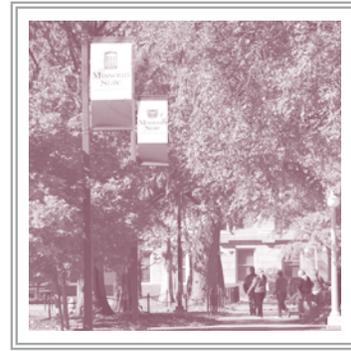
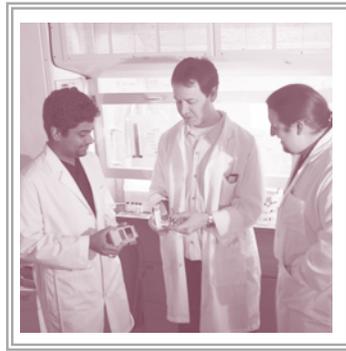




2006—2007 FINANCIAL REPORT

**Missouri State University[™]
Foundation**



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Missouri State University is a public, comprehensive 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

Each year, thousands of private contributions from a variety of sources have been given in support of the University.

During Fiscal Year 2007, the Foundation experienced the second largest giving total in one year for projects and programs throughout the University, including scholarships, facilities, faculty development and research. From July 1, 2006 – June 30, 2007, the Missouri State University Foundation received 34,288 gifts from 27,028 donors, totaling \$10,960,508 (cash basis). And, of the total number of gifts received, 32,554 were annual gifts with contributions totaling \$6,143,606. These contributions from alumni, friends, parents, corporations, foundations, faculty, staff and students visibly demonstrated a desire to help improve the quality of education at Missouri State University.

In addition to the outright gifts, an additional \$1.2 million in new deferred gifts commitments were received.

The growth of the endowment pool, which earned 16.7 percent for 2006-07, also was impressive this year. The market value of the endowment pool at June 30, 2007, was \$55,299,440. As the endowment grows, so do the opportunities for continued success of students and programs at the University.

Since 1981 when the Foundation was established, over \$130 million in outright gifts have been received, and another \$31 million in deferred gifts have been committed, for a total of over \$160 million received or committed. Of the \$130 million in outright gifts, annual gifts total \$66 million, one-time gifts account for \$28 million, and \$36 million has been given through special campaigns.

Donors 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.

PRIVATE GIVING

~ A YEAR IN REVIEW ~

Missouri State is built on a diverse academic foundation. Throughout the past year, a number of alumni and friends of the University have offered support of the institution's devotion to first-class education. This continual support is crucial for our students' quest for success. Listed in the following pages is a summary of those gifts that have assisted hundreds of students, as well as faculty, programs and facilities.

ACADEMIC INVESTMENTS

College of Arts and Letters (COAL)

Through the generous support of many donors and the collaboration with the Writers Hall of Fame of America, the College of Arts and Letters Lecture Series hosted Pulitzer Prize winning author Frank McCourt for a series of lectures to students, teachers and the public during fall 2006. Ellis Hall is home to a 40-rank Casavant pipe organ, which is the only publicly owned pipe organ in the southwest Missouri region. Through the efforts of an anonymous donor, the organ was restored and boasts a state-of-the-art console.

College of Business Administration (COBA)

During Fiscal Year 2007, COBA received the final \$500,000 toward the anonymous Endowed Chair announced last year. Alumnus, Ken Meyer, '50, provided a major gift toward the Kenneth E. Meyer Professorship, and the Bill and Helen Bass Memorial Scholarship fund was established by members of the accounting faculty, Drs. David B., '73, and Sandra D. Byrd. The scholarship was established in honor and memory of Sandra's parents, Bill and Helen Bass, who were passionate about and devoted to the field of education, particularly to the schools in Greene and Christian Counties in Missouri. COBA's best and brightest were recognized this year through a series of appointments to newly endowed faculty positions. Dr. Jim Lampe, accountancy, was named to the Dean's Distinguished Chair in Business Ethics. Dr. Elizabeth Rozell, marketing, who received the Governor's Award for Excellence in Teaching, was appointed to the Ken Meyer Endowed Professorship. Dr. Heidi Perreault, computer information systems, and Dr. Linda Pettijohn, marketing, were each named to endowed professorships in their respective disciplines. Finally, Dean Ronald Bottin was named to the David D. Glass Distinguished Leadership Chair.

College of Education (COE)

An endowed professorship established in the College of Education in December 2006 will ensure education majors have sufficient language skills in both English and Spanish to effectively teach in bilingual classroom environments. The influx of Latino residents to the Midwest has resulted in an increasing population of Spanish-speaking primary and secondary students in area school systems. In order to provide a quality education for these students, teachers must have the ability to communicate. The program envisioned by COE should present a method for teachers to provide a quality education for all students in a bi-lingual classroom environment. COE is conducting a search for its first endowed professor.

College of Health and Human Services (CHHS)

Cliff and Jo Helen Beauchamp of Springfield remain ardent supporters of the Nursing Department with their valuable gifts of equipment and supplies for nursing laboratories. The William G. and Lucille W. Magers Family Foundation provided financial contributions to both the Nursing Department and the Physicians Assistant Studies program through two Metropolitan National Bank Scholarships. Through the Community Foundation of the Ozarks, the Smith-Glynn-Callaway Medical Foundation continued to support a scholarship in its name (Smith-Glynn-Callaway Medical Foundation Scholarship) for Biomedical Science.



College of Humanities and Public Affairs (CHPA)

The College gratefully acknowledges gifts from donors such as Barbara Carlson McCormick, '69, of Claremont, Calif., who endowed the Gerald "Pete" McCormick Memorial History Scholarship in her late husband's honor. Pete also was a CHPA alumnus, who received degrees in 1967 and 1968. Cathryn Cox Lipscomb, of Springfield, established the Duane G. Meyer Endowed History Scholarship, in honor of former Missouri State President Duane Meyer. Dr. John Chuchiak, history, was named to the Young Professorship in Honors.

Scott and Gayla Moore, of Edwardsville, Ill., continued their support of the Economics Department through establishment of the Scott and Gayla Moore Economics Scholarship. And Springfield residents Mike and Mary Chiles created the Women in Religious Studies Scholarship. Mary currently is pursuing a master's degree in Religious Studies.

In addition, the Department of Defense and Strategic Studies has benefited greatly from continued financial support from the Boeing Company, the Earhart Foundation, Lockheed Martin, Northrop Grumman and the Sarah Scaife Foundation, Inc.

College of Natural and Applied Sciences (CNAS)

Bill, '57, and Virginia, '54, Darr, along with the Edward Pinegar family, were fundamental to the tremendous growth in private giving, each making substantial gifts well into the six figures. Journegan Construction has pledged the largest gift of 2007 by agreeing to complete several paving and road projects at the William H. Darr Agricultural Center.

Other notable achievements include the creation of the Chemistry Summer Undergraduate Research Fellowship Fund (SURF) by the Chemistry Department's board of advisors. SURF students completed graduate level research with some of the department's most talented professors, including Dr. Mark Richter who was recently named to the Young Professorship in Honors.

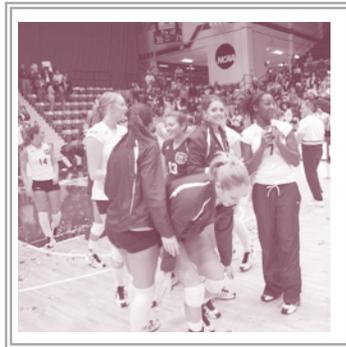
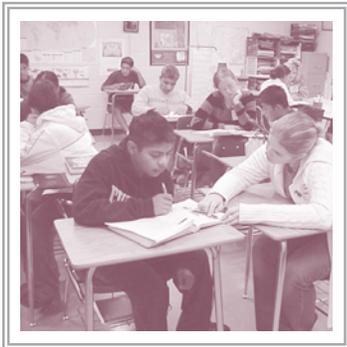
Three additional Chemistry Department scholarships were created; the first established through gifts from Pat Kimball in memory of her late husband, Dr. Roland Kimball. Dr. Dorothy Simon, '40, established the Dr. Roger Martin Undergraduate Research Award through a transfer of securities. The third scholarship was created by Dr. Jerry Atwood, '63, to honor his favorite instructor, Dr. William J. Husa. Guy Mace established a fund in the Department of Chemistry, while the Christie family continued to support the chemistry scholarship established in memory of their son, Robert Christie.

Gifts to support the Hospitality and Restaurant Administration Department include the Pasta Express scholarship funded by Pasta Express and owner Matt Krupa, '94. Woody Justice of Justice Jewelers contributed to the department by fully underwriting the Third Annual VIP Wine Tasting and Dinner, which raised more than \$13,000 for the Hospitality Department and the Enology program at Mountain Grove.

Broadcast Services

Broadcast Services received more than \$1 million in viewer and listener support — providing the largest single source of funds for the stations and enabling the stations to acquire and broadcast PBS and NPR programs throughout the Ozarks. OPT had two record breaking on-air pledge drives in FY07. KSMU had a noticeable increase in gifts made on-line in FY07, as well as a 14 percent increase in dollars pledged and fulfilled through on-air pledge drives.

Support for KSMU and OPT through the annual phone campaign continues to increase each year. In FY07, 553 lapsed members rejoined OPT with pledges totaling \$25,000 and 380 current members made additional gifts totaling over \$20,000. KSMU received 606 pledges totaling \$37,834.



ADDITIONAL ACADEMIC INVESTMENTS

Thanks to many generous gifts from alumni and friends living throughout the country, Missouri State received several new endowments and awarded over \$1.4 million in privately funded student scholarships during the 2006-07 academic year.

John and Cathy Youngblood are the lead individual sponsor of the new Missouri State Promise Scholarship, which benefits students who are at or below the national poverty level. The scholarship, implemented in fall 2007, covers the difference between the cost of tuition and any grants and scholarships the student has. The scholarship is available for four years to incoming freshmen and for two years to transfer students. The Youngbloods also have made a commitment to endow a scholarship for the Lady Bears basketball team.

Graduates of Parkview High School in Springfield will benefit from a new endowed scholarship fund established by Michael and Barbara Ingram. The Ingram Endowed Scholarship will be available to at least six students annually, beginning with the fall semester 2007.

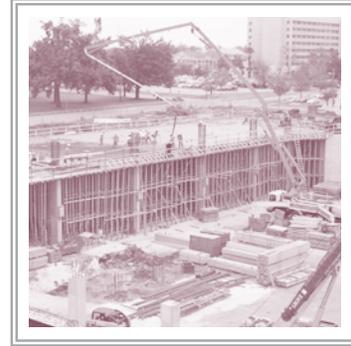
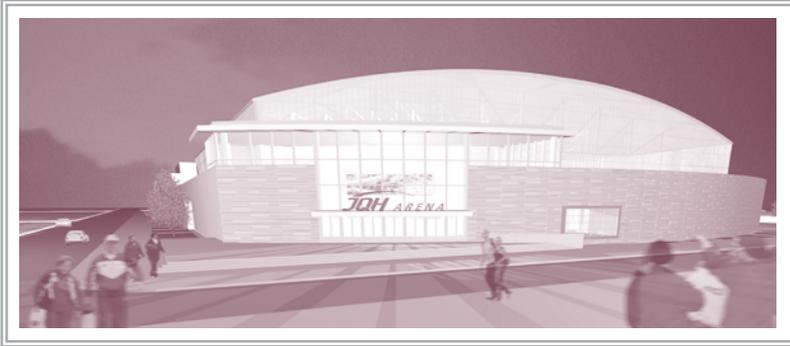
Retired bank executive Noel Boyd has funded an endowed professorship to be used at the discretion of the president in one of three areas: business, the humanities areas of the College of Arts and Letters, or sports-related fields. The professorship will be awarded to a faculty member who has made outstanding contributions in one of these areas.

The James F. Morris family has established an endowed professorship at Missouri State. The designation of the program receiving the professorship will be at the discretion of Provost Belinda McCarthy and President Nietzel.

Additionally, Rich and Doris Young pledged a gift commitment to provide annual funding for the appointment of three faculty members as Honors College Professors for terms of three years, with one of the three professorships being assigned to the director of the Honors College, who will select the other Young Honors College Professorships based on recommendations from the University's Honors Committee. During 2007, Dr. Art Spisak, director; held the post of Young Honors College Professor, along with Dr. Mark Richter, chemistry; and Dr. John Chuchiak, history.

To help stimulate gifts to the endowment, President Nietzel has continued his practice of covering the annual interest payment, so each fund could immediately begin to benefit faculty and students. For example, when fully funded, a \$250,000 endowed professorship yields \$11,250 annually. Nietzel's offer funds that amount immediately and then decreases the subsidy over the years as the pledge is fulfilled. The newly endowed professorships bring the total of endowed faculty positions to 16, up from two in 2005, while the number of newly endowed scholarship funds has risen to 10, totaling nearly \$2 million.

"We continue to emphasize endowments as key to the future of Missouri State University," said Nietzel. "We very much appreciate the willingness of many individuals and groups to invest in our faculty and students. Our goal remains to attract and retain the best faculty, and to recruit and graduate the best students. These endowments will help us accomplish those goals."



JQH ARENA: A FIRST-CLASS FACILITY FOR MISSOURI STATE

With a \$30 million gift from Missouri State alumnus and Springfield, Mo.-based hotel developer John Q. Hammons, plans are well under way to construct JQH Arena, the new home to the Missouri State Bears and Lady Bears basketball teams and an iconic tribute to Missouri State athletics.

First announced in February 2006, the Arena is going up as fast as season tickets are being reserved. The scheduled completion date is set for the opening of the 2008-09 basketball season. Hammons' gift, the largest in Missouri State history, will help fund the \$67 million project. Other funding for the Arena is being contributed regularly.

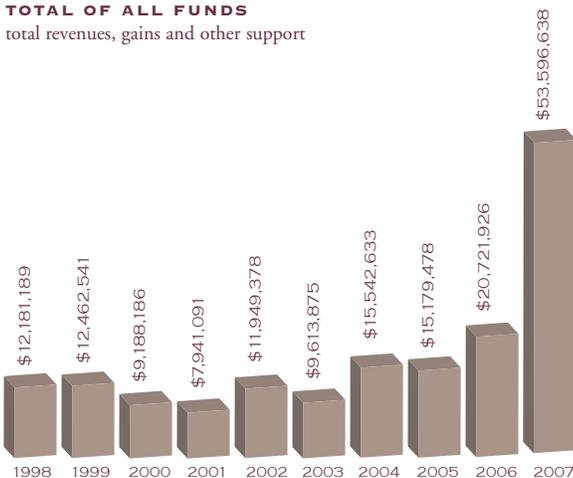
In September, Prime Inc. made a \$1 million gift commitment for the club, named Prime Overtime Club, followed by a December announcement that Great Southern Bank had committed to purchase the Arena's new video scoreboard, estimated to cost between \$1.5 million and \$1.8 million.

Another \$1.75 million in gifts was announced in March 2007, including the Springfield attorney Tom Strong and family gift to the Grand Entrance; the Price Cutter East Concourse; the St. John's South Concourse; and the University Suite, sponsored by Bill R. Foster and the Foster Family Foundation.

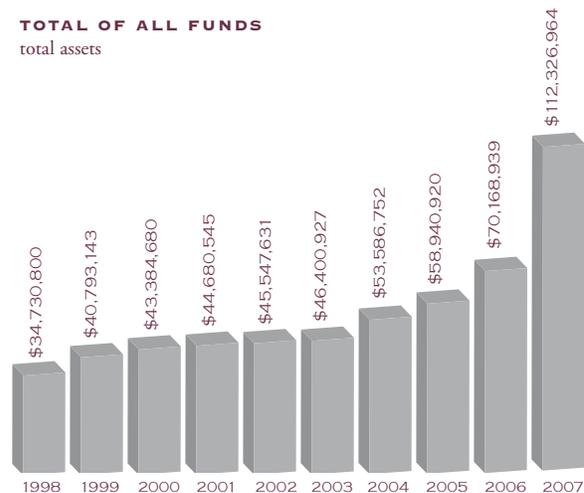
Gifts totaling \$500,000 were committed to the Arena on May 8. Bill and Virginia Darr, and H.E. "Spook" joined Liz Whitener and the Whitener family in supporting the Grand Entrance. Fred and Ramona McQueary, along with Jim and Sally Wachtman, have committed to help fund portions of the Hall of Fame.

"These are terrific commitments to the new JQH Arena," said President Nietzel. "The new Arena has generated an excitement that is very special, not only for the University, but for the community. It is through contributions such as these that JQH Arena will become the spectacular venue we all envision it to be."

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, 2007, 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, 2006 financial statements and in our report dated August 16, 2006, 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, 2007, 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

September 17, 2007

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Statement of Financial Position

June 30, 2007 (with comparative totals for June 30, 2006)

		2007	2006
Assets	Cash and cash equivalents	\$ 6,071,328	\$ 4,911,362
	Accounts receivable, net	28,061	330,925
	Investments	62,965,609	53,629,895
	Investments held in trust	1,002,321	1,024,209
	Investments held for resale	141,237	123,126
	Pledges receivable, net	40,064,520	7,785,244
	Real estate held for resale	523,382	591,382
	Cash value of life insurance	487,929	459,829
	Real estate and equipment, at cost	2,738,940	2,958,940
	Accumulated depreciation	(1,696,363)	(1,645,973)
	Total Assets	\$ 112,326,964	\$ 70,168,939
Liabilities	Accounts payable and accrued expenses	\$ 165,633	\$ 470,828
	Pledges payable	234,271	341,539
	Annuity obligations	532,647	550,504
	Funds managed for Missouri State University	199,762	199,762
	Total Liabilities	\$ 1,132,313	1,562,633
Net Assets	Unrestricted	\$ 6,229,442	4,944,508
	Temporarily restricted	73,447,602	34,826,263
	Permanently restricted	31,517,607	28,835,535
	Total Net Assets	111,194,651	68,606,306
	Total Liabilities and Net Assets	\$ 112,326,964	\$ 70,168,939

See Notes to Financial Statements

Statement of Activities

Year ended June 30, 2007 (with comparative totals for June 30, 2006)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2007 Total	2006 Total
Revenues, Gains and Other Support					
Contributions	\$ 306,087	\$ 40,782,548	\$ 2,604,387	\$ 43,693,022	\$ 14,410,128
Investment return	1,498,169	7,165,765		8,663,934	5,214,889
Gain (loss) on assets held in trust		3,479	70,077	73,556	(113)
Life insurance cash value increase (decrease)	(858)	28,958		28,100	17,313
Rental income	681,286			681,286	595,450
Other income	54,171	320,777	81,792	456,740	484,259
Net assets released from restrictions	9,555,942	(9,555,942)			
Total Revenues, Gains and Other Support	12,094,797	38,745,585	2,756,256	53,596,638	20,721,926
Expenses and Losses					
Instruction and academic program support	1,974,137			1,974,137	1,986,835
Student services	2,614,226			2,614,226	1,887,079
Institutional support	237,313			237,313	388,299
Scholarships	1,442,866			1,442,866	1,180,034
Broadcast services	1,322,615			1,322,615	726,443
Rental expenses	611,643			611,643	524,252
Capital projects – Missouri State University	1,644,947			1,644,947	1,426,839
Costs of direct benefits to donors	233,317			233,317	204,240
Fund raising	705,757			705,757	759,895
Total Expenses	10,786,821			10,786,821	9,083,916
Actuarial (gain) loss on trust and annuity obligations	23,042	(14,479)	23,650	32,213	31,370
Provision for uncollectible pledges		138,725	50,534	189,259	165,791
Losses on real estate held for resale					12,000
Total Expenses and Losses	10,809,863	124,246	74,184	11,008,293	9,293,077
Change in Net Assets	1,284,934	38,621,339	2,682,072	42,588,345	11,428,849
Net Assets, Beginning of Year	4,944,508	34,826,263	28,835,535	68,606,306	57,177,457
Net Assets, End of Year	\$ 6,229,442	\$ 73,447,602	\$ 31,517,607	\$ 111,194,651	\$ 68,606,306

See Notes to Financial Statements

Statement of Cash Flows

Year ended June 30, 2007 (with comparative totals for June 30, 2006)

	2007	2006
Cash Flows From Operating Activities		
Change in net assets	\$ 42,588,345	\$ 11,428,849
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities		
Depreciation	73,136	75,131
Amortization		622
Non-cash contribution to University	265,254	
Losses on real estate held for resale		12,000
Net realized and unrealized gains on investments	(7,693,590)	(4,369,574)
Net realized and unrealized (gains) losses on investments held in trust	(73,556)	113
Actuarial gain on trust obligations	(3,562)	(2,118)
Non-cash gifts	(598,801)	(1,867,794)
(Gain) loss on sale of securities	(440)	1,040
Changes in:		
Accounts receivable	302,864	(292,016)
Pledges receivable	(32,279,276)	(2,703,527)
Accounts payable and accrued expenses	(305,195)	(223,389)
Pledges payable	(107,268)	228,630
Annuity obligations	(14,295)	(3,953)
Contributions restricted for long-term investment	(2,576,512)	(3,717,664)
Trust gain restricted for long-term investment	(70,077)	(8,838)
Other income restricted for long-term investment	(81,792)	(96,400)
Net Cash And Cash Equivalents Used In Operating Activities	(574,765)	(1,538,888)
Cash Flows From Investing Activities		
Proceeds from sale of investments	24,002,753	11,694,252
Purchases of investments	(25,644,877)	(14,512,679)
Proceeds from sale of investments held in trust	95,444	107,804
Proceeds from sale of real estate held for resale		74,000
Proceeds from sale of securities	581,130	1,408,505
Increase in cash value of life insurance	(28,100)	(17,313)
Net Cash And Cash Equivalents Used In Investing Activities	(993,650)	(1,245,431)
Cash Flows From Financing Activities		
Proceeds from contributions restricted for investment in endowment	2,576,512	3,717,664
Trust gain restricted for reinvestment	70,077	8,838
Other income restricted for reinvestment	81,792	96,400
Principal payments of debt		(200,000)
Net Cash And Cash Equivalents Provided By Financing Activities	2,728,381	3,622,902
Increase in Cash and Cash Equivalents	1,159,966	838,583
Cash and Cash Equivalents, Beginning of Year	4,911,362	4,072,779
Cash and Cash Equivalents, End of Year	\$ 6,071,328	\$ 4,911,362
Supplemental Data		
Interest paid		\$ 3,208

See Notes to Financial Statements

Notes to Financial Statements June 30, 2007

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, 2007, cash equivalents consisted primarily of money market funds. At June 30, 2007, the Foundation's cash accounts exceeded federally insured limits by approximately \$340,000.

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. In 2006, real estate and equipment also included \$220,000 for a residence on the West Plains campus used to house administration. The residence was transferred to the University in 2007. Depreciation for the residence for the year ended June 30, 2007, totaled \$3,509 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.

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, 2006, from which the summarized information was derived.

Reclassifications

Certain reclassifications have been made to the 2006 financial statements to conform to the 2007 financial statement presentation. These reclassifications had no effect on the change in net assets.

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, 2007

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, 2007:

Pooled investments at market value	\$ 55,299,440
Number of pool shares	189,783
Market value per pool share	\$ 291.38
Fiscal year return	16.7%
Interest and dividend earnings	\$ 340,202
Net gains	\$ 7,683,372

Endowment assets consist of the following as of June 30, 2007:

Pooled investments from above	\$ 55,299,440
Non-pooled endowment assets	5,593,788
<u>Total endowment assets</u>	<u>\$ 60,893,228</u>

Endowment assets are included within:

Unrestricted net assets	\$ 3,293,514
Temporarily restricted net assets	25,882,345
Permanently restricted net assets	31,517,607
Funds managed for Missouri State University	199,762
<u>Total endowment assets</u>	<u>\$ 60,893,228</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	\$ 172,979
Money market accounts	6,447,219
Mutual funds	47,502,478
Real estate	2,699,851
U.S. Treasury securities	787,515
Corporate bonds	1,014,906
Hedge funds	4,337,161
Other	3,500
	\$ 62,965,609
Investment return consists of the following:	
Investment income	\$ 970,344
Net realized and unrealized gains on investments reported at fair value	7,693,590
	\$ 8,663,934

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, 2007 totaled \$149,163.

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, 2007, were \$413,361 and are included in rental income. Pledges payable, accounts payable and accrued expenses include \$350,099 due the University at June 30, 2007.

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 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 \$141,237 at June 30, 2007.

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 \$523,382 at June 30, 2007.

Notes to Financial Statements June 30, 2007

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, 2007, is \$111,771. The income received by the Foundation from this trust was \$4,013 for this fiscal year. The Foundation also is the beneficiary of eight charitable remainder trusts with a fair value at June 30, 2007, of \$890,550.

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 \$54,535 in contribution revenue under these agreements during the year ended June 30, 2007.

The annuity obligation at June 30, 2007, of \$532,647 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 4.86% to 5.16% for the year ended 2007. Pledges receivable consist of the following unconditional promises to give at June 30, 2007:

Due in less than one year	\$ 6,236,342
Due in one to five years	15,439,158
Due in more than five years	39,933,936
	<u>61,609,436</u>
Less: Allowance for doubtful accounts	298,996
Unamortized discount	21,245,920
	<u>21,544,916</u>
	<u>\$ 40,064,520</u>

Pledges are included in the following net asset classification:

Temporarily Restricted	\$ 35,358,709
Permanently Restricted	4,705,811
	<u>\$ 40,064,520</u>

Note 8: Leases

Noncancelable leases for space in the Kenneth E. Meyer Alumni Center expire in various years through 2010. Several of these leases contain renewal options for periods ranging from one to three years. Future minimum lease income at June 30, 2007, is as follows: 2008–\$523,049; 2009–\$31,710; 2010–\$2,642.

Note 9: Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

Any purpose, time restricted	\$ 33,352
Instruction and academic program support	13,951,905
Student services	3,356,217
Institutional support	35,192,925
Scholarships	18,717,311
Broadcast services	2,195,892
	<u>\$ 73,447,602</u>

Note 10: 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	\$ 8,510,322
Student services	900,682
Institutional support	2,073,858
Scholarships	19,959,876
Broadcast services	72,869
	\$ 31,517,607

Note 11: Disclosures About Fair Value of Financial Instruments

The fair values of certain financial instruments were calculated by discounting expected cash flows, which method involves significant judgements by management. Fair value is the estimated amount at which financial assets or liabilities could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Because no market exists for certain of these financial instruments and because management does not intend to sell these financial instruments, the Foundation does not know whether the fair values shown below represent values at which the respective financial instruments could be sold individually or in the aggregate.

The following method and assumptions were used to estimate the fair value of each class of financial instruments.

Cash, Accounts Receivable and Investments Held in Trust

The carrying amount approximates fair value.

Investments

The carrying amount is the fair value as described in *Note 3* and *Note 5*.

Pledges Receivable

The carrying amount is a reasonable estimate of fair value as described in *Note 7*.

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.

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 67% of the Foundation's total contributions revenue for 2007 was provided by one contributor. Approximately 71% of the net pledge receivable balance outstanding at June 30, 2007 was due from one contributor.

PRIVATE GIVING

The loyalty of alumni and friends of the University was evident during Fiscal Year 2007. The Missouri State University Foundation received 34,288 gifts, totaling \$10,960,508 (cash basis) for students, faculty and programs at Missouri State University. As part of that number, the Annual Fund, which supports annual needs of academic and other programs, received the highest gift amount ever: \$6,143,606. The other approximate \$4.8 million was designated for special campaigns or were one-time gifts. An additional \$1,229,220 was recorded in deferred gift commitments during the fiscal year, which will provide further support at some point in the future. These kinds 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.

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 \$55,299,440. 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.

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 in Chemistry, including a summer undergraduate research fellowship. An endowed professorship in the College of Education was established to ensure education majors have sufficient language skills in both English and Spanish to effectively teach in bilingual classroom environments. Greenwood Lab School received an endowed fund to establish the girls' soccer program. An endowed scholarship in History was created to honor former University President Duane G. Meyer. Also, several scholarships were established or continued receiving support in the areas of accounting, agriculture, athletics, band, marketing, music, religious studies, University libraries and West Plains programs, just to name a few. JQH Arena received several gifts in support of concourses, the club, the grand entrance, suites and the Hall of Fame. Other annual gifts continued for critical support of programs in the areas of KSMU, Ozarks Public Television, 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, 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 deferred. All gifts advance the possibilities for Missouri State University students and enhance the University.

Fiscal Year 2007 was a tremendous year in which alumni, parents and friends of Missouri State demonstrated their loyalty to the University and its students, faculty and programs, with their gifts. ■

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