



Report of Independent Auditors
and Financial Statements for
**Central Washington
University Foundation**

June 30, 2011 and 2010

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Central Washington University Foundation

We have audited the accompanying statements of financial position of Central Washington University Foundation (the Foundation) as of June 30, 2011 and 2010, and the related statements of activities, 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Central Washington University Foundation at June 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Moss Adams LLP

Yakima, Washington
September 29, 2011

CENTRAL WASHINGTON UNIVERSITY FOUNDATION
STATEMENT OF FINANCIAL POSITION

	June 30, 2011			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
ASSETS				
Cash and cash equivalents	\$ 155,400	\$ (42,545)	\$ 23,188	\$ 136,043
Due (to) from other funds	(2,018,153)	2,018,153	-	-
Long-term receivable	14,580	-	-	14,580
Investments	2,917,982	3,967,773	10,694,141	17,579,896
Due from unrestricted net assets	-	-	-	-
Pledges receivable, net	22,540	398,164	117,432	538,136
Cash surrender value of life insurance	-	(574)	56,386	55,812
TOTAL ASSETS	<u>\$ 1,092,349</u>	<u>\$ 6,340,971</u>	<u>\$ 10,891,147</u>	<u>\$ 18,324,467</u>
LIABILITIES AND NET ASSETS				
Accounts payable	\$ 177,583	\$ -	\$ -	\$ 177,583
Trust liabilities	-	110,581	-	110,581
Due to temporarily restricted net assets	-	-	-	-
Total liabilities	177,583	110,581	-	288,164
Total net assets	<u>914,766</u>	<u>6,230,390</u>	<u>10,891,147</u>	<u>18,036,303</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,092,349</u>	<u>\$ 6,340,971</u>	<u>\$ 10,891,147</u>	<u>\$ 18,324,467</u>

**CENTRAL WASHINGTON UNIVERSITY FOUNDATION
STATEMENT OF FINANCIAL POSITION**

June 30, 2010			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 1,000	\$ 66,460	\$ 88,100	\$ 155,560
(1,955,159)	1,955,159	-	-
1,000	-	-	1,000
2,469,131	1,883,967	10,208,379	14,561,477
-	446,725	-	446,725
23,520	269,562	141,374	434,456
-	(574)	56,386	55,812
\$ 539,492	\$ 4,621,299	\$ 10,494,239	\$ 15,655,030
\$ 121,904	\$ -	\$ -	\$ 121,904
-	65,113	-	65,113
446,725	-	-	446,725
568,629	65,113	-	633,742
(29,137)	4,556,186	10,494,239	15,021,288
\$ 539,492	\$ 4,621,299	\$ 10,494,239	\$ 15,655,030

CENTRAL WASHINGTON UNIVERSITY FOUNDATION
STATEMENT OF ACTIVITIES

	Year Ended June 30, 2011			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES, GAINS, AND OTHER SUPPORT				
Donations	\$ 209,267	\$ 1,086,029	\$ 357,924	\$ 1,653,220
Contributions	776	417,807	1,136	419,719
Interest income	67,880	74,284	219	142,383
Dividend income	-	267,322	-	267,322
Realized gain on investments	9,586	30,069	853	40,508
Unrealized gain on investments	894,429	1,743,298	-	2,637,727
Gifts in kind	1,275	166,470	-	167,745
Other revenue	-	44,509	8,550	53,059
Net assets released from restrictions for scholarships and academic program support	2,155,584	(2,155,584)	-	-
	<u>3,338,797</u>	<u>1,674,204</u>	<u>368,682</u>	<u>5,381,683</u>
PROGRAM EXPENSES				
Scholarships	911,653	-	-	911,653
Academic and program support	682,286	-	-	682,286
Awards and grants	708	-	-	708
Student enrichment	54,008	-	-	54,008
Faculty enrichment	15,607	-	-	15,607
Alumni	82,452	-	-	82,452
Life income	57,024	-	-	57,024
Athletics	218,826	-	-	218,826
	<u>2,022,564</u>	<u>-</u>	<u>-</u>	<u>2,022,564</u>
ADMINISTRATIVE EXPENSES				
Foundation operations	274,690	-	-	274,690
Fund raising	69,414	-	-	69,414
	<u>344,104</u>	<u>-</u>	<u>-</u>	<u>344,104</u>
TOTAL PROGRAM AND ADMINISTRATIVE EXPENSES	2,366,668	-	-	2,366,668
REDESIGNATION OF NET ASSETS	<u>(28,226)</u>	<u>-</u>	<u>28,226</u>	<u>-</u>
INCREASE IN NET ASSETS	<u>\$ 943,903</u>	<u>\$ 1,674,204</u>	<u>\$ 396,908</u>	<u>\$ 3,015,015</u>

**CENTRAL WASHINGTON UNIVERSITY FOUNDATION
STATEMENT OF ACTIVITIES**

Year Ended June 30, 2010			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 29,940	\$ 1,108,772	\$ 311,928	\$ 1,450,640
3,395	344,710	340	348,445
60,980	273,307	-	334,287
-	35,450	-	35,450
72,134	415,160	155	487,449
637,653	134,346	1,757	773,756
14,922	273,150	70	288,142
15	44,551	6,494	51,060
<u>1,907,968</u>	<u>(1,907,968)</u>	<u>-</u>	<u>-</u>
<u>2,727,007</u>	<u>721,478</u>	<u>320,744</u>	<u>3,769,229</u>
740,338	-	-	740,338
552,264	-	-	552,264
19	-	-	19
35,527	-	-	35,527
23,570	-	-	23,570
72,848	-	-	72,848
525	-	-	525
329,055	-	-	329,055
<u>1,754,146</u>	<u>-</u>	<u>-</u>	<u>1,754,146</u>
204,277	-	-	204,277
103,236	-	-	103,236
<u>307,513</u>	<u>-</u>	<u>-</u>	<u>307,513</u>
2,061,659	-	-	2,061,659
<u>(48,398)</u>	<u>-</u>	<u>48,398</u>	<u>-</u>
<u>\$ 616,950</u>	<u>\$ 721,478</u>	<u>\$ 369,142</u>	<u>\$ 1,707,570</u>

See accompanying notes.

**CENTRAL WASHINGTON UNIVERSITY FOUNDATION
STATEMENT OF CHANGES IN NET ASSETS**

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	Board Designated	General	Total			
NET ASSETS, June 30, 2009	\$ 176,904	\$ (822,991)	\$ (646,087)	\$ 3,834,708	\$ 10,125,097	\$ 13,313,718
INCREASE IN NET ASSETS	<u>5,795</u>	<u>611,155</u>	<u>616,950</u>	<u>721,478</u>	<u>369,142</u>	<u>1,707,570</u>
NET ASSETS, June 30, 2010	182,699	(211,836)	(29,137)	4,556,186	10,494,239	15,021,288
INCREASE IN NET ASSETS	<u>378,616</u>	<u>565,287</u>	<u>943,903</u>	<u>1,674,204</u>	<u>396,908</u>	<u>3,015,015</u>
NET ASSETS, June 30, 2011	<u>\$ 561,315</u>	<u>\$ 353,451</u>	<u>\$ 914,766</u>	<u>\$ 6,230,390</u>	<u>\$ 10,891,147</u>	<u>\$ 18,036,303</u>

**CENTRAL WASHINGTON UNIVERSITY FOUNDATION
STATEMENT OF CASH FLOWS**

	Year Ended June 30,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributors	\$ 1,929,667	\$ 1,761,986
Cash paid to suppliers, employees, and the University	(2,095,017)	(1,840,542)
Net dividends and interest received	409,705	369,737
Net cash from operating activities	244,355	291,181
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(5,543,358)	(3,679,023)
Proceeds from sale and maturities of investments	5,279,486	3,531,620
Proceeds from sale of fixed asset	-	9,800
Net cash from investing activities	(263,872)	(137,603)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(19,517)	153,578
CASH AND CASH EQUIVALENTS, beginning of year	155,560	1,982
CASH AND CASH EQUIVALENTS, end of year	\$ 136,043	\$ 155,560
RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 3,015,015	\$ 1,707,570
Adjustments to reconcile increase in net assets to net cash from operating activities		
Depreciation	-	1,731
Donated stock	(76,312)	(16,640)
Gain on investments	(2,678,235)	(1,255,911)
Gain on sale of fixed asset	-	(4,111)
Allowance for doubtful pledges	2,759	1,561
(Increase) decrease in cash due to changes in assets and liabilities		
Long-term receivable	(13,580)	-
Pledges receivable	(106,439)	(71,519)
Cash surrender value of life insurance	-	(1,183)
Accounts payable	55,679	(69,447)
Trust liabilities	45,468	(870)
Net adjustments	(2,770,660)	(1,416,389)
NET CASH FROM OPERATING ACTIVITIES	\$ 244,355	\$ 291,181

See accompanying notes.

Note 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 purposes 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, its faculty, and staff, its property and physical facilities, and to provide financial or other assistance to students in their efforts to acquire an education.

Note 2 - Summary of Significant Accounting Policies

Net Assets - 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. Net assets are classified based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. They are available to support the Foundation's operations. Included within these net assets are board designated net assets which are to be used for specific purposes but may, at the board's discretion, subsequently be used for other purposes.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Temporarily restricted net assets include life income gifts, which will become available to the Foundation upon satisfaction of annuity obligations. At that time, the characterization of these assets will be determined by the original donor intent.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally the donors of these assets permit the Foundation to use all or part of the income earned on any related investments for general or specific purposes.

Contributions received whose donor-imposed restrictions are met within the same reporting period are reported as increases in unrestricted net assets. Temporarily restricted net assets are available for the purpose of scholarships and academic program support. Permanently restricted net assets are restricted to investment in perpetuity; the income from which is expendable to support scholarships and academic program support.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Foundation considers all highly-liquid investments with an original maturity of three months or less to be cash or cash equivalents. The Foundation maintains its cash and cash equivalent accounts at financial institutions in amounts in which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts.

Note 2 - Summary of Significant Accounting Policies (continued)

Investments - The Foundation is required to report equity securities with readily determinable fair values and all debt securities at fair value with gains and losses included in the statement of activities. Fair value is determined by the open market. As a result, money market funds, mutual funds, stocks, and bonds are carried at fair value as of the financial statement date.

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 Foundation's account balances and the amounts reported in the financial statements.

Donated Assets - The Foundation receives non-cash assets from resource providers that are recorded as gifts in kind revenue and are valued at their estimated fair market value at time of donation.

Donated Services - Donated services have not been reflected in the accompanying financial statements. The Foundation receives no contributed services which enhance non-financial assets or require specialized skills.

Contributions - Contributions received are recorded as revenue in the period received as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions. The Foundation differentiates between contributions and donations on the statement of activities. Donations are considered to be charitable gifts where no benefit is received by the donor. Contributions are the net monies collected for which the contributor receives something of value in return.

Pledges Receivable - Contributions are recognized when the donor makes a promise to give (pledge) to the Foundation that is, in substance, unconditional. Pledges are accrued based on commitments from donors. Unconditional promises to give 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, in which 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.

The Foundation uses 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. The allowance for uncollectible pledges was \$12,320 and \$9,561 as of June 30, 2011 and 2010, respectively.

Cash Surrender Value of Life Insurance - Cash surrender value of life insurance consists of the accumulated earnings of policies that were donated by various contributors naming the Foundation as owner and beneficiary of the policies.

Functional Allocation of Expenses - In order to provide information in regard to service efforts, the costs of providing each of the Foundation's programs have been presented on a functional basis in the statement of activities. In order to provide this presentation, certain costs were required to be allocated among the programs and supporting services benefited. The Foundation is dedicated solely to a single program; therefore, the statement of activities also serves as the statement of functional expenses.

Note 2 - Summary of Significant Accounting Policies (continued)

Federal Income Tax - The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Income from certain activities not directly related to the Foundation's tax-exempt purpose would be subject to taxation as unrelated business income. The Foundation did not engage in an activity unrelated to its tax-exempt purpose; accordingly, no provision for income taxes has been made in the accompanying financial statements. In accordance with requirements related to accounting for uncertainties in income taxes, the Foundation has determined they have no uncertain tax positions at June 30, 2011 and 2010.

Financial Statement Estimates - The preparation of 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 disclosure of contingent assets and liabilities, if applicable, at the date of the 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 reimburses the University for all personnel used for administration and operations. The University also provides office space and various operating supplies to the Foundation.

Fund Raising - Fund-raising expenses include costs to solicit donations through annual giving, major giving, planned giving, and corporation and Foundation giving.

Note 3 - Long-Term Receivable

The Foundation extended a line of credit, not to exceed \$120,000, to Central Washington University Research Foundation. The terms of the agreement are 6% interest on principal borrowings with repayment over a five year period. The Foundation's receivable as of June 30, 2011 and 2010 was \$14,580 and \$1,000, respectively.

Note 4 - Investment Fees and Administrative Fees

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

The Foundation paid investment fees, included in Foundation operation expense, of \$70,712 and \$67,863 during the fiscal years ended June 30, 2011 and 2010, respectively. In addition, the Foundation has collected administrative fees from various associations of \$228,267 and \$198,941 in 2011 and 2010, respectively. Both the administrative fees and revenues (net effect of zero) are included in other revenue on the statement of activities.

Note 5 - Fair Value of Assets and Liabilities

The Foundation records financial instruments at estimated fair value. Fair value accounting defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The fair value standard describes three levels of inputs that may be used to measure fair value:

- Level 1** - Quoted prices in active markets for identical assets or liabilities.
- Level 2** - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3** - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying balance sheet, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Investments

Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. Level 1 investments include exchange traded equities (mutual funds, stocks, and government bonds). If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of investments with similar characteristics, or discounted cash flows. Level 2 investments include foreign and corporate bonds. In certain cases where Level 1 or Level 2 inputs are not available, investments would be classified within Level 3 of the hierarchy.

Realized and unrealized gains and/or losses on investments are included in the statement of activities.

CENTRAL WASHINGTON UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

Note 5 - Fair Value of Assets and Liabilities (continued)

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2011 and 2010:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2011				
Cash and cash equivalents	\$ 124,817	\$ 124,817	\$ -	\$ -
Exchange traded fund	10,988	10,988	-	-
Money market	543,079	543,079	-	-
Mutual funds				
Domestic equities	4,472,905	4,472,905	-	-
International equities	1,527,399	1,527,399	-	-
Fixed income	2,791,762	2,791,762	-	-
Stocks				
Domestic				
Utilities	140,094	140,094	-	-
Energy	691,237	691,237	-	-
Consumer discretionary	594,715	594,715	-	-
Consumer staples	158,190	158,190	-	-
Financial	830,745	830,745	-	-
Health care	455,915	455,915	-	-
Industrial	515,731	515,731	-	-
Information technology	960,857	960,857	-	-
Materials	266,462	266,462	-	-
Telecommunication services	358,956	358,956	-	-
International				
Energy	86,400	86,400	-	-
Consumer discretionary	13,893	13,893	-	-
Financial	47,918	47,918	-	-
Information technology	66,992	66,992	-	-
Bonds				
Corporate	1,901,031	-	1,901,031	-
US government	801,615	801,615	-	-
Foreign	218,195	-	218,195	-
	<u>\$ 17,579,896</u>	<u>\$ 15,460,670</u>	<u>\$ 2,119,226</u>	<u>\$ -</u>
June 30, 2010				
Money market funds	\$ 475,791	\$ 475,791	\$ -	\$ -
Stocks and mutual funds	8,929,365	8,929,365	-	-
US government bonds	1,006,736	1,006,736	-	-
Corporate bonds	3,946,618	-	3,946,618	-
Foreign bonds	202,967	-	202,967	-
	<u>\$ 14,561,477</u>	<u>\$ 10,411,892</u>	<u>\$ 4,149,585</u>	<u>\$ -</u>

Note 5 - Fair Value of Assets and Liabilities (continued)

The Foundation's policy is to recognize transfers in and transfers out as of the actual date of the event or change in circumstances that caused the transfer,

The Foundation is aware there are significant pressures in the current global financial markets. The Foundation is vigilantly monitoring the developments in the markets and believes that it is positioned to deal with these developments should the current market conditions change.

Note 6 - 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.

The Foundation's endowment funds include only donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

Interpretation of Relevant Law - The Foundation has interpreted the enacted version of UPMIFA for Washington State and determined that 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, is appropriate. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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 in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization 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

**CENTRAL WASHINGTON UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

Note 6 - Endowment (continued)

Endowment net assets composition by type of fund as of June 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 3,310,827	\$ 10,694,141	\$ 14,004,968
Board designated	199,051	-	-	199,051
Endowment net assets, June 30, 2011	<u>\$ 199,051</u>	<u>\$ 3,310,827</u>	<u>\$ 10,694,141</u>	<u>\$ 14,204,019</u>

Changes in endowment net assets for the year ended of June 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2010	<u>\$ 182,699</u>	<u>\$ 1,737,371</u>	<u>\$ 10,208,379</u>	<u>\$ 12,128,449</u>
Investment return				
Investment income	2,672	329,634	219	332,525
Net appreciation	19,173	1,737,150	853	1,757,176
Fees	(523)	(54,788)	-	(55,311)
Total investment return	<u>21,322</u>	<u>2,011,996</u>	<u>1,072</u>	<u>2,034,390</u>
Contributions	<u>-</u>	<u>-</u>	<u>484,690</u>	<u>484,690</u>
Net assets released	<u>(4,970)</u>	<u>(438,540)</u>	<u>-</u>	<u>(443,510)</u>
Endowment net assets, June 30, 2011	<u>\$ 199,051</u>	<u>\$ 3,310,827</u>	<u>\$ 10,694,141</u>	<u>\$ 14,204,019</u>

**CENTRAL WASHINGTON UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

Note 6 - Endowment (continued)

Endowment net assets composition by type of fund as of June 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,737,371	\$ 10,208,379	\$ 11,945,750
Board designated	182,699	-	-	182,699
Endowment net assets, June 30, 2010	<u>\$ 182,699</u>	<u>\$ 1,737,371</u>	<u>\$ 10,208,379</u>	<u>\$ 12,128,449</u>

Changes in endowment net assets for the year ended June 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2009	<u>\$ 176,904</u>	<u>\$ 791,386</u>	<u>\$ 9,865,186</u>	<u>\$ 10,833,476</u>
Investment return				
Investment income	2,495	312,839	-	315,334
Net appreciation	8,881	1,035,075	1,912	1,045,868
Fees	(538)	(53,509)	-	(54,047)
Total investment return	<u>10,838</u>	<u>1,294,405</u>	<u>1,912</u>	<u>1,307,155</u>
Contributions	-	-	341,281	341,281
Net assets released	<u>(5,043)</u>	<u>(348,420)</u>	-	<u>(353,463)</u>
Endowment net assets, June 30, 2010	<u>\$ 182,699</u>	<u>\$ 1,737,371</u>	<u>\$ 10,208,379</u>	<u>\$ 12,128,449</u>

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 to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were zero and \$446,725 as of June 30, 2011 and 2010, respectively. The prior year deficiency resulted from unfavorable market fluctuations.

Return Objectives and Risk Parameters - The Foundation has 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 organization must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Foundation Board, the endowment assets are invested as follows:

<u>Asset Class</u>	<u>Target</u>	<u>Long-term Range</u>
US Equity	55%	45% - 65%
Non US Equity	5%	0% - 15%
Fixed income	35%	25% - 45%
Cash (money market)	5%	0% - 5%

**CENTRAL WASHINGTON UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

Note 6 - Endowment (continued)

The Foundation expects its endowment funds, over time, to provide an annual payout of 4 to 6 percent. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Performance of the Foundation's investments and the Foundation's Investment Manager is reviewed by the Finance Committee and reported to the Foundation's Board of Directors on at least a quarterly basis.

Spending Policy and How the Investment Objectives Relate to Spending Policy - The Board of Directors empowers the Investment Committee to authorize annual expenditures based on a three-year moving average of the market value of the endowment pool, less fees and the implicit consumer price index. The Foundation has a spending rate of 2.50% and 2.74% for 2011 and 2010, respectively. The spending rate will be reviewed annually by the Foundation Investment Committee to reassess anticipated future rates of inflation and the total return on investments. Typically at least one year's earnings will be accumulated before expenditures are permitted to begin.

Note 7 - Pledges Receivable

Pledges receivable at June 30, 2011 and 2010 consist primarily of pledges received for a professorship endowment, a scholarship endowment, and unrestricted donations. The pledges receivable have scheduled maturities as follows:

	<u>2011</u>	<u>2010</u>
Less than one year	\$ 120,390	\$ 74,242
One to five years	495,591	403,795
Less discount to net present value at 5%	(65,525)	(34,020)
Less allowance for uncollectible pledges	<u>(12,320)</u>	<u>(9,561)</u>
Net contributions receivable	<u>\$ 538,136</u>	<u>\$ 434,456</u>

Note 8 - Charitable Trusts, Annuities, and Related Liability

The charitable trusts are trusts which have been contributed to the Foundation. The charitable trust assets held by the Foundation are included in the investments line item on the statement of financial position. The trust assets are not currently available to be used by the Foundation and this is indicated by the recording of the trust assets as temporarily restricted support 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 by the Foundation in accordance with the donor's wishes. The value of the trust assets at June 30, 2011 and 2010 were \$95,642 and \$84,732, respectively and the liability for trust payments to the donors were \$63,170 and \$65,113, respectively.

Charitable gift annuities are irrevocable gifts under which the Foundation agrees in turn to pay a life annuity to the donor or a designated beneficiary. The contributed funds and attendant liabilities immediately become part of the general assets and liabilities of the Foundation.

The Foundation values deferred gifts of cash 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.

As an issuer of charitable gift annuities, Washington State requires that the Foundation has and maintains minimum unrestricted net assets of \$500,000. Unrestricted net assets are the excess of total assets over total liabilities that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

As of June 30, 2011 and 2010, charitable gift annuities of \$85,186 and \$38,276, respectively, are included in investments, and the liability for annuity payments to donors of \$47,530 and \$25,567, respectively, is included in accrued liabilities in the statement of financial position.

Note 9 - Subsequent Events

Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are issued. The Foundation recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Foundation's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements are available to be issued.

The Foundation has evaluated subsequent events through September 29, 2011, which is the date the financial statements are available to be issued.