

Missouri State University[™] Foundation

A decorative graphic consisting of a series of overlapping, wireframe spheres or domes, rendered in a light gray color. The spheres are arranged in a horizontal line, creating a rhythmic, wave-like pattern. The graphic is positioned above and below a central dark red horizontal band.

2005 – 2006 Financial Report

Contents

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

Missouri State University is a statewide university system with a mission in public affairs, whose purpose is to develop educated persons while achieving five major goals:

- ❖ democratizing society
- ❖ incubating new ideas
- ❖ imagining Missouri's future
- ❖ making Missouri's future
- ❖ modeling ethical and effective behavior as a public institution

Fiscal Year 2006 was a special year for Missouri State and the Missouri State University Foundation.

The year marked 101 years as an institution of higher learning and its first year with the new name, Missouri State University. Simultaneously, the Missouri State University Foundation commemorated its 25th Anniversary.

During the Silver Anniversary, on a cash basis, the Foundation set a new record of private gift support for the University with more than \$11.8 million received, surpassing the previous record of \$9.2 million set in Fiscal Year 2004. From July 1, 2005 – June 30, 2006, the Missouri State University Foundation received 34,582 gifts from 27,081 donors, totaling \$11,826,286 (cash basis). And, of the total number of gifts received, 32,316 were annual gifts with contributions totaling \$5,576,508.

Tremendous growth of the endowment highlighted the 25-year milestone as a result of significant additions for endowed programs, including chairs, fellowships and scholarships. Missouri State added two endowed chairs (\$1 million each) and four endowed professorships (\$250,000 each), more than doubling the University's current number of endowed faculty positions. Also added were 30 endowed scholarship funds totaling over \$1.6 million in gifts and pledges. The Foundation's endowment pool earned 11.1 percent for 2005-06. The market value of the endowment pool at June 30, 2006, was \$46,790,891.

The contributions received during Fiscal Year 2006 benefited numerous projects and programs throughout the University, including scholarships, faculty development and research, student and faculty travel, and facilities improvement, just to name a few. In addition to the outright gifts, over \$446,000 in new deferred gifts commitments was received.

Since 1981 when the Foundation was established, \$120 million in outright gifts have been received, and another \$30 million in deferred gifts have been committed, for a total of \$150 million received or committed. Of the \$120 million in outright gifts, annual gifts total \$60 million, one-time gifts account for \$27 million, and \$33 million has been given through special campaigns.

Donors, comprised of alumni, current and retired faculty and staff, students and parents of students, individual friends, national and local businesses, and foundations and organizations, contributed to all areas of the University. From programs and facilities to scholarships and faculty awards, their generosity has benefited the campuses of Springfield, West Plains, Mountain Grove and China.



Missouri State celebrates Foundation's record-breaking year

Breaking the total giving record and receiving the single-biggest gift commitment were two of the hallmarks of Fiscal Year 2006 for the Missouri State University Foundation.

The Foundation received \$11.8 million in gifts for the fiscal year — surpassing by a considerable margin 2004-05's record total of \$9.2 million. John Q. Hammons' \$25 million gift commitment for the JQH Arena — the University's largest single gift commitment — is not reflected in this total.

"All of us at Missouri State are extremely grateful for the support that we receive from our alumni and friends," said Greg Onstot, vice president for university advancement. "Giving has grown over the years and new records continue to be set as individuals and firms understand and learn that private giving is a necessity if we are to grow and prosper as an institution."

Since its establishment in 1981, the Missouri State University Foundation has received \$120 million in private gifts for the benefit of the University.



TOP: Former College of Business Administration professor, Dr. Robert W. Bitter, and his late wife Charlotte, committed to fund a chair and scholarship in COBA, and also pledged six-figure gifts to support scholarships in the nursing and physician assistant studies programs.

BOTTOM: Scholarships for the Bachelor of Science in Nursing and the Physician Assistant Studies programs were among new endowments made possible through a series of gifts announced during the fall 2005 semester. Students studying within the health care career fields will benefit from the generosity of Missouri State investors.

Academic investments

Thanks to a series of gifts, the endowment of the Missouri State University Foundation increased by more than 10 percent during fall 2005. In all, \$4.65 million in gifts were announced on September 30, 2005, with \$4.4 million directed to boost the Missouri State Foundation's endowment. Through the new endowments, Missouri State added two endowed chairs (\$1 million each) and four endowed professorships (\$250,000 each), more than doubling the University's current number of endowed faculty positions. Also added were eight endowed scholarship funds totaling \$1.4 million.

"It is very exciting to announce this set of investments, particularly those in the endowment," said Missouri State President Michael T. Nietzel. "It is through endowments for faculty and students that we will begin to change the profile and achievements of the institution. We want to recruit and graduate the best students. We also want to attract and retain the best faculty; when it comes to outstanding faculty, we don't want to be a farm club for other institutions any longer."

JQH Arena

The February announcement that John Q. Hammons had committed \$25 million to build the JQH Arena was the biggest gift commitment by far in the Foundation's history. This gift is conditional upon the Board of Governors of Missouri State University entering into a contract for project construction on or before December 31, 2006.

"Thanks to Mr. Hammons' vision and generosity, this longtime dream will become a reality," said President Nietzel. "The most immediate and obvious beneficiaries of JQH Arena will be our fans and our athletics teams, but the ultimate impact of JQH Arena extends beyond athletics. We expect this project to be stunning. It simply would not have been possible without Mr. Hammons, and we are very grateful to him. Because of that, the Board of Governors was pleased to name the facility in his honor."

The Arena will contain between 11,000-12,000 seats, 22 private suites, a private club and other amenities. It will be located on the parking lot just east of Hammons Student Center on John Q. Hammons Parkway, with construction scheduled to be completed for the opening of the 2008-09 season.



TOP: Thanks to the generous contribution from John Q. Hammons, the Bears and Lady Bears will have a state-of-the-art facility in which to face their competitors. The JQH Arena, scheduled to be in operation during the 2008-09 season, also will become a draw for the greater Springfield community.

BOTTOM: Renovations to the Greenwood library were made possible by endowed funds established in honor of Horace and "Pete" Haseltine. The gift also will assist in updating resources.

Greenwood Laboratory School

Greenwood Laboratory School at Missouri State University is experiencing benefits from two endowed funds established in honor of Horace and "Pete" Haseltine. Rick and Mary McQueary, both from the Greenwood Class of 1971, established an endowment for the Greenwood library in honor of Mary's parents, Horace and Pete, and an endowment for the Greenwood debate program in honor of Mary's father.

The library endowment will supplement the monies provided routinely by the University, allowing quicker updating of resources. The donation also will help fund renovations at the Greenwood library, which will be named in honor of Horace and Pete.



Study Away Scholarship

The Grace Gardner Endowed Scholarship for Study Away has been established through a \$25,000 gift commitment by Springfield businessman, Joe Jenkins. An anonymous donor has pledged another \$25,000 to the fund. With the matching program for endowed scholarships established by President Nietzel, \$2,250 in annual scholarship support will begin in the fall semester of 2006.

Scholarships from the fund provide financial support for undergraduate students who wish to study abroad. The scholarships, to be awarded on a combination of financial need and merit, will be in amounts up to \$1,000 and are intended to cover the difference in funding that determines whether a student can afford to travel abroad for organized study. Preference for the scholarships will be given to students who have the least experience abroad.



West Plains Honors College

A program designed to challenge the academic and creative abilities of Missouri State University–West Plains’ best and brightest recently received a big financial boost that ensures its continuation for years to come.

Former Missouri State University Board of Governors member William H. Darr and his wife, Virginia, donated \$100,000 for the creation of an endowment for the West Plains campus’ honors program. Because of their gift, the program will now be known as the William and Virginia Darr Honors Program.

Funds from the endowment will go to support activities and other operational expenses associated with the honors program. The program, begun in 1998, is made up of two honors specific courses, as well as enhanced general education courses that, when successfully completed with a 3.5 GPA on a 4.0 scale, earns the student the Associate of Arts degree in General Studies with a specialization in Honors.

TOP: Anthony Petrovics can boast that he’s been rock climbing in Hungary. Petrovics, a junior individualized major from St. Louis, studied at Budapest University of Technology and Economics in Hungary. During the fall 2006 semester the newly established Grace Gardner Endowed Scholarship for Study Away will begin assisting students who study abroad.

BOTTOM: William H. and Virginia R. Darr made a generous gift to endow a program to support activities and other operational expenses associated with the honors program at the West Plains Campus.

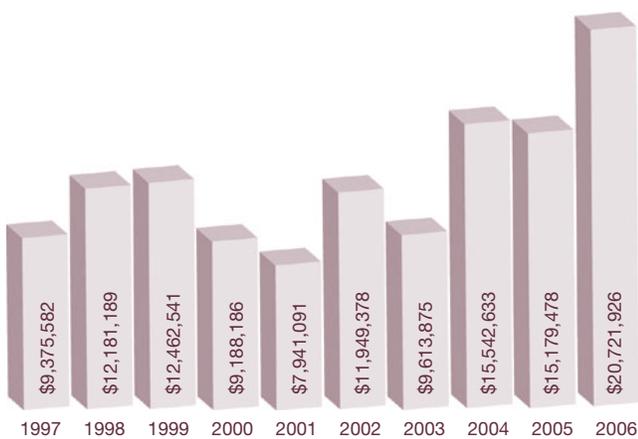


President Michael T. Nietzel at Missouri State University

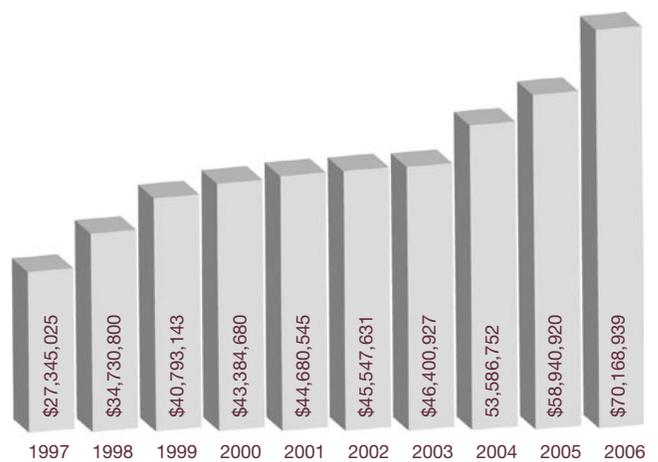
~ a year in retrospect ~



Total of all funds total revenues, gains and other support



Total of all funds total assets





Independent Accountants' Report

The Board of Directors
Missouri State University Foundation
Springfield, Missouri

We have audited the accompanying statement of financial position of Missouri State University Foundation as of June 30, 2006, 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, 2005 financial statements and in our report dated August 12, 2005, 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, 2006, 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 16, 2006

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Statement of Financial Position

June 30, 2006 (with comparative totals for June 30, 2005)

		2006	2005
Assets	Cash and cash equivalents	\$ 4,911,362	\$ 4,072,779
	Accounts receivable, net	330,925	38,909
	Pledges receivable, net	7,785,244	5,081,717
	Investments	53,629,895	46,441,895
	Investments held in trust	1,024,209	1,132,126
	Investments held for resale	123,126	131,876
	Real estate held for resale	591,382	210,382
	Cash value of life insurance	459,829	442,516
	Real estate and equipment, at cost	2,958,940	2,958,940
	Accumulated depreciation	(1,645,973)	(1,570,842)
	Deferred bond issuing expense		622
	Total Assets	\$ 70,168,939	\$ 58,940,920
Liabilities	Accounts payable and accrued expenses	\$ 470,828	\$ 694,217
	Pledges payable	341,539	112,909
	Annuity obligations	550,504	556,575
	Bonds payable		200,000
	Funds managed for Missouri State University	199,762	199,762
	Total Liabilities	1,562,633	1,763,463
Net Assets	Unrestricted	4,944,508	4,497,569
	Temporarily restricted	34,826,263	30,217,476
	Permanently restricted	28,835,535	22,462,412
	Total Net Assets	68,606,306	57,177,457
	Total Liabilities and Net Assets	\$ 70,168,939	\$ 58,940,920

See Notes to Financial Statements

Statement of Activities

Year ended June 30, 2006 (with comparative totals for June 30, 2005)

		Unrestricted	Temporarily Restricted	Permanently Restricted	2006 Total	2005 Total
Revenues, Gains and Other Support	Contributions	\$ 236,275	\$ 7,854,117	\$ 6,319,736	\$ 14,410,128	\$ 9,442,234
	Investment return	987,190	4,227,699		5,214,889	4,515,641
	Gain (loss) on assets held in trust		(8,951)	8,838	(113)	45,650
	Life insurance cash value increase (decrease)	(306)	17,619		17,313	15,487
	Rental income	595,450			595,450	687,345
	Other income	53,784	334,075	96,400	484,259	473,121
	Net assets released from restrictions	7,688,439	(7,688,439)			
	Total Revenues, Gains and Other Support	9,560,832	4,736,120	6,424,974	20,721,926	15,179,478
Expenses and Losses	Instruction and academic program support	1,986,835			1,986,835	1,910,774
	Student services	1,786,025			1,786,025	2,243,113
	Institutional support	388,299			388,299	444,630
	Scholarships	1,180,034			1,180,034	1,052,456
	Broadcast services	726,443			726,443	859,422
	Rental expenses	524,252			524,252	555,772
	Capital projects – Missouri State University	1,426,839			1,426,839	680,107
	Costs of direct benefits to donors	305,294			305,294	305,731
	Fund raising	759,895			759,895	741,159
	Total Expenses	9,083,916			9,083,916	8,793,164
	Actuarial (gain) loss on trust and annuity obligations	29,977	(17,255)	18,648	31,370	28,690
	Provision for uncollectible pledges		132,588	33,203	165,791	227,422
	Losses on real estate held for resale		12,000		12,000	66,600
	Total Expenses and Losses	9,113,893	127,333	51,851	9,293,077	9,115,876
	Change in Net Assets	446,939	4,608,787	6,373,123	11,428,849	6,063,602
Net Assets, Beginning of Year	4,497,569	30,217,476	22,462,412	57,177,457	51,113,855	
Net Assets, End of Year	\$ 4,944,508	\$ 34,826,263	\$ 28,835,535	\$ 68,606,306	\$ 57,177,457	

See Notes to Financial Statements

Statement of Cash Flows

Year ended June 30, 2006 (with comparative totals for June 30, 2005)

		2006	2005
Cash Flows From Operating Activities	Change in net assets	\$11,428,849	\$ 6,063,602
	Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities		
	Depreciation	75,131	88,244
	Amortization	622	1,423
	Losses on real estate held for resale	12,000	66,600
	Net realized and unrealized gains on investments	(4,369,574)	(3,914,308)
	Net realized and unrealized (gains) losses on investments held in trust	113	(45,650)
	Actuarial gain on trust obligations	(2,118)	(4,603)
	Non-cash gifts	(1,867,794)	(785,959)
	Loss on sale of securities	1,040	11,715
	Changes in:		
	Accounts receivable	(292,016)	(13,431)
	Pledges receivable	(2,703,527)	(209,802)
	Accounts payable and accrued expenses	(223,389)	374,295
	Pledges payable	228,630	(832,760)
	Annuity obligations	(3,953)	(20,921)
	Contributions restricted for long-term investment	(3,717,664)	(1,861,814)
Trust gain restricted for long-term investment	(8,838)	(10,648)	
Other income restricted for long-term investment	(96,400)	(103,097)	
Net Cash And Cash Equivalents Used In Operating Activities	(1,538,888)	(1,197,114)	
Cash Flows From Investing Activities	Proceeds from sale of investments	11,694,252	13,422,753
	Purchases of investments	(14,512,679)	(13,762,292)
	Proceeds from sale of investments held in trust	107,804	58,949
	Proceeds from collections on notes receivable		6,258
	Proceeds from sale of real estate held for resale	74,000	111,000
	Proceeds from sale of securities	1,408,505	1,150,088
	Fixed asset acquisitions		(9,000)
	Increase in cash value of life insurance	(17,313)	(15,487)
Net Cash And Cash Equivalents Provided By (Used In) Investing Activities	(1,245,431)	962,269	
Cash Flows From Financing Activities	Proceeds from contributions restricted for investment in endowment	3,717,664	1,861,814
	Trust gain restricted for reinvestment	8,838	10,648
	Other income restricted for reinvestment	96,400	103,097
	Principal payments of debt	(200,000)	(240,000)
	Net Cash And Cash Equivalents Provided By Financing Activities	3,622,902	1,735,559
	Increase in Cash and Cash Equivalents	838,583	1,500,714
	Cash and Cash Equivalents, Beginning of Year	4,072,779	2,572,065
	Cash and Cash Equivalents, End of Year	\$ 4,911,362	\$ 4,072,779
Supplemental Data			
	Interest paid	\$ 3,208	\$ 11,550

See Notes to Financial Statements

Notes to Financial Statements June 30, 2006

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 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, 2006, cash equivalents consisted primarily of money market funds. At June 30, 2006, the Foundation's cash accounts exceeded federally insured limits by approximately \$850,000.

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.

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.

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. 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, 2006, 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; however, the Foundation is subject to federal income tax on any unrelated business taxable income.

Deferred Bond Issuing Expense

The bond issuing expenses incurred on the revenue bond issue were deferred and amortized over the life of the bonds using the effective interest method. Total amortization for the year ended June 30, 2006, was \$622 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, 2005, 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.

Notes to Financial Statements June 30, 2006

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, 2006:

Pooled investment at market value	\$ 46,790,891
Number of pool shares	178,945
Market value per pool share	\$ 261.48
Time weighted total return	11.1%
Interest and dividend earnings	\$ 354,859
Net gains	\$ 4,422,990

Endowment assets consist of the following as of June 30, 2006:

Pooled assets from above	\$ 46,790,891
Non-pooled endowment assets	5,264,823
<u>Total endowment assets</u>	<u>\$ 52,055,714</u>

Endowment assets are included within:

Unrestricted net assets	\$ 2,863,652
Temporarily restricted net assets	20,156,765
Permanently restricted net assets	28,835,535
Funds managed for Missouri State University	199,762
<u>Total endowment assets</u>	<u>\$ 52,055,714</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, 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	\$ 153,616
Money market accounts	5,449,024
Mutual funds	36,975,543
Real estate	3,287,084
U.S. Treasury securities	2,360,118
Corporate bonds	1,554,641
Hedge funds	3,846,369
Other	3,500
	\$ 53,629,895
Investment return consists of the following:	
Investment income	\$ 845,315
Net realized and unrealized gains on investments reported at fair value	4,369,574
	\$ 5,214,889

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, 2006 totaled \$119,742.

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, 2006, were \$345,596 and are included in rental income. Pledges payable, accounts payable and accrued expenses include \$488,683 due the University at June 30, 2006. The Foundation owns real estate in West Plains used by the West Plains campus. See Note 12 for additional related party transaction information.

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.

Notes to Financial Statements June 30, 2006

Note 5: 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, 2006.

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. This property totaled \$591,382 at June 30, 2006.

Note 6: 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, 2006, is \$100,350. The income received by the Foundation from this trust was \$4,818 for this fiscal year. The Foundation also is the beneficiary of ten charitable remainder trusts with a fair value at June 30, 2006, of \$923,859.

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 \$78,950 in contribution revenue under these agreements during the year ended June 30, 2006.

The annuity obligation at June 30, 2006, of \$550,504 was calculated over the terms of the agreements based on the rates for government securities with similar maturities.

Note 7: Pledges Receivable

Pledges receivable are a credit risk to the extent donors choose not to complete their pledge payments. Discount rates ranged from 4.93% to 5.19% for the year ended 2006. Pledges receivable consist of the following unconditional promises to give at June 30, 2006:

Due in less than one year	\$ 3,828,016
Due in one to five years	4,164,169
Due in more than five years	641,613
	<u>8,633,798</u>
Less: Allowance for doubtful accounts	217,805
Unamortized discount	630,749
	<u>848,554</u>
	<u>\$ 7,785,244</u>

Pledges are included in the following net asset classification:

Temporarily Restricted	\$ 3,056,775
Permanently Restricted	4,728,469
	<u>\$ 7,785,244</u>

Note 8: Bonds Payable

During the year ended June 30, 2006, final payment was made on the 1991 office building revenue bonds. For the year ended June 30, 2006, total interest expense on the 1991 office building debt was \$2,625 and is included in rental expenses.

Note 9: 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, 2006, is as follows: 2007–\$515,645; 2008–\$67,132

Note 10: Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

Any purpose, time restricted	\$ 43,487
Instruction and academic program support	12,098,373
Student services	4,199,335
Institutional support	1,294,431
Scholarships	14,819,064
Broadcast services	2,371,573
	\$ 34,826,263

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	\$ 7,693,245
Student services	852,800
Institutional support	2,003,409
Scholarships	18,214,233
Broadcast services	71,848
	\$ 28,835,535

Note 12: Conditional Pledge

In 2006, the Foundation received a gift agreement for \$25,000,000 from Mr. John Q. Hammons that is to be used for a proposed University arena, the JQH Arena. This gift is conditional upon the Board of Governors of Missouri State University entering into a contract for project construction on or before December 31, 2006. The pledge is not recognized as an asset in the statement of financial position. As of June 30, 2006, \$300,000 had been received from the donor relating to this conditional pledge, which was then remitted to the University. This advance payment is included in accounts payable and other accrued expenses, with a corresponding amount due from the University included in accounts receivable. ■

Private Giving

It was a tremendous year for the Missouri State University Foundation. Alumni and friends continued to generously support the University in numerous ways. Donors contributed 34,582 gifts for a record \$11,826,286 (cash basis) in outright gifts. An additional \$446,143 was recorded in deferred gift commitments during the fiscal year. This kind of commitment 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.

Growth in the endowment was certainly a highlight for this past fiscal year. Endowment earnings for the year were 11.1 percent, bringing the market value of the endowment pool up to \$46,790,891. Significant gifts and pledges to endowments for chairs, professorships, and scholarships, were added in fiscal year 2006, increasing the ability of the University to strengthen opportunities for students and faculty.

Gifts this past fiscal year came in several shapes and sizes. A large estate gift was received for the benefit of the Music Department, and will provide ongoing support for a concert series and scholarship. An extensive gift of Frisco Railroad materials, including books, postcards, and railroad artifacts was added to the Ozarkiana Collection in the Duane G. Meyer Library. A number of scholarships were established to benefit students at the West Plains campus, including two restricted scholarships for the new Associate of Applied Science degree program in Fire Science Technology. The Department of Defense and Strategic Studies received gifts from several companies in the Washington D.C. area to assist with an expanded curriculum, classroom and faculty support as the department moved their offices to Northern Virginia. Other annual gifts continued for critical support of programs in the areas of KSMU, Ozarks Public Television, The Performance Society and The Bears Fund.

Whatever the gift may be, there is no such thing as a small gift, because they all make a difference. Gifts received in Fiscal Year 2006 were 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. Alumni, students, faculty, staff, parents and friends have made 2006 a banner year at Missouri State University. ■

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