Year	999,967	639,602
Cash, End of Year	\$ 2,572,065	\$ 999,967
Supplemental Data		
Interest paid	\$ 19,950	\$ 35,743

See Notes to Financial Statements

2003–2004 Financial Report

Southwest Missouri State University Foundation

Notes to Financial Statements June 30, 2004

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.

2003–2004 Financial Report

Southwest Missouri State University 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 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. Depreciation for the residence for the year ended June 30, 2004, totaled \$5,263 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, 2004, was \$2,237 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 summarized 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, 2003, from which the summarized 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.

2003–2004 Financial Report

Southwest Missouri State University Foundation

Notes to Financial Statements June 30, 2004

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, 2004:

Pooled investment at market value	\$	35,288,588
Number of pool shares		153,576
Market value per pool share	\$	229.78
Time weighted total return		18.3%
Interest and dividend earnings	\$	312,342
Net gains	\$	5,075,506

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

Pooled assets from above	\$	35,288,588
Non-pooled endowment assets		2,947,634
<u>Total endowment assets</u>	<u>\$</u>	<u>38,236,222</u>

Endowment assets are included within:

Unrestricted net assets	\$	2,325,773
Temporarily restricted net assets		15,391,791
Permanently restricted net assets		20,318,896
Funds managed for Southwest Missouri State University		199,762
<u>Total endowment assets</u>	<u>\$</u>	<u>38,236,222</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, 2004, the fair value of the portion of investments for certain endowments was approximately \$58,900 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.

2003–2004 Financial Report

Southwest Missouri State University Foundation

Investments are summarized as follows:

Accrued income	\$ 42,127
The Common Fund	
Money market accounts	4,804,539
Intermediate cash fund	2,862,205
International fund	1,992,175
Multi-strategy bond fund	1,194,332
Endowment Realty Investors, Inc.	234,841
Charles Schwab	
Money market fund	306,450
Vanguard Value Index	2,132,276
Vanguard 500 Index Admiral	3,233,076
Vanguard Mid Cap Index	759,730
DFA U.S. 4-10 Value Portfolio	1,793,903
MSDW Institutional International Small Cap	2,053,774
SSgA Emerging Markets	2,253,882
PIMCO	2,366,779
Scudder Rreef Real Estate	1,632,291
Laudus U.S. Small Cap	1,611,487
Harris Aurora Offshore Limited Fund	1,470,073
Lotsoff Capital Management Small Cap	1,572,458
Cadogan Alternative Strategies Fund	1,346,018
Highland Investors L.P. — equities	1,629,956
Springfield Trust Company	
Money market accounts	39,270
Fixed income	3,345,383
Rorer Asset Management — equities	1,943,282
Rorer Asset Management — balanced fund	235,667
Trust Company of the Ozarks	
Money market accounts	57,988
Fixed income	1,270,585
Other	3,500
	<u>\$ 42,188,047</u>
Investment return consists of the following:	
Investment income	\$ 466,402
Net realized and unrealized gains on investments reported at fair value	5,048,308
	<u>\$ 5,514,710</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 year ended June 30, 2004 totaled \$120,620.

2003–2004 Financial Report

Southwest Missouri State University Foundation

Notes to Financial Statements June 30, 2004

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, 2004, were \$314,502 and are included in rental income. Pledges payable, accounts payable and accrued expenses include \$1,109,897 due the university at June 30, 2004. 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, 2004, are as follows:

Bond Issue/Note	Bonds Series	Balance June 30, 2004	Original Amount	Interest Rate	Due in One Year	Date Last Payment Due
Office Building—1991	B	\$440,000	\$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. For the year ended June 30, 2004, total interest expense on the 1991 office building debt was \$19,250 and is included in rental expenses.

Note 6: 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 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 \$533,413 at June 30, 2004.

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, 2004, is \$91,114. The income received by the Foundation from this trust was \$2,564 for this fiscal year. The Foundation also is the beneficiary of twelve charitable remainder trusts with a fair value at June 30, 2004, of \$1,014,063. The Foundation recognized \$42,497 in contribution revenue under these agreements during the year ended June 30, 2004.

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

2003–2004 Financial Report

Southwest Missouri State University Foundation

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 \$19,505 in contribution revenue under these agreements during the year ended June 30, 2004.

The annuity obligation at June 30, 2004, of \$567,544 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, 2004:

Due in less than one year	\$	2,054,944
Due in one to five years		2,601,681
Due in more than five years		727,562
		<hr/> 5,384,187
Less: Allowance for doubtful accounts		141,186
Unamortized discount		371,086
		<hr/> 512,272
	\$	<hr/> <hr/> 4,871,915

Note 10: Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

Any purpose, time restricted	\$	51,862
Instruction and academic program support		10,599,776
Student services		3,978,674
Institutional support		1,301,761
Scholarships		10,136,480
Broadcast services		1,248,860
	\$	<hr/> 27,317,413

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	\$	4,492,943
Student services		755,618
Institutional support		1,825,121
Scholarships		13,423,733
Broadcast services		65,101
	\$	<hr/> 20,562,516

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, 2004. ■

2003–2004 Financial Report

Southwest Missouri State University Foundation

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. ■

2003–2004 Financial Report

Southwest Missouri State University Foundation

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