

**CENTRAL WASHINGTON UNIVERSITY FOUNDATION
AND AFFILIATE**

COMBINED FINANCIAL REPORT

JUNE 30, 2018

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying combined financial statements of Central Washington University Foundation and Affiliate, which comprise the combined statement of financial position as of June 30, 2018, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of Central Washington University and Affiliate as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Prior Period Financial Statements

The combined financial statements of Central Washington University as of June 30, 2017, were audited by other auditors whose report dated October 19, 2017, expressed an unmodified opinion on those statements.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining statements of Central Washington University Foundation and the Central Washington University Alumni Association are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

A handwritten signature in blue ink that reads "Peterson Sullin LLP". The signature is written in a cursive, flowing style.

October 8, 2018

CENTRAL WASHINGTON UNIVERSITY FOUNDATION AND AFFILIATE

COMBINED STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

ASSETS	2018	2017
Cash and cash equivalents	\$ 1,544,782	\$ 693,599
Investments	32,319,606	26,674,826
Pledges receivable, net	2,550,336	1,999,706
Cash surrender value of life insurance	50,813	49,034
Land (held for sale at June 30, 2018; held for use at June 30, 2017)	151,000	225,000
Other assets	10,918	8,307
	<hr/>	<hr/>
Total assets	\$ 36,627,455	\$ 29,650,472
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LIABILITIES AND NET ASSETS		
Accounts payable	\$ 240,045	\$ 193,228
Trust and other liabilities	103,153	99,386
	<hr/>	<hr/>
Total liabilities	343,198	292,614
Net Assets		
Unrestricted		
Operating	3,689,533	1,969,086
Board-designated	671,735	642,413
	<hr/>	<hr/>
Total unrestricted	4,361,268	2,611,499
Temporarily restricted	14,141,034	12,381,686
Permanently restricted	17,781,955	14,364,673
	<hr/>	<hr/>
Total net assets	36,284,257	29,357,858
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Total liabilities and net assets	\$ 36,627,455	\$ 29,650,472
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See Notes to Combined Financial Statements

CENTRAL WASHINGTON UNIVERSITY FOUNDATION AND AFFILIATE

COMBINED STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2018 and 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue								
Contributions	\$ 171,859	\$ 4,017,204	\$ 3,479,666	\$ 7,668,729	\$ 20,091	\$ 2,629,332	\$ 416,901	\$ 3,066,324
In-kind contributions	1,754,402	263,293		2,017,695	1,509,971	119,234		1,629,205
Special event revenue	130,746			130,746		71,162		71,162
Membership dues	68,434	3,190	600	72,224	1	75,921	200	76,122
Investment return	687,369	1,759,306	3,478	2,450,153	823,370	2,287,426	2,250	3,113,046
Other	61	1,500		1,561	2,516			2,516
Net assets released from restrictions and other transfers	4,134,871	(4,196,539)	61,668		3,099,486	(3,099,486)		
Total support and revenue	6,947,742	1,847,954	3,545,412	12,341,108	5,455,435	2,083,589	419,351	7,958,375
Expenses								
Program expenses	4,800,343			4,800,343	4,357,504			4,357,504
Management and general expenses	363,316			363,316	244,552			244,552
Fundraising expenses	251,050			251,050	143,800			143,800
Total program and administrative expenses	5,414,709			5,414,709	4,745,856			4,745,856
Re-designation of Net Assets	216,736	(88,606)	(128,130)		(20,151)	(240,056)	260,207	
Total change in net assets	1,749,769	1,759,348	3,417,282	6,926,399	689,428	1,843,533	679,558	3,212,519
Net Assets, beginning of year	2,611,499	12,381,686	14,364,673	29,357,858	1,922,071	10,538,153	13,685,115	26,145,339
Net Assets, end of year	\$ 4,361,268	\$ 14,141,034	\$ 17,781,955	\$ 36,284,257	\$ 2,611,499	\$ 12,381,686	\$ 14,364,673	\$ 29,357,858

See Notes to Combined Financial Statements

CENTRAL WASHINGTON UNIVERSITY FOUNDATION AND AFFILIATE

COMBINED STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2018 and 2017

	2018			2017 (Unaudited) Total
	Program	Management and General	Fundraising	
Scholarships and grants	\$ 1,675,347	\$ -	\$ -	\$ 1,675,347
Program support	439,546	26,212	88,209	553,967
In-kind expenses	1,955,183	55,293	7,219	2,017,695
Salary, wages, and benefits	190,227	148,242	14,063	352,532
Travel	139,502	3,898	97,546	240,946
Professional development	145,197	8,921	21,564	175,682
Purchased services	106,927	88,807		195,734
Supplies	93,311	830	6,384	100,525
Postage and printing	26,853	217	13,450	40,520
Miscellaneous	28,250	7,696	2,615	38,561
Write-off of pledges		23,200		23,200
	<u>\$ 4,800,343</u>	<u>\$ 363,316</u>	<u>\$ 251,050</u>	<u>\$ 5,414,709</u>
				<u>\$ 4,745,856</u>

See Notes to Combined Financial Statements

CENTRAL WASHINGTON UNIVERSITY FOUNDATION AND AFFILIATE

COMBINED STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Cash received from contributions	\$ 3,376,726	\$ 3,106,308
Cash paid to suppliers, employees, and the University	(3,349,041)	(3,095,369)
Net dividends and interest received	628,228	631,586
Net cash flows from operating activities	655,913	642,525
Cash Flows from Investing Activities		
Proceeds from sale of investments	3,334,615	3,135,509
Purchase of investments	(6,619,011)	(3,701,497)
Net cash flows from investing activities	(3,284,396)	(565,988)
Cash Flows from Financing Activity		
Contributions received for long-term purposes	3,479,666	
Net change in cash and cash equivalents	851,183	76,537
Cash and Cash Equivalents, beginning of year	693,599	617,062
Cash and Cash Equivalents, end of year	\$ 1,544,782	\$ 693,599
Reconciliation of Increase in Net Assets to		
Net Cash Flows from Operating Activities		
Change in net assets	\$ 6,926,399	\$ 3,212,519
Donated stock	(538,459)	(86,999)
Realized loss (gain) on investments	(194,352)	201,163
Unrealized gain on investments	(1,627,573)	(2,682,623)
Allowance for doubtful pledges and discount on pledges	249,208	(53,229)
Write-down on sale of land	74,000	
Cash surrender value of life insurance	(1,779)	114
Contributions restricted for long-term purposes	(3,479,666)	
Changes in operating assets and liabilities		
Pledges receivable	(799,838)	(22,931)
Other assets	(2,611)	35,577
Accounts payable	46,817	38,840
Trust and other liabilities	3,767	94
Net cash flows from operating activities	\$ 655,913	\$ 642,525

See Notes to Combined Financial Statements

NOTES TO COMBINED 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, faculty and staff, property, and physical facilities, and to provide financial or other assistance to students in their efforts to acquire an education.

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

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

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

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations. They are available to support operations, programs, and scholarships. Included within these net assets are board-designated net assets, all of which are for board-designated endowments.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation or Association and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statements of activities as net assets released from restrictions. Temporarily restricted net assets are available for the purpose of scholarships and academic program support and also include life income gifts, which will become available upon satisfaction of annuity obligations, and unappropriated endowment earnings of \$5,080,501 and \$4,468,415 at June 30, 2018 and 2017, respectively. 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 and Association to use the income earned on the endowments for scholarships or program purposes. Re-designations occur when donors either change their mind on the purpose of a gift or when contractual terms expire.

Net assets consist of the following at June 30:

		2018			
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Foundation Association		\$ 3,570,161	\$14,103,335	\$17,706,352	\$35,379,848
		791,107	37,699	75,603	904,409
		<u>\$ 4,361,268</u>	<u>\$14,141,034</u>	<u>\$17,781,955</u>	<u>\$36,284,257</u>
		2017			
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Foundation Association		\$ 2,611,499	\$11,237,186	\$14,290,159	\$28,138,844
			1,144,500	74,514	1,219,014
		<u>\$ 2,611,499</u>	<u>\$12,381,686</u>	<u>\$14,364,673</u>	<u>\$29,357,858</u>

Cash and Cash Equivalents

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

Fair Value Measurements

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

- Level 1: Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable inputs where there is little or no market data, which require the Foundation to develop its own assumptions.

Investments

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

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

Pledges Receivable

Contributions are recognized when the donor makes a promise to give (pledge) to the Foundation or Association that is, in substance, unconditional. Pledges are recognized based on commitments from donors and are included in the financial statements at net realizable value if they are going to be collected within one year. Pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using the discount rate adjustment technique, where the rate is based upon the rate a market participant would demand. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Pledges from two and three donors accounted for 28% and 59% of the pledges receivable balance at June 30, 2018 and 2017, respectively.

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

Land

Land with a value of \$225,000 (at date of donation) was contributed in a prior year. It was initially expected to be held for use (so it was stated at cost). During the year ended June 30, 2018, the land was reclassified as held for sale, so it is stated at the lower of cost/donated value or market. A write-down to market of \$74,000 was required as a result of this reclassification.

In-kind Contributions

The Foundation and the Association have an operating agreement with the University. Under the terms of this agreement, the University lets the Foundation and Association occupy, without charge, certain premises located in the University. The University also pays some of the Foundation and Association's salary and benefit expenses, and provides certain administrative services at no charge to the Foundation or Association. In-kind contributions recognized in these financial statements are recognized at the estimated value upon receipt of the goods or services received (see Note 8).

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 or the Association as owner and beneficiary of the policies.

Functional Allocation of Expenses

In order to provide information with regard to service efforts, the costs of providing each of the Foundation's and Association's programs have been presented on a functional basis in the combined statements of activities. In order to provide this presentation, certain costs were required to be allocated among the programs and supporting services benefited.

Federal Income Tax

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

Financial Statement Estimates

The preparation of the combined financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities, if applicable, at the date of the 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.

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

Reclassifications

Certain amounts reported in the June 30, 2017, financial statements have been reclassified to conform to the June 30, 2018, financial statement presentation. Reclassifications do not have an effect on change in net assets for the year ended June 30, 2017.

Subsequent Events

Management of the Foundation and the Association have evaluated subsequent events through the date these combined financial statements were available to be issued, which was October 8, 2018.

Note 3. Investments

The following table represents information about the Foundation and Association's investments that have been measured at fair value on a recurring basis as of June 30:

Fair Value Measurements at June 30, 2018, Using:				
	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Total</u>
Money market funds	\$ 866,664	\$ -	\$ -	\$ 866,664
Fixed income				
Corporate obligations		1,746,665		1,746,665
Government obligations	1,658,557			1,658,557
Domestic mutual funds	1,266,710			1,266,710
Mortgage-backed securities	98,752			98,752
International mutual funds	7,537			7,537
Equity				
Domestic mutual funds	10,741,935			10,741,935
International mutual funds	6,203,044			6,203,044
Information technology	1,437,785			1,437,785
Financials	1,385,566			1,385,566
International equities	1,363,731			1,363,731
Health care	1,141,202			1,141,202
Consumer discretionary	1,041,055			1,041,055
Industrials	525,517			525,517
All other categories	1,823,688			1,823,688
REITs	1,011,199			1,011,199
	<u>\$30,572,941</u>	<u>\$ 1,746,665</u>	<u>\$ -</u>	<u>\$32,319,606</u>

Fair Value Measurements at June 30, 2017, Using:				
	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Total</u>
Money market funds	\$ 597,793	\$ -	\$ -	\$ 597,793
Fixed income				
Corporate obligations		1,794,929		1,794,929
Government obligations	1,650,407			1,650,407
Domestic mutual funds	1,322,802			1,322,802
Mortgage-backed securities	100,104			100,104
International mutual funds	7,169			7,169
Equity				
Domestic mutual funds	8,520,319			8,520,319
International mutual funds	4,708,067			4,708,067
Information technology	899,784			899,784
Financials	1,289,924			1,289,924
International equities	808,406			808,406
Health care	1,057,282			1,057,282
Consumer discretionary	596,909			596,909
Industrials	455,106			455,106
All other categories	1,422,920			1,422,920
REITs	1,442,904			1,442,904
	<u>\$24,879,897</u>	<u>\$ 1,794,929</u>	<u>\$ -</u>	<u>\$26,674,826</u>

Investment income consists of the following at June 30:

	2018	2017
Interest and dividends	\$ 628,228	\$ 631,586
Realized gains (losses)	194,352	(201,163)
Unrealized gains	1,627,573	2,682,623
	<u>\$ 2,450,153</u>	<u>\$ 3,113,046</u>

Note 4. Investment Fees and Administrative Fees

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

The Foundation and the Association paid investment fees, which are included in operation expense, in the amount of \$91,434 and \$83,281 during the years ended June 30, 2018 and 2017, respectively. In addition, the Foundation has collected administrative fees of \$339,594 and \$291,055 in 2018 and 2017, respectively. Administrative fees are considered a release of restriction and are reclassified from temporarily restricted net assets to unrestricted net assets when earned by the Foundation.

Note 5. Pledges Receivable

Pledges receivable at June 30, 2018 and 2017, have scheduled maturities as follows:

	2018	2017
Less than one year	\$ 863,981	\$ 871,933
One to five years	2,038,181	1,295,391
More than five years	265,000	200,000
Less: discount to net present value at rates from 4.25% to 5.00%	(489,754)	(272,925)
Less: allowance for uncollectible pledges	(127,072)	(94,693)
Net contributions receivable	<u>\$ 2,550,336</u>	<u>\$ 1,999,706</u>

Note 6. Charitable Trusts, Annuities, and Related Liability

The charitable trusts are trusts that have been contributed to the Foundation or the Association. The charitable trust assets held are included in the investments line item on the statements of financial position. The trust assets are not currently available to be used and this is indicated by the recording of the trust assets as 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 in accordance with the donor's wishes. The value of the trust assets at June 30, 2018 and 2017, were \$73,206 and \$68,725, respectively, and the liability for trust payments to the donors were \$43,390 and \$46,155, respectively.

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

Deferred gifts of cash are valued at face value and investments at market value. Contribution values are discounted on the basis of actuarial data contained in a software program commonly used by not-for-profit organizations. The discount rates used to value these annuities payable range from 4.25% to 5.00% and are based on the Internal Revenue Service actuarial tables.

Note 7. Line of Credit

Under a line of credit agreement with a bank, the Foundation may borrow up to \$4,500,000, with interest payable monthly at the bank's prime rate less 2.00% (resulting in a rate of 3.00% at June 30, 2018). The borrowings are collateralized by the Foundation's investment account at the creditor bank. The line of credit matures on April 20, 2021. The balance on the line of credit was zero at both June 30, 2018 and 2017.

Note 8. Related Party

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

	<u>2018</u>	<u>2017</u>
Related party in-kinds		
Academic and program support	\$ 1,003,255	\$ 832,828
Association	<u>736,735</u>	<u>675,895</u>
Cost for salaries and benefits from related parties	1,739,990	1,508,723
Other in-kinds		
Supplies in-kind	126,143	52,584
Sponsorship in-kind	107,773	18,010
Other in-kind	<u>43,789</u>	<u>67,288</u>
Total in-kind expenses	<u>\$ 2,017,695</u>	<u>\$ 1,646,605</u>

Note 9. Endowment

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

Interpretation of Relevant Law

The Board of Directors of the Foundation and Association has interpreted the State of Washington UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation and Association classify as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, plus (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 or Association in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation and Association consider the following factors in making a determination to appropriate or accumulate donor-restricted funds:

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

Endowment net assets consist of the following at:

	June 30, 2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 5,080,501	\$ 17,586,472	\$ 22,666,973
Board-designated	671,735			671,735
	<u>\$ 671,735</u>	<u>\$ 5,080,501</u>	<u>\$ 17,586,472</u>	<u>\$ 23,338,708</u>

	June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 4,468,415	\$ 14,179,411	\$ 18,647,826
Board-designated	642,413			642,413
	<u>\$ 642,413</u>	<u>\$ 4,468,415</u>	<u>\$ 14,179,411</u>	<u>\$ 19,290,239</u>

Changes in endowment net assets are as follows for the years ended:

	June 30, 2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 642,413	\$ 4,468,415	\$ 14,179,411	\$ 19,290,239
Investment return				
Investment income	12,405	438,135		450,540
Net appreciation	41,273	1,293,667	1,669	1,336,609
Total investment return	53,678	1,731,802	1,669	1,787,149
Contributions	200		3,466,854	3,467,054
Appropriation of endowment assets for expenditure	(20,017)	(1,092,772)		(1,112,789)
Re-designation of net assets	(4,539)	(26,944)	(61,462)	(92,945)
Endowment net assets, end of year	<u>\$ 671,735</u>	<u>\$ 5,080,501</u>	<u>\$ 17,586,472</u>	<u>\$ 23,338,708</u>

	June 30, 2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 600,955	\$ 3,312,480	\$ 13,549,536	\$ 17,462,971
Investment return				
Investment income	13,294	424,224		437,518
Net appreciation	57,918	1,697,010	2,334	1,757,262
Total investment return	71,212	2,121,234	2,334	2,194,780
Contributions	200		435,206	435,406
Appropriation of endowment assets for expenditure	(9,520)	(980,455)		(989,975)
Re-designation of net assets	(20,434)	15,156	192,335	187,057
Endowment net assets, end of year	<u>\$ 642,413</u>	<u>\$ 4,468,415</u>	<u>\$ 14,179,411</u>	<u>\$ 19,290,239</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 or Association to retain as a fund of perpetual duration. There were no deficient funds as of June 30, 2018 or 2017.

Return Objectives and Risk Parameters

The Foundation and Association have adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation and Association must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Foundation and Association boards, the endowment assets are invested as follows:

<u>Asset Class</u>	<u>Target</u>	<u>Long-Term Range</u>
Equity	75%	70% - 85%
Fixed income	20%	15% - 30%
Cash (money market)	5%	0% - 5%

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

Strategies Employed for Achieving Objectives

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

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

The Foundation investment policy is available upon request.

Spending Policy and How the Investment Objectives Relate to Spending Policy

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

S U P P L E M E N T A R Y I N F O R M A T I O N

CENTRAL WASHINGTON UNIVERSITY FOUNDATION AND AFFILIATE

COMBINING STATEMENT OF FINANCIAL POSITION

June 30, 2018

ASSETS	Central Washington University Foundation	Central Washington University Alumni Association	Combined Total
Cash and cash equivalents	\$ 1,526,090	\$ 18,692	\$ 1,544,782
Investments	31,440,066	879,540	32,319,606
Pledges receivable, net	2,544,503	5,833	2,550,336
Cash surrender value of life insurance	50,813		50,813
Land, held for sale	151,000		151,000
Other assets	7,873	3,045	10,918
	<u>\$ 35,720,345</u>	<u>\$ 907,110</u>	<u>\$ 36,627,455</u>
LIABILITIES AND NET ASSETS			
Accounts payable	\$ 237,540	\$ 2,505	\$ 240,045
Trust and other liabilities	102,957	196	103,153
	<u>340,497</u>	<u>2,701</u>	<u>343,198</u>
Net Assets			
Unrestricted			
Operating	2,898,426	791,107	3,689,533
Board-designated	671,735		671,735
Temporarily restricted	14,103,335	37,699	14,141,034
Permanently restricted	17,706,352	75,603	17,781,955
	<u>35,379,848</u>	<u>904,409</u>	<u>36,284,257</u>
	<u>\$ 35,720,345</u>	<u>\$ 907,110</u>	<u>\$ 36,627,455</u>

CENTRAL WASHINGTON UNIVERSITY FOUNDATION AND AFFILIATE

COMBINING STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

	Central Washington University Foundation			Central Washington University Alumni Association			Combined Total		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted
	Support and Revenue								
Contributions	\$ 89,441	\$ 4,011,582	\$ 3,478,577	\$ 82,418	\$ 5,622	\$ 1,089	\$ 171,859	\$ 4,017,204	\$ 3,479,666
In-kind contributions	1,010,474	263,293		743,928			1,754,402	263,293	
Special event revenue	130,746						130,746		
Membership dues		3,190	600	68,434			68,434	3,190	600
Investment return	588,597	1,750,143	3,478	98,772	9,163		687,369	1,759,306	3,478
Other	61	1,500					61	1,500	
Contributions (to)/from Foundation	255,591	(2,475)		(255,591)	2,475				
Net assets released from restrictions and other transfers	3,010,810	(3,072,478)	61,668	1,124,061	(1,124,061)		4,134,871	(4,196,539)	61,668
Total support and revenue	5,085,720	2,954,755	3,544,323	1,862,022	(1,106,801)	1,089	6,947,742	1,847,954	3,545,412
Expenses									
Scholarships and grants	1,671,622			3,725			1,675,347		
Program support	410,142			143,825			553,967		
In-kind expenses	1,273,767			743,928			2,017,695		
Salary, wages, and benefits	228,181			124,351			352,532		
Travel	217,969			22,977			240,946		
Professional development	169,857			5,825			175,682		
Purchased services	188,451			7,283			195,734		
Supplies	97,450			3,075			100,525		
Postage and printing	28,382			12,138			40,520		
Miscellaneous	34,773			3,788			38,561		
Write-off of pledges	23,200						23,200		
Total program and administrative expenses	4,343,794			1,070,915			5,414,709		
Re-designation of Net Assets	216,736	(88,606)	(128,130)				216,736	(88,606)	(128,130)
Total change in net assets	958,662	2,866,149	3,416,193	791,107	(1,106,801)	1,089	1,749,769	1,759,348	3,417,282
Net Assets, beginning of year	2,611,499	11,237,186	14,290,159		1,144,500	74,514	2,611,499	12,381,686	14,364,673
Net Assets, end of year	<u>\$ 3,570,161</u>	<u>\$ 14,103,335</u>	<u>\$ 17,706,352</u>	<u>\$ 791,107</u>	<u>\$ 37,699</u>	<u>\$ 75,603</u>	<u>\$ 4,361,268</u>	<u>\$ 14,141,034</u>	<u>\$ 17,781,955</u>