



Financial Statements  
June 30, 2013 and 2012

# College of Western Idaho Foundation

College of Western Idaho Foundation

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June 30, 2013 and 2012

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CPAs & BUSINESS ADVISORS

**Independent Auditor's Report**

To the Board of Directors of  
College of Western Idaho Foundation  
Nampa, Idaho

**Report on the Financial Statements**

We have audited the accompanying financial statements of College of Western Idaho Foundation, which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities 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 audit 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 College of Western Idaho Foundation as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

  
Boise, Idaho  
October 24, 2013

College of Western Idaho Foundation  
 Statements of Financial Position  
 June 30, 2013 and 2012

	2013	2012
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,916,386	\$ 1,621,255
Cash and cash equivalents- restricted	316,921	428,766
Investments	1,158,527	1,347,357
Contributions receivable - current, net	236,548	1,296,398
Other receivables	95,784	482,488
Total current assets	3,724,166	5,176,264
Noncurrent Assets		
Nondepreciable property	2,773,000	13,662,841
Depreciable property, net	12,823,247	1,116,915
Contributions receivable - noncurrent, net	183,717	329,092
Investments - noncurrent	1,117,130	1,057,593
Total noncurrent assets	16,897,094	16,166,441
Total assets	\$ 20,621,260	\$ 21,342,705
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 48,511	\$ 310,772
Total current liabilities	48,511	310,772
Total liabilities	48,511	310,772
Net Assets		
Unrestricted	15,892,383	14,959,654
Temporarily restricted	3,653,957	5,045,650
Permanently restricted	1,026,409	1,026,629
Total net assets	20,572,749	21,031,933
Total liabilities and net assets	\$ 20,621,260	\$ 21,342,705

College of Western Idaho Foundation  
Statement of Activities  
Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues</b>				
Contributions and gifts	\$ 21,573	\$ 434,380	\$ 534	\$ 456,487
Contributed services	326,762	-	-	326,762
Interest and dividends	12,362	12,479	-	24,841
Net realized and unrealized gain on investments	66,617	64,382	-	130,999
Other revenue	223,797	-	-	223,797
<b>Total revenues and gains</b>	<b>651,111</b>	<b>511,241</b>	<b>534</b>	<b>1,162,886</b>
 Net assets released from restriction	 1,903,688	 (1,902,934)	 (754)	 -
<b>Total revenues</b>	<b>2,554,799</b>	<b>(1,391,693)</b>	<b>(220)</b>	<b>1,162,886</b>
<b>Expenses</b>				
Program support to College of Western Idaho				
Scholarships	293,626	-	-	293,626
Department support	498,114	-	-	498,114
Support services				
General operations	552,694	-	-	552,694
Depreciation	277,636	-	-	277,636
<b>Total expenses</b>	<b>1,622,070</b>	<b>-</b>	<b>-</b>	<b>1,622,070</b>
 Change in Net Assets	 932,729	 (1,391,693)	 (220)	 (459,184)
 Net Assets, Beginning of Year	 14,959,654	 5,045,650	 1,026,629	 21,031,933
 Net Assets, End of Year	 <u>\$ 15,892,383</u>	 <u>\$ 3,653,957</u>	 <u>\$ 1,026,409</u>	 <u>\$ 20,572,749</u>

College of Western Idaho Foundation  
Statement of Activities  
Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues</b>				
Contributions and gifts	\$ 86,413	\$ 5,404,225	\$ 115,229	\$ 5,605,867
Contributed services	458,438	-	-	458,438
Interest and dividends	19,285	17,035	-	36,320
Net realized and unrealized loss on investments	(29,964)	(13,038)	-	(43,002)
Other revenue	14,342	-	-	14,342
<b>Total revenues and gains</b>	<b>548,514</b>	<b>5,408,222</b>	<b>115,229</b>	<b>6,071,965</b>
<b>Net assets released from restriction</b>	<b>15,916,343</b>	<b>(15,905,090)</b>	<b>(11,253)</b>	<b>-</b>
<b>Total revenues</b>	<b>16,464,857</b>	<b>(10,496,868)</b>	<b>103,976</b>	<b>6,071,965</b>
<b>Expenses</b>				
Program support to College of Western Idaho				
Scholarships	363,782	-	-	363,782
Department support	770,473	-	-	770,473
Support services				
General operations	494,624	-	-	494,624
Depreciation	2,332	-	-	2,332
<b>Total expenses</b>	<b>1,631,211</b>	<b>-</b>	<b>-</b>	<b>1,631,211</b>
<b>Change in Net Assets</b>	<b>14,833,646</b>	<b>(10,496,868)</b>	<b>103,976</b>	<b>4,440,754</b>
<b>Net Assets, Beginning of Year</b>	<b>126,008</b>	<b>15,542,518</b>	<b>922,653</b>	<b>16,591,179</b>
<b>Net Assets, End of Year</b>	<b>\$ 14,959,654</b>	<b>\$ 5,045,650</b>	<b>\$ 1,026,629</b>	<b>\$ 21,031,933</b>

College of Western Idaho Foundation  
Statements of Cash Flows  
Years Ended June 30, 2013 and 2012

	2013	2012
Operating Activities		
Change in net assets	\$ (459,184)	\$ 4,440,754
Adjustments to reconcile change in net assets to net cash from operating activities		
Non-cash contributions	(72,932)	(75,241)
Contributions restricted to endowment	(534)	(115,229)
Endowment net investment (return) loss	(76,057)	(2,894)
Net realized and unrealized (gains) loss on investments	(66,764)	30,284
Depreciation	277,636	2,332
Bad debt expense/loss on uncollectable contributions	(4,525)	10,025
Changes in operating assets and liabilities		
Contributions receivable	1,209,750	(1,633,401)
Other receivable	386,704	(482,488)
Accounts payable	(262,261)	178,673
Net Cash from Operating Activities	931,833	2,352,815
Investing Activities		
Payments on construction in progress	(1,094,126)	(8,685,425)
Purchase of investments	(573,782)	(791,811)
Withdrawal from endowment	(56,205)	(19,382)
Proceeds from sale of investments	975,032	930,824
Net Cash used for Investing Activities	(749,081)	(8,565,794)
Financing Activities		
Contributions restricted to endowments	534	115,229
Net Cash from Financing Activities	534	115,229
Net Change in Cash and Cash Equivalents	183,286	(6,097,750)
Cash and Cash Equivalents, Beginning of Year	2,050,021	8,147,771
Cash and Cash Equivalents, End of Year	\$ 2,233,307	\$ 2,050,021
Non-cash Investing Activities		
Addition of land and building transferred from pledges receivable to fixed assets	\$ -	\$ 5,900,000

## **Note 1 - Foundation Operations and Significant Accounting Policies**

### **Foundation Operations**

The College of Western Idaho Foundation (the Foundation) was established in July 2010 to provide support for the private fundraising efforts of College of Western Idaho (the College) and to manage privately donated funds. The Foundation is a not-for-profit corporation incorporated in accordance with the laws of the State of Idaho and managed by a volunteer Board of Directors (the Board). Under the Idaho State Board of Education's administrative rules, the Foundation must be independent of, and cannot be controlled by, the College. A memorandum of understanding between the Foundation and the College defines the relationship between the two entities in accordance with the State Board of Education's rules.

The Foundation is presented as a component unit in the College's financial statements, as required by the Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*, an amendment to Statement 14, *The Financial Reporting Entity*. It has been determined that the Foundation is a component unit of the primary government, the College.

### **Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America, whereby revenue is recorded when earned and expenses are recorded when materials or services are received. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets – Net assets are subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or the passage of time and certain income earned on permanently restricted net assets that has not yet been appropriated for expenditures in accordance with the Foundation's distribution policy.

The Foundation reports contributions as temporarily restricted support if they are received with donor stipulations that limit the use of the donated 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.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of the Foundation. The restrictions stipulate that resources be maintained permanently but permit the Foundation to expend the income generated in accordance with the provisions of the agreements.



### **Use of Estimates in the Preparation of Financial Statements**

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 reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

### **Cash and Cash Equivalents**

For purposes of the Statements of Cash Flows, the Foundation considers all cash and restricted cash on deposit in demand savings and time deposits with an original maturity date of three months or less to be cash equivalents. Cash deposits at times during the years ended June 30, 2013 and 2012 exceeded FDIC insured limits.

### **Restricted Cash**

Restricted cash consists primarily of assets held by local banks relating to restricted funds with donor stipulations requiring separate accounts.

### **Fundraising Costs**

Fundraising costs were \$0 and \$108,314 for the years ended June 30, 2013 and 2012, respectively.

### **Investments**

Investments are recorded in accordance with FASB Accounting Standards Codification Topic (ASC) ASC 958-320. Investments in equity and debt securities that have readily determinable fair values are recorded at quoted market prices. Investment securities without quoted market prices are valued at estimated fair value using appropriate valuation methods that consider the underlying assets and financial reports.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the near-term could materially affect account balances and the amounts reported in the accompanying financial statements.

### **Contributions Receivable**

Unconditional contributions are recorded at fair value and recognized as an asset and contribution revenue in the period the contribution is received. Contributions to be received after one year are discounted at rates commensurate with risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any.

The Foundation reports contributions made by donors that are measurable, verifiable, unconditional and probable of collection. Conditional contributions are only payable upon the occurrence of an uncertain future event and therefore are not recorded in the accompanying financial statements.

The allowance for doubtful accounts for all receivables represents the Foundation's best estimate of the amount of probable credit losses in the Foundation's existing contributions receivable. The Foundation determines the allowance by performing on-going evaluations of its donors and their ability to make payments. The Foundation determines the adequacy of the allowance based upon length of time past due, historical experience and judgment of economic conditions. Account balances are charged off against the allowance after all means of collection have been exhausted and potential recovery is considered.

### **Contributions**

Contributions of property and securities are recorded at their fair market value on the date received. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted. Contributed services revenue consists of development activities instrumental to the Foundation that are paid by the College.

### **Donated Materials and Services**

Donated materials and services are reflected as contributions and are recorded at cost at date of receipt. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, provided by an individual possessing those skills, and would typically need to be purchased if not provided by donation. The Foundation's office resides in the College multi-purpose building. The space is donated by the College as are the employee's services that are used to run the Foundation. These items represent in-kind donations that are recognized as revenues with a corresponding expense.

### **Property and Buildings**

Property and buildings, if purchased by the Foundation, are stated at cost less accumulated depreciation. Donations of property and building are recorded at fair market value on the date received. Expenses for maintenance, repairs and minor replacements are charged to operations. When assets are sold or otherwise disposed of, the asset value, related depreciation, and amortization are removed from the related accounts and any remaining gain or loss is included in the statement of activities. The Foundation's policy is to capitalize property purchases and significant expenses for major replacements and improvements in excess of \$5,000. Construction in progress is capitalized and depreciation begins in the year the project is placed into service. Depreciation is computed using the straight-line method over estimated useful lives of assets, generally 20 to 40 years for buildings.

### **Income Taxes**

The Foundation is a not-for-profit entity exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) and a public charity under Section 170(b) (1) (A) (vi). This exemption does not apply to unrelated business activities. On these activities, the Foundation is required to report and pay federal and state income tax. The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the Internal Revenue Service (IRS). The Foundation has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990T) with the IRS.

The Foundation believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

### **Financial Instruments and Credit Risk**

The Foundation manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Foundation has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, governmental agencies, and foundations supportive of the Foundation's mission. Investments are made by diversified investment managers whose performance is monitored by management and the Investment Committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Investment Committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Foundation.

### **Reclassifications**

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

### **Note 2 - Fair Value Measurements and Disclosures of Investments**

Certain assets and liabilities are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Foundation develops inputs using the best information available in the circumstances.

College of Western Idaho Foundation

Notes to Financial Statements

June 30, 2013 and 2012

Investments at June 30, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Investments securities		
Equities	\$ 1,365,607	\$ 1,182,556
Bond funds	648,775	693,546
Commodities	105,894	116,225
Real estate investment trusts	36,439	43,547
Index funds	118,942	119,076
Certificate of deposit	<u>-</u>	<u>250,000</u>
 Total investments	 <u>\$ 2,275,657</u>	 <u>\$ 2,404,950</u>

Investments in marketable securities are recorded at fair value as determined by quoted market prices. Certificates of deposit are not included in the fair value footnote as they are recorded at cost plus accrued interest.

The following table sets forth by level, within the fair value hierarchy, the Foundation's financial instruments at fair value as of June 30, 2013:

	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Total</u>
Investment securities				
Stocks				
Large cap	\$ 705,084	\$ -	\$ -	\$ 705,084
Mid cap	233,250	-	-	233,250
International developed	282,620	-	-	282,620
International emerging	144,653	-	-	144,653
Bond Funds				
Intermediate-term fund	331,217	-	-	331,217
Inflation-protected fund	317,558	-	-	317,558
Commodities	105,894	-	-	105,894
Real estate investment trusts	36,439	-	-	36,439
Index funds	<u>118,942</u>	<u>-</u>	<u>-</u>	<u>118,942</u>
 Total assets at fair value	 <u>\$ 2,275,657</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 2,275,657</u>

College of Western Idaho Foundation

Notes to Financial Statements

June 30, 2013 and 2012

The following table sets forth by level, within the fair value hierarchy, the Foundation's financial instruments at fair value as of June 30, 2012:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investment securities				
Stocks				
Large cap	\$ 602,780	\$ -	\$ -	\$ 602,780
Mid cap	180,106	-	-	180,106
International developed	259,158	-	-	259,158
International emerging	140,512	-	-	140,512
Bond Funds				
Intermediate-term fund	345,538	-	-	345,538
Inflation-protected fund	348,008	-	-	348,008
Commodities	116,225	-	-	116,225
Real estate investment trusts	43,547	-	-	43,547
Index funds	119,076	-	-	119,076
	<u>119,076</u>	<u>-</u>	<u>-</u>	<u>119,076</u>
Total assets at fair value	<u>\$ 2,154,950</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,154,950</u>

**Changes in Fair Value Levels**

The availability of observable market data is monitored to assess the appropriate classifications of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

The significance of transfers between levels has been evaluated based upon the nature of the financial instruments and size of the transfer relative to the total net assets available for benefits. For the years ended June 30, 2013 and 2012, there were no significant transfers in or out of levels 1, 2, or 3.

**Note 3 - Donated Professional Services and Materials**

The Foundation received donated professional services and materials as follows during the years ended June 30, 2013 and 2012:

	Management and General	Fundraising and Development	Total
June 30, 2013			
Salaries and benefits	\$ 137,979	\$ 145,337	\$ 283,316
Materials and supplies	26,166	-	26,166
Office space	17,280	-	17,280
	<b>\$ 181,425</b>	<b>\$ 145,337</b>	<b>\$ 326,762</b>
Total donated materials and services	<b>\$ 181,425</b>	<b>\$ 145,337</b>	<b>\$ 326,762</b>
	Management and General	Fundraising and Development	Total
June 30, 2012			
Salaries and benefits	\$ 181,938	\$ 182,112	\$ 364,050
Materials and supplies	73,269	-	73,269
Office space	17,280	-	17,280
Other miscellaneous expenses	3,839	-	3,839
	<b>\$ 276,326</b>	<b>\$ 182,112</b>	<b>\$ 458,438</b>
Total donated materials and services	<b>\$ 276,326</b>	<b>\$ 182,112</b>	<b>\$ 458,438</b>

All donated materials and services were provided by the College.

**Note 4 - Contributions Receivables**

Contributions receivable represents unconditional promises to give to the Foundation and is measured at the present value of estimated future cash flows using the discount rate ranging from .18% to 2.52%. An allowance for doubtful accounts for potentially uncollectible contributions of \$5,500 and \$10,025 was estimated and recorded as of June 30, 2013 and 2012, respectively.

Contributions receivable for the years ended June 30, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Contributions receivable		
Due in one year or less	\$ 242,048	\$ 1,306,423
Due in one to five years	177,777	338,105
Over five years	<u>13,000</u>	<u>-</u>
Total contributions receivable	432,825	1,644,528
Less allowance for doubtful accounts	<u>(5,500)</u>	<u>(10,025)</u>
Future value	427,325	1,634,503
Less discount to present value	<u>(7,060)</u>	<u>(9,013)</u>
Net contributions receivable	<u><u>\$ 420,265</u></u>	<u><u>\$ 1,625,490</u></u>

**Note 5 - Property and Equipment**

Property and equipment at June 30, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Land	\$ 2,773,000	\$ 2,773,000
Construction in progress	-	10,889,841
Buildings	<u>13,103,215</u>	<u>1,119,247</u>
Total property and equipment	15,876,215	14,782,088
Less accumulated depreciation	<u>(279,968)</u>	<u>(2,332)</u>
Total property and equipment, net	<u><u>\$ 15,596,247</u></u>	<u><u>\$ 14,779,756</u></u>

**Note 6 - Temporarily Restricted Net Assets**

Temporarily restricted net assets arise from donor imposed restrictions limiting the use of funds for scholarships and program support.

Temporarily restricted net assets consist of the following as of June 30, 2013 and 2012:

	2013	2012
Restricted for use		
Department support	\$ 2,860,008	\$ 4,169,955
Scholarships	773,874	826,468
Restricted for time		
Pledges	20,075	49,227
Total restricted net assets	\$ 3,653,957	\$ 5,045,650

**Note 7 - Endowment Funds**

The Foundation's endowment consists of approximately 25 individual funds established for a variety of purposes. The endowment consists of donor-restricted endowment funds. The Foundation held \$1,026,409 and \$1,026,629 in true endowment funds at June 30, 2013 and 2012, respectively. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions. The investment income earned on these permanently restricted net assets is generally restricted as to purpose and is recorded as temporarily restricted net assets.

The Board has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the endowment and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time that accumulation is added. 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 expenditures by the Foundation in a manner that is consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund or endowment
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation



The endowment fund net asset composition is as follows:

At June 30, 2013	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ 45,154	\$ 1,026,409	\$ 1,071,563
	<u>\$ 45,154</u>	<u>\$ 1,026,409</u>	<u>\$ 1,071,563</u>
At June 30, 2012	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ 25,302	\$ 1,026,629	\$ 1,051,931
	<u>\$ 25,302</u>	<u>\$ 1,026,629</u>	<u>\$ 1,051,931</u>

From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the donor or SPMIFA requires the Foundation to maintain as a fund of perpetual duration.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and scholarships supported by its endowment while seeking to maintain the fair value of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to provide both a reasonably predicted income stream and principle appreciation that exceeds inflation. The Foundation expects its endowment funds, over time, to provide an average minimum rate of return equal to or greater than the Foundation's spending rate percentage and management fee.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation to achieve its long-term return objectives within the prudent risk constraints.

The Foundation has a policy of appropriating for annual distribution 4.5% of its endowment fund's average fair value as determined on June 30 over each of the three preceding years. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment to grow at the rate of inflation. This is consistent with objectives to maintain the principal of the endowment assets in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

College of Western Idaho Foundation

Notes to Financial Statements

June 30, 2013 and 2012

Changes in endowed net assets for the years ending June 30, 2013 and 2012, respectively, are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment assets			
End of year June 30, 2012	\$ 25,302	\$ 1,026,629	\$ 1,051,931
Investment return			
Investment income	11,822	-	11,822
Net realized and unrealized appreciation	64,235	-	64,235
Change in donor restriction		(754)	(754)
Contributions		534	534
Appropriation of endowment assets for expenditures	<u>(56,205)</u>	<u>-</u>	<u>(56,205)</u>
Endowment assets			
End of year June 30, 2013	<u>\$ 45,154</u>	<u>\$ 1,026,409</u>	<u>\$ 1,071,563</u>
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment assets			
End of year June 30, 2011	41,790	922,653	964,443
Investment return			
Investment income	15,612	-	15,612
Net realized and unrealized appreciation	(12,718)	-	(12,718)
Change in donor restriction	-	(11,253)	(11,253)
Contributions	-	115,229	115,229
Appropriation of endowment assets for expenditures	<u>(19,382)</u>	<u>-</u>	<u>(19,382)</u>
Endowment assets			
End of year June 30, 2012	<u>\$ 25,302</u>	<u>\$ 1,026,629</u>	<u>\$ 1,051,931</u>

The components of endowment funds classified as temporarily restricted net assets and permanently restricted net assets as of June 30, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Temporarily restricted net assets		
The portion of perpetual endowment funds subject to a time restriction under SPMIFA		
With purpose restrictions	<u>\$ 45,154</u>	<u>\$ 25,302</u>
Permanently restricted net assets		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by SPMIFA	<u>\$ 1,026,409</u>	<u>\$ 1,026,629</u>

### Note 8 - Related Party Transactions

The Foundation provides scholarships to the College based on the terms of the donations. For the year ended June 30, 2013, the Foundation provided scholarship support of \$293,626 and departmental and program support of \$498,114, of which \$48,492 was a payable to the College. For the year ended June 30, 2012, the Foundation provided scholarship support of \$363,782 and departmental and program support of \$770,473.

The Foundation leases the Micron Center for Professional Technical Education to the College on a cancelable lease with terms of one to five years. The lease is contingent upon approval of the annual budget allocation by the College for the lease expense. Annual lease payments of \$1,600 are due July 1 each year. Since the lease is cancellable and the fair market value of the lease income is negligible due to the limited demand for the building and limited utility of the building for any purpose other than that intended by the College, only the \$1,600 annual lease payment is recorded as rental income. The College, as tenant, shall purchase, obtain and maintain during the term of this lease a policy of commercial general liability insurance of not less than \$500,000 per occurrence and \$1,000,000 in the aggregate. The College, as tenant, shall purchase and maintain during the term, property insurance on the premises not less than the value of the premises. The College, as tenant, agrees to pay all taxes lawfully levied or assessed against the property, of which \$95,784 was a receivable due to the Foundation from the College as of June 30, 2013. As of June 30, 2012, renovation was complete on 16,430 square feet of the 176,264 square foot building and was in use by the College. Completion of the remaining renovation was completed in August 2012 and the remainder of the building was put into use by the College. The facility is the primary location for College of Western Idaho Professional Technical Education programs as well as One Stop Student Services and CWI Bookstore. For the years ended June 30, 2013 and 2012, the Foundation reimbursed the College \$370,177 and \$671,711, respectively for non-construction related costs incurred by the College related to the Micron Center for Professional Technical Education, of which \$0 and \$266,692, respectively was payable to the College at year end.

During 2012, the Foundation conducted business with a national bank and its Divisional President was a member of the Board of Directors. The Divisional President abstains from voting on financing matters that could be considered a conflict of interest. The banking relationship included general banking services.

Several members of the Foundation Board of Directors pledged a donation to the Foundation. For the years ended June 30, 2013 and 2012, the Foundation received \$28,750 and \$90,124, respectively, in contribution revenue from board members. As of June 30, 2013 and 2012, the total amount of contributions receivable outstanding from board members was \$66,075 and \$54,525, respectively.

**Note 9 - Subsequent Events**

The Foundation transferred ownership of the Micron Center for Professional Technical Education to the College as of September 25, 2013. A current appraisal of the land and building was obtained August 2013 and the transfer was recorded at the fair market value of \$17,500,000.

The Foundation has evaluated subsequent events through October 24, 2013, the date which the financial statements were available to be issued.