

THE MISSOURI 4-H FOUNDATION, INC.

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED
JUNE 30, 2013 AND 2012

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CASEY-BEARD-BOEHMER PC
CERTIFIED PUBLIC ACCOUNTANTS
COLUMBIA, MISSOURI

THE MISSOURI 4-H FOUNDATION, INC.
COLUMBIA, MISSOURI
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CASEY-BEARD-BOEHMER PC



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INDEPENDENT AUDITORS' REPORT

September 19, 2013

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

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, 2013 and 2012, and the related statement of revenue, expenses, and other 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.

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Public
Accountants



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

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 assets, liabilities, and net assets of The Missouri 4-H Foundation, Inc. as of June 30, 2013 and 2012, and its revenue, expenses, and other 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.

Casey-Beard-Boehmer PC

Casey-Beard-Boehmer PC
Certified Public Accountants
Columbia, Missouri

THE MISSOURI 4-H FOUNDATION, INC.
 STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS -
 MODIFIED CASH BASIS
 JUNE 30, 2013 AND 2012

	2013	2012
<u>ASSETS</u>		
Cash	\$ 199,835	\$ 109,181
Investments	5,727,385	5,424,018
Cash value of life insurance	15,861	16,823
TOTAL ASSETS.	\$ 5,943,081	\$ 5,550,022
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Annuity obligations	\$ 10,581	\$ 16,764
Due to affiliate	-	40,000
Total Liabilities.	\$ 10,581	\$ 56,764
NET ASSETS:		
Unrestricted		
Program designated	\$ 252,922	\$ 191,244
Board designated	4,802,107	4,427,155
Total unrestricted	\$ 5,055,029	\$ 4,618,399
Permanently restricted	\$ 877,471	\$ 874,859
Total Net Assets.	\$ 5,932,500	\$ 5,493,258
TOTAL LIABILITIES AND NET ASSETS.	\$ 5,943,081	\$ 5,550,022

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

THE MISSOURI 4-H FOUNDATION, INC.
STATEMENT OF REVENUES, EXPENSES, AND
OTHER CHANGES IN NET ASSETS - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2013
(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2012)

	2013			2012 Total
	Unrestricted	Permanently Restricted	Total	
REVENUES AND OTHER SUPPORT:				
Contributions	\$ 321,995	\$ -	\$ 321,995	\$ 513,125
Membership and other fees	655,412	-	655,412	360,574
Investment income, net of \$14,448 of investment management fees in 2013	108,787	2,612	111,399	106,711
Net realized and unrealized gains (losses) on investments	<u>326,698</u>	<u>-</u>	<u>326,698</u>	<u>(72,205)</u>
Total revenues and other support.	\$ 1,412,892	\$ 2,612	\$ 1,415,504	\$ 908,205
EXPENSES:				
Operating expenses				
Program	\$ 742,599	\$ -	\$ 742,599	\$ 707,590
General and administrative	90,275	-	90,275	91,685
Fund raising	<u>134,713</u>	<u>-</u>	<u>134,713</u>	<u>130,283</u>
Total Operating expenses	\$ 967,587	\$ -	\$ 967,587	\$ 929,558
Other Expenses				
Payments to beneficiaries	<u>8,675</u>	<u>-</u>	<u>8,675</u>	<u>9,950</u>
Total expenses.	\$ <u>976,262</u>	\$ <u>-</u>	\$ <u>976,262</u>	\$ <u>939,508</u>
Change in net assets.	\$ 436,630	\$ 2,612	\$ 439,242	\$ (31,303)
Net assets, beginning of year	<u>4,618,399</u>	<u>874,859</u>	<u>5,493,258</u>	<u>5,524,561</u>
Net assets, end of year.	\$ <u><u>5,055,029</u></u>	\$ <u><u>877,471</u></u>	\$ <u><u>5,932,500</u></u>	\$ <u><u>5,493,258</u></u>

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

THE MISSOURI 4-H FOUNDATION, INC.
STATEMENT OF REVENUES, EXPENSES, AND
OTHER CHANGES IN NET ASSETS - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT:			
Contributions	\$ 463,125	\$ 50,000	\$ 513,125
Membership and other fees	360,574	-	360,574
Investment income, net of \$23,957 of investment management fees	103,800	2,911	106,711
Net realized and unrealized gains (losses) on investments	<u>(72,205)</u>	<u>-</u>	<u>(72,205)</u>
Total revenues and other support.	\$ 855,294	\$ 52,911	\$ 908,205
EXPENSES:			
Operating expenses			
Program	\$ 707,590	\$ -	\$ 707,590
General and administrative	91,685	-	91,685
Fund raising	<u>130,283</u>	<u>-</u>	<u>130,283</u>
Total Operating expenses	\$ 929,558	\$ -	\$ 929,558
Other Expenses			
Payments to beneficiaries	\$ <u>9,950</u>	\$ <u>-</u>	\$ <u>9,950</u>
Total expenses.	\$ <u>939,508</u>	\$ <u>-</u>	\$ <u>939,508</u>
Change in net assets.	\$ (84,214)	\$ 52,911	\$ (31,303)
Net assets, beginning of year	<u>4,702,613</u>	<u>821,948</u>	<u>5,524,561</u>
Net assets, end of year.	<u>\$ 4,618,399</u>	<u>\$ 874,859</u>	<u>\$ 5,493,258</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, 2013
(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2012)

	2013			Total	2012 Total
	Program	General & Administrative	Fund Raising		
OPERATING EXPENSES:					
Salaries and related benefits and taxes	\$ 132,571	\$ 65,586	\$ 82,719	\$ 280,876	\$ 267,031
Checking account fees	35	-	330	365	670
Curriculum	1,066	-	-	1,066	4,675
Distributions to counties	-	-	25,996	25,996	23,144
Donor recognition	5,762	-	-	5,762	8,822
Equipment	10,107	-	-	10,107	16,108
Events and activities	167,478	751	722	168,951	171,451
Facility charges	46,291	4,752	4,565	55,608	84,919
Grants	118,484	-	-	118,484	43,635
Insurance	2,021	2,246	-	4,267	2,945
Miscellaneous	50	271	260	581	27,471
Postage	15,554	1,169	1,123	17,846	16,476
Printing	35,370	2,183	2,097	39,650	41,321
Professional services	53,882	9,756	13,323	76,961	54,672
Scholarships	69,175	-	-	69,175	62,266
Service agreements	-	2,234	2,147	4,381	4,051
Subscriptions and memberships	491	76	229	796	1,795
Supplies	84,144	611	587	85,342	96,210
Telephone	118	640	615	1,373	1,896
Total operating expenses.	\$ <u>742,599</u>	\$ <u>90,275</u>	\$ <u>134,713</u>	\$ <u>967,587</u>	\$ <u>929,558</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, 2012

	<u>Program</u>	<u>General & Administrative</u>	<u>Fund Raising</u>	<u>Total</u>
OPERATING EXPENSES:				
Salaries and related benefits and taxes	\$ 124,823	\$ 62,276	\$ 79,932	\$ 267,031
Checking account fees	51	54	565	670
Curriculum	4,675	-	-	4,675
Distributions to counties	-	-	23,144	23,144
Donor recognition	8,822	-	-	8,822
Equipment	16,108	-	-	16,108
Events and activities	166,385	2,584	2,482	171,451
Facility charges	74,273	5,429	5,217	84,919
Grants	43,635	-	-	43,635
Insurance	1,318	1,627	-	2,945
Miscellaneous	25,878	812	781	27,471
Postage	14,069	1,228	1,179	16,476
Printing	36,953	2,228	2,140	41,321
Professional services	34,624	10,224	9,824	54,672
Scholarships	62,266	-	-	62,266
Service agreements	-	2,066	1,985	4,051
Subscriptions and memberships	1,050	380	365	1,795
Supplies	92,043	2,125	2,042	96,210
Telephone	617	652	627	1,896
Total operating expenses.	<u>\$ 707,590</u>	<u>\$ 91,685</u>	<u>\$ 130,283</u>	<u>\$ 929,558</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, 2013 AND 2012

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 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 maintained at an institution fully insured by the Federal Deposit Insurance Corporation (FDIC) as of June 30, 2013.
- 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.

THE MISSOURI 4-H FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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:

2013	Cost	Unrealized Gain (Loss)	Fair Value
Money market funds	\$ 440,270	\$ -	\$ 440,270
Equity stocks	3,025,571	294,110	3,319,681
Bonds	1,990,433	(22,999)	1,967,434
Total investments	<u>\$ 5,456,274</u>	<u>\$ 271,111</u>	<u>\$ 5,727,385</u>
2012			
Money market funds	\$ 957,574	\$ -	\$ 957,574
Equity stocks	2,369,361	210,148	2,579,509
Bonds	1,830,821	5,677	1,836,498
Alternative investments	54,070	(3,633)	50,437
Total investments	<u>\$ 5,211,826</u>	<u>\$ 212,192</u>	<u>\$ 5,424,018</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 can contribute 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 \$616,980 as of June 30, 2013 and 2012. Cash surrender values are \$15,861 and \$16,823 at June 30, 2013 and 2012, 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 other changes in net assets.

NOTE 4: NET ASSET DESIGNATIONS AND RESTRICTIONS

Designations and restrictions consist of the following at June 30:

2013	Unrestricted	Permanently Restricted
Designated for:		
Programs	\$ 252,922	\$ -
Board designated	4,802,107	-
Restricted for:		
Scholarships, programs, and grants	-	877,471
Total net assets	<u>\$ 5,055,029</u>	<u>\$ 877,471</u>

THE MISSOURI 4-H FOUNDATION, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 4: NET ASSET DESIGNATIONS AND RESTRICTIONS (CONTINUED)

2012	Unrestricted	Permanently Restricted
Designated for:		
Programs	\$ 191,244	\$ -
Board designated	4,427,155	-
Restricted for:		
Scholarships, programs, and grants	-	874,859
Total net assets	<u>\$ 4,618,399</u>	<u>\$ 874,859</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 \$252,922 and \$191,244 as of June 30, 2013 and 2012, 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:

2013	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	\$ 5,727,385	\$ -	\$ -	\$ 5,727,385
Liabilities				
Annuity Obligation	\$ -	\$ 10,581	\$ -	\$ 10,581
<u>2012</u>				
Assets				
Marketable Securities	\$ 5,424,018	\$ -	\$ -	\$ 5,424,018
Liabilities				
Annuity Obligation	\$ -	\$ 16,764	\$ -	\$ 16,764

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

	2013	2012
Trading gains (losses) on marketable securities		
Unrealized gains (losses)	\$ 55,379	\$ (204,218)
Realized gains (losses)	266,098	130,050
Total trading gains (losses) on marketable securities	<u>\$ 321,477</u>	<u>\$ (74,168)</u>
Changes in values of annuities payable	<u>\$ (6,183)</u>	<u>\$ (2,769)</u>

THE MISSOURI 4-H FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 5: FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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, 2013 and 2012.

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.
- (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.

THE MISSOURI 4-H FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 6: ENDOWMENTS (CONTINUED)

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

2013	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ -	\$ 877,471	\$ 877,471
Board-designated endowment funds	4,785,112	-	-	4,785,112
Total endowment funds	<u>\$ 4,785,112</u>	<u>\$ -</u>	<u>\$ 877,471</u>	<u>\$ 5,662,583</u>
2012	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ -	\$ 874,859	\$ 874,859
Board-designated endowment funds	4,474,950	-	-	4,474,950
Total endowment funds	<u>\$ 4,474,950</u>	<u>\$ -</u>	<u>\$ 874,859</u>	<u>\$ 5,349,809</u>

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

2013	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning	\$ 4,474,950	\$ -	\$ 874,859	\$ 5,349,809
Investment return:				
Investment income	111,358	-	2,612	113,970
Net appreciation (realized & unrealized)	321,566	-	-	321,566
Contributions	88,184	-	-	88,184
Appropriation for expenditures	(213,559)	-	-	(213,559)
Net assets, ending	<u>\$ 4,782,499</u>	<u>\$ -</u>	<u>\$ 877,471</u>	<u>\$ 5,659,970</u>
2012	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning	\$ 4,572,651	\$ -	\$ 821,948	\$ 5,394,599
Investment return:				
Investment income	113,880	-	2,115	115,995
Net appreciation (realized & unrealized)	(83,964)	-	796	(83,168)
Contributions	16,652	-	50,000	66,652

THE MISSOURI 4-H FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 6: ENDOWMENTS (CONTINUED)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Appropriation for expenditures	\$ <u>(144,269)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(144,269)</u>
Net assets, ending	\$ <u>4,474,950</u>	\$ <u>-</u>	\$ <u>874,859</u>	\$ <u>5,349,809</u>

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

	<u>2013</u>	<u>2012</u>
Permanently Restricted Net Assets		
(1) The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or SPMIFA	\$ <u>877,471</u>	\$ <u>874,859</u>
Total endowment funds classified as permanently restricted net assets	\$ <u>877,471</u>	\$ <u>874,859</u>
(2) The portion of perpetual endowment funds subject to a time restriction under SPMIFA:		
Without purpose restrictions	\$ <u>-</u>	\$ <u>-</u>
With purpose restriction	<u>-</u>	<u>-</u>
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.

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.

THE MISSOURI 4-H FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 6: ENDOWMENTS (CONTINUED)

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: SUBSEQUENT EVENTS

During the year ended June 30, 2013, the Foundation collected monies for the sale of a calendar and has been recorded as revenue in accordance with the modified cash basis of accounting. A portion of the proceeds from the sale of the calendars is to be paid to the National Rifle Association for the publication of those calendars. As of September 19, 2013 \$232,500 has been paid to the National Rifle Association for the calendars. In accordance with the modified cash basis of accounting, the expense for the calendars will be recorded during the fiscal year June 30, 2014.

Management has evaluated subsequent events through September 19, 2013, the date on which the financial statements were available to be issued.