

# **Southeast Missouri University Foundation**

Independent Auditor's Report and Financial Statements

June 30, 2015

**Southeast Missouri University Foundation**  
**June 30, 2015**

**Contents**

|  |           |           |
|--|-----------|-----------|
| <b>Independent Auditor’s Report.....</b>   | <b>1</b>  |           |
| <br><b>Financial Statements</b>  |           |           |
| Statement of Financial Position.....   | 3         |           |
| Statement of Activities .....  | 4         |           |
| Statement of Cash Flows .....  | 5         |           |
| Notes to Financial Statements .....  | 6         |           |
| <br><b>Supplementary Information</b>   |           |           |
| Schedule of Expenditures of Federal Awards .....   | 21        |           |
| <br><b>Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....</b> |           | <b>22</b> |
| <br><b>Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance - Independent Auditor’s Report.....</b>  |           | <b>24</b> |
| <b>Schedule of Findings and Questioned Costs.....</b>  | <b>27</b> |           |
| <b>Summary Schedule of Prior Audit Findings.....</b>   | <b>28</b> |           |

## Independent Auditor's Report

Board of Directors  
Southeast Missouri University Foundation  
Cape Girardeau, Missouri

### Report on the Financial Statements

We have audited the accompanying financial statements of Southeast Missouri University Foundation, which comprise the statement of financial position as of June 30, 2015, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Foundation'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 Foundation'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 Southeast Missouri University Foundation as of June 30, 2015, 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.

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards required by OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2015, on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

**BKD, LLP**

St. Louis, Missouri  
November 11, 2015

**Southeast Missouri University Foundation**  
**Statement of Financial Position**  
**June 30, 2015**

**Assets**

**Current Assets**

|  |            |
|--|------------|
| Cash and cash equivalents                            | \$ 141,468 |
| Short-term investments                               | 17,959,228 |
| Receivables  |            |
| Pledges receivable, net of allowance; 2015 - \$3,995 | 195,794    |
| Notes receivable - current                           | 486,800    |
| Federal grant receivable                             | 500,000    |
| Accrued interest receivable                          | 99,139     |
|  | <hr/>      |
| Total current assets                                 | 19,382,429 |
|  | <hr/>      |

**Investments**

|  |            |
|--|------------|
| Endowment investments                  | 62,769,068 |
| Cash surrender value of life insurance | 523,501    |
|  | <hr/>      |
| Total investments                      | 63,292,569 |

**Long-term Notes Receivable, Net of Imputed Interest** 4,048,133

**Property Held for Resale and Development** 1,353,498

**Property and Equipment, Net of Accumulated Depreciation** 

---

11,414,025

        Total assets 

---

---

\$ 99,490,654

## Liabilities and Net Assets

### Current Liabilities

|  |    |         |
|--|----|---------|
| Accounts payable and accrued expenses      | \$ | 221,081 |
| Due to Southeast Missouri State University |    | 655,755 |
| Note payable to bank - current             |    | 195,692 |
| Funds held for others                      |    | 58,890  |
| Annuity obligations - current              |    | 197,083 |

Total current liabilities 1,328,501

**Deferred Revenue** 97,060

**Notes Payable to Bank** 1,550,924

**Annuities Obligations** 1,585,960

**Due to Southeast Missouri State University** 4,219,772

Total liabilities 8,782,217

### Net Assets

|                        |            |
|------------------------|------------|
| Unrestricted           | 19,003,326 |
| Temporarily restricted | 20,622,793 |
| Permanently restricted | 51,082,318 |

Total net assets 90,708,437

Total liabilities and net assets \$ 99,490,654

**Southeast Missouri University Foundation**  
**Statement of Activities**  
**Year Ended June 30, 2015**

|   | <b>Unrestricted</b>  | <b>Temporarily<br/>Restricted</b> | <b>Permanently<br/>Restricted</b> | <b>Total</b>         |
|---|----------------------|-----------------------------------|-----------------------------------|----------------------|
| <b>Support and Revenue</b>                          |                      |                                   |                                   |                      |
| Contributions, net of discount                      | \$ 184,491           | \$ 2,551,383                      | \$ 5,920,264                      | \$ 8,656,138         |
| Federal and state grants                            | 500,000              | -                                 | -                                 | 500,000              |
| Investment return                                   | 67,768               | 563,462                           | (11,139)                          | 620,091              |
| Rental income                                       | 749,683              | -                                 | -                                 | 749,683              |
| Special events, net of expense                      | 81,653               | -                                 | -                                 | 81,653               |
| Motor vehicle license fees                          | 129,497              | -                                 | -                                 | 129,497              |
| Other revenue and transfers                         | 531,377              | (125,242)                         | 716,666                           | 1,122,801            |
| Net assets released from restrictions               | 4,295,742            | (4,295,742)                       | -                                 | -                    |
|   | <hr/>                | <hr/>                             | <hr/>                             | <hr/>                |
| Total support and revenue                           | 6,540,211            | (1,306,139)                       | 6,625,791                         | 11,859,863           |
| <b>Expenses</b>                                     |                      |                                   |                                   |                      |
| Donations to Southeast Missouri State<br>University | 5,258,300            | -                                 | -                                 | 5,258,300            |
| General and administrative                          | 1,618,020            | -                                 | -                                 | 1,618,020            |
| Adjustment of actuarial obligations                 | 253,465              | -                                 | -                                 | 253,465              |
| Depreciation  | 209,434              | -                                 | -                                 | 209,434              |
| Interest  | 76,694               | -                                 | -                                 | 76,694               |
|   | <hr/>                | <hr/>                             | <hr/>                             | <hr/>                |
| Total expenses                                      | 7,415,913            | -                                 | -                                 | 7,415,913            |
| <b>Change in Net Assets</b>                         | (875,702)            | (1,306,139)                       | 6,625,791                         | 4,443,950            |
| <b>Net Assets - Beginning of Year</b>               | 19,879,028           | 21,928,932                        | 44,456,527                        | 86,264,487           |
|   | <hr/>                | <hr/>                             | <hr/>                             | <hr/>                |
| <b>Net Assets - End of Year</b>                     | <u>\$ 19,003,326</u> | <u>\$ 20,622,793</u>              | <u>\$ 51,082,318</u>              | <u>\$ 90,708,437</u> |

**Southeast Missouri University Foundation**  
**Statement of Cash Flows**  
**Year Ended June 30, 2015**

**Cash Flows from Operating Activities**

|   |                |
|---|----------------|
| Change in net assets  | \$ 4,443,950   |
| Items not requiring (providing) operating activities cash flows |                |
| Cash provided by operating activities                           |                |
| Depreciation  | 209,434        |
| Net realized and unrealized investment gains                    | 1,218,411      |
| Permanently restricted contributions                            | (5,920,264)    |
| Change in value of split-interest agreements                    | 253,465        |
| Loss on disposition of property and equipment                   | 1,100          |
| Donated land  | (100,000)      |
| Net change in   |                |
| Pledges receivable  | (173,424)      |
| Other receivables   | (501,967)      |
| Cash surrender value of life insurance                          | (100,233)      |
| Other assets  | 2,979          |
| Deferred revenues   | (23,947)       |
| Accounts payable and other liabilities                          | <u>144,140</u> |
| Net cash used in operating activities                           | (546,356)      |

**Cash Flows from Investing Activities**

|  |                    |
|--|--------------------|
| Proceeds from the sale/maturity of investments       | 14,694,570         |
| Purchase of investments, including reinvested income | (21,480,007)       |
| Receipts from notes receivable                       | 351,608            |
| Proceeds from sale of property and equipment         | 6,600              |
| Purchase of property and equipment                   | <u>(1,636,227)</u> |
| Net cash used in investing activities                | (8,063,456)        |

**Cash Flows from Financing Activities**

|   |                  |
|---|------------------|
| Permanently restricted contributions        | 5,920,264        |
| Payments to annuitants and recipients       | (147,095)        |
| Proceeds from issuance of annuities payable | 475,000          |
| Payments on notes payable                   | <u>(224,554)</u> |
| Net cash provided by financing activities   | <u>6,023,615</u> |

**Net Decrease in Cash and Cash Equivalents** (2,586,197)

**Cash and Cash Equivalents - Beginning of Year** 2,727,665

**Cash and Cash Equivalents - End of Year** \$ 141,468

# Southeast Missouri University Foundation

## Notes to Financial Statements

### June 30, 2015

#### **Note 1: Nature of Operations and Summary of Significant Accounting Policies**

##### ***Nature of Operations***

The Southeast Missouri University Foundation (the “Foundation”) was formed in 1983 to assist in the physical and functional development and advancement of Southeast Missouri State University (the “University”) and the performance of its educational and charitable functions.

##### ***Basis of Presentation***

Net assets and revenues, and gains and losses are classified based on donor imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted – Resources over which the Foundation’s Board of Directors has discretionary control.

Temporarily Restricted – Resources subject to donor imposed restrictions which will be satisfied by the passage of time or actions of the Foundation.

Permanently Restricted – Resources subject to donor imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by the actions of the Foundation. Donors of these resources permit the Foundation to use all or part of the income earned, including capital appreciation of related investments for unrestricted or temporarily restricted purposes.

##### ***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.

##### ***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, 2015, cash equivalents consisted primarily of money market accounts.

At June 30, 2015, the Foundation’s cash accounts did not exceed federally insured limits.

##### ***Investments and Investment Return***

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Fair value is estimated based on quoted market prices. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investments in private equity funds and hedge funds are recorded at net asset value (NAV), as a practical expedient, to determine fair value of the investments. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value, and realized gains and losses on other investments.

# Southeast Missouri University Foundation

## Notes to Financial Statements

June 30, 2015

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction. Other investment return is reflected in the statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

The Foundation maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

### ***Property and Equipment***

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

|                        |               |
|------------------------|---------------|
| Building               | 15 - 40 years |
| Equipment              | 7 - 10 years  |
| Furniture and fixtures | 7 - 10 years  |

### ***Long-lived Asset Impairment***

The Foundation evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the year ended June 30, 2015.

### ***Pledges and Contributions***

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 and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction.

# **Southeast Missouri University Foundation**

## **Notes to Financial Statements**

**June 30, 2015**

The Foundation provides an allowance for uncollectible pledges, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Pledges are reviewed throughout the fiscal year. Telefund pledges of \$50 or less are cancelled after three months and telefund pledges over \$50 are cancelled after one year outstanding.

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 as 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 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, 2015, \$88,458 was received in in-kind contributions.

### ***Properties Held For Resale and Development***

Certain land donated to the Foundation is currently held for resale and development. The carrying value of these properties was recorded based on their appraised values at the time of their contributions. The carrying value of these properties is reported at the lower of cost or market value.

### ***Deferred Revenue***

Revenue from an early lease payment and undistributed unrealized annuity gains and losses is deferred and recognized over the periods to which the revenues relate.

### ***Government Grants***

Support funded by grants is recognized as the Foundation incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

# Southeast Missouri University Foundation

## Notes to Financial Statements

June 30, 2015

### **Income Taxes**

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. With a few exceptions, the Foundation is no longer subject to U.S. federal examinations by tax authorities for years before 2012.

### **Functional Allocation of Expenses**

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the program, management and general and fund raising categories based on the direct costs associated with the functional categories.

### **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 actual transfer date.

### **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.

## **Note 2: Investments and Investment Return**

Investments at June 30 consisted of the following:

|                              |               |
|------------------------------|---------------|
| Cash and money market funds  | \$ 1,915,277  |
| Certificates of deposit      | 282,990       |
| Equities                     |               |
| Domestic                     | 26,951,015    |
| Developing international     | 5,680,431     |
| Mutual funds                 |               |
| Domestic                     | 4,895,958     |
| Developing international     | 5,334,836     |
| Emerging market              | 6,879,747     |
| International fixed income   | 3,898,892     |
| Other                        | 7,782,616     |
| Corporate bonds              | 8,290,947     |
| U.S. Treasury securities     | 1,910,429     |
| U.S. government obligations  | 5,213,367     |
| Municipal securities         | 13,913        |
| Alternative strategies       | 1,677,878     |
|                              | <hr/>         |
|                              | 80,728,296    |
| Less: short-term investments | <hr/>         |
|                              | 17,959,228    |
|                              | <hr/>         |
|                              | \$ 62,769,068 |
|                              | <hr/>         |

**Southeast Missouri University Foundation**  
**Notes to Financial Statements**  
**June 30, 2015**

Total investment return is comprised of the following:

|   |                    |
|---|--------------------|
| Interest and dividends, net of fees               | \$ 1,838,502       |
| Unrealized and realized investment gains (losses) | <u>(1,218,411)</u> |
| Net investment gain                               | <u>\$ 620,091</u>  |

***Alternative Investments***

The fair value of alternative investments has been estimated using the net asset value per share of the investments. Alternative investment held at June 30 consists of the following:

|                              | <u>Fair Value</u> | <u>Unfunded<br/>Commitments</u> | <u>Redemption<br/>Frequency</u> | <u>Redemption<br/>Notice Period</u> |
|------------------------------|-------------------|---------------------------------|---------------------------------|-------------------------------------|
| Multistrategy hedge fund (A) | \$ 1,677,878      | \$ -                            | Not Available                   | Not Available                       |

(A) This is an investment in a hedge fund that pursue multiple strategies to diversify risks and reduce volatility. The funds' composite portfolio includes investments in U.S. common stocks, global real estate projects and arbitrage investments.

**Note 3: Contributions Receivable**

Contributions receivable consisted of the following:

|  |                   |
|--|-------------------|
| Pledges receivable due in less than one year | \$ 199,789        |
| Allowance                                    | <u>(3,995)</u>    |
| Total  | <u>\$ 195,794</u> |

**Southeast Missouri University Foundation**  
**Notes to Financial Statements**  
**June 30, 2015**

**Note 4: Property and Equipment**

Property and equipment at June 30 consists of:

|                                |                             |
|--------------------------------|-----------------------------|
| Land                           | \$ 6,671,230                |
| Buildings and improvement      | 8,307,513                   |
| Vehicles and equipment         | <u>270,483</u>              |
|                                | 15,249,226                  |
| Less: accumulated depreciation | <u>(3,835,201)</u>          |
|                                | <u><u>\$ 11,414,025</u></u> |

**Note 5: Notes Receivable**

Notes receivable at June 30 consists of:

|  |                            |
|--|----------------------------|
| City of Cape Girardeau                       | \$ 3,927,020               |
| APG Limited                                  | <u>607,913</u>             |
|  | 4,534,933                  |
| Less: current maturities due within one year | <u>486,800</u>             |
|  | <u><u>\$ 4,048,133</u></u> |

On March 14, 2013, the Foundation sold 247.43 acres to the City of Cape Girardeau (the “City”). The City signed a 12 year, non-interest bearing promissory note for the amount of \$5,520,000 to the Foundation. The City shall pay 12 annual installments of \$460,000. Imputed interest amount was calculated using the long-term applicable federal rate for the month of March 2013, which was 2.66 percent.

On December 9, 2013, the Foundation sold the property located at 401 and 505 Washington Avenue to APG Limited, LLC. APG Limited signed a 10 year promissory note with an interest rate of 2.25 percent for the amount of \$647,000 to the Foundation. APG Limited shall pay 119 payments of \$3,350 and a final balloon payment of \$362,378.

**Southeast Missouri University Foundation**  
**Notes to Financial Statements**  
**June 30, 2015**

Aggregate annual maturities of notes receivable at June 30, 2015, are:

| Year Ending June 30,           | Amount                     |
|--------------------------------|----------------------------|
| 2016                           | \$ 486,800                 |
| 2017                           | 487,409                    |
| 2018                           | 488,032                    |
| 2019                           | 488,669                    |
| 2020                           | 489,321                    |
| Thereafter                     | <u>2,767,682</u>           |
| Total                          | 5,207,913                  |
| Less: Imputed interest on loan | <u>(672,980)</u>           |
|                                | <u><u>\$ 4,534,933</u></u> |

**Note 6: Notes Payable to Bank**

|  |                            |
|--|----------------------------|
| First Missouri State Bank - University Farm (A)    | \$ 468,878                 |
| Montgomery Bank - South Lorimier (B)               | 279,163                    |
| Bank of Missouri - 4193 Bainbridge Road (C)        | 191,002                    |
| Montgomery Bank - 334 Morgan Oak (D)               | 471,058                    |
| First Missouri State Bank - 315 South Lorimier (E) | 252,140                    |
| Gary W. Rust Rev Trust - 612-613 Broadway (F)      | <u>84,375</u>              |
|  | 1,746,616                  |
| Less: current maturities due within one year       | <u>195,692</u>             |
|  | <u><u>\$ 1,550,924</u></u> |

Aggregate annual maturities of long-term debt at June 30, 2015, are:

| Year Ending June 30, | Amount                     |
|----------------------|----------------------------|
| 2016                 | \$ 195,692                 |
| 2017                 | 201,912                    |
| 2018                 | 382,593                    |
| 2019                 | 736,375                    |
| 2020                 | 97,956                     |
| Thereafter           | <u>132,088</u>             |
| Total                | <u><u>\$ 1,746,616</u></u> |

**Southeast Missouri University Foundation**  
**Notes to Financial Statements**  
**June 30, 2015**

- (A) On May 17, 2005, the Foundation purchased a 254.67 acre farm which is being used as the University Demonstration Farm. To finance the purchase, the Foundation entered into a promissory note with First Missouri State Bank in the amount of \$1,462,500. On May 17, 2015, a second change in terms agreement was signed. There will be 60 regular payments of \$8,920 with a maturity date of May 18, 2020. The interest rate of the promissory note is .500 percentage points above the prime rate. As of June 30, 2015, the prime rate was 3.25 percent resulting in an interest rate of 3.75 percent.
- (B) On February 1, 2008, the Foundation purchased three adjacent properties on South Lorimier Street in Cape Girardeau, Missouri. To finance the purchase, the Foundation entered into a promissory note with Montgomery Bank in the amount of \$340,500. After a three month extension dated May 1, 2013, which reduced the interest from 5.85 percent to 3.95 percent, a five year promissory note was executed on August 1, 2013. Current payments on the note are regular payments of \$6,069 and one irregular last payment estimated at \$236,434. The interest rate of the promissory note is 3.95 percent with a maturity date of August 1, 2018.
- (C) On October 8, 2008, the Foundation purchased property at 4193 Bainbridge Road, County Road 306 in Jackson, Missouri. To finance the purchase, the Foundation entered into a five year fixed rate promissory note with Bank of Missouri in the amount of \$220,000. On November 1, 2013, the loan was refinanced with a maturity date of November 1, 2028. Current payments on the note are regular payments of \$1,573 with an interest rate of 4.29 percent.
- (D) On December 30, 2008, the Foundation purchased property at 334 Morgan Oak and additional lots nearby in Cape Girardeau, Missouri. To finance the purchase, the Foundation entered into a promissory note with Montgomery Bank in the amount of \$600,000. On March 19, 2014, a change in terms agreement was signed, which changed the collateral held on this loan. Current payments on the note are regular payments of \$3,794 and one irregular last payment estimated at \$383,768 due on November 30, 2016, and an interest rate of 3.95 percent..
- (E) On December 28, 2012, the Foundation purchased property located at 315 South Lorimier in Cape Girardeau, Missouri. To finance the purchase, the Foundation entered into a promissory note with First Missouri State Bank in the amount of \$289,220 with a maturity date of December 28, 2017. Current payments on the note are regular payments of \$2,136 and one irregular last payment estimated at \$206,659. The interest rate of the promissory note is 3.92 percent.
- (F) On September 4, 2013, the Foundation purchased property located at 612-616 Broadway in Cape Girardeau, Missouri. To finance the purchase, the Foundation entered into a promissory note with Gary W. Rust Revocable Trust u/a/d June 1, 1992, Gary W. Rust and Wendy K. Rust, Trustees, in the amount of \$150,000 with a maturity date of September 30, 2017. Current payments on the note are paid quarterly in the amount of \$9,375. The interest rate will be adjusted quarterly to equal the prime rate. As of June 30, 2015, the prime rate was 3.25 percent.

**Southeast Missouri University Foundation**  
**Notes to Financial Statements**  
**June 30, 2015**

**Note 7: Net Assets**

***Temporarily Restricted Net Assets***

Temporarily restricted net assets at June 30 are available for the following purposes or periods:

|              |                             |
|--------------|-----------------------------|
| Scholarships | \$ 12,494,908               |
| Loans        | 148,272                     |
| Other        | <u>7,979,613</u>            |
| Total        | <u><u>\$ 20,622,793</u></u> |

***Permanently Restricted Net Assets***

Permanently restricted net assets at June 30 are restricted to:

|              |                             |
|--------------|-----------------------------|
| Scholarships | \$ 49,010,833               |
| Other        | <u>2,071,485</u>            |
| Total        | <u><u>\$ 51,082,318</u></u> |

***Net Assets Released from Restrictions***

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

|   |                            |
|---|----------------------------|
| Scholarships                            | \$ 1,921,063               |
| Loans                                   | 1,500                      |
| Other purpose restrictions accomplished | <u>2,373,179</u>           |
| Total                                   | <u><u>\$ 4,295,742</u></u> |

**Note 8: Endowment**

The Foundation's endowment consists of approximately 780 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.

**Southeast Missouri University Foundation**  
**Notes to Financial Statements**  
**June 30, 2015**

The Foundation's governing body has interpreted the State of Missouri's Prudent Management of Institutional Funds Act (UPMIFA) 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 UPMIFA. In accordance with UPMIFA, 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, 2015, was:

|                  | <b>Unrestricted</b> | <b>Temporarily<br/>Restricted</b> | <b>Permanently<br/>Restricted</b> | <b>Total</b>         |
|------------------|---------------------|-----------------------------------|-----------------------------------|----------------------|
| Donor-restricted |                     |                                   |                                   |                      |
| Endowment funds  | \$ (277,691)        | \$ 12,484,907                     | \$ 49,020,833                     | \$ 61,228,049        |
| Board-designated |                     |                                   |                                   |                      |
| Endowment funds  | 5,543,666           | -                                 | -                                 | 5,543,666            |
|                  | <u>\$ 5,265,975</u> | <u>\$ 12,484,907</u>              | <u>\$ 49,020,833</u>              | <u>\$ 66,771,715</u> |

**Southeast Missouri University Foundation**  
**Notes to Financial Statements**  
**June 30, 2015**

Changes in endowment net assets for the year ended June 30 was:

|   | Temporarily         |                      | Permanently          | Total                |
|---|---------------------|----------------------|----------------------|----------------------|
|   | Unrestricted        | Restricted           | Restricted           |                      |
| Endowment investments, July 1, 2014                   | \$ 7,086,737        | \$ 14,678,504        | \$ 42,373,903        | \$ 64,139,144        |
| Investment return                                     |                     |                      |                      |                      |
| Investment income                                     | 67,768              | 1,965,006            | -                    | 2,032,774            |
| Net depreciation                                      | -                   | (2,442,836)          | -                    | (2,442,836)          |
| Total investment return                               | 67,768              | (477,830)            | -                    | (410,062)            |
| Contributions   | 10,010              | 450,326              | 5,920,264            | 6,380,600            |
| Appropriations of endowment<br>assets for expenditure | (2,000,000)         | (1,921,063)          | -                    | (3,921,063)          |
| Other transfers                                       | 101,460             | (245,030)            | 726,666              | 583,096              |
| Endowment investments, June 30, 2015                  | <u>\$ 5,265,975</u> | <u>\$ 12,484,907</u> | <u>\$ 49,020,833</u> | <u>\$ 66,771,715</u> |

Amounts of donor-restricted endowment funds classified as permanently and temporarily restricted net assets at June 30 consisted of:

|  |                      |
|--|----------------------|
| Permanently restricted net assets - portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation or UPMIFA | <u>\$ 49,020,833</u> |
| Temporarily restricted net assets  |                      |
| Portion of perpetual endowment funds subject to a time restriction under UPMIFA  |                      |
| With purpose restrictions  | <u>\$ 12,484,907</u> |

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 UPMIFA. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets and aggregated \$277,691 at June 30, 2015. 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

# Southeast Missouri University Foundation

## Notes to Financial Statements

### June 30, 2015

donor-specified periods, as well as those of board-designated endowment funds. The Foundation expects its endowment funds to provide an average rate of return of approximately 5.5 percent 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 for allocating endowment income with the objective of preserving the principal of the endowment and providing a percentage of income to cover a portion of overhead expenses. The policy provides for a 5.0 percent annual spending rate which is satisfied first from endowment interest and dividend earnings. To the extent these earnings are inadequate to meet the annual spending rate, a portion of cumulative realized net gains may be made available for current use. Any interest and dividend earnings in excess of the 5.0 percent annual spending rate are reinvested and maintained in the endowment fund balance. In addition, an amount equivalent to 0.5 percent of principal is assessed to the endowment to cover overhead costs.

#### **Note 9: Annuity Obligations**

The Foundation has been the recipient of several gift annuities, which require future payments to the contributors or their named beneficiaries. The assets received from the donor are recorded at fair values. The Foundation has recorded a liability of \$1,783,043 at June 30, 2015, which represents the present value of the future annuity obligations. The liability has been determined using discount rates ranging between 3.20 percent and 5.60 percent.

#### **Note 10: Operating Leases**

The Foundation leases certain plant assets to the University. Minimum future rentals receivable under noncancellable operating leases at June 30, 2015, were \$4,958,399 including \$718,035 due within the next year.

#### **Note 11: Disclosures About Fair Value of Assets**

Fair value is the price that would be received to sell an asset 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

**Southeast Missouri University Foundation**  
**Notes to Financial Statements**  
**June 30, 2015**

**Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets; 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

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

***Recurring Measurements***

The following table presents the fair value measurements of assets recognized in the accompanying statements 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, 2015:

|                             | <b>Level 1</b>       | <b>Level 2</b>       | <b>Level 3</b>      | <b>Total</b>         |
|-----------------------------|----------------------|----------------------|---------------------|----------------------|
| Investments                 |                      |                      |                     |                      |
| Cash and money market funds | \$ 1,915,277         | \$ -                 | \$ -                | \$ 1,915,277         |
| Certificates of deposit     | 282,990              | -                    | -                   | 282,990              |
| Equities                    | 32,631,446           | -                    | -                   | 32,631,446           |
| Mutual funds                | 28,792,049           | -                    | -                   | 28,792,049           |
| Corporate bonds             | -                    | 8,290,947            | -                   | 8,290,947            |
| U.S. treasury securities    | 1,910,429            | -                    | -                   | 1,910,429            |
| U.S. government obligations | -                    | 5,213,367            | -                   | 5,213,367            |
| Municipal securities        | 13,913               | -                    | -                   | 13,913               |
| Alternative strategies      | -                    | -                    | 1,677,878           | 1,677,878            |
| Total investments           | <u>\$ 65,546,104</u> | <u>\$ 13,504,314</u> | <u>\$ 1,677,878</u> | <u>\$ 80,728,296</u> |

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 statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2015.

***Investments***

Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of investments with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such investments are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, investments are classified within Level 3 of the hierarchy. See the table below for inputs and valuation techniques used for Level 3 investments.

**Southeast Missouri University Foundation**  
**Notes to Financial Statements**  
**June 30, 2015**

The value of certain investments, classified as alternative investments, is determined using net asset value (or its equivalent) as a practical expedient. Investments for which the Foundation expects to have the ability to redeem its investments with the investee within 12 months after the reporting date are categorized as Level 2. Investments for which the Foundation does not expect to be able to redeem its investments with the investee within 12 months after the reporting date are categorized as Level 3.

**Level 3 Valuation Process**

Fair value determinations for Level 3 measurements of securities are the responsibility of the Controller's office. The Controller's office contracts with a pricing specialist to generate fair value estimates on a monthly or quarterly basis. The Controller's office challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States.

**Level 3 Reconciliation**

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

|  | <b>Alternative<br/>Strategies</b> |
|--|-----------------------------------|
| Balance as of July 1, 2015                       | \$ 1,815,313                      |
| Sale of investments                              | (263,900)                         |
| Change in unrealized appreciation (depreciation) | 126,465                           |
| Balance as of June 30, 2015                      | \$ 1,677,878                      |

**Unobservable (Level 3) Inputs**

The following table presents quantitative information about unobservable inputs used in recurring Level 3 fair value measurements at June 30, 2015:

|                        | <b>Fair Value at<br/>June 30, 2015</b> | <b>Valuation<br/>Technique</b> | <b>Unobservable<br/>Inputs</b> |
|------------------------|--|--------------------------------|--------------------------------|
| Alternative Strategies | \$ 1,677,878                           | Net asset value                | Net asset value                |

**Note 12: Functional Expenses**

Expense by functional classification are as follows:

|                        |              |
|------------------------|--------------|
| Program services       | \$ 6,587,378 |
| Management and general | 791,015      |
| Fundraising            | 37,520       |
|                        | \$ 7,415,913 |

**Southeast Missouri University Foundation**  
**Notes to Financial Statements**  
**June 30, 2015**

**Note 13: Related Party Transactions**

The Foundation functions as the official gift-receiving organization for the University. As such, it solicits and receives gifts for the University, manages the funds received and disburses restricted funds in accordance with donor restrictions. The Foundation contributed \$5,258,300 of cash and gifts-in-kind to the University during the year ended June 30, 2015. The Foundation leases the University's various real estate properties and the Foundation is billed monthly for the use of University services. Employees that conduct Foundation business in addition to their University duties are paid by the University. The Foundation is billed by the University annually for the personnel costs related to Foundation business.

The Foundation also receives, manages and disburses the funds of the Southeast Athletic Booster Club, of which \$435,521 is held in the endowment funds of the Foundation as of June 30, 2015.

**Note 14: 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:

***Contributions***

Approximately 52 percent of all contributions were received from one donor in 2015.

***Investments***

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.

## **Supplementary Information**

**Southeast Missouri University Foundation**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2015**

| Cluster/Program                              | Federal Agency/<br>Pass-Through<br>Entity   | CFDA Number | Grant or<br>Identifying<br>Number | Amount            |
|--|---|-------------|-----------------------------------|-------------------|
| Community Development<br>Block Grant Program | Department of Housing and<br>Urban Development /<br>City of Cape Girardeau,<br>Missouri | 14.228      | 2012-ED-05                        | \$ <u>500,000</u> |
|  |   |             |                                   | \$ <u>500,000</u> |

**Notes to Schedule**

1. This schedule includes the federal awards activity of Southeast Missouri University Foundation and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
2. Of the federal expenditures presented in this schedule, no federal awards were provided to subrecipients.

**Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters Based on an  
Audit of the Financial Statements Performed in Accordance with  
Government Auditing Standards**

Board of Directors  
Southeast Missouri University Foundation  
Cape Girardeau, Missouri

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of Southeast Missouri University Foundation, which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the basic financial statements, and have issued our report thereon dated November 11, 2015.

***Internal Control Over Financial Reporting***

Management of the Foundation is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the Foundation's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Board of Directors  
Southeast Missouri University Foundation  
Page 2

We noted certain matters that we reported to the Foundation's management in a separate letter dated November 11, 2015.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**BKD, LLP**

St. Louis, Missouri  
November 11, 2015

## Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

### Independent Auditor's Report

Board of Directors  
Southeast Missouri University Foundation  
Cape Girardeau, Missouri

#### Report on Compliance for Each Major Federal Program

We have audited the compliance of Southeast Missouri University Foundation with the types of compliance requirements described in the OMB Circular A-133, *Compliance Supplement*, that could have a direct and material effect on its major federal program for the year ended June 30, 2015. The Foundation's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### *Management's Responsibility*

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for the Foundation's major federal program based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Foundation's compliance.

#### *Opinion on Each Major Federal Program*

In our opinion, Southeast Missouri University Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

## **Report on Internal Control Over Compliance**

Management of Southeast Missouri University Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*BKD, LLP*

St. Louis, Missouri  
November 11, 2015

**Southeast Missouri University Foundation**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2015**

**Summary of Auditor's Results**

1. The opinion expressed in the independent auditor's report was:  
 Unmodified       Qualified       Adverse       Disclaimer
  
2. The independent auditor's report on internal control over financial reporting disclosed:  
 Significant deficiency(ies)?       Yes       None reported  
 Material weakness(es)?       Yes       No
  
3. Noncompliance considered material to the financial statements was disclosed by the audit?       Yes       No
  
4. The independent auditor's report on internal control over compliance for major federal awards programs disclosed:  
 Significant deficiency(ies)?       Yes       None reported  
 Material weakness(es)?       Yes       No
  
5. The opinion expressed in the independent auditor's report on compliance for major federal awards was:  
 Unmodified       Qualified       Adverse       Disclaimer
  
6. The audit disclosed findings required to be reported by OMB Circular A-133?       Yes       No
  
7. The Foundation's major program was:  

| <b>Cluster/Program</b>                    | <b>CFDA Number</b> |
|---|--------------------|
| Community Development Block Grant Program | 14.228             |
  
8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$300,000.
  
9. The Foundation qualified as a low-risk auditee as that term is defined in OMB Circular A-133?       Yes       No

**Southeast Missouri University Foundation**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2015**

**Findings Required to be Reported by *Government Auditing Standards***

| <b>Reference<br/>Number</b> | <b>Finding</b> | <b>Questioned<br/>Costs</b> |
|-----------------------------|----------------|-----------------------------|
|-----------------------------|----------------|-----------------------------|

---

No matters are reportable.

**Findings Required to be Reported by OMB Circular A-133**

| <b>Reference<br/>Number</b> | <b>Finding</b> | <b>Questioned<br/>Costs</b> |
|-----------------------------|----------------|-----------------------------|
|-----------------------------|----------------|-----------------------------|

---

No matters are reportable.

**Southeast Missouri University Foundation**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2015**

| <b>Reference<br/>Number</b> | <b>Summary of Finding</b> | <b>Status</b> |
|-----------------------------|---------------------------|---------------|
|-----------------------------|---------------------------|---------------|

---

No matters are reportable.