

UMKC FOUNDATION

FINANCIAL STATEMENTS
AS OF JUNE 30, 2016 AND 2015 AND
FOR THE FISCAL YEARS THEN ENDED
WITH INDEPENDENT AUDITORS' REPORT

**UMKC FOUNDATION
FINANCIAL STATEMENTS
AS OF JUNE 30, 2016 AND 2015
AND FOR THE FISCAL YEARS THEN ENDED
WITH INDEPENDENT AUDITORS' REPORT**

TABLE OF CONTENTS

Independent Auditors' Report..... 1

Statements of Financial Position..... 3

Statements of Activities and Changes in Net Assets - 2016..... 4

Statements of Activities and Changes in Net Assets - 2015..... 5

Statements of Cash Flows 6

Notes to Financial Statements 7



INDEPENDENT AUDITORS' REPORT

Board of Directors
UMKC Foundation
Kansas City, Missouri

We have audited the accompanying financial statements of

UMKC FOUNDATION

which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, changes in net assets, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of UMKC Foundation as of June 30, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.


CERTIFIED PUBLIC ACCOUNTANTS

Westwood, Kansas
February 2, 2017

UMKC FOUNDATION
 STATEMENTS OF FINANCIAL POSITION
 AS OF JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Cash	\$ 408,939	\$ 264,645
Investments	37,950,633	37,466,991
Pledges and accounts receivable	<u>4,072,109</u>	<u>3,140,534</u>
TOTAL ASSETS	<u>\$ 42,431,681</u>	<u>\$ 40,872,170</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable and accrued liabilities	<u>\$ 125,313</u>	<u>\$ 86,068</u>
TOTAL LIABILITIES	<u>125,313</u>	<u>86,068</u>
<u>NET ASSETS</u>		
Unrestricted operating	188,473	42,176
Unrestricted non-operating	(294,705)	94,502
Temporarily restricted	9,341,723	8,422,094
Permanently restricted	<u>33,070,877</u>	<u>32,227,330</u>
TOTAL NET ASSETS	<u>42,306,368</u>	<u>40,786,102</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 42,431,681</u>	<u>\$ 40,872,170</u>

The accompanying notes are an integral part of these financial statements.

UMKC FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Unrestricted		Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	Operating	Non-operating				
REVENUES AND SUPPORT						
UMKC contract revenue						
UMKC contract	\$ 1,142,540	\$ -	\$ 1,142,540	\$ -	\$ -	\$ 1,142,540
Endowment management fee	1,050,000	-	1,050,000	-	-	1,050,000
Management fee on non-endowed gifts	148,312	-	148,312	-	-	148,312
Foundation management fee	239,025	(239,025)	-	-	-	-
Investment income (loss), net	(9,728)	(155,092)	(164,820)	(429,625)	-	(594,445)
Other income	1,212	7,800	9,012	7,230	-	16,242
Contributions	25,005	3,682	28,687	2,865,107	802,277	3,696,071
Net assets released from restrictions	-	1,525,133	1,525,133	(1,525,133)	-	-
TOTAL REVENUES AND SUPPORT	2,596,366	1,142,498	3,738,864	917,579	802,277	5,458,720
EXPENSES						
Grants and scholarships	-	1,494,212	1,494,212	-	-	1,494,212
Personnel expenses	2,087,220	-	2,087,220	-	-	2,087,220
Other general and administrative expenses	368,849	31,493	400,342	-	-	400,342
TOTAL EXPENSES	2,456,069	1,525,705	3,981,774	-	-	3,981,774
CHANGE IN NET ASSETS BEFORE TRANSFERS	140,297	(383,207)	(242,910)	917,579	802,277	1,476,946
Transfers from (to) UMKC Entities, net	6,000	(6,000)	-	2,050	41,270	43,320
Net assets beginning of year	42,176	94,502	136,678	8,422,094	32,227,330	40,786,102
NET ASSETS (DEFICIT) END OF YEAR	\$ 188,473	\$ (294,705)	\$ (106,232)	\$ 9,341,723	\$ 33,070,877	\$ 42,306,368

The accompanying notes are an integral part of these financial statements.

UMKC FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Unrestricted		Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	Operating	Non-operating				
REVENUES AND SUPPORT						
UMKC contract revenue						
UMKC contract	\$ 1,461,957	\$ -	\$ 1,461,957	\$ -	\$ -	\$ 1,461,957
Endowment management fee	700,000	-	700,000	-	-	700,000
Management fee on non-endowed gifts	115,787	-	115,787	-	-	115,787
Foundation management fee	184,733	(184,733)	-	-	-	-
Investment income (loss), net	(9,759)	393	(9,366)	42,927	-	33,561
Other income	-	-	-	-	-	-
Contributions	4,003	250	4,253	19,965	3,617,006	3,641,224
Net assets released from restrictions	-	1,406,655	1,406,655	(1,406,655)	-	-
TOTAL REVENUES AND SUPPORT	2,456,721	1,222,565	3,679,286	(1,343,763)	3,617,006	5,952,529
EXPENSES						
Grants and scholarships	-	1,307,107	1,307,107	-	-	1,307,107
Personnel expenses	2,015,058	-	2,015,058	-	-	2,015,058
Other general and administrative expenses	285,611	2,276	287,887	-	1,226,250	1,514,137
TOTAL EXPENSES	2,300,669	1,309,383	3,610,052	-	1,226,250	4,836,302
CHANGE IN NET ASSETS BEFORE TRANSFERS	156,052	(86,818)	69,234	(1,343,763)	2,390,756	1,116,227
Transfers from (to) UMKC Entities, net	(284,733)	284,733	-	1,822	27,955	29,777
Net assets (deficit) beginning of year	170,857	(103,413)	67,444	9,764,035	29,808,619	39,640,098
NET ASSETS END OF YEAR	\$ 42,176	\$ 94,502	\$ 136,678	\$ 8,422,094	\$ 32,227,330	\$ 40,786,102

The accompanying notes are an integral part of these financial statements.

UMKC FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Change in net assets before transfers	\$ 1,476,946	\$ 1,116,227
Adjustments to reconcile change in net assets before transfers to net cash provided by operating activities:		
Realized (gain)/loss on investments	328,386	(1,253,538)
Unrealized loss on investments	975,234	2,436,357
Permanently restricted contributions	(802,277)	(3,617,006)
Net changes in operating assets and liabilities:		
Pledges and accounts receivable	(931,575)	1,325,104
Accounts payable and accrued liabilities	39,245	(14,789)
Total adjustments	<u>(390,987)</u>	<u>(1,123,872)</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>1,085,959</u>	 <u>(7,645)</u>
Cash Flows from Investing Activities		
Proceeds from sales of investments	1,808,824	22,860,854
Investment purchases	<u>(3,552,766)</u>	<u>(26,490,543)</u>
 NET CASH USED IN INVESTING ACTIVITIES	 <u>(1,743,942)</u>	 <u>(3,629,689)</u>
Cash Flows from Financing Activities		
Permanently restricted contributions	<u>802,277</u>	<u>3,617,006</u>
 NET CASH PROVIDED BY FINANCING ACTIVITIES	 <u>802,277</u>	 <u>3,617,006</u>
 INCREASE (DECREASE) IN CASH	 144,294	 (20,328)
 CASH AT BEGINNING OF YEAR	 <u>264,645</u>	 <u>284,973</u>
 CASH AT END OF YEAR	 <u>\$ 408,939</u>	 <u>\$ 264,645</u>
 Supplemental Disclosures:		
Investments transferred in-kind at fair market value from UMKC entities, net	<u>\$ 43,320</u>	<u>\$ 29,777</u>

The accompanying notes are an integral part of these financial statements.

**UMKC FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The UMKC Foundation (the "Foundation") is a nonprofit public benefit foundation organized under the laws of the State of Missouri. The Foundation's sole purpose is to benefit the University of Missouri-Kansas City (UMKC) by supporting (through funds raised, held and administered by the Foundation) academic programs and educational opportunities that will enhance UMKC over and above those which are funded with state support, student fees and tuition. The Foundation is dedicated to advancing the mission of UMKC: to be a leader in life and health sciences; to deepen and expand strength in the visual and performing arts; to develop a professional workforce and collaborate in urban issues and education; and to create a vibrant learning and campus life experience.

Under an affiliation agreement between The Curators of the University of Missouri (the "University") and the Foundation, the Foundation provides fund development services to UMKC and for an additional 61 constituent organizations under the UMKC umbrella. Under a transition plan between the Foundation and the University, the University pays the Foundation a fee for the fundraising services provided by the Foundation to UMKC equal to an amount agreed to by the University and the Foundation, less the aggregate wages, benefits and expenses which are incurred by the University with respect to the employees of the University who continue to provide services to the Foundation and any expenses paid by the University to third-parties on behalf of the Foundation. The Foundation also receives a management fee on non-endowed contributions to UMKC and constituent organizations. Revenues received by the Foundation for services provided to UMKC under this agreement during the years ended June 30, 2016 and 2015, have been reported as "UMKC contract revenues".

The Foundation and its employees have the primary responsibility for the solicitation of contributions from private sources for the support of UMKC. The Foundation solicits contributions which are made to the Foundation and held and administered by the Foundation for the benefit of UMKC. The Foundation also solicits contributions which are made directly to UMKC or to one of its schools or other supporting organizations.

For the years ended June 30, 2016 and 2015, the Foundation made grants from earnings of its endowment funds held by the Foundation to support various UMKC programs in the amounts of \$1,494,212 and \$1,307,107, respectively.

**UMKC FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of Accounting and Presentation

The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

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

Unrestricted net assets - net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - net assets subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or the passage of time.

Permanently restricted net assets - net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. The original value of all gifts donated to the permanent endowments are also classified as permanently restricted. The donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Cash

Cash includes demand deposit accounts at financial institutions, specifically excluding certain cash held by the bank serving as the Foundation's custodian, which is reported as investments. From time to time the Foundation maintains cash balances with financial institutions in excess of the Federal Depositor Insurance Corporation (FDIC) limits. The Foundation has suffered no loss as a result of this risk.

Pledges and Accounts Receivable

Pledges and accounts receivable consist of pledge receivables and assets held by the University in the Foundation Agency account. The pledge receivables are unconditional promises to give (pledges) through private donations from corporations; alumni, and various other supporters of the Foundation. Support is recognized when a pledge is received and all donor conditions are met.

Unconditional promises to give in future periods are recognized as support in the period the promises are received. Promises to give that are expected to be collected within one year are recorded at their net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the promises received. Amortization of the discounts is included in contributions.

**UMKC FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are carried at fair value, based on quoted market prices representing the net asset value of shares held in the portfolio at year end. At the date of receipt, donated investments are reported at fair value, which is then treated as the cost. Investment income from investment of restricted funds is added to the respective restricted net assets to the extent restricted. Investment securities are exposed to various interest rate, market and credit risks. Due to the level of uncertainty relating to changes in the value of investment securities, it is at least possible that changes in risks in the near term would materially affect the amounts reported in the statements of financial position.

Contributions

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. 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 statements of activities as net assets released from restrictions. Donor-restricted contributions, whose restrictions are met within the same year as received, are reflected as contributions to unrestricted net assets.

Income Taxes

The Foundation is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to Section 501(c)(3) of the Internal Revenue Code, as evidenced by the Foundation's determination letter dated June 21, 2007. Income tax returns filed by the Foundation on Form 990 are subject to examination by the Internal Revenue Service (IRS) for three years after the date filed, with the result that the June 30 fiscal years 2016, 2015, 2014 and 2013 remain open as of February 2, 2017, although no returns have been selected for examination by the IRS. Management has evaluated tax positions taken or expected to be taken in the course of preparing the Foundation's tax returns with assistance from the Foundation's tax preparer to determine whether its tax positions are more likely than not to be sustained by applicable taxing authorities; likely tax positions are reported in these financial statements, and management is not aware of any unlikely tax positions, with the result that no unlikely tax positions are reported.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Subsequent events have been evaluated through February 2, 2017, which is the date the accompanying financial statements were available to be issued.

**UMKC FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

NOTE B - FUNDRAISING NET PRODUCTION

During the years ended June 30, 2016 and 2015, the overall fundraising efforts of the Foundation produced pledges and planned gift commitments on behalf of the Foundation itself, and on behalf of UMKC and its schools and other supporting organizations, as follows:

	<u>2016</u>	<u>2015</u>
Contributions and commitments for future contributions to the Foundation	\$ 3,696,071	\$ 3,641,224
Contributions and commitments for future contributions to UMKC (including its several schools and other supporting organizations)	14,390,974	9,805,138
Total pledge commitments	<u>18,087,045</u>	<u>13,446,362</u>
Planned gift commitments	5,090,000	5,875,982
Total commitments	<u>23,177,045</u>	<u>19,322,344</u>
Outright gifts during period	15,052,088	21,294,107
Net production	<u>\$ 38,229,133</u>	<u>\$ 40,616,451</u>

Summary of Endowments, Quasi-Endowments and Effective Endowments for the Benefit of UMKC

As of June 30, 2016 and 2015, the cumulative fundraising efforts to date have resulted in asset balances held in investment and cash accounts of the UMKC Foundation, UMKC, the University of Missouri Curators and other supporting organizations, specifically excluding outstanding pledges, grants, bequests and other receivables, summarized as follows:

Held by or for UMKC Foundation		
Investments	\$ 37,543,654	\$ 37,051,638
Assets held by University of Missouri	134,567	308,590
Total amounts audited	<u>37,678,221</u>	<u>37,360,228</u>
Held by University of Missouri for UMKC (other auditors)	<u>131,708,567</u>	<u>136,752,037</u>
Held elsewhere for UMKC (unaudited)	74,015,206	74,807,242
Held by or for affiliate supporting organization accounts (unaudited)	62,363,904	53,218,537
Total amounts unaudited	<u>136,379,110</u>	<u>128,025,779</u>
Total endowments, quasi-endowments and effective endowments from all sources for the benefit of UMKC	<u>\$ 305,765,898</u>	<u>\$ 302,138,044</u>

**UMKC FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

NOTE C - INVESTMENTS

The Foundation's investments are reported at fair value in the accompanying statement of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to measure the fair value of certain financial instruments could result in a different fair value at the reporting date.

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs are unobservable and have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 3 inputs were available to the Foundation. At June 30, 2016 and 2015, all investments are classified at Level 2.

Level 2 Fair Value Measurements

The fair value of the investment in the commingled fund is based on the quoted market prices of the underlying assets.

The Foundation's policy is to recognize transfers between Level 1 and Level 2 and into and out of Level 3 at the end of the reporting period. For the years ended June 30, 2016 and 2015, there were no transfers between Level 1 and Level 2 or into and out of Level 3.

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis are as follows:

	30-Jun-16		30-Jun-15	
	Fair Value	Cost	Fair Value	Cost
Investment in Foundation's Commingled Fund	<u>\$ 37,950,633</u>	<u>\$ 37,468,084</u>	<u>\$ 37,466,991</u>	<u>\$ 36,033,804</u>

The Foundation's investments are held in a commingled fund managed by the bank that serves as the Foundation's custodian. At June 30, 2016 and 2015, the underlying investments held in the fund include the following approximate composition:

	2016	2015
Cash and cash equivalents	3%	2%
Common stocks and mutual funds	54%	58%
Fixed income funds and securities	35%	27%
Alternative investments	8%	13%

**UMKC FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

NOTE C - INVESTMENTS - continued

The following is a summary of net investment gain for the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Interest and dividend income	\$ 805,914	\$ 1,329,499
Realized gains (losses)	(328,386)	1,253,538
Unrealized losses	<u>(975,234)</u>	<u>(2,436,357)</u>
	(497,706)	146,680
Less: investment management fees	<u>(96,739)</u>	<u>(113,119)</u>
Net investment gain (loss)	<u>\$ (594,445)</u>	<u>\$ 33,561</u>

Investment gain (loss) is reported in the statements of activities as follows:

Unrestricted	\$ (164,820)	\$ (9,366)
Temporarily restricted	<u>(429,625)</u>	<u>42,927</u>
	<u>\$ (594,445)</u>	<u>\$ 33,561</u>

NOTE D - PLEDGES AND ACCOUNTS RECEIVABLE

At June 30, 2016 and 2015, pledges and accounts receivable are summarized as follows:

	<u>2016</u>	<u>2015</u>
Pledges Receivable		
Receivable in less than one year	\$ 201,190	\$ 2,174,856
Receivable in one to five years	3,640,710	742,470
Total Pledges Receivable	<u>3,841,900</u>	<u>2,917,326</u>
Less: Allowance for doubtful pledges	(200,000)	(200,000)
Less: Discount on pledges	<u>(6,877)</u>	<u>(14,016)</u>
Pledges Receivable, net	3,635,023	2,703,310
Assets held by the University	426,334	424,377
Other Receivables	<u>10,752</u>	<u>12,847</u>
Total pledges and accounts receivable	<u>\$ 4,072,109</u>	<u>\$ 3,140,534</u>

The promises to give are reported at the net present value of expected future cash flows utilizing discount rates from 0.75% to 1.625%.

Assets held by the University represent cash gifts that are deposited with the University for the convenience of the Foundation prior to investment by the Foundation in its investment accounts held at an outside financial institution.

**UMKC FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

NOTE E - ENDOWMENT

Endowment Overview

The Foundation's endowment consists of approximately 274 individual funds established for a variety of purposes. Its endowment includes only donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of State Law

The Foundation has interpreted the State of Missouri's Prudent Management of Institutional Funds Act (SPMIFA) as requiring that it act prudently with respect to each endowment in determining whether to appropriate funds for expenditure from the endowment or accumulate funds in the endowment. As a result of this interpretation, absent explicit donor stipulations to the contrary, the Foundation classifies the following as permanently restricted net assets: 1) the original value of gifts donated to the permanent endowment; 2) the original value of subsequent gifts to the permanent endowment; and 3) 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. On occasion, absent explicit donor stipulations to the contrary, the Foundation has determined that it is prudent to continue funding certain programs even though the only funds available in the endowments used to fund such programs have been classified as permanently restricted. The remaining portion of donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- Duration and preservation of the fund;
- Purposes of the Foundation and the fund;
- General economic conditions;
- Possible effect of inflation and deflation;
- Expected total return from investment income and appreciation or depreciation of investments;
- Other resources of the Foundation; and
- Investment policies of the Foundation.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor endowed funds may fall below the level that the Foundation has determined should be classified as permanently restricted. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$754,056 as of June 30, 2016 (\$374,855 as of June 30, 2015). These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Foundation.

UMKC FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE E - ENDOWMENT - continued

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 or for a donor-specified period(s). Under this policy, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the appropriate asset comparison index while assuring a moderate level of investment risk. The Foundation manages its investments on the total return basis with the expectation that over the long-term investment returns will exceed the Foundation's spending rate of 5% plus inflation.

Strategies Employed for Achieving Objectives

To satisfy their 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 their long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation's objective is to manage its endowment funds to provide ongoing support for endowed programs for perpetuity. The investment implication which is to provide a prudent approach to spending and reinvestment, using a spending formula, is intended to provide protection against inflation over time. The spending formula adopted by the governing board in June 2013 distributes annually 4.5% of the trailing 28-quarter average of the endowment's total market value at the close of business on December 31 each year, with the understanding that this spending rate over the long-term will not exceed total real return (return net of inflation) from investments. Distribution from each Endowment shall be made in two equal installments, generally in July and January following the fiscal year for which the distribution was authorized.

Following is a summary of transactions reflected in the statement of activities as "Transfers from/(to) UMKC entities, net" based upon donor stipulations. To the extent stipulated by each donor, the historic gift value (value at the date of the gift) of each endowment was classified as permanently restricted. To the extent that the fair value of the assets transferred exceeded the historic gift value of each endowment fund, the excess was recorded as temporarily restricted. To the extent that the fair value of the assets transferred was less than historic gift value of each endowment fund, the deficiency was recorded as unrestricted.

	2016	2015
Endowment funds transferred at fair value		
To other UMKC related entities	\$ (6,000)	\$ -
From other UMKC related entities	49,320	29,777
Transfers from UMKC entities, net	<u>\$ 43,320</u>	<u>\$ 29,777</u>

**UMKC FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

NOTE E - ENDOWMENT - continued

At June 30, 2016 and 2015, net assets were available for the following purposes:

	2016		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Academic Programs	\$ (445,447)	\$ 7,329,080	\$ 27,651,918
UMKC Trustees Scholar Programs	(302,771)	721	1,373,960
Facilities and Operations	-	1,266,222	2,798,444
Research	(5,838)	608,806	196,267
Other	647,824	136,894	95,385
Total Endowment Net Assets	(106,232)	9,341,723	32,115,974
Pledges Receivable	-	-	954,903
Total Net Assets	<u>\$ (106,232)</u>	<u>\$ 9,341,723</u>	<u>\$ 33,070,877</u>
	2015		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Academic Programs	\$ (135,180)	\$ 6,730,738	\$ 25,143,891
UMKC Trustees Scholar Programs	(239,675)	13,337	1,351,960
Facilities and Operations	-	1,535,191	2,698,444
Research	-	122,657	196,217
Other	511,533	20,171	91,801
Total Endowment Net Assets	136,678	8,422,094	29,482,313
Pledges Receivable	-	-	2,745,017
Total Net Assets	<u>\$ 136,678</u>	<u>\$ 8,422,094</u>	<u>\$ 32,227,330</u>

For the years ended June 30, 2016 and 2015, net assets were released from restrictions for the following purposes:

	2016	2015
Academic Programs	<u>\$ 1,525,133</u>	<u>\$ 1,406,655</u>