



Report of Independent Auditors
and Financial Statements for

**Central Washington
University Foundation**

June 30, 2016 and 2015

MOSS ADAMS L.L.P.

Certified Public Accountants | Business Consultants

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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, 2016 and 2015, 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, 2016 and 2015, 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 5, 2016

CENTRAL WASHINGTON UNIVERSITY FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	June 30, 2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
ASSETS				
Cash and cash equivalents	\$ 1,000	\$ 616,062	\$ -	\$ 617,062
Other assets	7,180	36,704	-	43,884
Due (to) from other funds	(3,378,822)	3,378,822	-	-
Investments	5,448,869	4,541,974	13,549,536	23,540,379
Land	-	225,000	-	225,000
Pledges receivable, net	-	1,837,115	86,431	1,923,546
Cash surrender value of life insurance	-	-	49,148	49,148
TOTAL ASSETS	<u>\$ 2,078,227</u>	<u>\$ 10,635,677</u>	<u>\$ 13,685,115</u>	<u>\$ 26,399,019</u>
LIABILITIES AND NET ASSETS				
Accounts payable	\$ 154,388	\$ -	\$ -	\$ 154,388
Trust and other liabilities	1,768	97,524	-	99,292
Total liabilities	156,156	97,524	-	253,680
Total net assets	<u>1,922,071</u>	<u>10,538,153</u>	<u>13,685,115</u>	<u>26,145,339</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,078,227</u>	<u>\$ 10,635,677</u>	<u>\$ 13,685,115</u>	<u>\$ 26,399,019</u>

CENTRAL WASHINGTON UNIVERSITY FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

June 30, 2015			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 1,000	\$ 230,856	\$ 1,738	\$ 233,594
17,350	-	-	17,350
(2,782,561)	2,782,561	-	-
5,053,500	5,435,554	13,108,189	23,597,243
-	-	-	-
-	967,107	141,722	1,108,829
-	-	59,322	59,322
<u>\$ 2,289,289</u>	<u>\$ 9,416,078</u>	<u>\$ 13,310,971</u>	<u>\$ 25,016,338</u>
\$ 313,919	\$ -	\$ -	\$ 313,919
-	101,319	-	101,319
313,919	101,319	-	415,238
<u>1,975,370</u>	<u>9,314,759</u>	<u>13,310,971</u>	<u>24,601,100</u>
<u>\$ 2,289,289</u>	<u>\$ 9,416,078</u>	<u>\$ 13,310,971</u>	<u>\$ 25,016,338</u>

CENTRAL WASHINGTON UNIVERSITY FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2016 AND 2015

	June 30, 2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES, GAINS, AND OTHER SUPPORT				
Donations	\$ 8,952	\$ 2,972,409	\$ 291,976	\$ 3,273,337
Contributions	9	492,659	2,471	495,139
Interest income	152,215	477,026	-	629,241
Dividend income	-	39,045	-	39,045
Realized gain (loss) on investments	(36,076)	(128,092)	342	(163,826)
Unrealized loss on investments	(73,508)	(311,778)	(10,976)	(396,262)
Gifts in kind	859,370	984,652	-	1,844,022
Other revenue	24,279	75,742	220	100,241
Net assets released from restrictions for scholarships and academic program support	3,359,997	(3,359,997)	-	-
	<u>4,295,238</u>	<u>1,241,666</u>	<u>284,033</u>	<u>5,820,937</u>
PROGRAM EXPENSES				
Scholarships	1,133,737	-	-	1,133,737
Academic and program support	1,735,851	-	-	1,735,851
Awards and grants	858	-	-	858
Student enrichment	52,008	-	-	52,008
Faculty enrichment	11,492	-	-	11,492
Alumni	802,522	-	-	802,522
Life income	3,803	-	-	3,803
Athletics	201,528	-	-	201,528
	<u>3,941,799</u>	<u>-</u>	<u>-</u>	<u>3,941,799</u>
ADMINISTRATIVE EXPENSES				
Foundation operations	241,758	-	-	241,758
Fundraising	93,141	-	-	93,141
	<u>334,899</u>	<u>-</u>	<u>-</u>	<u>334,899</u>
TOTAL PROGRAM AND ADMINISTRATIVE EXPENSES	4,276,698	-	-	4,276,698
REDESIGNATION OF NET ASSETS	<u>(71,839)</u>	<u>(18,272)</u>	<u>90,111</u>	<u>-</u>
CHANGE IN NET ASSETS	<u>\$ (53,299)</u>	<u>\$ 1,223,394</u>	<u>\$ 374,144</u>	<u>\$ 1,544,239</u>

CENTRAL WASHINGTON UNIVERSITY FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2016 AND 2015

June 30, 2015			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 540	\$ 1,461,177	\$ 768,903	\$ 2,230,620
354	441,714	1,734	443,802
71,272	406,465	-	477,737
-	36,347	-	36,347
430,245	2,317,599	(342)	2,747,502
(397,584)	(2,600,676)	-	(2,998,260)
1,289,553	211,244	-	1,500,797
38	31,712	2,540	34,290
<u>2,433,519</u>	<u>(2,433,519)</u>	<u>-</u>	<u>-</u>
<u>3,827,937</u>	<u>(127,937)</u>	<u>772,835</u>	<u>4,472,835</u>
949,442	-	-	949,442
1,590,436	-	-	1,590,436
2,288	-	-	2,288
57,622	-	-	57,622
21,559	-	-	21,559
608,758	-	-	608,758
9,850	-	-	9,850
204,395	-	-	204,395
<u>3,444,350</u>	<u>-</u>	<u>-</u>	<u>3,444,350</u>
189,563	-	-	189,563
151,187	-	-	151,187
<u>340,750</u>	<u>-</u>	<u>-</u>	<u>340,750</u>
3,785,100	-	-	3,785,100
<u>(9,073)</u>	<u>(46,765)</u>	<u>55,838</u>	<u>-</u>
<u>\$ 33,764</u>	<u>\$ (174,702)</u>	<u>\$ 828,673</u>	<u>\$ 687,735</u>

CENTRAL WASHINGTON UNIVERSITY FOUNDATION
STATEMENTS OF CHANGES IN NET ASSETS

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	General	Board Designated	Total			
NET ASSETS, June 30, 2014	\$ 1,351,432	\$ 590,174	\$ 1,941,606	\$ 9,489,461	\$ 12,482,298	\$ 23,913,365
CHANGE IN NET ASSETS	<u>23,083</u>	<u>10,681</u>	<u>33,764</u>	<u>(174,702)</u>	<u>828,673</u>	<u>687,735</u>
NET ASSETS, June 30, 2015	1,374,515	600,855	1,975,370	9,314,759	13,310,971	24,601,100
CHANGE IN NET ASSETS	<u>(53,399)</u>	<u>100</u>	<u>(53,299)</u>	<u>1,223,394</u>	<u>374,144</u>	<u>1,544,239</u>
NET ASSETS, June 30, 2016	<u>\$ 1,321,116</u>	<u>\$ 600,955</u>	<u>\$ 1,922,071</u>	<u>\$ 10,538,153</u>	<u>\$ 13,685,115</u>	<u>\$ 26,145,339</u>

CENTRAL WASHINGTON UNIVERSITY FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions and donations	\$ 2,538,702	\$ 2,060,751
Cash paid to suppliers, employees, and the University	(2,398,764)	(2,276,783)
Net dividends and interest received	668,286	514,084
Net cash from operating activities	808,224	298,052
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(2,317,119)	(16,972,180)
Proceeds from sale and maturities of investments	1,892,363	16,436,855
Net cash from investing activities	(424,756)	(535,325)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	383,468	(237,273)
CASH AND CASH EQUIVALENTS, beginning of year	233,594	470,867
CASH AND CASH EQUIVALENTS, end of year	\$ 617,062	\$ 233,594
RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 1,544,239	\$ 687,735
Adjustments to reconcile increase in net assets to net cash from operating activities		
Donated stock	(68,294)	(332,016)
Realized (gain) loss on investments	163,826	(2,747,502)
Unrealized loss on investments	386,088	2,998,260
Allowance for doubtful pledges and discount on pledges	222,004	(8,998)
Cash surrender value of life insurance	10,174	-
(Increase) decrease in cash due to changes in assets and liabilities		
Other Assets	(26,534)	(15,347)
Pledges receivable	(1,261,721)	(315,945)
Accounts payable	(159,531)	33,733
Trust liabilities	(2,027)	(1,868)
Net adjustments	(736,015)	(389,683)
NET CASH FROM OPERATING ACTIVITIES	\$ 808,224	\$ 298,052

During 2015, a donation of land was pledged to the Foundation and the balance was included in pledges receivable. During 2016, the land was received.

CENTRAL WASHINGTON UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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.

CENTRAL WASHINGTON UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (continued)

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.

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.

CENTRAL WASHINGTON UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (continued)

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.

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, 2016 and 2015. The Foundation files income tax returns in the U.S. federal jurisdictions.

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.

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 5, 2016, which is the date the financial statements were available to be issued.

CENTRAL WASHINGTON UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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 \$78,254 and \$73,303 during the fiscal years ended June 30, 2016 and 2015, respectively. In addition, the Foundation has collected administrative fees of \$291,031 and \$296,229 in 2016 and 2015, respectively. Both the administrative fees and revenues 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 organization 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 statement of financial position, 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, 2016 or June 30, 2015.

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, 2016 and 2015:

	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, 2016				
Money market funds	\$ 513,034	\$ 513,034	\$ -	\$ -
Mutual funds				
Domestic equities	8,715,133	8,715,133	-	-
International equities	5,397,427	5,397,427	-	-
Fixed income	1,251,421	1,251,421	-	-
Stocks				
Domestic	5,189,241	5,189,241	-	-
International	594,658	594,658	-	-
Bonds				
Corporate	1,485,641	-	1,485,641	-
US government	393,824	393,824	-	-
Foreign	-	-	-	-
	<u>\$ 23,540,379</u>	<u>\$ 22,054,738</u>	<u>\$ 1,485,641</u>	<u>\$ -</u>
June 30, 2015				
Money market funds	\$ 345,000	\$ 345,000	\$ -	\$ -
Mutual funds				
Domestic equities	8,117,525	8,117,525	-	-
International equities	6,198,769	6,198,769	-	-
Fixed income	1,214,230	1,214,230	-	-
Stocks				
Domestic	5,333,010	5,333,010	-	-
International	550,937	550,937	-	-
Bonds				
Corporate	1,601,773	-	1,601,773	-
US government	235,999	235,999	-	-
Foreign	-	-	-	-
	<u>\$ 23,597,243</u>	<u>\$ 21,995,470</u>	<u>\$ 1,601,773</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, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 3,312,480	\$ 13,549,536	\$ 16,862,016
Board designated	600,955	-	-	600,955
Endowment net assets, June 30, 2016	<u>\$ 600,955</u>	<u>\$ 3,312,480</u>	<u>\$ 13,549,536</u>	<u>\$ 17,462,971</u>

CENTRAL WASHINGTON UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

Note 5 – Endowment (continued)

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2015	\$ 600,855	\$ 4,199,973	\$ 13,108,189	\$ 17,909,017
Investment return				
Investment income	12,142	479,861	-	492,003
Net appreciation (depreciation)	(10,639)	(402,878)	(10,634)	(424,151)
Fees	(1,403)	(351,703)	-	(353,106)
Total investment return	100	(274,720)	(10,634)	(285,254)
Donations	-	-	361,870	361,870
Net assets released	-	(619,703)	-	(619,703)
Redesignation of net assets	-	6,930	90,111	97,041
Endowment net assets, June 30, 2016	<u>\$ 600,955</u>	<u>\$ 3,312,480</u>	<u>\$ 13,549,536</u>	<u>\$ 17,462,971</u>

Endowment net assets composition by type of fund as of June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 4,199,973	\$ 13,108,189	\$ 17,308,162
Board designated	600,855	-	-	600,855
Endowment net assets, June 30, 2015	<u>\$ 600,855</u>	<u>\$ 4,199,973</u>	<u>\$ 13,108,189</u>	<u>\$ 17,909,017</u>

Changes in endowment net assets for the year ended June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2014	\$ 590,174	\$ 4,897,769	\$ 12,276,494	\$ 17,764,437
Investment return				
Investment income	12,924	483,505	-	496,429
Net appreciation (depreciation)	7,706	(299,974)	(342)	(292,610)
Fees	(6,663)	(363,787)	-	(370,450)
Total investment return	13,967	(180,256)	(342)	(166,631)
Donations	100	-	776,199	776,299
Net assets released	(3,386)	(517,540)	-	(520,926)
Redesignation of net assets	-	-	55,838	55,838
Endowment net assets, June 30, 2015	<u>\$ 600,855</u>	<u>\$ 4,199,973</u>	<u>\$ 13,108,189</u>	<u>\$ 17,909,017</u>

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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, 2016 and 2015.

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.

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Note 6 – Pledges Receivable

Pledges receivable at June 30, 2016 and 2015 consist primarily of pledges received for a professorship endowment, a scholarship endowment, and unrestricted donations. The pledges receivable have scheduled maturities as follows:

	2016	2015
Less than one year	\$ 1,099,634	\$ 805,313
One to five years	1,138,300	395,900
Less discount to net present value at 5%	(268,341)	(67,398)
Less allowance for uncollectible pledges	(46,047)	(24,986)
Net contributions receivable	\$ 1,923,546	\$ 1,108,829

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, 2016 and 2015 were \$60,841 and \$66,224, respectively and the liability for trust payments to the donors were \$47,920 and \$49,361, 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, 2016 and 2015, charitable gift annuities of \$148,550 and \$151,907, respectively, are included in investments, and the liability for annuity payments to donors of \$48,057 and \$50,588, respectively, is included in trust liabilities in the statement of financial position.

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Note 8 – Related Party

Central Washington University provided the Foundation employees to administer daily operations. The salaries and benefits of these employees have been allocated to the Foundation based on the number of hours of service. The cost for salaries and benefits allocated to the Foundation for the years ended June 30, 2016 and 2015 was as follows:

	<u>2016</u>	<u>2015</u>
Academic and program support	\$ 859,370	\$ 766,966
Alumni	<u>616,122</u>	<u>522,587</u>
Cost for salaries and benefits	<u>\$ 1,475,492</u>	<u>\$ 1,289,553</u>