

**NORTHWEST FOUNDATION, INC.
MARYVILLE, MISSOURI
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2019 AND 2018**

NORTHWEST FOUNDATION, INC.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Northwest Foundation, Inc.
Maryville, Missouri

We have audited the accompanying financial statements of Northwest Foundation, Inc., (a nonprofit organization) which comprise the statement of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses 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.

Auditor's 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 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 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 Northwest Foundation, Inc., as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 16 to the financial statements, in 2019, the Foundation adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information in the Statement of Revenue, Expenses and Changes in Deposits Held for Others is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Harden, Cummins, Moss + Miller, L.L.C.

Maryville, Missouri
October 14, 2019

Northwest Foundation, Inc.
Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
Assets		
Cash	\$ 1,254,799	\$ 868,912
Cash equivalents	970,709	527,582
Cash restricted for debt obligations	222,238	214,304
Interest receivable	43,276	39,922
Contributions receivable	6,812,460	6,974,211
Investments	37,691,074	36,458,552
Cash surrender value	291,874	265,728
Note receivable	4,339,162	4,711,749
Beneficial interest in charitable remainder trusts	2,269,859	2,135,759
Property and equipment, net	2,372,229	2,602,416
	\$ 56,267,680	\$ 54,799,135
	\$ 56,267,680	\$ 54,799,135
 Liabilities		
Accounts payable	\$ 406,974	\$ 151,179
Annuity contracts	937,075	988,890
Deposits held for others	75,514	108,517
Notes payable	-	181,493
Bonds payable	6,465,000	7,030,000
Present value of interest rate swap	286,928	142,673
	8,171,491	8,602,752
	8,171,491	8,602,752
 Net Assets		
Without donor restrictions		
Undesignated	4,131,210	4,072,565
With donor restrictions	43,964,979	42,123,818
	48,096,189	46,196,383
	48,096,189	46,196,383
 Total Liabilities and Net Assets	 \$ 56,267,680	 \$ 54,799,135
	 \$ 56,267,680	 \$ 54,799,135

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

Northwest Foundation, Inc.
Statements of Activities
For The Years Ended June 30, 2019 and 2018

	June 30, 2019			June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support						
Contributions	\$ 698,430	\$ 4,138,508	\$ 4,836,938	\$ 502,059	\$ 2,599,757	\$ 3,101,816
Contributions to charitable remainder trusts	-	38,999	38,999	-	1,765,677	1,765,677
Charitable gift annuities	-	-	-	-	-	-
Fundraisers	86,670	-	86,670	118,446	-	118,446
Investment return	811,566	1,504,631	2,316,197	890,468	1,903,922	2,794,390
Change in present value of interest rate swap	(144,255)	-	(144,255)	182,860	-	182,860
Change in value of charitable remainder trust	-	95,101	95,101	-	21,600	21,600
Change in cash surrender value	26,147	-	26,147	63,911	-	63,911
Other	100,408	-	100,408	204,453	-	204,453
Loss on disposition of fixed assets	-	-	-	(26,516)	-	(26,516)
Impairment loss on land	(167,581)	-	(167,581)	-	-	-
Net assets released from restrictions	3,865,690	(3,865,690)	-	4,530,205	(4,530,205)	-
Total Revenue and Support	5,277,075	1,911,549	7,188,624	6,465,886	1,760,751	8,226,637
Expenses						
Program expenses	4,508,805	-	4,508,805	4,752,046	-	4,752,046
Support services:						
Management and general	449,139	-	449,139	533,018	-	533,018
Fundraising	330,874	-	330,874	406,238	-	406,238
Total Expenses	5,288,818	-	5,288,818	5,691,302	-	5,691,302
Change in net assets before reclassification	(11,743)	1,911,549	1,899,806	774,584	1,760,751	2,535,335
Reclassification of net assets	70,388	(70,388)	-	486,021	(486,021)	-
Change in net assets	58,645	1,841,161	1,899,806	1,260,605	1,274,730	2,535,335
Net assets, beginning of year, before adjustment	4,072,565	42,123,818	46,196,383	3,061,960	40,487,915	43,549,875
Prior period adjustment	-	-	-	(250,000)	361,173	111,173
Net assets, beginning of year, as adjusted	4,072,565	42,123,818	46,196,383	2,811,960	40,849,088	43,661,048
Net assets, end of year	\$ 4,131,210	\$ 43,964,979	\$ 48,096,189	\$ 4,072,565	\$ 42,123,818	\$ 46,196,383

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

Northwest Foundation, Inc.
Statement of Functional Expenses
For The Year Ended June 30, 2019

	Program Services	Management and General	Fundraising	Total
University support	\$ 2,763,236	\$ -	\$ -	\$ 2,763,236
Scholarships	1,061,530	-	-	1,061,530
Salaries	11,905	229,655	-	241,560
Professional fees	46,548	50,344	-	96,892
Interest expense	232,774	438	-	233,212
Bond fees	120,358	-	-	120,358
Northwest Alumni Magazine	126,202	-	-	126,202
Annuity valuation adjustment	56,754	-	-	56,754
Travel, cultivation and outreach	30,958	1,786	79,613	112,357
Depreciation	18,705	30,435	21,861	71,001
Events and meetings	9,246	32,957	61,927	104,130
Computer hardware and software	16,325	20,198	32,131	68,654
Staff development and conferences	462	21,086	1,959	23,507
Administrative expenses	858	37,046	-	37,904
Community relations	-	-	10,429	10,429
Fundraisers	-	-	33,841	33,841
Supplies, printing and mailing	-	11,575	38,245	49,820
Advertising and promotion	5,333	-	4,000	9,333
Insurance	6,061	7,615	44,690	58,366
Repairs and maintenance	1,550	6,004	2,178	9,732
Total Expenses	\$ 4,508,805	\$ 449,139	\$ 330,874	\$ 5,288,818

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

Northwest Foundation, Inc.
Statement of Functional Expenses
For The Year Ended June 30, 2018

	Program Services	Management and General	Fundraising	Total
University support	\$ 3,218,186	\$ -	\$ -	\$ 3,218,186
Scholarships	933,853	-	-	933,853
Salaries	11,482	244,291	-	255,773
Professional fees	46,548	40,895	-	87,443
Interest expense	240,089	21,504	-	261,593
Bond fees	112,726	-	-	112,726
Northwest Alumni Magazine	95,718	-	-	95,718
Annuity valuation adjustment	(24,266)	-	-	(24,266)
Travel, cultivation and outreach	28,983	1,547	89,566	120,096
Depreciation	18,913	33,440	20,531	72,884
Events and meetings	4,901	30,736	75,344	110,981
Computer hardware and software	15,950	55,489	24,117	95,556
Staff development and conferences	2,027	2,586	281	4,894
Administrative expenses	1,043	51,952	-	52,995
Community relations	-	-	27,686	27,686
Fundraisers	-	-	54,533	54,533
Supplies, printing and mailing	-	8,250	38,372	46,622
Advertising and promotion	5,300	-	-	5,300
Insurance	6,050	7,779	44,631	58,460
Repairs and maintenance	22,194	20,958	31,177	74,329
Cultivation and promotion	5,000	-	-	5,000
Conferences	-	6,525	-	6,525
Grants, assistantships and honoraria	7,050	-	-	7,050
Vehicle expense	-	7,066	-	7,066
Miscellaneous	299	-	-	299
Total Expenses	\$ 4,752,046	\$ 533,018	\$ 406,238	\$ 5,691,302

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

Northwest Foundation, Inc.
Statements of Cash Flows
For The Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 1,899,806	\$ 2,535,335
Adjustments to reconcile change in net assets to net cash provided by (used by) operating activities:		
Depreciation	71,001	72,884
Loss on disposal of property	-	26,516
Loss on impairment of land	167,581	-
Net unrealized & realized investment gain	(1,317,939)	(1,943,730)
Contributed securities included in revenue	(176,232)	(178,325)
Contributions restricted for long-term purposes	(932,721)	(1,566,928)
Revaluation of annuity contracts payable	56,754	(24,266)
Valuation of interest rate swap	144,255	(182,860)
Permanently endowed charitable gift annuity liabilities	(33,955)	-
Non-cash contribution of charitable remainder trusts	(38,999)	(1,765,678)
Change in value of charitable remainder trusts	(95,101)	(21,600)
(Increase) decrease in:		
Contributions receivable	(36,025)	2,572,399
Interest receivable	(3,354)	(24,247)
Note receivable	372,587	360,046
Cash surrender value	(26,146)	(63,911)
Increase (decrease) in:		
Deposits held for others	(33,003)	(25,267)
Accounts payable	255,795	(19,663)
Net cash (used in) provided by operating activities	274,304	(249,295)
Cash flows from investing activities		
Proceeds from sale of investments	3,687,983	3,230,140
Purchase of investments	(3,228,558)	(2,280,050)
Proceeds from the disposition of property	-	85,956
Capital expenditures	(8,395)	(882,124)
Net cash provided by investing activities	451,030	153,922
Cash flows from financing activities		
Proceeds from contributions restricted for:		
Investment in endowments	932,721	1,566,928
Other financing activities:		
Payments of annuity obligations	(74,614)	(82,987)
Principal payments on long-term debt	(181,493)	(353,957)
Principal payments on bonds	(565,000)	(450,000)
Net cash provided by financing activities	111,614	679,984
Net increase in cash and cash equivalents	836,948	584,611
Cash and cash equivalents at beginning of year	1,610,798	1,026,187
Cash and cash equivalents at end of year	\$ 2,447,746	\$ 1,610,798
Cash	\$ 1,254,799	\$ 868,912
Cash equivalents	970,709	527,582
Cash restricted for debt obligations	222,238	214,304
Cash and cash equivalents	\$ 2,447,746	\$ 1,610,798
Supplemental disclosure of cash paid for:		
Interest	\$ 240,421	\$ 265,068
Supplemental disclosure of non-cash activities:		
Contributed securities	\$ 374,007	\$ 252,475
Non-cash contributions	\$ 77,129	\$ 173,326

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

Northwest Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Foundation is organized for strictly educational, charitable, benevolent, cultural, scientific and not-for-profit purposes. Its general purpose shall be for the promotion of the welfare, goals and programs of Northwest Missouri State University in Maryville, Missouri.

The mission of the Foundation is to encourage, receive, invest, manage, steward and disburse private support on behalf of the donors of Northwest Missouri State University, for the benefit of the University, its students, faculty, staff and alumni. Established in 1971, the Foundation operates independently of the University as a separate 501(c) 3 not-for-profit corporation governed by its own board of directors.

Basis of Accounting

The financial statements of Northwest Foundation, Inc. have been prepared on the accrual basis of accounting.

Net Asset Presentation

The Foundation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions - These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions and performing administrative functions.

Net Assets with Donor Restrictions - These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Northwest Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all cash and highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

The Foundation maintains its cash balances in two financial institutions in Maryville, Missouri. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At various times during the year, the Foundation had uninsured deposits. The Foundation had uninsured deposits of approximately \$1,420,000 and \$763,000 at June 30, 2019 and 2018 respectively

In addition, the Foundation invests in short-term investments that are reported as cash equivalents. In limited circumstances, the Securities Investor Protection Corporation (SIPC) provides up to \$500,000 of protection for brokerage accounts, including a limit of \$250,000 for claims of uninvested cash balances.

Restrictions on Cash and Cash Equivalents

Included in cash on the statement of financial position is approximately \$222,200 for 2019 and \$214,300 for 2018 held in a debt service fund for payment of scheduled principal, interest and fees payments on the Series 2008 bonds.

Certificates of deposit required by the donor to be held in a separate bank account totaled \$365,012 and \$362,188 for June 30, 2019 and 2018 respectively.

Contributions and Contributions Receivable

Contributions received are recorded as increases in net assets without donor restrictions or net asset with donor restrictions depending on the existence and/or nature of any donor restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purposed restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. In the absence of donor restrictions to the contrary, restrictions on contributions of property or on assets restricted to acquiring property or equipment expire when the property or equipment is placed in service.

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation. Donated marketable securities in fiscal year 2019 and 2018 totaled approximately \$374,000 and \$253,000, respectively, a portion of which was applied to contributions receivable and not recognized as revenue.

Northwest Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and Contributions Receivable (continued)

The Foundation capitalizes donated collection items and recognizes them as revenue at their estimated fair values at the date of donation.

The Foundation records various types of in-kind support. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in-kind support are offset by like amounts included in expenses or property and equipment.

Contributed professional services totaled approximately \$7,000 and \$3,800 for fiscal year 2019 and 2018. Additionally, the Foundation receives contributed time that does not meet the two recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

The Foundation uses the allowance method for uncollectible accounts. Contributed support receivable is recorded at the amount the Foundation expects to collect on balances outstanding at year-end. Management closely monitors outstanding balances and writes off, as of year-end, all balances considered uncollectible. Based on past experience and current expectations, management has concluded that uncollectible balances outstanding at June 30, 2019 and 2018 will be immaterial.

Investments and Investment Return

Investments in equity and debt securities having a readily determinable fair value are carried at fair market value. Other investments, notably investments classified as alternative investments, are generally valued at net asset value which is the reported value provided by or on behalf of the investment fund, which valuations are prepared in accordance with such investment fund's governing documents. Management considers this a reliable representation of fair value if the investment fund is accepting subscriptions and processing redemptions based on this reported value. Because of the inherent uncertainty of valuation of investments in alternative investment funds, the estimated fair values used for these investments may differ significantly from values that will eventually be realized upon an actual liquidation of the investment and such differences could be material.

Investment return includes dividend, interest and other investment income and realized and unrealized gains and losses on investments, less external investment fees.

Northwest Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and Investment Return (continued)

The Foundation maintains pooled investment accounts. The total pooled earnings and realized and unrealized gains or losses are allocated quarterly based on the percentage of fund balance of each individual fund to the total of all the funds. Earnings allocated to non-endowed funds are credited to the University Venture Fund. Investment return on donor-restricted endowment investment assets are reported as increases or decreases in net assets with donor restrictions until appropriated by the Foundation.

Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Property and equipment are valued at historical cost, when available. The Foundation evaluates the recoverability of the carrying value of long-lived assets when events or circumstances indicate the carrying amount may not be recoverable. If a long-lived assets is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the assets, the asset cost is adjusted to the fair value and an impairment loss is recognized as the amount by which the carrying amount of the long-lived asset exceeds its fair value. Land held west of campus was appraised at less than the carried value and an asset impairment of \$167,581 was recognized in 2019. No asset impairment was recognized during the year ended June 30, 2018.

Expenditures for additions and betterments greater than \$5,000 are capitalized, while expenditures for maintenance and repairs which do not improve or extend the life of the assets are charged to expense as incurred.

Depreciation on assets has been provided over the estimated useful lives, ranging from five to thirty years, of the respective assets on the straight-line basis.

Northwest Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited. Donated services, software costs and certain occupancy costs are the primary costs that are allocated based on the estimated number of hours that staff spend on each of the program and supporting service activities.

Reclassifications

Reclassification of net assets on the statement of activities represents transfers of fund balances between net asset categories. The reclassifications primarily include revisions to donor agreements and permanent endowment of charitable gift annuities.

Certain reclassifications have been made to the 2018 financial statements to conform to the 2019 presentation.

Income Taxes

The Foundation is exempt from federal and state income taxes under Internal Revenue Service Code Section 501(c) (3) as a public charity.

The Foundation's income tax filings are subject to audit by taxing authorities. The Foundation's open audit periods are 2015 through 2018.

Date of management's review

Management has evaluated subsequent events through October 14, 2019 the date on which the financial statements were available to be issued.

Northwest Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

NOTE 2: CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Receivables in less than one year	\$1,771,586	\$1,318,602
Receivable in one to five years	4,441,592	4,838,572
Receivable in more than five years	<u>599,282</u>	<u>817,037</u>
Contributions receivable	<u>\$6,812,460</u>	<u>\$6,974,211</u>

Contributions receivable due in more than one year are reflected at the present value of estimated future cash flows using discount rates ranging from 1.52% to 2.31% and totaled \$410,970 and \$412,588 at June 30, 2019 and 2018.

NOTE 3: INVESTMENTS

Investments are presented at fair value, except for certificates of deposit that are valued at cost.

Equity securities and bonds are considered held for trading purposes, whereas certificates of deposit are held to maturity.

Investments are composed of the following at June 30, 2019:

	<u>Cost</u>	<u>Fair Value</u>
Certificates of Deposit	\$ 365,012	\$ 365,012
Mutual Funds:		
Equity		
Domestic	5,508,054	7,790,455
International	3,820,748	4,169,245
Fixed Income		
Core	1,814,057	1,780,561
Unconstrained	3,472,102	3,487,202
Global	621,906	598,872
Non-investment grade	650,695	653,611
Alternative Investments		
Equity	8,274,580	11,265,537
Fixed Income	5,243,927	5,520,239
Private Equity Limited Partnership	681,603	885,340
Fixed Income Limited Partnerships	<u>1,175,000</u>	<u>1,175,000</u>
	<u>\$31,627,684</u>	<u>\$37,691,074</u>

Northwest Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

NOTE 3: INVESTMENTS (continued)

Investments are composed of the following at June 30, 2018:

	Cost	Fair Value
	<u> </u>	<u> </u>
Certificates of Deposit	\$ 362,188	\$ 362,188
Mutual Funds:		
Equity		
Domestic	5,649,739	7,488,177
International	3,841,772	4,458,773
Fixed Income		
Core	1,937,518	1,876,592
Unconstrained	3,272,372	3,156,522
Global	577,337	567,343
Non-investment grade	937,016	937,056
Alternative Investments		
Equity	8,678,119	11,087,767
Fixed Income	4,787,754	4,895,055
Private Equity Limited Partnership	503,634	629,079
Fixed Income Limited Partnerships	<u>1,000,000</u>	<u>1,000,000</u>
	<u>\$31,547,449</u>	<u>\$36,458,552</u>

Northwest Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

NOTE 3: INVESTMENTS (continued)

The following chart summarizes the relationship between cost and market values of investment assets:

<u>June 30, 2019</u>	<u>Cost</u>	<u>Market</u>	<u>Excess of Market Over (Under) Cost</u>
Balance at end of year	\$31,627,684	\$37,691,074	\$6,063,390
Less:			
Balance at beginning of year	\$31,547,449	\$36,458,552	<u>4,911,103</u>
Current year change in unrealized gain (loss)			1,152,287
Realized net gain (loss) for the year			<u>165,652</u>
Total net gain (loss) for the year			<u>\$1,317,939</u>
<u>June 30, 2018</u>	<u>Cost</u>	<u>Market</u>	<u>Excess of Market Over (Under) Cost</u>
Balance at end of year	\$31,547,449	\$36,458,552	\$4,911,103
Less:			
Balance at beginning of year	\$31,900,436	\$35,212,437	<u>3,312,001</u>
Current year change in unrealized gain (loss)			1,599,102
Realized net gain (loss) for the year			<u>344,628</u>
Total net gain (loss) for the year			<u>\$1,943,730</u>

Northwest Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

NOTE 4: FINANCIAL INSTRUMENTS

Fair Value Measurements:

The following table presents the Foundation's assets and liabilities and related valuation inputs within the fair value hierarchy utilized to measure fair value on a recurring basis:

	Quoted Prices in Active Markets for Identical Assets		Significant Other Observable Inputs	Significant Unobservable Inputs	Investments measured at Net Asset Value
	Fair Value	Level 1	Level 2	Level 3	
<u>June 30, 2019</u>					
<u>Assets:</u>					
Mutual Funds:	\$18,479,946	\$18,479,946	\$ -	\$ -	\$ -
Alternative Investments:					
Equity	11,265,537	-	-	-	11,265,537
Fixed Income	5,520,239	-	-	-	5,520,239
Private Equity LP	885,340	-	-	-	885,340
Fixed Income LP	<u>1,175,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,175,000</u>
Total investments at fair value	37,326,062	18,479,946	-	-	-
Investments not required to be reported at fair value:					
Investments other – Certificates of Deposit	<u>365,012</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	37,691,074	18,479,946	-	-	18,846,116
Beneficial interest in charitable remainder trusts. See Note 6.	<u>2,269,859</u>	<u>-</u>	<u>2,269,859</u>	<u>-</u>	<u>-</u>
	<u>\$39,960,933</u>	<u>\$18,479,946</u>	<u>\$2,269,859</u>	<u>\$ -</u>	<u>\$18,846,116</u>
<u>Liabilities:</u>					
Derivative - Synthetic fixed interest rate swap on Bonds Payable. See Note 9.	\$ 286,928	\$ -	\$286,928	\$ -	\$ -
Liabilities for annuity contracts. See Note 6.	<u>937,075</u>	<u>-</u>	<u>-</u>	<u>937,075</u>	<u>-</u>
	<u>\$1,224,003</u>	<u>\$ -</u>	<u>\$286,928</u>	<u>\$937,075</u>	<u>\$ -</u>

Northwest Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

NOTE 4: FINANCIAL INSTRUMENTS (continued)

Fair Value Measurements

<u>June 30, 2018</u>	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	Investments measured at Net Asset Value	
	Fair Value	Level 1	Level 2	Level 3	
Assets:					
Mutual Funds:	\$18,484,463	\$18,484,463	\$ -	\$ -	\$ -
Alternative Investments:					
Equity	11,087,767	-	-	-	11,087,767
Fixed Income	4,895,055	-	-	-	4,895,055
Private Equity LP	629,079	-	-	-	629,079
Fixed Income LP	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	1,000,000
Total investments at fair value	36,096,364	18,484,463	-	-	-
Investments not required to be reported at fair value:					
Investments other – Certificates of Deposit	<u>362,188</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	36,458,552	18,484,463	-	-	17,611,901
Beneficial interest in charitable remainder trusts. See Note 6.	<u>2,135,759</u>	<u>-</u>	<u>2,135,759</u>	<u>-</u>	<u>-</u>
	<u>\$38,594,311</u>	<u>\$18,484,463</u>	<u>\$2,135,759</u>	<u>\$ -</u>	<u>\$17,611,901</u>
Liabilities:					
Derivative - Synthetic fixed interest rate swap on Bonds Payable. See Note 9.	\$ 142,673	\$ -	\$142,673	\$ -	\$ -
Liabilities for annuity contracts. See Note 6.	<u>988,890</u>	<u>-</u>	<u>-</u>	<u>988,890</u>	<u>-</u>
	<u>\$1,131,563</u>	<u>\$ -</u>	<u>\$142,673</u>	<u>\$988,890</u>	<u>\$ -</u>

FASB ASC 820 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, and Level 3 inputs 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. Level 3 inputs were only used when Level 1 or Level 2 inputs were not available.

Northwest Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

NOTE 4: FINANCIAL INSTRUMENTS (continued)

Level 1 Fair Value Measurements:

The fair values of investments are based on quoted market prices of the shares held by the Foundation at year-end.

Level 2 Fair Value Measurements:

Level 2 inputs are those that are observable, either directly or indirectly, for the asset or liability other than quoted prices included in Level 1.

Level 2 financial instruments include:

The synthetic fixed interest rate swap is based on an income valuation model determined by calculating the present value of the future expected cash flows using discount factors based on market interest rates.

The Foundations' interest in the trust assets and the specified future distributions is recorded at fair value as a beneficial interest held in trust using actuarial assumptions based on the donors' life expectancy and a discount rate of 2.8% and 3.4% at June 30, 2019 and 2018.

Level 3 Fair Value Measurements:

The liabilities for annuity contracts are not actively traded and significant other observable inputs are not available. Thus, the fair value of liabilities subject to annuity agreements is calculated each June 30 as the present value of the payments to the annuitant over the actuarially determined life expectancy of the annuitant at 2.8% and 3.4% at June 30, 2019 and 2018.

The following table provides further details of the Level 3 fair value measurements.

Liabilities for annuity contracts:

June 30, 2017	\$1,096,143
New charitable gift annuities	-
Change in value of annuity liabilities	(24,266)
Expiration of donor contract	-
Payments to annuitants	<u>(82,987)</u>
June 30, 2018	<u>\$ 988,890</u>
New charitable gift annuities	-
Change in value of annuity liabilities	56,754
Expiration of donor contract	(33,955)
Payments to annuitants	<u>(74,614)</u>
June 30, 2019	<u>\$ 937,075</u>

Northwest Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

NOTE 4: FINANCIAL INSTRUMENTS (continued)

Investments in alternative investments are generally valued at the reported value provided by or on behalf of the investment fund, which valuations are prepared in accordance with such investment fund's governing documents. Management considers this a reliable representation of fair value if the investment fund is accepting subscriptions and processing redemptions based on this reported value.

Because of the inherent uncertainty of valuation of investments in alternative investment funds, the estimated fair values used for these investments may differ significantly from values that will eventually be realized upon an actual liquidation of the investment, and such differences could be material.

In accordance with ASU 2015-07, investments for which fair value is measured using net asset value per share as a practical expedient have not been categorized within the fair value hierarchy.

The following investments, valued at Net Asset Value as a practical expedient, may impose restrictions on the Foundation's ability to respond quickly to changes in market conditions. In addition, certain of these investment vehicles may have provisions for extended initial periods during which withdrawals are restricted ("lock-up" periods). The following table provides details of redemption restrictions of such assets held at June 30, 2019 and 2018.

Investment	2019 Fair Value Determined Using NAV	2018 Fair Value Determined Using NAV	Investment Strategy	Unfunded Commit- ments	Redemption Terms	Redemption Restrictions
Salient MLP Total Return TE Fund	\$ 1,315,612	\$ 1,339,634	Energy Master Limited Partnerships	None	Weekly redemption	No lockup provisions
Thirteen Partners Offshore, Ltd	\$ 1,565,184	\$ 1,455,987	Long/Short Equity Fund of Funds	None	Semi-annual redemption with 95 days notice	Two year lockup provision expired December 31, 2017
Commonfund Multi - Strategy Equity Fund	<u>\$ 8,384,741</u>	<u>\$ 8,292,146</u>	Multi-Strategy Equity Fund of Funds	None	Monthly redemption with 5 days notice	No lockup provisions
	<u>\$11,265,537</u>	<u>\$11,087,767</u>				
Protégé Partners QP Fund, Ltd	\$ 94,360	\$ 353,476	Multi-Strategy Fund of Funds	None	Quarterly redemption with 95 days notice	One year lockup provision expired December 31, 2016
Ironwood International Ltd	\$ 1,716,070	\$ 1,661,866	Multi-Strategy Fund of Funds	None	Semi-annual redemption with 95 days notice	One year lockup provision expired December 31, 2016
Commonfund Multi - Strategy Bond Fund	<u>\$ 3,709,809</u>	<u>\$ 2,879,713</u>	Multi-Strategy Income Fund of Funds	None	Monthly redemption with 5 days notice	No lockup provisions
	<u>\$ 5,520,239</u>	<u>\$ 4,895,055</u>				

Northwest Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

NOTE 4: FINANCIAL INSTRUMENTS (continued)

Investment	2019 Fair Value Determined Using NAV	2018 Fair Value Determined Using NAV	Investment Strategy	Unfunded Commit- ments	Redemption Terms & Redemption Restrictions
Golub Capital Partners 10, L.P.	\$ 875,000	\$ 850,000	Distressed Debt Private Equity	\$ 125,000	90% of capital commitments expected to be drawn by 18 months after final closing. Principal will be re-invested for 5.5 years from final closing date. Final closing date was January 1, 2017. The term of the fund is ten years from the closing date, subject to a two-year extension. Profits are distributed quarterly.
Golub Capital Partners 11, L.P.	<u>\$ 300,000</u>	<u>\$ 150,000</u>	Distressed Debt Private Equity	\$ 200,000	90% of capital commitments expected to be drawn by 18 months after final closing. Principal will be re-invested for 5.5 years from final closing date. Final closing was July 1, 2018. The term of the fund is ten years from the closing date, subject to a two-year extension. Profits are distributed quarterly.
	<u>\$ 1,175,000</u>	<u>\$ 1,000,000</u>			The term of the fund is 12 years with one three-year extension. The Partnership is scheduled to terminate on February 4, 2026 unless terminated earlier or extended by the General partner in accordance with the Partnership Agreement.
Commonfund Global Private Equity Partners 2014	\$ 827,077	\$ 629,079	Private equity	\$ 302,500	
Legacy Venture IX, LLC	<u>\$ 58,263</u>	<u>\$ -</u>	Private equity	\$ 940,000	The term of the fund will approximate 12 years with option of three additional one-year extensions. Partners may not withdraw from the fund.
	<u>\$ 885,340</u>	<u>\$ 629,079</u>			

The Foundation initiated the disposition of the investment in Protégé Partners QP Fund, Ltd in fiscal year 2018 subject to the redemption terms and restrictions described above. Periodic payouts have occurred since termination of the agreement with final disposition expected during fiscal year 2020. The remaining redemption value of the disposition is not determinable and may vary significantly from the recorded fair value at June 30, 2019.

Northwest Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

NOTE 4: FINANCIAL INSTRUMENTS (continued)

The stock market is subject to significant volatility that could directly impact the unrealized gain or loss on investments held by the Foundation. The potential effect of the market adjustments could have a material effect on carrying values of investments held by the Foundation.

Fair values of assets and liabilities measured on a nonrecurring basis are as follows:

	2019 <u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Long-lived asset held and used (land) See Note 5	\$628,000	\$ -	\$628,000	\$ -

	2018 <u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Long-lived asset held and used (land) See Note 5	\$795,581	\$ -	\$795,581	\$ -

Level 2 Fair Value Measurements:

Land has been valued using a market approach. The values were determined by an appraisal on February 8, 2019 using market prices of similar real estate assets. The fair value of the land is included in property and equipment on the statement of financial position.

Northwest Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

NOTE 5: PROPERTY AND EQUIPMENT

The details of the property and equipment are as follows:

June 30, 2019	With Donor <u>Restrictions</u>	Without Donor <u>Restrictions</u>	Less Accumulated <u>Depreciation</u>	Net Book <u>Value</u>
Haderlein Farm	\$58,500	\$ -	\$ -	\$ 58,500
Land	-	628,000	-	628,000
Faust Center	-	1,541,537	323,991	1,217,546
House – 718 College Ave.	-	224,499	89,133	135,366
House – 720 College Ave	-	115,272	66,074	49,198
House – 714 College Ave.	-	244,478	109,448	135,030
Furniture and equipment	-	1,725	1,725	-
Foundation vehicles	-	21,492	17,353	4,139
Collections	-	144,450	-	144,450
Total by net asset type	<u>\$58,500</u>	<u>\$2,921,453</u>	<u>\$607,724</u>	<u>\$2,372,229</u>
June 30, 2018	With Donor <u>Restrictions</u>	Without Donor <u>Restrictions</u>	Less Accumulated <u>Depreciation</u>	Net Book <u>Value</u>
Haderlein Farm	\$58,500	\$ -	\$ -	\$ 58,500
Land	-	795,581	-	795,581
Faust Center	-	1,538,122	280,803	1,257,319
House – 718 College Ave.	-	224,499	81,644	142,855
House – 720 College Ave	-	115,272	62,055	53,217
House – 714 College Ave.	-	244,478	101,266	143,212
Furniture and equipment	-	1,725	1,725	-
Foundation vehicles	-	21,492	14,210	7,282
Collections	-	144,450	-	144,450
Total by net asset type	<u>\$58,500</u>	<u>\$3,085,619</u>	<u>\$541,703</u>	<u>\$2,602,416</u>

The Haderlein farm is required to be held in perpetuity for use by the University for agricultural purposes.

Northwest Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

NOTE 6: SPLIT INTEREST AGREEMENTS

Charitable gift annuities:

The charitable gift annuity is a contract between a donor and a charitable organization under which, in consideration of the donor's irrevocable gift of money or property to the Foundation, the Foundation promises to pay a fixed amount annually to the annuitant for life. The liability is the present value of the payments based on the life expectancy of the donor at the date of the gift. The portion of the annuity attributable to the future interest of the Foundation is recorded at fair value in the statement of activities as contributions without donor restrictions or contributions with donor restrictions in the period the annuity is established, depending on the donor's stipulation for use of the gift. On an annual basis, the Foundation reviews the need to revalue the liability to the designated beneficiaries based on actuarial assumptions. The changes in actuarial assumptions resulting in revaluations of a positive \$56,754 for the year ended June 30, 2019 and a negative \$24,266 for the year ended June 30, 2018 are included in program expense in the statement of activities. The present value of the estimated future payments is calculated using a discount rate of 2.8% and 3.4% for 2019 and 2018, respectively, and applicable mortality tables.

For income tax purposes of the donor, the transfer for an annuity is considered to be part gift and part purchase of the annuity.

The balance of the liability for annuity contracts as of June 30, 2019 and 2018, was \$937,075 and \$988,890. Interest expense amounted to \$93,988 and \$91,937 for fiscal year 2019 and 2018.

Charitable remainder trusts:

A beneficial interest in irrevocable rights to charitable remainder unit trusts is recorded when a donor establishes and funds a trust with specified distributions to be made to the donor and/or other beneficiaries over the trust's term. The Foundation will receive the amounts remaining in the charitable remainder unit trust at the end of the trusts' stated term.

The Foundation is not the trustee and does not hold the trust assets. The Foundations' interest in the trust assets and the specified future distributions is recorded at fair value as a beneficial interest held in trust using actuarial assumptions. Based on the donors' life expectancy and a discount rate of 2.8% for 2019 and 3.4% for 2018, the fair value of the future benefits expected to be received by the Foundation was recorded as net assets without donor restrictions or net assets with donor restrictions based on the terms of the donors' agreements. Subsequent changes in the fair value of the charitable remainder unit trust receivable are recognized in the statement of activities. At June 30, 2019 and 2018, the beneficial interests in charitable remainder unit trusts totaled \$2,269,859 and \$2,135,759.

Northwest Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

NOTE 7: NOTES PAYABLE

Notes payable consists of the following:

	<u>2018</u>
Bank note payable in monthly payments of \$3,538 with a maturity date of May 1, 2023, variable interest rate at 4.5% at June 30, 2018, collateralized by undeveloped land.	<u>\$181,493</u>

The loan was paid off in July 2018.

Interest expense paid on notes payable totaled \$438 for fiscal year 2019 and \$21,504 for fiscal year 2018.

NOTE 8: BONDS PAYABLE

In 2003, Variable Rate Demand Educational Facilities Revenue Bonds Series 2002 in the amount of \$4,455,000 were issued to finance construction of the University stadium. The bonds mature on November 1, 2032, and had a variable interest rate of 1.35% at inception with a maximum of 12%. Interest is paid monthly and totaled \$29,881 and \$25,130 for fiscal years 2019 and 2018. The bonds will be repaid from the collection of donor pledges and the sale of stadium seating. The bonds can be redeemed prior to maturity at the option of the Foundation. The balance is \$1,875,000 and \$2,075,000 at June 30, 2019 and 2018, respectively. As a part of the bond financing agreement, the Foundation signed a Letter of Credit and Reimbursement Agreement dated November 1, 2002. The Letter of Credit and Reimbursement Agreement was amended on December 1, 2009 requiring principal repayments in an amount of \$100,000 on or before the first business day of November of each odd-numbered year and \$200,000 on or before the first business day of November of each even-numbered year and to call such Bonds for redemption in accordance with the provisions of the Indenture These bonds are also subject to certain affirmative and negative covenants. Management believes the Foundation is in compliance with all covenants at June 30, 2019 and 2018. The Letter of Credit was most recently renewed on March 1, 2017 and now expires May 20, 2020.

Northwest Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

NOTE 8: BONDS PAYABLE (continued)

In fiscal year 2009, Variable Rate Demand Educational Facilities Revenue Bonds Series 2008 in the amount of \$7,675,000 were issued to finance the construction of the University's Studio Theatre and Valk Center renovations. The bonds mature on November 1, 2028 and had a variable interest rate of 3.5% at inception with a maximum 12%. Interest is paid monthly and totaled \$108,904 and \$123,022 for fiscal years 2019 and 2018. The balance is \$4,590,000 and \$4,955,000 at June 30, 2019 and 2018, respectively. The University signed a loan agreement with the Foundation for \$7,675,000, payable in monthly installments at 5.5% interest which is to be used for principal, interest and letter of credit fees. The obligations of the University are payable from annual appropriation of revenues for the year plus unencumbered balances for previous years. On November 15th of each year, the Foundation will refund to the University any payments received in excess of actual costs. The amount of the excess at June 30, 2019 and 2018 was estimated at \$56,990 and \$59,586 and is reported as accounts payable on the Statement of Financial Position.

As part of the bond financing agreement, the Foundation signed a Letter of Credit and Reimbursement Agreement dated December 1, 2009. The Letter of Credit was most recently renewed on May 10, 2018 and now expires May 20, 2020. Under the amendments, the foundation has agreed to certain affirmative and negative covenants. Management feels that the Foundation is in compliance with all covenants at June 30, 2019 and 2018.

Maturities of bonds payable are as follows:

Year Ending	<u>June 30</u>	<u>Series 2002</u>	<u>Series 2008</u>	<u>Total</u>
2020	\$	100,000	\$ 380,000	\$ 480,000
2021		200,000	395,000	595,000
2022		100,000	415,000	515,000
2023		200,000	430,000	630,000
2024		100,000	445,000	545,000
Thereafter		<u>1,175,000</u>	<u>2,525,000</u>	<u>3,700,000</u>
Total		<u>\$1,875,000</u>	<u>\$4,590,000</u>	<u>\$6,465,000</u>

NOTE 9: DERIVATIVES

In March of 2009, as a means to lower its borrowing costs in the long term and increase its savings when compared to fixed-rate refunding bonds at the time of the swap, the Foundation entered into an interest rate swap in connection with its \$7,675,000 Variable Rate Demand Educational Facilities Revenue Bonds, Series 2008. The intention of the swap agreement was to effectively change the Foundation's interest rate on the bonds to a synthetic fixed rate of 2.5%.

Northwest Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

NOTE 9: DERIVATIVES (continued)

Terms: The swap agreement matures on the same date as the bonds, November 1, 2028 and the swap's notional amount of \$7,675,000 matched the \$7,675,000 variable-rate bonds. Starting in fiscal year 2010, the notional value of the swap and the principal amount of the associated debt decline concurrently. The balance of both is \$4,590,000 and \$4,955,000 at June 30, 2019 and 2018. Under the swap, the Foundation pays the counterparty a fixed payment of 2.5% and receives a variable payment computed at 68% of the London Interbank Offer Rate (LIBOR). Conversely, the bonds' variable-rate coupons are associated with the Securities Industry and Financial Markets Association Swap Index (SIFMA).

Fair Value: Because long term interest rates have decreased since inception of the swap, the swap has a negative fair value of \$286,928 and \$142,673 at June 30, 2019 and 2018. The swap's negative fair value may be countered by a decrease in total interest payments required under the variable rate bonds, creating a lower synthetic rate. Because the coupons on the Foundation's variable-rate bonds are adjusted every seven days to changing interest rates, the bonds do not have a corresponding fair value decrease. The mark-to-market valuations were established by market quotations from the counterparty representing estimates of the amounts that would be paid for replacement transactions.

Credit Risk: As of June 30, 2019 and 2018 the Foundation is not exposed to credit risk because the fair value of the swap has become negative. The swap counterparty was rated A1 by Moody's Investor Service (Moody's).

Basis Risk: The swap exposes the Foundation to basis risk should the relationship between LIBOR and SIFMA diverge, changing the synthetic rate on the bonds. The effect of this difference in basis is indicated by the difference between the intended synthetic rate of 2.5% and the synthetic rate as of June 30, 2019 and 2018 of 2.74697% and 2.4188%. As of June 30, 2019, the rate on the Foundation's bonds was 1.90% whereas 68% of LIBOR was 1.65303%. As of June 30, 2018, the rate on the Foundation's bonds was 1.50% whereas 68% of LIBOR was 1.5812%

Termination Risk: The Foundation or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. An additional termination event occurs if the counterparty rating falls below Baa3 (Moody's) or BBB- (Standard & Poor's). The counterparty may terminate the swap if the letter of credit is revoked on the underlying bonds and a suitable replacement letter of credit is not found. Termination can be avoided upon posting of collateral until a replacement letter of credit is obtained. Also, if at the time of termination, the swap has a negative fair value, the Foundation would be liable to the counterparty for a payment equal to the swap's fair value.

Northwest Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

NOTE 9: DERIVATIVES (continued)

Swap Payments and Associated Debt:

Using rates as of June 30, 2019 debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for the term of the bonds, were as follows.

As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year End	Variable Rate Bond		Interest Rate	
	June 30	Principal	Interest	Swap Net
2020	\$ 380,000	\$ 79,990	\$ 35,657	\$ 495,647
2021	395,000	72,485	32,312	499,797
2022	415,000	64,600	28,797	508,397
2023	430,000	56,430	25,155	511,585
2024	445,000	47,975	21,386	514,361
2025-2029	<u>2,525,000</u>	<u>99,750</u>	<u>44,466</u>	<u>2,669,216</u>
Total	<u>\$4,590,000</u>	<u>\$421,230</u>	<u>\$187,773</u>	<u>\$5,199,003</u>

Using rates as of June 30, 2018 debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for the term of the bonds, were as follows.

As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year End	Variable Rate Bond		Interest Rate	
	June 30	Principal	Interest	Swap Net
2019	\$ 365,000	\$ 68,850	\$ 42,173	\$ 476,023
2020	380,000	63,150	38,681	481,831
2021	395,000	57,225	35,052	487,277
2022	415,000	51,000	31,239	497,239
2023	430,000	44,550	27,288	501,838
2024-2028	2,425,000	116,625	71,437	2,613,062
2029	<u>545,000</u>	<u>-</u>	<u>-</u>	<u>545,000</u>
Total	<u>\$ 4,955,000</u>	<u>\$ 401,400</u>	<u>\$ 245,870</u>	<u>\$ 5,602,270</u>

Northwest Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

NOTE 10: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods.

	<u>2019</u>	<u>2018</u>
Subject to expenditure for a specified purpose:		
Hughes Fieldhouse	\$ 657,919	\$ 738,838
Agricultural Learning Center	2,413,819	1,287,177
Scholarships	2,470,421	2,460,418
Athletics	156,895	152,934
Academic Programs	1,413,469	1,372,205
Other	602,711	591,678
Contributions receivable, the proceeds from which have been restricted by donors for:		
Hughes Fieldhouse	4,614,181	6,119,005
Agricultural Learning Center	1,238,777	172,000
Scholarships	73,650	104,611
Athletics	-	4,050
Academic Programs	128,400	135,000
Other	21,670	7,421
	<u>13,791,912</u>	<u>13,145,337</u>
Subject to the passage of time:		
Contributions receivable that are not restricted by donors, but which are unavailable for expenditure until due	136,167	119,518
Beneficial interest in charitable trusts held by others	2,269,859	2,135,759
Assets held under split-interest agreements	832,924	881,143
	<u>3,238,950</u>	<u>3,136,420</u>
Endowments:		
Subject to endowment spending policy and appropriation:		
Scholarships	22,442,322	21,694,576
Academic Programs	3,211,432	3,166,417
Athletics	20,286	19,302
Other	841,174	580,083
Unconditional promises give	349,566	312,728
Total Endowments	<u>26,864,780</u>	<u>25,773,106</u>
Not subject to spending policy or appropriations:		
Real property to be held in perpetuity	69,337	68,955
	<u>\$43,964,979</u>	<u>\$42,123,818</u>

Northwest Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

NOTE 10: NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows:

	2019	2018
Expiration of time restrictions	\$ -	\$ -
Satisfaction of purpose restrictions		
Hughes Fieldhouse payment	1,750,000	2,500,000
Scholarships	348,887	374,114
Academic Programs	61,949	182,338
Athletics	318,721	252,031
Other	<u>166,960</u>	<u>142,277</u>
	<u>2,646,517</u>	<u>3,450,760</u>
Restricted-purpose spending rate distributions and appropriations		
Scholarships	697,405	545,755
Academic Programs	73,011	38,859
Athletics	600	500
Other	-	4,800
General Use	<u>448,157</u>	<u>489,531</u>
	<u>1,219,173</u>	<u>1,079,445</u>
	<u>\$3,865,690</u>	<u>\$4,530,205</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations and continued appropriation for certain programs as instructed by the donors. In accordance with GAAP, there were no deficiencies of this nature that are reported in net assets without donor restrictions as of June 30, 2019 and 2018.

Northwest Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

NOTE 11: ENDOWMENTS

The Foundation's endowment consists of approximately 370 individual donor restricted endowment. The donor-restricted endowment funds are subject to the Missouri Uniform Management of Institutional Funds Act (UPMIFA).

The Foundation Board has interpreted the law as requiring the preservation of 75% of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation maintains in perpetuity (a) 75% of the original value of gifts donated to the permanent endowment and (b) 75% of the original value of subsequent gifts to the permanent endowment. Donor restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization.

The Foundation has classified the endowment into two groups. Group A is defined by gift agreements that give the Foundation explicit permission to continue distributions from the fund even if the total fund value has fallen below the original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor. Group B is defined by gift agreements that give the Foundation explicit instruction not to expend the gifts to the endowment.

Endowment Net Asset Composition by Type of Funds

June 30, 2019	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Original donor-restricted gift amount			
Group A	\$13,180	\$21,500,327	\$21,513,507
Group B	1,094	1,819,415	1,820,509
Accumulated investment gains	<u>-</u>	<u>3,545,038</u>	<u>3,545,038</u>
	<u>\$14,274</u>	<u>\$26,864,780</u>	<u>\$26,879,054</u>

Northwest Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

NOTE 11: ENDOWMENTS (continued)

June 30, 2018	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Original donor-restricted gift amount			
Group A	\$13,085	\$20,632,665	\$20,645,750
Group B	1,300	1,775,759	1,777,059
Accumulated investment gains	<u>-</u>	<u>3,364,682</u>	<u>3,364,682</u>
	<u>\$14,385</u>	<u>\$25,773,106</u>	<u>\$25,787,491</u>

Changes in Endowment Net Assets

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2017, as restated	\$13,335	\$24,893,324	\$24,906,659
Investment return, net	1,750	1,719,673	1,721,423
Contributions	-	321,265	321,265
Appropriation of endowment assets pursuant to spending rate policy	(499)	(1,079,445)	(1,079,944)
Other changes:			
Revenues from exchange transactions	782	-	782
Expenditure of funds from exchange transactions	(983)	-	(983)
Transfers from and to non-endowed funds	<u>-</u>	<u>(81,711)</u>	<u>(81,711)</u>
Endowment net assets, June 30, 2018	14,385	25,773,106	25,787,491
Investment return, net	1,150	1,373,945	1,375,095
Contributions	-	918,821	918,821
Appropriation of endowment assets pursuant to spending rate policy	(455)	(1,219,173)	(1,219,628)
Other changes:			
Revenues from exchange transactions	532	-	532
Expenditure of funds from exchange transactions	(1,338)	-	(1,338)
Transfers from and to non-endowed funds	<u>-</u>	<u>18,081</u>	<u>18,081</u>
Endowment net assets, June 30, 2019	<u>\$14,274</u>	<u>\$26,864,780</u>	<u>\$26,879,054</u>

Northwest Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

NOTE 11: ENDOWMENTS (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. Under this policy, as approved by the Foundation Board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 9% annually. Actual returns in any given year may vary from this amount.

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 that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy: The Foundation has a policy of appropriating for distribution each year a base rate of 4.0 percent of its endowment fund's average fair value over the prior 3 years through the fiscal year-end preceding the fiscal year in which the distribution is planned. Unless otherwise provided in the gift agreement, the recommended distribution shall be calculated based on the following table.

% of Total Fund Balance to Cumulative Gifts	Recommended Distribution Rate
> 100%	Base Rate (4%)
< 100% but at least 90%	2.00%
<90% but at least 75%	1.00%
Under 75%	Suspend Distributions

In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 2.75 percent annually. 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 provide additional real growth through new gifts and investment return.

A management fee of 1.75% and 1.95% was charged to all endowed funds for the years ended June 30, 2019 and 2018, respectively;

Northwest Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

NOTE 12: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Foundation's primary sources of support are contributions and income from investing its endowment. Most of that support is required to be used in accordance with the purpose restrictions imposed by the donors. Donor restricted support has historically funded the majority of program activities. In addition, the Foundation receives support without donor restriction. Such support has historically represented approximately 25% of the annual supporting activities, with the remainder funded by appropriated earnings from gifts with donor restrictions per the Foundation spending policy and by university support.

The Foundation manages its cash available to meet general expenditures by maintaining adequate liquid funds. The Board must approve the purchase of all investments that are not listed on the New York Stock Exchange, American Stock Exchange or NASDAQ; are priced daily; and have a liquidity of more than one month. At June 30, 2019 and 2018, over 86% of cash and investments could be liquidated within one month. The Foundation can adjust the timing of disbursements to the University when necessary.

The table below represents financial assets available for general expenditures within one year at June 30.

	<u>2019</u>	<u>2018</u>
Financial assets available within one year and free from donor restrictions:		
Cash and short-term investments	\$ 4,261,462	\$4,116,588
Contributions receivable, no purpose restrictions	<u>12,504</u>	<u>39,128</u>
Total financial assets available within one year and free from donor restrictions	<u>4,273,966</u>	<u>4,155,716</u>
Financial assets available within one year with donor restrictions:		
Cash and short-term investments	5,635,258	4,448,987
Payout on donor-restricted endowments for use in one year	1,031,350	853,000
Payout on donor-restricted quasi-endowments for use in one year	<u>105,559</u>	<u>80,350</u>
Total financial assets available within one year with donor restrictions	<u>6,772,167</u>	<u>5,382,337</u>
Total financial assets available within one year	<u>\$11,046,133</u>	<u>\$9,538,053</u>

NOTE 13: DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

The following program and supporting services are included in the accompanying financial statements:

Support of Northwest Missouri State University

The Foundation supports the University through scholarships and restricted and unrestricted support of programs and operations.

Northwest Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

NOTE 13: DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES (continued)

Management and General includes the functions necessary to manage the individual funds of the Foundation, including monitoring and investing assets, administering the programs of the Foundation, and managing the financial responsibilities of the Foundation.

Fund-raising provides the structure necessary to encourage and secure private financial support from individuals and corporations.

NOTE 14: RELATED PARTY TRANSACTIONS

University Support: Expenses in the statement of activity include approximately \$4,500,000 and \$4,700,000 of restricted and unrestricted University support, which included approximately \$1,061,000 and \$934,000 for scholarships at June 30, 2019 and 2018, respectively.

Donated Services: Northwest Missouri State University incurs expenditures for salaries, benefits, and operating expenses that benefit the Foundation in return for advancement, development and alumni relation services. Employees' compensation and benefits totaling \$36,000 and \$76,000 for 2019 and 2018 were not reimbursed by the Foundation and are reported in management and general expense on the statement of activities. The terms of this relationship have been formalized in a written agreement between the Foundation and the University.

Leases: At June 30, 2018, the Foundation leased property to the University for \$46,002 per year renewable annually for 20 years. The lease provides an option for the University to purchase the property at a price which declines annually to \$1 in 2028. In addition, the Foundation leased property to the University for \$43,998 per year renewable annually for 24 years. The lease provides an option for the University to purchase the property at a price which declines annually to \$1 in 2025. The leased properties had a carrying value of \$795,581 at June 30, 2018.

Beginning July 1, 2018, the Foundation and the University entered into new leases for both properties which no longer require annual lease payments. Should the university wish to purchase the properties, the purchase price has been fixed in the lease agreement.

Note Receivable: The balance of the note receivable from the University for repayment of the Series 2008 revenue bonds was \$4,339,162 and \$4,411,749 at June 30, 2019 and 2018.

Northwest Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

NOTE 15: COMMITMENTS AND CONTINGENCIES

The Foundation is the beneficiary of life insurance policies with net death benefit values approximating \$1,951,000 and \$1,942,000 at June 30, 2019 and 2018. The cash surrender value of these policies approximated \$291,874 and \$265,728 at June 30, 2019 and 2018.

In conjunction with the issuance of the 2008 bonds, the University signed a loan agreement to reimburse the Foundation for the bond principal, interest and letter of credit fees. The obligations of the University are payable from annual appropriation of revenues for the year plus unencumbered balances for previous years. While the Foundation does not anticipate the University will not annually appropriate adequate revenues for payment of the debt, the bond covenant ratios would be adversely affected, potentially resulting in default, if the University's payments on the note receivable were not appropriated or received.

The Foundation's investment securities are exposed to various risks including interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect investment balances reported in the statement of financial position.

Contributions receivable include estimated valuations of the Foundation's beneficiary interest in estates that are holding assets pending liquidation. The recorded amount of the receivables could be materially affected if liquidation amounts realized vary significantly from the estimated values.

Unfunded investment commitments to limited partnerships totaled \$1,567,500 and \$952,500 at June 30, 2019 and 2018.

Northwest Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

NOTE 16: CHANGE IN ACCOUNTING PRINCIPLE

Certain reclassifications have been made to the 2018 financial statements for the adoption of ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. These reclassifications had no effect on the change in net assets. There are no significant changes to the statement of cash flows. Net assets and financial statement line items as previously reported have been restated to include the effects of the restatement described in Note 17 and the prior period adjustment described in Note 18.

	As Previously Reported 2018	Effect of Change	Adjusted 2018
Statement of Financial Position			
Net Assets			
Unrestricted, as restated	\$ 4,072,565	\$ (4,072,565)	\$ -
Temporarily restricted, as restated	22,264,360	(22,264,360)	-
Permanently restricted, as restated	19,859,458	(19,859,458)	-
Without donor restrictions	-	4,072,565	4,072,565
With donor restrictions	-	42,123,818	42,123,818
Statement of Activities			
Contributions – Unrestricted, as restated	502,059	(502,059)	-
Contributions - temporarily restricted, as restated	2,820,106	(2,820,106)	-
Contributions - permanently restricted	1,566,928	(1,566,928)	-
Contributions - without donor restrictions	-	502,059	502,059
Contributions - with donor restrictions	-	4,365,434	4,365,434
Change in value of charitable remainder trust, as reclassified from contributions	-	21,600	21,600
Investment return - unrestricted, as restated	890,468	(890,468)	-
Investment return - temporarily restricted, as restated	1,903,922	(1,903,922)	-
Investment return - without donor restrictions	-	890,468	890,468
Investment return - with donor restrictions	-	1,903,922	1,903,922
Total revenue and support - unrestricted, as restated	1,935,681	(1,935,681)	-
Total revenue and support - temporarily restricted, as restated	4,724,028	(4,724,028)	-
Total revenue and support - permanently restricted	1,566,928	(1,566,928)	-
Total revenue and support - without donor restrictions	-	1,935,681	1,935,681
Total revenue and support - with donor restrictions	-	6,290,956	6,290,956
Satisfaction of program restrictions - unrestricted, as restated	4,530,205	(4,530,205)	-
Satisfaction of program restrictions - temporarily restricted, as restated	(4,530,205)	4,530,205	-
Satisfaction of program restrictions - without donor restrictions, as restated	-	4,530,205	4,530,205
Satisfaction of program restrictions - with donor restrictions, as restated	-	(4,530,205)	(4,530,205)
Reclassification of net assets - unrestricted, as restated	486,021	(486,021)	-
Reclassification of net assets - temporarily restricted, as restated	(430,304)	430,304	-
Reclassification of net assets - permanently restricted	(55,717)	55,717	-
Reclassification of net assets - without donor restrictions	-	486,021	486,021
Reclassification of net assets - with donor restrictions	-	(486,021)	(486,021)
Change in net assets - unrestricted, as restated	1,260,605	(1,260,605)	-
Change in net assets - temporarily restricted, as restated	(236,481)	236,481	-
Change in net assets - permanently restricted	1,511,211	(1,511,211)	-
Change in net assets - without donor restrictions	-	1,260,605	1,260,605
Change in net assets - with donor restrictions	-	1,274,730	1,274,730

Northwest Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

NOTE 16: CHANGE IN ACCOUNTING PRINCIPLE (continued)

	As Previously Reported <u>2018</u>	Effect of Change	Adjusted <u>2018</u>
Net assets, beginning of year - unrestricted, as restated	2,811,960	(2,811,960)	-
Net assets, beginning of year - temporarily restricted, as restated	22,500,841	(22,500,841)	-
Net assets, beginning of year - permanently restricted, as restated	18,348,247	(18,348,247)	-
Net assets, beginning of year - without donor restrictions, as restated	-	2,811,960	2,811,960
Net assets, beginning of year - with donor restrictions, as restated	-	40,849,088	40,849,088
Net assets, end of year - unrestricted, as restated	4,072,565	(4,072,565)	-
Net assets, end of year - temporarily restricted, as restated	22,264,360	(22,264,360)	-
Net assets, end of year - permanently restricted, as restated	19,859,458	(19,859,458)	-
Net assets, end of year - without donor restrictions, as restated	-	4,072,565	4,072,565
Net assets, end of year - with donor restrictions, as restated	-	42,123,818	42,123,818

NOTE 17: RESTATEMENT OF PRIOR YEAR

The 2018 financial statements have been restated to report contributions subject to time restrictions as donor restricted to conform to the 2019 financial statement presentation. This revision resulted in a decrease of \$119,518 to net assets without donor restrictions and a corresponding increase to net assets with donor restrictions.

NOTE 18: PRIOR PERIOD ADJUSTMENT

In 2017, to comply with the donor agreement for construction of the Michael L. Faust Center for Alumni & Friends facility addition, the Foundation board designated \$250,000 to match the donor's endowment established for future maintenance of the facility. The matching funds were originally included as board designated as net assets without donor restrictions and have been reclassified to net assets with donor restrictions. There was no adjustment to total change in net assets as a result of the prior period adjustment

An agency fund totaling \$111,173 has been reclassified to net assets with donor restrictions. Change in net assets increased by \$728 in 2018.

NOTE 19: SUBSEQUENT EVENT

The Foundation is negotiating the sale of real estate for \$425,000.

SUPPLEMENTARY INFORMATION

Northwest Foundation, Inc.
Statements of Revenue, Expenses, and Changes In Deposits Held For Others
For The Years Ended June 30, 2019 and 2018

	2019	2018
Revenue and Support		
Cash Contributions	\$ 101,983	\$ 109,566
Fundraisers	866	1,336
Miscellaneous	-	5
	102,849	110,907
Expenses		
Food and Beverages	5,750	5,838
University Support	120,524	116,146
Premiums & Gifts	7,544	8,973
Honorariums	-	3,700
Printing and advertising	2,000	1,255
Professional Services	-	245
Travel	8	-
Memberships/registrations/subscriptions	26	16
	135,852	136,173
Excess (deficiency) of Revenue and Support Over Expenses	(33,003)	(25,266)
Deposits Held For Others, Beginning of Year	108,517	133,783
Deposits Held For Others, End of Year	\$ 75,514	\$ 108,517