



# Central Washington University Foundation and Affiliate

Combined Financial Statements  
Years Ended June 30, 2020 and 2019

# **Central Washington University Foundation and Affiliate**

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Combined Financial Statements  
Years Ended June 30, 2020 and 2019

# Central Washington University Foundation and Affiliate

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## **Independent Auditor's Report**

To the Board of Directors  
Central Washington University Foundation and Affiliate  
Ellensburg, Washington

We have audited the accompanying combined financial statements of Central Washington University Foundation and Affiliate, which comprise the combined statement of financial position as of June 30, 2020, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements.

### ***Management's Responsibility for the Combined Financial Statements***

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of Central Washington University Foundation and

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Affiliate as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Report on Supplemental Information***

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining statements of Central Washington University Foundation and the Central Washington University Alumni Association are presented for purposes of additional analysis and are not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

### ***Other Matter - Prior-Period Financial Statements***

The financial statements of Central Washington University Foundation and Affiliate as of and for the year ended June 30, 2019, were audited by Peterson Sullivan LLP (“PS”), whose partners and professional staff joined BDO USA, LLP as of November 1, 2019, and has subsequently ceased operations. PS expressed an unmodified opinion on those statements in their report dated October 1, 2019.

*BDO USA, LLP*

October 16, 2020

## **Combined Financial Statements**

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# Central Washington University Foundation and Affiliate

## Combined Statements of Financial Position

<i>June 30,</i>	2020	2019
<b>Assets</b>		
Cash and cash equivalents	\$ 1,325,092	\$ 738,018
Investments	36,220,829	35,084,426
Pledges receivable, net	1,991,855	2,241,926
Other assets	-	16,648
<b>Total Assets</b>	<b>\$ 39,537,776</b>	<b>\$ 38,081,018</b>
 <b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 392,725	\$ 312,693
Trust and other liabilities	109,797	105,268
Note payable	1,815,553	2,226,769
<b>Total Liabilities</b>	<b>2,318,075</b>	<b>2,644,730</b>
<b>Net Assets</b>		
Without donor restrictions		
Operating	2,446,811	1,939,561
Board-designated	675,557	702,082
Total net assets without donor restrictions	3,122,368	2,641,643
With donor restrictions	34,097,333	32,794,645
<b>Total Net Assets</b>	<b>37,219,701</b>	<b>35,436,288</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 39,537,776</b>	<b>\$ 38,081,018</b>

*See accompanying notes to combined financial statements.*

# Central Washington University Foundation and Affiliate

## Combined Statements of Activities

<i>Years Ended June 30,</i>	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenue</b>						
Contributions	\$ 132,072	\$ 4,246,018	\$ 4,378,090	\$ 145,014	\$ 4,859,748	\$ 5,004,762
In-kind contributions	1,976,117	85,060	2,061,177	1,891,212	187,143	2,078,355
Special event revenue	103,792	-	103,792	271,147	-	271,147
Sponsorships	-	89,500	89,500	-	137,602	137,602
Membership dues	75,465	-	75,465	90,218	-	90,218
Investment return	218,893	421,362	640,255	455,132	1,292,948	1,748,080
Other	23,414	6,965	30,379	71,556	317	71,873
Net assets released from restrictions and other transfers	3,546,217	(3,546,217)	-	5,606,102	(5,606,102)	-
<b>Total Support and Revenue</b>	<b>6,075,970</b>	<b>1,302,688</b>	<b>7,378,658</b>	<b>8,530,381</b>	<b>871,656</b>	<b>9,402,037</b>
<b>Expenses</b>						
Program	4,910,445	-	4,910,445	9,555,448	-	9,555,448
Management and general	259,607	-	259,607	428,208	-	428,208
Fundraising	425,193	-	425,193	266,350	-	266,350
<b>Total Program and Administrative Expenses</b>	<b>5,595,245</b>	<b>-</b>	<b>5,595,245</b>	<b>10,250,006</b>	<b>-</b>	<b>10,250,006</b>
<b>Total Change in Net Assets</b>	<b>480,725</b>	<b>1,302,688</b>	<b>1,783,413</b>	<b>(1,719,625)</b>	<b>871,656</b>	<b>(847,969)</b>
<b>Net Assets, beginning of year</b>	<b>2,641,643</b>	<b>32,794,645</b>	<b>35,436,288</b>	<b>4,361,268</b>	<b>31,922,989</b>	<b>36,284,257</b>
<b>Net Assets, end of year</b>	<b>\$ 3,122,368</b>	<b>\$ 34,097,333</b>	<b>\$ 37,219,701</b>	<b>\$ 2,641,643</b>	<b>\$ 32,794,645</b>	<b>\$ 35,436,288</b>

*See accompanying notes to combined financial statements.*



# Central Washington University Foundation and Affiliate

## Combined Statements of Functional Expenses

Years Ended June 30,	2020				2019			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
In-kind expenses	\$ 2,060,821	\$ 356	\$ -	\$ 2,061,177	\$ 2,078,355	\$ -	\$ -	\$ 2,078,355
Scholarships and grants	1,471,980	-	-	1,471,980	1,471,363	-	-	1,471,363
Program support	455,950	38,703	70,737	565,390	899,949	43,116	96,892	1,039,957
Salaries, wages, and benefits	455,398	7,161	28,459	491,018	336,154	118,710	67,845	522,709
Professional services	75,022	50,715	237,942	363,679	57,234	116,264	3,795	177,293
Travel	92,608	5,367	69,203	167,178	169,804	919	81,936	252,659
Information technology	70,975	88,648	3,467	163,090	1,189	91,485	-	92,674
Supplies	140,625	2,647	4,269	147,541	116,494	1,240	1,575	119,309
Write-off of pledges	55,900	-	-	55,900	-	-	-	-
Interest	-	51,670	-	51,670	-	48,196	-	48,196
Postage and printing	25,636	6,316	10,714	42,666	19,129	567	12,749	32,445
Miscellaneous	5,530	8,024	402	13,956	5,777	7,711	1,558	15,046
University capital project support	-	-	-	-	4,400,000	-	-	4,400,000
	<b>\$ 4,910,445</b>	<b>\$ 259,607</b>	<b>\$ 425,193</b>	<b>\$ 5,595,245</b>	<b>\$ 9,555,448</b>	<b>\$ 428,208</b>	<b>\$ 266,350</b>	<b>\$ 10,250,006</b>

*See accompanying notes to combined financial statements.*

# Central Washington University Foundation and Affiliate

## Combined Statements of Cash Flows

<i>Years Ended June 30,</i>	2020	2019
<b>Cash Flows from (for) Operating Activities</b>		
Cash received from contributions	\$ 3,298,120	\$ 2,831,719
Cash paid for scholarships and programs	(2,037,370)	(2,371,312)
Cash paid to employees	(491,018)	(522,709)
Cash paid to the University	-	(4,400,000)
Cash paid to vendors	(852,801)	(760,401)
Cash paid for interest	(51,670)	(48,196)
Net dividends and interest received	718,836	718,677
<b>Net Cash Flows from (for) Operating Activities</b>	<b>584,097</b>	<b>(4,552,222)</b>
<b>Cash Flows for Investing Activities</b>		
Purchase of investments, net	(1,214,984)	(1,224,101)
<b>Cash Flows from Financing Activities</b>		
Draws on line of credit	-	2,700,000
Payments on line of credit	(411,216)	(473,231)
Contributions received for long-term purposes	1,629,177	2,742,790
<b>Net Cash Flows from Financing Activities</b>	<b>1,217,961</b>	<b>4,969,559</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>587,074</b>	<b>(806,764)</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>738,018</b>	<b>1,544,782</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 1,325,092</b>	<b>\$ 738,018</b>

*See accompanying notes to combined financial statements.*

# Central Washington University Foundation and Affiliate

## Notes to Combined Financial Statements

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### 1. Organization

Central Washington University Foundation (the “Foundation”) is organized as a not-for-profit and tax-exempt organization under the provisions of the Internal Revenue Code. In accordance with its bylaws, the Foundation is organized to operate exclusively for the purpose of encouraging, promoting, and supporting educational programs and scholarly pursuits at or in connection with Central Washington University (the “University”). Educational programs include all activities designed to improve the cultural, educational, living, and operational conditions at the University to enlarge or improve its curriculum, faculty and staff, property, and physical facilities, and to provide financial or other assistance to students in their efforts to acquire an education.

The Foundation has an economic interest in the Central Washington University Alumni Association (the “Association”). The Foundation does not have control over the Association and, as a result, combines the activity of the Association. The Association is organized as a not-for-profit and tax-exempt organization under the provisions of the Internal Revenue Code. The Association is organized to promote and advance the development, growth, and interest of the University by maintaining and perpetuating an active organization of alumni.

### 2. Summary of Significant Accounting Policies

#### *Basis of Presentation*

The combined financial statements are prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. Net assets and revenues, gains, and losses are classified based on the existence or absence of grantor/donor-imposed restrictions. Accordingly, net assets of the Foundation and the Association and changes therein are classified and reported as follows:

***Net assets without donor restrictions*** - Net assets that are not subject to donor-imposed stipulations. They are available to support operations, programs, and scholarships. Included within these net assets are board-designated net assets, all of which are for board-designated endowments.

***Net assets with donor restrictions*** - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation or Association and/or the passage of time, or are required by donor stipulation to be held in perpetuity. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statements of activities as net assets released from restrictions. Net assets with donor restrictions consist of the following at June 30:

	2020	2019
Academic and program support	\$ 10,971,008	\$ 10,005,272
Scholarships and awards	23,126,325	22,789,373
	<b>\$ 34,097,333</b>	<b>\$ 32,794,645</b>

# Central Washington University Foundation and Affiliate

## Notes to Combined Financial Statements

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Net assets consist of the following:

<i>June 30, 2020</i>	Without Donor Restrictions	With Donor Restrictions	Total
Foundation	\$ 2,514,608	\$ 33,975,255	\$ 36,489,863
Association	607,760	122,078	729,838
	<u>\$ 3,122,368</u>	<u>\$ 34,097,333</u>	<u>\$ 37,219,701</u>

<i>June 30, 2019</i>	Without Donor Restrictions	With Donor Restrictions	Total
Foundation	\$ 1,940,684	\$ 32,670,008	\$ 34,610,692
Association	700,959	124,637	825,596
	<u>\$ 2,641,643</u>	<u>\$ 32,794,645</u>	<u>\$ 35,436,288</u>

### ***Cash and Cash Equivalents***

For purposes of the combined statements of cash flows, the Foundation and the Association consider all highly liquid investments with an original maturity of three months or less to be cash or cash equivalents. The Foundation and Association maintain their cash and cash equivalent accounts at financial institutions in amounts that, at times, may exceed federally insured limits. Neither the Foundation nor the Association have experienced any losses in such accounts.

### ***Fair Value Measurements***

Fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. There are three levels that prioritize the inputs used in measuring fair value as follows:

**Level 1:** Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;

**Level 2:** Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

**Level 3:** Unobservable inputs where there is little or no market data, which require the Foundation to develop its own assumptions.

### ***Investments***

The Foundation and Association are required to report equity securities with readily determinable fair values and all debt securities at fair value with gains and losses included in the combined statements of activities. Fair value is determined by trading in active markets (except for the market for corporate obligations, which is not considered active). As a result, money market funds, mutual funds, stocks, and bonds are carried at fair value as of the financial statement date.

# Central Washington University Foundation and Affiliate

## Notes to Combined Financial Statements

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Investment securities, in general, are exposed to various risks, such as interest rate, market, and credit risk. It is reasonably possible, given the level of risk associated with the investment securities, that changes in the near term could materially affect the account balances and the amounts reported in the combined financial statements.

### ***Pledges Receivable***

Contributions are recognized when the donor makes a promise to give (pledge) to the Foundation or Association that is, in substance, unconditional. Pledges are recognized based on commitments from donors and are included in the combined financial statements at net realizable value if they are going to be collected within one year. Pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using the discount rate adjustment technique, where the rate is based upon the rate a market participant would demand. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. As of June 30, 2020 and 2019, the Foundation had no outstanding conditional promises to give. Pledges from two donors accounted for 34% and 33% of the pledges receivable balance at June 30, 2020 and 2019, respectively.

The Foundation and the Association use the allowance method to determine uncollectible unconditional pledges receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

### ***Functional Allocation of Expenses***

In order to provide information with regard to service efforts, the costs of providing each of the Foundation's and Association's programs have been presented on a functional basis in the combined statements of activities and functional expenses. Salaries and wages were allocated based on an estimate of time spent in each function. All other costs were directly allocated to each function for the years ended June 30, 2020 and 2019.

### ***Federal Income Tax***

The Foundation and the Association are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

### ***Financial Statement Estimates***

The preparation of the combined financial statements in accordance 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 the disclosure of contingent assets and liabilities, if applicable, at the date of the combined financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### ***Related Parties***

The Foundation has a quid pro quo agreement with the University. The University periodically provides personnel, including management, accounting, and clerical support. The Foundation

# Central Washington University Foundation and Affiliate

## Notes to Combined Financial Statements

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reimburses the University for some of the personnel used for administration and operations. The University also provides office space and various operating supplies to the Foundation.

As noted above, the Foundation has fiduciary responsibility for the Association, where it has an economic interest but not control of the Association.

### ***Recent Accounting Pronouncement Adopted***

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU was issued to standardize how grants and other contracts received and made are classified across the sector, as either an exchange transaction or a contribution. The standard provides guidance to assist in the determination of whether a transaction is a contribution or an exchange transaction. If the transaction is deemed to be a contribution, the guidance provides factors to consider with regard to whether the contribution is conditional or unconditional. For contributions received, if determined to be an unconditional contribution, the determination will then need to be made as to whether the contribution is restricted. The ASU assists in the determination of the nature of the transaction, which then governs the revenue recognition methodology and timing of the transaction. The ASU is effective for contributions received by the Foundation in periods beginning after December 15, 2018. Foundation adopted this update in fiscal year 2020 under the modified prospective basis. The adoption of this update did not materially impact contribution revenue in the financial statements.

### ***Subsequent Events***

Management of the Foundation and the Association have evaluated subsequent events through the date these combined financial statements were available to be issued, which was October 16, 2020.

## **3. Liquidity and Availability of Resources**

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while striving to maximize the investment of its available funds. The Foundation considers investment income without donor restrictions, appropriated earnings from donor-restricted and board-designated endowments, contributions without donor restrictions, and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs.

The following table reflects the Foundation's financial assets as of June 30, 2020 and 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual or donor-imposed restrictions. Amounts not available include long-term promises to give, net assets with donor restrictions, and board-designated endowments reserved to fund special project initiatives not considered in the annual operating budget.

# Central Washington University Foundation and Affiliate

## Notes to Combined Financial Statements

<i>Year Ended June 30,</i>	<b>2020</b>	<b>2019</b>
Cash and cash equivalents	\$ 1,325,092	\$ 738,018
Investments	36,220,829	35,084,426
Pledges receivable	1,991,855	2,241,926
<b>Total Financial Assets</b>	<b>39,537,776</b>	<b>38,064,370</b>
Long-term promises to give	(1,362,099)	(1,368,028)
Board-designated endowment net assets	(462,556)	(702,082)
Board-designated program net assets	(214,831)	-
Reserve funds without donor restriction required by Washington State to issue Charitable Gift Annuities	(500,000)	(500,000)
Net assets with donor restrictions	(34,097,333)	(32,794,645)
<b>Financial assets available to meet cash needs for general expenditures within one year</b>	<b>\$ 2,900,957</b>	<b>\$ 2,699,615</b>

### 4. Investments

The following tables represent information about the Foundation and Association's investments that have been measured at fair value on a recurring basis:

<i>June 30, 2020</i>	Total	Level 1	Level 2	Level 3
<b>Money Market Funds</b>	\$ 1,238,452	\$ 1,238,452	\$ -	\$ -
<b>Fixed Income</b>				
Corporate obligations	2,009,007	-	2,009,007	-
Government obligations	1,931,858	1,931,858	-	-
Domestic mutual funds	2,536,324	2,536,324	-	-
Mortgage-backed securities	1,076,148	1,076,148	-	-
International mutual funds	7,167	7,167	-	-
<b>Equity</b>				
Domestic mutual funds	13,587,389	13,587,389	-	-
International mutual funds	4,651,844	4,651,844	-	-
Information technology	2,881,968	2,881,968	-	-
Financials	778,940	778,940	-	-
International equities	1,324,102	1,324,102	-	-
Health care	711,184	711,184	-	-
Consumer discretionary	842,611	842,611	-	-
Industrials	669,571	669,571	-	-
All other categories	899,500	899,500	-	-
<b>REITs</b>	1,074,764	1,074,764	-	-
	<b>\$ 36,220,829</b>	<b>\$ 34,211,822</b>	<b>\$ 2,009,007</b>	<b>\$ -</b>

# Central Washington University Foundation and Affiliate

## Notes to Combined Financial Statements

<i>June 30, 2019</i>	Total	Level 1	Level 2	Level 3
<b>Money Market Funds</b>	\$ 445,843	\$ 445,843	\$ -	\$ -
<b>Fixed Income</b>				
Corporate obligations	2,011,047	-	2,011,047	-
Government obligations	1,678,317	1,678,317	-	-
Domestic mutual funds	1,397,411	1,397,411	-	-
Mortgage-backed securities	69,831	69,831	-	-
International mutual funds	7,694	7,694	-	-
<b>Equity</b>				
Domestic mutual funds	12,383,033	12,383,033	-	-
International mutual funds	6,083,126	6,083,126	-	-
Information technology	2,344,640	2,344,640	-	-
Financials	1,696,945	1,696,945	-	-
International equities	1,248,680	1,248,680	-	-
Health care	873,104	873,104	-	-
Consumer discretionary	907,822	907,822	-	-
Industrials	597,596	597,596	-	-
All other categories	1,622,783	1,622,783	-	-
<b>REITs</b>	1,716,554	1,716,554	-	-
	<b>\$ 35,084,426</b>	<b>\$ 33,073,379</b>	<b>\$ 2,011,047</b>	<b>\$ -</b>

### 5. Investment Fees and Administrative Fees

The Foundation's operations reflect expenses incurred to efficiently and effectively maintain fund accounting, investment management, gift stewardship, and board and committee management.

The Foundation and the Association paid investment fees, which are netted against investment return as required by ASU No. 2016-14, in the amount of \$106,148 and \$100,673 during the years ended June 30, 2020 and 2019, respectively. In addition, the Foundation has collected administrative fees of \$495,113 and \$442,688 in 2020 and 2019, respectively. Administrative fees are considered a release of restriction and are reclassified from net assets with donor restrictions to net assets without donor restrictions when earned by the Foundation.

### 6. Pledges Receivable

Pledges receivable at June 30, 2020 and 2019, have scheduled maturities as follows:

	2020	2019
Less than one year	\$ 629,756	\$ 796,960
One to five years	1,362,727	1,437,984
More than five years	315,064	394,800
Less: Discount to net present value at rates from 5.00% to 5.50%	(258,004)	(322,075)
Less: Allowance for uncollectible pledges	(57,688)	(65,743)
<b>Net Contributions Receivable</b>	<b>\$ 1,991,855</b>	<b>\$ 2,241,926</b>



# Central Washington University Foundation and Affiliate

## Notes to Combined Financial Statements

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### 7. Charitable Trusts, Annuities, and Related Liability

The charitable trusts are trusts that have been contributed to the Foundation or the Association. The charitable trust assets held are included in the investments line item on the statements of financial position. The trust assets are not currently available to be used and this is indicated by the recording of the trust assets as support with donor restrictions and the related trust liability for annuity payments to donors. When conditions under the trusts have been met, the trust assets will be available to be used in accordance with the donor's wishes. The value of the trust assets at June 30, 2020 and 2019, were \$64,723 and \$63,624, respectively, and the liability for trust payments to the donors were \$24,173 and \$41,645, respectively.

Charitable gift annuities are irrevocable gifts under which the Foundation or Association agrees in turn to pay a life annuity to the donor or a designated beneficiary. The contributed funds and related liabilities immediately become part of the general assets and liabilities. As an issuer of charitable gift annuities, the Foundation and Association have maintained minimum reserves as required by Washington State.

Deferred gifts of cash are valued at face value and investments at market value. Contribution values are discounted on the basis of actuarial data contained in a software program commonly used by not-for-profit organizations. The discount rates used to value these annuities payable range from 3.25% to 5.50% and are based on the Internal Revenue Service actuarial tables.

### 8. Line of Credit

Under a line of credit agreement with a bank, the Foundation may borrow up to \$4,500,000, with interest payable monthly at the bank's prime rate less 2.00% (resulting in a rate of 1.25% at June 30, 2020). The borrowings are collateralized by the Foundation's investment account at the creditor bank. The line of credit matures on April 20, 2021, at which point all outstanding principal and interest is due. The balance on the line of credit was \$1,815,553 and \$2,226,769 at June 30, 2020 and 2019, respectively.

In October 2017 the Foundation board of directors approved a \$4.4 million commitment to the Wildcat Commons Project. The project expanded the University campus recreation facilities and upgraded the Tomlinson Stadium, which was built in 1959 and had not been significantly renovated since.

The Tomlinson Stadium upgrades included the installation of artificial turf, LED stadium lighting, new entry gates, renovated restrooms, new visitor seating, and a new ticketing area, creating a flexible, regulation-size field that can accommodate football, rugby, and soccer year-round. Other amenities include the construction of a new Wildcat Plaza and Alumni Plaza, which provides areas for donors and alumni to gather together while they enjoy their favorite University athletic events. The project addressed the University's growing recreational needs due to its increased enrollment while making the University more competitive in a number of its intercollegiate sports.

In November 2018, the Foundation accessed the line of credit to pay for construction costs of the Tomlinson Stadium upgrade. The repayment mechanism for the line of credit remains the collection of pledge payments made by donors committed to this project.

# Central Washington University Foundation and Affiliate

## Notes to Combined Financial Statements

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### 9. Related Party and In-Kind Contributions

The Foundation and the Association have an operating agreement with the University. Under the terms of this agreement, the University lets the Foundation and Association occupy, without charge, certain premises located in the University. The University also pays some of the Foundation and Association's salary and benefit expenses and provides certain administrative services at no charge to the Foundation or Association. In-kind contributions recognized in these financial statements are recognized at the estimated value upon receipt of the goods or services.

The University provided the Foundation and Association employees to administer daily operations. The salaries and benefits of these employees have been allocated to the Foundation and Association based on the number of hours of service. The cost for salaries and benefits allocated to the Foundation and Association are as follows for the years ended June 30:

	2020	2019
<b>Related Party In-Kinds</b>		
Foundation salaries and benefits	\$ 1,227,451	\$ 1,144,865
Association salaries and benefits	744,939	743,654
<b>Cost for Salaries and Benefits from Related Parties</b>	<b>1,972,390</b>	<b>1,888,519</b>
<b>Other In-Kinds</b>		
Equipment in-kind	5,709	103,828
Supplies in-kind	39,835	71,270
Sponsorship in-kind	37,966	-
Other in-kind	5,277	14,738
<b>Total In-Kind Contributions and Expenses</b>	<b>\$ 2,061,177</b>	<b>\$ 2,078,355</b>

### 10. Endowment

The net asset classification of donor-restricted endowment funds for a not-for-profit organization is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"). Disclosure about endowment funds, both donor-restricted endowment funds and board-designated endowment funds, is required. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

#### *Interpretation of Relevant Law*

The Board of Directors of the Foundation and Association has interpreted the State of Washington 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. As a result of this interpretation, the Foundation and Association classify as net assets with donor restrictions (a) the original value of gifts donated to the endowment, plus (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment, as applicable, made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as

# Central Washington University Foundation and Affiliate

## Notes to Combined Financial Statements

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amounts to be held in perpetuity within donor-restricted net assets is classified within net assets as donor-restricted for time or purpose until those amounts are appropriated for expenditure by the Foundation or Association in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation and Association consider the following factors in making a determination to appropriate or accumulate donor-restricted funds:

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

Endowment net assets consist of the following:

	Without Donor Restrictions	With Donor Restrictions	With Donor Restrictions	
<i>June 30, 2020</i>	Quasi-Endowment	Purpose and Time	Endowment	Total
Donor-restricted endowment funds	\$ -	\$ 4,450,564	\$ 21,935,742	\$ 26,386,306
Board-designated	675,557	-	-	675,557
	\$ 675,557	\$ 4,450,564	\$ 21,935,742	\$ 27,061,863

	Without Donor Restrictions	With Donor Restrictions	With Donor Restrictions	
<i>June 30, 2019</i>	Quasi-Endowment	Purpose and Time	Endowment	Total
Donor-restricted endowment funds	\$ -	\$ 5,264,099	\$ 20,441,522	\$ 25,705,621
Board-designated	702,082	-	-	702,082
	\$ 702,082	\$ 5,264,099	\$ 20,441,522	\$ 26,407,703

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# Central Washington University Foundation and Affiliate

## Notes to Combined Financial Statements

Changes in endowment net assets are as follows:

<i>Year Ended June 30, 2020</i>	Without Donor Restrictions	With Donor Restrictions	With Donor Restrictions	Total
	Quasi- Endowment	Purpose and Time	Endowment	
<b>Endowment Net Assets,</b>				
beginning of year	\$ 702,082	\$ 5,264,099	\$ 20,441,522	\$ 26,407,703
Investment return				
Investment income	14,005	525,558	-	539,563
Net appreciation	(5,351)	(107,690)	(615)	(113,656)
Total investment return	8,654	417,868	(615)	425,907
Contributions	200	-	1,376,928	1,377,128
Appropriation of endowment assets for expenditure	(35,379)	(1,232,034)	-	(1,267,413)
Other changes	-	631	117,907	118,538
<b>Endowment Net Assets, end of year</b>	<b>\$ 675,557</b>	<b>\$ 4,450,564</b>	<b>\$ 21,935,742</b>	<b>\$ 27,061,863</b>

<i>Year Ended June 30, 2019</i>	Without Donor Restrictions	With Donor Restrictions	With Donor Restrictions	Total
	Quasi- Endowment	Purpose and Time	Endowment	
<b>Endowment Net Assets,</b>				
beginning of year	\$ 671,735	\$ 5,082,170	\$ 17,584,803	\$ 23,338,708
Investment return				
Investment income	12,515	520,086	-	532,601
Net appreciation	19,847	784,788	-	804,635
Total investment return	32,362	1,304,874	-	1,337,236
Contributions	32,442	-	2,850,454	2,882,896
Appropriation of endowment assets for expenditure	(34,457)	(1,117,186)	-	(1,151,643)
Re-designation of net assets	-	(5,759)	6,265	506
<b>Endowment Net Assets, end of year</b>	<b>\$ 702,082</b>	<b>\$ 5,264,099</b>	<b>\$ 20,441,522</b>	<b>\$ 26,407,703</b>

### ***Funds with Deficiencies***

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 or Association to retain as a fund of perpetual duration. There were no deficient funds as of June 30, 2020 or 2019.

# Central Washington University Foundation and Affiliate

## Notes to Combined Financial Statements

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### *Return Objectives and Risk Parameters*

The Foundation and Association have adopted investment 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 and Association must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Foundation and Association boards, the endowment assets are invested as follows:

Asset Class	Target	Long-Term Range
Equity	80%	75% - 90%
Fixed income	18%	10% - 25%
Cash (money market)	2%	0% - 5%

The Foundation and Association may use securities, mutual funds, or bonds to employ investments in the asset classes.

### *Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-return objectives, the Foundation and Association rely 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 and Association target a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Performance of the Foundation and Association's investments and Investment Consultant is reviewed by the Finance and Audit Committee and reported to the Boards of Directors three times per year.

The Foundation investment policy is available upon request.

### *Spending Policy and How the Investment Objectives Relate to Spending Policy*

The Boards of Directors empowers the Investment Committee to authorize annual expenditures. The endowment annual payout rate is 6%, which is composed of a 4% spending rate and a 2% administrative fee. The endowment spending rate will be fixed at 4% and reviewed every year.

## **11. Commitments**

The Foundation offers scholarships to students that are conditional based on students fulfilling certain requirements to receive the funds. These conditional awards are not recorded as a liability on the statements of financial position. The amount of scholarships offered but still conditional amount to \$525,859, and \$796,506 at June 30, 2020 and 2019, respectively.

# Central Washington University Foundation and Affiliate

## Notes to Combined Financial Statements

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### 12. COVID-19 Pandemic

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. While many businesses and nonprofits have been shut down, the Foundation continues to operate during the COVID-19 outbreak and, as of this report date, has not experienced significant impacts to its financial condition or liquidity. However, given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Foundation is not able to estimate the effects of the pandemic on its future operations, financial condition or liquidity for fiscal year 2021. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, supplies, industry, and workforce.

On March 27, 2020, President Trump signed into law the “Coronavirus Aid, Relief, and Economic Security (CARES) Act.” The CARES Act, among other things, includes provision relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to the tax depreciation methods for qualified improvement property.

It also appropriated funds for the Small Business Administration Paycheck Protection Program (“PPP”) loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small business and nonprofits harmed by COVID-19. The Foundation did not apply for or receive a PPP loan.

Management continues to examine the impact that the CARES Act may have on the Foundation.

## Supplemental Information

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# Central Washington University Foundation and Affiliate

## Combining Statement of Financial Position

<i>June 30, 2020</i>	Central Washington University Foundation	Central Washington University Alumni Association	Combined Total
<b>Assets</b>			
Cash and cash equivalents	\$ 1,305,961	\$ 19,131	\$ 1,325,092
Investments	35,513,454	707,375	36,220,829
Pledges receivable, net	1,988,523	3,332	1,991,855
Other assets	-	-	-
<b>Total Assets</b>	<b>\$ 38,807,938</b>	<b>\$ 729,838</b>	<b>\$ 39,537,776</b>
<b>Liabilities and Net Assets</b>			
<b>Liabilities</b>			
Accounts payable	\$ 392,725	\$ -	\$ 392,725
Trust and other liabilities	109,797	-	109,797
Note payable	1,815,553	-	1,815,553
<b>Total Liabilities</b>	<b>2,318,075</b>	<b>-</b>	<b>2,318,075</b>
<b>Net Assets</b>			
Without donor restrictions			
Operating	1,839,051	607,760	2,446,811
Board-designated	675,557	-	675,557
With donor restrictions	33,975,255	122,078	34,097,333
<b>Total Net Assets</b>	<b>36,489,863</b>	<b>729,838</b>	<b>37,219,701</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 38,807,938</b>	<b>\$ 729,838</b>	<b>\$ 39,537,776</b>



**Central Washington University Foundation and Affiliate**  
**Combining Statement of Activities**

<i>Year Ended June 30, 2020</i>	Central Washington University Foundation		Central Washington University Alumni Association		Combined Total		Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	
<b>Support and Revenue</b>							
Contributions	\$ 121,752	\$ 4,238,624	\$ 10,320	\$ 7,394	\$ 132,072	\$ 4,246,018	\$ 4,378,090
In-kind contributions	1,227,807	85,060	748,310	-	1,976,117	85,060	2,061,177
Special event revenue	97,001	-	6,791	-	103,792	-	103,792
Sponsorships	-	89,500	-	-	-	89,500	89,500
Membership dues	860	-	74,605	-	75,465	-	75,465
Investment return	218,592	419,120	301	2,242	218,893	421,362	640,255
Other	4,616	6,965	18,798	-	23,414	6,965	30,379
Contributions (to)/from Foundation	573	1,988	(573)	(1,988)	-	-	-
Net assets released from restrictions and other transfers	-	-	-	-	-	-	-
	3,536,010	(3,536,010)	10,207	(10,207)	3,546,217	(3,546,217)	-
<b>Total Support and Revenue</b>	<b>5,207,211</b>	<b>1,305,247</b>	<b>868,759</b>	<b>(2,559)</b>	<b>6,075,970</b>	<b>1,302,688</b>	<b>7,378,658</b>
<b>Expenses</b>							
In-kind expenses	1,312,867	-	748,310	-	2,061,177	-	2,061,177
Scholarships and grants	1,462,780	-	9,200	-	1,471,980	-	1,471,980
Program support	544,128	-	21,262	-	565,390	-	565,390
Salaries, wages, and benefits	336,010	-	155,008	-	491,018	-	491,018
Travel	164,028	-	3,150	-	167,178	-	167,178
Professional services	356,743	-	6,936	-	363,679	-	363,679
Information technology	161,890	-	1,200	-	163,090	-	163,090
Supplies	141,692	-	5,849	-	147,541	-	147,541
Write-off of pledges	55,900	-	-	-	55,900	-	55,900
Interest	51,670	-	-	-	51,670	-	51,670
Postage and printing	34,284	-	8,382	-	42,666	-	42,666
Miscellaneous	11,295	-	2,661	-	13,956	-	13,956
<b>Total Program and Administrative Expenses</b>	<b>4,633,287</b>	<b>-</b>	<b>961,958</b>	<b>-</b>	<b>5,595,245</b>	<b>-</b>	<b>5,595,245</b>
<b>Total Change in Net Assets</b>	<b>573,924</b>	<b>1,305,247</b>	<b>(93,199)</b>	<b>(2,559)</b>	<b>480,725</b>	<b>1,302,688</b>	<b>1,783,413</b>
<b>Net Assets, beginning of year</b>	<b>1,940,684</b>	<b>32,670,008</b>	<b>700,959</b>	<b>124,637</b>	<b>2,641,643</b>	<b>32,794,645</b>	<b>35,436,288</b>
<b>Net Assets, end of year</b>	<b>\$ 2,514,608</b>	<b>\$ 33,975,255</b>	<b>\$ 607,760</b>	<b>\$ 122,078</b>	<b>\$ 3,122,368</b>	<b>\$ 34,097,333</b>	<b>\$ 37,219,701</b>