



2009-2010 FINANCIAL REPORT

Missouri State University
Foundation

ABOUT MISSOURI STATE UNIVERSITY

Missouri State University is a public university system with an enrollment of more than 20,000 students who come from Missouri, more than 40 other states and about 70 countries. There are four physical campuses, located in Springfield, Mo.; West Plains, Mo.; Mountain Grove, Mo.; and Dalian, China. Students can follow their passion and find their place at Missouri State University.

Missouri State offers:

- A remarkable education.
- An unbeatable value.
- A distinctive public affairs mission.
- Memorable experiences.
- Lifetime success.

CONTENTS

3	FISCAL YEAR 2010 OVERVIEW
4	TIMELINE OF FISCAL YEAR 2010
5	MAJOR DEVELOPMENTS IN FISCAL YEAR 2010
8	INDEPENDENT ACCOUNTANTS' REPORT
9	FINANCIAL STATEMENTS
12	NOTES TO FINANCIAL STATEMENTS
22	PRIVATE GIVING
23	OFFICERS AND TRUSTEES

FISCAL YEAR 2010 OVERVIEW

Missouri State University has had another tremendous year. The Missouri State University Foundation, the fundraising arm of the University, set a new record for gifts for the third year in a row and the number of alumni donors increased from the year before.

The Foundation raised \$15,512,371 (cash basis) in Fiscal Year 2010, which ran July 1, 2009, to June 30, 2010. This topped the previous record of \$15,044,534 in Fiscal Year 2009.

The total for 2010 works out to approximately \$1.3 million per month. During the past three years, the Foundation has raised an average of more than \$1 million per month.

“That means scholarships for students, strong academic programs and more campus updates,” said alumnus Larry Frazier, chairman of the Missouri State University Foundation Board of Trustees.

The accomplishment is even more amazing considering the state of the economy.

“When you see such tremendous, continued support throughout tough economic times, you have to know that you are part of a cause or an organization that people believe in,” said Brent Dunn, vice president for university advancement.

Some of the major gifts of the year include those in support of agriculture programs at the Journagan Ranch, and the naming or support of facilities including the Robert W. Plaster Center for Free Enterprise and Business Development, the Darr Agricultural Center, the Bernice Warren Center for Archaeological Research and the University Recreation Center.

In addition to a record amount of gifts, the total number of alumni donors increased from the year before. The Foundation recorded 7,895 alumni participants for the year.

TIMELINE OF FISCAL YEAR 2010

July 8: Missouri State University Foundation announces record fundraising amount of more than \$15 million in Fiscal Year 2009

Aug. 28: “Our Promise: The Campaign for Missouri State University” publicly announced; goal set at \$125 million

Dec. 1: Three major gifts (for the Darr Agricultural Center, the Bernice Warren Center for Archaeological Research and the University Recreation Center) take Our Promise campaign passed \$100 million milestone

Jan. 25: Greenwood Laboratory School kicks off \$2.5 million campaign for new state-of-the-art science labs

Feb. 12: University announces second-largest single gift in its history: The Journagan Ranch, from Leo Journagan and his family

April 16: Missouri State breaks ground on University Recreation Center

April 30: Anonymous donor pledges to match up to \$600,000 for gifts made to Greenwood science laboratory campaign

May 27: Major gift for downtown Willow Brook facility allows University to renovate building, rename it Robert W. Plaster Center for Free Enterprise and Business Development

June 4: University announces expansion to Darr Agricultural Center led by private gift from Darr Family Foundation

MAJOR DEVELOPMENTS IN FISCAL YEAR 2010

Our Promise: The Campaign for Missouri State

Our Promise: The Campaign for Missouri State, the most ambitious comprehensive campaign in the history of the University, was launched Aug. 28, 2009, on the Springfield campus. Our Promise has a target of \$125 million, the largest fundraising goal ever set at the University. It was necessary to initiate a campaign because the University is state-assisted, not totally state-funded. Financial support from the state is not guaranteed — and the support that Missouri State receives does not fulfill all the needs of the University. Private support increases opportunities for students, improves the campus and helps Missouri State remain a world-class institution. The campaign has been pursuing support for several areas: scholarships, faculty endowments, new facilities and renovation of existing ones, enhancement of academic programs, community engagement and investment in the West Plains campus. When the campaign was announced in August 2009, \$93,934,531 had been raised toward the total. As of June, more than \$115 million had been received or committed to the campaign.

Greenwood Science Scholars' Laboratory

Greenwood Laboratory School kicked off a campaign to build a new addition dedicated to science education. Students in kindergarten through high school may attend Greenwood, which is on the campus of Missouri State University. Greenwood's presence ensures that MSU education majors may observe a real-world teaching environment. Greenwood has been a part of the University's education department since 1908. Greenwood has been in the same building

since 1966, and the science facilities have not had any significant facelifts since that time. The planned addition, known as the Greenwood Science Scholars' Laboratory, will feature two 1,800-square-foot classrooms. One area will be used for biology and earth sciences. The other will be equipped for chemistry and physics. The flexible laboratory environments will offer the latest technology. As of this summer, more than \$2 million of the \$2.5 million goal had been raised. The campaign had a lead gift from the McQueary family. An anonymous donor also contributed by pledging to match all new gifts collected during a set period this summer, up to a total of \$600,000. Greenwood hopes to start using the science facilities in August 2011.

The Journagan Ranch

This year, Leo Journagan and his family gave the University the second-largest single testamentary gift commitment in Missouri State's history: A working ranch consisting of more than 3,300 acres with buildings, equipment and cattle valued in excess of \$7 million, that will eventually transfer to the University. The ranch in Douglas County is about 60 miles from the Springfield campus and about 10 miles from the Mountain Grove campus. This commitment is going to take agriculture education at Missouri State to a new level. Students will have the chance to see the seven-days-a-week operations of a ranch, including delivering calves, giving veterinary care and getting the animals ready for sale at stockyards and auctions. The main focus of the ranch operation is purebred Polled Herefords. The ranch has the 15th-largest herd of Polled Herefords in

the United States. There are about 1,000 cattle on the property; 243 were in the initial gift and more will pass to the University in stages. With this eventual transfer, Missouri State will have one of the largest Hereford herds associated with a university in the United States. The ranch has almost limitless possibilities for research in topics including biology, forestry, geology, genetics, plant science, soil quality and erosion, water quality and wildlife conservation.

The University Recreation Center

Missouri State students will soon have a new fitness facility. The University Recreation Center, to be located on the northwest corner of Madison Street and Kings Avenue, will have a variety of resources, including a 7,000-square-foot pool, rock climbing and bouldering walls, basketball courts, a spa and sauna. This \$29.7 million addition to campus is being funded through a fee that students voted to place on themselves and a few anonymous private gifts. Groundbreaking took place April 16. The grand opening is expected in the last quarter of 2011.

The Robert W. Plaster Center for Free Enterprise and Business Development

The Willow Brook facility, a former poultry processing plant in downtown Springfield, stood empty when Missouri State purchased it in 2009. Thanks to a private gift, it now has a new name and the University has the resources to begin renovations. A seven-figure gift from the Robert W. Plaster Foundation will help Missouri State create the Robert W. Plaster Center for Free Enterprise and Business Development. After it is

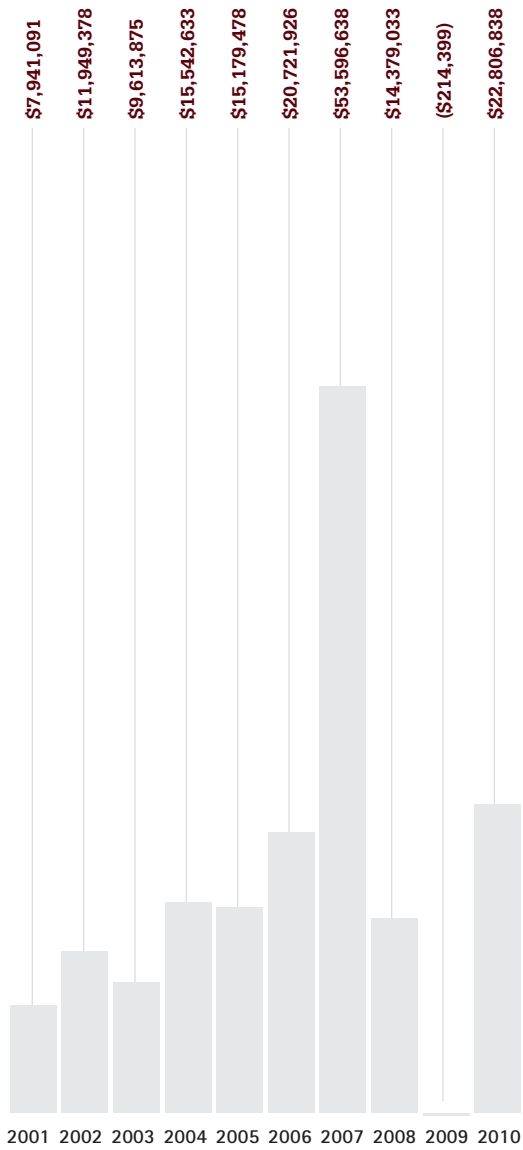
renovated, the center will house a business incubator. Business incubators are programs that support and encourage entrepreneurs in a variety of ways. The center will also house the University's technology and construction management program. The building will be a major part of the IDEA Commons, a downtown research park that combines residential, retail and entertainment facilities with University programs. IDEA stands for innovation, design, entrepreneurship and arts. Phase I work has started with the installation of a new roof. The exterior and interior work will be completed in two more phases. Phase II will be completed by the end of 2011 and Phase III will be done by fall semester 2012.

West Plains

Gifts to the West Plains annual fund allowed the campus to offer emergency grants to students to help cover unexpected costs ranging from car repairs to medical bills. These emergency grants have helped students stay in school. Nearly 40 percent of those who attend West Plains are nontraditional students who work, raise children and attend classes, and 85 percent of students receive financial aid. Situations that may be mere speed bumps for an average college student can become major financial pitfalls for these students. Thanks to the emergency grants students are able to be relieved from financial strain and focus on their education. This is the second year the West Plains campus has offered the emergency grants to its students. In the second year of the program, the campus had a 100 percent increase in applications and awarded 41 grants to students in need.

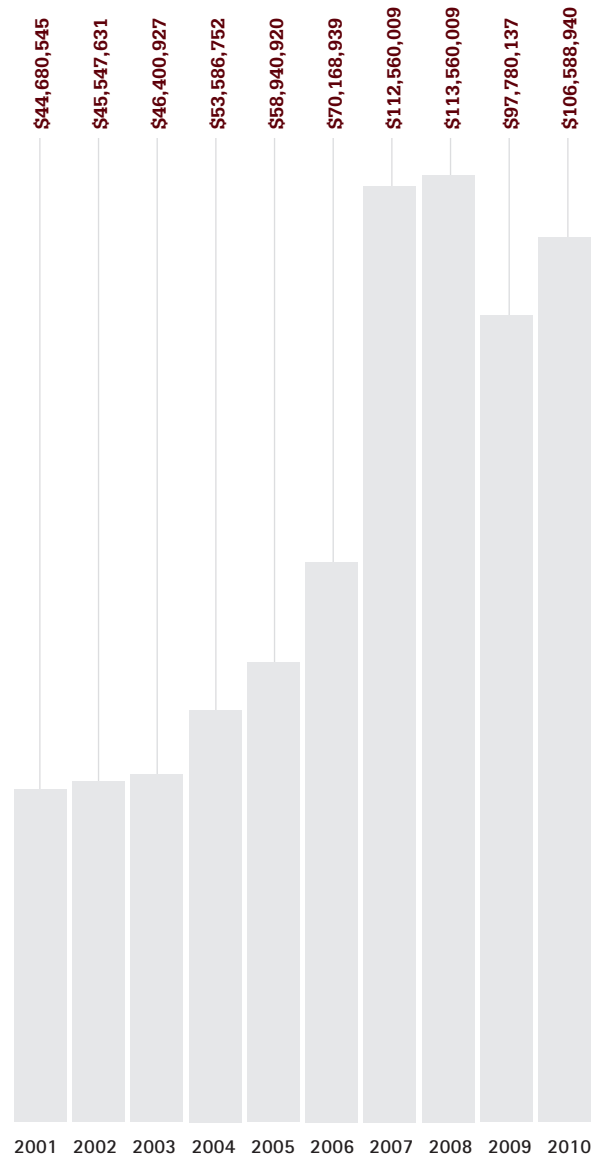
TOTAL OF ALL FUNDS

total revenues, gains and other support



TOTAL OF ALL FUNDS

total assets





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Independent Accountants' Report

Board of Trustees
Missouri State University Foundation
Springfield, Missouri

We have audited the accompanying statement of financial position of Missouri State University Foundation as of June 30, 2010, 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, 2009 financial statements and in our report dated October 22, 2009, 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 Missouri State University Foundation as of June 30, 2010, 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

October 12, 2010

Statement of Financial Position

June 30, 2010 (with comparative totals for June 30, 2009)

		2010	2009
Assets	Cash and cash equivalents	\$ 20,102,098	\$ 16,471,652
	Accounts receivable, net	42,064	13,315
	Investments	46,291,023	42,789,672
	Investments held in trust	1,049,489	618,616
	Investments held for resale	123,126	165,660
	Pledges receivable, net	37,075,922	35,729,823
	Real estate held for resale	360,382	360,382
	Cash value of life insurance	451,137	483,273
	Construction in progress	24,750	
	Real estate and equipment, at cost	2,991,817	2,991,817
	Accumulated depreciation	(1,922,868)	(1,844,073)
Total Assets		\$ 106,588,940	\$ 97,780,137
Liabilities	Accounts payable and accrued expenses	\$ 135,463	\$ 97,558
	Pledges payable	1,822,000	114,600
	Annuity obligations	362,545	402,577
	Funds managed for Missouri State University	199,762	199,762
	Total Liabilities		2,519,770
Net Assets	Unrestricted	3,276,116	3,436,850
	Temporarily restricted	63,016,298	58,288,361
	Permanently restricted	37,776,756	35,240,429
	Total Net Assets	104,069,170	96,965,640
Total Liabilities and Net Assets		\$ 106,588,940	\$ 97,780,137

See Notes to Financial Statements

Statement of Activities

Year ended June 30, 2010 (with comparative totals for June 30, 2009)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010 Total	2009 Total
Revenues, Gains and Other Support					
Contributions	\$ 296,813	\$ 14,655,589	\$ 1,965,514	\$ 16,917,916	\$ 9,615,220
Investment return	1,804,556	2,407,843		4,212,399	(10,771,419)
Gain (loss) on assets held in trust		2,368	514,140	516,508	(84,000)
Life insurance cash value increase (decrease)	(184)	6,570		6,386	(34,913)
Rental income	672,195			672,195	698,829
Other income	39,197	357,590	84,647	481,434	361,884
Net assets released from restrictions	12,564,904	(12,564,904)			
Total Revenues, Gains and Other Support	15,377,481	4,865,056	2,564,301	22,806,838	(214,399)
Expenses and Losses					
Instruction and academic program support	3,126,644			3,126,644	1,661,545
Student services	3,794,646			3,794,646	3,679,222
Institutional support	312,217			312,217	238,432
Scholarships	1,243,924			1,243,924	1,530,425
Broadcast services	1,232,263			1,232,263	1,298,713
Rental expenses	433,999			433,999	511,262
Capital projects – Missouri State University	2,713,986			2,713,986	3,356,620
JOH Arena debt service	1,916,041			1,916,041	1,915,209
Costs of direct benefits to donors	38,031			38,031	105,278
Fund raising	718,453			718,453	751,323
Total Expenses	15,530,204			15,530,204	15,048,029
Actuarial (gain) loss on trust and annuity obligations	8,011	(3,188)	25,055	29,878	(17,838)
Provision for uncollectible pledges		140,307	2,919	143,226	185,247
Total Expenses and Losses	15,538,215	137,119	27,974	15,703,308	15,215,438
Change in Net Assets	(160,734)	4,727,937	2,536,327	7,103,530	(15,429,837)
Net Assets, Beginning of Year	3,436,850	58,288,361	35,240,429	96,965,640	112,395,477
Net Assets, End of Year	\$ 3,276,116	\$ 63,016,298	\$ 37,776,756	\$ 104,069,170	\$ 96,965,640

See Notes to Financial Statements

Statement of Cash Flows

Year ended June 30, 2010 (with comparative totals for June 30, 2009)

		2010	2009
Cash Flows From Operating Activities	Change in net assets	\$ 7,103,530	\$(15,429,837)
	Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities		
	Depreciation	78,795	78,931
	Net realized and unrealized (gains) losses on investments	(3,850,830)	11,331,684
	Net realized and unrealized (gains) losses on investments held in trust	(516,508)	84,000
	Actuarial (gain) loss on trust and annuity obligation	29,878	(17,838)
	Non-cash gifts	(346,773)	(399,917)
	Gain on sale of securities	(13,837)	(7,944)
	Changes in:		
	Accounts receivable	(28,749)	6,427
	Pledges receivable	(1,346,099)	5,474,073
	Accounts payable and accrued expenses	37,905	(235,491)
	Pledges payable	1,707,400	
Annuity obligations	(69,910)	(96,706)	
Contributions restricted for long-term investment	(2,850,901)	(1,498,368)	
Other income restricted for long-term investment	(84,647)	(75,717)	
Net Cash And Cash Equivalents Used In Operating Activities		(150,746)	(786,703)
Cash Flows From Investing Activities	Proceeds from sale of investments	26,835,487	10,194,006
	Purchases of investments	(26,486,008)	(3,968,145)
	Proceeds from sale of investments held in trust	85,635	173,656
	Proceeds from sale of securities	403,144	365,327
	Proceeds from life insurance policies cashed	39,489	
	Fixed asset acquisitions	(24,750)	
	(Increase) Decrease in cash value of life insurance	(7,353)	34,913
	Net Cash And Cash Equivalents Provided By Investing Activities		845,644
Cash Flows From Financing Activities	Proceeds from contributions restricted for investment in endowment	2,850,901	1,498,368
	Other income restricted for reinvestment	84,647	75,717
	Net Cash And Cash Equivalents Provided By Financing Activities		2,935,548
	Increase in Cash and Cash Equivalents	3,630,446	7,587,139
	Cash and Cash Equivalents, Beginning of Year	16,471,652	8,884,513
	Cash and Cash Equivalents, End of Year	\$ 20,102,098	\$ 16,471,652

See Notes to Financial Statements

Notes to Financial Statements June 30, 2010

Note 1: Summary of Significant Accounting Principles

Purpose of the Foundation

The purpose of the Missouri State University Foundation, previously 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 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 Trustees 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. At June 30, 2010, cash equivalents consisted primarily of money market accounts with brokers.

The financial institutions holding the Foundation's cash accounts are participating in the FDIC's Transaction Account Guarantee Program. Under the program, through December 31, 2013, all non interest-bearing transaction accounts at these institutions are fully guaranteed by the FDIC for the entire amount in the account.

Effective July 21, 2010, the FDIC's insurance limits were permanently increased to \$250,000. At June 30, 2010, the Foundation's interest-bearing cash accounts did not exceed federally insured limits.

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.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

In-Kind Contributions

In addition to receiving cash contributions, the Foundation receives in-kind contributions of services, software licensing, books, livestock and equipment from various donors. It is the policy of the Foundation to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase contribution revenue by a like amount. For the year ended June 30, 2010, \$2,701,505 was received in in-kind contributions.

Real Estate and Equipment

Buildings, improvements and equipment are recorded at cost and 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.

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; however, the Foundation is subject to federal income tax on any unrelated business taxable income. The Foundation files tax returns in the U.S. federal jurisdiction. With a few exceptions, the Foundation is no longer subject to U.S. federal examinations by tax authorities for years before 2007.

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, 2009, 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.

Subsequent Events

Subsequent events have been evaluated through October 12, 2010, which is the date the financial statements were available to be issued.

Notes to Financial Statements June 30, 2010

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, 2010:

Pooled investments at market value	\$	48,240,357
Number of pool shares		228,626
Market value per pool share	\$	211.00
Fiscal year return		9.00%
Interest and dividend earnings	\$	165,905
Net gains	\$	3,661,007

Note 3: Endowment

The Foundation's endowment consists of approximately 890 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's governing body has interpreted the State of Missouri Prudent Management of Institutional Funds Act (SPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Foundation
7. Investment policies of the Foundation

The composition of net assets by type of endowment fund at June 30, 2010 was:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010 Total
Donor-restricted endowment funds	\$ (1,615,311)	\$ 13,217,420	\$ 37,044,515	\$ 48,646,624
Board-designated endowment funds	2,657,475			2,657,475
Total endowment funds	\$ 1,042,164	\$ 13,217,420	\$ 37,044,515	\$ 51,304,099

Changes in endowment net assets for the years ended June 30, 2010 were:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010 Total
Endowment net assets, beginning of year	\$ (112,716)	\$ 11,826,786	\$ 34,997,273	\$ 46,711,343
Investment return:				
Investment income		628,991		628,991
Net appreciation (depreciation)	1,109,562	2,559,089		3,668,651
Total investment return	1,109,562	3,188,080		4,297,642
Contributions			1,962,595	1,962,595
Other Income	38,401	12,983	84,647	136,031
Appropriation of endowment assets for expenditure		(1,927,945)		(1,927,945)
Other Additions	6,917	117,516		124,433
Endowment net assets, end of year	\$ 1,042,164	\$ 13,217,420	\$ 37,044,515	\$ 51,304,099

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Foundation is required to retain as a fund of perpetual duration pursuant to donor stipulation or SPMIFA. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets and aggregated approximately \$1,600,000 at June 30, 2010. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after investment of new permanently restricted contributions and continued appropriation for certain purposes that was deemed prudent by the governing body.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Foundation must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the Foundation's policies, endowment assets are invested in a manner that is intended to produce results that exceed the endowment's financial requirement over time, while assuming a moderate level of investment risk. The Foundation expects its endowment funds to provide an average rate of return of approximately 9.4% annually over time. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Foundation has a policy (the spending policy) of appropriating for expenditure each year 5.4% of its endowment fund's average fair value over the prior 36 months through the year end preceding the year in which expenditure is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 4% annually. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Notes to Financial Statements June 30, 2010

Note 4: Investments and Investment Return

Investments in equity securities and debt securities are carried at fair value. All other investments are valued at estimated fair value. The estimated fair value of investments in hedge funds, where a readily determinable market price is not available, has been estimated using the net asset value per share of investments. 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 does, through investment holdings with various money managers, 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	\$ 58,008
Money market accounts	8,506
Mutual funds	40,141,287
Real estate funds	788,569
U.S. Treasury securities	898,605
Corporate bonds	1,237,917
Hedge funds	2,339,998
Private Equity	814,633
Other	3,500
	\$ 46,291,023

Investment return consists of the following:

Investment income	\$ 361,569
Net realized and unrealized gains on investments reported at fair value	3,850,830
	\$ 4,212,399

Investments held in trust are deposited with Wachovia Balanced Fund or are in municipal bonds and other investments.

Investment expenses incurred for the year ended June 30, 2010, totaled \$93,344.

Note 5: 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, 2010, were \$429,138 and are included in rental income. Pledges payable, accounts payable and accrued expenses include \$1,912,079 due the University at June 30, 2010.

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 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 6: Other Assets

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 \$123,126 at June 30, 2010.

Real Estate Held for Resale

Real estate held for resale consists of property donated to the Foundation, which is carried at the fair value as of the date of the gift, unless the fair value has declined subsequent to that date. This property totaled \$360,382 at June 30, 2010.

Note 7: Split-Interest Agreements, Annuities and Trusts

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, 2010, is \$85,976. The income received by the Foundation from this trust was \$4,248 for this fiscal year. The Foundation also is the beneficiary of four charitable remainder trusts with a fair value at June 30, 2010, of \$963,513.

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 \$17,934 in contribution revenue under these agreements during the year ended June 30, 2010.

The annuity obligation at June 30, 2010, of \$362,545 was calculated over the terms of the agreements based on the rates for government securities with similar maturities.

Notes to Financial Statements June 30, 2010

Note 8: Pledges Receivable

Pledges receivable are a credit risk to the extent donors choose not to complete their pledge payments. Discount rates ranged from .49% to 2.9% for the year ended 2010. Pledges receivable consist of the following unconditional promises to give at June 30, 2010:

Due in less than one year	\$ 6,382,621
Due in one to five years	12,480,059
Due in more than five years	35,364,896
	<u>54,227,576</u>
Less: Allowance for doubtful accounts	259,024
Unamortized discount	16,892,630
	<u>17,151,654</u>
	<u>\$ 37,075,922</u>

Pledges are included in the following net asset classification:

Temporarily Restricted	\$ 33,954,325
Permanently Restricted	3,121,597
	<u>\$ 37,075,922</u>

Note 9: Leases

Noncancelable leases for space in the Kenneth E. Meyer Alumni Center expire in various years through 2014. Several of these leases contain renewal options for periods ranging from one to three years. Future minimum lease income at June 30, 2010, is as follows: 2011-\$536,691; 2012-\$98,890; 2013-\$98,890; 2014-\$41,204.

Note 10: Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

Any purpose, time restricted	\$ 12,551
Instruction and academic program support	12,992,272
Student services	2,629,507
Institutional support	35,104,197
Scholarships	9,959,041
Broadcast services	2,318,730
	<u>\$ 63,016,298</u>

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	\$ 12,361,727
Student services	656,433
Institutional support	1,657,978
Scholarships	23,020,147
Broadcast services	80,471
	\$ 37,776,756

Note 12: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant and current vulnerabilities due to certain concentrations. Those matters include the following:

Approximately 7% of the Foundation's total contributions revenue for 2010 was provided by one contributor. Approximately 71% of the net pledge receivable balance outstanding at June 30, 2010 was due from one contributor.

Current Economic Conditions

The current protracted economic decline continues to present not-for-profit organizations with difficult circumstances and challenges, which in some cases have resulted in large and unanticipated declines in the fair value of investments and other assets, declines in contributions and constraints on liquidity. The financial statements have been prepared using values and information currently available to the Foundation.

Current economic conditions have made it difficult for many donors to continue to contribute to not-for-profit organizations. A significant decline in contribution revenue could have an adverse impact on the Foundation's future operating results.

In addition, given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values and allowances for contributions receivable that could negatively impact the Foundation's ability to maintain sufficient liquidity.

Note 13: Disclosures About Fair Value of Assets and Liabilities

ASC Topic 820, *Fair Value Measurements*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 also specifies a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Notes to Financial Statements June 30, 2010

Note 13: Disclosures About Fair Value of Assets and Liabilities - continued

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include money market funds, equity securities and mutual funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 securities include mutual funds, U.S. Treasuries and corporate bonds. Inputs used to value Level 2 securities include interest rates for similar debt securities and Treasury obligations with similar maturities. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy and include mutual funds, real estate funds, hedge funds and private equity funds. The net asset value (or its equivalent) provided by the fund is utilized, as a practical expedient, to determine fair value of these Level 3 investments. More information about each Level 3 investment is as follows:

Mutual funds – This category is an investment in a fund that is a “feeder” fund in a “master-feeder” structure whereby the fund invests substantially all of its assets in the master fund. The master fund pursues its investment objectives by allocating its capital among various portfolio managers through investments in collective investment vehicles and individually managed accounts. The investee funds may engage in the trading of equity and debt securities of U.S. and non U.S. corporations, U.S. government securities, non U.S. government securities, futures contracts, options, options on futures, other derivatives including swaps, forward contracts, currencies and physical commodities, partnership interests, money market instruments and derivatives on securities. Investments can be redeemed with 100 days written notice as of the last business day of any calendar year unless redemption requests represent more than 25% of the fund’s net assets in which case the requests would be honored pro rata.

Real estate funds – This category is an investment in two different real estate investment trusts (REIT’s), which are invested in real estate for current income or capital appreciation or both. All or a portion of shares can be redeemed on a quarterly basis by giving written notice at least 60 days prior to the end of the quarter.

Hedge funds – This category includes investment in a hedge fund whose objective is to generate consistent long-term capital appreciation with low volatility and little correlation with the equity and bond markets through a portfolio having a diversified risk profile. The fund’s ability to satisfy redemption requests is largely contingent upon its ability to redeem assets from private investment funds. Redemptions could generally be made as of the end of any calendar quarter upon 95 days prior written notice to the Administrator.

Private equity – This category includes two funds that operate as “fund of funds” investment vehicles that seek to realize long term returns in excess of those available through conventional investments primarily by investing in a diversified group of closed-end private funds focused on investment partnerships.

Investments Held in Trust

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the investments are classified as Level 1, Level 2 and Level 3 of the hierarchy. Inputs used to value Level 2 securities include interest rates for similar debt securities and Treasury obligations with similar maturities. The Level 3 investments are the Foundation’s beneficial in trusts. Fair value is determined based on the market value of the securities held in the trusts and the Foundation’s proportional beneficial interest.

The following table presents the fair value measurements of assets recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within fair value hierarchy in which the fair value measurements fall at June 30, 2010:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market accounts (included with cash equivalents) \$	3,943,509	\$ 3,943,509	\$	\$
Money market accounts	8,506	8,506		
Mutual funds	40,141,287	29,716,004	8,697,751	1,727,532
Real estate funds	788,569			788,569
U.S. Treasury securities	898,605		898,605	
Corporate bonds	1,237,917		1,237,917	
Hedge funds	2,339,998			2,339,998
Private equity	814,633			814,633
Other	3,500	3,500		
Investments held in trust:				
Mutual funds	453,503	453,503		
Municipal bonds	42,427		42,427	
Other	553,559			553,559

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statement of financial position using significant unobservable (Level 3) inputs:

	Mutual Funds	Real Estate Funds	Hedge Funds	Private Equity	Investments Held in Trust - Other
Balance July 1, 2009	\$ 1,523,455	\$ 1,536,140	\$ 2,375,725	\$ 481,868	\$ 80,469
Total realized and unrealized gains and losses included in change in net assets	204,077	(747,571)	264,273	63,595	5,507
Purchases, issuances and settlements			(300,000)	269,170	467,583
Balance June 30, 2010	\$ 1,727,532	\$ 788,569	\$ 2,339,998	\$ 814,633	\$ 553,559

The following method and assumptions were used to estimate the fair value of all other of financial instruments recognized in the accompanying statement of financial position at amounts other than fair value.

Cash and Cash Equivalents and Accounts Receivable

The carrying amount approximates fair value.

Pledges Receivable

The carrying amount is a reasonable estimate of fair value as described in *Note 8*.

Annuities and Trusts Payable

Fair values of the annuity and trust obligations are based on the present value of the estimated annuity or other payments under such obligations.

PRIVATE GIVING

During Fiscal Year 2010, thousands of alumni and friends of the University showed their loyalty by contributing \$15,512,371 (cash basis) to the Missouri State University Foundation. These gifts provide support for students, faculty, facilities and programs at Missouri State University. As part of that number, the Annual Fund, which supports annual needs of academic and other programs, received \$7,088,478. The other \$8,423,893 million was designated for special campaigns or were one-time gifts. In addition, nearly \$7.5 million was recorded in deferred gift commitments during the fiscal year, these gifts will provide further support at some point in the future. These kinds of commitments and participation of alumni, faculty, staff, students, parents, businesses, foundations and the community allow the University and its students many opportunities to advance and excel.

Endowed funds are essential to ongoing institutional planning and support. At the end of the fiscal year, the market value of the endowment pool assets stood at \$48,240,357. 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.

The gifts received this past fiscal year came in many sizes and benefited students and programs across all campuses. Several donors established or contributed to endowed funds and scholarships to support programs including: the Mike and Barbara

Ingram Endowed Scholarship, the Anderek Family Scholarship, the BKD Accounting Education Fund, the Larry D. and Glenna C. (Hanks) Frazier Endowed Scholarship and the Chuck and Sue Kimberlin Endowed Scholarship, just to name a few. Also, several capital funds were established or continued receiving support. They include the Greenwood Science Laboratory, construction management, the University Recreation Center, the Robert W. Plaster Center of Free Enterprise and Business Development, the Darr Agricultural Center and JQH Arena. Generous gifts were received to support programs in Fashion and Interior Design, the Power Lab in Kemper Hall, and many others in the areas of arts and letters, health and human services, and humanities and public affairs. Additionally, annual gifts continued for critical support of facilities and programs in the areas of Greenwood, KSMU, Ozarks Public Television, the West Plains and Mountain Grove campuses, The Performance Society and The Bears Fund.

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 Missouri State University. Across the University, many giving opportunities exist along with a range of giving options, from cash to stock to gifts which will pay income. All gifts advance the possibilities for Missouri State University students and help the University to fulfill its important mission.

Missouri State University Foundation

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Missouri State University Foundation

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