

Audited Financial Statements

Central Michigan University
College of Business
Administration Foundation

*For the Year Ended June 30, 2015 and 2014
with Report of Independent Auditors*

Central Michigan University College of Business Administration Foundation

Audited Financial Statements

For the Year Ended June 30, 2015 and 2014

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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, 2015 and 2014 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 opinions.

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, 2015 and 2014 and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

Emphasis of Matter

As described in Note 1 to the financial statements, the Foundation adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2013-06, Not-for-Profit Entities (Topic 958): *Services Received from Personnel of an Affiliate* as of June 30, 2015. Our opinion is not modified with respect to this matter.

Plante & Morse, PLLC

August 25, 2015

Balance Sheet

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,602	\$ 114,779
Pledges receivable	87,500	92,500
Due from CMU	27,000	
Total current assets	<u>119,102</u>	<u>207,279</u>
Investments	351,246	388,692
Pledges receivable - Net of current portion	178,420	253,616
Total assets	<u>\$ 648,768</u>	<u>\$ 849,587</u>
Liabilities and Net Assets		
Accounts payable and accrued liabilities	\$ 27,690	\$ 4,079
Net Assets:		
Unrestricted	354,058	470,792
Temporarily restricted	267,020	374,716
Total net assets	<u>621,078</u>	<u>845,508</u>
Total liabilities and net asset	<u>\$ 648,768</u>	<u>\$ 849,587</u>

See Notes to Financial Statements.

Central Michigan University College of Business Administration Foundation

Statements of Activities and Changes in Net Assets
Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and other support			
Contributions	\$ 3,000		\$ 3,000
Change in pledge receivable discount		\$ 12,304	12,304
Contribution from CMU	64,500		64,500
Contributed services from CMU	15,016		15,016
Released from restriction	120,000	(120,000)	
Investment income	11,199		11,199
Realized and unrealized			
Investment gain	7,482		7,482
Total revenue and other support	<u>221,197</u>	<u>(107,696)</u>	<u>113,501</u>
Expenses			
Program expenses to CMU	314,500		314,500
Management and general expense	14,273		14,273
Fundraising expense	743		743
Support - Supplies and other	8,415		8,415
Total expenses	<u>337,931</u>		<u>337,931</u>
Change in net assets	(116,734)	(107,696)	(224,430)
Net assets at beginning of year	470,792	374,716	845,508
Net assets at end of year	<u>\$ 354,058</u>	<u>\$ 267,020</u>	<u>\$ 621,078</u>

Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
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 and unrealized			
Investment gain	23,213		23,213
Total revenue and other support	<u>243,236</u>	<u>(120,167)</u>	<u>123,069</u>
Expenses			
Program expenses to CMU	75,000		75,000
Support - Supplies and other	2,190		2,190
Total expenses	<u>77,190</u>		<u>77,190</u>
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	<u>\$ 470,792</u>	<u>\$ 374,716</u>	<u>\$ 845,508</u>

See Notes to Financial Statements.

Statements of Cash Flows

	<u>Year Ended June 30, 2015</u>	<u>Year Ended June 30, 2014</u>
Operating Activities		
Change in net assets	\$ (224,430)	\$ 45,879
Unrealized loss/(gain)	9,673	(22,079)
Pledge discount	(12,304)	(14,883)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Due from CMU	(27,000)	90
Pledges receivable	92,500	135,500
Accounts payable and accrued liabilities	23,611	(1,965)
Net cash (used in) provided by operating activities	<u>(137,950)</u>	<u>142,542</u>
Investing Activities		
Purchase of investments	(274,168)	(338,716)
Proceeds from investments	301,941	
Net cash provided by (used in) investing activities	<u>27,773</u>	<u>(338,716)</u>
Net Decrease in Cash and Cash Equivalents	(110,177)	(196,174)
Cash and Cash Equivalents - Beginning of year	<u>114,779</u>	<u>310,953</u>
Cash and Cash Equivalents - End of year	<u>\$ 4,602</u>	<u>\$ 114,779</u>

See Notes to Financial Statements.

Notes to Financial Statements

June 30, 2015 and 2014

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 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:

	<u>2015</u>	<u>2014</u>
Net Assets Temporarily Restricted For:		
Investing by College of Business Administration students	\$ 1,100	\$ 1,100
Capital improvements for College of Business Administration	169,127	226,556
Promises of unconditional contributions	96,793	147,060
Total Temporarily Restricted Net Assets	<u>\$ 267,020</u>	<u>\$ 374,716</u>

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, 2015 and 2014.

Notes to Financial Statements (continued)
June 30, 2015 and 2014

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 amounts 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, 2015 and 2014, 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, 2015 and 2014, the majority of the Foundation's outstanding pledges and contributions received are provided by two donors. The outstanding pledges at June 30, 2015 and 2014 from the two donors were approximately 100% and 99% of the total pledges receivable, respectively.

Notes to Financial Statements (continued)
June 30, 2015 and 2014

1. Significant Accounting Policies (continued)

Services Received from Personnel of Affiliate

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. In accordance with the statement, The Foundation has recorded in-kind contributions, fundraising, and management and general expense of \$15,016 as of June 30, 2015.

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, 2015 and 2014, 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, 2012.

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 August 25, 2015, 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.

Notes to Financial Statements (continued)
June 30, 2015 and 2014

2. Fair Value Measurements (continued)

- 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.
- 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, 2015 and 2014, the application of the valuation techniques applied to similar assets and liabilities have been consistent.

For June 30, 2015, the Foundation had \$139,469 invested in bond mutual funds, \$158,771 invested in equity mutual funds, \$53,006 invested in an international equity fund, and \$4,602 invested in a money market mutual fund all classified as Level 1. 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 Level 1.

Notes to Financial Statements (continued)
June 30, 2015 and 2014

3. Pledges Receivable

The Foundation's pledges receivable are as follows:

	For the Year Ended June 30, 2015	For the Year Ended June 30, 2014
Pledges receivable	\$ 287,500	\$ 380,000
Less unamortized discount	21,580	33,884
Pledges, net of discount	<u>\$ 265,920</u>	<u>\$ 346,116</u>

The pledges receivable are due as follows:

Less than one year	\$ 87,500	\$ 92,500
One to five years	200,000	287,500
More than five years		
Total pledges receivable	<u>\$ 287,500</u>	<u>\$ 380,000</u>

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, 2015 and 2014.