



Report of Independent Auditors and Financial  
Statements with Supplementary Information for

**WESTERN WASHINGTON  
UNIVERSITY FOUNDATION**

June 30, 2012 and 2011

**MOSS ADAMS** LLP

Certified Public Accountants | Business Consultants

*Acumen. Agility. Answers.*



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## REPORT OF INDEPENDENT AUDITORS

To the Board of Directors  
Western Washington University Foundation

We have audited the accompanying statements of financial position of Western Washington University Foundation (the "Foundation") as of June 30, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Western Washington University Foundation's internal control over financial reporting. Accordingly, we do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used, and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Western Washington University Foundation as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

**MOSS ADAMS** LLP

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary schedules of functional expenses on page 20 are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

Bellingham, Washington  
October 25, 2012

**WESTERN WASHINGTON UNIVERSITY FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2012 AND 2011**

<b>ASSETS</b>		
	2012	2011
<b>CASH AND CASH EQUIVALENTS</b>	\$ 1,750,884	\$ 1,725,048
<b>INVESTMENTS</b>		
Operating investment pool	9,298,513	8,609,833
Endowment investment pool		
Externally managed investments	42,248,335	43,621,454
Real estate held for investment	2,659,200	2,531,800
Annuity and life income investments	4,157,673	4,426,814
Other	458,757	458,757
Total investments	58,822,478	59,648,658
<b>RECEIVABLES</b>		
Promises to give, net	4,122,935	2,375,289
Other	13,715	20,198
Total receivables	4,136,650	2,395,487
<b>OTHER ASSETS</b>	26,113	34,506
<b>TOTAL ASSETS</b>	\$ 64,736,125	\$ 63,803,699

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>		
Accounts payable	\$ 265,845	\$ 140,643
Due to Western Washington University	321,390	277,951
Annuity and life income obligations	1,178,199	1,296,441
Investments held in trust for		
Western Washington University	9,632,996	9,856,624
Contingent obligation to Northwest		
Indian College Foundation	1,020,031	1,058,773
Total liabilities	12,418,461	12,630,432
<b>NET ASSETS</b>		
Unrestricted	11,863,437	12,172,122
Temporarily restricted	17,501,142	16,818,546
Permanently restricted	22,953,085	22,182,599
Total net assets	52,317,664	51,173,267
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 64,736,125	\$ 63,803,699

**WESTERN WASHINGTON UNIVERSITY FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2012</u>
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 569,784	\$ 5,006,747	\$ 769,277	\$ 6,345,808
Services and facilities provided by Western Washington University	2,197,121	-	-	2,197,121
Interest and dividends	425,529	608,696	-	1,034,225
Net realized gains (losses) on investments	962	(80,398)	-	(79,436)
Net unrealized gains (losses) on investments	(125,799)	(321,478)	-	(447,277)
Change in valuation of annuity obligations	-	(139,741)	-	(139,741)
Fund raising events and other	37,821	437,887	-	475,708
Total support and revenue before net assets released from restrictions	3,105,418	5,511,713	769,277	9,386,408
Net assets released from restrictions	4,865,323	(4,865,323)	-	-
Change in restrictions	(37,415)	36,206	1,209	-
Total support and revenue	<u>7,933,326</u>	<u>682,596</u>	<u>770,486</u>	<u>9,386,408</u>
<b>EXPENSES</b>				
Program services and grants	5,437,461	-	-	5,437,461
Management and general – WWU in-kind	1,217,709	-	-	1,217,709
Management and general – other	265,799	-	-	265,799
Fund raising – WWU in-kind	979,412	-	-	979,412
Fund raising	341,630	-	-	341,630
Total expenses	<u>8,242,011</u>	<u>-</u>	<u>-</u>	<u>8,242,011</u>
<b>CHANGE IN NET ASSETS</b>	(308,685)	682,596	770,486	1,144,397
<b>NET ASSETS, beginning of year</b>	<u>12,172,122</u>	<u>16,818,546</u>	<u>22,182,599</u>	<u>51,173,267</u>
<b>NET ASSETS, end of year</b>	<u>\$ 11,863,437</u>	<u>\$ 17,501,142</u>	<u>\$ 22,953,085</u>	<u>\$ 52,317,664</u>



**WESTERN WASHINGTON UNIVERSITY FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2011</u>
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 496,580	\$ 3,642,647	\$ 555,360	\$ 4,694,587
Services and facilities provided by Western Washington University	2,682,678	-	-	2,682,678
Interest and dividends	452,194	551,594	112	1,003,900
Net realized gains (losses) on investments	132	39,243	-	39,375
Net unrealized gains (losses) on investments	1,972,115	4,606,198	1,000	6,579,313
Change in valuation of annuity obligations	(1,124)	(289,883)	-	(291,007)
Fund raising events and other	35,788	438,835	-	474,623
Total support and revenue before net assets released from restrictions	5,638,363	8,988,634	556,472	15,183,469
Net assets released from restrictions	5,420,237	(5,420,237)	-	-
Change in restrictions	84,383	(142,800)	58,417	-
Total support and revenue	<u>11,142,983</u>	<u>3,425,597</u>	<u>614,889</u>	<u>15,183,469</u>
<b>EXPENSES</b>				
Program services and grants	5,000,183	-	-	5,000,183
Management and general – WWU in-kind	1,525,786	-	-	1,525,786
Management and general – other	238,931	-	-	238,931
Fund raising – WWU in-kind	1,156,892	-	-	1,156,892
Fund raising	896,035	-	-	896,035
Total expenses	<u>8,817,827</u>	<u>-</u>	<u>-</u>	<u>8,817,827</u>
<b>CHANGE IN NET ASSETS</b>	2,325,156	3,425,597	614,889	6,365,642
<b>NET ASSETS</b> , beginning of year	<u>9,846,966</u>	<u>13,392,949</u>	<u>21,567,710</u>	<u>44,807,625</u>
<b>NET ASSETS</b> , end of year	<u>\$ 12,172,122</u>	<u>\$ 16,818,546</u>	<u>\$ 22,182,599</u>	<u>\$ 51,173,267</u>

**WESTERN WASHINGTON UNIVERSITY FOUNDATION**  
**STATEMENT OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,144,397	\$ 6,365,642
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities</i>		
Realized (gain) loss on investments	79,436	(39,375)
Unrealized (gain) loss on investments	447,277	(6,579,313)
Revaluation of gift annuities	139,741	291,007
Contributions restricted for investment in endowment	(769,277)	(555,360)
<i>Changes in assets and liabilities</i>		
Promises to give	(1,747,646)	321,114
Other receivables	6,483	307,413
Other assets	8,393	(5,615)
Northwest Indian College Foundation contingent obligation	(39,711)	(40,536)
Accounts payable	125,202	27,648
Due to/from Western Washington University	43,439	156,788
Net cash provided by operating activities	<u>(562,266)</u>	<u>249,413</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(4,192,965)	(4,276,684)
Sales of investments	4,011,790	3,706,781
Net cash used by investing activities	<u>(181,175)</u>	<u>(569,903)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions restricted for investment in endowment	769,277	555,360
Net cash provided by financing activities	<u>769,277</u>	<u>555,360</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	25,836	234,870
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>1,725,048</u>	<u>1,490,178</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 1,750,884</u>	<u>\$ 1,725,048</u>
<b>NONCASH TRANSACTIONS</b>		
Net decrease in annuity and life income investments and related obligations for distributions made	<u>\$ 406,614</u>	<u>\$ 550,299</u>
Transfer of investments held in trust for Western Washington University	<u>\$ -</u>	<u>\$ 9,391,818</u>
Change in investments held in trust for Western Washington University	<u>\$ 223,628</u>	<u>\$ 464,806</u>
Change in investments held in trust for Northwest Indian College Foundation, exclusive of scholarships paid	<u>\$ 969</u>	<u>\$ 136,500</u>

**WESTERN WASHINGTON UNIVERSITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

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**NOTE 1 – DESCRIPTION OF OPERATIONS**

Western Washington University Foundation (the “Foundation”) is a Washington nonprofit corporation established in 1966 to promote, aid, and assist the educational and instructional programs and services of Western Washington University (the “University” or “WWU”). Operations consist principally of solicitation of contributions, investment and management of donated assets.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation** – The Foundation presents information about its financial position and activities according to the following three classes of net assets, depending on the existence and nature of donor restrictions.

- *Unrestricted* – Support received that is not subject to donor-imposed restrictions and over which the Board of Directors has discretionary control is classified as unrestricted.
- *Temporarily Restricted* – Support received subject to donor-imposed use restrictions or time restrictions that will be met either through actions of the Foundation or by the passage of time is classified as temporarily restricted. Temporarily restricted net assets also include unexpended endowment earnings. In the period donor restrictions are met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- *Permanently Restricted* – Support received subject to donor-imposed restrictions stipulating that funds be invested in perpetuity is classified as permanently restricted. In accordance with purposes stipulated by donors, earnings from such funds may be either unrestricted or temporarily restricted.

**Use of Estimates** – Preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Significant estimates include allowance for uncollectible promises to give, actuarial assumptions used to compute annuity and life income obligations, the present value of promises to give, the fair value of certain investments, and the discount rate used to value donated real estate currently under lease.

**Cash and Cash Equivalents** – All highly liquid investments with a maturity of 90 days or less at acquisition are considered to be cash equivalents.

**Investments** – Investments are reported at fair value. Changes in unrealized gains and losses are reported in the accompanying statement of activities.

- *Operating Investment Pool* – Western Washington University Foundation primarily invests fund balances that require a higher degree of liquidity in an operating investment pool that includes mainly fixed income securities. The pool may at times also include alternative investments, which are used to diversify the pool and manage investment risk.

**WESTERN WASHINGTON UNIVERSITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

- *Endowment Investment Pool* – Certain investments are pooled in the Western Washington University Foundation endowment investment pool. Externally managed funds are invested primarily with Commonfund. Pooled investments include a mix of fixed income securities and domestic and international equity securities. Pooled investments may at times also include alternative investments, which are used to diversify the pool and manage investment risk. The Foundation's spending allocation is designed to provide a stream of earnings to meet annual cash requirements in an environment of inflation and market fluctuation.
- *Real Estate Held for Investment* – Real estate consists of income producing property located in Napa County, California. The property is recorded at fair value on the date of donation based upon professional appraisal, and is adjusted to fair value annually based on professional appraisals or market assessments.
- *Annuity and Life Income Investments* – All annuity and life income funds are invested with TIAA-CREF Trust Company. As the Foundation's agent, TIAA-CREF is responsible for the investment and administration of these funds. Assets are invested in individual and grouped accounts as needed to match investment objectives to annuitant requirements. Each account consists of equity securities and various fixed income securities.

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.

***Promises to Give*** – Unconditional promises to give are recognized as contributions in the year received. Promises to give expected to be collected in future years are recorded at the present value of estimated future cash flows using a discount rate commensurate with the risks involved ranging from .71% to 5.45%. An estimated allowance for uncollectible promises to give is recorded based upon historical payment trends.

***Donated Property, Goods and Services*** – Donated property and other goods are recorded at estimated fair value at the date of donation. Donated services are recognized as contributions if the services received (1) create or enhance nonfinancial assets or (2) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated.

Essentially all of the Foundation's office facilities, furniture and equipment, and a significant number of full-time employees and support services, including depository, disbursing, payroll, and purchasing functions, are provided by Western Washington University at no cost. The value of these contributed goods and services is reported as support and expense in the accompanying Statement of Activities. Although the Foundation expects to receive continued support from the University, the University has not made an unconditional promise to provide the use of its facilities and personnel in the future. Accordingly, the Foundation has not recorded a promise to give for goods and services that may be received from the University in the future.

**WESTERN WASHINGTON UNIVERSITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Total support recognized in fiscal 2012 and 2011 for contributed goods and services from donors and Western Washington University was \$2,923,206 and \$3,826,599, respectively.

**Functional Expenses** – The schedule of Functional Expenses includes direct expenditures that apply to Program Services and Grants, Management and General, and Fundraising. Expenditures that benefit more than one activity are allocated based on an analysis of personnel time and/or space utilized for the related activities. Management reviews these allocations and revises these periodically based on changing conditions.

In November 2011, the Foundation entered into an agreement with the University to act as a conduit for acceptance of a gift for the renovation of the existing women’s softball field. The Foundation secured several gifts of time and materials during this time period, and the project was completed in March 2012. The value of the softball field renovation was approximately \$1.06 million. The amount of expenses incurred by the Foundation, are shown as expenses in the schedule of functional expenses. The softball field through these transactions was effectively contributed back to the University, by the Foundation, in June 2012.

**Income Taxes** – The Foundation is a tax-exempt organization and is not subject to federal or state income taxes, except for unrelated business income, in accordance with Section 501(C)(3) of the Internal Revenue Code. In addition, the Foundation qualified for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation. Unrelated business income tax, if any, is insignificant and no tax provision has been made in the accompanying financial statements.

The Foundation adopted the provisions of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 740-10, *Income Taxes*, relating to accounting for uncertain tax positions on July 1, 2009, which had no financial statement impact to the Foundation. The Foundation recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Foundation recognizes interest and penalties, if any, related to income tax matters in operating expenses. The Foundation had no unrecognized tax benefits at June 30, 2012 and 2011.

**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 25, 2012, which is the date the financial statements are issued.

**WESTERN WASHINGTON UNIVERSITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

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**NOTE 3 - ENDOWMENTS**

The Foundation's endowments consist of approximately 340 individual funds established for a variety of purposes. Endowments include both donor-restricted endowment funds (true endowments) and funds designated by the Board of Directors to function as endowments (i.e. quasi-endowments). As required by Generally Accepted Accounting Principles ("GAAP"), net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

*Interpretation of Relevant Law* – The Board of Directors of the Foundation has interpreted the State of Washington Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift at the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. 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, plus (b) the original value of subsequent gifts to the permanent endowment. 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 standards of UPMIFA. In accordance with these standards, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

*Endowment Investment Policies* – It is the policy of the Foundation to invest its endowments in order to support Western Washington University in perpetuity and to achieve inter-generational equity in the spending of endowment earnings. The Foundation has developed investment guidelines which have been designed to allow for sufficient flexibility in the management oversight process to capture investment opportunities as they may occur, while at the same time setting forth reasonable risk control parameters to ensure prudence and care in the execution of the investment program.

The endowment investment objective is to ensure that the future growth of the fund is sufficient to offset normal inflation plus reasonable spending, thereby preserving the constant dollar value and purchasing power of the fund. This will be accomplished through a carefully planned and executed long-term investment strategy. The objective of the investment strategy is to enhance the fund's long-term viability by maximizing the value of the fund within a prudent level of risk.

The Foundation seeks an investment return, over a full market cycle, that exceeds the amount distributed for use plus the average rate of inflation over that market cycle. The target asset allocation for endowment investments is 70% equity and 30% fixed income investments. Within these broad categories, the Foundation seeks investments that provide diversification and enhance fund returns.

**WESTERN WASHINGTON UNIVERSITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

**NOTE 3 - ENDOWMENTS** (Continued)

*Endowment Spending Policies* – It is the policy of the Foundation to spend from its endowments in order to support Western Washington University in perpetuity and, in concert with the endowment investment policy, to achieve inter-generational equity in the spending of its endowment earnings. The Foundation spends from endowments using a weighted formula that provides for a base level of spending and allows spending to increase over time to meet inflation. The base level is established as 4.5% of the endowment corpus and the formula factors in inflation and a three year rolling average of market value.

*Reconciliation of Endowment Net Assets*

	FY 2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 9,164,946	\$ 5,244,720	\$ 22,182,599	\$ 36,592,265
Investment return:				
Investment income	172,135	501,195	-	673,330
Net depreciation (realized and unrealized)	<u>(330,096)</u>	<u>(423,620)</u>	<u>-</u>	<u>(753,716)</u>
Total investment return	(157,961)	77,575	-	(80,386)
Contributions	31,236	650	769,277	801,163
Other revenues	7,217	-	-	7,217
Appropriation of endowment assets for expenditures	(463,231)	(1,425,742)	-	(1,888,973)
Transfers to reflect donor intent and other	<u>(26,356)</u>	<u>(63,731)</u>	<u>1,209</u>	<u>(88,878)</u>
Endowment net assets, end of year	<u>\$ 8,555,851</u>	<u>\$ 3,833,472</u>	<u>\$ 22,953,085</u>	<u>\$ 35,342,408</u>

	FY 2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 7,681,152	\$ 2,074,066	\$ 21,567,710	\$ 31,322,928
Investment return:				
Investment income	197,291	444,788	112	642,191
Net appreciation (realized and unrealized)	<u>1,767,295</u>	<u>3,897,648</u>	<u>1,000</u>	<u>5,665,943</u>
Total investment return	1,964,586	4,342,436	1,112	6,308,134
Contributions	35,397	1,235	555,360	591,992
Other revenues	5,284	-	-	5,284
Appropriation of endowment assets for expenditures	(470,819)	(1,466,061)	-	(1,936,880)
Transfers to reflect donor intent and other	<u>(50,654)</u>	<u>293,044</u>	<u>58,417</u>	<u>300,807</u>
Endowment net assets, end of year	<u>\$ 9,164,946</u>	<u>\$ 5,244,720</u>	<u>\$ 22,182,599</u>	<u>\$ 36,592,265</u>

**WESTERN WASHINGTON UNIVERSITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

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**NOTE 3 - ENDOWMENTS (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. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets and are approximately \$135,000 and \$1,000 for the years ended June 30, 2012 and 2011, respectively.

At June 30, 2012 and 2011, total endowment funds of the Foundation, exclusive of the Northwest Indian College Endowment Fund and Western Washington University discussed in Note 7, are \$34.3 million, of which approximately \$24.6 million are for scholarships, and \$35.9 million, of which \$25.9 million were for scholarships, respectively.

**NOTE 4 - INVESTMENTS**

**Fair Value Measures** - In accordance with authoritative guidance, the Foundation classifies its investments based upon an established fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

**Level 1** - Quoted prices for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

**Level 2** - Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active and other inputs that are observable or can be corroborated by observable market data and assets valued using audited net asset values per share.

**Level 3** - Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The following is a description of the valuation methodologies of investments on a recurring or nonrecurring basis:

**Investment Securities** - Securities are recorded at fair value on a recurring basis. Fair value is determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1) or through the use of alternative approaches, such as audited net asset value per share when no restrictions on redemption exist and when market quotes are not readily available because they are primarily invested in a fund of funds (Level 2) or based on audited net asset value per share when restrictions on redemption exist (Level 3).



**WESTERN WASHINGTON UNIVERSITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

**NOTE 4 - INVESTMENTS** (Continued)

*Real Estate Held for Investment* – The fair value of real estate is generally based on estimated market prices from independently prepared appraisals or negotiated sales prices with potential buyers.

The following table presents the Foundation’s investments measured at fair value June 30, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment				
Operating Investment Pool				
Fixed income securities	\$ -	\$ 9,298,513	\$ -	\$ 9,298,513
Endowment Investment Pool –				
Externally managed investments				
Cash and cash equivalents	326,193	-	-	326,193
Fixed income securities	3,842,472	7,888,099	-	11,730,571
Equity securities	5,700,329	24,491,242	-	30,191,571
Real estate held for investment	-	-	2,659,200	2,659,200
Annuity and Life Income Funds				
Cash and cash equivalents	26,632	-	-	26,632
Fixed income securities	1,561,470	-	-	1,561,470
Equity securities	2,569,571	-	-	2,569,571
Other	-	-	458,757	458,757
	<u>\$ 14,026,667</u>	<u>\$ 41,677,854</u>	<u>\$ 3,117,957</u>	<u>\$ 58,822,478</u>

The following table presents the Foundation’s investments measured at fair value June 30, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment				
Operating Investment Pool				
Fixed income securities	\$ -	\$ 8,609,833	\$ -	\$ 8,609,833
Endowment Investment Pool –				
Externally managed investments				
Cash and cash equivalents	462,587	-	-	462,587
Fixed income securities	3,359,948	6,576,838	-	9,936,786
Equity securities	6,250,871	26,971,210	-	33,222,081
Real estate held for investment	-	-	2,531,800	2,531,800
Annuity and Life Income Funds				
Cash and cash equivalents	83,426	-	-	83,426
Fixed income securities	1,616,088	-	-	1,616,088
Equity securities	2,727,300	-	-	2,727,300
Other	-	-	458,757	458,757
	<u>\$ 14,500,220</u>	<u>\$ 42,157,881</u>	<u>\$ 2,990,557</u>	<u>\$ 59,648,658</u>

All Level 2 investments are with Commonfund. Commonfund employs a fund of funds approach to investing and calculates a net asset value (“NAV”) each month. Redemptions can be made monthly with a five business day notice.

**WESTERN WASHINGTON UNIVERSITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

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**NOTE 4 - INVESTMENTS** (Continued)

The Foundation's investments in Commonfund funds are invested through a variety of managers to achieve broad diversification across a variety of classes and manager styles. Fixed income investments include core U.S. and international bonds; and also include opportunistic, credit and distressed debt strategies. Equity investments include U.S. and international equities in a variety of classes. A portion of the Commonfund equity investment is with hedge fund managers who invest both long and short primarily, but not exclusively, in U.S. common stocks.

The following table presents the change and activity of the Foundation's investments considered to have significant unobservable inputs at June 30, 2012:

	Real Estate Held for Investment	Other	Total
Balance, July 1, 2011	\$ 2,531,800	\$ 458,757	\$ 2,990,557
Gains or losses (realized/unrealized)	<u>127,400</u>	<u>-</u>	<u>127,400</u>
Balance, June 30, 2012	<u>\$ 2,659,200</u>	<u>\$ 458,757</u>	<u>\$ 3,117,957</u>

The following table presents the change and activity of the Foundation's investments considered to have significant unobservable inputs at June 30, 2011:

	Real Estate Held for Investment	Other	Total
Balance, July 1, 2010	\$ 2,407,800	\$ 458,757	\$ 2,866,557
Gains or losses (realized/unrealized)	<u>124,000</u>	<u>-</u>	<u>124,000</u>
Balance, June 30, 2011	<u>\$ 2,531,800</u>	<u>\$ 458,757</u>	<u>\$ 2,990,557</u>

Unrealized gains of \$127,400 and \$124,000 are attributable to assets still held at June 30, 2012 and June 30, 2011, respectively, and are reported in net unrealized gains (losses) on investments in the Statement of Activities.

**WESTERN WASHINGTON UNIVERSITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

**NOTE 4 - INVESTMENTS** (Continued)

***Operating Investment Pool***

Operating investment pool investments consist of the following fixed income securities:

	2012		2011	
	Fair Value	Percent	Fair Value	Percent
Intermediate Term	\$ 4,997,807	53.8 %	\$ 4,291,873	49.8 %
Core Bonds	3,710,708	39.9	3,567,530	41.4
Global Bonds	174,939	1.9	224,038	2.6
Credit	94,012	1.0	73,865	0.9
Opportunistic	187,652	2.0	214,896	2.5
Distressed Debt	133,395	1.4	237,631	2.8
Total	\$ 9,298,513	100.0 %	\$ 8,609,833	100.0 %

***Endowment Investment Pool - Externally Managed Investments***

Funds in the externally managed investments consist of the following:

	2012		2011	
	Fair Value	Percent	Fair Value	Percent
Cash and cash equivalents				
Commonfund	\$ -	- %	\$ -	- %
Other manager(s)	326,193	100.0	462,587	100.0
	326,193		462,587	
Fixed income securities				
Commonfund	7,888,099	67.2	6,576,838	66.2
Other manager(s)	3,842,472	32.8	3,359,948	33.8
	11,730,571		9,936,786	
Equity securities				
Commonfund	24,491,242	81.1	26,971,210	81.2
Other manager(s)	5,700,329	18.9	6,250,871	18.8
	30,191,571		33,222,081	
	\$ 42,248,335		\$ 43,621,454	

**WESTERN WASHINGTON UNIVERSITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

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**NOTE 4 - INVESTMENTS** (Continued)

Endowment pool investments are invested consistent with investment targets outlined in the Foundation's investment policy. Fixed income and equity securities as of June 30, 2012 and 2011 consist of the following:

	2012		2011	
	Fair Value	Percent	Fair Value	Percent
Cash and cash equivalents	\$ 326,193	0.8 %	\$ 462,587	1.1 %
Fixed Income				
Core Bonds	6,782,250	16.1	4,839,617	11.1
Global Bonds	1,204,065	2.8	681,821	1.6
Opportunistic	418,227	1.0	659,360	1.5
Credit	2,732,608	6.5	3,032,799	7.0
Distressed Debt	593,421	1.4	723,189	1.7
Total Fixed Income	11,730,571	27.8	9,936,786	22.8
Equity Securities				
Large Cap Equity	10,946,574	25.9	11,366,184	26.1
All Cap Equity	12,032,942	28.5	13,870,358	31.8
Small Cap Equity	587,975	1.4	66,555	0.2
International Equity	1,945,982	4.6	2,557,332	5.9
Emerging Market Equity	1,946,835	4.6	1,729,979	4.0
Directional Strategies	2,731,263	6.5	3,631,673	8.3
Total Equity Securities	30,191,571	71.5	33,222,081	76.2
Total Externally Managed Investments	\$ 42,248,335	100.0 %	\$ 43,621,454	100.0 %

***Endowment Investment Pool – Real Estate Held for Investment***

The Foundation endowment investment pool includes a vineyard received via a donation in fiscal year 2005. The vineyard is subject to a long term lease receivable that ends in November 2021. The Foundation values this investment by periodic appraisals of fair market value and industry standard factors for growth, and discounts the value for limited marketability prior to expiration of the lease. The table below summarizes the activity of the donated real estate.

**WESTERN WASHINGTON UNIVERSITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

**NOTE 4 - INVESTMENTS** (Continued)

	Fair Value
Balance, July 1, 2010	\$ 2,407,800
Market increase	45,000
Amortization of discount	79,000
Balance, June 30, 2011	2,531,800
Market increase	81,700
Amortization of discount	45,700
Balance, June 30, 2012	\$ 2,659,200

***Annuity and Life Income Funds***

Annuity and life income assets and investments consist of the following:

	2012		2011	
	Fair Value	Percent	Fair Value	Percent
Cash and cash equivalents	\$ 26,632	0.6 %	\$ 83,426	1.9 %
M/F Fixed	1,153,394	27.7	1,203,596	27.2
High yield bond	408,076	9.8	412,492	9.3
Real estate	315,667	7.6	308,581	7.0
Large Cap core equity	1,586,786	38.2	1,657,735	37.4
Small Cap core equity	248,499	6.0	270,129	6.1
M/F International equity	337,026	8.1	388,770	8.8
International equity - Emg	81,593	2.0	102,085	2.3
Total	\$ 4,157,673	100.0 %	\$ 4,426,814	100.0

**NOTE 5 - PROMISES TO GIVE**

Promises to give consist of the following:

	2012	2011
Receivable in less than one year	\$ 486,258	\$ 174,401
Receivable in one to five years	1,645,490	422,951
Receivable in over five years	4,848,677	4,559,047
Total promises to give	6,980,425	5,156,399
Less discounts to net present value	(2,647,840)	(2,651,560)
Less allowance for uncollectible promises receivable	(209,650)	(129,550)
Net promises to give	\$ 4,122,935	\$ 2,375,289

**WESTERN WASHINGTON UNIVERSITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

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**NOTE 6 - SPLIT-INTEREST AGREEMENTS**

Certain securities and other assets have been donated to the Foundation under terms of charitable remainder trusts and gift annuity agreements. The Foundation administers the assets held in trust. The agreements call for periodic payments to donors or other beneficiaries over the terms of the agreements. At the end of the agreements' terms, the remaining assets are available for the Foundation's use.

The present value of the future benefit expected to be received or retained by the Foundation at the end of the agreements' terms is recognized as a contribution in the period the agreements are established. Assets received or held in trust are presented in the Statement of Financial Position at fair value. The present value of certain estimated obligations to beneficiaries is computed based on actuarial assumptions about the life expectancy of beneficiaries at discount rates between 4.25% and 9.25% (which approximate Prime plus 1%). Annually, the Foundation revalues the liability based on changes in actuarial assumptions.

**NOTE 7 - ENDOWMENTS HELD FOR OTHERS**

In 1992, under terms of an agreement with the Northwest Indian College Foundation (the "Indian College Foundation"), the Foundation contributed \$200,000 to the Indian College Foundation to help establish an endowment fund for the benefit of Native American students and Northwest Indian College staff attending Western Washington University. Up to 50 percent of endowment earnings may be used to provide scholarships to needy students who are graduates of, or students recommended by, Northwest Indian College. The remaining earnings are reinvested as part of the corpus of the endowment. The agreement stipulates that, at the completion of 20 years in 2013, the Foundation may reclaim its original contribution to the endowment fund along with its portion of reinvested earnings.

Under terms of the agreement, the Foundation has agreed to serve as the agent of the Northwest Indian College Foundation to invest and manage the fund's assets, although the Northwest Indian College Foundation is not obligated to use the Foundation in this capacity. The Foundation accounts for the fund's assets in accordance with accounting standards which require the Foundation to report the balance of the endowment fund, including amounts that will ultimately be reclaimed by the Foundation, as an obligation payable within the accompanying statement of financial position.

In January 2011, Western Washington University transferred its endowment assets, which totaled approximately \$9.4 million, to the Foundation to manage and invest as agent for Western Washington University. These assets have been merged with the endowment investments of the Foundation to form a single investment pool for endowments. The University's funds are maintained separately on the financial system of the Foundation and they receive a proportional share of the investment pool's activity. As such, the University has a financial interest in the pool while not owning any of the underlying assets. Accordingly, the Foundation has recorded an obligation payable within the accompanying statement of financial position for the University's interest in the pool.

**WESTERN WASHINGTON UNIVERSITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

**NOTE 8 - NET ASSETS**

At June 30, 2012 and 2011, net assets are subject to the following donor restrictions and Board designations:

	2012			Totals
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Unrestricted	\$ 3,307,586	\$ -	\$ -	\$ 3,307,586
Funds available for spending according to restrictions	-	10,539,711	-	10,539,711
Annuities and life income funds	-	3,127,959	-	3,127,959
Total Non-Endowment Funds	<u>3,307,586</u>	<u>13,667,670</u>	<u>-</u>	<u>16,975,256</u>
Quasi-endowments - board	8,690,558	-	-	8,690,558
Term endowments - donor	-	965,409	-	965,409
True endowments - donor	<u>(134,707)</u>	<u>2,868,063</u>	<u>22,953,085</u>	<u>25,686,441</u>
Total Endowment Funds	<u>8,555,851</u>	<u>3,833,472</u>	<u>22,953,085</u>	<u>35,342,408</u>
Total Net Assets	<u>\$ 11,863,437</u>	<u>\$ 17,501,142</u>	<u>\$ 22,953,085</u>	<u>\$ 52,317,664</u>
	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Unrestricted	\$ 3,007,176	\$ -	\$ -	\$ 3,007,176
Funds available for spending according to restrictions	-	8,442,874	-	8,442,874
Annuities and life income funds	-	3,130,952	-	3,130,952
Total Non-Endowment Funds	<u>3,007,176</u>	<u>11,573,826</u>	<u>-</u>	<u>14,581,002</u>
Quasi-endowments - board	9,165,992	-	-	9,165,992
Term endowments - donor	-	1,047,240	-	1,047,240
True endowments - donor	<u>(1,046)</u>	<u>4,197,480</u>	<u>22,182,599</u>	<u>26,379,033</u>
Total Endowment Funds	<u>9,164,946</u>	<u>5,244,720</u>	<u>22,182,599</u>	<u>36,592,265</u>
Total Net Assets	<u>\$ 12,172,122</u>	<u>\$ 16,818,546</u>	<u>\$ 22,182,599</u>	<u>\$ 51,173,267</u>





**SUPPLEMENTARY INFORMATION**

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**WESTERN WASHINGTON UNIVERSITY FOUNDATION**  
**SCHEDULES OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2012 AND 2011**

2012	Program	Management and General		Fundraising		Total
	Services and Grants	WWU In-Kind	Foundation	WWU In-Kind	Foundation	2012
Grants to Western Washington University						
Grants and awards – in-kind	\$ 726,085	\$ -	\$ -	\$ -	\$ -	\$ 726,085
Grants and scholarships – cash	<u>2,202,820</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,202,820</u>
Subtotal grants to WWU	2,928,905	-	-	-	-	2,928,905
Salaries and benefits	353,874	977,507	6,284	909,333	9,460	2,256,458
Travel, receptions and meetings	599,535	-	31,085	-	244,261	874,881
Communications and advertising	6,488	13,428	18,341	21,028	7,623	66,908
Dues, memberships, education and training	80,852	-	16,510	-	8,989	106,351
Equipment	801,038	-	187	-	9,499	810,724
Goods and supplies	248,938	100,838	3,984	-	11,657	365,417
Investment management fees	86,058	-	43,286	-	-	129,344
Printing and postage	64,027	36,641	104	-	9,303	110,075
Professional services	153,452	-	105,377	-	5,999	264,828
Rentals and leases	45,880	30,361	507	32,891	29,158	138,797
Other	<u>68,414</u>	<u>58,934</u>	<u>40,134</u>	<u>16,160</u>	<u>5,681</u>	<u>189,323</u>
Total functional expenses	<u>\$ 5,437,461</u>	<u>\$ 1,217,709</u>	<u>\$ 265,799</u>	<u>\$ 979,412</u>	<u>\$ 341,630</u>	<u>\$ 8,242,011</u>
2011	Program	Management and General		Fundraising		Total
	Services and Grants	WWU In-Kind	Foundation	WWU In-Kind	Foundation	2011
Grants to Western Washington University						
Grants and awards – in-kind	\$ 1,143,921	\$ -	\$ -	\$ -	\$ -	\$ 1,143,921
Grants and scholarships – cash	<u>2,041,364</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,041,364</u>
Subtotal grants to WWU	3,185,285	-	-	-	-	3,185,285
Salaries and benefits	244,604	1,305,365	1,820	1,094,514	7,088	2,653,391
Travel, receptions and meetings	543,216	-	25,033	-	261,489	829,738
Bad debt expense	-	-	-	-	378,967	378,967
Communications and advertising	6,548	15,539	23,538	17,174	17,079	79,878
Dues, memberships, education and training	75,913	-	14,773	-	5,043	95,729
Equipment	268,719	-	1,107	-	-	269,826
Goods and supplies	298,999	84,198	4,124	-	13,503	400,824
Investment management fees	88,867	-	51,934	-	-	140,801
Printing and postage	58,622	23,511	3,584	-	16,564	102,281
Professional services	96,717	-	79,122	-	184,650	360,489
Rentals and leases	61,009	26,893	235	29,724	6,847	124,708
Other	<u>71,684</u>	<u>70,280</u>	<u>33,661</u>	<u>15,480</u>	<u>4,805</u>	<u>195,910</u>
Total functional expenses	<u>\$ 5,000,183</u>	<u>\$ 1,525,786</u>	<u>\$ 238,931</u>	<u>\$ 1,156,892</u>	<u>\$ 896,035</u>	<u>\$ 8,817,827</u>