

**CENTRAL WASHINGTON UNIVERSITY
FOUNDATION AND AFFILIATE**

COMBINED FINANCIAL REPORT

JUNE 30, 2019

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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 statements of financial position as of June 30, 2019 and 2018, and the related combined statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of Central Washington University Foundation and Affiliate as of June 30, 2019 and 2018, 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.

Emphasis of a Matter – Recent Accounting Pronouncement Adopted

As discussed in Note 2 to the financial statements, in 2019, Central Washington University Foundation and Affiliate adopted the provisions of Accounting Standards Update ("ASU") No. 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to this matter.

Report on Supplemental Information

Our audits were 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.

Peterson Sullivan LLP.

October 1, 2019

CENTRAL WASHINGTON UNIVERSITY FOUNDATION AND AFFILIATE

COMBINED STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

ASSETS	2019	2018
Cash and cash equivalents	\$ 738,018	\$ 1,544,782
Investments	35,084,426	32,319,606
Pledges receivable, net	2,241,926	2,550,336
Cash surrender value of life insurance		50,813
Land held for sale		151,000
Other assets	16,648	10,918
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Total assets	\$ 38,081,018	\$ 36,627,455
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LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 312,693	\$ 240,045
Trust and other liabilities	105,268	103,153
Note payable	2,226,769	
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Total liabilities	2,644,730	343,198
Net Assets		
Without donor restrictions		
Operating	1,939,561	3,689,533
Board-designated	702,082	671,735
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Total net assets without donor restrictions	2,641,643	4,361,268
With donor restrictions	32,794,645	31,922,989
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Total net assets	35,436,288	36,284,257
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Total liabilities and net assets	\$ 38,081,018	\$ 36,627,455
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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, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Contributions	\$ 145,014	\$ 4,859,748	\$ 5,004,762	\$ 171,859	\$ 7,256,276	\$ 7,428,135
In-kind contributions	1,891,212	187,143	2,078,355	1,754,402	263,293	2,017,695
Special event revenue	271,147		271,147	130,746		130,746
Sponsorships		137,602	137,602		85,383	85,383
Membership dues	90,218		90,218	68,434	3,790	72,224
Investment return	455,132	1,292,948	1,748,080	595,935	1,762,784	2,358,719
Other	71,556	317	71,873	61	1,500	1,561
Net assets released from restrictions and other transfers	5,606,102	(5,606,102)		4,196,396	(4,196,396)	
Total support and revenue	8,530,381	871,656	9,402,037	6,917,833	5,176,630	12,094,463
Expenses						
Program	9,555,448		9,555,448	4,553,698		4,553,698
Management and general	428,208		428,208	363,316		363,316
Fundraising	266,350		266,350	251,050		251,050
Total program and administrative expenses	10,250,006		10,250,006	5,168,064		5,168,064
Total change in net assets	(1,719,625)	871,656	(847,969)	1,749,769	5,176,630	6,926,399
Net Assets, beginning of year	4,361,268	31,922,989	36,284,257	2,611,499	26,746,359	29,357,858
Net Assets, end of year	\$ 2,641,643	\$ 32,794,645	\$ 35,436,288	\$ 4,361,268	\$ 31,922,989	\$ 36,284,257

See Notes to Combined Financial Statements

CENTRAL WASHINGTON UNIVERSITY FOUNDATION AND AFFILIATE

COMBINED STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2019 and 2018

	2019			2018				
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Scholarships and grants	\$ 1,471,363	\$ -	\$ -	\$ 1,471,363	\$ 1,520,136	\$ -	\$ -	\$ 1,520,136
Program support	899,949	43,116	96,892	1,039,957	584,743	35,133	109,773	729,649
University capital project support	4,400,000			4,400,000				
In-kind expenses	2,078,355			2,078,355	1,955,183	55,293	7,219	2,017,695
Salaries, wages, and benefits	336,154	118,710	67,845	522,709	190,227	148,242	14,063	352,532
Travel	169,804	919	81,936	252,659	139,502	3,898	97,546	240,946
Professional services	58,423	207,749	3,795	269,967	15,493	88,807		104,300
Supplies	116,494	1,240	1,575	119,309	93,311	830	6,384	100,525
Postage and printing	19,129	567	12,749	32,445	26,853	217	13,450	40,520
Interest		48,196		48,196				
Miscellaneous	5,777	7,711	1,558	15,046	28,250	7,696	2,615	38,561
Write-off of pledges						23,200		23,200
	<u>\$ 9,555,448</u>	<u>\$ 428,208</u>	<u>\$ 266,350</u>	<u>\$ 10,250,006</u>	<u>\$ 4,553,698</u>	<u>\$ 363,316</u>	<u>\$ 251,050</u>	<u>\$ 5,168,064</u>

See Notes to Combined Financial Statements

CENTRAL WASHINGTON UNIVERSITY FOUNDATION AND AFFILIATE

COMBINED STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Cash received from contributions	\$ 2,831,719	\$ 3,376,726
Cash paid for scholarships and programs	(2,371,312)	(2,249,785)
Cash paid to employees	(522,709)	(352,532)
Cash paid to the University	(4,400,000)	
Cash paid to vendors	(760,401)	(746,724)
Cash paid for interest	(48,196)	
Net dividends and interest received	718,677	628,228
	<hr/>	<hr/>
Net cash flows from operating activities	(4,552,222)	655,913
Cash Flows from Investing Activities		
Proceeds from sale of investments	2,132,812	3,334,615
Purchase of investments	(3,356,913)	(6,619,011)
	<hr/>	<hr/>
Net cash flows from investing activities	(1,224,101)	(3,284,396)
Cash Flows from Financing Activities		
Draws on line of credit	2,700,000	
Payments on line of credit	(473,231)	
Contributions received for long-term purposes	2,742,790	3,479,666
	<hr/>	<hr/>
Net cash flows from financing activities	4,969,559	3,479,666
	<hr/>	<hr/>
Net change in cash and cash equivalents	(806,764)	851,183
Cash and Cash Equivalents, beginning of year	1,544,782	693,599
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Cash and Cash Equivalents, end of year	\$ 738,018	\$ 1,544,782
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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:

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

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

	2019	2018
Academic and program support	10,005,272	11,781,091
Scholarships and awards	\$ 22,789,373	20,141,898
	<u>\$ 32,794,645</u>	<u>\$ 31,922,989</u>

Net assets consist of the following at June 30:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Foundation Association	\$ 1,940,684	\$ 32,670,008	\$ 34,610,692
	700,959	124,637	825,596
	<u>\$ 2,641,643</u>	<u>\$ 32,794,645</u>	<u>\$ 35,436,288</u>
	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Foundation Association	\$ 3,570,161	\$ 31,809,687	\$ 35,379,848
	791,107	113,302	904,409
	<u>\$ 4,361,268</u>	<u>\$ 31,922,989</u>	<u>\$ 36,284,257</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 donors accounted for 33% and 28% of the pledges receivable balance at June 30, 2019 and 2018, 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 Held for Sale

During the year ended June 30, 2018, donated land was held for sale and stated at the lower of cost/donated value or market. The land was sold during the year ended June 30, 2019.

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. The value of the policies was collected in the year ended June 30, 2019.

Functional Allocation of Expenses

In order to provide information with regard to service efforts, the costs of providing each of the Foundation's and Association's programs have been presented on a functional basis in the combined statements of activities and functional expenses. Salaries and wages were allocated based on an estimate of time spent in each function. All other costs were directly allocated to each function for the years ended June 30, 2019 and 2018.

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

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

Recent Accounting Pronouncement Adopted

During the year ended June 30, 2019, the Foundation and the Association adopted the provisions of Accounting Standards Update ("ASU") No. 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation and the Association have adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented, except for the liquidity and availability of resources note (see Note 3).

Reclassifications

Certain amounts reported in the June 30, 2018, financial statements have been reclassified to conform to the June 30, 2019, financial statement presentation. Reclassifications did not have an effect on change in net assets for the year ended June 30, 2018.

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 1, 2019.

Note 3. Liquidity and Availability of Resources

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

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

Cash and cash equivalents	\$ 738,018
Investments	35,084,426
Pledges receivable	2,241,926
Total financial assets	<u>38,064,370</u>
Long-term promises to give	(1,368,028)
Board-designated endowment net assets	(702,082)
Reserve funds without donor restriction required by Washington State to issue Charitable Gift Annuities	(500,000)
Net assets with donor restrictions	<u>(32,794,645)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,699,615</u>

Note 4. Investments

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

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

**Fair Value Measurements at
June 30, 2018, Using:**

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
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>

Note 5. Investment Fees and Administrative Fees

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

The Foundation and the Association paid investment fees, which are netted against investment return as required by ASU No. 2016-14, in the amount of \$100,673 and \$91,434 during the years ended June 30, 2019 and 2018, respectively. In addition, the Foundation has collected administrative fees of \$442,688 and \$339,594 in 2019 and 2018, respectively. Administrative fees are considered a release of restriction and are reclassified from net assets with donor restrictions to net assets without donor restrictions when earned by the Foundation.

Note 6. Pledges Receivable

Pledges receivable at June 30, 2019 and 2018, have scheduled maturities as follows:

	2019	2018
Less than one year	\$ 796,960	\$ 863,981
One to five years	1,437,984	2,038,181
More than five years	394,800	265,000
Less: discount to net present value at rates from 5.00% to 5.50%	(322,075)	(489,754)
Less: allowance for uncollectible pledges	(65,743)	(127,072)
Net contributions receivable	<u>\$ 2,241,926</u>	<u>\$ 2,550,336</u>

Note 7. Charitable Trusts, Annuities, and Related Liability

The charitable trusts are trusts that have been contributed to the Foundation or the Association. The charitable trust assets held are included in the investments line item on the statements of financial position. The trust assets are not currently available to be used and this is indicated by the recording of the trust assets as 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, 2019 and 2018, were \$63,624 and \$73,206, respectively, and the liability for trust payments to the donors were \$41,645 and \$43,390, respectively.

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

Deferred gifts of cash are valued at face value and investments at market value. Contribution values are discounted on the basis of actuarial data contained in a software program commonly used by not-for-profit organizations. The discount rates used to value these annuities payable range from 4.25% to 5.50% and are based on the Internal Revenue Service actuarial tables.

Note 8. Line of Credit

Under a line of credit agreement with a bank, the Foundation may borrow up to \$4,500,000, with interest payable monthly at the bank's prime rate less 2.00% (resulting in a rate of 3.50% at June 30, 2019). The borrowings are collateralized by the Foundation's investment account at the creditor bank. The line of credit matures on April 20, 2021, at which point all outstanding principal and interest is due. The balance on the line of credit was \$2,226,769 and zero at June 30, 2019 and 2018, respectively.

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

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

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

Note 9. Related Party and In-Kind Contributions

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

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

	<u>2019</u>	<u>2018</u>
Related party in-kinds		
Foundation salaries and benefits	\$ 1,144,865	\$ 1,003,255
Association salaries and benefits	<u>743,654</u>	<u>736,735</u>
Cost for salaries and benefits from related parties	1,888,519	1,739,990
Other in-kinds		
Equipment in-kind	103,828	
Supplies in-kind	71,270	126,143
Sponsorship in-kind		107,773
Other in-kind	<u>14,738</u>	<u>43,789</u>
Total in-kind contributions and expenses	<u>\$ 2,078,355</u>	<u>\$ 2,017,695</u>

Note 10. Endowment

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

Interpretation of Relevant Law

The Board of Directors of the Foundation and Association has interpreted the State of Washington UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation and Association classify as net assets with donor restrictions (a) the original value of gifts donated to the endowment, plus (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment, as applicable, made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as amounts to be held in perpetuity within donor-restricted net assets is classified within net assets as donor-restricted for time or purpose until those amounts are appropriated for expenditure by the Foundation or Association in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation and Association consider the following factors in making a determination to appropriate or accumulate donor-restricted funds:

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

Endowment net assets consist of the following at June 30:

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

		2018			
		Without Donor Restrictions	With Donor Restrictions	With Donor Restrictions	
		Quasi- Endowment	Purpose and Time	Endowment	Total
Donor-restricted endowment funds	\$	-	\$ 5,082,170	\$ 17,584,803	\$ 22,666,973
Board-designated		671,735			671,735
	\$	671,735	\$ 5,082,170	\$ 17,584,803	\$ 23,338,708

Changes in endowment net assets are as follows for the years ended June 30:

	2019			Total
	Without Donor Restrictions Quasi- Endowment	With Donor Restrictions Purpose and Time	With Donor Restrictions Endowment	
Endowment net assets, beginning of year	\$ 671,735	\$ 5,082,170	\$ 17,584,803	\$ 23,338,708
Investment return				
Investment income	12,515	520,086		532,601
Net appreciation	19,847	784,788		804,635
Total investment return	32,362	1,304,874		1,337,236
Contributions	32,442		2,850,454	2,882,896
Appropriation of endowment assets for expenditure	(34,457)	(1,117,186)		(1,151,643)
Re-designation of net assets		(5,759)	6,265	506
Endowment net assets, end of year	<u>\$ 702,082</u>	<u>\$ 5,264,099</u>	<u>\$ 20,441,522</u>	<u>\$ 26,407,703</u>
	2018			
	Without Donor Restrictions Quasi- Endowment	With Donor Restrictions Purpose and Time	With Donor Restrictions Endowment	Total
Endowment net assets, beginning of year	\$ 642,413	\$ 4,468,415	\$ 14,179,411	\$ 19,290,239
Investment return				
Investment income	10,407	377,549		387,956
Net appreciation	41,273	1,295,336		1,336,609
Total investment return	51,680	1,672,885		1,724,565
Contributions	200		3,466,854	3,467,054
Appropriation of endowment assets for expenditure	(18,019)	(1,032,186)		(1,050,205)
Re-designation of net assets	(4,539)	(26,944)	(61,462)	(92,945)
Endowment net assets, end of year	<u>\$ 671,735</u>	<u>\$ 5,082,170</u>	<u>\$ 17,584,803</u>	<u>\$ 23,338,708</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, 2019 or 2018.

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.

Note 11. Commitments

The Foundation offers scholarships to students that are conditional based on students fulfilling certain requirements to receive the funds. These conditional awards are not recorded as a liability on the statements of financial position. The amount of scholarships offered but still conditional amount to \$796,506, and \$844,132 at June 30, 2019 and 2018, respectively.

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, 2019

ASSETS	Central Washington University Foundation	Central Washington University Alumni Association	Combined Total
Cash and cash equivalents	\$ 720,751	\$ 17,267	\$ 738,018
Investments	34,283,844	800,582	35,084,426
Pledges receivable, net	2,234,428	7,498	2,241,926
Other assets	13,996	2,652	16,648
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 37,253,019</u>	<u>\$ 827,999</u>	<u>\$ 38,081,018</u>
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable	\$ 310,290	\$ 2,403	\$ 312,693
Trust and other liabilities	105,268		105,268
Note payable	2,226,769		2,226,769
	<hr/>	<hr/>	<hr/>
Total liabilities	2,642,327	2,403	2,644,730
Net Assets			
Without donor restrictions			
Operating	1,238,602	700,959	1,939,561
Board-designated	702,082		702,082
With donor restrictions	32,670,008	124,637	32,794,645
	<hr/>	<hr/>	<hr/>
Total net assets	34,610,692	825,596	35,436,288
	<hr/>	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 37,253,019</u>	<u>\$ 827,999</u>	<u>\$ 38,081,018</u>

CENTRAL WASHINGTON UNIVERSITY FOUNDATION AND AFFILIATE

COMBINING STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2019

	Central Washington University Foundation		Central Washington University Alumni Association		Combined Total		
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue							
Contributions	\$ 112,742	\$ 4,852,041	\$ 32,272	\$ 7,707	\$ 145,014	\$ 4,859,748	\$ 5,004,762
In-kind contributions	1,144,865	187,143	746,347		1,891,212	187,143	2,078,355
Special event revenue	271,147				271,147		271,147
Sponsorships		137,602				137,602	137,602
Membership dues	1,000		89,218		90,218		90,218
Investment return	418,398	1,287,735	36,734	5,213	455,132	1,292,948	1,748,080
Other	28,475	317	43,081		71,556	317	71,873
Contributions (to)/from Foundation	7,827	(5,164)	(7,827)	5,164			
Net assets released from restrictions and other transfers	5,599,353	(5,599,353)	6,749	(6,749)	5,606,102	(5,606,102)	
Total support and revenue	7,583,807	860,321	946,574	11,335	8,530,381	871,656	9,402,037
Expenses							
Scholarships and grants	1,465,531		5,832		1,471,363		1,471,363
Program support	919,934		120,023		1,039,957		1,039,957
University capital project support	4,400,000				4,400,000		4,400,000
In-kind expenses	1,332,008		746,347		2,078,355		2,078,355
Salaries, wages, and benefits	384,965		137,744		522,709		522,709
Travel	244,881		7,778		252,659		252,659
Professional services	262,436		7,531		269,967		269,967
Supplies	116,225		3,084		119,309		119,309
Postage and printing	26,878		5,567		32,445		32,445
Interest	48,196				48,196		48,196
Miscellaneous	12,230		2,816		15,046		15,046
Total program and administrative expenses	9,213,284		1,036,722		10,250,006		10,250,006
Total change in net assets	(1,629,477)	860,321	(90,148)	11,335	(1,719,625)	871,656	(847,969)
Net Assets, beginning of year	3,570,161	31,809,687	791,107	113,302	4,361,268	31,922,989	36,284,257
Net Assets, end of year	\$ 1,940,684	\$ 32,670,008	\$ 700,959	\$ 124,637	\$ 2,641,643	\$ 32,794,645	\$ 35,436,288