

2007–2008 FINANCIAL REPORT

**Missouri State University[™]
Foundation**



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

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

During Fiscal Year 2008, the Foundation experienced the largest giving total in one year for projects and programs throughout the University, including scholarships, facilities, faculty development and research. From July 1, 2007 – June 30, 2008, the Missouri State University Foundation received 32,970 gifts from 26,304 donors, totaling \$14,050,400 (cash basis). And, of the total number of gifts received, 31,143 were annual gifts with contributions totaling \$6,015,004. In addition to the outright gifts, an additional \$567,258 in new deferred gift commitments was received. 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.

The market value of the endowment pool at June 30, 2008, was \$53,258,894. 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 \$144 million in outright gifts have been received, and another \$31 million in deferred gifts have been committed, for a total of over \$175 million received or committed. Of the \$144 million in outright gifts, annual gifts total \$72 million, one-time gifts account for \$39 million, and \$33 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.



Springfield native and 1954 Missouri State graduate Gordon McCann has committed to donate his collection of music and folk-life material to the special collections and archives department of the Duane G. Meyer Library. McCann's collection includes more than 2,000 recorded fiddle tunes (well over 65,000 including variations) and more than 3,000 hours of fiddle music. In addition, McCann has more than 200 notebooks full of tunes, transcriptions and biographical information on the musicians. The collection will be transferred over a period of time, with the oldest tapes to be digitized first as library staff process and archive the material for use by future generations of researchers.



Longtime supporters of Missouri State University, Bill and Virginia Darr and the Darr Family Foundation have pledged \$1 million toward the completion of Phase III improvements to the Darr Agricultural Center. These will include the construction of a learning/service building at the center that includes class/meeting rooms, offices, a small animal laboratory, a greenhouse and a shop. The total cost for Phase III improvements is expected to be approximately \$2 million.



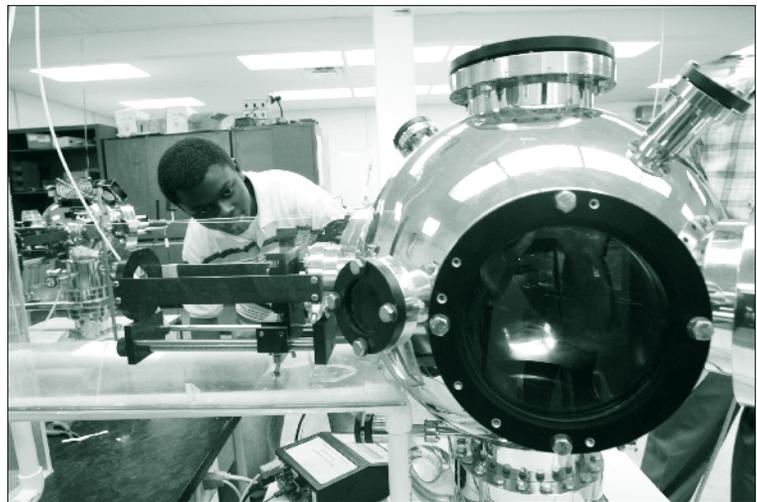
More than \$7.2 million in private gifts has now been donated or pledged to support JQH Arena at Missouri State University. Included in that total is \$5 million in private funding the University committed to raise for construction of the facility above and beyond the \$30 million lead gift from John Q. Hammons.

The \$67 million JQH Arena, named for Hammons in recognition of his gift, is under construction and will be completed in time for the 2008-09 basketball season. The facility will have more than 11,000 seats, a grand entrance, 24 private suites, more than 100 loge seats, 55 “Jack Nicholson courtside seats,” a Hall of Fame, a team souvenir store and a ticket office.

A number of alumni, friends and area businesses have contributed toward the arena. Recognition of these gifts will be seen throughout the new home of the Bears and Lady Bears.



On January 23, Missouri State University’s Roy Blunt Jordan Valley Innovation Center was awarded its first corporate gift, a \$125,000 donation from the Bank of America Charitable Foundation. The grant will enhance JVIC by funding the construction of an electromagnetic device fabrication laboratory. The work performed in this lab will add to continued economic development spurred by JVIC, which houses the University’s Center for Applied Science and Engineering (CASE), the Center for Biomedical and Life Sciences (CBLS), Springfield Innovation, Inc., the nonprofit arm of the center, and offices and research space for JVIC senior corporate affiliates.





The Missouri State Promise Scholarship was established to help the neediest of Missouri's students complete a college degree. The scholarship pays the difference between the cost of tuition and required fees and any federal, state or other scholarship aid the student may have received to ensure that the total gift aid will cover their tuition and fees and a standard book allowance. Because of a revised state program to better address financial need and because of significant contributions from private donors, the income cap for the scholarship increased from 100 percent to 150 percent of the national poverty level for freshmen and transfer students who entered the University in the fall of 2008. In 2007-08, 33 students were awarded the Promise Scholarship, totaling \$38,148. The University expected 30-50 more students to qualify as a result of raising the income cap.



Veterans injured since Sept. 11, 2001, who want to continue their education at Missouri State University will have assistance, thanks to a new scholarship fund endowed by friends of the University, John and Fredna Mahaffey. The Operation Promise Scholarship provides up to \$3,000 per year to veterans who have been physically injured in combat since Sept. 11, 2001. Born in St. Joseph, Mahaffey moved to Springfield in 1949, after serving in the U.S. Army. He has enjoyed a successful career as founder of Mahaffey Enterprises. Fredna, an alumna of the University of Wisconsin, is a member of the Junior League of Springfield and also is active in the community.

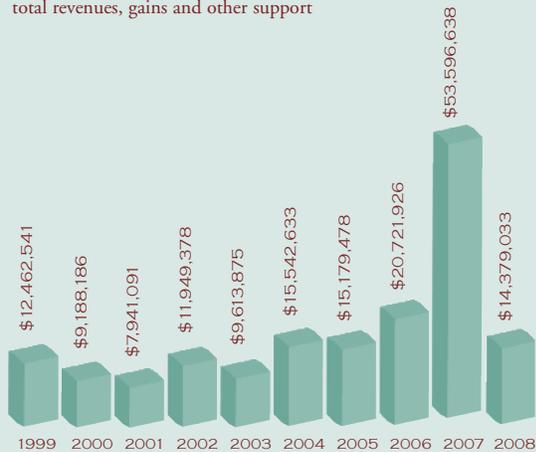
In its mission to develop educated persons, it is essential that the faculty of Missouri State serve as role models and intellectual leaders. The faculty members who hold endowed positions set high standards for achievement. They have earned their positions through sustained and scholarly accomplishments.

At Missouri State, we compete nationally for talented faculty, who are vital to strong academic programs. We must not only attract outstanding faculty, but also reward them for their excellence in educating students and representing the University.

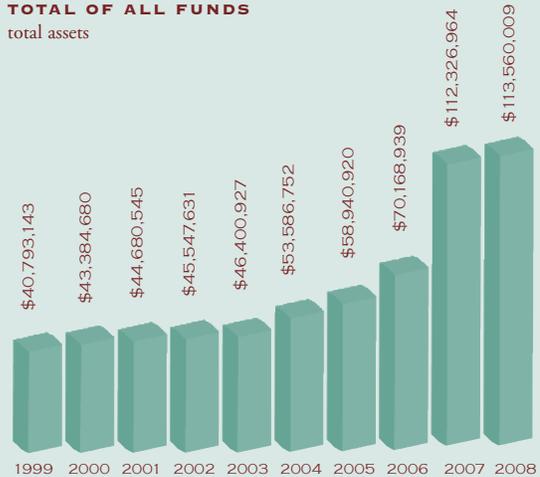
That's why we have increased the number of endowed chairs and professorships from three to 25 in the past two years. The donors who have established these endowed positions have set a precedent by investing in Missouri State's mission.



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, 2008, 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, 2007 financial statements and in our report dated September 17, 2007, 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, 2008, 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.

A handwritten signature in dark ink that reads 'BKD LLP'.

September 30, 2008

Hammons Tower
901 E. St. Louis Street, Suite 1000
P.O. Box 1190
Springfield, MO 65801-1190
417.865.8701 Fax 417.865.0682

bkd.com

3230 Hammons Boulevard
P.O. Box 1824
Joplin, MO 64802-1824
417.624.1065 Fax 417.624.1431

Beyond Your Numbers

1034 W. Main Street
P.O. Box 1277
Branson, MO 65615-1277
417.334.5165 Fax 417.334.4823



Statement of Financial Position

June 30, 2008 (with comparative totals for June 30, 2007)

| | | 2008 | 2007 |
|--------------------|---|-----------------------|-----------------------|
| Assets | | | |
| | Cash and cash equivalents | \$ 8,884,513 | \$ 6,071,328 |
| | Accounts receivable, net | 19,742 | 28,061 |
| | Investments | 60,347,217 | 62,965,609 |
| | Investments held in trust | 876,272 | 1,002,321 |
| | Investments held for resale | 123,126 | 141,237 |
| | Pledges receivable, net | 41,203,896 | 40,064,520 |
| | Real estate held for resale | 360,382 | 523,382 |
| | Cash value of life insurance | 518,186 | 487,929 |
| | Construction in progress | 252,877 | - |
| | Real estate and equipment, at cost | 2,738,940 | 2,738,940 |
| | Accumulated depreciation | (1,765,142) | (1,696,363) |
| | Total Assets | \$ 113,560,009 | \$ 112,326,964 |
| Liabilities | | | |
| | Accounts payable and accrued expenses | \$ 333,049 | \$ 165,633 |
| | Pledges payable | 114,600 | 234,271 |
| | Annuity obligations | 517,121 | 532,647 |
| | Funds managed for Missouri State University | 199,762 | 199,762 |
| | Total Liabilities | 1,164,532 | 1,132,313 |
| Net Assets | | | |
| | Unrestricted | 6,677,687 | 6,229,442 |
| | Temporarily restricted | 71,900,293 | 73,447,602 |
| | Permanently restricted | 33,817,497 | 31,517,607 |
| | Total Net Assets | 112,395,477 | 111,194,651 |
| | Total Liabilities and Net Assets | \$ 113,560,009 | \$ 112,326,964 |

See Notes to Financial Statements

Statement of Activities

Year ended June 30, 2008 (with comparative totals for June 30, 2007)

| | Unrestricted | Temporarily Restricted | Permanently Restricted | 2008 Total | 2007 Total |
|--|---------------------|------------------------|------------------------|-----------------------|-----------------------|
| Revenues, Gains and Other Support | | | | | |
| Contributions | \$ 297,626 | \$ 12,916,361 | \$ 2,258,266 | \$ 15,472,253 | \$ 43,693,022 |
| Investment return | 727,066 | (3,031,912) | | (2,304,846) | 8,663,934 |
| Gain (loss) on assets held in trust | | (5,796) | (3,628) | (9,424) | 73,556 |
| Life insurance cash value increase (decrease) | (211) | 30,468 | | 30,257 | 28,100 |
| Rental income | 690,207 | | | 690,207 | 681,286 |
| Other income | 50,678 | 359,617 | 90,291 | 500,586 | 456,740 |
| Net assets released from restrictions | 11,349,284 | (11,349,284) | | | |
| Total Revenues, Gains and Other Support | 13,114,650 | (1,080,546) | 2,344,929 | 14,379,033 | 53,596,638 |
| Expenses and Losses | | | | | |
| Instruction and academic program support | 2,078,933 | | | 2,078,933 | 1,974,137 |
| Student services | 2,580,739 | | | 2,580,739 | 2,614,226 |
| Institutional support | 213,392 | | | 213,392 | 237,313 |
| Scholarships | 1,601,401 | | | 1,601,401 | 1,442,866 |
| Broadcast services | 954,877 | | | 954,877 | 1,322,615 |
| Rental expenses | 560,041 | | | 560,041 | 611,643 |
| Capital projects – Missouri State University | 1,729,548 | | | 1,729,548 | 1,644,947 |
| JQH Arena debt service | 1,858,501 | | | 1,858,501 | - |
| Costs of direct benefits to donors | 232,148 | | | 232,148 | 233,317 |
| Fund raising | 825,453 | | | 825,453 | 705,757 |
| Total Expenses | 12,635,033 | | | 12,635,033 | 10,786,821 |
| Actuarial (gain) loss on trust and annuity obligations | 31,372 | (11,081) | 21,027 | 41,318 | 32,213 |
| Provision for uncollectible pledges | | 314,844 | 24,012 | 338,856 | 189,259 |
| Reduction in value of real estate held for resale | | 163,000 | | 163,000 | - |
| Total Expenses and Losses | 12,666,405 | 466,763 | 45,039 | 13,178,207 | 11,008,293 |
| Change in Net Assets | 448,245 | (1,547,309) | 2,299,890 | 1,200,826 | 42,588,345 |
| Net Assets, Beginning of Year | 6,229,442 | 73,447,602 | 31,517,607 | 111,194,651 | 68,606,306 |
| Net Assets, End of Year | \$ 6,677,687 | \$ 71,900,293 | \$ 33,817,497 | \$ 112,395,477 | \$ 111,194,651 |

See Notes to Financial Statements

Statement of Cash Flows

Year ended June 30, 2008 (with comparative totals for June 30, 2007)

| | 2008 | 2007 |
|---|---------------------|---------------------|
| Cash Flows From Operating Activities | | |
| Change in net assets | \$ 1,200,826 | \$ 42,588,345 |
| Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities | | |
| Depreciation | 68,779 | 73,136 |
| Non-cash contribution to University | - | 265,254 |
| Reduction in value of real estate held for resale | 163,000 | - |
| Net realized and unrealized (gains) losses on investments | 3,136,755 | (7,693,590) |
| Net realized and unrealized (gains) losses on investments held in trust | 9,424 | (73,556) |
| Actuarial loss on trust and annuity obligation | 41,318 | 32,213 |
| Non-cash gifts | (947,666) | (598,801) |
| (Gain) loss on sale of securities | 43,018 | (440) |
| Changes in: | | |
| Accounts receivable | 8,319 | 302,864 |
| Pledges receivable | (1,139,376) | (32,279,276) |
| Accounts payable and accrued expenses | (2,872) | (305,195) |
| Pledges payable | (119,671) | (107,268) |
| Annuity obligations | (56,844) | (50,070) |
| Contributions restricted for long-term investment | (2,867,192) | (2,576,512) |
| Other income restricted for long-term investment | (90,291) | (81,792) |
| Net Cash And Cash Equivalents Used In Operating Activities | (552,473) | (504,688) |
| Cash Flows From Investing Activities | | |
| Proceeds from sale of investments | 32,642,541 | 24,002,753 |
| Purchases of investments | (33,160,904) | (25,644,877) |
| Proceeds from sale of investments held in trust | 116,625 | 95,444 |
| Proceeds from sale of securities | 922,759 | 581,130 |
| Fixed asset acquisitions | (82,589) | - |
| Increase in cash value of life insurance | (30,257) | (28,100) |
| Net Cash And Cash Equivalents Provided By (Used In) Investing Activities | 408,175 | (993,650) |
| Cash Flows From Financing Activities | | |
| Proceeds from contributions restricted for investment in endowment | 2,867,192 | 2,576,512 |
| Other income restricted for reinvestment | 90,291 | 81,792 |
| Net Cash And Cash Equivalents Provided By Financing Activities | 2,957,483 | 2,658,304 |
| Increase in Cash and Cash Equivalents | 2,813,185 | 1,159,966 |
| Cash and Cash Equivalents, Beginning of Year | 6,071,328 | 4,911,362 |
| Cash and Cash Equivalents, End of Year | \$ 8,884,513 | \$ 6,071,328 |
| Supplemental Data | | |
| Accounts payable incurred for construction in progress | \$ 170,288 | - |

See Notes to Financial Statements

Notes to Financial Statements June 30, 2008

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, 2008, cash equivalents consisted primarily of money market funds. At June 30, 2008, the Foundation's cash accounts exceeded federally insured limits by approximately \$445,000.

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.

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, 2007, from which the summarized information was derived.

Reclassifications

Certain reclassifications have been made to the 2007 financial statements to conform to the 2008 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, 2008

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, 2008:

| | |
|------------------------------------|---------------|
| Pooled investments at market value | \$ 53,258,894 |
| Number of pool shares | 201,858 |
| Market value per pool share | \$ 263.84 |
| Fiscal year return | -4.8% |
| Interest and dividend earnings | \$ 257,143 |
| Net losses | \$ 2,970,129 |

Endowment assets consist of the following as of June 30, 2008:

| | |
|-------------------------------|----------------------|
| Pooled investments from above | \$ 53,258,894 |
| Non-pooled endowment assets | 5,256,154 |
| Total endowment assets | \$ 58,515,048 |

Endowment assets are included within:

| | |
|---|----------------------|
| Unrestricted net assets | \$ 3,117,240 |
| Temporarily restricted net assets | 21,380,549 |
| Permanently restricted net assets | 33,817,497 |
| Funds managed for Missouri State University | 199,762 |
| Total endowment assets | \$ 58,515,048 |

Note 3: 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, is based on valuations conducted by the management group of each underlying fund. 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.

The Foundation's temporarily and permanently restricted net assets include various endowment funds established by donors. At June 30, 2008, the fair value of the assets of some of the funds was approximately \$190,000 less than the level required by donor stipulation or law.

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 | \$ 125,663 |
| Money market accounts | 5,917,359 |
| Mutual funds | 44,061,498 |
| Real estate | 3,503,134 |
| U.S. Treasury securities | 1,008,659 |
| Corporate bonds | 1,025,634 |
| Hedge funds | 4,516,770 |
| Private Equity | 185,000 |
| Other | 3,500 |
| | \$ 60,347,217 |
| Investment return consists of the following: | |
| Investment income | \$ 831,909 |
| Net realized and unrealized losses investments reported at fair value | (3,136,755) |
| | \$ (2,304,846) |

Investments held in trust are deposited with Wachovia Bank balanced fund or are in municipal bonds and other investments.

Investment expenses incurred for the year ended June 30, 2008 totaled \$144,678.

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, 2008, were \$400,635 and are included in rental income. Pledges payable, accounts payable and accrued expenses include \$250,031 due the University at June 30, 2008.

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 \$123,126 at June 30, 2008.

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, 2008.

Notes to Financial Statements June 30, 2008

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, 2008, is \$101,516. The income received by the Foundation from this trust was \$4,931 for this fiscal year. The Foundation also is the beneficiary of six charitable remainder trusts with a fair value at June 30, 2008, of \$774,756.

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 \$54,281 in contribution revenue under these agreements during the year ended June 30, 2008.

The annuity obligation at June 30, 2008, of \$517,121 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 2.39% to 3.97% for the year ended 2008. Pledges receivable consist of the following unconditional promises to give at June 30, 2008:

| | |
|---------------------------------------|----------------------|
| Due in less than one year | \$ 7,956,651 |
| Due in one to five years | 14,519,297 |
| Due in more than five years | 38,703,909 |
| | <u>61,179,857</u> |
| Less: Allowance for doubtful accounts | 325,373 |
| Unamortized discount | 19,650,588 |
| | <u>19,975,961</u> |
| | <u>\$ 41,203,896</u> |

Pledges are included in the following net asset classification:

| | |
|------------------------|----------------------|
| Temporarily Restricted | \$ 37,131,023 |
| Permanently Restricted | 4,072,873 |
| | <u>\$ 41,203,896</u> |

Note 8: Leases

Noncancelable leases for space in the Kenneth E. Meyer Alumni Center expire in various years through 2011. Several of these leases contain renewal options for periods ranging from one to three years. Future minimum lease income at June 30, 2008, is as follows: 2009-\$488,229; 2010-\$63,143; 2011-\$10,083.

Note 9: Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

| | |
|--|----------------------|
| Any purpose, time restricted | \$ 31,460 |
| Instruction and academic program support | 15,338,944 |
| Student services | 4,177,801 |
| Institutional support | 35,370,190 |
| Scholarships | 14,625,263 |
| Broadcast services | 2,356,635 |
| | <u>\$ 71,900,293</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 | \$ 10,330,151 |
| Student services | 1,372,326 |
| Institutional support | 1,182,526 |
| Scholarships | 20,859,602 |
| Broadcast services | 72,892 |
| | \$ 33,817,497 |

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 12% of the Foundation's total contributions revenue for 2008 was provided by one contributor. Approximately 67% of the net pledge receivable balance outstanding at June 30, 2008 was due from one contributor.

PRIVATE GIVING

The loyalty of alumni and friends of the University was evident during Fiscal Year 2008. Over 26,000 donors, which included a record number 8,030 alumni donors, contributed \$14,050,400 (cash basis) to the Missouri State University Foundation 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 \$6,015,004. The other \$8,035,396 million was designated for special campaigns or were one-time gifts. An additional \$567,258 was recorded in deferred gift commitments during the fiscal year, which 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 \$53,258,894. 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 including: the Guy Mace Endowed Professorship in Engineering, the Missouri State Libraries General Book Fund, gifts from the Darr Family Foundation and Journagan Construction for the Darr Agricultural Center, the Missouri State Promise Scholarship, and the John and Fredna Mahaffey Operation Promise Scholarship for military veterans injured after Sept. 11, 2001. Also, several funds and scholarships were established or continued receiving support in the areas of accounting, art and design, business, industrial management, libraries, and music, just to name a few. Additionally, annual gifts continued for critical support of programs in the areas of Greenwood, Jordan Valley Innovation Center, JQH Arena, KSMU, Ozarks Public Television, the West Plains campus, 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 2008 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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