Audited Financial Statements

Central Michigan University College of Business Administration Foundation

For the Year Ended June 30, 2014 and 2013
with Report of Independent Auditors

Audited Financial Statements

For the Year Ended June 30, 2014 and 2013

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Independent Auditor's Report

To the Board of Directors
Central Michigan University College of
Business Administration Foundation

We have audited the accompanying financial statements of Central Michigan University College of Business Administration Foundation (the "Foundation"), which comprise the balance sheet as of June 30, 2014 and 2013 and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence 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 financial position of Central Michigan University College of Business Administration Foundation as of June 30, 2014 and 2013, and its changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 4 to the financial statements, the 2013 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Plante & Moran, PLLC

September 18, 2014

Balance Sheet

	June 30, 2014	June 30, 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 114,779	$ 310,953
Pledges receivables	92,500	140,500
Interest receivables		90
Total current assets	207,279	451,543
Investments	388,692	27,897
Pledges receivable - Net of current portion	253,616	326,233
Total assets	$ 849,587	$ 805,673
Liabilities and Net Assets		
Accounts payable and accrued liabilities	$ 4,079	$ 6,044
Net Assets:		
Unrestricted	470,792	304,746
Temporarily restricted	374,716	494,883
Total net assets	845,508	799,629
Total liabilities and net asset	$ 849,587	$ 805,673

See Notes to Financial Statements.

Statements of Activities and Changes in Net Assets

Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Total
Revenue and other support			
Contributions	$ 3,392	$ 450	$ 3,842
Change in pledge receivable discount		14,883	14,883
Contribution from CMU	75,000		75,000
Released from restriction	135,500	(135,500)	
Investment income	6,131		6,131
Realized & Unrealized Investment Gain	23,213		23,213
Total revenue and other support	243,236	(120,167)	123,069
Expenses			
Program Expense	75,000		75,000
Support - Supplies and other	2,190		2,190
Total expenses	77,190		77,190
Change in net assets	166,046	(120,167)	45,879
Net assets at beginning of year	304,746	494,883	799,629
Net assets at end of year	$ 470,792	$ 374,716	$ 845,508

Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Total
Revenue and other support			
Contributions	$ 10,001	$ 16,100	$ 26,101
Change in pledge receivable discount		25,421	25,421
Investment income	1,388		1,388
Released from restriction	50,000	$ (50,000)	
Realized & Unrealized Investment loss	(797)		(797)
Total revenue and other support	60,592	(8,479)	52,113
Expenses			
Support - Supplies and other	7,596		7,596
Total expenses	7,596		7,596
Change in net assets	52,996	(8,479)	44,517
Net assets at beginning of year	251,750	503,362	755,112
Net assets at end of year	$ 304,746	$ 494,883	$ 799,629

See Notes to Financial Statements.

Statements of Cash Flows

	Year Ended June 30, 2014	Year Ended June 30, 2013
Operating Activities		
Change in net assets	$ 45,879	$ 44,517
Unrealized (gain)/loss	(22,079)	603
Pledge Discount	(14,883)	(25,421)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Interest receivable	90	24
Pledges receivable	135,500	53,000
Accounts payable and accrued liabilities	(1,965)	544
Net cash provided by operating activities	142,542	73,267
Investing Activities		
Purchase of investments	(338,716)	(28,500)
Net cash used by investing activities	(338,716)	(28,500)
Net (Decrease) Increase in Cash and Cash Equivalents	(196,174)	44,767
Cash and Cash Equivalents - Beginning of year	310,953	266,186
Cash and Cash Equivalents - End of year	$ 114,779	$ 310,953

See Notes to Financial Statements.

Notes to Financial Statements

June 30, 2014 and 2013

1. Significant Accounting Policies

Nature of Operations

The Central Michigan University College of Business Administration Foundation (the "Foundation") is a not-for-profit foundation formed on January 28, 2011. The purpose of the Foundation is to financially support the charitable, educational, and scientific purposes of Central Michigan University (the "University") by furthering the objectives and mission of the Central Michigan University College of Business Administration within Michigan. The Foundation is supported primarily through contributions.

The University elects annually the Board of Directors for the Foundation. The Foundation is considered a component unit of the University and is, therefore, included in the financial statements of the University on an annual basis.

Basis of Accounting and Presentation

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The net assets of the Foundation have been classified into the categories described below:

Unrestricted Net Assets - Unrestricted net assets consist of funds available to support the Foundation's operations.

Temporarily Restricted Net Assets - Temporarily restricted net assets generally consist of contributions, pledges, and other inflows of assets whose use by the Foundation is limited by donor-imposed conditions that either expire by the passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those conditions. The Foundation has net assets temporarily restricted for the purposes shown below:

	2014	2013
Net Assets Temporarily Restricted For:		
Investing by College of Business Administration students	$ 1,100	$ 1,100
Capital improvements for College of Business Administration	226,556	292,431
Contributions of unconditional promises	147,060	201,352
Total Temporarily Restricted Net Assets	$ 374,716	$ 494,883

Permanently Restricted Net Assets - Permanently restricted net assets result from donor-imposed restrictions that limit the uses of net assets in perpetuity. The Foundation does not have any permanently restricted net assets at June 30, 2014 and 2013.

1. Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amount reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Foundation may maintain cash at a financial institution, which is insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. As of June 30, 2014 and 2013, there were no cash balances held at a financial institution and all amounts held were cash equivalents.

Investments

Investments are stated at fair value. Investments in money market funds and mutual funds are based on quoted market prices. Investment transactions are accounted for on the trade date (date the order to buy or sell is executed). Gains or losses on investments sold are determined using the specific identification method.

Risks and Uncertainties

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the balance sheet.

Contributions

All contributions are considered available for unrestricted use, unless specifically restricted by the donor. The Foundation reports gifts of cash and other assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted contributions, which have restrictions met in the same period as the contributions, are received and recorded as unrestricted.

Concentration of Pledges and Contributions

At June 30, 2014 and 2013, the majority of the Foundation's outstanding pledges and contributions received are provided by two donors. The outstanding pledges at June 30, 2014 and 2013 from the two donors were approximately 99% and 97% of the total pledge receivable, respectively.

1. Significant Accounting Policies (continued)

Income Taxes

The Internal Revenue Service has determined that the Foundation is tax exempt under Section 501(c)(3) of the Internal Revenue Code. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Foundation and has concluded that as of June 30, 2014 and 2013, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to June 30, 2011.

Functional Expenses

The Foundation is required to provide information about expenses by their functional classification. Functional classifications most likely to be used by the Foundation include program services, management, general, and fundraising. Program services expenses result from goods and services being distributed in support of the mission; management and general expenses result from administrative activities; and fundraising expenses result from the costs of fundraising campaigns and other activities involved in soliciting gifts from donors. Although methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Subsequent Events

Management has evaluated subsequent events through September 18, 2014, which is the date financial statements were available to be issued.

2. Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value on the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

- Level 1 - Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active market transactions involving identical assets or liabilities.

- Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

2. Fair Value Measurements (continued)

• Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The Foundation's policy is to recognize transfers in and transfers out of Level 1, 2, and 3 fair value classifications as of the actual date of the event of change in circumstances that caused the transfer.

For the periods ended June 30, 2014 and 2013, the application of the valuation techniques applied to similar assets and liabilities have been consistent.

For June 30, 2014, the foundation had $152,311 invested in bond mutual funds, $178,116 invested in equity mutual funds, $58,265 invested in an international equity fund, and $114,779 invested in a money market mutual fund all classified as a Level 1. For June 30, 2013, the foundation had $11,757 invested in bond mutual funds, $12,425 invested in equity mutual funds, $3,715 invested in an international equity fund, and $310,952 invested in a money market mutual fund all classified as a Level 1.

3. Pledges Receivable

The Foundation's pledges receivable are as follows:

	For the Year Ended June 30, 2014	For the Year Ended June 30, 2013
Pledges receivable	$ 380,000	$ 515,500
Less unamortized discount	33,884	48,767
Pledges, net of discount	$ 346,116	$ 466,733

The pledges receivable are due as follows:

Less than one year	$ 92,500	$ 140,500
One to five years	287,500	337,500
More than five years		37,500
Total pledges receivable	$ 380,000	$ 515,500

3. Pledges Receivable (continued)

Net pledges are determined as the present value of the estimated future cash flows using the University's debt borrowing rate from the year the pledge was received by the Foundation, ranging from 3.37% to 3.83%. The pledges receivable are restricted in use for cost and expenses of the construction of a new business center. Management has determined that the pledges receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at June 30, 2014 and 2013.

4. Prior Period Adjustment

The accompanying financial statements for the year ended June 30, 2013 have been restated to correct a net asset classification error made in a prior year. The following financial statement line items for fiscal year 2013 were affected by the change:

Statement of Activities and Changes in Net Assets for the year ended June 30, 2013

	Original Amount	As Restated	Effect of Change
Unrestricted Contributions	42,153	10,001	(32,152)
Temporarily Restricted Contributions	9,369	16,100	6,731
Change in pledge receivable discount		25,421	25,421
Change in Unrestricted Net Assets	35,148	52,996	17,848
Change in Temporarily Restricted Net Assets	9,369	(8,479)	(17,848)
Beginning Unrestricted Net Assets	470,950	251,750	(219,200)
Ending Unrestricted Net Assets	506,098	304,746	(201,352)
Beginning Temporarily Restricted Net Assets	284,162	503,362	219,200
Ending Temporarily Restricted Net Assets	293,531	494,883	201,352

Balance Sheet as of June 30, 2013

	Original Amount	As Restated	Effect of Change
Unrestricted Contributions	506,098	304,746	(201,352)
Temporarily Restricted Contributions	293,531	494,883	201,352

5. Upcoming Pronouncements

In April 2013, FASB issued Accounting Standards Update 2013-06, Not-for-Profit Entities: Services Received from Personnel of an Affiliate. The standard provides guidance on how to account for contributed personnel services from an affiliate. The standard clarifies that all contributed services received from an affiliate that directly benefit the recipient not-for-profit should be recognized. The standard will be effective for annual periods beginning after June 15, 2014. The Foundation is currently evaluating the impact this standard will have on the financial statements when adopted, during the June 30, 2015 fiscal year.