

Audited Financial Statements

Central Michigan University  
College of Business  
Administration Foundation

*For the Year Ended June 30, 2016 and 2015  
with Report of Independent Auditors*

Audited Financial Statements

For the Year Ended June 30, 2016 and 2015

**Table of Contents**

Independent Auditor's Report.....	3
Balance Sheet.....	4
Statements of Activities and Changes in Net Assets .....	5
Statements of Cash Flows .....	7
Notes to Financial Statements.....	8

## 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, 2016 and 2015 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, 2016 and 2015 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.

*Plante & Moran, PLLC*

August 15, 2016

**Balance Sheet**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 10,251	\$ 4,602
Pledges receivable	87,500	87,500
Due from CMU		27,000
<b>Total current assets</b>	<u>97,751</u>	<u>119,102</u>
Investments	372,396	351,246
Pledges receivable - Net of current portion	100,551	178,420
<b>Total assets</b>	<u>\$ 570,698</u>	<u>\$ 648,768</u>
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued liabilities	\$ 420	\$ 27,690
<b>Net Assets:</b>		
Unrestricted	381,127	354,058
Temporarily restricted	189,151	267,020
Total net assets	<u>570,278</u>	<u>621,078</u>
<b>Total liabilities and net asset</b>	<u>\$ 570,698</u>	<u>\$ 648,768</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, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenue and other support</b>			
Contributions	\$ 500	\$ 5,000	\$ 5,500
Change in pledge receivable discount		9,631	9,631
Contribution from CMU	42,500		42,500
Contributed Services from CMU	13,267		13,267
Released from restriction	92,500	(92,500)	
Investment income	11,451		11,451
Realized & unrealized			
Investment loss	(7,278)		(7,278)
Total revenue and other support	<u>152,940</u>	<u>(77,869)</u>	<u>75,071</u>
<b>Expenses</b>			
Program expenses to CMU	104,500		104,500
Management and general expense	12,400		12,400
Fundraising expense	867		867
Support - Supplies and other	8,104		8,104
Total expenses	<u>125,871</u>	<u></u>	<u>125,871</u>
Change in net assets	27,069	(77,869)	(50,800)
Net assets at beginning of year	354,058	267,020	621,078
Net assets at end of year	<u>\$ 381,127</u>	<u>\$ 189,151</u>	<u>\$ 570,278</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>
<b>Revenue and other support</b>			
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 & unrealized			
Investment Gain	7,482		7,482
Total revenue and other support	<u>221,197</u>	<u>(107,696)</u>	<u>113,501</u>
<b>Expenses</b>			
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	<u>470,792</u>	<u>374,716</u>	<u>845,508</u>
Net assets at end of year	<u>\$ 354,058</u>	<u>\$ 267,020</u>	<u>\$ 621,078</u>

See Notes to Financial Statements.

**Statements of Cash Flows**

	<u>Year Ended June 30, 2016</u>	<u>Year Ended June 30, 2015</u>
<b>Operating Activities</b>		
Change in net assets	\$ (50,800)	\$ (224,430)
Unrealized loss	7,376	9,673
Pledge discount	(9,631)	(12,304)
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	(27,000)
Pledges receivable	87,500	92,500
Accounts payable and accrued liabilities	(27,270)	23,611
Net cash provided by (used in) operating activities	<u>34,175</u>	<u>(137,950)</u>
<b>Investing Activities</b>		
Purchase of investments	(126,388)	(274,168)
Proceeds from investments	97,862	301,941
Net cash (used in) provided by investing activities	<u>(28,526)</u>	<u>27,773</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	5,649	(110,177)
<b>Cash and Cash Equivalents - Beginning of period</b>	4,602	114,779
<b>Cash and Cash Equivalents - End of period</b>	<u>\$ 10,251</u>	<u>\$ 4,602</u>

See Notes to Financial Statements.

Notes to Financial Statements

June 30, 2016 and 2015

**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” or CMU) 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 annually elects 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>2016</u>	<u>2015</u>
Net Assets Temporarily Restricted For:		
Investing by College of Business Administration students	\$ 1,100	\$ 1,100
Capital improvements for College of Business Administration	138,051	169,127
Promises of unconditional contributions	50,000	96,793
Total Temporarily Restricted Net Assets	<u>\$ 189,151</u>	<u>\$ 267,020</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, 2016 and 2015.

Notes to Financial Statements (continued)  
June 30, 2016 and 2015

**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, 2016 and 2015, 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 statement of financial position.

**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.

Notes to Financial Statements (continued)  
June 30, 2016 and 2015

**1. Significant Accounting Policies (continued)**

**Contributions and Pledges Receivable**

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give 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 risk-free interest rates applicable to the years in which the promises are received. An allowance for uncollectible contributions is provided when evidence indicates amounts promised by donors may not be collectible.

**Concentration of Pledges and Contributions**

At June 30, 2016 and 2015, the majority of the Foundation's outstanding pledges and contributions received are provided by two donors. The outstanding pledges at June 30, 2016 and 2015 from the two donors were approximately 100% of the total pledge receivable, respectively.

**Related Party Transaction**

During the years ended June 30, 2016 and 2015, the Foundation authorized distributions to Central Michigan University in the amount of \$60,000 and \$250,000, respectively, primarily for use in the Grawn renovation project. At June 30, 2016 and 2015, \$0 and \$27,000, respectively, is payable to CMU. In addition, the Foundation received contributions from CMU totaling \$42,500 and \$64,500, during the years ended June 30, 2016 and 2015, respectively, and in-kind contributed services from CMU valued at \$13,267 and \$15,016 for the years ended June 30, 2016 and 2015, respectively.

**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, 2016 and 2015, 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, 2013.

Notes to Financial Statements (continued)  
June 30, 2016 and 2015

**1. Significant Accounting Policies (continued)**

**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 15, 2016, 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 provides 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.
- 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 or 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.

Notes to Financial Statements (continued)  
June 30, 2016 and 2015

**2. Fair Value Measurements (continued)**

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, 2016 and 2015, the application of the valuation techniques applied to similar assets and liabilities have been consistent.

For June 30, 2016, the Foundation had \$147,765 invested in bond mutual funds, \$170,927 invested in equity mutual funds, \$53,704 invested in an international equity fund, and \$10,251 invested in a money market mutual fund, all classified as a Level 1. 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 a Level 1.

**3. Pledges Receivable**

The Foundation's pledges receivable are as follows:

	<b>For the Year Ended June 30, 2016</b>	<b>For the Year Ended June 30, 2015</b>
Pledges receivable	\$ 200,000	\$ 287,500
Less unamortized discount	11,949	21,580
Pledges, net of discount	<u>\$ 188,051</u>	<u>\$ 265,920</u>

The pledges receivable are due as follows:

Less than one year	\$ 87,500	\$ 87,500
One to five years	112,500	200,000
More than five years		
Total pledges receivable	<u>\$ 200,000</u>	<u>\$ 287,500</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 majority of 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, 2016 and 2015.