

Grand Valley University Foundation

Financial Report

June 30, 2017

Grand Valley University Foundation

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Independent Auditor's Report

To the Board of Directors
Grand Valley University Foundation

We have audited the accompanying financial statements of Grand Valley University Foundation (the "Foundation"), which comprise the balance sheet as of June 30, 2017 and 2016 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 Grand Valley University Foundation as of June 30, 2017 and 2016 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.

Plante & Moran, PLLC

September 15, 2017

Grand Valley University Foundation

Balance Sheet

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Assets		
Cash held in Grand Valley State University Pooled asset fund	\$ 311,507	\$ 250,310
Other assets - Endowed investments held by Grand Valley State University	<u>1,666,575</u>	<u>1,168,662</u>
Total assets	<u>\$ 1,978,082</u>	<u>\$ 1,418,972</u>
Net Assets		
Temporarily restricted (Note 5)	\$ 703,159	\$ 437,634
Permanently restricted (Note 5)	<u>1,274,923</u>	<u>981,338</u>
Total net assets	<u>\$ 1,978,082</u>	<u>\$ 1,418,972</u>

Grand Valley University Foundation

Statement of Activities and Changes in Net Assets

	Year Ended							
	June 30, 2017				June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Gains, and Other Support								
Contributions	\$ 95,599	\$ 1,868,487	\$ 130,031	\$ 2,094,117	\$ 83,225	\$ 1,348,843	\$ 130,125	\$ 1,562,193
Contributed services	35,675	-	-	35,675	40,277	-	-	40,277
Interest income	-	23,137	-	23,137	-	8,902	-	8,902
Net realized and unrealized gains (losses) on investments	-	172,399	-	172,399	-	(23,864)	-	(23,864)
Other income	23,590	-	-	23,590	31,705	-	-	31,705
Net assets released from restrictions (Note 5)	1,932,091	(1,932,091)	-	-	1,138,056	(1,138,056)	-	-
Total revenue, gains, and other support	2,086,955	131,932	130,031	2,348,918	1,293,263	195,825	130,125	1,619,213
Expenses								
Disbursements to Grand Valley State University	1,880,554	-	-	1,880,554	1,138,056	-	-	1,138,056
Scholarships and fellowships	51,537	-	-	51,537	-	-	-	-
Management and general	57,186	-	-	57,186	69,830	-	-	69,830
Fundraising	97,678	-	-	97,678	85,377	-	-	85,377
Total expenses	2,086,955	-	-	2,086,955	1,293,263	-	-	1,293,263
Increase in Net Assets - Before transfers from (to) Grand Valley State University	-	131,932	130,031	261,963	-	195,825	130,125	325,950
Transfers from (to) Grand Valley State University (Note 2)	-	133,593	163,554	297,147	-	43,329	(272,950)	(229,621)
Increase (Decrease) in Net Assets	-	265,525	293,585	559,110	-	239,154	(142,825)	96,329
Net Assets - Beginning of year	-	437,634	981,338	1,418,972	-	198,480	1,124,163	1,322,643
Net Assets - End of year	<u>\$ -</u>	<u>\$ 703,159</u>	<u>\$ 1,274,923</u>	<u>\$ 1,978,082</u>	<u>\$ -</u>	<u>\$ 437,634</u>	<u>\$ 981,338</u>	<u>\$ 1,418,972</u>

Grand Valley University Foundation

Statement of Cash Flows

	Year Ended	
	June 30, 2017	June 30, 2016
Cash Flows from Operating Activities		
Increase in net assets	\$ 559,110	\$ 96,329
Adjustments to reconcile increase in net assets to net cash from operating activities - Realized and unrealized (gains) losses on investments	(172,399)	23,864
Net cash provided by operating activities	386,711	120,193
Cash Flows from Investing Activities - Net (purchases) sales of investments held by Grand Valley State University	(325,514)	129,807
Net Change in Cash	61,197	250,000
Cash - Beginning of year	250,310	310
Cash - End of year	<u><u>\$ 311,507</u></u>	<u><u>\$ 250,310</u></u>

Grand Valley University Foundation

Notes to Financial Statements June 30, 2017 and 2016

Note 1 - Nature of Business and Significant Accounting Policies

Nature of Operations - Grand Valley University Foundation (the "Foundation") is a Michigan nonprofit corporation. The Foundation was established to advance the mission and goals of Grand Valley State University (the "University") by generating private support for the University. Grand Valley University Foundation is an affiliated organization to Grand Valley State University. However, for financial reporting purposes only, the Foundation is considered a component unit of the University. Its net assets are blended within the University's financial statements.

Basis of Accounting - The accompanying financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Financial Accounting Standards Board (FASB).

Contributions - Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows.

Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are both reported as unrestricted support. Other restricted gifts are reported as restricted support and temporarily or permanently restricted net assets.

Types of Restrictions - The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: (1) unrestricted net assets, (2) temporarily restricted net assets, and (3) permanently restricted net assets.

Restricted net assets are gifts of cash and other assets with donor stipulations that limit the use of the donated assets and, in most cases, the investment earnings on those assets. When a stipulated time or donor restriction expires or when funds are used for the donor-specified purpose, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as released from restrictions. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless otherwise restricted by the donor or by applicable state laws.

Unrestricted net assets are those net assets of the Foundation that are not restricted by donor-imposed stipulations. There were no unrestricted net assets as of June 30, 2017 and 2016.

Temporarily restricted net assets are restricted by the donor or state law for a specific purpose or are limited by the donor due to time restrictions.

Permanently restricted net assets are restricted by the donor in perpetuity with the earnings available for the specific purposes.

Grand Valley University Foundation

Notes to Financial Statements June 30, 2017 and 2016

Note 1 - Nature of Business and 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Federal Tax Status - The Internal Revenue Service has determined that the Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Consequently, the Foundation is exempt from federal income tax and certain excise taxes imposed on private foundations.

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, 2017 and 2016, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

Investments - Investments are held in Grand Valley State University's endowment funds and consist of debt and equity securities with approximately 32 and 31 percent consisting of alternative investments as of June 30, 2017 and 2016, respectively. The amount reflected in the accompanying balance sheet represents the net amounts due to the Foundation from the University's pooled cash and investment funds. The Foundation shares equally in the earnings of the portfolio. There are no investments held in the Foundation's name.

Services Received from Personnel of Affiliate - All contributed services received from an affiliate that directly benefit the recipient not-for-profit should be recognized. These services would include management, accounting, and fundraising services. In accordance with the statement, the Foundation has recorded contributed services of \$35,675 and \$40,277 as of June 30, 2017 and 2016, respectively.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including September 15, 2017, which is the date the financial statements were available to be issued.

Grand Valley University Foundation

Notes to Financial Statements June 30, 2017 and 2016

Note 2 - Related Party Transactions

Transfer and Support - During the years ended June 30, 2017 and 2016, the Foundation transferred gifts and grants to the University of \$1,880,554 and \$1,138,056, respectively. The University records these gifts in the appropriate restricted or unrestricted funds.

It is the University's policy to pay substantially all of the Foundation's expenses relating to the soliciting and collecting of donations. Also, the University maintains the detailed accounting records and provides office space and administrative functions on behalf of the Foundation.

The University holds and invests the Foundation's endowment funds within the University's endowed investment pool. During the years ended June 30, 2017 and 2016, the University transferred the net assets of certain funds to the Foundation totaling \$297,147 and \$43,329, respectively. During the year ended June 30, 2016, the Foundation transferred net assets of certain funds to the University totaling \$272,950 at the donor's request.

Note 3 - 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, scholarships and fellowships, 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 paid for by the University; and fundraising expenses result from the costs of fundraising campaigns and other activities involved in soliciting gifts from donors. Costs have been allocated between programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

Grand Valley University Foundation

Notes to Financial Statements June 30, 2017 and 2016

Note 4 - Donor-restricted Endowments

Grand Valley University Foundation's endowment includes donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, 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
- (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 through the University

Endowment Net Asset Composition by Type of Fund as of June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 391,652	\$ 1,274,923	\$ 1,666,575

Grand Valley University Foundation

Notes to Financial Statements June 30, 2017 and 2016

Note 4 - Donor-restricted Endowments (Continued)

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of year	\$ -	\$ 187,324	\$ 981,338	\$ 1,168,662
Investment return:				
Investment income	-	23,137	-	23,137
Net appreciation (realized and unrealized)	-	172,399	-	172,399
Total investment return	-	195,536	-	195,536
Contributions	-	-	130,031	130,031
Amounts appropriated for expenditure	-	(61,264)	-	(61,264)
Other changes - Transfers from Grand Valley State University	-	70,056	163,554	233,610
Endowment net assets - End of year	\$ -	\$ 391,652	\$ 1,274,923	\$ 1,666,575

Endowment Net Asset Composition by Type of Fund as of June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 187,324	\$ 981,338	\$ 1,168,662

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of year	\$ -	\$ 198,170	\$ 1,124,163	\$ 1,322,333
Investment return:				
Investment income	-	8,902	-	8,902
Net depreciation (realized and unrealized)	-	(23,864)	-	(23,864)
Total investment return	-	(14,962)	-	(14,962)
Contributions	-	-	130,125	130,125
Amounts appropriated for expenditure	-	(39,213)	-	(39,213)
Other changes - Transfers from (to) Grand Valley State University	-	43,329	(272,950)	(229,621)
Endowment net assets - End of year	\$ -	\$ 187,324	\$ 981,338	\$ 1,168,662

Grand Valley University Foundation

Notes to Financial Statements June 30, 2017 and 2016

Note 4 - Donor-restricted Endowments (Continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2017 and 2016.

Return Objectives and Risk Parameters

Grand Valley University Foundation authorizes Grand Valley State University to manage its endowments within Grand Valley State University's endowed investment pool. Grand Valley State University's board of trustees has established an investment policy with the objectives of protecting the principal of these funds and maximizing total investment return without assuming extraordinary risks.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends) is employed. Funds are invested according to a diversified asset allocation that places a greater emphasis on equity-based investments to achieve the long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The goal of the spending policy is to provide spendable income levels that are reasonably stable and sufficient to meet budgetary requirements. For the years ended June 30, 2017 and 2016, the spending rate was 4.5 percent. The spending rate is applied to the average fair value based on a prior 12-quarter rolling average. The spending rate is approved on an annual basis by the Grand Valley State University board of trustees. The overall investment objective is to ensure a proper balance between the preservation of the corpus and the enhancement of the purchasing power of investment earnings.

Note 5 - Net Assets

Temporarily restricted net assets are available for the following purposes:

	2017	2016
Purpose-restricted:		
Undistributed accumulated endowment earnings	\$ 391,652	\$ 187,324
University scholarships	311,507	250,310
Total	<u>\$ 703,159</u>	<u>\$ 437,634</u>

Permanently restricted net assets consist of endowed gifts invested in perpetuity, the income from which is expendable for distributions to the University for scholarships and other programs.

Grand Valley University Foundation

Notes to Financial Statements June 30, 2017 and 2016

Note 5 - Net Assets (Continued)

Net assets released from restrictions consist of \$1,932,091 and \$1,138,056 for disbursements to Grand Valley State University for the years ended June 30, 2017 and 2016, respectively.

Note 6 - Upcoming Accounting Pronouncement

In August 2016, The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 requires significant changes to the financial reporting model of organizations that follow FASB not-for-profit rules, including changing from three classes of net assets to two classes: net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Foundation, including required disclosures about the liquidity and availability of resources. The Foundation is currently evaluating the impact of the standard and will present the two classes of net assets, add the liquidity footnote, expense matrix, and related disclosures. The new standard is effective for the Foundation's year ending June 30, 2019 and thereafter and must be applied on a retrospective basis.