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Fair Value Disclosures

Are You Ready?

To provide more clarity and consistency to the users of financial statements, preparers and auditors alike must go through one more round of expanded disclosure. In the following pages we'll walk you through several examples that illuminate the changes in standards: where they've been, where they are, and where they're going.

These new disclosures will require you to plan ahead and rely on your investment advisors, managers, committees, and policies to provide information and guidance in key areas. We hope this brochure helps you prepare for the coming year.

Where We Started

Fair value measurements were disclosed separately for each *major category*—a term initially left undefined—of assets and liabilities for fiscal years ended June 30, 2009 (and all years ended before December 31, 2009).

Please note that the amounts shown in these disclosures are for illustrative purposes only. Financial statement preparers should consult the relevant accounting standards and seek personalized advice from a qualified professional.

FAIR VALUE TABLE

($ in 000s)		Fair Value Measurements Using:		
Description	Balance at June 30, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments	11,615	11,105	10	500
Beneficial interests	75	-	-	75
Interest rate swap	60	-	60	-
Total	**$11,750**	**$11,105**	**$70**	**$575**

LEVEL 3 ROLL-FORWARD

($ in 000s)	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Investments	Beneficial Interests	Total
Beginning balance at July 1, 2008	700	70	770
Purchases and sales, net	(10)	-	(10)
Total realized and unrealized gains and losses	(185)	-	(185)
Actuarial adjustment	-	5	5
Transfers in and/or out of Level 3	(5)	-	(5)
Ending balance at June 30, 2009	$500	$75	$575

Net unrealized losses on investments and actuarial adjustment on beneficial interests (included above) of $(195,000) and $5,000, respectively, all relate to assets still held at June 30, 2009, and are included in the lines "net unrealized losses on investments" and "actuarial adjustment" in the statement of activities for the year ended June 30, 2009.

Where We Were Last Year

Disclosures were still made for each major category (defined last year as major security types based on the nature and risks of the security) for fiscal years ended June 30, 2010 (and all years ended after December 15, 2009), but more guidance clarified the definition of "major category of assets and liabilities."

New committment, redemption, and strategy disclosure requirements were effective last year only for assets measured at net asset value.

FAIR VALUE TABLE

($ in 000s)		Fair Value Measurements Using:		
Description	Balance at June 30, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities—domestic	11,750	11,750	-	-
Equity securities—international	200	200	-	-
Debt securities—domestic	275	225	50	-
Other securities	25	-	25	-
Hedge funds	380	-	50	330
Venture capital investments	270	-	-	270
Beneficial interests	80	-	-	80
Interest rate swap	50	-	50	-
Total	**$13,030**	**$12,175**	**$175**	**$680**

LEVEL 3 ROLL-FORWARD

($ in 000s)	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)			
	Hedge Funds	Venture Capital Investments	Beneficial Interests	Total
Beginning balance at July 1, 2009	250	250	75	575
Purchases and sales, net	(10)	50	-	40
Total realized and unrealized gains (losses)	95	(15)	-	80
Actuarial adjustment	-	-	5	5
Transfers in and/or out of Level 3	(5)	(15)	-	(20)[1]
Ending balance at June 30, 2010	$330	$270	$80	$680

Net unrealized gains (losses) on investments and actuarial adjustment on beneficial interests (included above) of $40,000 and $5,000, respectively, all relate to assets still held at June 30, 2010, and are included in the lines "net unrealized gains on investments" and "actuarial adjustment" in the statement of activities for the year ended June 30, 2010.

1 Transfers out of Level 3 and into Level 2 resulted from a release of redemption periods to less than 60 days after year-end.

COMMITMENT AND REDEMPTION SCHEDULE

($ in 000s)	Fair Value at June 30, 2010	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Investee Strategies and Other Restrictions
Hedge funds	330	50	Quarterly to 5 years	30–90 days	[2]
Venture capital	270	None	1–20 years	None	[3]
Total	**$600**	**$50**			

2 Hedge funds include investments in global long/short, event driven, diversified arbitrage, distressed securities, and other multi-strategy hedge fund vehicles. The hedge fund allocation is intended to reduce risk by mitigating volatility of the equity markets and targets positive and stable absolute returns.

3 Venture capital includes investments in leveraged buyout, distressed securities, venture capital, real estate, and energy private limited partnership funds. The real estate and energy funds serve as an inflation hedge for the portfolio, and the other private categories are included for total return enhancement.

What's Next?

For interim and annual reporting periods beginning after December 15, 2009, disclosures should be made for each *class* of assets and liabilities, marking a significant change from previous disclosure requirements.

For equity and debt securities, *class* is determined on the basis of the nature and risks of the investments considering:

- (Shared) activity or business sector
- Vintage
- Geographic concentration
- Credit quality
- Industry type
- Entity size
- Investment objective
- Debt securities issued by the US Treasury and other US government corporations and agencies
- Debt securities issued by states of the United States and political subdivisions of the states
- Debt securities issued by foreign governments
- Corporate debt securities
- Residential mortgage-backed securities
- Commercial mortgage-backed securities
- Collateralized debt obligations
- Other debt obligations

For all other assets and liabilities, judgment is needed to determine the appropriate classes of assets and liabilities for which disclosures about fair value measurements should be provided. Fair value measurement disclosures for each class of assets and liabilities often will require greater disaggregation than the reporting entity's line items in the statement of financial position.

FAIR VALUE TABLE

($ in 000s)		Fair Value Measurements Using:		
Description	Balance at June 30, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Redeemable securities				
Equity securities				
Real estate industry	5,890	5,890	-	-
Oil and gas industry	45	45	-	-
Other	15	15	-	-
Total equity securities	5,950	5,950	-	-
Debt securities				
Residential mortgage backed securities	50	50	-	-
Commercial mortgage backed securities	50	50	-	-
Collateralized debt obligations	735	735	-	-
US Treasury securities	1,085	1,085	-	-
Corporate bonds	5,045	4,995	50	-
Total debt securities	6,965	6,915	50	-
Other equity securities				
Financial services industry	150	-	150	-
Other	15	-	15	-
Total other equity securities	165	-	165	-
Hedge fund investments				
Equity long/short	25	-	25	-
Total redeemable securities	13,105	12,865	240	-
Nonredeemable securities				
Hedge fund investments				
Equity long/short	75	-	-	75
Global opportunities	50	-	-	50
Distressed debt	90	-	-	90
Total hedge fund investments	215	-	-	215
Domestic venture capital investments	310	-	-	310
Beneficial interests	85	-	-	85
Derivatives and interest rate swaps	60	-	60	-
Total nonredeemable securities	670	-	60	610
Total	**$13,775**	**$12,865**	**$300**	**$610**

During the year ended June 30, 2011, $50,000 of corporate bonds were transferred from Level 1 to Level 2 because of decrease in market activity for these securities.

What's Next?

Continued

As you can see by this point, there's quite a bit of change to disclosure requirements. However, on a positive note, comparative disclosures generally aren't required in the first period the requirements are effective.

EXPANDED LEVEL 3 ROLL-FORWARD DISCLOSURE

($ in 000s)	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)					
	Hedge Fund Investments			Domestic Venture Capital Investments	Beneficial Interests	Total
	Equity Long/Short	Global Opportunities	Distressed Debt			
Beginning balance at July 1, 2010	100	125	105	270	80	680
Total realized gains (losses)	20	-	(50)	10	-	(20)
Total unrealized gains (losses)	(5)	(50)	(10)	20	-	(45)
Purchases and sales, net	(25)	(125)	45	10	-	(95)
Transfers into Level 3[1]	-	100	-	-	-	100
Transfers out of Level 3[2]	(15)	-	-	-	-	(15)
Actuarial adjustment	-	-	-	-	5	5
Ending balance at June 30, 2011	$75	$50	$90	$310	$85	$610

Net unrealized gains (losses) on investments and actuarial adjustment on beneficial interests (included above) of $(45,000) and $5,000, respectively, all relate to assets still held at June 30, 2011, and are included in the lines "net unrealized losses on investments" and "actuarial adjustment" in the statement of activities for the year ended June 30, 2011.

1 Transfers into Level 3 resulted from a restriction on the redemption period that was greater than 60 days after year-end.
2 Transfers out of Level 3 resulted from a release of redemption periods to less than 60 days after year-end.

COMMITMENT AND REDEMPTION SCHEDULE

($ in 000s)	Fair Value at June 30, 2011	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Investee Strategies and Other Restrictions
Hedge fund investments					
Equity long/short	75	10	Quarterly to 5 years	30–60 days	[3]
Global opportunities	50	5	1–3 years	30 days	[4]
Distressed debt	90	15	1 year	90 days	[5]
Domestic venture capital	310	None	1–20 years	None	[6]
Total	**$525**	**$30**			

3 Equity long/short hedge funds seek to earn attractive returns by generally focusing on investments in global equities, both long and short, but may also use other securities and instruments deemed appropriate by the investment manager to carry out the overall objective of the fund. The investment manager has broad and flexible investment authority and may trade in any type of security, issuer, or group of related issuers, country, region, etc., believed to help the fund achieve its investment objectives.
4 Global opportunities hedge funds' investment objective is to seek risk-adjusted returns while preserving capital during difficult market periods, principally through investment in equities and equity-related securities of the developed markets of the Asia Pacific region outside of Japan, although the fund may also invest in the less developed economies of the Asia Pacific region outside of Japan. In pursuing this objective, the fund may invest long or short positions in publicly traded or privately negotiated (or restricted) domestic or foreign common stocks, preferred stocks, stock warrants and rights, bonds, notes or other debentures or debt participations, fixed-income securities, convertible securities, partnership interests, swaps, options, or other securities or financial instruments, including those of investment companies.
5 Distressed debt hedge funds' principal investment objective is to maximize the total return on investments by investing primarily in financially troubled companies and other special situations. It is anticipated that the majority of the fund's assets will be invested in debt-related securities and obligations as opposed to equity-related issues.
6 Domestic venture capital funds include investments in leveraged buyout, distressed securities, venture capital, real estate, and energy private limited partnership funds. The real estate and energy funds serve as an inflation hedge for the portfolio, and the other private categories are included for total return enhancement.

Don't Forget These Required Disclosures

A few more disclosures are required, some of which are new for interim and annual reporting periods beginning after December 15, 2009. For example, you'll need to disclose the organization's policy regarding the inputs and valuation techniques used in measuring fair value and include a discussion of any changes in the valuation techniques and related inputs used to measure similar assets and liabilities in prior periods.

Your significant accounting policy disclosure should also now include the organization's policy for determining when transfers between levels are recognized. You must consistently follow the transfer policy for transfers in and transfers out of any fair value level. Examples of policies for when to recognize transfers may be:

- The actual date of the event or circumstance that caused the transfer
- The beginning of the reporting period
- The end of the reporting period

In addition, for fair value measurements using significant other observable inputs (Level 2) and significant unobservable inputs (Level 3), provide a description of the valuation technique (or multiple valuation techniques) used, such as the market approach, income approach, or the cost approach, and the inputs used in determining the fair values of each class of assets and liabilities.

Examples of valuation inputs may include:

- Quantitative information about the inputs, such as prepayment rates, interest rates, and discount rates
- Net asset value
- Discounted or undiscounted cash flow analysis
- Pricing matrices

Refer to ASC 820 for other examples and guidance for valuation inputs.

Finally, purchases, issuances, sales, and settlements of Level 3 assets and liabilities must be presented separately in the Level 3 roll-forward for years beginning after December 15, 2010 (and interim periods within those years). Here's an example:

LEVEL 3 ROLL-FORWARD

	Hedge Fund Investments					
($ in 000s)	Equity Long/Short	Global Opportunities	Distressed Debt	Domestic Venture Capital Investments	Beneficial Interests	Total
Purchases	10	-	50	10	-	70
Issuances, if any	-	-	-	-	-	-
Sales	(35)	(125)	(5)	-	-	(165)
Settlements, if any	-	-	-	-	-	-
Total	**$(25)**	**$(125)**	**$45**	**$10**	**-**	**$(95)**

These must be presented gross for years beginning after December 15, 2010.

We're Here to Help

In a faster and increasingly complex business environment, many users of financial information are demanding greater reliability of both financial and nonfinancial data.

That's why Moss Adams LLP offers a broad range of assurance and related consulting services that go beyond the numbers. We can help you assess and ensure the quality of information you use to make critical decisions, formulate solutions to your business problems, and evaluate your organization's financial performance.

OUR SOLUTIONS INCLUDE:

Audits. We have a keen understanding of today's competitive marketplace as well as the risks you face on a daily basis. Our goal is to provide you with an in-depth analysis of your financial statements, internal controls, and overall operations.

Internal audits. A proper internal audit function should help reduce business risk exposure and contribute to your organization's performance goals. Our substantial knowledge of internal controls, systems implementation, and readily available local resources can help you improve your bottom-line results.

IT audits. The right IT solutions are a significant investment that can yield tremendous efficiencies—yet there are also inherent risks. Our experienced IT professionals can assess your system's vulnerabilities and work with you to set priorities and implement solutions.

Employee benefit services. Moss Adams audits more than 750 defined contribution, defined benefit, employee stock ownership, and health and welfare plans a year, ranging in size from 100 to 60,000 participants and from $100,000 to more than $1 billion in assets.

Reviews and compilations. Less comprehensive and typically less expensive than an audit, reviews and compilations can be suitable for small or private organizations in certain cases. They yield a summary of financial information but with more limited assurance than an audit provides.

Agreed-upon procedures. We work proactively with you to ensure that procedures to be performed are clear and concise and address the needs of the report's specified users.

For more information, visit **WWW.MOSSADAMS.COM.**

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