Missouri State University Foundation

Independent Auditor's Report and Financial Statements

June 30, 2014

BKD LLP
CPAs & Advisors

BKD LLP
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Independent Auditor's Report

Board of Trustees
Missouri State University Foundation
Springfield, Missouri

We have audited the accompanying financial statements of Missouri State University Foundation, which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the June 30, 2013, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 7, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BKD, LLP

Springfield, Missouri
October 9, 2014

Missouri State University Foundation

Statement of Financial Position

June 30, 2014 (with comparative totals for June 30, 2013)

Assets

	2014	2013
Cash and cash equivalents	$ 23,431,133	$ 21,767,299
Accounts receivable, net	6,801	7,782
Prepaid expenses	2,600	4,500
Investments	76,541,487	66,795,232
Investments held in trust	852,502	789,162
Investments held for resale	123,126	123,126
Pledges receivable, net	35,594,267	36,744,082
Real estate held for resale	196,382	301,382
Cash value of life insurance	427,734	445,183
Real estate and equipment, at cost	3,594,620	3,594,620
Accumulated depreciation	(2,338,701)	(2,225,930)
Total assets	$ 138,431,951	$ 128,346,438

Liabilities and Net Assets

	2014	2013
Accounts payable and accrued expenses	$ 1,219,081	$ 1,092,918
Pledges payable	251,035	340,535
Annuity obligations	240,029	256,922
Funds managed for Missouri State University	199,762	199,762
Total liabilities	1,909,907	1,890,137
Net Assets		
Unrestricted	9,688,435	8,712,869
Temporarily restricted	79,088,244	72,194,370
Permanently restricted	47,745,365	45,549,062
Total net assets	136,522,044	126,456,301
Total liabilities and net assets	$ 138,431,951	$ 128,346,438

Missouri State University Foundation

Statement of Activities

Year Ended June 30, 2014 (with comparative totals for June 30, 2013)

	2014				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2013 Total
Revenues, Gains and Other Support					
Contributions	$ 399,251	$ 14,849,729	$ 2,192,215	$ 17,441,195	$ 15,956,664
Investment return	1,266,319	8,806,483	-	10,072,802	5,988,206
Gain on assets held in trust	-	-	97,229	97,229	40,457
Life insurance cash value increase (decrease)	(2,235)	(15,214)	-	(17,449)	5,322
Rental income	645,250	-	-	645,250	685,084
Other income	31,177	220,898	33,710	285,785	294,190
Net assets released from restrictions	16,725,476	(16,725,476)	-	-	-
Total revenues, gains and other support	19,065,238	7,136,420	2,323,154	28,524,812	22,969,923
Expenses					
Instruction and academic program support	4,584,405	-	-	4,584,405	4,307,959
Student services	3,179,048	-	-	3,179,048	2,958,045
Institutional support	510,804	-	-	510,804	409,379
Scholarships	1,815,199	-	-	1,815,199	1,897,266
Broadcast services	1,266,584	-	-	1,266,584	1,249,203
Rental expenses	634,127	-	-	634,127	515,339
Capital projects - Missouri State University	3,605,295	-	-	3,605,295	1,500,026
JQH Arena debt service	1,935,968	-	-	1,935,968	1,936,729
Costs of direct benefits to donors	20,875	-	-	20,875	19,558
Fundraising	511,184	-	-	511,184	393,013
Total expenses	18,063,489	-	-	18,063,489	15,186,517
Actuarial loss on trust and annuity obligations	26,183	-	19,371	45,554	23,871
Provision for uncollectible pledges	-	216,245	107,480	323,725	230,871
Loss on real estate held for sale	-	26,301	-	26,301	-
Total expenses and losses	18,089,672	242,546	126,851	18,459,069	15,441,259
Change in Net Assets	975,566	6,893,874	2,196,303	10,065,743	7,528,664
Net Assets, Beginning of Year	8,712,869	72,194,370	45,549,062	126,456,301	118,927,637
Net Assets, End of Year	$ 9,688,435	$ 79,088,244	$ 47,745,365	$ 136,522,044	$ 126,456,301

See Notes to Financial Statements

Missouri State University Foundation

Statement of Cash Flows

Year Ended June 30, 2014 (with comparative totals for June 30, 2013)

	2014	2013
Operating Activities		
Change in net assets	$ 10,065,743	$ 7,528,664
Items not requiring (providing) operating activities cash flows		
Depreciation	112,771	123,966
Net realized and unrealized gains on investments	(9,916,446)	(5,813,134)
Net realized and unrealized gains on investments held in trust	(97,229)	(40,457)
Actuarial loss on trust and annuity obligations	45,554	23,871
Noncash gifts	(1,863,269)	(837,269)
Loss on sale of real estate	26,301	-
Loss on sale of securities	12,595	1,994
Changes in		
Accounts receivable	981	31,134
Prepaid expenses	1,900	(4,500)
Pledges receivable	1,149,815	839,099
Accounts payable and accrued expenses	126,163	879,474
Pledges payable	(89,500)	(599,611)
Annuity obligations	(62,447)	(55,949)
Contributions restricted for long-term investment	(3,355,084)	(2,375,906)
Other income restricted for long-term investment	(33,710)	(64,324)
Net cash used in operating activities	(3,875,862)	(362,948)
Investing Activities		
Proceeds from sale of investments	35,911,688	33,130,711
Purchase of investments	(35,741,497)	(32,907,653)
Proceeds from sale of investments held in trust	33,889	72,456
Proceeds from sale of real estate held for resale	78,699	-
Purchases of real estate and equipment	-	(172,675)
Decrease (increase) in cash value of life insurance	17,449	(5,323)
Net cash provided by investing activities	300,228	117,516
Financing Activities		
Proceeds from sale of securities	1,850,674	730,275
Proceeds from contributions restricted for investment in endowment	3,355,084	2,375,906
Other income restricted for reinvestment	33,710	64,324
Net cash provided by financing activities	5,239,468	3,170,505
Increase in Cash and Cash Equivalents	1,663,834	2,925,073
Cash and Cash Equivalents, Beginning of Year	21,767,299	18,842,226
Cash and Cash Equivalents, End of Year	$ 23,431,133	$ 21,767,299

Note 1: Summary of Significant Accounting Principles

Purpose of the Foundation

The purpose of the Missouri State University Foundation (the "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 (the "University"), or its successors, or any institution of higher learning with which it may merge. The Foundation provides funds from private sources to a variety of University departments and programs.

The Board of Trustees, which governs the Foundation, is separate and distinct from the Board of Governors, the governing body of the University.

The Foundation's primary source of revenue is from contributions and their investment return.

Description of Net Assets

The net assets of the Foundation are reported in the following categories:

- Unrestricted Net Assets—net assets that are neither permanently nor temporarily restricted by donor-imposed stipulations, and are expendable for any purpose.
- 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.
- 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 depending on donor restrictions.

Cash and Cash Equivalents

The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, cash equivalents consisted primarily of certificates of deposit and money market accounts with brokers.

At June 30, 2014, the Foundation's cash accounts exceeded federally insured limits by approximately $153,000.

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 initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

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

In-Kind Contributions

In addition to receiving cash contributions, the Foundation receives in-kind contributions of services, software licensing, books, livestock and equipment from various donors. It is the policy of the Foundation to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase contribution revenue by a like amount. For the year ended June 30, 2014, $1,987,593 was received in in-kind contributions.

Real Estate and Equipment

Buildings, improvements and equipment are recorded at cost and depreciated over the estimated useful life of each asset. Annual depreciation is computed using the straight-line method. Real estate and equipment includes tenant remodeling improvements of $74,695 and equipment of $442,208.

Valuation of Gifts of Property

Gifts of real and personal property are reported at their estimated fair value as of the date the property is received. Fair value is determined either by a staff member of the University with expertise in the valuation of the particular property, or by appropriate documentation furnished by the donor.

Income Tax Exempt Status

The Foundation is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income. The Foundation files tax returns in the U.S. federal jurisdiction. With a few exceptions, the Foundation is no longer subject to U.S. federal examinations by tax authorities for years before 2011.

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, 2013, 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.

Transfers Between Fair Value Hierarchy Levels

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the period beginning date.

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, 2014:

Pooled investments at market value	$	75,978,767
Number of pool shares		302,565
Market value per pool share	$	251
Fiscal year return		14.8%
Interest and dividend earnings	$	113,457
Net gains	$	9,911,001

Note 3: Endowment

The Foundation's endowment consists of approximately 970 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

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

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

The composition of net assets by type of endowment fund at June 30, 2014, was:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (109)	$ 27,016,254	$ 47,100,058	$ 74,116,203
Board-designated endowment funds	3,260,779	-	-	3,260,779
Total endowment funds	$ 3,260,670	$ 27,016,254	$ 47,100,058	$ 77,376,982

Changes in endowment net assets for the year ended June 30, 2014, were:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 2,956,212	$ 21,059,850	$ 44,982,700	$ 68,998,762
Investment return				
Investment income	-	148,033	-	148,033
Net appreciation	273,842	9,635,457	-	9,909,299
Total investment return	273,842	9,783,490	-	10,057,332
Contributions	-	-	2,083,648	2,083,648
Other income	27,753	14,081	33,710	75,544
Appropriation of endowment assets for expenditure	-	(3,889,315)	-	(3,889,315)
Other additions	2,863	48,148	-	51,011
Endowment net assets, end of year	$ 3,260,670	$ 27,016,254	$ 47,100,058	$ 77,376,982

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Foundation is required to retain as a fund of perpetual duration pursuant to donor stipulation or SPMIFA. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets and aggregated approximately $109 at June 30, 2014. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after investment of new permanently restricted contributions and continued appropriation for certain purposes that was deemed prudent by the governing body.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Foundation must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the Foundation’s policies, endowment assets are invested in a manner that is intended to produce results that exceed the endowment’s financial requirement over time, while assuming a moderate level of investment risk. The Foundation expects its endowment funds to provide a rate of return between 6.7% and 9.7% annually over time. Actual returns in any given year may vary from this amount.

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

The Foundation has a policy (the spending policy) of appropriating for expenditure each year 5.7% of its endowment fund's average fair value over the prior 36 months through the month end preceding the month in which expenditure is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at a rate of 1% to 4% annually. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Note 4: Investments and Investment Return

Investments in equity securities and debt securities are carried at fair value. All other investments are valued at estimated fair value. The estimated fair value of investments in hedge funds, where a readily determinable market price is not available, has been estimated using the net asset value per share of investments. Investment income and gains that are restricted by donor stipulation are initially included in temporarily restricted net assets. When the restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets. Other investment income, gains and losses are reflected in the statement of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

While the Foundation does not invest directly in derivative securities, it does, through investment holdings with various money managers, indirectly hold these securities. The Foundation has significant investments in marketable securities, which are subject to price fluctuation. These instruments could potentially subject the Foundation to significant concentrations of market risk. This risk is controlled through a diversified portfolio and regular monitoring procedures.

Investments are summarized as follows:

Accrued income	$ 41,188
Money market accounts	518,307
U.S. equity mutual funds	18,871,551
Non-U.S. equity mutual funds	22,217,197
U.S. fixed income mutual funds	9,117,677
Non-U.S. fixed income mutual funds	3,534,451
Other mutual funds	6,602,021
Real assets	2,618,763
Real estate funds	1,242,260
Hedge funds	10,525,544
Private equity	1,249,028
Other	3,500
	$ 76,541,487

Investment return consists of the following:

Investment income	$	156,356
Net realized and unrealized gains on investments reported at fair value		9,916,446
	$	10,072,802

Investments held in trust are deposited with U.S. Bank Institutional Trust, Benjamin F. Edwards & Co., and Bank of America, N.A. or are in municipal bonds and other investments.

Investment expenses incurred for the year ended June 30, 2014, totaled $115,516.

Alternative Investments

The fair value of alternative investments has been estimated using the net asset value per share of the investments. The investment strategies and any redemption restrictions are disclosed in *Note 13.* Alternative investments held at June 30, 2014, consist of the following:

	Fair Value	Unfunded Commitments	Redemption Notice Period
Multistrategy mutual funds	$ 4,806,045	$ -	100 days
Multistrategy hedge funds	3,022,794	-	95 days
Real estate funds	1,242,260	-	45 - 60 days
Private equity funds	1,249,028	-	N/A

Note 5: Related Party Transactions

The Foundation receives administrative support from the University without charge. The value of these services is not recorded as revenues or expenditures by the Foundation. The University pays the Foundation for space occupied by various University departments within the Kenneth E. Meyer Alumni Center. Rental payments for the year ended June 30, 2014, were $461,117 and are included in rental income. Pledges payable, accounts payable and accrued expenses include $1,598,313 due to the University at June 30, 2014.

In 1982 the University's Board of Governors authorized the transfer of its endowment fund of $199,762 to the Foundation for management purposes. This balance is shown on the Foundation's statement of financial position as funds managed for Missouri State University. All investment earnings from these funds have been recorded in the accounting records of the Foundation. All endowment additions since 1982, including gifts, student fees designated for endowment and other income, have been recorded in the Foundation accounting records.

Note 6: Other Assets

Investments Held for Resale

Investments held for resale consist of tangible personal property and publicly traded common stock which are carried at the fair value as of the date received. These investments totaled $123,126 at June 30, 2014.

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 $196,382 at June 30, 2014.

Note 7: Split-Interest Agreements, Annuities and Trusts

The Foundation is one beneficiary of a perpetual split-interest trust which is held by others. The fair value of the Foundation interest in the trust at June 30, 2014, is $95,967. The income received by the Foundation from this trust was $13,770 for this fiscal year. The Foundation also is the beneficiary of three charitable remainder trusts with a fair value at June 30, 2014, of $756,535.

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. There was no revenue recognized by the Foundation under these agreements during the year ended June 30, 2014.

The annuity obligation at June 30, 2014, of $240,029 was calculated over the terms of the agreements based on the rates for government securities with similar maturities.

Note 8: Pledges Receivable

Pledges receivable are a credit risk to the extent donors choose not to complete their pledge payments. Discount rates ranged from .24% to 2.42%. Pledges receivable consist of the following unconditional promises to give at June 30, 2014:

Due within one year	$ 6,150,274
Due in one to five years	13,329,266
Due in more than five years	28,758,878
	48,238,418
Less: Allowance for doubtful accounts	324,160
Unamortized discount	12,319,991
	12,644,151
	$ 35,594,267

Pledges are included in the following net asset classification:

Temporarily restricted	$ 34,123,961
Permanently restricted	1,470,306
	$ 35,594,267

Note 9: Leases

Noncancelable leases for space in the Kenneth E. Meyer Alumni Center expire in various years through 2019. Several of these leases contain renewal options for periods ranging from one to three years. Future minimum lease income at June 30, 2014, is as follows: 2015-$665,923; 2016-$117,030; 2017-$91,499; 2018-$79,473; 2019-$35,917.

Note 10: Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2014, are available for the following purposes:

Any purpose, time restricted	$ 43,083
Instruction and academic program support	17,280,375
Student services	2,973,409
Institutional support	34,528,863
Scholarships	21,855,840
Broadcast services	2,406,674
	$ 79,088,244

Note 11: Permanently Restricted Net Assets

Permanently restricted net assets at June 30, 2014, are restricted to investments in perpetuity, the revenue from which is expendable to support:

Instruction and academic program support	$	15,512,521
Student services		747,315
Institutional support		1,593,477
Scholarships		29,807,620
Broadcast services		84,432
	$	47,745,365

Note 12: Significant Estimates and Concentrations

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

Approximately 65% of the net pledges receivable balance outstanding at June 30, 2014, was due from one contributor.

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statement of financial position.

Note 13: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

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

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

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

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2014.

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents	$ 5,795,242	$ 5,795,242	$ -	$ -
Money market accounts	518,307	518,307	-	-
U.S. equity mutual funds	18,871,551	18,871,551	-	-
Non-U.S. equity mutual funds	22,217,197	22,217,197	-	-
U.S. fixed income mutual funds	9,117,677	5,838,217	3,279,460	-
Non-U.S. fixed income mutual funds	3,534,451	3,534,451	-	-
Other mutual funds	6,602,021	190,017	1,605,959	4,806,045
Real assets	2,618,763	2,618,763	-	-
Real estate funds	1,242,260	-	-	1,242,260
Hedge funds	10,525,544	2,963,831	4,538,919	3,022,794
Private equity	1,249,028	-	-	1,249,028
Other	3,500	3,500	-	-
Investments held in trust:				
Mutual funds	463,959	463,959	-	-
Other	388,543	292,576	-	95,967
	$ 83,148,043	$ 63,307,611	$ 9,424,338	$ 10,416,094

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2014. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Investments

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

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

Hedge funds – This category includes investment in a hedge fund whose objective is to generate consistent long-term capital appreciation with low volatility and little correlation with the equity and bond markets through a portfolio having a diversified risk profile. The fund's ability to satisfy redemption requests is largely contingent upon its ability to redeem assets from private investment funds. Redemptions could generally be made as of the end of any calendar quarter upon 90 days prior to written notice to the Administrator. Investments included in Level 1 include mutual funds that implement strategies designed to provide a different risk and return pattern than traditional mutual funds but do have observable inputs.

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

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

Investments Held in Trust

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the investments are classified as Level 1, Level 2 and Level 3 of the hierarchy. The Level 3 investments are the Foundation's beneficial interest in trusts. Fair value is determined based on the market value of the securities held in the trusts and the Foundation's proportional beneficial interest.

Level 3 Reconciliation

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

	Real Estate Funds	Private Equity	Investments Held in Trust	Hedge Funds	Mutual Funds
Balance July 1, 2013	$ 1,284,792	$ 1,178,173	$ 90,107	$ -	$ 4,334,476
Total realized and unrealized gains and losses included in change in net assets	63,122	198,142	5,860	22,794	471,569
Purchases	-	85,776	-	3,000,000	-
Settlements	(105,654)	(213,063)	-	-	-
Balance June 30, 2014	$ 1,242,260	$ 1,249,028	$ 95,967	$ 3,022,794	$ 4,806,045
Total gains or losses for the year included in change in net assets attributable to the change in unrealized gains or losses related to investments still held at the reporting date					
Year ended June 30, 2014	$ 63,122	$ 198,142	$ 5,860	$ 22,794	$ 471,569

Unobservable (Level 3) Inputs

The following table presents quantitative information about unobservable inputs used in recurring (and nonrecurring) Level 3 fair value measurements (other than goodwill).

	Fair Value at 6/30/2012	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Real estate funds	$ 1,242,260	Net asset value	Liquidation Discount Rate	0%
Private equity	$ 1,249,028	Net asset value	Liquidation Discount Rate	0%
Investments held in trust	$ 95,967	Market value of underlying securities	Liquidation Discount Rate	0%
Hedge funds	$ 3,022,794	Net asset value	Liquidation Discount Rate	0%
Mutual funds	$ 4,806,045	Net asset value	Liquidation Discount Rate	0%

Fair Value of Financial Instruments

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

Cash and Cash Equivalents and Accounts Receivable

The carrying amount approximates fair value.

Pledges Receivable

The carrying amount is a reasonable estimate of fair value as described in *Note 8*, which is estimated by discounting the cash flows of the future payments expected to be received.

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 14: Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.