



**the  
evergreen  
state  
college  
foundation**

**FINANCIAL STATEMENTS**

**JUNE 30, 2014**

## CONTENTS

	<b>PAGE</b>
<b>INDEPENDENT AUDITOR'S REPORT.....</b>	<b>1</b>
 <b>FINANCIAL STATEMENTS</b>	
<b>Statements of Financial Position.....</b>	<b>2</b>
<b>Statements of Activities and Changes in Net Assets.....</b>	<b>3</b>
<b>Statements of Functional Expenses.....</b>	<b>4</b>
<b>Statements of Cash Flow.....</b>	<b>5</b>
<b>Notes to Financial Statements.....</b>	<b>6-16</b>



## INDEPENDENT AUDITOR'S REPORT

Board of Governors  
The Evergreen State College Foundation

We have audited the accompanying financial statements of The Evergreen State College Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit 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.

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***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Evergreen State College Foundation as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on 2013 Summarized Comparative Information**

We have previously audited The Evergreen State College Foundation's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 28, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Frost & Company, P.S.*

Olympia, Washington  
February 25, 2015

**THE EVERGREEN STATE COLLEGE FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2014 AND 2013**

2

<b>ASSETS</b>		
	<u>2014</u>	<u>2013</u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 1,292,584	\$ 2,780,880
Certificates of deposit	601,729	601,406
Unconditional promises to give, current	436,540	940,894
Other receivables (Due from College)	-	215
	<hr/>	<hr/>
<b>Total Current Assets</b>	<b>2,330,853</b>	<b>4,323,395</b>
<b>OTHER ASSETS</b>		
Certificate of deposit	-	250,473
Investments	10,651,289	6,594,888
Long-term unconditional promises to give, net	270,393	361,250
	<hr/>	<hr/>
<b>Total Other Assets</b>	<b>10,921,682</b>	<b>7,206,611</b>
	<hr/>	<hr/>
<b>Total Assets</b>	<b>\$ 13,252,535</b>	<b>\$ 11,530,006</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 13,528	\$ 18,346
Payable to College	89,955	186,754
	<hr/>	<hr/>
<b>Total Current Liabilities</b>	<b>103,483</b>	<b>205,100</b>
<b>ANNUITY PAYMENT LIABILITY</b>		
	<hr/>	<hr/>
<b>Total Liabilities</b>	<b>114,632</b>	<b>12,416</b>
	<hr/>	<hr/>
<b>NET ASSETS</b>		
Unrestricted	1,155,859	1,218,989
Temporarily Restricted	5,428,606	4,666,986
Permanently Restricted	6,553,438	5,426,515
	<hr/>	<hr/>
<b>Total Net Assets</b>	<b>13,137,903</b>	<b>11,312,490</b>
	<hr/>	<hr/>
<b>Total Liabilities and Net Assets</b>	<b>\$ 13,252,535</b>	<b>\$ 11,530,006</b>
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

**THE EVERGREEN STATE COLLEGE FOUNDATION**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2014</u>	<u>2013</u>
<b>SUPPORT AND REVENUES</b>					
Gifts and contributions	\$ 304,812	\$ 1,410,559	\$ 991,865	\$ 2,707,236	\$ 2,645,610
In-kind support from College	1,182,103	-	-	1,182,103	950,951
Investment income	19,195	1,082,180	-	1,101,375	697,464
Change in value of split-interest agreement	-	(1,768)	-	(1,768)	(2,392)
Gift fees	107,853	-	-	107,853	82,253
Reclassifications and transfers	(124,359)	(30,427)	154,786	-	-
Net assets released from restrictions	1,718,652	(1,698,924)	(19,728)	-	-
<b>Total support and revenues</b>	<b><u>3,208,256</u></b>	<b><u>761,620</u></b>	<b><u>1,126,923</u></b>	<b><u>5,096,799</u></b>	<b><u>4,373,886</u></b>
<b>EXPENSES</b>					
Program services:					
Grants and scholarships	1,369,889	-	-	1,369,889	1,148,571
Other College support	535,467	-	-	535,467	634,803
<b>Total program services</b>	<b><u>1,905,356</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>1,905,356</u></b>	<b><u>1,783,374</u></b>
Support Services:					
Management and General	664,851	-	-	664,851	589,223
Fundraising	701,179	-	-	701,179	413,830
<b>Total support services</b>	<b><u>1,366,030</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>1,366,030</u></b>	<b><u>1,003,053</u></b>
<b>Total expenses</b>	<b><u>3,271,386</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>3,271,386</u></b>	<b><u>2,786,427</u></b>
<b>Increase (decrease) in net assets</b>	<b>(63,130)</b>	<b>761,620</b>	<b>1,126,923</b>	<b>1,825,413</b>	<b>1,587,459</b>
<b>NET ASSETS</b>					
Beginning of year	1,218,989	4,666,986	5,426,515	11,312,490	9,725,031
<b>Ending Net Assets</b>	<b><u>\$ 1,155,859</u></b>	<b><u>\$ 5,428,606</u></b>	<b><u>\$ 6,553,438</u></b>	<b><u>\$ 13,137,903</u></b>	<b><u>\$ 11,312,490</u></b>

The accompanying notes are an integral part of these financial statements.

**THE EVERGREEN STATE COLLEGE FOUNDATION**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2014**  
**(WITH COMPARATIVE TOTALS FOR 2013)**

	<u>Program Services</u>			<u>Support Services</u>			<u>2014 Totals</u>	<u>2013 Totals</u>
	<u>Grants and Scholarships</u>	<u>Other College Support</u>	<u>Total Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Support Services</u>		
Grants and allocations	\$ 1,369,889	\$ -	\$ 1,369,889	\$ -		\$ -	\$ 1,369,889	\$ 1,148,571
In-kind management services	-	87,294	87,294	458,200	399,318	857,518	944,812	789,219
In-kind supplies and equipment use	-	21,155	21,155	105,778	84,622	190,400	211,555	141,803
Food	-	75,257	75,257	28,025		28,025	103,282	81,519
Purchased services	-	8,555	8,555	11,771		11,771	20,326	37,094
Accounting	-	-	-	19,000		19,000	19,000	19,000
Printing and publications	-	4,616	4,616	186		186	4,802	9,708
Supplies	-	54,085	54,085	12,413		12,413	66,498	41,962
Travel	-	24,463	24,463	5,479		5,479	29,942	17,308
In-kind rent (space)	-	2,574	2,574	2,573	20,589	23,162	25,736	19,929
Salaries, wages and benefits	-	211,417	211,417	-	196,650	196,650	408,067	412,327
Rental and fees	-	7,903	7,903	14,584		14,584	22,487	25,800
Postage and shipping	-	1,750	1,750	34		34	1,784	4,833
Miscellaneous	-	36,398	36,398	6,808		6,808	43,206	37,354
	<b><u>\$ 1,369,889</u></b>	<b><u>\$ 535,467</u></b>	<b><u>\$ 1,905,356</u></b>	<b><u>\$ 664,851</u></b>	<b><u>\$ 701,179</u></b>	<b><u>\$ 1,366,030</u></b>	<b><u>\$ 3,271,386</u></b>	<b><u>\$ 2,786,427</u></b>

The accompanying notes are an integral part of these financial statements.

**THE EVERGREEN STATE COLLEGE FOUNDATION**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,825,413	\$ 1,587,459
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions restricted for long term purposes	(1,126,923)	(1,823,523)
Bad Debts	(5,000)	(50,000)
Donated marketable securities	(32,716)	(97,216)
Investment Income added to investments	(333,611)	(222,412)
Unrealized gains on investments and change in value	(763,447)	(467,756)
Decrease in unconditional promises to give	405,221	100,000
Decrease in other current assets	215	3,985
Increase (decrease) in accounts payable	(4,818)	3,997
Decrease in payable to College and employees	(96,799)	(56,665)
<b>Net cash provided (used) by operating activities</b>	<b>(132,465)</b>	<b>(1,022,131)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from CDs	251,406	-
Proceeds from sale of donated stock	31,319	95,581
Purchases of investments	(2,957,434)	(1,014,753)
<b>Net cash used by investing activities</b>	<b>(2,674,709)</b>	<b>(919,172)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions restricted for long-term purposes	1,321,913	2,003,589
Payment of annuity obligations	(3,035)	(3,035)
<b>Net cash provided by financing activities</b>	<b>1,318,878</b>	<b>2,000,554</b>
<b>Net increase/decrease in cash and cash equivalents</b>	<b>(1,488,296)</b>	<b>59,251</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	2,780,880	2,721,629
<b>End of year</b>	<b>\$ 1,292,584</b>	<b>\$ 2,780,880</b>

The accompanying notes are an integral part of these financial statements.



**THE EVERGREEN STATE COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES**

**Nature of Activities**

The Evergreen State College Foundation (Foundation) is a not-for-profit corporation organized under the laws of the State of Washington for the charitable and the educational benefit of The Evergreen State College (the College). The Foundation was organized to function exclusively for the purposes of promoting, supporting, maintaining, developing, increasing and extending educational offerings, and the pursuit thereof, in connection with the College.

A summary of the Foundation's significant accounting policies follows:

**Basis of Presentation**

The accompanying financial statements are presented using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The net assets, revenues, gains and losses, and other support and expenses in the accompanying financial statements are classified based on the existence or absence of donor-imposed restrictions. Accordingly, for reporting purposes, net assets of the Foundation and changes therein are classified as follows:

Unrestricted Net Assets

Net assets that are not subject to donor-imposed stipulations. They are available to support the Foundation's operations. Included within these net assets are board designated net assets which are to be used for specific purposes but may, at the board's discretion, subsequently be used for other purposes.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction.

Permanently Restricted Net Assets

Net assets subject to donor-imposed restrictions that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or a part of the income earned on any related investments for general or specific purposes.

**Gifts and Contributions**

Gifts and contributions received whose donor-imposed restrictions are met within the same reporting period are reported as increases in unrestricted net assets. Temporarily restricted net assets are available for the purpose of scholarship and academic support. Permanently restricted net assets are restricted to investment in perpetuity; the income from which is expendable to support scholarships and academic program support.

The Foundation reports gifts and contributions of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of a donated asset. 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.

**Unconditional Promises to Give**

Contributions, including unconditional promises to give, less an allowance for uncollectible amounts, are recognized as revenues in the period received. Unconditional promises to give due in the next year are reported at their net realizable value.

## THE EVERGREEN STATE COLLEGE FOUNDATION NOTES TO FINANCIAL STATEMENTS

Unconditional promises to give, due in subsequent years are reported on the present value of their net realizable value, using an appropriate discount rate. Amortization of discounts is included in contribution revenue.

Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at fair value on the date of the donation. In the absence of any stipulations, contributions of property and equipment are recorded as unrestricted support.

### **Donated Materials and Services**

Donated materials and services are reflected as contributions in the accompanying financial statements at their estimated fair market values at the date of receipt. Contributed services are recognized if they require specialized skills that would have been purchased had they not been contributed.

### **Cash and Cash Equivalents**

For purposes of reporting on the statements of cash flows, the Foundation considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash and cash equivalents, except those held in the investment portfolio. The Foundation maintains its cash and cash equivalents accounts at financial institutions in amounts, in which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts.

### **Certificates of Deposit**

Certificates of deposit include deposits with individual balances of \$250,000, or less, with various financial institutions. At June 30, 2014, all certificates of deposit mature within one year.

### **Investments**

The Foundation maintains most of its investments in a pooled fund managed by the University of Washington in its Consolidated Endowment Fund (CEF). The University of Washington CEF had a fair value of \$2,832,752,593 and \$2,346,693,014 as of June 30, 2014 and 2013, consisting of 31,508,991 and 28,898,083 units valued at \$89.903 and \$81.206 per unit. The Foundation held 90,800 and 80,298 units valued at \$8,163,227 and \$6,594,888 as of June 30, 2014 and 2013. At June 30, 2014, an additional \$1,471,274 was held by the University of Washington pending a July 1, 2014 investment purchase. Asset allocation of the CEF at June 30 was as follows:

	<u>2014</u>	<u>2013</u>
Emerging Markets Equity	18%	18%
Developed Markets Equity	35%	45%
Private Equity	11% **	-
Real Assets	7% **	7% **
Opportunistic	2% **	4% **
Absolute Return	18% **	17% **
Fixed Income	9%	9%

\*\* Investment type includes private and other illiquid investments.

The fair value of the CEF is based on a per unit valuation, which is based on the estimated fair value of the underlying investments. The fair value of debt and equity securities with a readily determinable fair value is based on quotations from national securities exchanges. The alternative investments, which are not readily marketable, are carried at the estimate fair values provided by the investment managers. The Foundation can redeem units in the CEF at the end of a quarter.

## **THE EVERGREEN STATE COLLEGE FOUNDATION NOTES TO FINANCIAL STATEMENTS**

In fiscal year 2014, the Foundation began investing with Morgan Stanley. As of June 30, 2014, the estimated value of the Foundation's investment with Morgan Stanley was \$1,016,788, with the cash value being \$5,632, the estimated fair value of mutual funds totaling \$309,887, and estimated fair value of the brokered certificates of deposit totaling \$701,269. The estimated fair value of the mutual funds is based on the underlying securities owned by the mutual fund. The estimated fair value of the brokered certificates of deposits is based on the interest rate and maturity of the certificate.

Investments are classified as noncurrent regardless of maturity due to the long-term nature of the portfolio. The estimated fair values may differ significantly from the values that would have been used had a ready market for those securities existed.

The annual change in market value of investments is recorded as "Investment income" in the statements of activities. The percentage participation allocation method is used to allocate all investment income, including realized and unrealized gains and losses, to the various funds based on a percentage of interest in the pooled investment.

### **Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. The fair value hierarchy prioritizes the inputs used to measure fair value into three broad levels. The three levels of the fair value hierarchy are defined as follows:

Level 1- Inputs are quoted prices in active markets for identical assets or liabilities as of the reporting date.

Level 2- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, as of the reporting date.

Level 3- Unobservable inputs for the asset or liability that reflect management's own assumptions about the assumptions that market participants would use in pricing the asset or liability as of the reporting date.

### **Credit and Market Risk**

The Foundation's investments consist of financial instruments including interest-bearing deposits, and investments in the CEF and with Morgan Stanley. These financial instruments may subject the Foundation to concentrations of credit risk, and from time to time, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation. Management believes the risk with respect to the balances is minimal, due to the high credit rating of the institutions used.

Investment securities are exposed to various risks including, but not limited to, interest rate and market and credit risks. Due to the level of risks 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. To manage these risks, the Foundation has an investment policy designed to provide optimal return within reasonable risk tolerances.

### **Split-Interest Agreements**

Under these agreements, donors initially make gifts directly to the Foundation. The Foundation has beneficial interest, and records an asset related to the agreements at fair market value and also records liability related to the split-interest agreement equal to the present value of the expected future benefit distributions. The discount rate applied is 7.5%.

## **THE EVERGREEN STATE COLLEGE FOUNDATION**

### **NOTES TO FINANCIAL STATEMENTS**

#### **Federal Income Taxes**

The Foundation is exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code. Income from certain activities not directly related to the Foundation's tax-exempt purpose would be subject to taxation as unrelated business income. The Foundation did not engage in any activity unrelated to its tax-exempt purpose; accordingly, no provision for income taxes is included in the accompanying financial statements. In accordance with requirements related to accounting for uncertainties in income taxes, the Foundation has determined they have no uncertain tax positions at June 30, 2014 and 2013. The fiscal years ended June 30, 2013, 2012 and 2011 remain open for examination by taxing authorities.

#### **Financial Statement Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, if applicable, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **Allocation of Functional Expenses**

Expenses are charged to program services, fundraising and management and general categories based on direct expenditures incurred. Any expenditure not directly chargeable to a functional expense category is allocated based on appropriate allocation methods.

#### **Related Parties**

The Foundation has a quid pro quo agreement with the College. The College provides personnel, including management, accounting and clerical support. The College also provides office space and various other non-personnel support of the Foundation.

#### **Fund-Raising**

Fund-raising expenses include costs to solicit donations through annual giving, major giving, planned giving, and corporation and Foundation giving.

#### **Prior-Year Summarized Information**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

#### **New Accounting Pronouncements**

In October 2012, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2012-05, *Statement of Cash Flows (Topic 230): Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*, which requires not-for-profit entities to classify cash receipts from the "nearly immediate" sale of donated financial assets as an operating activity in the consolidated statement of cash flows when received with no donor-imposed restrictions. When the donor has restricted the use of the cash receipts from the sale of donated financial assets, classification as a financial activity would be required. When financial assets are not "nearly immediately" sold, classification as an investing activity would be appropriate. The amendments in ASU 2012-05 are effective prospectively for fiscal years beginning after June 15, 2013. Adoption of this new guidance did not have a significant impact on the Foundation's financial statements.

**THE EVERGREEN STATE COLLEGE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**

In April 2013, the FASB issued ASU 2013-06, *Not-for-Profit Entities (Topic 958), Services Received from Personnel of an Affiliate*, which requires a recipient not-for-profit entity to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. Those services should be measured at the cost recognized by the affiliate for the personnel providing those services. However, if measuring a service received from personnel of an affiliate at cost will significantly overstate or understate the value of the service received, the recipient not-for-profit entity may elect to recognize that service received at either (1) the cost recognized by the affiliate for the personnel providing that service or (2) the fair value of that service. The amendments in the Update are effective prospectively for fiscal years beginning after June 15, 2014, and interim and annual periods thereafter. Management is in the process of evaluating the potential impact this guidance will have on its financial statements.

In May 2014, the FASB issued *Revenue from Contracts with Customers*, (ASU No. 2014-09). This ASU outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. For nonpublic entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. The Foundation is currently evaluating the impact this ASU will have on the financial statements.

**NOTE 2 – UNCONDITIONAL PROMISES TO GIVE**

Unconditional promises to give at June 30 are as follows:

	<u>2014</u>	<u>2013</u>
Receivable in less than one year	\$ 436,540	\$ 940,894
Receivable in one to five years	270,393	361,250
Total Unconditional Promises to Give	<u>\$ 706,933</u>	<u>\$ 1,302,144</u>

At June 30, 2014 and 2013, the discount to net realizable value of the unconditional promises to give was not significant.

**NOTE 3 – INVESTMENTS**

Investments are as follows at June 30:

	<u>2014</u>	<u>2013</u>
Cash	\$ 5,632	\$ -
Brokered certificates of deposit	701,269	-
Mutual funds	309,887	-
Investment in the University of Washington's Consolidated Endowment Fund	9,634,501	6,594,888
Total Investments	<u>\$ 10,651,289</u>	<u>\$ 6,594,888</u>

Investment income included on the accompanying statement of activities are as follows for the years ended June 30:

	<u>2014</u>	<u>2013</u>
Interest and dividend income	\$ 280,928	\$ 225,859
Net unrealized gains on investments	820,447	471,605
Total Investment Income	<u>\$ 1,101,375</u>	<u>\$ 697,464</u>

**THE EVERGREEN STATE COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 – ENDOWMENTS**

The net asset classification of donor restricted endowment funds for a not-for-profit is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). Disclosure about endowment funds, both donor-restricted and board designated endowment funds are required.

The Foundation endowment funds include only donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence of donor imposed restrictions.

The Foundation has interpreted the enacted version of UPMIFA for Washington State and determined that requiring the preservation of the fair value of the original gift at the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary, is appropriate. 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, if any, to the permanent endowment, and c) accumulations to the permanent endowment, as applicable, 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 as 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 organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effects 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

**Endowment net asset composition by type of fund as of June 30, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ _____	\$ 2,028,691	\$ 6,553,438	\$8,582,129
	<u>\$ _____</u>	<u>\$ 2,028,691</u>	<u>\$ 6,553,438</u>	<u>\$8,582,129</u>

**Changes in endowment net assets for the year ended June 30, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2013	\$ _____	\$ 1,414,399	\$ 5,426,515	\$6,840,914
Adjustment for reclassified funds	_____	(151,370)	_____	(151,370)

**THE EVERGREEN STATE COLLEGE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**

Investment return	<u>973,016</u>	<u>-</u>	<u>973,016</u>
Contributions, net of transfers	<u>(206,705)</u>	<u>1,146,651</u>	<u>939,946</u>
Net assets released	<u>-</u>	<u>(649)</u>	<u>(20,377)</u>
Endowment net assets, June 30, 2014	<u>\$ -</u>	<u>\$ 2,028,691</u>	<u>\$ 6,553,438</u>
			<u>\$ 8,582,129</u>

**Endowment net asset composition by type of fund as of June 30, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$</u>	<u>\$ 1,414,399</u>	<u>\$ 5,426,515</u>	<u>\$6,840,914</u>
	<u>\$</u>	<u>\$ 1,414,399</u>	<u>\$ 5,426,515</u>	<u>\$6,840,914</u>

**Changes in endowment net assets for the year ended June 30, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2012	<u>\$</u>	<u>\$ 946,616</u>	<u>\$ 3,849,684</u>	<u>\$ 4,796,300</u>
Investment return		<u>619,276</u>	<u>-</u>	<u>619,276</u>
Contributions, net of transfers		<u>(158,228)</u>	<u>1,576,831</u>	<u>1,418,603</u>
Net assets released		<u>6,735</u>	<u>-</u>	<u>6,735</u>
Endowment net assets, June 30, 2013	<u>\$</u>	<u>\$ 1,414,399</u>	<u>\$ 5,426,515</u>	<u>\$ 6,840,914</u>

**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 requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are required to be reported in unrestricted net assets. There were no deficiencies of this nature as of June 30, 2014 and 2013.

**THE EVERGREEN STATE COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS**

**Return Objectives and Risk Parameters**

The Foundation has most of its investments in the University of Washington Consolidated Endowment Fund (CEF), whose objectives are 1) to provide permanent funding for endowed programs, 2) maintain the purchasing power of the CEF after spending and inflation. The objective of preserving purchasing power emphasizes the need to take a long-term perspective in formulating, 3) to provide a predictable and stable source of income for endowed programs, and 4) to provide a maximum level of return consistent with prudent risk levels. This objective assumes the construction of a global, equity-oriented, diversified portfolio coupled with active risk management.

**Strategies Employed for Achieving Objectives**

To achieve its investment objective, the CEF will be divided into two distinct funds: a “Capital Appreciation Fund” and a “Capital Preservation Fund.” Sub-categories of these Funds, each with its own target, are also specified. Over the long run, the allocation between and within the Funds may be the single most important determinant of the CEF’s investment performance.

<b>Investment Strategy</b>	<b>Long-term Target</b>	<b>Policy Range</b>
Emerging Markets Equity	18%	
Developed Markets Equity	35%	
Private Equity	11%	
Real Assets	7%	
Opportunistic	2%	
<b>CAPITAL APPRECIATION FUND</b>	<b>73%</b>	<b>55%-85%</b>
Absolute Return	18%	
Fixed Income	9%	
<b>CAPITAL PRESERVATION FUND</b>	<b>27%</b>	<b>15%-45%</b>

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Foundation has a policy of appropriating for distributions each year based on the following allocation:

For new endowments, distributions will be phased in to allow growth: zero percent in the year of establishment; two percent in year two based on a two-year rolling average; three percent in year three based on a three-year rolling average; five percent in the fourth year based on a four-year rolling average; and five percent based on a five-year rolling average thereafter. The Finance and Investment Committee in a given year may recommend reduced payout rates for that year.

Any scholarship endowment fund that would pay out less than \$1,000 in a year will not be distributed to allow time to build a level commensurate with student needs and staff and scholarship reader resources required for processing applications.

In establishing these policies, the Foundation considered the expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at a rate consistent with the consumer price index. This is consistent with the Foundation’s objective to maintain the purchasing power of the endowment assets held in perpetuity for a specified term as well as to provide additional real growth through new gifts and investment return.



**THE EVERGREEN STATE COLLEGE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 – FAIR VALUE OF FINANCIAL MEASUREMENTS**

The Foundation has determined the fair value of certain assets and liabilities through the application of FASB ASC 820-10 *Fair Value Measurements*.

Fair Value of assets measured on a recurring basis at June 30 is as follows:

	Year Ended June 30, 2014			Total
	Quoted Market Prices in Active Markets	Other Observable Inputs	Unobservable Inputs	
	(Level 1)	(Level 2)	(Level 3)	
Cash	\$ 5,632	\$ -	\$ -	\$ 5,632
Brokered certificates of deposit		701,269		701,269
Mutual funds		309,887		309,887
Consolidated Endowment Fund (CEF)		9,634,501		9,634,501
<b>Total investments</b>	<b>\$ 5,632</b>	<b>\$ 10,645,657</b>	<b>\$ -</b>	<b>\$ 10,651,289</b>

  

	Year Ended June 30, 2013			Total
	Quoted Market Prices in Active Markets	Other Observable Inputs	Unobservable Inputs	
	(Level 1)	(Level 2)	(Level 3)	
Consolidated Endowment Fund (CEF)	\$ -	\$ 6,594,888	\$ -	\$ 6,594,888

**NOTE 6 – CHARITABLE GIFT ANNUITIES**

Certain donors have entered into charitable gift annuity agreements with the Foundation under which the Foundation received certain assets. The assets were recorded at their fair market value on the date of receipt and are included in the general investments of the Foundation. In consideration of the assets received, the Foundation is required to pay quarterly installments to the donor over the donor's life. These installment payments totaled \$3,035 for the years ended June 30, 2014 and 2013. The charitable gift annuity obligation is recorded at the present value of the future cash flows expected to be paid based on the life expectancy of the donors discounted at the applicable rate as specified in the agreements. The charitable gift annuity obligation totaled \$11,149 and \$12,416 as of June 30, 2014 and 2013, respectively. In 2009, the Foundation purchased a certificate of deposit with a face value of \$100,000 for the purpose of satisfying the requirement to pledge assets for its annuity obligation. A certificate is purchased or renewed annually for this purpose.

**THE EVERGREEN STATE COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 – RELATED PARTY TRANSACTIONS**

The Foundation owed the College \$89,955 and \$186,754 as of June 30, 2014 and 2013, respectively. The majority of the amount due is related to grant funding. The Foundation provided grants to the College totaling \$715,365 and \$409,716 for the years ended June 30, 2014 and 2013.

During the years ended June 30, 2014 and 2013 the Foundation provided \$468,359 and \$511,116 to the College for student scholarships and fellowships.

The Foundation receives substantial contributed support services under an agreement with the College. These services are included in both support and revenues and also in expenses on the accompanying Statements of Activities and Changes in Net Assets. See Note 11 for additional in-kind support information.

**NOTE 8 – RELEASE OF NET ASSETS**

Net assets of \$1,718,652 and \$1,516,399 were released from donor restrictions for the years ended June 30, 2014 and 2013, respectively, by incurring expenses satisfying the restricted purposes or by the occurrences of other events specified by the donors.

**NOTE 9 – RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for programs and scholarships and totaled \$5,428,606 and \$4,666,986 at June 30, 2014 and 2013, respectively.

	<u>2014</u>	<u>2013</u>
Academic Support and Research	\$ 1,246,051	\$ 1,032,712
Other College Support	930,245	1,299,875
Public Service Centers	254,989	404,813
Student Aid	2,997,321	1,929,586
Total Temporarily Restricted Net Assets	<u>\$ 5,428,606</u>	<u>\$ 4,666,986</u>

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support the following:

	<u>2014</u>	<u>2013</u>
Academic Support and Research	\$ 1,008,177	\$ 981,092
Other College Support	115,839	113,220
Student Aid	5,429,422	4,332,203
Total Restricted Net Assets	<u>\$ 6,553,438</u>	<u>\$ 5,426,515</u>

**NOTE 10 – CONCENTRATIONS**

**Major Donor**

For the year ended June 30, 2014, the Foundation received contributions from three sources that comprised approximately 70% of total contribution revenue. For the year ended June 30, 2013, the Foundation received contributions from one source that comprised approximately 41% of total contribution revenue.

**THE EVERGREEN STATE COLLEGE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 11 – IN-KIND SUPPORT**

The Foundation receives substantial contributed support services under an agreement with the College. These services are included in both support and revenues and also in expenses on the accompanying statements of activities and changes in net assets. In addition, the Foundation receives in-kind donations from individuals and corporations, which are included in gifts and contributions and also as expenses on the statements of activities.

Donated materials and services are as follows for the years ended June 30:

	<u>2014</u>	<u>2013</u>
<u>From individual and corporate donors:</u>		
Stock	\$ 32,716	\$ 97,216
Art Work	62,931	50,400
Materials	<u>24,534</u>	<u>8,581</u>
Total in-kind support from individuals and corporate donors	120,181	156,197
<u>From the College:</u>		
Management services	944,812	789,219
Rent	25,736	19,929
Supplies and equipment usage	<u>211,555</u>	<u>141,803</u>
Total in-kind support from the College	1,182,103	950,951
Total in-kind support	<u>\$ 1,302,284</u>	<u>\$ 1,107,148</u>

**NOTE 12 – LEASES**

The Foundation had a long-term operating lease for a vehicle which expired in May 2014. Once the lease expired, the Foundation entered into a new long-term operating lease for a vehicle which will expire in May 2017. Lease expense totaled \$4,324 and \$4,236 for the years ended June 30, 2014 and 2013, respectively. Minimum required lease payments for 2015, 2016, and 2017 are \$4,762, \$4,762, and \$3,969 respectively.

**NOTE 13 – ADMINISTRATIVE FEES**

The Foundation charges a 5% administrative fee to restricted, and some unrestricted, funds and transfers this amount to unrestricted net assets to cover funds management, fundraising expenses, and administration expenses. For the year ended June 30, 2014, the Foundation charged a total of \$107,853 in administrative fees with \$24,624 being charged on permanently restricted funds, \$67,679 being charged on temporarily restricted funds, and \$15,550 being charged on unrestricted funds. For the year ended June 30, 2013, the Foundation charged a total of \$82,253 in administrative fees with \$71,407 being charged on permanently restricted funds and \$10,846 being charged on temporarily restricted funds.

**NOTE 14 – SUBSEQUENT EVENTS**

The Foundation has evaluated subsequent events through February 25, 2015, the date on which the financial statements were available to be issued.