



**the
evergreen
state
college
foundation**

FINANCIAL STATEMENTS

JUNE 30, 2015

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INDEPENDENT AUDITORS' REPORT

February 17, 2016

Board of Trustees
The Evergreen State College Foundation
Olympia, Washington

We have audited the accompanying financial statements of The Evergreen State College Foundation, which comprise the statement of financial position as of June 30, 2015, 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.

Auditors' 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.

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, 2015, 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.

Prior Year Financial Statements

The consolidated financial statements of The Evergreen State College Foundation as of June 30, 2014, were audited by other auditors whose report dated February 25, 2015, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

NR
NR Smith & Associates, PS
NR Smith and Associates, PS
Olympia, Washington

THE EVERGREEN STATE COLLEGE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

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ASSETS

	2015	2014
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,413,810	\$ 1,292,584
Certificates of deposit	100,000	601,729
Unconditional promises to give, current	168,040	436,540
Other receivables (Due from College)	-	-
	2,681,850	2,330,853
OTHER ASSETS		
Certificate of deposit	-	-
Investments	11,532,864	10,651,289
Long-term unconditional promises to give	551,401	270,393
	12,084,265	10,921,682
Total Assets	\$ 14,766,115	\$ 13,252,535

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable	\$ 22,142	\$ 13,528
Payable to College	-	89,955
	22,142	103,483
ANNUITY PAYMENT LIABILITY	11,184	11,149
Total Liabilities	33,326	114,632
NET ASSETS		
Unrestricted	1,752,123	1,155,859
Temporarily Restricted	5,620,080	5,428,606
Permanently Restricted	7,360,586	6,553,438
	14,732,789	13,137,903
Total Liabilities and Net Assets	\$ 14,766,115	\$ 13,252,535

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, 2015 AND 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015	2014
SUPPORT AND REVENUES					
Gifts and contributions	\$ 323,312	\$ 1,715,861	\$ 802,808	\$ 2,841,981	\$ 2,707,236
In-kind support from College	1,226,233	-	-	1,226,233	1,182,103
Investment income	101,947	526,188	-	628,135	1,101,375
Change in value of split-interest agreement	-	(3,070)	-	(3,070)	(1,768)
Gift fees	75,823	-	-	75,823	107,853
Reclassifications and transfers		(4,340)	4,340	-	-
Net assets released from restrictions	1,648,056	(1,648,056)	-	-	-
Total support and revenues	3,375,371	586,583	807,148	4,769,102	5,096,799
EXPENSES					
Program services:					
Grants and scholarships	1,050,231	-	-	1,050,231	1,369,889
Other College support	646,431	-	-	646,431	535,467
Total program services	1,696,662	-	-	1,696,662	1,905,356
Support Services:					
Management and General Fundraising	740,300	-	-	740,300	664,851
	737,255	-	-	737,255	701,179
Total support services	1,477,555	-	-	1,477,555	1,366,030
Total expenses	3,174,217	-	-	3,174,217	3,271,386
Increase (decrease) in net assets	201,154	586,583	807,148	1,594,886	1,825,413
NET ASSETS					
Beginning of year	1,155,859	5,428,606	6,553,438	13,137,903	11,312,490
Reclassification of net assets	395,109	(395,109)	-	-	-
Ending Net Assets	\$ 1,752,123	\$ 5,620,080	\$ 7,360,586	\$ 14,732,789	\$ 13,137,903

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

THE EVERGREEN STATE COLLEGE FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015
(WITH COMPARATIVE TOTALS FOR 2014)

	Program Services			Support Services			2015	2014	Totals
	Grants and Scholarships	Other College Support	Total Programs	Management and General	Fundraising	Total Support Services			
Grants and allocations	\$ 1,050,231	\$ -	\$ 1,050,231	\$ -		\$ -	\$ 1,050,231	\$ -	\$ 1,369,889
In-kind management services	-	91,980	91,980	482,070	419,376	901,446	993,426		944,812
In-kind supplies and equipment use	-	20,760	20,760	103,797	83,038	186,835	207,595		211,555
Food	-	73,274	73,274	54,019	4,923	58,941	132,215		103,282
Purchased services	-	27,244	27,244	24,486	4,500	28,986	56,230		20,326
Accounting	-	-	-	19,430		19,430	19,430		19,000
Printing and publications	-	5,983	5,983	580	2,594	3,174	9,157		4,802
Supplies	-	61,376	61,376	2,823	1,510	4,333	65,709		66,498
Travel	-	6,484	6,484	728	1,109	1,837	8,321		29,942
In-kind rent (space)	-	2,521	2,521	2,521	20,170	22,691	25,212		25,736
Salaries, wages and benefits	-	321,061	321,061	-	176,877	176,877	497,939		408,067
Rental and fees	-	6,883	6,883	15,901	18,010	33,912	40,794		22,487
Postage and shipping	-	1,622	1,622	4,464	286	4,750	6,372		1,784
Miscellaneous	-	27,244	27,244	29,481	4,862	34,343	61,588		43,206
	<u>\$ 1,050,231</u>	<u>\$ 646,431</u>	<u>\$ 1,696,662</u>	<u>\$ 740,300</u>	<u>\$ 737,255</u>	<u>\$ 1,477,555</u>	<u>\$ 3,174,217</u>	<u>\$ -</u>	<u>\$ 3,271,386</u>

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

**THE EVERGREEN STATE COLLEGE FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,594,886	\$ 1,825,413
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions restricted for long term purposes	(807,148)	(1,126,923)
Bad Debts	-	(5,000)
Donated marketable securities	(90,212)	(32,716)
Investment Income added to investments	(359,517)	(333,611)
Unrealized gains on investments and change in value of split interest agreements	(263,021)	(763,447)
(Increase) decrease in unconditional promises to give	(166,089)	405,221
Decrease in other current assets	-	215
Increase (decrease) in accounts payable	8,614	(4,818)
Decrease in payable to College and employees	(89,955)	(96,799)
Net cash used in operating activities	(172,442)	(132,465)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Investments	811,207	251,406
Proceeds from sale of donated stock	87,145	31,319
Purchases of investments	(562,378)	(2,957,434)
Net cash provided by (used in) investing activities	335,974	(2,674,709)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for long-term purposes	960,729	1,321,913
Payment of annuity obligations	(3,035)	(3,035)
Net cash provided by financing activities	957,694	1,318,878
Net increase (decrease) in cash and cash equivalents	1,121,226	(1,488,296)
CASH AND CASH EQUIVALENTS		
Beginning of year	1,292,584	2,780,880
End of year	\$ 2,413,810	\$ 1,292,584

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 be subsequently 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 has been met, 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 in perpetuity; the income from which is expendable for the purpose designated by the donor.

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 has been met, 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 are recognized as revenues in the period received. Unconditional promises to give that are due in the next year are reported at their net realizable value. FASB Statement 116 requires that an Allowance for Uncollectable Pledges be used; however, based on management judgment, past history, and the rare occurrences of pledges not being fulfilled, management has decided not to use an Allowance for Uncollectable Pledges account as any allowance would be immaterial.

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

Unconditional promises to give that are due in subsequent years are reported using an appropriate discount rate to the present value. 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. Non-cash donations are recorded at fair value on the date of the donation. In the absence of any donor 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. As of June 30, 2015, the cash and cash equivalents total \$2,413,810, of which \$1,685,449 is classified as unrestricted and \$728,361 as restricted. The restricted portion is tied to the temporarily restricted and permanently restricted net assets. 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, 2015, all certificates of deposit mature within one year.

Investments

At June 30, 2015, an additional \$224,518 was held by the University of Washington pending a July 1, 2015 investment purchase. Asset allocation of the CEF at June 30 was as follows:

**University of Washington Consolidated Endowment Fund (CEF)
Fair Market Value as of June:**

	2015	2014
Total Units at U of W	33,521,892	31,508,991
Value per Unit	\$ <u>91.768</u>	\$ <u>89.03</u>
Total value at U of W	\$ <u>3,076,225,847</u>	\$ <u>2,832,752,593</u>
 TESC Foundation Portion		
Total Units	112,029	90,800
Value per Unit	\$ <u>91.768</u>	\$ <u>89.03</u>
Total TESC Foundation Portion	\$ <u>10,280,645</u>	\$ <u>8,163,227</u>

THE EVERGREEN STATE COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

	<u>2015</u>	<u>2014</u>
Emerging Markets Equity	17%	18%
Developed Markets Equity	28%	35%
Private Equity	15% **	11% **
Real Assets	7% **	7% **
Opportunistic	3% **	2% **
Absolute Return	19% **	18% **
Fixed Income	11 %	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.

Additional Investments

The Foundation also has established an investment portfolio with Morgan Stanley:

Morgan Stanley	2015	2014
Cash	\$ -	\$ 5,632
Mutual Funds	324,609	309,887
Certificates of Deposit	703,092	701,269
Total	<u>\$ 1,027,701</u>	<u>\$ 1,016,788</u>

Due to the long-term nature of the portfolio, investments are classified as noncurrent regardless of maturity. 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.

THE EVERGREEN STATE COLLEGE FOUNDATION NOTES TO FINANCIAL STATEMENTS

Credit and Market Risk

The Foundation's investments consist of financial instruments including interest-bearing deposits, investments in the CEF, and investments at 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, market, and credit risks. Due to the level of risks associated with certain investment securities, it is expected that changes in the values of investment securities will fluctuate. 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%.

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, 2015 and 2014. The fiscal years ended June 30, 2014, 2013 and 2012 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 related 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.

THE EVERGREEN STATE COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

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, 2014, from which the summarized information was derived.

New Accounting Pronouncements

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. Adoption of this new guidance did not have a significant impact on the Foundation's 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>2015</u>	<u>2014</u>
Receivable in less than one year	\$ 172,257	\$ 436,540
Receivable in one to five years	587,198	270,393
Long-term pledge receivable discount	(40,014)	-
Total Unconditional Promises to Give	<u>\$ 719,441</u>	<u>\$ 706,933</u>

At June 30, 2014, the discount to net realizable value of the unconditional promises to give was not significant; however at June 30, 2015, due to the increase in the amount pledge receivables over one-year management determined that the long-term pledges should be discounted. The discount rates are based on the risk free applicable federal long-term rates were at the time each unconditional promise to give was made. The range of interest rates are between 2.19% and 3.37%.

THE EVERGREEN STATE COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 3 – INVESTMENTS

Investments are as follows at June 30:

	<u>2015</u>	<u>2014</u>
Cash	\$ -	\$ 5,632
Brokered certificates of deposit	703,092	701,269
Mutual funds	324,609	309,887
Investment in the University of Washington's Consolidated Endowment Fund	10,505,163	9,634,501
Total Investments	<u>\$ 11,532,864</u>	<u>\$ 10,651,289</u>

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

	<u>2015</u>	<u>2014</u>
Interest and dividend income	\$ 358,977	\$ 280,928
Net unrealized gains on investments	269,158	820,447
Total Investment Income	<u>\$ 628,135</u>	<u>\$ 1,101,375</u>

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 is 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 made in accordance with the direction of the applicable donor 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 is classified as temporarily restricted 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

THE EVERGREEN STATE COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

Changes in endowment net assets for the year ended June 30, 2015

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2014	\$ 2,028,691	\$ 6,553,438	\$8,582,129
Adjustment for reclassified funds	-	-	-
Investment return	526,188	-	526,188
Contributions, net of transfers	(316,525)	807,148	490,623
Net assets released	2,758	-	2,758
Endowment net assets, June 30, 2015	<u>\$2,241,112</u>	<u>\$ 7,360,586</u>	<u>\$9,601,698</u>

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

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2013	\$ 1,414,399	\$ 5,426,515	\$ 6,840,914
Adjustment for reclassified funds	(151,370)	-	(151,370)
Investment return	973,016	-	973,016
Contributions, net of transfers	(206,705)	1,146,651	939,946
Net assets released	(649)	(19,728)	(20,377)
Endowment net assets, June 30, 2014	<u>\$ 2,028,691</u>	<u>\$ 6,553,438</u>	<u>\$ 8,582,129</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, 2015 and 2014.

Return Objectives and Risk Parameters

The Foundation has most of its investments in the University of Washington Consolidated Endowment Fund (CEF), with the objective of providing permanent funding for endowed programs. The objective of providing permanent funding needs to take a long-term perspective to provide a predictable and stable source of income for endowed programs, and 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.

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

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.

Investment Strategy	Long-term Target	Policy Range
Emerging Markets Equity	17%	
Developed Markets Equity	28%	
Private Equity	15%	
Real Assets	7%	
Opportunistic	3%	
CAPITAL APPRECIATION FUND	70%	55%-85%
Absolute Return	19%	
Fixed Income	11%	
CAPITAL PRESERVATION FUND	30%	15%-45%

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. This is consistent with the Foundation’s objective to maintain a predictable and steady income.

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*.

THE EVERGREEN STATE COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

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

	Year Ended June 30, 2015			
	Quoted Market Prices in Active Markets	Other Observable Inputs	Unobservable Inputs	Total
	(Level 1)	(Level 2)	(Level 3)	
	\$	\$	\$	\$
Cash	-	-	-	-
Brokered certificates of deposit		703,092		703,092
Mutual funds		324,609		324,609
Consolidated Endowment Fund (CEF)		10,505,163		10,505,163
Total investments	-	\$ 11,532,864	-	\$ 11,532,864
	Year Ended June 30, 2014			
	Quoted Market Prices in Active Markets	Other Observable Inputs	Unobservable Inputs	Total
	(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
Total investments	\$ 5,632	\$ 10,645,657	-	\$ 10,651,289

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, 2015 and 2014.

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 \$11,184 and \$11,149 as of June 30, 2015 and 2014, 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 \$0 and \$89,955 as of June 30, 2015 and 2014, respectively. The majority of the amount due is related to pass-thru grants. The Foundation provided grants to the College totaling \$584,450 and \$715,365 for the years ended June 30, 2015 and 2014.

During the years ended June 30, 2015 and 2014 the Foundation provided \$353,847 and \$468,359 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 revenues and 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 \$1,648,056 and \$1,718,652 were released from donor restrictions for the years ended June 30, 2015 and 2014, 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 \$5,620,080 and \$5,428,606 at June 30, 2015 and 2014, respectively.

	<u>2015</u>	<u>2014</u>
Academic Support and Research	\$ 1,405,881	\$ 1,246,051
Other College Support	320,653	930,245
Public Service Centers	623,998	254,989
Student Aid	<u>3,269,548</u>	<u>2,997,321</u>
Total Temporarily Restricted Net Assets	<u>\$ 5,620,080</u>	<u>\$ 5,428,606</u>

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

	<u>2015</u>	<u>2014</u>
Academic Support and Research	\$ 1,059,668	\$ 1,008,177
Other College Support	115,861	115,839
Student Aid	<u>6,185,057</u>	<u>5,429,422</u>
Total Restricted Net Assets	<u>\$ 7,360,586</u>	<u>\$ 6,553,438</u>

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

NOTE 10 – CONCENTRATIONS

Major Donor

For the year ended June 30, 2015, the Foundation received contributions from four sources that comprised approximately 55% of total contribution revenue. For the year ended June 30, 2014, the Foundation received contributions from three sources that comprised approximately 70% of total contribution revenue.

NOTE 11 – IN-KIND SUPPORT

The Foundation receives substantial contributed support services under an agreement with the College. These services are included in both revenues and 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.

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

	<u>2015</u>	<u>2014</u>
<u>From individual and corporate donors:</u>		
Stock	\$ 90,213	\$ 32,716
Art Work	14,260	62,931
Materials	21,127	24,534
Total in-kind support from individuals and corporate donors	<u>125,600</u>	<u>120,181</u>
 <u>From the College:</u>		
Management services	993,426	944,812
Rent	25,212	25,736
Supplies and equipment usage	207,595	211,555
Total in-kind support from the College	<u>1,226,233</u>	<u>1,182,103</u>
 Total in-kind support	<u>\$ 1,351,833</u>	<u>\$ 1,302,284</u>

NOTE 12 – LEASES

In May 2014, the Foundation entered into a new long-term operating lease for a vehicle which will expire in May 2017. Lease expense totaled \$4,866 and \$4,324 for the years ended June 30, 2015 and 2014, respectively. Minimum required lease payments for 2016 and 2017 are \$4,762 and \$4,366 respectively.

NOTE 13 – ADMINISTRATIVE FEES

The Foundation charges a 5% administrative fee and transfers this amount to unrestricted net assets to cover funds management, fundraising expenses, and administration expenses. The Foundation charged \$75,823 and \$107,853 in administrative fees for the years ended June 30, 2015 and 2014, respectively.

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

NOTE 14 – SCHOLARSHIPS FOR FUTURE PERIODS

In April, May and June of each year, students receive notice of their scholarship awards for the following academic year. These scholarship funds remain in the Foundation until August or September. The endowment scholarship funds are held in a holding account specifically for that purpose. The one-time scholarships are held in their own separately-accounted for scholarship account for use in future years. In August or September, the Foundation transfers the funds to the College and then the College applies the funds to the student accounts. The amount and number of scholarships varies from year to year. The annual scholarship amount and number of scholarships to be awarded is determined by the following:

1. Donor intent as defined in gift agreement
2. Foundation spending policy
3. For unrestricted scholarships, determined by the board
4. Number of awards from larger scholarship funds is determined by judgment of college staff if donor does not express a preference (i.e. is it better to have two \$1,000 scholarships or one \$2,000 scholarship)

As of June 30, 2015, the Foundation was holding funds earmarked for academic year 2015-2016 scholarships in the amount of \$505,660 and as of June 30, 2014, the amount held for academic year 2014-2015 was \$371,655. Of those amounts, \$278,122 and \$188,772 was available for endowment based scholarships, and \$227,538 and \$182,883 was available for one-time scholarships on June 30, 2015 and 2014, respectively.

Though the entire amount of the funds held are available for scholarships, not all of the scholarship offers are accepted. Additionally, there are times when students accept their scholarship offer but end up not being enrolled in the new academic year or are no longer qualified for the scholarship when classes begin; thereby leaving the scholarship unused. Any unused scholarship funds are returned to the Foundation and are held for future scholarships in the following academic year.

NOTE 15 – RECLASSIFICATION OF NET ASSETS

In the year ended June 30, 2015, \$395,109 was reclassified from temporarily restricted to unrestricted net assets due to the lack of donor restrictions on the funds.

NOTE 16 – SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through February 17, 2016, the date on which the financial statements were available to be issued.