

2004–2005 Financial Report



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.



Dr. Michael T. Nietzel
SMSU President

Fiscal Year 2005 was a tremendous year for Southwest Missouri State University and for the SMSU Foundation. As the University was successfully

completing 100 years of educational service, the SMSU Foundation was celebrating the attainment of its \$50 million goal for *The Campaign for SMS: Imagine the Possibilities*, the University's first comprehensive fund-raising campaign. With the support of countless alumni, friends, faculty, staff, organizations, foundations and businesses, the SMSU Foundation announced that as of June 30, 2005, a total of \$51,340,744 had been received or committed for the campaign.

Also, during fiscal year 2004–05, the SMSU Foundation reported gifts totaling \$8,979,512 (cash basis) from 26,857 donors. These contributions came through 34,880 gifts received through the Foundation. And, annual gifts to the Foundation in 2004–05 represented 32,550 gifts, with these gifts tallying \$5,278,970.

Student scholarship support continued to top the list of donor interests as gift designations to this area accounted for a notable portion of the \$8,979,512. Through major gift support, two of the newly established scholarships were the Robert M. and Edith I. Garst Endowed Scholarship and the William R. Thompson Scholarship Fund.

In addition to gifts for scholarships, the Foundation received gifts for faculty awards, ongoing program support, and for new facilities and/or enhancements to existing facilities. Virtually every department on campus has benefited from the generosity of alumni and friends.

"This past fiscal year, 2004–05, was an extra special year for the University and the SMSU Foundation with many, many highlights," said T. Edward Pinegar, Jr., President of the SMSU Foundation. "In addition to a year full of events surrounding the Centennial celebration, we also celebrated the successful attainment of our \$50 million goal for *The Campaign for SMS: Imagine the Possibilities*. As of June 30, 2005, the campaign total was \$51,340,744. To all the alumni and friends of the University that participated, we say thank you. These gift dollars have and will continue to strengthen the University in the coming years."



Since the Foundation's establishment in 1981, nearly \$108 million in outright gifts have been received, and another \$32.4 million in deferred gifts have been committed, for a total of \$140 million received or committed for SMSU.

The Foundation's endowment pool earned 12 percent for 2004–05, and over the past 10 years, the compound annual return for the endowment pool has been 9.7 percent. Additionally, the market value of the endowment pool as of June 30, 2005, was \$39,965,318, an increase of more than 13 percent from June 30, 2004.



Top: Sarah Edna and J.C. Young are the namesakes for the College of Humanities and Public Affairs' newest endowed scholarship.

Right: Rich and Doris Young accepted their medallion from former President John Keiser, left, and SMSU Foundation President, T. Edward Pinegar, Jr., right, during The Founders Club Dinner celebration in June.

J.C. and Sarah Edna Young Endowed Scholarship

The J.C. and Sarah Edna Young Endowed Scholarship was established to assist graduates of Mountain Grove and Cabool high schools majoring in any discipline in the College of Humanities and Public Affairs. Richard F. (Rich) Young, a 1961 graduate of the University, established the scholarship as a tribute to the memory of his parents.

"They deeply believed in higher education," said Rich. "Demonstrated leadership and a tremendous work ethic were core family values."

J.C. and Sarah Edna were longtime residents of Mountain Grove. J.C. was a graduate of Mountain Grove High School where he lettered in football and basketball. He was a longtime Mountain Grove businessman and civic leader. J.C. owned Young's Furniture and served as mayor of Mountain Grove and chairman of the Chamber of Commerce. Sarah Edna was a graduate of Cabool High School and also was very active in civic leadership.

Rich and his wife, Doris, currently reside in Boston, Massachusetts. He is the President of Welch and Forbes, LLC, a financial investment firm.



Robert, '41, and Edith Garst established a scholarship that will forever benefit the graduates of Marshfield High School.

Robert M. and Edith I. Garst Endowed Scholarship

Natives of Marshfield, Missouri, Robert and Edith Garst established the Robert M. and Edith I. Garst Endowed Scholarship, which will provide financial support for Marshfield High School students who are either incoming freshmen or students already enrolled at the University.

A 1941 alumnus of SMS, Robert went to work immediately after college graduation for Stanolind Oil and Gas Company, a firm he would work for in the field of land management for 38 years. During his tenure with Stanolind, the company changed its name to Standard Oil of Indiana to Amoco and eventually became BP (British Petroleum).

"We have long recognized and experienced increases in student fees as our children and grandchildren have gone to college," noted the couple upon their decision to establish the scholarship. "No doubt, fees will continue to increase in the coming years and cause students to experience debt that will follow them for many years. Consequently, we are pleased to be in a position to create a scholarship fund that will forever benefit graduates from our hometown."



Tom Black Debate Fund

The Southwest Missouri State University debate team has consistently ranked in the Top 20 nationwide, competing admirably against such schools as Duke and Stanford. Over the years, many students have participated in this debate program and have gone on to very successful careers. One of those students — now an alumnus — is Tom Black.

A 1973 graduate, Tom was a member of the intercollegiate debate team and won more than 60 trophies for National Debate Excellence. He finished third in the nation at the National Debate Tournament his senior year. Tom has kept in touch with several of the members of the debate teams on which he competed, as well as with the current debate faculty.

Tom's professional career has included service for Southwestern Company, Windsor Publishing Company and FIS-IMadison Financial before co-founding Private Business, Inc. Other business ventures have included moving Tecriflex, Inc., and Imagic Corporation, which he and another business partner own, from regional providers to national sales organizations.

His dedication to the SMSU Debate program was demonstrated when he established the Tom Black Debate Fund to aid the needs of the debate program, including travel, computers and scholarships. This past year, Tom pledged an additional \$50,000 each year to the fund as a challenge to other successful debaters. The money given is meant to match dollar for dollar all gifts that are made to any SMSU Foundation account benefiting debate.

Dr. Norman Dobson Memorial Scholarship

The Center for Applied Science and Engineering (CASE) received its first scholarship — the Dr. Norman Dobson Memorial Scholarship — for undergraduate and graduate students working in CASE with an interest in small business and majoring in one of the applied science fields. Special consideration is given to students who have served in the armed services.

The gift honors Dr. Dobson of Brewer Science, Inc., who was an original author of many of the innovative policies adopted by CASE to better serve small advanced technology industry. He lost his struggle with ALS, also known as Lou Gehrig's disease, in early March 2005. Since that time, several major gifts have been received for the scholarship, including those from Brewer Science, Inc. of Rolla, Missouri; Crosslink Polymer Research, Inc. of St. Louis, Missouri; and GHL of Washington, D.C.



Top: Tom Black, '73, established a challenge gift that will benefit the debate program.

Bottom: The first scholarship for the Center for Applied Science and Engineering (CASE), which will be housed in the soon to be developed Jordan Valley Innovation Center, was established in honor of Dr. Norman Dobson. Also pictured with Dr. Dobson are, from left, Dr. Ryan Giedd, executive director of CASE; Faith Giedd, director of development for the College of Natural and Applied Sciences; Dobson's son, Tony, and wife, Wanda.

Other Student Scholarships

- Benefiting graduates of Springfield, Missouri, high schools enrolled at the University, the Sechler Family Scholarship was established to honor four members of the Sechler Family: Errett Sechler, Sr.; Errett Sechler, Jr.; E. Chris Sechler III; and Susan Sechler Welker.
- Virginia Bussey made a significant contribution to establish the Henrietta Keller Music Education Scholarship Endowment in memory of the music teacher who made an impact upon her life. This scholarship is designated for a graduate or undergraduate student enrolled in the College of Arts and Letters who has been admitted to the program for the Bachelor of Music Education or the Master of Music.
- Several donors provided gift support for the Jim and Ruth Craig Endowed Scholarship Fund, established in honor of the couple who are longtime supporters of the University. Jim graduated from the University in 1943 and Ruth attended in 1942. This scholarship will benefit students in the College of Education.
- The Duggan Endowed Fund, established by Michael J. and Susan J. Duggan, will benefit students pursuing a degree in the College of Business Administration. Both are 1974 graduates of the University, and Michael currently serves as a member of the Board of Governors for the University.



The Music Department Centennial Concert, which was recorded for the compact disc *Music of the Centennial*, created a unique memento for the University's Centennial Celebration.



T. Edward Pinegar, Jr., accompanied by his family, speaks to a gathering of more than 200 SMSU faculty, staff, students, alumni and friends of the University who gathered Oct. 11, 2004 at the Darr Agricultural Center for the ribbon-cutting of the new multipurpose barn and the announcement to renovate the Center's arena.

Facilities Gifts

- The arena at the William H. Darr Agricultural Center has a new name — Pinegar Arena — in honor of Carol and T. Edward Pinegar, Jr. and their family, who made a major gift to renovate the facility. The Pinegar gift is assisting with the renovation of the facility, which includes the addition of a stalling barn/large animal laboratory, parking, restrooms and other infrastructure needs such as water, sewer and roads.
- When the Smith-London Centennial Bell Tower was dedicated March 25, it brought to fruition a long-held dream of former adjunct faculty member and SMSU Board of Governors member Allison London Smith to give the students of the West Plains Campus a gathering place “that would feed students’ souls.” Original plans called for the tower to be completed by June 30, 2001, but the sudden death of Bruce Smith in the spring of 2001 slowed progress on the project. The couple’s sons, Travis and Chase, took up the project’s reins and saw it to full completion in the spring of 2005.

- The Citizen-Scholar statue, representing the University’s statewide mission in public affairs, was dedicated April 13 in honor of President John H. Keiser. The dedication was part of the yearlong Centennial Celebration and also the kickoff to the inaugural Public Affairs Conference. The dedication plaque upon the statue reads, “The woman in this statue represents every student enrolled in the University. She is dressed in the ordinary clothes of a student, which she wore as she began her education. Upon completion of her degree, she dons the regalia of a graduate and now moves forward from graduation to support the global community, thus fulfilling the University’s mission: to develop educated citizens of the world.”
- Other donors making gifts for facilities were Rosalie Wooten and Ron and Sue Carol Terry for the William H. Darr Agricultural Center; Cardinal Roofing, Inc. for the Child Development Center; Jim D. and Catherine Morris for the Jim D. Morris Center for Continuing Education; and Dr. Vern and Fay Renner for the SMS Clubhouse at Hammons Field.

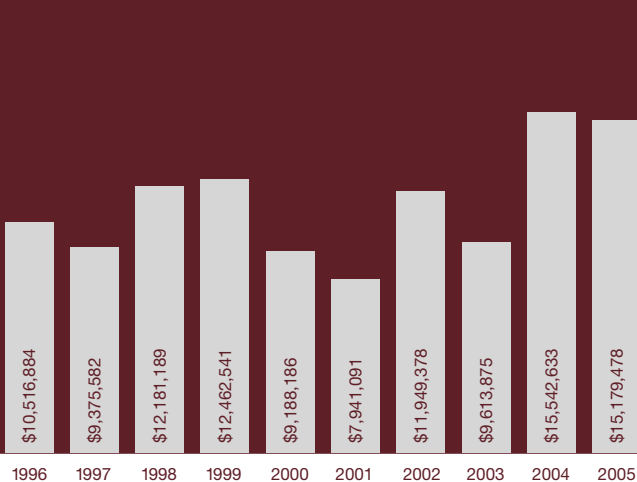


Program Support

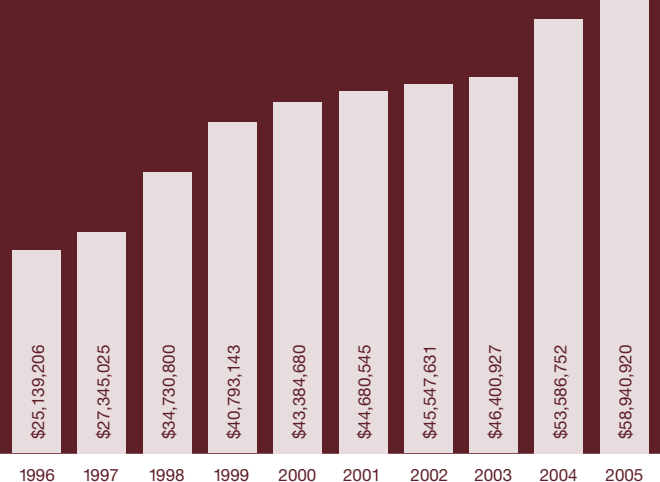
- Lockheed Martin and the Sarah Scaife Foundation, Inc., continued to provide major gift support for the Department of Defense and Strategic Studies. In a move intended to strengthen the department and increase opportunities for students in the Washington, D.C., area, the DSS department relocated classes to the nation’s capital for fall 2005. Administration of the department will remain under SMSU’s College of Humanities and Public Affairs. DSS provides professional, graduate-level academic training for students planning careers in U.S. national security policy, defense analysis and related fields.
- Ozarks Public Television received program support from the C.W. Titus Foundation and the Lemons Charitable Trust.

The 17-foot bronze statue was designed by Dr. Jim Hill, who also is the artist for the Bronze Bear statue, located north of Plaster Student Union. The statue was dedicated during the opening ceremony of the first Public Affairs Conference. The statue was cast in the Santa Fe Bronze foundry, in Santa Fe, N.M., the same foundry that created the Bronze Bear statue.

Total of all funds total revenues, gains and other support



Total of all funds total assets





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, 2005, 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, 2004 financial statements and in our report dated August 16, 2004, 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, 2005, 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.

BKD, LLP

August 12, 2005

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Statement of Financial Position

June 30, 2005 (with comparative totals for June 30, 2004)

		2005	2004
Assets	Cash and cash equivalents	\$ 4,072,779	\$ 2,572,065
	Accounts receivable, net	38,909	25,478
	Pledges receivable, net	5,081,717	4,871,915
	Investments	46,441,895	42,188,047
	Investments held in trust	1,132,126	1,105,177
	Investments held for resale	131,876	533,413
	Real estate held for resale	210,382	387,983
	Notes receivable		6,258
	Cash value of life insurance	442,516	427,029
	Real estate and equipment, at cost	2,958,940	3,114,155
	Accumulated depreciation	(1,570,842)	(1,646,813)
	Deferred bond issuing expense	622	2,045
	Total Assets	\$ 58,940,920	\$ 53,586,752
Liabilities	Accounts payable and accrued expenses	\$ 694,217	\$ 319,922
	Pledges payable	112,909	945,669
	Annuity obligations	556,575	567,544
	Bonds payable	200,000	440,000
	Funds managed for Southwest Missouri State University	199,762	199,762
	Total Liabilities	1,763,463	2,472,897
Net Assets	Unrestricted	4,497,569	3,233,926
	Temporarily restricted	30,217,476	27,317,413
	Permanently restricted	22,462,412	20,562,516
	Total Net Assets	57,177,457	51,113,855
	Total Liabilities and Net Assets	\$ 58,940,920	\$ 53,586,752

See Notes to Financial Statements

Statement of Activities

Year ended June 30, 2005 (with comparative totals for June 30, 2004)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2005 Total	2004 Total
Revenues, Gains and Other Support					
Contributions	\$ 240,528	\$ 7,339,122	\$ 1,862,584	\$ 9,442,234	\$ 8,832,951
Investment return	777,490	3,738,151		4,515,641	5,514,710
Gain on assets held in trust		35,002	10,648	45,650	62
Life insurance cash value increase (decrease)	(119)	15,606		15,487	23,508
Rental income	687,345			687,345	736,645
Other income	70,672	299,352	103,097	473,121	434,757
Net assets released from restrictions	8,301,908	(8,301,908)			
Total Revenues, Gains and Other Support	10,077,824	3,125,325	1,976,329	15,179,478	15,542,633
Expenses and Losses					
Instruction and academic program support	1,910,774			1,910,774	1,823,776
Student services	2,243,113			2,243,113	1,986,577
Institutional support	444,630			444,630	305,939
Scholarships	1,052,456			1,052,456	1,139,308
Broadcast services	859,422			859,422	494,611
Rental expenses	555,772			555,772	587,894
Capital projects – Southwest Missouri State University	680,107			680,107	1,738,241
Costs of direct benefits to donors	305,731			305,731	314,171
Fund raising	741,159			741,159	720,049
Total Expenses	8,793,164			8,793,164	9,110,566
Actuarial (gain) loss on trust and annuity obligations	21,017	(18,330)	26,003	28,690	14,862
Provision for uncollectible pledges		176,992	50,430	227,422	189,103
Reduction in value of real estate held for resale		66,600		66,600	
Total Expenses and Losses	8,814,181	225,262	76,433	9,115,876	9,314,531
Change in Net Assets	1,263,643	2,900,063	1,899,896	6,063,602	6,228,102
Net Assets, Beginning of Year	3,233,926	27,317,413	20,562,516	51,113,855	44,885,753
Net Assets, End of Year	\$ 4,497,569	\$ 30,217,476	\$ 22,462,412	\$ 57,177,457	\$ 51,113,855

See Notes to Financial Statements

Statement of Cash Flows

Year ended June 30, 2005 (with comparative totals for June 30, 2004)

		2005	2004
Cash Flows From Operating Activities	Change in net assets	\$ 6,063,602	\$ 6,228,102
	Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities		
	Depreciation	88,244	127,624
	Amortization	1,423	2,237
	Reduction in value of real estate held for resale	66,600	
	Net realized and unrealized gains on investments	(3,914,308)	(5,048,308)
	Net realized and unrealized gains on investments held in trust	(45,650)	(62)
	Actuarial gain on trust obligations	(4,603)	(5,146)
	Non-cash gifts	(785,959)	(2,281,898)
	Loss on sale of securities	11,715	7,898
	Changes in:		
	Accounts receivable	(13,431)	(553)
	Pledges receivable	(209,802)	683,663
	Accounts payable and accrued expenses	374,295	247,175
	Pledges payable	(832,760)	945,669
	Annuity obligations	(20,921)	(46,326)
	Contributions restricted for long-term investment	(1,861,814)	(2,438,236)
	Trust gain restricted for long-term investment	(10,648)	(22,051)
	Other income restricted for long-term investment	(103,097)	(100,097)
	Net Cash And Cash Equivalents Used In Operating Activities	(1,197,114)	(1,700,309)
Cash Flows From Investing Activities	Proceeds from sale of investments	13,422,753	8,433,743
	Purchases of investments	(13,762,292)	(9,604,930)
	Proceeds from sale of investments held in trust	58,949	232,708
	Purchases of investments held in trust		(145,240)
	Proceeds from collections on notes receivable	6,258	9,145
	Proceeds from sale of real estate held for resale	111,000	30,000
	Proceeds from sale of securities	1,150,088	2,020,105
	Fixed asset acquisitions	(9,000)	
	Increase in cash value of life insurance	(15,487)	(23,508)
	Net Cash And Cash Equivalents Provided By Investing Activities	962,269	952,023
Cash Flows From Financing Activities	Proceeds from contributions restricted for investment in endowment	1,861,814	2,438,236
	Trust gain restricted for reinvestment	10,648	22,051
	Other income restricted for reinvestment	103,097	100,097
	Principal payments of debt	(240,000)	(240,000)
	Net Cash And Cash Equivalents Provided By Financing Activities	1,735,559	2,320,384
Increase in Cash and Cash Equivalents	1,500,714	1,572,098	
Cash and Cash Equivalents, Beginning of Year	2,572,065	999,967	
Cash and Cash Equivalents, End of Year	\$ 4,072,779	\$ 2,572,065	
Supplemental Data			
Interest paid	\$ 11,550	\$ 19,950	

See Notes to Financial Statements

Notes to Financial Statements June 30, 2005

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.

Cash and Cash Equivalents

The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents other than amounts included in the Foundation's investment portfolio. At June 30, 2005, cash equivalents consisted primarily of money market funds. At June 30, 2005, the Foundation's cash accounts exceeded federally insured limits by approximately \$1,000,000.

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.

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 \$74,695 and equipment of \$442,208. Depreciation for the tenant remodeling for the year ended June 30, 2005, totaled \$11,437 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, 2005, 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, 2005, was \$1,423 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2004, 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.

Reclassifications

Certain reclassifications have been made to the 2004 financial statements to conform to the 2005 financial statement presentation. These reclassifications had no effect on the change in net assets.

Notes to Financial Statements June 30, 2005

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, 2005:

Pooled investment at market value	\$ 39,965,318
Number of pool shares	162,898
Market value per pool share	\$ 245.34
Time weighted total return	12.0%
Interest and dividend earnings	\$ 357,394
Net gains	\$ 3,926,702

Endowment assets consist of the following as of June 30, 2005:

Pooled assets from above	\$ 39,965,318
Non-pooled endowment assets	2,744,645
<u>Total endowment assets</u>	<u>\$ 42,709,963</u>

Endowment assets are included within:

Unrestricted net assets	\$ 2,558,466
Temporarily restricted net assets	17,489,323
Permanently restricted net assets	22,462,412
Funds managed for Southwest Missouri State University	199,762
<u>Total endowment assets</u>	<u>\$ 42,709,963</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.

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.

Investments are summarized as follows:

Accrued income	\$	69,285
The Common Fund		
Money market accounts		4,960,178
Intermediate cash fund		2,851,001
International fund		3,308,469
Multi-strategy bond fund		2,167,402
Endowment Realty Investors, Inc.		188,871
Charles Schwab		
Money market fund		16,030
Vanguard Value Index		2,781,660
Vanguard 500 Index Admiral		5,860,850
Vanguard Mid Cap Index		1,722,021
DFA U.S. 4-10 Value Portfolio		1,638,716
MSDW Institutional International Small Cap		2,646,609
SSgA Emerging Markets		2,837,437
PIMCO		2,605,876
Scudder Reef Real Estate		2,179,917
Laudus U.S. Small Cap		1,369,173
Harris Aurora Offshore Limited Fund		1,600,013
Lotsoff Capital Management Small Cap		1,387,456
Cadogan Alternative Strategies Fund		1,402,602
Reef America REIT		318,327
Highland Investors L.P. — equities		109,858
Springfield Trust Company		
Money market accounts		87,274
Fixed income		1,997,263
A. G. Edwards—balanced fund		241,079
Trust Company of the Ozarks		
Money market accounts		166,040
Fixed income		1,924,988
Other		3,500
	\$	46,441,895

Investment return consists of the following:

Investment income	\$	601,333
Net realized and unrealized gains on investments reported at fair value		3,914,308
	\$	4,515,641

Investments held in trust are deposited with A.G. Edwards' balanced fund or are in municipal bonds and other investments.

Investment expenses incurred for the year ended June 30, 2005 totaled \$120,363.

Notes to Financial Statements June 30, 2005

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 Kenneth E. Meyer Alumni Center. Rental payments for the year ended June 30, 2005, were \$313,471 and are included in rental income. Pledges payable, accounts payable and accrued expenses include \$784,158 due the University at June 30, 2005. 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 Payable

Details of Real Estate Revenue bonds, as of June 30, 2005, are as follows:

Bond Issue/Note	Bonds Series	Balance June 30, 2005	Original Amount	Interest Rate	Due in One Year	Date Last Payment Due
Office Building—1991	B	\$200,000	\$900,000	3.5%	\$200,000	4/1/06

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 Kenneth E. Meyer Alumni Center. For the year ended June 30, 2005, total interest expense on the 1991 office building debt was \$10,850 and is included in rental expenses.

Note 6: Leases

Noncancelable leases for space in The Kenneth E. Meyer Alumni Center expire in various years through 2008. Several of these leases contain renewal options for periods ranging from one to three years. Future minimum lease income at June 30, 2005, is as follows: 2006—\$482,295; 2007—\$39,375; 2008—\$19,406

Note 7: Other Investments

Investments Held for Resale

Investments held for resale consist of tangible personal property and publicly traded common stock which are carried at the fair value as of the date received. These investments totaled \$131,876 at June 30, 2005.

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, 2005, is \$95,076. The income received by the Foundation from this trust was \$3,923 for this fiscal year. The Foundation also is the beneficiary of twelve charitable remainder trusts with a fair value at June 30, 2005, of \$1,037,050. The Foundation recognized \$25,693 in contribution revenue under these agreements during the year ended June 30, 2005.

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 \$25,605 in contribution revenue under these agreements during the year ended June 30, 2005.

The annuity obligation at June 30, 2005, of \$556,575 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, 2005:

Due in less than one year	\$ 2,509,160
Due in one to five years	2,379,241
Due in more than five years	732,036
	5,620,437
Less: Allowance for doubtful accounts	155,839
Unamortized discount	382,881
	538,720
	\$ 5,081,717

Note 10: Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

Any purpose, time restricted	\$ 70,400
Instruction and academic program support	10,680,134
Student services	3,875,965
Institutional support	1,723,165
Scholarships	12,348,792
Broadcast services	1,519,020
	\$ 30,217,476

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	\$ 4,570,657
Student services	831,896
Institutional support	1,900,963
Scholarships	15,087,048
Broadcast services	71,848
	\$ 22,462,412

Note 12: Conditional Promise

On June 25, 1998, the Foundation received notification from a donor contributing a 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, 2005. ■

Private Giving

The loyalty of alumni and previous donors was evident during the fiscal year July 1, 2004, through June 30, 2005. The SMSU Foundation received 34,880 gifts, totaling \$8,979,512 (cash basis) for students, faculty and programs at SMSU. As part of that number, the Annual Fund, which supports academic and other programs, received the highest gift amount ever: \$5,278,970. The other approximately \$3.7 million was designated for special campaigns or were one-time gifts.

Many donors choose to support scholarships. Indeed, 650 endowed funds (or 85 percent of all endowments) are designated for scholarships. There also are 404 restricted, i.e., not endowed, funds for scholarships. Because of the generosity of scholarship donors, in the past academic year, students received \$1,052,456 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 \$39,965,318. 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 20 deferred gift commitments established in FY05 assist a variety of areas. The College of Business Administration will benefit from another trust established for capital purposes. In addition, other trusts will ultimately benefit the Tent Theatre program; scholarships in business, nursing and physician assistant studies; and scholarships for graduates of area Missouri high schools, including Marshfield and any Springfield high school.

A life insurance policy, combined with a trust and outright gifts, will benefit high school graduates from the Mountain Grove area who have chosen to study in the College of Humanities and Public Affairs. Other deferred gift commitments were in the form of bequests, for a variety of areas including scholarships in accounting, art, music, nursing, graduates of Springfield high schools majoring in education or business, and Students in Free Enterprise (SIFE).

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 2005 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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