

## Use of Funds



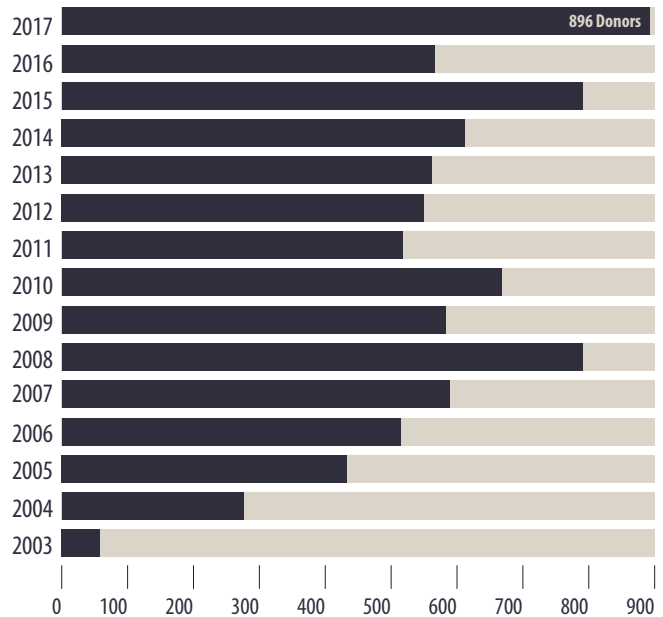
With support from generous donors and allied industry interests, the Angus Foundation continues to enjoy growth and sustainment of programming efforts and support. Our supporters are truly investing in the success of the future of the Angus breed.

This fiscal year saw a total revenue of \$2,013,868. Total assets of \$20,492,917 shows steady growth over the fiscal year.

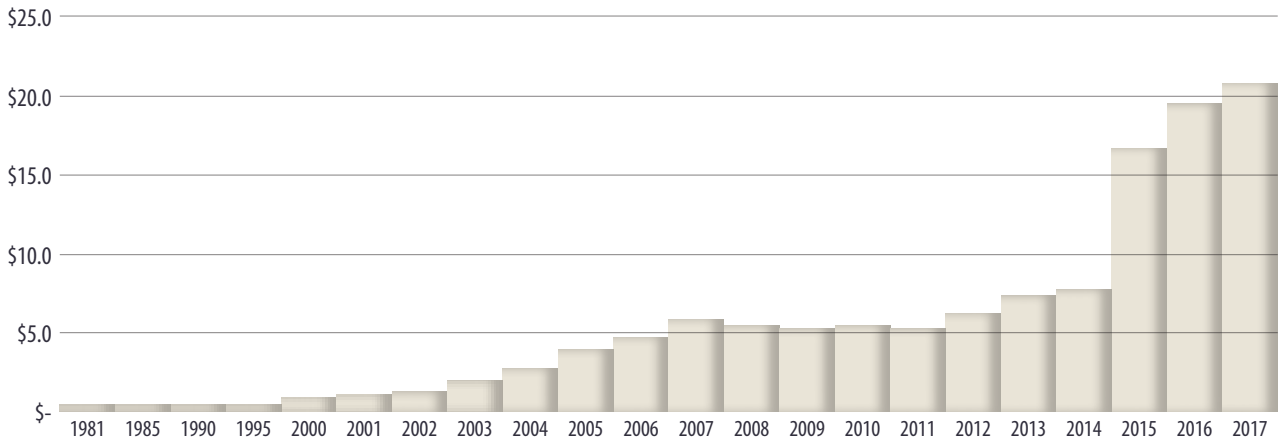
The Angus Foundation contributed funds totaling \$719,256 to support youth, education and research activities.

Through charitable gifts from Angus breeders, allied industry interests and friends, the future of the Angus industry looks bright.

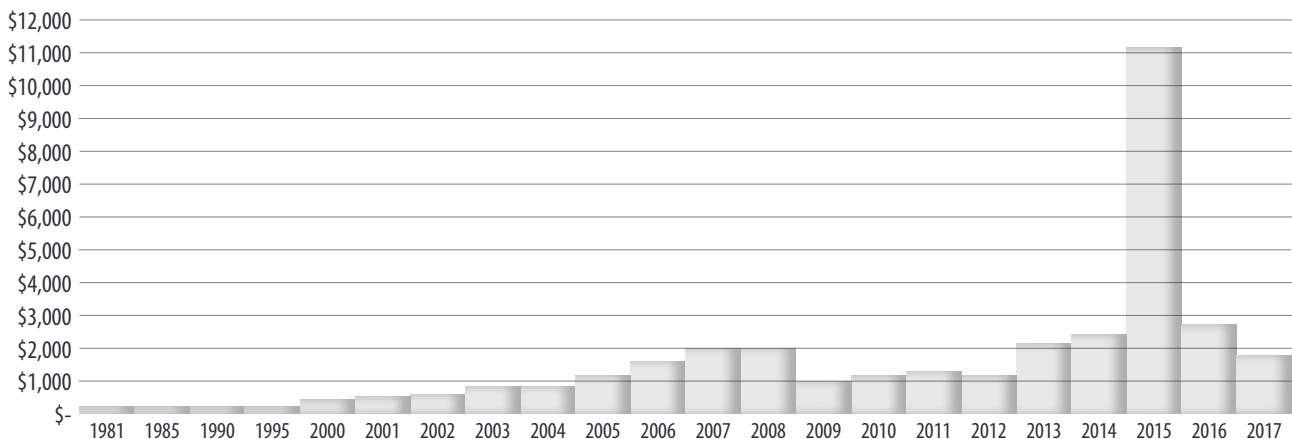
### Angus Foundation Donors 2003-2017



### Angus Foundation Assets (in millions)

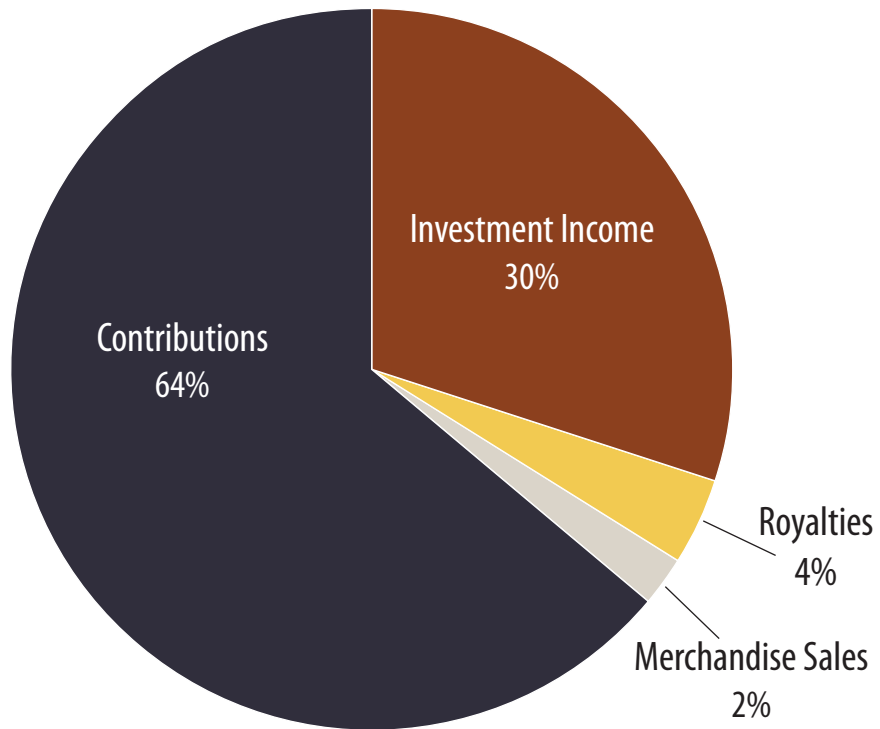


### Angus Foundation Revenue (in thousands)



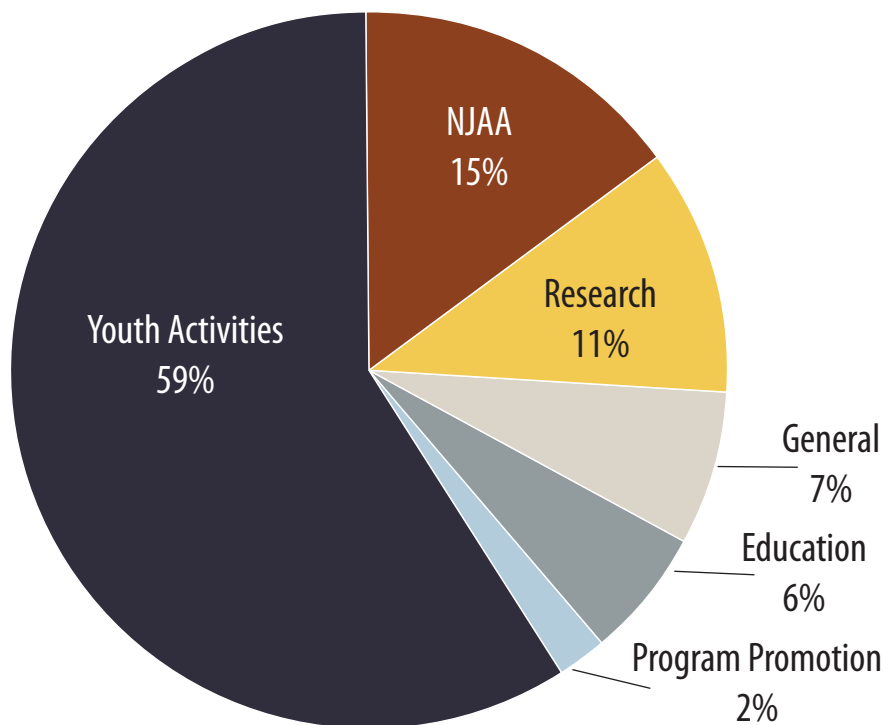
## Angus Foundation Revenue Sources

Fiscal 2017



## Programs funded by the Angus Foundation

Fiscal 2017



## Independent Auditors' Report

Board of Directors  
Angus Foundation  
Saint Joseph, Missouri

We have audited the accompanying financial statements of Angus Foundation (the Foundation), which comprise the statements of financial position as of September 30, 2017 and 2016, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation'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 Foundation'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 the Angus Foundation as of September 30, 2017 and 2016, 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.

*Clifton Lawton Allen III*

Saint Joseph, Missouri  
October 17, 2017

## Angus Foundation Statements of Financial Position

September 30, 2017 and 2016

|  | 2017                | 2016                 |
|--|---------------------|----------------------|
| <b>ASSETS</b>                                |                     |                      |
| <b>Current Assets</b>                        |                     |                      |
| Cash and Cash Equivalents                    | \$ 244,580          | \$ 336,735           |
| Accounts Receivable                          | 110                 | 6,339                |
| Pledges Receivable,<br>Net - Current Portion | 344,810             | 347,900              |
| Inventories                                  | 81,509              | 77,833               |
| Prepaid Expenses                             | 10,960              | 18,793               |
| Total Current Assets                         | 681,969             | 787,600              |
| <b>Investments</b>                           |                     |                      |
| Unrestricted                                 | 695,135             | 639,350              |
| Board Designated                             | 2,066,271           | 1,818,060            |
| Temporarily Restricted                       | 4,681,172           | 3,967,378            |
| Permanently Restricted                       | 12,366,555          | 12,191,684           |
| Total Investments                            | 19,809,133          | 18,616,472           |
| Long-Term Pledges Receivable - Net           | 1,816               | 2,660                |
| Total Assets                                 | <u>\$20,492,918</u> | <u>\$ 19,406,732</u> |
| <b>LIABILITIES AND NET ASSETS</b>            |                     |                      |
| <b>Current Liabilities</b>                   |                     |                      |
| Accounts Payable - Trade                     | \$ 104,885          | \$ 107,338           |
| Accrued Liabilities                          | 26,422              | 33,276               |
| Total Current Liabilities                    | 131,307             | 140,614              |
| <b>Long-Term Liabilities</b>                 |                     |                      |
| Accrued Post Retirement Benefits             | 24,000              | 22,000               |
| Total Liabilities                            | 155,307             | 162,614              |
| <b>Net Assets</b>                            |                     |                      |
| Unrestricted:                                |                     |                      |
| Operating                                    | 773,139             | 899,492              |
| Board Designated                             | 2,172,828           | 1,897,475            |
| Temporarily Restricted                       | 4,779,725           | 3,991,518            |
| Permanently Restricted                       | 12,611,919          | 12,455,633           |
| Total Net Assets                             | <u>20,337,611</u>   | <u>19,244,118</u>    |
| Total Liabilities and Net Assets             | <u>\$20,492,918</u> | <u>\$ 19,406,732</u> |

See accompanying Notes to Financial Statements.

**Angus Foundation**  
**Statements of Activities and Changes in Net Assets**  
Years Ended September 30, 2017 and 2016

|   | 2017                |                        |                        |                      | 2016                |                        |                        |                      |
|---|---------------------|------------------------|------------------------|----------------------|---------------------|------------------------|------------------------|----------------------|
|   | Unrestricted        | Temporarily Restricted | Permanently Restricted | Total                | Unrestricted        | Temporarily Restricted | Permanently Restricted | Total                |
| <b>REVENUES, GAINS, AND OTHER SUPPORT</b>   |                     |                        |                        |                      |                     |                        |                        |                      |
| Contributions   | \$ 580,928          | \$ 541,480             | \$ 149,861             | \$ 1,272,269         | \$ 578,643          | \$ 359,845             | \$ 830,630             | \$ 1,769,118         |
| Royalties   | 87,688              | -                      | -                      | 87,688               | 78,510              | -                      | -                      | 78,510               |
| Other Revenue   | 3,639               | -                      | -                      | 3,639                | 4,498               | -                      | -                      | 4,498                |
| Merchandise Sales   | 43,716              | -                      | -                      | 43,716               | 39,686              | -                      | -                      | 39,686               |
| Net Investment Income   | 74,795              | 526,961                | -                      | 601,756              | 152,759             | 491,840                | -                      | 644,599              |
| Support Fees  | 4,800               | -                      | -                      | 4,800                | 32,200              | -                      | -                      | 32,200               |
|   | <u>795,566</u>      | <u>1,068,441</u>       | <u>149,861</u>         | <u>2,013,868</u>     | <u>886,296</u>      | <u>851,685</u>         | <u>830,630</u>         | <u>2,568,611</u>     |
| Net Assets Released from Restrictions:  |                     |                        |                        |                      |                     |                        |                        |                      |
| Satisfaction of Purpose Restrictions  | 588,544             | (588,544)              | -                      | -                    | 566,318             | (566,318)              | -                      | -                    |
| Change of Donor Restrictions  | (6,425)             | -                      | 6,425                  | -                    | (4,545)             | (5,604)                | 10,149                 | -                    |
| Total Revenues, Gains, and Other Support  | <u>1,377,685</u>    | <u>479,897</u>         | <u>156,286</u>         | <u>2,013,868</u>     | <u>1,448,069</u>    | <u>279,763</u>         | <u>840,779</u>         | <u>2,568,611</u>     |
| <b>EXPENSES</b>   |                     |                        |                        |                      |                     |                        |                        |                      |
| Program Services  | 719,256             | -                      | -                      | 719,256              | 787,099             | -                      | -                      | 787,099              |
| Marketing and Promotions  | 506,222             | -                      | -                      | 506,222              | 304,989             | -                      | -                      | 304,989              |
| Operations and General Expenses   | 212,300             | -                      | -                      | 212,300              | 227,778             | -                      | -                      | 227,778              |
| Total Expenses  | <u>1,437,778</u>    | <u>-</u>               | <u>-</u>               | <u>1,437,778</u>     | <u>1,319,866</u>    | <u>-</u>               | <u>-</u>               | <u>1,319,866</u>     |
| Changes in Net Assets before Provision for Post Retirement Benefits and Net Unrealized Gain (Loss) on Investments | (60,093)            | 479,897                | 156,286                | 576,090              | 128,203             | 279,763                | 840,779                | 1,248,745            |
| <b>PROVISION FOR POST RETIREMENT BENEFITS</b>   | (2,000)             | -                      | -                      | (2,000)              | (1,000)             | -                      | -                      | (1,000)              |
| <b>NET UNREALIZED GAIN ON INVESTMENTS</b>   | <u>211,093</u>      | <u>308,310</u>         | <u>-</u>               | <u>519,403</u>       | <u>146,909</u>      | <u>551,044</u>         | <u>-</u>               | <u>697,953</u>       |
| <b>CHANGES IN NET ASSETS</b>  | <u>149,000</u>      | <u>788,207</u>         | <u>156,286</u>         | <u>1,093,493</u>     | <u>274,112</u>      | <u>830,807</u>         | <u>840,779</u>         | <u>1,945,698</u>     |
| Net Assets - Beginning of Year  | <u>2,796,967</u>    | <u>3,991,518</u>       | <u>12,455,633</u>      | <u>19,244,118</u>    | <u>2,522,855</u>    | <u>3,160,711</u>       | <u>11,614,854</u>      | <u>17,298,420</u>    |
| <b>NET ASSETS - END OF YEAR</b>   | <u>\$ 2,945,967</u> | <u>\$ 4,779,725</u>    | <u>\$ 12,611,919</u>   | <u>\$ 20,337,611</u> | <u>\$ 2,796,967</u> | <u>\$ 3,991,518</u>    | <u>\$ 12,455,633</u>   | <u>\$ 19,244,118</u> |

See accompanying Notes to Financial Statements.

**Angus Foundation**  
**Statements of Cash Flows**  
 September 30, 2017 and 2016

|   | 2017              | 2016               |
|---|-------------------|--------------------|
| <b>Cash Flows From Operating Activities</b>   |                   |                    |
| Changes in Net Assets   | \$ 1,093,493      | \$ 1,945,698       |
| Adjustments to Reconcile Changes<br>in Net Assets to Net Cash Provided<br>(Used) by Operating Activities: |                   |                    |
| Net Realized Gains on Investments   | (20,246)          | (275,034)          |
| Net Unrealized Gains on Investments   | (519,403)         | (697,953)          |
| Contributions Restricted for<br>Long-Term Purposes  | (167,011)         | (4,089,230)        |
| Effect of Changes in Operating<br>Assets and Liabilities:   |                   |                    |
| Accounts Receivable   | 6,229             | 2,852              |
| Pledges Receivable - Net  | 3,934             | 3,242,282          |
| Inventories   | (3,676)           | 11,673             |
| Prepaid Expenses  | 7,833             | 16,759             |
| Accounts Payable - Trade  | (2,453)           | (102,220)          |
| Accrued Liabilities and Post<br>Retirement Benefits   | (4,854)           | 6,185              |
| Net Cash Provided<br>by Operating Activities  | <u>393,846</u>    | <u>61,012</u>      |
| <b>Cash Flows From Investing Activities</b>   |                   |                    |
| Proceeds from Sale of Investments   | 797,951           | 919,054            |
| Purchases of Investments  | (1,450,963)       | (4,940,423)        |
| Net Cash Used by Investing Activities   | <u>(653,012)</u>  | <u>(4,021,369)</u> |
| <b>Cash Flows From Financing Activities</b>   |                   |                    |
| Proceeds from Contributions Restricted<br>For Investment in Endowments                                    | <u>167,011</u>    | <u>4,089,230</u>   |
| <b>Net (Decrease) Increase In Cash And<br/>Cash Equivalents</b>   | <u>(92,155)</u>   | <u>128,873</u>     |
| Cash and Cash Equivalents -<br>Beginning of Year  | <u>336,735</u>    | <u>207,862</u>     |
| <b>Cash and Cash Equivalents<br/>End Of Year</b>  | <u>\$ 244,580</u> | <u>\$ 336,735</u>  |

See accompanying Notes to Financial Statements.

**Angus Foundation**  
**Notes to Financial Statements**  
 September 30, 2017 and 2016

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Angus Foundation (the Foundation) is a nonprofit organization incorporated in the state of Illinois in 1980. The Foundation's principal activities are to secure, manage, and steward charitable gifts for the purpose of cultivating and fostering the advancement of education, youth, and research activities related to the Angus breed and the agricultural industry.

**Use of Estimates in Preparing Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Significant estimates incorporated into the Foundation's financial statements include: the allocation factors used to allocate costs among the various programs and supporting services of the Foundation; the estimated timing and collectibility applicable to pledges receivable and accounts receivable; the required liability for post retirement benefits; and the estimated final distribution of an estate. Actual results could differ from those estimates.

**Net Assets**

Financial statement presentation follows the recommendations of Accounting Standards Codification (ASC) 958, Financial Statements of Not-for-Profit Organizations. Under ASC 958, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets; temporarily restricted net assets; and permanently restricted net assets.

**Unrestricted Net Assets** - Include all net assets which are neither temporarily nor permanently restricted. This category includes board designated assets.

**Temporarily Restricted Net Assets** - include contributed net assets for which donor imposed time and purpose restrictions have not been met and the ultimate purpose of the contribution is not permanently restricted. Excess realized and unrealized investment income is added to temporarily restricted net assets, if these amounts have not yet been utilized for their designated purposes, to the extent required by the individual donor agreements. If not required by the donor, these earnings are recorded as unrestricted income.

**Permanently Restricted Net Assets** - include contributed net assets which require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

## Angus Foundation

### Notes to Financial Statements *(Continued)*

September 30, 2017 and 2016

#### Cash and Cash Equivalents

Cash and cash equivalents generally include cash on hand and liquid investments with banks, mutual funds, certificates of deposit and money market accounts with an initial maturity date of three months or less. Certain cash equivalents are considered to be an integral part of the Foundation's investment program and are, accordingly, recognized as a component of investments on the statements of financial position.

#### Contributions

Contributions, including promises to give, are recorded when they become unconditional.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor or by law. Conditional promises are recorded when the donor's conditions are met. Amounts received that are designated for future periods, or restricted by the donor for specific purposes, are reported as temporarily or permanently restricted and increase those net asset classes.

#### Pledges and Accounts Receivable

Pledges receivable represents unconditional promises to give that are due within 1 to 3 years. Pledges receivable are stated at the pledged amount, with the exception of long-term promises to give which are discounted to reflect their present value. Management has also established a valuation allowance that reflects management's best estimate of amounts that may not be collected.

Accounts receivable relate to products and services, and are generally due within 30 days of the invoice date. As the receivables tend to be small and are generally collectible, no valuation allowance is deemed by management to be necessary.

#### Inventories

Inventories consist primarily of promotional, educational, and support items. Inventories are stated at the "lower of cost or market value" with cost being determined on the first-in, first-out (FIFO) basis of accounting.

#### Investments

Investments include fixed income and equity security mutual funds, certificates of deposit, and money market accounts. Investments in fixed income and equity mutual funds are carried at fair value with unrealized and realized gains and losses reported as an increase or decrease in the appropriate category of net assets. Certificates of deposits and money market accounts are carried at cost, which approximates fair value.

Investment income is reported in the statement of activities as unrestricted, temporarily restricted, or permanently restricted revenue based upon donor imposed restrictions.

#### Post Retirement Benefits

The Foundation provides certain health care benefits for retired employees who meet eligibility requirements. The value for post retirement benefits is determined using the accrual amount based on employee census information and estimates of the actuarial lifespan of potentially eligible individuals, the current year cost of supplemental health insurance, and certain assumptions related to discount rates and expected return on investments.

#### Income Taxes

The Foundation is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC), and is not considered to be a private foundation. Therefore, no income or excise taxes have been provided in the financial statements. The Foundation follows the standard for evaluating uncertain tax positions and has determined no liability should be recorded for uncertain tax positions.

#### Description of Programs

The Foundation develops, assists, and sponsors educational programs, supports youth programs, and sponsors scientific research on topics related to agriculture.

#### Functional Allocation of Expenses

The indirect functional costs of providing the various programs and activities of the Foundation have been allocated amongst those programs and activities according to allocation principles believed to be most representative by management of the actual efforts required by those programs. Program expenses include both these allocated costs and the direct costs of providing each program or activity.

Angus Foundation

Notes to Financial Statements (Continued)

September 30, 2017 and 2016

**NOTE 2 – FAIR VALUE OF FINANCIAL INSTRUMENTS**

In determining fair value, the Foundation uses various valuation approaches within the ASC 820 fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs, by requiring that the most observable inputs be used when available. ASC 820 defines levels within the hierarchy based on the reliability of inputs as follows:

**Level 1** - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets; and

**Level 2** - Valuations based on quoted prices for similar assets or liabilities, or identical assets or liabilities in less active markets, such as dealer or broker markets; and

**Level 3** - Valuations derived from valuation techniques in which one or more significant inputs, or significant value drivers, are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

Following is a description of the valuation methodologies used for instruments measured at fair value and their classifications in the valuation hierarchy.

**Investments**

Securities listed on a national market or exchange are valued at the last sales price, or if there is no sale and the market is still considered active, at the last transaction price before year-end. Such securities are classified within Level 1 of the valuation hierarchy.

Fair values of assets measured on a recurring basis, as of September 30, are as follows:

|                      | Total<br>Fair Value | 2017          |         |         |
|----------------------|---------------------|---------------|---------|---------|
|                      |                     | Level 1       | Level 2 | Level 3 |
| <b>Investments:</b>  |                     |               |         |         |
| Equity Securities:   |                     |               |         |         |
| Mutual Funds:        |                     |               |         |         |
| Large Cap Equity     | \$ 4,428,131        | \$ 4,428,131  | \$ -    | \$ -    |
| Mid Cap Equity       | 256,867             | 256,867       | -       | -       |
| Small Cap Equity     | 109,799             | 109,799       | -       | -       |
| International        | 445,623             | 445,623       | -       | -       |
| World                | 605,805             | 605,805       | -       | -       |
| <b>Fixed Income:</b> |                     |               |         |         |
| Mutual Funds:        |                     |               |         |         |
| Corporate            | 13,885,296          | 13,885,296    | -       | -       |
| Total Assets         | \$ 19,731,521       | \$ 19,731,521 | \$ -    | \$ -    |

|                      | Total<br>Fair Value | 2016          |         |         |
|----------------------|---------------------|---------------|---------|---------|
|                      |                     | Level 1       | Level 2 | Level 3 |
| <b>Investments:</b>  |                     |               |         |         |
| Equity Securities:   |                     |               |         |         |
| Mutual Funds:        |                     |               |         |         |
| Large Cap Equity     | \$ 3,894,450        | \$ 3,894,450  | \$ -    | \$ -    |
| Mid Cap Equity       | 196,405             | 196,405       | -       | -       |
| Small Cap Equity     | 98,284              | 98,284        | -       | -       |
| International        | 389,998             | 389,998       | -       | -       |
| World                | 356,651             | 356,651       | -       | -       |
| <b>Fixed Income:</b> |                     |               |         |         |
| Mutual Funds:        |                     |               |         |         |
| Corporate            | 13,637,725          | 13,637,725    | -       | -       |
| Total Assets         | \$ 18,573,513       | \$ 18,573,513 | \$ -    | \$ -    |

**Angus Foundation**  
**Notes to Financial Statements (Continued)**  
September 30, 2017 and 2016

**NOTE 3 – INVESTMENTS**

The value of investments at September 30, 2017 consists of the following:

|                              | Cost                 | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value           |
|------------------------------|----------------------|------------------------|-------------------------|----------------------|
| <b>Held at Cost:</b>         |                      |                        |                         |                      |
| Certificates of Deposit      | \$ 16,279            | \$ -                   | \$ -                    | \$ 16,279            |
| Money Market Accounts        | 61,333               | -                      | -                       | 61,333               |
| <b>Held at Fair Value:</b>   |                      |                        |                         |                      |
| Equity Security Mutual Funds | 4,594,566            | 1,251,659              | -                       | 5,846,225            |
| Fixed Income Mutual Funds    | 13,859,281           | 26,015                 | -                       | 13,885,296           |
| Total Investments            | <u>\$ 18,531,459</u> | <u>\$ 1,277,674</u>    | <u>\$ -</u>             | <u>\$ 19,809,133</u> |

Investment returns for the year ended September 30, 2017 consist of the following:

|                          |                     |
|--------------------------|---------------------|
| Interest Income          | \$ 591,323          |
| Net Realized Gains       | 20,246              |
| Investment Fees          | (9,813)             |
| Net Investment Income    | 601,756             |
| Net Unrealized Gains     | 519,403             |
| Total Investment Returns | <u>\$ 1,121,159</u> |

The value of investments at September 30, 2016 consists of the following:

|                              | Cost                 | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value           |
|------------------------------|----------------------|------------------------|-------------------------|----------------------|
| <b>Held at Cost:</b>         |                      |                        |                         |                      |
| Certificates of Deposit      | \$ 13,313            | \$ -                   | \$ -                    | \$ 13,313            |
| Money Market Accounts        | 29,646               | -                      | -                       | 29,646               |
| <b>Held at Fair Value:</b>   |                      |                        |                         |                      |
| Equity Security Mutual Funds | 4,463,676            | 472,112                | -                       | 4,935,788            |
| Fixed Income Mutual Funds    | 13,351,566           | 286,159                | -                       | 13,637,725           |
| Total Investments            | <u>\$ 17,858,201</u> | <u>\$ 758,271</u>      | <u>\$ -</u>             | <u>\$ 18,616,472</u> |

Investment returns for the year ended September 30, 2016 consist of the following:

|                          |                     |
|--------------------------|---------------------|
| Interest Income          | \$ 378,815          |
| Net Realized Gains       | 275,034             |
| Investment Fees          | (9,250)             |
| Net Investment Income    | 644,599             |
| Net Unrealized Gain      | 697,953             |
| Total Investment Returns | <u>\$ 1,342,552</u> |

**NOTE 4 – PLEDGES RECEIVABLE**

Pledges receivable contain the following:

|  | 2017              | 2016              |
|--|-------------------|-------------------|
| <b>Total Pledges Receivable</b>                    | <b>\$ 374,310</b> | <b>\$ 386,400</b> |
| Less: Allowance for<br>Uncollectible Pledges       | 27,500            | 35,500            |
| Less: Unamortized Discount                         | 184               | 340               |
| Net Pledges Receivable                             | <u>346,626</u>    | <u>350,560</u>    |
| Less: Pledges Receivable,<br>Net - Current Portion | 344,810           | 347,900           |
| Long-Term Pledges<br>Receivable, Net               | <u>\$ 1,816</u>   | <u>\$ 2,660</u>   |

| Year Ending September 30, | Amount            |
|---------------------------|-------------------|
| 2018                      | \$ 372,310        |
| 2019                      | 1,000             |
| 2020                      | 1,000             |
| Total                     | <u>\$ 374,310</u> |

Interest was imputed at a rate of 5% in discounting long-term pledges receivable.

The Foundation has been informed of multiple donors naming the Angus Foundation as a charitable beneficiary in their revocable wills or trusts. Since these gifts are revocable, they are not reflected within the accompanying financial statements due to their conditional nature.

The Foundation is a beneficiary of an estate that is in the process of liquidating its assets to make a final distribution. Based upon discussion with the executors of the estate, the Foundation has recognized a receivable of \$226,000 and \$245,000 at September 30, 2017 and 2016. This amount is subject to change relating to any final earnings or costs discovered or incurred by the estate.



**Angus Foundation**

**Notes to Financial Statements (Continued)**

September 30, 2017 and 2016

**NOTE 5 – PENSION AND POST RETIREMENT BENEFIT PLANS**

The Foundation sponsors a qualified noncontributory defined contribution plan (the Plan), which covers substantially all full-time eligible employees. Contributions are established by the board of directors (board) and are discretionary. Contributions to the Plan are based upon eligible employee salaries and years of service. During the fiscal years ended 2017 and 2016, the Foundation contributed \$15,900 and \$13,523, respectively, to this Plan.

During the fiscal year ended September 30, 1997, the Plan was amended to include a supplemental savings and retirement plan qualified under Section 401(k) of the IRC. Eligible employees may contribute a percentage of their eligible salary subject to federal statutory limits.

The Foundation provides supplemental post retirement health care benefits to employees who meet certain years of service requirements. This Plan is not available for employees hired after March 1, 2006. This benefit is to be funded from the general assets of the Foundation as they are incurred. No benefits were paid in 2017 or 2016. The following is information about the benefit obligation and assumptions related to this benefit plan as of September 30:

|   | 2017             | 2016             |
|---|------------------|------------------|
| <b>Accrued Benefit Obligation:</b>                |                  |                  |
| Long-Term Liability                               | <u>\$ 24,000</u> | <u>\$ 22,000</u> |
| Change in Obligation for Post Retirement Benefits | <u>\$ 2,000</u>  | <u>\$ 1,000</u>  |
| <b>Weighted-Average Assumptions:</b>              |                  |                  |
| Discount Rate                                     | 6%               | 6%               |
| Expected Return on Plan Assets                    | 8%               | 8%               |

**NOTE 6 – BOARD DESIGNATED, TEMPORARY, AND PERMANENT RESTRICTIONS**

Board designated net assets were available for the following purpose:

|  | 2017                | 2016                |
|--|---------------------|---------------------|
| Youth, Research and Education Programs | <u>\$ 2,172,828</u> | <u>\$ 1,897,475</u> |

Temporarily restricted net assets were available for the following purposes:

|   | 2017                | 2016                |
|---|---------------------|---------------------|
| Research                                    | \$ 17,257           | \$ 10,384           |
| Youth Programs                              | 906,453             | 841,579             |
| Education                                   | 1,101,297           | 718,844             |
| Future Operations                           | <u>2,754,718</u>    | <u>2,420,711</u>    |
| Total Temporarily Restricted Assets Balance | <u>\$ 4,779,725</u> | <u>\$ 3,991,518</u> |

Permanently restricted net assets represent endowments, which are invested in perpetuity, the income from which is expendable to support specified programs as follows:

|   | 2017                 | 2016                 |
|---|----------------------|----------------------|
| Research                                    | \$ 64,432            | \$ 64,432            |
| Youth Programs                              | 2,065,664            | 1,890,628            |
| Education                                   | <u>10,481,823</u>    | <u>10,500,573</u>    |
| Total Permanently Restricted Assets Balance | <u>\$ 12,611,919</u> | <u>\$ 12,455,633</u> |

Investment losses relative to donor restricted funds are born by the individual funds.

**NOTE 7 – ENDOWMENTS**

The Foundation's endowments consist of 60 funds established to support a variety of scholarships and programs. Its endowments consist of both donor-restricted endowment funds and funds designated by the board to function as endowments. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

The board has interpreted Missouri's enactment of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation 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. Consequently, the Foundation classifies permanently restricted net assets as:

- The original value of gifts donated to the permanent endowment, and
- The original value of subsequent gifts to the permanent endowment.

The remaining portion of the donor-restricted endowment fund not classified as permanently restricted is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the board. In accordance with UPMIFA, 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 purpose of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and 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 Foundation

## Angus Foundation

### Notes to Financial Statements (Continued)

September 30, 2017 and 2016

#### NOTE 7 – 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 the programs supported by the endowments. The endowment assets are invested in a manner that is intended to produce results similar to the S&P 500 index while assuming a moderate level of investment risk. Due to the specific investment guidelines required by a significant endowment donor, approximately \$10.6 million was invested in fixed income type investments as of September 30, 2017.

##### Spending Policy

The Foundation has a policy of appropriating a distribution percentage each year of its endowment fund's average balance over the prior three years preceding the fiscal year in which the distribution is budgeted (5% for 2017 and 2016). Because this amount is calculated for a future year, any amount appropriated for the following fiscal years is added to temporarily restricted net assets in the current year.

In establishing this policy, the Foundation considered the long-term expected returns on its endowment investments. Accordingly, over the long term, the Foundation expects the current spending policy will allow its endowment to retain the original corpus of the gift.

##### Strategies Employed for Achieving Objectives

The Foundation relies on a total return strategy in which investment returns are achieved through capital appreciation and current yield (interest and dividends). The Foundation targets a diversified asset allocation that emphasizes fixed income securities to achieve its long-term objectives within prudent risk constraints.

Endowment net asset composition by type of fund as of September 30, 2017:

|                                  | Unrestricted | Temporarily Restricted | Permanently Restricted | Total         |
|----------------------------------|--------------|------------------------|------------------------|---------------|
| Donor Restricted Endowment Funds | \$ -         | \$ 1,243,756           | \$ 12,366,555          | \$ 13,610,311 |
| Board Designated Endowment Funds | 2,066,271    | -                      | -                      | 2,066,271     |
| Total Funds                      | \$ 2,066,271 | \$ 1,243,756           | \$ 12,366,555          | \$ 15,676,582 |

Changes in endowment net assets for the fiscal year ended September 30, 2017:

|   | Unrestricted | Temporarily Restricted | Permanently Restricted | Total         |
|---|--------------|------------------------|------------------------|---------------|
| Net Assets - Beginning of Year                    | \$ 1,818,060 | \$ 856,229             | \$ 12,191,684          | \$ 14,865,973 |
| Investment Return:                                |              |                        |                        |               |
| Investment Income                                 | 61,420       | 376,061                | -                      | 437,481       |
| Net Appreciation:                                 |              |                        |                        |               |
| Board Designated                                  | 168,683      | -                      | -                      | 168,683       |
| Donor Restricted                                  | -            | 70,752                 | -                      | 70,752        |
| Total   | 230,103      | 446,813                | -                      | 676,916       |
| Contributions                                     | 105,608      | 8,005                  | 174,871                | 288,484       |
| Appropriation of Endowment Assets for Expenditure | (87,500)     | (67,291)               | -                      | (154,791)     |
| Net Assets - End of Year                          | \$ 2,066,271 | \$ 1,243,756           | \$ 12,366,555          | \$ 15,676,582 |

**Angus Foundation**

**Notes to Financial Statements (Continued)**

September 30, 2017 and 2016

**Note 7 – Endowments (Continued)**

Endowment net asset composition by type of fund as of September 30, 2016:

|                                  | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u>         |
|----------------------------------|---------------------|-------------------------------|-------------------------------|----------------------|
| Donor Restricted Endowment Funds | \$ -                | \$ 856,229                    | \$ 12,191,684                 | \$ 13,047,913        |
| Board Designated Endowment Funds | 1,818,060           | -                             | -                             | 1,818,060            |
| Total Funds                      | <u>\$ 1,818,060</u> | <u>\$ 856,229</u>             | <u>\$ 12,191,684</u>          | <u>\$ 14,865,973</u> |

Changes in endowment net assets for the fiscal year ended September 30, 2016:

|   | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u>         |
|---|---------------------|-------------------------------|-------------------------------|----------------------|
| Net Assets - Beginning of Year                    | \$ 1,601,757        | \$ 160,638                    | \$ 7,932,849                  | \$ 9,695,244         |
| Investment Return:                                |                     |                               |                               |                      |
| Investment Income                                 | 82,517              | 348,047                       | -                             | 430,564              |
| Net Appreciation:                                 |                     |                               |                               |                      |
| Board Designated                                  | 96,213              | -                             | -                             | 96,213               |
| Donor Restricted                                  | -                   | 406,799                       | -                             | 406,799              |
| Total   | 178,730             | 754,846                       | -                             | 933,576              |
| Contributions                                     | 93,973              | 13,660                        | 4,258,835                     | 4,366,468            |
| Appropriation of Endowment Assets for Expenditure | (56,400)            | (72,915)                      | -                             | (129,315)            |
| Net Assets - End of Year                          | <u>\$ 1,818,060</u> | <u>\$ 856,229</u>             | <u>\$ 12,191,684</u>          | <u>\$ 14,865,973</u> |

**NOTE 8 – RELATED PARTIES**

The Foundation paid an affiliated organization \$40,400 for rent of facilities and equipment, and administrative services, for each of the years ended September 30, 2017 and 2016.

The Foundation paid affiliated organizations \$124,579 and \$124,226 for sponsorships of events and shows during the years ended September 30, 2017 and 2016, respectively. Included in accounts payable at September 30, 2017 and 2016 was \$4,014 and \$64,256, respectively, due to an affiliated organization.

An affiliated organization contributed \$437,500 and \$337,500 to cover current and future administrative services and donor relations for each of the years ended September 30, 2017 and 2016, respectively.

The same affiliated organization made a conditional pledge for fiscal year 2018 of \$375,000 earmarked for 2018 administrative and promotional costs. Due to its conditional nature, this pledge has not been reflected in these financial statements.

**NOTE 9 – FLUCTUATION IN INVESTMENT VALUES**

The Foundation's investment portfolio is subject to significant fluctuations in its value. Because the values of individual investments fluctuate with market conditions, the amount of investment gains or losses that the Foundation will recognize in its future financial statements, if any, cannot be determined.

**NOTE 10 – CONTINGENCIES**

The Foundation has approved various grants totaling approximately \$250,000 for specific research projects. The grants are contingent upon the researchers accepting final agreements and meeting other requirements established by the Foundation. Due to their conditional nature, the financial statements do not reflect a commitment for these grants.

**NOTE 11 – CONCENTRATIONS**

Approximately 50% of the Foundation's contributions during the year ended September 30, 2017 were from two donors. Approximately 74% of the Foundation's contributions during the year ended September 30, 2016 were from one donor.

Approximately 84% of the Foundation's pledges receivable at September 30, 2017 were from two donors. Approximately 63% of the Foundation's pledges receivable at September 30, 2016 were from one donor.

**NOTE 12 – SUBSEQUENT EVENTS**

Management evaluated subsequent events through October 17, 2017, the date the financial statements were available to be issued. Events or transactions occurring after September 30, 2017, but prior to October 17, 2017 that provided additional evidence about conditions that existed at September 30, 2017, have been recognized in the 2017 financial statements.

**NOTE 13 – RECLASSIFICATION**

Certain reclassifications of prior year's amounts have been made to conform to the presentation adopted for 2017. These reclassifications had no effect on previously reported earnings or net assets.