

THE MISSOURI 4-H FOUNDATION, INC.

AUDITED FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
JUNE 30, 2017 AND 2016**

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**BEARD-BOEHMER & ASSOCIATES, PC
CERTIFIED PUBLIC ACCOUNTANTS
COLUMBIA, MISSOURI**

**THE MISSOURI 4-H FOUNDATION, INC.
COLUMBIA, MISSOURI
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INDEPENDENT AUDITORS' REPORT

September 29, 2017

Board of Trustees
The Missouri 4-H Foundation, Inc.
Columbia, MO

We have audited the accompanying financial statements of the Missouri 4-H Foundation, Inc. (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets—modified cash basis as of June 30, 2017 and 2016, and the related statement of revenues, expenses, and changes in net assets—modified cash basis and statement of functional expenses—modified cash basis 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 the modified cash basis of accounting as described in Note 1C; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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. 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

THE MISSOURI 4-H FOUNDATION, INC.
INDEPENDENT AUDITORS' REPORT (CONTINUED)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of the Missouri 4-H Foundation, Inc. as of June 30, 2017 and 2016, and its revenue, expenses, and changes in net assets for the years then ended in accordance with the modified cash basis of accounting as described in Note 1C.

Basis of Accounting

We draw attention to Note 1C of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Beard-Boehmer & Associates, PC

Beard-Boehmer & Associates, PC
Columbia, MO

THE MISSOURI 4-H FOUNDATION, INC.
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS -
MODIFIED CASH BASIS
JUNE 30, 2017 AND 2016

	2017	2016
<u>ASSETS</u>		
Cash	\$ 164,579	\$ 283,255
Investments	6,698,598	6,358,820
Cash value of life insurance	11,478	11,706
TOTAL ASSETS	\$ 6,874,655	\$ 6,653,781
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Annuity obligations	\$ 6,550	\$ 8,029
Total Liabilities	\$ 6,550	\$ 8,029
NET ASSETS:		
Unrestricted		
Program designated	\$ 224,747	\$ 221,765
Board designated	5,634,404	5,428,222
Total unrestricted	\$ 5,859,151	\$ 5,649,987
Permanently restricted	1,008,954	995,765
Total Net Assets	\$ 6,868,105	\$ 6,645,752
TOTAL LIABILITIES AND NET ASSETS	\$ 6,874,655	\$ 6,653,781

**THE NOTES TO FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THESE STATEMENTS**

THE MISSOURI 4-H FOUNDATION, INC.
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2016)

	2017			2016 Total
	Unrestricted	Permanently Restricted	Total	
REVENUES AND OTHER SUPPORT:				
Contributions	\$ 412,126	\$ -	\$ 412,126	\$ 742,807
Membership and other fees	15,650	-	15,650	67,446
Sales, net of \$192,600 of costs	(18,244)	-	(18,244)	103,031
Investment income, net of \$24,199 of investment management fees	135,399	13,189	148,588	145,890
Net realized and unrealized gains (losses) on investments	368,594	-	368,594	(214,649)
Total revenues and other support.	\$ 913,525	\$ 13,189	\$ 926,714	\$ 844,525
EXPENSES:				
Operating expenses				
Program	\$ 485,584	\$ -	\$ 485,584	\$ 672,677
General and administrative	68,967	-	68,967	119,489
Fundraising	143,574	-	143,574	149,847
Total Operating expenses	\$ 698,125	\$ -	\$ 698,125	\$ 942,013
Other expenses				
Payments to beneficiaries	\$ 6,236	\$ -	\$ 6,236	\$ 6,236
Total expenses.	\$ 704,361	\$ -	\$ 704,361	\$ 948,249
Change in net assets.	\$ 209,164	\$ 13,189	\$ 222,353	\$ (103,724)
Net assets, beginning of year	5,649,987	995,765	6,645,752	6,749,476
Net assets, end of year.	\$ 5,859,151	\$ 1,008,954	\$ 6,868,105	\$ 6,645,752

**THE NOTES TO FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THESE STATEMENTS**

THE MISSOURI 4-H FOUNDATION, INC.
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT:				
Contributions	\$ 447,877	\$ 294,930	\$ -	\$ 742,807
Membership and other fees	67,446	-	-	67,446
Sales, net of \$172,430 of costs	103,031	-	-	103,031
Investment income, net of \$19,784 of investment management fees	135,798	-	10,092	145,890
Net realized and unrealized gains (losses) on investments	(214,649)	-	-	(214,649)
Net assets released from restrictions Restrictions satisfied by payments	<u>379,916</u>	<u>(379,916)</u>	<u>-</u>	<u>-</u>
Total revenues and other support.	<u>\$ 919,419</u>	<u>\$ (84,986)</u>	<u>\$ 10,092</u>	<u>\$ 844,525</u>
EXPENSES:				
Operating expenses				
Program	\$ 672,677	\$ -	\$ -	\$ 672,677
General and administrative	119,489	-	-	119,489
Fundraising	<u>149,847</u>	<u>-</u>	<u>-</u>	<u>149,847</u>
Total Operating expenses	\$ 942,013	\$ -	\$ -	\$ 942,013
Other expenses				
Payments to beneficiaries	<u>\$ 6,236</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,236</u>
Total expenses.	<u>\$ 948,249</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 948,249</u>
Change in net assets.	\$ (28,830)	\$ (84,986)	\$ 10,092	\$ (103,724)
Net assets, beginning of year	<u>5,678,817</u>	<u>84,986</u>	<u>985,673</u>	<u>6,749,476</u>
Net assets, end of year.	<u>\$ 5,649,987</u>	<u>\$ -</u>	<u>\$ 995,765</u>	<u>\$ 6,645,752</u>

**THE NOTES TO FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THESE STATEMENTS**

THE MISSOURI 4-H FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2016)

	2017				2016 Total
	Program	General and Administrative	Fundraising	Total	
OPERATING EXPENSES:					
Salaries and related benefits and taxes	\$ 163,046	\$ 46,011	\$ 73,781	\$ 282,838	\$ 363,517
Checking account fees	518	-	614	1,132	1,053
Distributions to counties	-	-	43,738	43,738	40,117
Donor recognition	7,936	-	-	7,936	2,808
Equipment	2,900	-	-	2,900	3,385
Events and activities	82,197	1,328	1,275	84,800	166,307
Facility charges	10,241	5,201	4,997	20,439	39,574
Grants	86,394	-	-	86,394	144,135
Insurance	16	2,667	-	2,683	3,176
Marketing and promotion	5,945	-	350	6,295	6,513
Miscellaneous	-	-	63	63	796
Postage	730	2,280	2,191	5,201	6,100
Printing	4,417	2,003	1,924	8,344	9,834
Professional services	9,011	4,351	4,180	17,542	24,827
Scholarships	59,430	-	-	59,430	72,050
Service agreements	-	3,046	2,927	5,973	5,218
Subscriptions and memberships	65	76	5,674	5,815	1,852
Supplies	52,673	1,935	1,860	56,468	50,085
Telephone	65	69	-	134	666
Total operating expenses.	\$ <u>485,584</u>	\$ <u>68,967</u>	\$ <u>143,574</u>	\$ <u>698,125</u>	\$ <u>942,013</u>

**THE NOTES TO FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THESE STATEMENTS**

THE MISSOURI 4-H FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
OPERATING EXPENSES:				
Salaries and related benefits and taxes	\$ 234,832	\$ 67,189	\$ 61,496	\$ 363,517
Checking account fees	20	-	1,033	1,053
Distributions to counties	-	-	40,117	40,117
Donor recognition	2,808	-	-	2,808
Equipment	3,385	-	-	3,385
Events and activities	161,552	2,425	2,330	166,307
Facility charges	30,959	4,394	4,221	39,574
Grants	88,746	28,248	27,141	144,135
Insurance	-	3,176	-	3,176
Marketing and promotion	6,513	-	-	6,513
Miscellaneous	262	271	263	796
Postage	1,967	2,108	2,025	6,100
Printing	6,341	1,781	1,712	9,834
Professional services	13,409	5,823	5,595	24,827
Scholarships	72,050	-	-	72,050
Service agreements	-	2,661	2,557	5,218
Subscriptions and memberships	730	572	550	1,852
Supplies	48,505	806	774	50,085
Telephone	598	35	33	666
Total operating expenses.	<u>\$ 672,677</u>	<u>\$ 119,489</u>	<u>\$ 149,847</u>	<u>\$ 942,013</u>

**THE NOTES TO FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THESE STATEMENTS**

THE MISSOURI 4-H FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Purpose of the Organization** – The mission of The Missouri 4-H Foundation, Inc. (the “Foundation”) is to seek and manage contributions which will be used for positive youth development. One of the most significant means by which the Foundation seeks to accomplish this mission is partial funding of the 4-H Youth Development Programs which are administered by the University of Missouri Extension Office.
- B. Income Tax** – The Foundation is exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and is not classified as a private foundation by the U.S. Internal Revenue Service.
- C. Method of Accounting** – Except for the modifications mentioned below, these financial statements are prepared on the modified cash basis of accounting. Accordingly, contributions and fees are recorded as revenue when received, not when earned, and expenses are recorded when paid, not when incurred. The modified cash basis is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America. The modifications to the cash basis are as follows – investments are reported at fair value, insurance contracts are reported at cash surrender value, and liabilities for annuity obligations are reported at their estimated net present value at the time the donation was received by the Foundation.
- D. Cash/Cash Equivalents/Credit Risk** – For the purpose of these financial statements, the Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of one checking account insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 as of June 30, 2017.
- E. Contributions** – All contributions are considered to be available for the general programs of the Foundation unless specifically restricted by the donor. When a donor restriction expires, that is, when a 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 revenues, expenses, and other changes in net assets – modified cash basis as released from restrictions. Contributions that are restricted by the donors are reported as an increase in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are received.
- F. Contributed Materials and Services** – In accordance with the modified cash basis of accounting, the accompanying financial statements do not include the value of donated goods and services. A substantial number of volunteers donate significant amounts of time to the Foundation’s projects and the University of Missouri Extension Division provides the Foundation with the office space and some administrative support. Management has not attempted to determine the value of these items.
- G. Use of Estimates** – Preparation of the Foundation's financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. The nature of those estimates, however, is such that variances in actual results are generally immaterial.
- H. Prior Year Information** – Certain prior year information has been changed to conform to the current year presentation.

THE MISSOURI 4-H FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 2: INVESTMENTS/CONCENTRATION OF CREDIT RISK

The Foundation carries its investments at fair value. The Foundation's policy is to include money market funds held by a broker in a managed portfolio as investments. Investments consist of the following categories held by a single investment company in the managed portfolio at June 30:

2017	Cost	Unrealized Gain (Loss)	Fair Value
Money market funds	\$ 784,257	\$ -	\$ 784,257
Equity stocks	3,320,860	626,687	3,947,547
Bonds	1,954,968	11,826	1,966,794
Total investments	<u>\$ 6,060,085</u>	<u>\$ 638,513</u>	<u>\$ 6,698,598</u>
<hr/>			
2016	Cost	Unrealized Gain (Loss)	Fair Value
Money market funds	\$ 803,285	\$ -	\$ 803,285
Equity stocks	3,183,860	350,964	3,534,824
Bonds	1,996,478	24,233	2,020,711
Total investments	<u>\$ 5,983,623</u>	<u>\$ 375,197</u>	<u>\$ 6,358,820</u>

Since investments are subject to continual market fluctuations, the Foundation is subject to concentration of credit risk on most of its assets. Management believes the policy adopted by the Foundation's Board of Trustees is prudent for the long-term welfare of the Foundation and its beneficiaries.

NOTE 3: CASH VALUE OF LIFE INSURANCE

The Foundation once utilized a life insurance endowment program, whereby individuals contributed money to the foundation for purposes of purchasing life insurance contracts on the donor, for which the Foundation is the owner and beneficiary. The face value of these contracts totaled approximately \$661,980 as of June 30, 2017 and 2016. Cash surrender values are \$11,478 and \$11,706 at June 30, 2017 and 2016, respectively. Changes in the cash surrender value are included in the net realized and unrealized gain/(loss) on investments as shown on the statement of revenues, expenses, and changes in net assets – modified cash basis.

NOTE 4: NET ASSET DESIGNATIONS AND RESTRICTIONS

Designations and restrictions consist of the following at June 30:

2017	Unrestricted	Permanently Restricted
Designated for:		
Programs	\$ 224,747	\$ -
Board designated	5,643,404	-
Restricted for:		
Scholarships, programs, and grants	-	1,008,954
Total net assets	<u>\$ 5,859,151</u>	<u>\$ 1,008,954</u>

THE MISSOURI 4-H FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 4: NET ASSET DESIGNATIONS AND RESTRICTIONS (CONTINUED)

2016	Unrestricted	Permanently Restricted
Designated for:		
Programs	\$ 221,765	\$ -
Board designated	5,428,222	-
Restricted for:		
Scholarships, programs, and grants	-	995,765
Total net assets	<u>\$ 5,649,987</u>	<u>\$ 995,765</u>

The Foundation regularly receives and solicits contributions for specific annual events or programs. The Foundation does not consider these contributions restricted. The Foundation does, however, make every effort to insure that such contributions are expended for the specific event or program in the year in which received. Due to timing differences and for budgeting purposes, the Foundation identifies unused contributions and designated funds that are to be used for specific programs in the following year. These contributions totaled \$224,747 and \$221,765 as of June 30, 2017 and 2016, respectively.

NOTE 5: FAIR VALUE OF FINANCIAL INSTRUMENTS

Assets and liabilities measured at a fair value on a recurring basis

The following are the major categories of assets and liabilities measured at fair values on a recurring basis at June 30:

2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total at June 30
Assets				
Marketable Securities	\$ 6,698,598	\$ -	\$ -	\$ 6,698,598
Liabilities				
Annuity Obligations	\$ -	\$ 6,550	\$ -	\$ 6,550
<u>2016</u>				
Assets				
Marketable Securities	\$ 6,358,820	\$ -	\$ -	\$ 6,358,820
Liabilities				
Annuity Obligations	\$ -	\$ 8,029	\$ -	\$ 8,029

**THE MISSOURI 4-H FOUNDATION, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

NOTE 5: FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following are changes in fair values for items measured at fair value for the year ended June 30:

	<u>2017</u>	<u>2016</u>
Trading gains (losses) on marketable securities		
Unrealized gains (losses)	\$ 247,135	\$ (204,481)
Realized gains (losses)	<u>120,208</u>	<u>(10,880)</u>
Total trading gains (losses) on marketable securities	\$ <u>367,343</u>	\$ <u>(215,361)</u>
Changes in values of annuities payable	\$ <u>1,479</u>	\$ <u>2,356</u>

Level 2 inputs

Charitable gift annuity agreements require the Foundation to pay beneficiaries fixed payments during the beneficiaries' lives, in accordance with the respective agreements. Contribution revenues for charitable gift annuities are recognized at the date the agreements are established, net of present value of the estimated future payments to be made to the beneficiaries.

Internal Revenue Service (IRS) valuation tables were used for the discount rates and actuarial assumptions used in calculating present value of the liabilities. The changes in values of the annuities payable is included in the realized gain/(loss) on investment.

Fair value of financial instruments

Due to their short-term nature, the carrying value of cash and cash surrender value of life insurance approximates their fair value at June 30, 2017 and 2016.

NOTE 6: ENDOWMENTS

The Foundation endowment consists of several program and scholarship funds that are donor and board-restricted endowment funds. As required by the modified-cash basis of accounting, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

A. Interpretation of Relevant Law

The Board of Trustees of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the beginning of the fiscal year. 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 donated to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund.
- (2) The purposes of the Foundation and the donor-restricted endowment fund.
- (3) General economic conditions.
- (4) The possible effect of inflation or deflation.

THE MISSOURI 4-H FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 6: ENDOWMENTS (CONTINUED)

- (5) The expected total return from income and the appreciation of investments.
- (6) Other resources of the Foundation.
- (7) The investment policies of the organization.

B. Endowment Net Asset composition by type of fund as of June 30:

<u>2017</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 1,008,954	\$ 1,008,954
Board-designated endowment funds	<u>5,593,696</u>	<u>-</u>	<u>-</u>	<u>5,593,696</u>
Total endowment funds	<u>\$ 5,593,696</u>	<u>\$ -</u>	<u>\$ 1,008,954</u>	<u>\$ 6,602,650</u>
<u>2016</u>				
Donor-restricted endowment funds	\$ -	\$ -	\$ 995,765	\$ 995,765
Board-designated endowment funds	<u>5,250,013</u>	<u>-</u>	<u>-</u>	<u>5,250,013</u>
Total endowment funds	<u>\$ 5,250,013</u>	<u>\$ -</u>	<u>\$ 995,765</u>	<u>\$ 6,245,778</u>

C. Changes in Endowment Net Asset composition by type of fund for the year ended June 30:

<u>2017</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, beginning	\$ 5,250,013	\$ -	\$ 995,765	\$ 6,245,778
Investment return:				
Investment income	159,486	-	13,189	172,675
Net appreciation (realized & unrealized)	367,343	-	-	367,343
Contributions	149,206	-	-	149,206
Appropriation for expenditures	<u>(332,352)</u>	<u>-</u>	<u>-</u>	<u>(332,352)</u>
Net assets, ending	<u>\$ 5,593,696</u>	<u>\$ -</u>	<u>\$ 1,008,954</u>	<u>\$ 6,602,650</u>

THE MISSOURI 4-H FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 6: ENDOWMENTS (CONTINUED)

2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning	\$ 5,500,071	\$ -	\$ 985,673	\$ 6,485,744
Investment return:				
Investment income	35,691	-	10,092	45,783
Net appreciation (realized & unrealized)	(201,102)	-	-	(201,102)
Contributions	221,777	-	-	221,777
Appropriation for expenditures	(306,424)	-	-	(306,424)
Net assets, ending	\$ 5,250,013	\$ -	\$ 995,765	\$ 6,245,778

D. Description of amounts classified as permanently restricted Net Assets and Temporarily Restricted Net Assets (Endowment Only) for the year ended June 30:

	2017	2016
Permanently Restricted Net Assets		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or SPMIFA	\$ 1,008,954	\$ 995,765
Total endowment funds classified as permanently restricted net assets	<u>\$ 1,008,954</u>	<u>\$ 995,765</u>
Temporarily Restricted Net Assets		
The portion of perpetual endowment funds subject to a time restriction under SPMIFA:		
Without purpose restrictions	\$ -	\$ -
With purpose restriction	-	-
Total endowment funds classified as temporarily restricted net assets	<u>\$ -</u>	<u>\$ -</u>

E. Funds with Deficiencies

From time to time, the fair value assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Foundation to retain as a fund of perpetual duration. These deficiencies are reported in unrestricted and temporarily restricted net assets. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriations for certain programs that were deemed prudent by the Board of Trustees.

**THE MISSOURI 4-H FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

NOTE 6: ENDOWMENTS (CONTINUED)

F. Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the Consumer Price Index (CPI) while assuming a moderate level of investment risk. The Foundation expects its endowment funds to produce an average rate of return over time.

G. Strategies Employed for Achieving Objectives

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 capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

H. Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution annually by adding the average of the Midwest Consumer Price Index (CPI) to the Endowment Fund permanently restricted balance. In establishing this policy, the Foundation considered the long-term expected return on its endowment. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 7: INCOME AND EXPENSES

Effective July 1, 2016, the University of Missouri began collecting state event fees, membership fees, dues, and cost recovery income on behalf of the Extension 4-H Center for Youth Development. These revenues and related cost recovery program expenses no longer appear on the Missouri 4-H Foundation Inc. financial statements.

NOTE 8: SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 29, 2017, the date on which the financial statements were available to be issued.