

**THE MISSOURI 4-H FOUNDATION, INC.
AUDITED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED
JUNE 30, 2021 AND 2020**

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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

October 27, 2021

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

Opinion

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, 2021 and 2020, the related statement of revenues, expenses and changes in net assets – modified cash basis, and the statement of functional expenses – modified cash basis for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, and its revenues, 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 for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Missouri 4-H Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1C, and for 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Missouri 4-H Foundation Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Missouri 4-H Foundation Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Beard-Boehmer and 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, 2021 AND 2020

| | 2021 | 2020 |
|---|----------------------|---------------------|
| <u>ASSETS</u> | | |
| Cash | \$ 141,732 | \$ 68,007 |
| Investments | 10,308,635 | 8,266,742 |
| Cash value of life insurance | 9,954 | 9,954 |
| TOTAL ASSETS | \$ 10,460,321 | \$ 8,344,703 |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| LIABILITIES: | | |
| Annuity obligations | \$ 11,925 | \$ 13,950 |
| Total Liabilities | \$ 11,925 | \$ 13,950 |
| NET ASSETS: | | |
| Without donor restrictions | | |
| Program designated | \$ 2,254,077 | \$ 1,715,991 |
| Board designated | 7,123,515 | 5,585,471 |
| Total without donor restrictions | \$ 9,377,592 | \$ 7,301,462 |
| With donor restrictions | 1,070,804 | 1,029,291 |
| Total Net Assets | \$ 10,448,396 | \$ 8,330,753 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 10,460,321 | \$ 8,344,703 |

**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, 2021
(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2020)

| | 2021 | | Total | 2020 Total |
|---|----------------------------------|-------------------------------|---------------|---------------|
| | Without Donor Restrictions | With Donor Restrictions | | |
| REVENUES AND OTHER SUPPORT: | | | | |
| Revenues | | | | |
| Sale of calendars | \$ 68,441 | \$ - | \$ 68,441 | \$ 150,934 |
| Cash payments for calendars | (78,950) | - | (78,950) | (174,700) |
| Net sales of calendars | (10,509) | - | (10,509) | (23,766) |
| Other Support | | | | |
| Contributions | \$ 536,970 | \$ - | \$ 536,970 | \$ 889,979 |
| Membership and other fees | 59,664 | - | 59,664 | 55,340 |
| Investment income, net of \$31,654 of investment management fees | 158,319 | 5,339 | 163,658 | 216,183 |
| Net realized and unrealized gains (losses) on investments | 1,888,499 | 36,174 | 1,924,673 | 232,077 |
| Total revenues and other support. | \$ 2,632,943 | \$ 41,513 | \$ 2,674,456 | \$ 1,369,813 |
| EXPENSES: | | | | |
| Operating expenses | | | | |
| Program | \$ 376,959 | \$ - | \$ 376,959 | \$ 425,095 |
| General and administrative | 116,282 | - | 116,282 | 101,258 |
| Fundraising | 60,866 | - | 60,866 | 58,278 |
| Total Operating expenses | \$ 554,107 | \$ - | \$ 554,107 | \$ 584,631 |
| Other expenses | | | | |
| Payments to beneficiaries | \$ 2,706 | \$ - | \$ 2,706 | \$ 2,706 |
| Total expenses. | \$ 556,813 | \$ - | \$ 556,813 | \$ 587,337 |
| Change in net assets. | \$ 2,076,130 | \$ 41,513 | \$ 2,117,643 | \$ 782,476 |
| Net assets, beginning of year | 7,301,462 | 1,029,291 | 8,330,753 | 7,548,277 |
| Net assets, end of year. | \$ 9,377,592 | \$ 1,070,804 | \$ 10,448,396 | \$ 8,330,753 |

**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, 2020

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---|--|-------------------------|
| REVENUES AND OTHER SUPPORT: | | | |
| Revenues | | | |
| Sale of calendars | \$ 150,934 | \$ - | \$ 150,934 |
| Cash payments for calendars | <u>(174,700)</u> | <u>-</u> | <u>(174,700)</u> |
| Net sales of calendars | (23,766) | - | (23,766) |
| Other Support | | | |
| Contributions | \$ 889,979 | \$ - | \$ 889,979 |
| Membership and other fees | 55,340 | - | 55,340 |
| Investment income, net of \$29,478 of investment management fees | 210,826 | 5,357 | 216,183 |
| Net realized and unrealized gains (losses) on investments | <u>238,379</u> | <u>(6,302)</u> | <u>232,077</u> |
| Total revenues and other support. | \$ <u>1,370,758</u> | \$ <u>(945)</u> | \$ <u>1,369,813</u> |
| EXPENSES: | | | |
| Operating expenses | | | |
| Program | \$ 425,095 | \$ - | \$ 425,095 |
| General and administrative | 101,258 | - | 101,258 |
| Fundraising | <u>58,278</u> | <u>-</u> | <u>58,278</u> |
| Total Operating expenses | \$ 584,631 | \$ - | \$ 584,631 |
| Other expenses | | | |
| Payments to beneficiaries | <u>2,706</u> | <u>-</u> | <u>2,706</u> |
| Total expenses. | \$ <u>587,337</u> | \$ <u>-</u> | \$ <u>587,337</u> |
| Change in net assets. | \$ 783,421 | \$ (945) | \$ 782,476 |
| Net assets, beginning of year | <u>6,518,041</u> | <u>1,030,236</u> | <u>7,548,277</u> |
| Net assets, end of year. | <u><u>7,301,462</u></u> | <u><u>1,029,291</u></u> | <u><u>8,330,753</u></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, 2021
(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2020)

| | 2021 | | | | 2020 Total |
|--|-------------------|-------------------------------|------------------|-------------------|-------------------|
| | Program | General and Administrative | Fundraising | Total | |
| OPERATING EXPENSES: | | | | | |
| Salaries and related benefits and taxes | \$ 43,940 | \$ 103,442 | \$ 51,335 | \$ 198,717 | \$ 174,857 |
| Checking account fees | 390 | 125 | 224 | 739 | 246 |
| Distributions to counties | 134,026 | - | - | 134,026 | 38,548 |
| Donor recognition | 1,639 | - | - | 1,639 | 690 |
| Equipment | 7,509 | 614 | 615 | 8,738 | 607 |
| Events and activities | 9,191 | 756 | 756 | 10,703 | 87,314 |
| Facility charges | 20 | - | - | 20 | 13,112 |
| Grants | 57,184 | - | - | 57,184 | 91,648 |
| Insurance | 108 | 3,161 | - | 3,269 | 2,762 |
| Marketing and promotion | - | - | - | - | 22,966 |
| Meeting expenses | 120 | - | - | 120 | 2,398 |
| Miscellaneous | 443 | - | - | 443 | 60 |
| Postage | 1,936 | 1,096 | 847 | 3,879 | 1,901 |
| Printing | 1,173 | 2,143 | 2,144 | 5,460 | 8,792 |
| Professional services | 2,025 | 3,930 | 3,930 | 9,885 | 15,600 |
| Scholarships | 78,200 | - | - | 78,200 | 65,500 |
| Service agreements | - | 1,015 | 1,015 | 2,030 | 3,815 |
| Subscriptions and memberships | 111 | - | - | 111 | 211 |
| Supplies | 38,944 | - | - | 38,944 | 53,604 |
| Total operating expenses. | \$ 376,959 | \$ 116,282 | \$ 60,866 | \$ 554,107 | \$ 584,631 |

**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, 2020

| | <u>Program</u> | <u>General and Administrative</u> | <u>Fundraising</u> | <u>Total</u> |
|---|-------------------|---------------------------------------|--------------------|-------------------|
| OPERATING EXPENSES: | | | | |
| Salaries and related benefits and taxes | \$ 57,402 | \$ 78,787 | \$ 38,668 | \$ 174,857 |
| Checking account fees | - | 54 | 192 | 246 |
| Distributions to counties | 38,548 | - | - | 38,548 |
| Donor recognition | 690 | - | - | 690 |
| Equipment | 90 | 258 | 259 | 607 |
| Events and activities | 81,960 | 2,677 | 2,677 | 87,314 |
| Facility charges | 7,652 | 2,730 | 2,730 | 13,112 |
| Grants | 91,648 | - | - | 91,648 |
| Insurance | 20 | 2,742 | - | 2,762 |
| Marketing and promotion | 22,310 | 656 | - | 22,966 |
| Meeting expenses | 2,398 | - | - | 2,398 |
| Miscellaneous | - | 60 | - | 60 |
| Postage | 80 | 910 | 911 | 1,901 |
| Printing | 4,802 | 1,995 | 1,995 | 8,792 |
| Professional services | 4,719 | 5,440 | 5,441 | 15,600 |
| Scholarships | 65,500 | - | - | 65,500 |
| Service agreements | - | 1,907 | 1,908 | 3,815 |
| Subscriptions and memberships | - | 105 | 106 | 211 |
| Supplies | 47,276 | 2,937 | 3,391 | 53,604 |
| Total operating expenses. | \$ <u>425,095</u> | \$ <u>101,258</u> | \$ <u>58,278</u> | \$ <u>584,631</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, 2021 AND 2020

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, 2021.
- 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, 2021 AND 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- I. **Net Assets** – The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Temporary restrictions are donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. Permanent restrictions are donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. Assets without donor-imposed restrictions, including assets designated for specific use by the Organization’s board of directors, are included in net assets without donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Restricted support is reported as an increase in net assets without donor restrictions if the restriction expires or condition is met in the reporting period in which the support is recognized.

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:

| 2021 | Cost | Unrealized Gain (Loss) | Fair Value |
|--------------------|---------------------|---------------------------|----------------------|
| Money market funds | \$ 922,033 | \$ - | \$ 922,033 |
| Equity stocks | 4,370,532 | 2,385,022 | 6,755,554 |
| Bonds | 2,527,679 | 103,369 | 2,631,048 |
| Total investments | <u>\$ 7,820,244</u> | <u>\$ 2,488,391</u> | <u>\$ 10,308,635</u> |
| 2020 | | | |
| Money market funds | \$ 601,115 | \$ - | \$ 601,115 |
| Equity stocks | 4,426,522 | 1,023,864 | 5,450,386 |
| Bonds | 2,108,349 | 106,892 | 2,215,241 |
| Total investments | <u>\$ 7,135,986</u> | <u>\$ 1,130,756</u> | <u>\$ 8,266,742</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 \$136,980 as of June 30, 2021 and 2020.

THE MISSOURI 4-H FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 3: CASH VALUE OF LIFE INSURANCE (CONTINUED)

Cash surrender values are approximately \$9,954 at June 30, 2021 and 2020, 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:

| 2021 | Without Donor Restrictions | With Donor Restrictions |
|------------------------------------|----------------------------------|----------------------------|
| Designated for: | | |
| Programs | \$ 2,254,077 | \$ - |
| Board designated | 7,679,873 | - |
| Permanently restricted for: | | |
| Scholarships, programs, and grants | - | 1,070,804 |
| Total net assets | <u>\$ 9,933,950</u> | <u>\$ 1,070,804</u> |
| 2020 | | |
| Designated for: | | |
| Programs | \$ 1,715,991 | \$ - |
| Board designated | 5,585,471 | - |
| Permanently restricted for: | | |
| Scholarships, programs, and grants | - | 1,029,291 |
| Total net assets | <u>\$ 7,301,462</u> | <u>\$ 1,029,291</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 \$522,137 and \$421,962 as of June 30, 2021 and 2020, respectively.

NOTE 5: FAIR VALUE OF FINANCIAL INSTRUMENTS

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

| | 2021 | 2020 |
|---|---------------------|-------------------|
| Trading gains (losses) on marketable securities | | |
| Unrealized gains (losses) | \$ 1,344,718 | \$ 357,200 |
| Realized gains (losses) | 577,902 | (125,810) |
| Total trading gains (losses) on marketable securities | <u>\$ 1,922,620</u> | <u>\$ 231,390</u> |
| Changes in values of annuities payable | <u>\$ (2,025)</u> | <u>\$ (1,929)</u> |

THE MISSOURI 4-H FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 5: FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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:

| 2021 | 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 | \$ 10,308,635 | \$ - | \$ - | \$ 10,308,635 |
| Liabilities | | | | |
| Annuity Obligations | \$ - | \$ 11,925 | \$ - | \$ 11,925 |
| <hr/> | | | | |
| 2020 | | | | |
| Assets | | | | |
| Marketable Securities | \$ 8,266,742 | \$ - | \$ - | \$ 8,266,742 |
| Liabilities | | | | |
| Annuity Obligations | \$ - | \$ 13,950 | \$ - | \$ 13,950 |

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, 2021 and 2020.

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.

THE MISSOURI 4-H FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 6: ENDOWMENTS (CONTINUED)

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.

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

| 2021 | Without donor restrictions | With donor restrictions | | Total |
|----------------------------------|----------------------------|-------------------------|------------------------|---------------|
| | | Temporarily Restricted | Permanently Restricted | |
| Donor-restricted endowment funds | \$ - | \$ - | \$ 1,070,804 | \$ 1,070,804 |
| Board-designated endowment funds | 9,063,535 | - | - | 9,063,535 |
| Total endowment Funds | \$ 9,063,535 | \$ - | \$ 1,070,804 | \$ 10,134,339 |
| 2020 | | | | |
| Donor-restricted endowment funds | \$ - | \$ - | \$ 1,029,291 | \$ 1,029,291 |
| Board-designated endowment funds | 7,103,599 | - | - | 7,103,599 |
| Total endowment funds | \$ 7,103,599 | \$ - | \$ 1,029,291 | \$ 8,132,890 |

THE MISSOURI 4-H FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 6: ENDOWMENTS (CONTINUED)

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

| 2021 | Without donor restrictions | With donor restrictions | | Total |
|---|----------------------------------|---------------------------|---------------------------|----------------------|
| | | Temporarily Restricted | Permanently Restricted | |
| Net assets, beginning | \$ 7,103,599 | \$ - | \$ 1,029,291 | \$ 8,132,890 |
| Investment return: | | | | |
| Investment income | 157,590 | - | 5,339 | 162,929 |
| Net appreciation (realized & unrealized) | 1,886,446 | - | 36,174 | 1,922,620 |
| Contributions | 218,742 | - | - | 218,742 |
| Appropriation for expenditures | (302,842) | - | - | (302,842) |
| Net assets, ending | <u>\$ 9,063,535</u> | <u>\$ -</u> | <u>\$ 1,070,804</u> | <u>\$ 10,134,339</u> |
| 2020 | | | | |
| Net assets, beginning | \$ 6,346,110 | \$ - | \$ 1,030,236 | \$ 7,376,346 |
| Investment return: | | | | |
| Investment income | 201,517 | - | 5,357 | 206,874 |
| Net appreciation (realized & unrealized) | 237,327 | - | (6,302) | 231,025 |
| Contributions | 614,599 | - | - | 614,599 |
| Appropriation for expenditures | (295,954) | - | - | (295,954) |
| Net assets, ending | <u>\$ 7,103,599</u> | <u>\$ -</u> | <u>\$ 1,029,291</u> | <u>\$ 8,132,890</u> |

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

| | 2021 | 2020 |
|---|---------------------|---------------------|
| Permanently Restricted Net Assets | | |
| The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or SPMIFA | \$ <u>1,070,804</u> | \$ <u>1,029,291</u> |
| Total endowment funds classified as permanently restricted net assets | <u>\$ 1,070,804</u> | <u>\$ 1,029,291</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> |

**THE MISSOURI 4-H FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

NOTE 6: ENDOWMENTS (CONTINUED)

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.

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

Management has evaluated subsequent events through October 27, 2021, the date on which the financial statements were available to be issued.