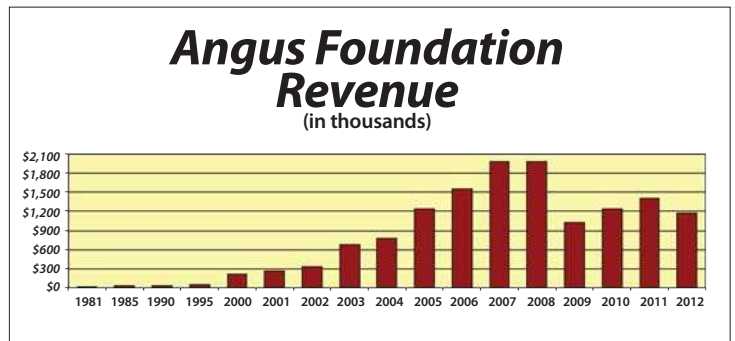
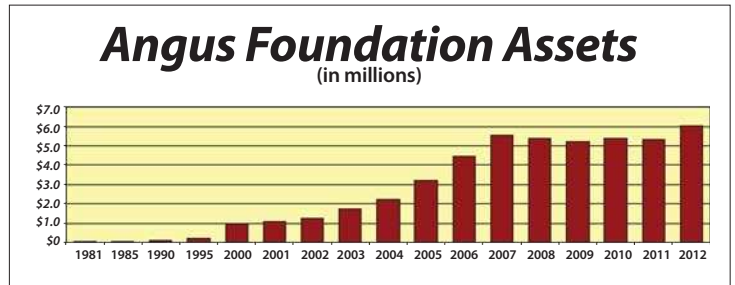


# Use of Funds

With the help of donors, the Angus Foundation continues to see stability, gradual growth and sustainment of supporter levels in the face of economic adversity in this current fiscal year.

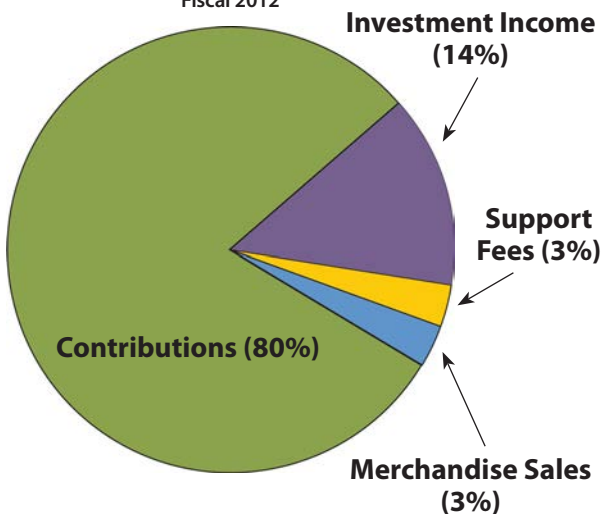
With total revenue of \$1,173,074, this fiscal year ranks in the top seven years for the Angus Foundation since its inception in 1980. Total assets of \$6,045,287 reflects solid growth this fiscal year.

Through generous charitable gifts from Angus breeders, allied industry interests and friends, the next fiscal year promises to be even more prosperous for the Angus Foundation!



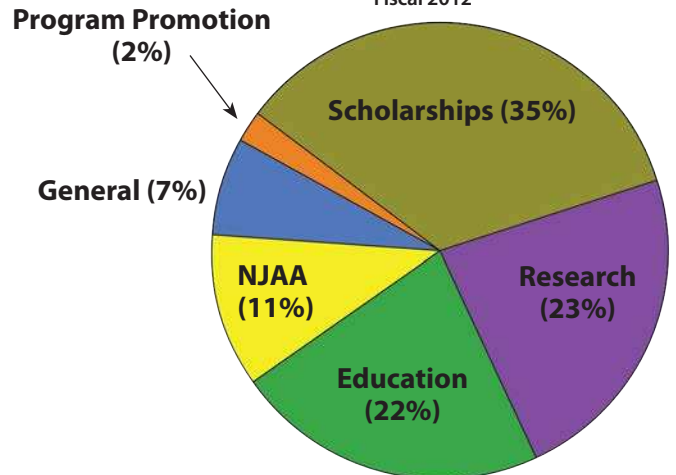
## Foundation Revenue Sources

Fiscal 2012



## Programs Funded by Foundation

Fiscal 2012



# Financial Statements

## Independent Auditor's Report

Board of Directors  
Angus Foundation  
Saint Joseph, Mo.

We have audited the accompanying statements of financial position of Angus Foundation (the Foundation) as of September 30, 2012 and 2011, and the related statements of activities and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Angus Foundation as of September 30, 2012 and 2011, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*CliftonLawsandPatten LLP*

Saint Joseph, Mo.  
October 18, 2012

## Angus Foundation Statements of Financial Position

September 30, 2012 and 2011

	2012	2011
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 123,858	\$ 68,087
Accounts receivable	91,916	106,369
Pledges receivable, net - current portion	18,577	1,436
Interest receivable	—	1,523
Inventories	95,025	104,566
Prepaid expenses	15,433	11,650
Total current assets	<u>344,809</u>	<u>293,631</u>
<b>Investments</b>		
Unrestricted	1,331,701	1,339,350
Board designated	1,220,595	966,933
Temporarily restricted	2,398,343	2,039,763
Permanently restricted	749,839	661,634
Total investments	<u>5,700,478</u>	<u>5,007,680</u>
<b>Long-term pledges receivable - net</b>	<u>—</u>	<u>233</u>
<b>Total Assets</b>	<u>\$ 6,045,287</u>	<u>\$ 5,301,544</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable - trade	\$ 188,752	\$ 92,445
Accrued liabilities	25,397	36,176
Deferred income	—	21,308
Total current liabilities	<u>214,149</u>	<u>149,929</u>
<b>Long-term Liabilities</b>		
Accrued post retirement benefits	20,000	17,000
Accrued awards	1,200	2,200
Total long-term liabilities	<u>21,200</u>	<u>19,200</u>
Total liabilities	<u>235,349</u>	<u>169,129</u>
<b>Net Assets</b>		
Unrestricted:		
Operating	1,256,552	1,293,520
Board designated	1,294,970	1,072,820
Temporarily restricted	2,478,344	2,081,431
Permanently restricted	780,072	684,644
Total net assets	<u>5,809,938</u>	<u>5,132,415</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 6,045,287</u>	<u>\$ 5,301,544</u>

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

## Angus Foundation Statements of Activities and Changes in Net Assets

Years Ended September 30, 2012 and 2011

	2012			2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support							
Contributions	\$ 318,481	\$ 462,433	\$ 94,978	\$ 875,892	\$ 589,419	\$ 576,861	\$ 1,215,244
Royalties	81,830	—	—	81,830	34,480	349	34,829
Other revenue	2,427	—	—	2,427	4,497	—	4,497
Merchandise sales	28,890	—	—	28,890	25,731	—	25,731
Net investment income	84,959	64,276	—	149,235	46,488	64,985	111,473
Advertising	—	—	—	—	15,650	—	15,650
Support fees	34,800	—	—	34,800	5,624	—	5,624
	551,387	526,709	94,978	1,173,074	721,889	642,195	1,413,048
Net assets released from restrictions:							
Satisfaction of purpose restrictions	525,266	(525,266)	—	—	570,119	(570,119)	—
Change of donor restrictions	33,220	(33,670)	450	—	18,052	(7,381)	—
Total revenues, gains and other support	1,109,873	(32,227)	95,428	1,173,074	1,310,060	64,695	1,413,048
<b>Expenses</b>							
Program services	784,892	—	—	784,892	751,221	—	751,221
Marketing and promotions	312,663	—	—	312,663	371,875	—	371,875
Operations and general expenses	197,275	—	—	197,275	225,712	—	225,712
Total expenses	1,294,830	—	—	1,294,830	1,348,808	—	1,348,808
Changes in net assets before provision for post retirement benefits and net unrealized gain (loss) on investments	(184,957)	(32,227)	95,428	(121,756)	(38,748)	64,695	64,240
Provision for Post retirement Benefits	(3,000)	—	—	(3,000)	(2,000)	—	(2,000)
Net Unrealized Gain (Loss) on Investments	373,139	429,140	—	802,279	(50,529)	(79,579)	(130,108)
Changes in Net Assets	185,182	396,913	95,428	677,523	(91,277)	(14,884)	(67,868)
Net Assets, Beginning of the Year	2,366,340	2,081,431	684,644	5,132,415	2,457,617	2,096,315	5,200,283
Net Assets, End of Year	\$ 2,551,522	\$ 2,478,344	\$ 780,072	\$ 5,809,938	\$ 2,366,340	\$ 2,081,431	\$ 5,132,415

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

## Angus Foundation Statements of Cash Flows

Years Ended September 30, 2012 and 2011

	2012	2011
<b>Cash Flows From Operating Activities</b>		
Changes in net assets	\$ 677,523	\$ (67,868)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Net realized gains on investments	(40,805)	(6,590)
Net unrealized (gains) losses on investments	(802,279)	130,108
Effect of changes in operating assets and liabilities:		
Accounts and interest receivable	15,976	(63,436)
Pledges receivable - net	(16,908)	65,976
Inventories	9,541	235
Prepaid expenses	(3,783)	8,372
Accounts payable - trade	96,307	60,244
Accounts payable - affiliate	—	(37,471)
Accrued liabilities, deferred income, post retirement benefits, and accrued awards	(30,087)	(14,294)
Net cash provided by (used in) operating activities	<u>(94,515)</u>	<u>75,276</u>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sale of investments	737,832	702,458
Purchases of investments	(587,546)	(732,840)
Net cash provided by (used in) investing activities	<u>150,286</u>	<u>(30,382)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	55,771	44,894
<b>Cash and Cash Equivalents, Beginning of Year</b>	68,087	23,193
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 123,858</u>	<u>\$ 68,087</u>

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

## Angus Foundation Notes to Financial Statements

September 30, 2012 and 2011

### NOTE 1 – Summary of Significant Accounting Policies

Angus Foundation (the Foundation) is a not-for-profit 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 collectibility and discounts applicable to pledges receivable, and the required liability for post retirement benefits. Actual results could differ from those estimates.

### Net Assets

Financial statement presentation follows the recommendations of Accounting Standards Codification (ASC) 958-205, *Financial Statements of Not-for-Profit Organizations*. Under ASC 958-205, 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

Unrestricted net assets include all net assets which are neither temporarily nor permanently restricted. This category includes board designated assets.

### Temporarily Restricted

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

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, 2012 and 2011

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### 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 statement of financial position.

### Contributions

Contributions are recognized as revenues in the period received or promised. Conditional contributions are recorded when the donor's conditions are met.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor or by law. Amounts received that are designated for future periods or restricted by the donor for specific purposes, are reported as temporarily restricted or permanently restricted and increase those net assets classes.

### Pledges and Accounts Receivable

Pledges receivable represents unconditional promises to give that are due within one to three years. Pledges receivable are stated at the pledged amount, with the exception that long-term promises to give are discounted to reflect their present value. Management has also established a valuation allowance that reflects management's best estimate of amounts that will 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 mutual funds, government bonds, certificates of deposit, and money market accounts. Investments in fixed income and equity mutual funds and government bonds 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.

### Postretirement Benefits

The Foundation provides certain health care benefits for retired employees who meet eligibility requirements. The estimated cost of the benefits to be paid after retirement is accrued by charges to expense based upon the actuarial life expectancy of each eligible employee, and the current cost of the covered benefits, discounted to present value.

### Deferred Revenue

The Foundation occasionally receives pledges that include a provision calling for the Foundation to provide certain services to be acquired from affiliate organizations. The revenue related to these future services is deferred until future years when the services are to be provided.

### Income Taxes

The Foundation is a not-for-profit organization that is exempt from income taxes under section 501(c)(3) of the U.S. Internal Revenue Code, and is not considered to be a private foundation. The Foundation is subject to income taxes on unrelated business income.

The federal tax and information returns of the Foundation for the fiscal years ending September 30, 2009, 2010 and 2011 remain subject to examination by the IRS taxing authority, generally for three years after they were filed.

### 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

September 30, 2012 and 2011

## 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 or 2 of the valuation hierarchy, as appropriate.

### Pledges receivable

Fair value for pledges receivable is determined by calculating the present value of future cash flows as expected to be received by management, using a discount rate of 5% based on treasury bills for the beginning period of the campaign gift (2007). These are classified as level 3 within the valuation hierarchy.

### Postretirement benefits

Fair 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. The discount rate used was 6% and the expected return on plan assets was estimated at 8% using weighted average assumptions. These are classified as level 3 within the valuation hierarchy.

Fair values of other assets and liabilities measured on a recurring basis, as of September 30, 2012 and 2011, are as follows:

September 30, 2012				
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Investments:				
Equity Securities:				
Mutual funds:				
Large cap equity	\$ 3,037,140	\$ 3,037,140	\$ —	\$ —
Mid cap equity	161,466	161,466	—	—
Small cap equity	91,938	91,938	—	—
International	201,923	201,923	—	—
Fixed income:				
Mutual funds:				
Short term	57,963	57,963	—	—
Government	97,116	97,116	—	—
Corporate	1,852,579	1,852,579	—	—
High yield	26,761	26,761	—	—
World Bond	37,568	37,568	—	—
Pledges receivable	18,577	—	—	18,577
Post retirement benefits	(20,000)	—	—	(20,000)
Total assets and liabilities	\$ 5,563,031	\$ 5,564,454	\$ —	\$ (1,423)

September 30, 2011				
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Investments				
Equity Securities:				
Mutual funds:				
Large cap equity	\$ 2,478,358	\$ 2,478,358	\$ —	\$ —
Mid cap equity	115,104	115,104	—	—
Small cap equity	67,367	67,367	—	—
International	260,250	260,250	—	—
Fixed income:				
Mutual funds:				
Short term	111,808	111,808	—	—
Government	162,646	162,646	—	—
Corporate	1,369,521	1,369,521	—	—
High yield	32,657	32,657	—	—
Government bonds	100,434	—	—	—
Pledges receivable	1,669	—	—	1,669
Post retirement benefits	(17,000)	—	—	(17,000)
Total assets and liabilities	\$ 4,682,814	\$ 4,597,711	\$ —	\$ (15,331)

The following is a reconciliation of the beginning and ending balance of assets and liabilities, measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the years ended September 30, 2012 and 2011:

	Pledges Receivable	Post retirement Benefits
Balance, September 30, 2010	\$ 67,645	\$ (15,000)
New pledges received	323,672	—
Collections on pledges	(382,232)	—
Amounts written off	(92,600)	—
Change in allowance	84,306	—
Change in fair value	878	(2,000)
Balance, September 30, 2011	\$ 1,669	\$ (17,000)
New pledges received	137,623	—
Collections on pledges	(123,058)	—
Amounts written off	(15,000)	—
Change in allowance	17,326	—
Change in fair value	17	(3,000)
Balance, September 30, 2012	\$ 18,577	\$ (20,000)

## Angus Foundation Notes to Financial Statements (continued)

September 30, 2012 and 2011

### NOTE 3 – Investments

The value of investments at September 30, 2012 consist of the following:

	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
Held at cost:				
Certificates of deposit	\$ 49,583	\$ —	\$ —	\$ 49,583
Money market accounts	86,441	—	—	86,441
Held at fair value:				
Equity security funds	3,209,636	282,831	—	3,492,467
Fixed income funds	1,926,888	145,099	—	2,071,987
Total investments	<u>\$ 5,272,548</u>	<u>\$ 427,930</u>	<u>\$ —</u>	<u>\$ 5,700,478</u>

Investment returns for the year ended September 30, 2012 consist of the following:

Interest income	\$ 116,655
Net realized gains	40,805
Investment fees	(8,225)
Net investment income	149,235
Net unrealized gains	802,279
Total investment returns	<u>\$ 951,514</u>

The value of investments at September 30, 2011 consist of the following:

	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
Held at cost:				
Certificates of deposit	\$ 116,448	\$ —	\$ —	\$ 116,448
Money market accounts	193,087	—	—	193,087
Held at fair value:				
Equity security funds	3,356,578	—	435,499	2,921,079
Fixed income funds	1,615,916	60,716	—	1,676,632
Government bonds	100,000	434	—	100,434
Total investments	<u>\$ 5,382,029</u>	<u>\$ 61,150</u>	<u>\$ 435,499</u>	<u>\$ 5,007,680</u>

Investment returns for the year ended September 30, 2011 consist of the following:

Interest income	\$ 112,695
Net realized gains	6,590
Investment fees	(7,812)
Net investment income	111,473
Net unrealized losses	(130,108)
Total investment returns	<u>\$ (18,635)</u>

### NOTE 4 – Pledges Receivable

Pledges receivable contain the following:

	<u>2012</u>	<u>2011</u>
Total pledges receivable	\$ 100,625	\$ 101,060
Less: allowance for uncollectible pledges	82,048	99,374
Less: unamortized discount	—	17
Net pledges receivable	18,577	1,669
Less: pledges receivable, net- current portion	18,577	1,436
Long-term pledges receivable, net	<u>\$ —</u>	<u>\$ 233</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. A donor has also made a contingent challenge grant for \$200,000 that is subject to the challenge being met. Since these gifts are revocable, they are not reflected within the accompanying financial statements due to their conditional nature.

### NOTE 5 – Pension and Postretirement 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 and are discretionary. Contributions to the Plan are based upon eligible employee salaries and years of service. During the fiscal years ended 2012 and 2011, the Foundation contributed \$12,298 and \$9,769, 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 Internal Revenue Code. 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. The following is information about the benefit obligation and assumptions related to this benefit plan as of September 30:

# Angus Foundation Notes to Financial Statements

September 30, 2012 and 2011

	2012	2011
Accrued benefit obligation:		
Long-term liability	\$20,000	\$17,000
Change in obligation for post retirement benefits	\$ 3,000	\$ 2,000
Weighted average assumptions:		
Discount rate	6%	6%
Expected return on plan assets	8%	8%

## Note 6 – Allocation of Joint Costs

The costs associated with fundraising have been specifically identified by function and include a total of \$478,391 and \$613,031 of joint costs, which were not specifically attributable to particular components for the years ending September 30, 2012 and 2011, respectively. The joint costs were allocated as follows:

	2012	2011
Program services	\$ 51,121	\$117,889
Marketing and promotions	298,634	367,951
Operations and general expenses	128,636	127,191
Total	\$ 478,391	\$613,031

## NOTE 7 – Board Designated, Temporary and Permanent Restrictions

Included in unrestricted net assets are the following board designations:

	2012	2011
Youth, research, and education programs	\$ 1,294,970	\$ 1,072,820

The temporarily restricted net assets include restrictions for:

	2012	2011
Research	\$ 8,312	\$ 4,735
Youth programs	415,524	278,505
Education	151,652	122,650
Future operations	1,902,856	1,675,541
Total temporarily restricted net assets balance	\$ 2,478,344	\$2,081,431

Permanently restricted net assets represent endowments totaling \$780,072 for 2012 and \$684,644 for 2011, which are invested in perpetuity and the income from which is temporarily restricted support for the Angus Foundation programs. Investment losses relative to donor restricted funds are born by the individual funds.

## NOTE 8 – Endowments

The Foundation's endowments consist of 38 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 of Directors (the Board) to function as endowments. As required by 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

### 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



## Angus Foundation Notes to Financial Statements *(continued)*

September 30, 2012 and 2011

is intended to produce results similar to the S&P 500 index, while assuming a moderate level of investment risk.

### Spending Policy

The Foundation has a policy of appropriating a distribution percent each year of its endowment fund's average balance over the prior three years preceding the fiscal year in which the distribution is budgeted. 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, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ —	\$ 117,085	\$ 749,839	\$ 866,924
Board designated endowment funds	1,188,387	—	—	1,188,387
Total funds	<u>\$ 1,188,387</u>	<u>\$ 117,085</u>	<u>\$ 749,839</u>	<u>\$2,055,311</u>

Changes in Endowment Net Assets for the Fiscal Year Ended September 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	\$ 906,696	\$ 29,502	\$ 661,634	\$1,597,832
Investment return:				
Investment income	27,522	19,109	—	46,631
Net appreciation:				
Board designated	169,924	—	—	169,924
Donor restricted	—	115,995	—	115,995
Transfer of temporary restricted investment	33,435	(33,435)	—	—
Total	<u>230,881</u>	<u>101,669</u>	<u>—</u>	<u>332,550</u>
Contributions	<u>93,610</u>	<u>26,630</u>	<u>88,205</u>	<u>208,445</u>
Appropriation of endowment assets for expenditure	<u>(42,800)</u>	<u>(40,716)</u>	<u>—</u>	<u>(83,516)</u>
Net assets, end of year	<u>\$ 1,188,387</u>	<u>\$ 117,085</u>	<u>\$ 749,839</u>	<u>\$2,055,311</u>

## Angus Foundation Notes to Financial Statements

September 30, 2012 and 2011

Endowment Net Asset Composition by Type of Fund as of September 30, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ (33,435)	\$ 29,502	\$ 661,634	\$ 657,701
Board designated endowment funds	940,131	—	—	940,131
Total funds	<u>\$ 906,696</u>	<u>\$ 29,502</u>	<u>\$ 661,634</u>	<u>\$1,597,832</u>

Changes in Endowment Net Assets for the Fiscal Year Ended September 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	\$ 932,141	\$ 23,656	\$ 596,756	\$1,552,553
Investment return:				
Investment income	23,868	15,660	—	39,528
Net appreciation:				
Board designated	(32,983)	—	—	(32,983)
Donor restricted	—	(25,844)	—	(25,844)
Transfer of temporary restricted investment	(19,398)	19,398	—	—
Total	<u>(28,513)</u>	<u>9,214</u>	<u>—</u>	<u>(19,299)</u>
Contributions	52,174	28,427	64,878	145,479
Appropriation of endowment assets for expenditure	(49,106)	(31,795)	—	(80,901)
Net assets, end of year	<u>\$ 906,696</u>	<u>\$ 29,502</u>	<u>\$ 661,634</u>	<u>\$1,597,832</u>

### NOTE 9 – Related Parties

The Foundation paid an affiliated organization \$39,000 for rent of facilities and equipment, and administrative services, for each of the years ended September 30, 2012 and 2011.

The Foundation received a pledge that includes a provision calling for the Foundation to provide certain services to be acquired from affiliated organizations. The expense related to these services was \$0 for the year ended September 30, 2012 and \$15,000 for the year ended September 30, 2011.

The Foundation paid affiliated organizations \$106,135 and \$65,038 for sponsorships of events and shows provided during the years ended September 30, 2012 and 2011, respectively, of which \$58,267 is included in accounts payable at September 30, 2012.

An affiliated organization contributed \$300,000 and \$350,000 to cover current and future administrative services and donor relations for the years ended September 30, 2012 and 2011, respectively.

The same affiliated organization made a conditional pledge for fiscal year 2013 of \$300,000 earmarked for 2013 administrative and promotional costs. Due to its conditional nature, this pledge has not been reflected in these financial statements.

### NOTE 10 – 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 11 – Contingencies

The Foundation has approved various grants 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 12 – Subsequent Events

Management evaluated subsequent events through October 18, 2012, the date the financial statements were available to be issued. Events or transactions occurring after September 30, 2012, but prior to October 18, 2012 that provided additional evidence about conditions that existed at September 30, 2012, have been recognized in the 2012 financial statements.

This information is an integral part of the accompanying financial statements.