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***SOUTHEAST MISSOURI  
UNIVERSITY FOUNDATION***  
*FINANCIAL STATEMENTS*  
*JUNE 30, 2019*

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## Independent Auditors' 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 (the "Foundation"), which comprise the statements of financial position as of June 30, 2019, and the related statements of activities, and cash flows for the years 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.

### Auditors' 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 auditors' 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, 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis Of A Matter***

As discussed in Note 1, Southeast Missouri University Foundation adopted Financial Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, during 2019. Our opinion is not modified with respect to this matter.

***Other Matters***

*Other Auditors*

The financial statements of the Southeast Missouri University Foundation as of and for the year ended June 30, 2018 were audited by other auditors, whose report dated October 16, 2018 expressed an unmodified opinion on those financial statements.

***Other Reporting Required By Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2019, on our consideration of the Foundation's internal control over financial reporting and on 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 effectiveness of the Foundation's 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.

*RubinBrown LLP*

November 6, 2019

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# SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

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## STATEMENT OF FINANCIAL POSITION

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	<b>June 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 3,052,369	\$ 2,115,508
Short-term investments	19,307,288	17,330,212
Receivables:		
Pledges receivable (net of allowance of \$1,556 and \$13,678, in 2019 and 2018, respectively)	20,667	195,401
Notes receivable	489,321	488,669
Accrued interest receivable	68,476	71,307
Prepaid insurance	5,336	—
<b>Total Current Assets</b>	<b>22,943,457</b>	<b>20,201,097</b>
<b>Noncurrent Assets</b>		
Investments:		
Endowment investments	80,898,333	77,256,267
Cash surrender value of life insurance	699,901	653,092
Pledges receivable (net of allowance of \$43,828 and \$5,125 in 2019 and 2018, respectively)	582,289	537,912
Long-term notes receivable, net of imputed interest	3,247,185	3,626,383
Property held for resale and development	1,242,602	1,241,045
Property and equipment, net of accumulated depreciation	10,779,883	11,018,104
<b>Total Noncurrent Assets</b>	<b>97,450,193</b>	<b>94,332,803</b>
<b>Total Assets</b>	<b>\$ 120,393,650</b>	<b>\$ 114,533,900</b>

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# SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

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## STATEMENT OF FINANCIAL POSITION

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	<b>June 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 36,223	\$ 40,290
Due to primary institution - University	1,264,045	1,418,869
Note payable to bank	58,950	640,421
Funds held for others	67,635	66,854
Annuity obligations	206,154	213,471
<b>Total Current Liabilities</b>	<b>1,633,007</b>	<b>2,379,905</b>
<b>Noncurrent Liabilities</b>		
Deferred revenue	178,761	236,363
Note payable to bank	720,780	188,250
Annuity obligations	1,302,908	1,233,785
Due to primary institution - University	4,470,927	4,345,290
<b>Total Noncurrent Liabilities</b>	<b>6,673,376</b>	<b>6,003,688</b>
<b>Total Liabilities</b>	<b>8,306,383</b>	<b>8,383,593</b>
<b>Net Assets</b>		
Without donor restriction	23,305,723	22,852,713
With donor restriction	88,781,544	83,297,594
<b>Total Net Assets</b>	<b>112,087,267</b>	<b>106,150,307</b>
<b>Total Liabilities And Net Assets</b>	<b>\$ 120,393,650</b>	<b>\$ 114,533,900</b>

# SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

## STATEMENT OF ACTIVITIES

June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Totals
<b>Support And Revenue</b>			
Contributions, net of discount	\$ 330,301	\$ 4,521,884	\$ 4,852,185
Investment return	(103,623)	5,602,094	5,498,471
Rental income	693,937	2,474	696,411
Special events, net of expense	1,549	61,306	62,855
Loss on sale of property	(8,296)	—	(8,296)
Loss on annuity and trust obligations	—	(188,615)	(188,615)
Other revenues and transfers	537,924	(12,867)	525,057
Net assets released from restrictions	4,502,326	(4,502,326)	—
<b>Total Support And Revenue</b>	<b>5,954,118</b>	<b>5,483,950</b>	<b>11,438,068</b>
<b>Expenses And Losses</b>			
Program expenses	4,723,301	—	4,723,301
Management and general	629,866	—	629,866
Fundraising	147,941	—	147,941
<b>Total Expenses And Losses</b>	<b>5,501,108</b>	<b>—</b>	<b>5,501,108</b>
<b>Change In Net Assets</b>	<b>453,010</b>	<b>5,483,950</b>	<b>5,936,960</b>
<b>Net Assets - Beginning Of Year</b>	<b>22,852,713</b>	<b>83,297,594</b>	<b>106,150,307</b>
<b>Net Assets - End Of Year</b>	<b>\$ 23,305,723</b>	<b>\$ 88,781,544</b>	<b>\$ 112,087,267</b>

# SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

## STATEMENT OF ACTIVITIES

June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Totals
<b>Support And Revenue</b>			
Contributions, net of discount	\$ 313,462	\$ 3,260,842	\$ 3,574,304
Investment return	891,619	4,841,734	5,733,353
Rental income	781,988	—	781,988
Special events, net of expense	59,918	—	59,918
Loss on sale of property	(3,334)	—	(3,334)
Gain on annuity and trust obligations	—	382,779	382,779
Other revenues and transfers	857,314	(435,973)	421,341
Net assets released from restrictions	4,103,246	(4,103,246)	—
<b>Total Support And Revenue</b>	<b>7,004,213</b>	<b>3,946,136</b>	<b>10,950,349</b>
<b>Expenses And Losses</b>			
Program expenses	4,677,891	—	4,677,891
Management and general	658,358	—	658,358
Fundraising	147,142	—	147,142
<b>Total Expenses And Losses</b>	<b>5,483,391</b>	<b>—</b>	<b>5,483,391</b>
<b>Change In Net Assets</b>	<b>1,520,822</b>	<b>3,946,136</b>	<b>5,466,958</b>
<b>Net Assets - Beginning Of Year</b>	<b>21,331,891</b>	<b>79,351,458</b>	<b>100,683,349</b>
<b>Net Assets - End Of Year</b>	<b>\$ 22,852,713</b>	<b>\$ 83,297,594</b>	<b>\$ 106,150,307</b>



# SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

## STATEMENT OF CASH FLOWS For The Years Ended June 30, 2019 And 2018

	<u>June 30,</u>	
	<u>2019</u>	<u>2018</u>
<b>Cash Flows From Operating Activities</b>		
Increase in net assets	\$ 5,936,960	\$ 5,466,958
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	247,073	245,786
Net realized and unrealized investment gains	(3,521,938)	(4,211,313)
Contributions restricted for endowment	(3,820,371)	(1,072,922)
Change in value of split-interest agreements	248,637	101,209
Gain on disposition of property	8,296	3,334
Change in imputed interest on notes receivable	(110,124)	(122,360)
Cash surrender value of life insurance	(46,809)	(43,228)
Changes in assets and liabilities:		
Pledges receivable	130,357	(120,803)
Other receivables	2,831	41,105
Other assets	(6,893)	(1,557)
Deferred revenues	(57,602)	(58,699)
Accounts payable and other liabilities	(32,473)	(173,581)
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>(1,022,056)</b>	<b>53,929</b>
<b>Cash Flows From Investing Activities</b>		
Proceeds from the sale/maturity of investments	1,957,106	66,541,982
Purchase of investments, including reinvested income	(4,054,310)	(68,366,563)
Receipts from notes receivable	488,670	488,032
Purchase of property and equipment	(17,148)	—
<b>Net Cash Used In Investing Activities</b>	<b>(1,625,682)</b>	<b>(1,336,549)</b>
<b>Cash Flows From Financing Activities</b>		
Contributions restricted for endowment	3,820,371	1,072,922
Payments to annuitants and recipients	(196,831)	(195,728)
Proceeds from issuance of annuities	10,000	10,000
Proceeds from notes payable	624,389	—
Payments on notes payable	(673,330)	(68,116)
<b>Net Cash Provided By Financing Activities</b>	<b>3,584,599</b>	<b>819,078</b>
<b>Net Increase (Decrease) In Cash And Cash Equivalents</b>	<b>936,861</b>	<b>(463,542)</b>
<b>Cash And Cash Equivalents - Beginning Of Year</b>	<b>2,115,508</b>	<b>2,579,050</b>
<b>Cash And Cash Equivalents - End Of Year</b>	<b>\$ 3,052,369</b>	<b>\$ 2,115,508</b>

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# SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2019 And 2018

### 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.

#### **Recent Accounting Pronouncements**

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. The Foundation has adopted ASU 2016-14 and applied its provisions to the financial statements for the fiscal year ended June 30, 2019.

The ASU appends the current reporting model for not-for profit organizations and enhances their required disclosures. The primary changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed-in-service approach to recognize the expiration of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all not-for-profits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocations methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of not-for-profit financial statements.

Accordingly, a reclassification of net assets has been made to conform beginning net asset balances to the current presentation by moving the underwater endowment funds to “net assets with donor restrictions”.

## **SOUTHEAST MISSOURI UNIVERSITY FOUNDATION**

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### Notes To Financial Statements *(Continued)*

#### **Basis Of Presentation**

The financial statement presentation follows the requirements of the FASB. The Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

#### **Net Assets Without Donor Restrictions**

Net assets without donor restrictions are available for use at the discretion of the Board of Directors for general purposes.

#### **Net Assets With Donor Restrictions**

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed restrictions. Donor restricted net assets are further categorized as time or purpose restricted or perpetual in nature. Restricted net assets that are perpetual in nature require the Foundation to maintain such assets permanently while permitting the Foundation to expend the income, dividends, interest, and gains and losses on investments generated, in accordance with the provisions of the donor-imposed stipulations or a Board-approved spending policy.

#### **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, 2019 and 2018, cash equivalents consisted primarily of money market accounts.

At June 30, 2019, the Foundation's cash accounts exceeded federally insured limits by approximately \$2,820,105. These deposits, however, are fully collateralized.

## **SOUTHEAST MISSOURI UNIVERSITY FOUNDATION**

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### Notes To Financial Statements (*Continued*)

#### **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.

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 net assets with donors restrictions and then released from restriction. Other investment return is reflected in the statements of activities as without donor restriction, or with donor restriction 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 years ended June 30, 2019 or 2018.

#### **Pledges And Contributions**

Gifts of cash and other assets received without donor stipulations are reported as without donor restriction revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restriction 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 revenue and net assets with donor restriction and then released from restriction. The Foundation provides an allowance for uncollectible pledges, which is evaluated on a regular basis by management and is based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Gifts of land, buildings, equipment and other long-lived assets are reported as revenue and net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as with donor restriction revenue and net assets. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restriction to net assets without donor restriction 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.

## **SOUTHEAST MISSOURI UNIVERSITY FOUNDATION**

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### Notes To Financial Statements *(Continued)*

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 years ended June 30, 2019 and 2018, \$18,200 and \$134,250 respectively, 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 is deferred and recognized over the periods to which the revenues relate.

#### **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. The Foundations tax returns for tax years 2016 and later remain subject to examination by taxing authorities.

#### **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. Expenses that are directly identifiable as costs of operating the program are charged to program services. Expenses that are directly identifiable as management and general or fundraising costs have been charged to those categories. Certain costs have been allocated among the program, management and general and fund raising categories based on the direct costs associated with those functional categories.

## SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

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### Notes To Financial Statements (Continued)

#### 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

Management has evaluated subsequent events through the date the financial statements were available for issue, which is the date of the Independent Auditors' Report.

## 2. Investments And Investment Return

Investments at June 30 consisted of the following:

	<u>2019</u>	<u>2018</u>
Cash and money market funds	\$ 1,125,338	\$ 1,175,589
Certificates of deposit	288,874	287,154
Equities:		
Domestic	20,452,125	17,765,906
Developing international	3,500,884	3,238,113
Mutual Funds:		
Domestic	8,660,600	14,051,462
Developing international	10,126,559	3,922,380
Emerging market	10,863,201	4,667,418
International fixed income	13,245,790	14,908,185
Other	22,169,401	24,392,831
Corporate bonds	4,531,154	4,893,473
Asset backed securities	516,069	543,125
U.S. Treasury securities	643,306	598,259
U.S. government obligations	2,817,587	2,883,505
Municipal securities	437,071	225,566
Alternative strategies	827,662	1,033,513
	<u>100,205,621</u>	<u>94,586,479</u>
Less: short-term investments	<u>19,307,288</u>	<u>17,330,212</u>
	<u>\$ 80,898,333</u>	<u>\$ 77,256,267</u>

Total investment return is comprised of the following:

	<u>2019</u>	<u>2018</u>
Interest and dividends, net of fees	\$ 1,976,533	\$ 1,522,040
Unrealized and realized investment gains	<u>3,521,938</u>	<u>4,211,313</u>
Net investment return	<u>\$ 5,498,471</u>	<u>\$ 5,733,353</u>

## SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

### Notes To Financial Statements (Continued)

#### Alternative Investments

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

	June 30, 2019			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Multistrategy hedge fund (A)	\$ 827,662	\$ —	Not Available	Not Available

  

	June 30, 2018			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Multistrategy hedge fund (A)	\$ 1,033,513	\$ —	Not Available	Not Available

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

### 3. Pledges Receivable

Pledges receivable at June 30 consisted of the following:

	2019	2018
Due within one year	\$ 22,223	\$ 195,401
Due in one to five years	610,317	535,715
Due in more than five years	15,800	21,000
	<b>648,340</b>	<b>752,116</b>
Less: Allowance for uncollectible contributions	(45,384)	(18,803)
	<b>\$ 602,956</b>	<b>\$ 733,313</b>



## SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

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### Notes To Financial Statements (Continued)

#### 4. Property And Equipment

Property and equipment at June 30 consisted of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 6,967,461	\$ 6,967,461
Buildings and improvement	8,246,149	8,254,446
Vehicles and equipment	257,071	239,922
	<u>15,470,681</u>	<u>15,461,829</u>
Less: Accumulated depreciation	<u>(4,690,798)</u>	<u>(4,443,725)</u>
	<u>\$ 10,779,883</u>	<u>\$ 11,018,104</u>

#### 5. Notes Receivable

Notes receivable at June 30 consisted of the following:

	<u>2019</u>	<u>2018</u>
City of Cape Girardeau	\$ 3,239,504	\$ 3,589,380
APG Limited	497,002	525,672
	<u>3,736,506</u>	<u>4,115,052</u>
Less: Current maturities due within one year	<u>(489,321)</u>	<u>(488,669)</u>
	<u>\$ 3,247,185</u>	<u>\$ 3,626,383</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%. In April 2017, an additional \$920,000 was added to the note as a result of a joint capital project between the City and the University. The City signed a new promissory note with the Foundation to fund the City's share of the capital improvements and the Foundation will reimburse the University as funds are collected from the City.

## SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

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### Notes To Financial Statements (Continued)

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% 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.

Aggregate annual maturities of notes receivable at June 30, 2018 are:

<u>Year</u>	<u>Amount</u>
2020	\$ 489,321
2021	489,988
2022	490,670
2023	491,367
2024	492,080
Thereafter	1,723,576
	<u>4,177,002</u>
Less: Imputed interest on loan	(440,496)
	<u>\$ 3,736,506</u>

## 6. Notes Payable To Bank

Outstanding notes payable at June 30 consisted of the following:

	<u>2019</u>	<u>2018</u>
Montgomery Bank - South Lorimier (A)	\$ —	\$ 237,677
Montgomery Bank - 334 Morgan Oak (B)	—	386,275
First Missouri State Bank - 315 South Lorimier (C)	188,233	204,719
Montgomery Bank - South Lorimier & 334 Morgan Oak (D)	591,497	—
	<u>779,730</u>	828,671
Less: Current maturities due within one year	(58,950)	(640,421)
	<u>\$ 720,780</u>	\$ 188,250

## **SOUTHEAST MISSOURI UNIVERSITY FOUNDATION**

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### Notes To Financial Statements (*Continued*)

- (A) 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% to 3.95%, a five year promissory note was executed on August 1, 2013. Required payments on the note were monthly principal and interest payments of \$6,069, with one balloon payment estimated at \$236,434 due at maturity. The interest rate of the promissory note was 3.95% with a maturity date of August 1, 2018. On August 8, 2018 the note was consolidated and refinanced with Montgomery Bank (See Note D below). As of June 30, 2019 the note was fully repaid.
- (B) 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. The promissory note required monthly principal and interest payments of \$3,794, with one balloon payment estimated at \$385,086 due at maturity on August 31, 2018. The promissory note bore interest at 3.95% per annum. On August 8, 2018 the note was consolidated and refinanced with Montgomery Bank (See Note D below). As of June 30, 2019 the note was fully repaid.
- (C) 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 an original maturity date of December 28, 2017. The Foundation renewed the note with First Missouri State Bank on December 28, 2017 with a revised maturity date of December 28, 2022. The promissory note requires monthly principal and interest payments of \$2,139, with one balloon payment estimated at \$126,447 due at maturity. The promissory note bears interest at 4.60% per annum.
- (D) On August 8, 2018 the Foundation entered into a promissory note with Montgomery Bank in the amount of \$624,389 to consolidate and refinance the South Lorimier (A) and 334 Morgan Oak (B) notes. The promissory note requires 59 monthly principal and interest of \$5,817, with one balloon payment estimated at \$410,961 due at maturity on August 8, 2023. The promissory note bears interest at 4.91% per annum.

# SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

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## Notes To Financial Statements (Continued)

Aggregate annual maturities of long-term debt at June 30, 2019 are:

<u>Year</u>	<u>Amount</u>
2020	\$ 58,950
2021	61,867
2022	64,927
2023	182,266
2024	411,720
	<u>\$ 779,730</u>

## 7. Net Assets

Net assets with donor restrictions at June 30 are available for the following purposes or periods:

	<u>2019</u>	<u>2018</u>
Scholarships - spendable	\$ 20,219,835	\$ 18,392,635
Scholarships - perpetual	57,541,876	53,840,861
Loans	166,396	163,744
Other - spendable	8,691,245	8,783,563
Other - perpetual	2,162,192	2,116,791
	<u>\$ 88,781,544</u>	<u>\$ 83,297,594</u>

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

### Released from restriction

	<u>2019</u>	<u>2018</u>
Scholarships	\$ 2,406,997	\$ 2,413,602
Loans	769	785
Other purpose restrictions accomplished	2,094,560	1,688,859
	<u>\$ 4,502,326</u>	<u>\$ 4,103,246</u>

### **8. Endowment**

The Foundation's endowment consists of 896 and 886 individual funds established for a variety of purposes at June 30, 2019 and 2018, respectively. 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'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 assets with permanent donor restrictions (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 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

## SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

### Notes To Financial Statements *(Continued)*

The composition of net assets by type of endowment fund at June 30, 2019 and 2018, was:

	2019		
	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	\$ —	\$ 77,761,711	\$ 77,761,711
Board-designated endowment funds	6,930,266	—	6,930,266
	\$ 6,930,266	\$ 77,761,711	\$ 84,691,977

	2018		
	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	\$ —	\$ 72,233,496	\$ 72,233,496
Board-designated endowment funds	6,752,358	—	6,752,358
	\$ 6,752,358	\$ 72,233,496	\$ 78,985,854

Changes in endowment net assets for the years ended June 30 was as follows:

	2019		
	Without Donor Restriction	With Donor Restriction	Total
Endowment investments, July 1, 2018	\$ 6,752,358	\$ 72,233,496	\$ 78,985,854
Investment return			
Investment income	(158,869)	2,719,819	2,560,950
Net appreciation	—	1,698,907	1,698,907
Total investment return	(158,869)	4,418,726	4,259,857
Contributions	63,453	3,756,918	3,820,371
Appropriations of endowment assets for expenditure	—	(2,406,997)	(2,406,997)
Other transfers	273,324	(240,432)	32,892
Endowment investments, June 30, 2019	\$ 6,930,266	\$ 77,761,711	\$ 84,691,977

## SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

### Notes To Financial Statements (Continued)

	2018		
	Without Donor Restriction	With Donor Restriction	Total
Endowment investments, July 1, 2017	\$ 5,655,808	\$ 69,267,176	\$ 74,922,984
Investment return			
Investment income	847,094	2,309,144	3,156,238
Net appreciation	—	1,427,693	1,427,693
Total investment return	847,094	3,736,837	4,583,931
Contributions	97,322	1,842,032	1,939,354
Appropriations of endowment assets for expenditure	(8,401)	(2,413,602)	(2,422,003)
Other transfers	160,535	(198,947)	(38,412)
Endowment investments, June 30, 2018	\$ 6,752,358	\$ 72,233,496	\$ 78,985,854

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 net assets without donor restriction and aggregated \$1,090 and \$7,331 at June 30, 2019 and 2018, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after investment of new contributions with donor restriction 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. 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.

## SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

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### Notes To Financial Statements (*Continued*)

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% 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% annual spending rate are reinvested and maintained in the endowment fund balance. In addition, an amount equivalent to 0.5% of principal is assessed to the endowment to cover overhead costs.

### **9. Annuity And Trust 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 \$1,209,186 and \$1,139,289 at June 30, 2019 and 2018, respectively, which represents the estimated fair value of the future annuity obligations. The liability has been determined using a discount rate of 5.85% and 7.65% at June 30, 2019 and 2018, respectively. Contribution revenue recorded in the statement of activities as contributions with donor restrictions under such agreements was \$10,000 for both of the years ended June 30, 2019 and 2018.

The Foundation administers various charitable remainder trusts. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for the Foundation's use. Assets held in the charitable remainder trusts are recorded at fair value and included in investments in the Foundation's statements of financial position. The Foundation has recorded a liability at June 30, 2019 and 2018, of \$299,876 and \$307,967, respectively, which represents the present value of the future obligations to make distributions to the designated beneficiaries. On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments is calculated using a discount rate of 5.85% and 7.65% at June 30, 2019 and 2018, respectively, and applicable mortality tables. The portion of the trusts attributable to the future interest of the Foundation is recorded in the statement of activities as contributions with donor restrictions in the period the trust is established. No contribution revenue was recognized under such agreements for the years ended June 30, 2019 and 2018.



## **10. Operating Leases**

The foundation leases certain plant assets to the University. Minimum future rentals receivable under non-cancellable operating leases at June 30, 2019 and 2018 were \$3,065,859 and \$3,527,439, respectively. A total of \$581,814 is due within the next year.

## **11. 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 supported by little or no market activity and are significant to the fair value of the assets or liabilities  |

# SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

## Notes To Financial Statements (Continued)

### Recurring Measurements

The following tables present 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, 2019 and 2018:

	2019			
	Total	Level 1	Level 2	Level 3
Investments measured at fair value:				
Cash and money market funds	\$ 1,125,338	\$ 1,125,338	\$ —	\$ —
Certificates of deposit	288,874	288,874	—	—
Equities	23,953,009	23,953,009	—	—
Mutual funds	65,065,551	65,065,551	—	—
Corporate bonds	4,531,154	—	4,531,154	—
Asset backed securities	516,069	—	516,069	—
U.S. treasury securities	643,306	643,306	—	—
U.S. government obligations	2,817,587	—	2,817,587	—
Municipal securities	437,071	—	437,071	—
	<u>\$ 99,377,959</u>	<u>\$ 91,076,078</u>	<u>\$ 8,301,881</u>	<u>\$ —</u>
Investments measured at net asset value (a):				
Alternative strategies	827,662			
Total Investments	<u>\$ 100,205,621</u>			
Annuity And Trust Obligations	\$ 1,509,062	\$ —	\$ —	\$ 1,509,062
	<u>\$ 1,509,062</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,509,062</u>
	2018			
	Total	Level 1	Level 2	Level 3
Investments measured at fair value:				
Cash and money market funds	\$ 1,175,589	\$ 1,175,589	\$ —	\$ —
Certificates of deposit	287,154	287,154	—	—
Equities	21,004,019	21,004,019	—	—
Mutual funds	61,942,276	61,942,276	—	—
Corporate bonds	4,893,473	—	4,893,473	—
Asset backed securities	543,125	—	543,125	—
U.S. treasury securities	598,259	598,259	—	—
U.S. government obligations	2,883,505	—	2,883,505	—
Municipal securities	225,566	—	225,566	—
	<u>\$ 93,552,966</u>	<u>\$ 85,007,297</u>	<u>\$ 8,545,669</u>	<u>\$ —</u>
Investments measured at net asset value (a):				
Alternative strategies	1,033,513			
Total Investments	<u>\$ 94,586,479</u>			
Annuity And Trust Obligations	\$ 1,447,256	\$ —	\$ —	\$ 1,447,256
	<u>\$ 1,447,256</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,447,256</u>

(a) In accordance with Subtopic 820-10, investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the Statements of Financial Position.

## **SOUTHEAST MISSOURI UNIVERSITY FOUNDATION**

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### Notes To Financial Statements (*Continued*)

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, 2019.

#### **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.

#### **Annuities And Trusts Obligations**

Fair value is estimated using a present value technique which utilizes an internal rate of return. Due to the nature of the valuation inputs, the liability is classified within Level 3 of the hierarchy.

#### **Level 3 Valuation Process**

Fair value determinations for Level 3 measurements are the responsibility of management. Management utilizes a software program to generate fair value estimates on an annual basis. Management 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.

## SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

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### Notes To Financial Statements *(Continued)*

#### 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:

	<u>Annuity And Trust Obligations</u>
Balance as of June 30, 2017	\$ 1,541,775
Change in unrealized appreciation	(291,570)
Contributions	10,000
Payments to annuitants and recipients	(195,728)
Change in valuation	<u>382,779</u>
Balance as of June 30, 2018	1,447,256
Change in unrealized appreciation	437,252
Contributions	10,000
Payments to annuitants and recipients	(196,831)
Change in valuation	<u>(188,615)</u>
Balance as of June 30, 2019	<u><u>\$ 1,509,062</u></u>

#### Unobservable (Level 3) Inputs

The following table presents quantitative information about unobservable inputs used in recurring Level 3 fair value measurements at June 30, 2019 and 2018.

	Fair Value At June 30, 2019	Fair Value At June 30, 2018	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Annuity and trust obligations	\$ 1,509,062	\$ 1,447,256	Fair value of future expected payments to be made	Internal rate of return utilized	Not applicable

## SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

### Notes To Financial Statements (Continued)

## 12. Functional Expenses

Expense by functional classification for the year ended June 30, are as follows:

	2019				2018
	Program Services	Management And General	Fundraising	Total	Total
Donations to Southeast Missouri State University	\$ 3,949,434	\$ 3,468	\$ 4,078	\$ 3,956,980	\$ 3,571,087
Salaries and wages	40,395	262,565	100,986	403,946	449,473
Accounting and legal fees	—	31,440	—	31,440	28,174
Supplies	38,869	5,063	7,159	51,091	41,324
Telephone	26,319	1,936	—	28,255	34,143
Postage and shipping	551	—	50	601	31,243
Occupancy	9,515	2,752	3,214	15,481	11,714
Equipment rental and maintenance	969	—	17	986	2,679
Printing and publications	42,749	1,011	1,236	44,996	41,330
Travel	109,065	3,831	1,157	114,053	132,751
Conferences, conventions, meetings	16,137	1,465	1,795	19,397	14,087
Interest	—	39,150	—	39,150	35,115
Depreciation and amortization	—	247,073	—	247,073	245,786
Other expenses:					
Insurance	—	7,821	—	7,821	14,298
Professional services	75,268	—	—	75,268	108,129
Additions to University Endowments	—	—	—	—	229,421
Banquet catering	153,658	9,949	4,979	168,586	214,863
Prizes and awards	53,910	529	5,381	59,820	65,803
Dues and memberships	68,968	5,440	595	75,003	52,290
Golf tournament	94	—	—	94	26,467
Misc	137,400	6,373	17,294	161,067	133,214
<b>Total Functional Expenses</b>	<b>\$ 4,723,301</b>	<b>\$ 629,866</b>	<b>\$ 147,941</b>	<b>\$ 5,501,108</b>	<b>\$ 5,483,391</b>

## 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 \$3,956,980 and \$3,571,087 of cash and gifts-in-kind to the University during the years ended June 30, 2019 and 2018, respectively. The University leases the Foundation'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.

## **SOUTHEAST MISSOURI UNIVERSITY FOUNDATION**

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### Notes To Financial Statements (*Continued*)

The Foundation also receives, manages and disburses the funds of the Southeast Athletic booster club (RedHawks Club), of which \$427,968 and \$483,583 is held in the endowment funds of the Foundation as of June 30, 2019 and 2018, respectively.

#### **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. Estimates related to the allowance for doubtful accounts are reflected in the footnote regarding contributions receivable. Other significant estimates and concentrations not discussed in those footnotes include:

##### **Contributions**

Approximately 60% of all contributions receivable were from two donors as of June 30, 2019. Approximately 55% of all contributions receivable were from two donors as of June 30, 2018.

##### **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 statements of financial position.

#### **15. Liquidity And Availability Of Financial Assets**

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund scholarship programs.

## SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

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### Notes To Financial Statements (Continued)

The Foundation considers investment income without donor restrictions, appropriate earnings from donor-restricted and board-designated (quasi) endowments, contributions without donor restrictions and contributions with donor restriction for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative, general and fundraising expenses expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation's fiscal year.

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability;
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that obligations under endowments with donor restrictions and quasi-endowments that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

The following reflects the Foundation's financial assets as of June 30, 2019 and 2018. All of the financial assets have a liquidity period of one year or less:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 3,052,369	\$ 2,115,508
Short-term investments	19,307,288	17,330,212
Endowment investments	80,898,333	77,256,267
Cash surrender value of life insurance	699,901	653,092
<u>Total Financial Assets</u>	<u>103,957,891</u>	<u>97,355,079</u>
Less amounts not available to be used within one year:		
Amounts with donor restrictions	88,781,544	83,297,594
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 15,176,347</u>	<u>\$ 14,057,485</u>

**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 financial statements of Southeast Missouri University Foundation (the "Foundation"), a component unit of Southeast Missouri State University, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 6, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (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 or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. 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*.

### ***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.

*RubinBrown LLP*

November 6, 2019