



Report of Independent Auditors  
and Financial Statements for

**Central Washington  
University Foundation**

June 30, 2014 and 2013

**MOSS ADAMS** LLP

Certified Public Accountants | Business Consultants

*Acumen. Agility. Answers.*

## CONTENTS

---

	PAGE
REPORT OF INDEPENDENT AUDITORS	1
FINANCIAL STATEMENTS	
Statement of financial position	2-3
Statement of activities	4-5
Statement of changes in net assets	6
Statement of cash flows	7
Notes to financial statements	8-16

## REPORT OF INDEPENDENT AUDITORS

Board of Directors  
Central Washington University Foundation

### **Report on Financial Statements**

We have audited the accompanying financial statements of Central Washington University Foundation, which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central Washington University Foundation as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Moss Adams LLP*

Yakima, Washington  
October 8, 2014

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

	June 30, 2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,000	\$ 450,776	\$ 19,091	\$ 470,867
Other assets	-	-	2,003	2,003
Due (to) from other funds	(2,262,029)	2,262,029	-	-
Investments	4,471,061	6,233,105	12,276,494	22,980,660
Pledges receivable, net	11,760	646,738	125,388	783,886
Cash surrender value of life insurance	-	-	59,322	59,322
<b>TOTAL ASSETS</b>	<b>\$ 2,221,792</b>	<b>\$ 9,592,648</b>	<b>\$ 12,482,298</b>	<b>\$ 24,296,738</b>
<b>LIABILITIES AND NET ASSETS</b>				
Accounts payable	\$ 280,186	\$ -	\$ -	\$ 280,186
Trust liabilities	-	103,187	-	103,187
Total liabilities	280,186	103,187	-	383,373
Total net assets	1,941,606	9,489,461	12,482,298	23,913,365
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,221,792</b>	<b>\$ 9,592,648</b>	<b>\$ 12,482,298</b>	<b>\$ 24,296,738</b>

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

June 30, 2013			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 1,000	\$ 228,953	\$ 46,508	\$ 276,461
-	2,980	-	2,980
(2,312,136)	2,312,136	-	-
3,708,681	4,471,710	11,509,935	19,690,326
11,760	382,705	204,351	598,816
-	-	55,708	55,708
<b>\$ 1,409,305</b>	<b>\$ 7,398,484</b>	<b>\$ 11,816,502</b>	<b>\$ 20,624,291</b>
\$ 91,181	\$ -	\$ -	\$ 91,181
-	106,496	-	106,496
91,181	106,496	-	197,677
1,318,124	7,291,988	11,816,502	20,426,614
<b>\$ 1,409,305</b>	<b>\$ 7,398,484</b>	<b>\$ 11,816,502</b>	<b>\$ 20,624,291</b>

See accompanying notes.

**CENTRAL WASHINGTON UNIVERSITY FOUNDATION**  
**STATEMENT OF ACTIVITIES**

	Year Ended June 30, 2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>				
Donations	\$ 44,989	\$ 1,624,805	\$ 375,383	\$ 2,045,177
Contributions	60	386,468	22,546	409,074
Interest income	78,965	298,692	5	377,662
Dividend income	-	40,938	-	40,938
Realized gain (loss) on investments	303,886	1,066,386	(488)	1,369,784
Unrealized gain (loss) on investments	270,114	1,299,991	5,726	1,575,831
Gifts in kind	-	166,852	-	166,852
Other revenue (expense)	(49)	6,162	-	6,113
Net assets released from restrictions for scholarships and academic program support	2,399,309	(2,399,309)	-	-
	<u>3,097,274</u>	<u>2,490,985</u>	<u>403,172</u>	<u>5,991,431</u>
<b>PROGRAM EXPENSES</b>				
Scholarships	855,472	-	-	855,472
Academic and program support	696,885	-	-	696,885
Awards and grants	1,440	-	-	1,440
Student enrichment	43,966	-	-	43,966
Faculty enrichment	17,945	-	-	17,945
Alumni	80,495	-	-	80,495
Life income	8,125	-	-	8,125
Athletics	455,520	-	-	455,520
	<u>2,159,848</u>	<u>-</u>	<u>-</u>	<u>2,159,848</u>
<b>ADMINISTRATIVE EXPENSES</b>				
Foundation operations	182,199	-	-	182,199
Fundraising	162,633	-	-	162,633
	<u>344,832</u>	<u>-</u>	<u>-</u>	<u>344,832</u>
<b>TOTAL PROGRAM AND ADMINISTRATIVE EXPENSES</b>	<b>2,504,680</b>	<b>-</b>	<b>-</b>	<b>2,504,680</b>
<b>REDESIGNATION OF NET ASSETS</b>	<u>30,888</u>	<u>(293,512)</u>	<u>262,624</u>	<u>-</u>
<b>INCREASE IN NET ASSETS</b>	<u>\$ 623,482</u>	<u>\$ 2,197,473</u>	<u>\$ 665,796</u>	<u>\$ 3,486,751</u>

**CENTRAL WASHINGTON UNIVERSITY FOUNDATION  
STATEMENT OF ACTIVITIES**

Year Ended June 30, 2013			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 22,834	\$ 1,253,066	\$ 406,443	\$ 1,682,343
148	329,636	4,300	334,084
79,859	328,496	-	408,355
-	36,389	-	36,389
138,430	552,935	-	691,365
145,214	697,813	(426)	842,601
3,660	251,420	-	255,080
-	7,079	-	7,079
<u>2,086,779</u>	<u>(2,086,779)</u>	<u>-</u>	<u>-</u>
<u>2,476,924</u>	<u>1,370,055</u>	<u>410,317</u>	<u>4,257,296</u>
828,288	-	-	828,288
628,036	-	-	628,036
729	-	-	729
51,812	-	-	51,812
12,366	-	-	12,366
91,027	-	-	91,027
3,349	-	-	3,349
191,599	-	-	191,599
<u>1,807,206</u>	<u>-</u>	<u>-</u>	<u>1,807,206</u>
180,970	-	-	180,970
126,171	-	-	126,171
<u>307,141</u>	<u>-</u>	<u>-</u>	<u>307,141</u>
2,114,347	-	-	2,114,347
<u>(24,219)</u>	<u>-</u>	<u>24,219</u>	<u>-</u>
<u>\$ 338,358</u>	<u>\$ 1,370,055</u>	<u>\$ 434,536</u>	<u>\$ 2,142,949</u>

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

---

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	General	Board Designated	Total			
NET ASSETS, June 30, 2012	\$ 518,566	\$ 461,200	\$ 979,766	\$ 5,921,933	\$ 11,381,966	\$ 18,283,665
INCREASE IN NET ASSETS	<u>302,509</u>	<u>35,849</u>	<u>338,358</u>	<u>1,370,055</u>	<u>434,536</u>	<u>2,142,949</u>
NET ASSETS, June 30, 2013	821,075	497,049	1,318,124	7,291,988	11,816,502	20,426,614
INCREASE IN NET ASSETS	<u>530,357</u>	<u>93,125</u>	<u>623,482</u>	<u>2,197,473</u>	<u>665,796</u>	<u>3,486,751</u>
NET ASSETS, June 30, 2014	<u><u>\$ 1,351,432</u></u>	<u><u>\$ 590,174</u></u>	<u><u>\$ 1,941,606</u></u>	<u><u>\$ 9,489,461</u></u>	<u><u>\$ 12,482,298</u></u>	<u><u>\$ 23,913,365</u></u>



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

	Year Ended June 30,	
	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from contributions and donations	\$ 2,262,659	\$ 1,871,285
Cash paid to suppliers, employees, and the University	(2,138,520)	(1,934,005)
Net dividends and interest received	418,600	444,744
Net cash from operating activities	542,739	382,024
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(11,087,011)	(7,915,333)
Proceeds from sale and maturities of investments	10,738,678	7,656,140
Net cash from investing activities	(348,333)	(259,193)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	194,406	122,831
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	276,461	153,630
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 470,867	\$ 276,461
<b>RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 3,486,751	\$ 2,142,949
Adjustments to reconcile increase in net assets to net cash from operating activities		
Donated stock	-	(8,672)
Gain on investments	(2,942,001)	(1,534,392)
Allowance for doubtful pledges and discount on pledges	12,635	18,249
Cash surrender value of life insurance	(3,614)	426
(Increase) decrease in cash due to changes in assets and liabilities		
Prepaid expenses	977	(2,980)
Long-term receivable	-	15,431
Pledges receivable	(197,705)	(158,980)
Accounts payable	189,005	(80,561)
Trust liabilities	(3,309)	(9,446)
Net adjustments	(2,944,012)	(1,760,925)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	\$ 542,739	\$ 382,024

**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 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, 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 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.

**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, 2014 and 2013. The Foundation files income tax returns in the U.S. federal jurisdictions and is no longer subject to examination by U.S. federal or state and local authorities for years before 2011.

**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.

**Fundraising** – Fundraising expenses include costs to solicit donations through annual giving, major giving, planned giving, and corporation and Foundation giving.

**Reclassification** – Certain amounts reported in the June 30, 2013 financial statements have been reclassified to conform to the June 30, 2014 financial statement presentation.

**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 October 8, 2014, which is the date the financial statements were available to be issued.

**Note 3 – 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 \$75,064 and \$67,722 during the fiscal years ended June 30, 2014 and 2013, respectively. In addition, the Foundation has collected administrative fees of \$249,876 and \$254,724 in 2014 and 2013, respectively. Both the administrative fees and revenues (net effect of zero) are included in other revenue on the statement of activities.

**Note 4 – 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** – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.
- Level 2** – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3** – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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. There have been no changes in valuation methodologies used at June 30, 2014 or June 30, 2013.

**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 4 – 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, 2014 and 2013:

	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)
<b>June 30, 2014</b>				
Money market funds	\$ 548,670	\$ 548,670	\$ -	\$ -
Mutual funds				
Domestic equities	11,972,187	11,972,187	-	-
Fixed income	2,764,177	2,764,177	-	-
Stocks				
Domestic	5,508,957	5,508,957	-	-
International	277,013	277,013	-	-
Bonds				
Corporate	1,375,641	-	1,375,641	-
US government	321,586	321,586	-	-
Foreign	212,429	-	212,429	-
	<u>\$ 22,980,660</u>	<u>\$ 21,392,590</u>	<u>\$ 1,588,070</u>	<u>\$ -</u>
<b>June 30, 2013</b>				
Money market funds	\$ 581,006	\$ 581,006	\$ -	\$ -
Mutual funds				
Domestic equities	6,724,014	6,724,014	-	-
Fixed income	3,924,121	3,924,121	-	-
Stocks				
Domestic	5,694,408	5,694,408	-	-
International	495,050	495,050	-	-
Bonds				
Corporate	1,730,785	-	1,730,785	-
US government	426,893	426,893	-	-
Foreign	114,049	-	114,049	-
	<u>\$ 19,690,326</u>	<u>\$ 17,845,492</u>	<u>\$ 1,844,834</u>	<u>\$ -</u>

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.

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

---

**Note 5 – 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

Endowment net assets composition by type of fund as of June 30, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 4,897,769	\$ 12,276,494	\$ 17,174,263
Board designated	590,174	-	-	590,174
Endowment net assets, June 30, 2014	<u>\$ 590,174</u>	<u>\$ 4,897,769</u>	<u>\$ 12,276,494</u>	<u>\$ 17,764,437</u>

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

**Note 5 – Endowment (continued)**

Changes in endowment net assets for the year ended June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2013	\$ 497,051	\$ 2,952,352	\$ 11,509,935	\$ 14,959,338
Investment return				
Investment income	8,391	393,127	-	401,518
Net appreciation	62,073	2,099,061	-	2,161,134
Fees	(3,984)	(69,532)	-	(73,516)
Total investment return	66,480	2,422,656	-	2,489,136
Donations	30,100	-	503,935	534,035
Net assets released	(3,457)	(477,239)	-	(480,696)
Redesignation of net assets	-	-	262,624	262,624
Endowment net assets, June 30, 2014	<u>\$ 590,174</u>	<u>\$ 4,897,769</u>	<u>\$ 12,276,494</u>	<u>\$ 17,764,437</u>

Endowment net assets composition by type of fund as of June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 2,952,352	\$ 11,509,935	\$ 14,462,287
Board designated	497,051	-	-	497,051
Endowment net assets, June 30, 2013	<u>\$ 497,051</u>	<u>\$ 2,952,352</u>	<u>\$ 11,509,935</u>	<u>\$ 14,959,338</u>

Changes in endowment net assets for the year ended June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2012	\$ 461,202	\$ 2,143,532	\$ 11,187,264	\$ 13,791,998
Investment return				
Investment income	9,232	335,774	-	345,006
Net appreciation (depreciation)	33,596	1,121,208	-	1,154,804
Fees	(4,003)	(47,617)	-	(51,620)
Total investment return	38,825	1,409,365	-	1,448,190
Donations	-	-	322,671	322,671
Net assets released	(2,976)	(600,545)	-	(603,521)
Endowment net assets, June 30, 2013	<u>\$ 497,051</u>	<u>\$ 2,952,352</u>	<u>\$ 11,509,935</u>	<u>\$ 14,959,338</u>



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

---

**Note 5 – Endowment (continued)**

**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. There were no deficient funds as of June 30, 2014 and 2013.

**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>
Equity	75%	70% - 80%
Fixed income	20%	20% - 30%
Cash (money market)	5%	0% - 5%

The Foundation 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 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 Consultant is reviewed by the Finance and Audit Committee and reported to the Foundation's Board of Directors three times per year.

**Spending policy and how the investment objectives relate to spending policy** – The Board of Directors empowers the Investment Committee to authorize annual expenditures. The endowment annual payout rate is 6%, which is comprised of a 4% spending rate and a 2% administrative fee. The endowment spending rate will be fixed at 4% and reviewed every three years.

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

---

**Note 6 – Pledges Receivable**

Pledges receivable at June 30, 2014 and 2013 consist primarily of pledges received for a professorship endowment, a scholarship endowment, and unrestricted donations. The pledges receivable have scheduled maturities as follows:

	<u>2014</u>	<u>2013</u>
Less than one year	\$ 425,844	\$ 364,675
One to five years	459,423	322,886
Less discount to net present value at 5%	(82,959)	(60,323)
Less allowance for uncollectible pledges	<u>(18,422)</u>	<u>(28,422)</u>
Net contributions receivable	<u><u>\$ 783,886</u></u>	<u><u>\$ 598,816</u></u>

**Note 7 – 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, 2014 and 2013 were \$72,973 and \$66,283, respectively and the liability for trust payments to the donors were \$51,726 and \$53,235, 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, the Foundation has maintained minimum reserves as required by Washington State. 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, 2014 and 2013, charitable gift annuities of \$155,791 and \$138,463, respectively, are included in investments, and the liability for annuity payments to donors of \$51,461 and \$53,261, respectively, is included in trust liabilities in the statement of financial position.