



**FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

## CONTENTS

	PAGE
<b>INDEPENDENT AUDITORS' REPORT.....</b>	<b>1-2</b>
 <b>FINANCIAL STATEMENTS</b>	
<b>Statements of Financial Position.....</b>	<b>3</b>
<b>Statement of Activities and Changes in Net Assets FY16.....</b>	<b>4</b>
<b>Statement of Activities and Changes in Net Assets FY15.....</b>	<b>5</b>
<b>Statement of Functional Expenses FY16.....</b>	<b>6</b>
<b>Statement of Functional Expenses FY15.....</b>	<b>7</b>
<b>Statements of Cash Flow.....</b>	<b>8</b>
<b>Notes to Financial Statements.....</b>	<b>9-20</b>



## INDEPENDENT AUDITORS' REPORT

March 3, 2017

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, 2016 and 2015, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **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, 2016 and 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.

*NR Smith and Associates, PA*

NR Smith and Associates, PS

Olympia, Washington

**THE EVERGREEN STATE COLLEGE FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2016 AND 2015**

<b>ASSETS</b>		<u>2016</u>	<u>2015</u>
<b>CURRENT ASSETS</b>			
Cash, including restricted cash	\$	1,815,954	\$ 2,413,810
Investments		345,000	100,000
Beneficial interest in lead trust		150,000	-
Unconditional promises to give, current		386,126	168,040
<b>Total Current Assets</b>		<b>2,697,080</b>	<b>2,681,850</b>
<b>OTHER ASSETS</b>			
Investments		12,822,709	11,532,864
Beneficial interest in lead trust		1,737,771	-
Long-term unconditional promises to give		387,109	551,401
<b>Total Other Assets</b>		<b>14,947,589</b>	<b>12,084,265</b>
<b>Total Assets</b>	<b>\$</b>	<b>17,644,669</b>	<b>\$ 14,766,115</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$	16,179	\$ 22,142
<b>Total Current Liabilities</b>		<b>16,179</b>	<b>22,142</b>
<b>ANNUITY PAYMENT LIABILITY</b>			
<b>Total Liabilities</b>		<b>10,596</b>	<b>11,184</b>
<b>NET ASSETS</b>			
Unrestricted		1,670,987	1,752,123
Temporarily restricted		7,125,997	5,620,080
Permanently restricted		8,820,910	7,360,586
<b>Total Net Assets</b>		<b>17,617,893</b>	<b>14,732,789</b>
<b>Total Liabilities and Net Assets</b>	<b>\$</b>	<b>17,644,669</b>	<b>\$ 14,766,115</b>

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



**THE EVERGREEN STATE COLLEGE FOUNDATION**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016	2015
<b>SUPPORT AND REVENUES</b>					
Gifts and contributions	\$ 238,989	\$ 2,902,437	\$ 1,448,549	\$ 4,589,975	\$ 2,841,981
In-kind support from College	1,307,545	-	-	1,307,545	1,226,233
Investment income	(23,148)	(159,032)	-	(182,180)	628,135
Change in value of split-interest agreement	-	(3,025)	-	(3,025)	(3,070)
Gift fees	125,200	-	-	125,200	75,823
Reclassifications and transfers	-	(11,775)	11,775	0	-
Net assets released from restrictions	1,222,689	(1,222,689)	-	-	-
<b>Total support and revenues</b>	<b>2,871,275</b>	<b>1,505,916</b>	<b>1,460,324</b>	<b>5,837,515</b>	<b>4,769,102</b>
<b>EXPENSES</b>					
Program services:					
Grants and scholarships	839,820	-	-	839,820	1,050,231
Other College support	670,934	-	-	670,934	646,431
<b>Total program services</b>	<b>1,510,754</b>	<b>-</b>	<b>-</b>	<b>1,510,754</b>	<b>1,696,662</b>
Support Services:					
Management and General Fundraising	826,974	-	-	826,974	740,300
	614,683	-	-	614,683	737,255
<b>Total support services</b>	<b>1,441,657</b>	<b>-</b>	<b>-</b>	<b>1,441,657</b>	<b>1,477,555</b>
<b>Total expenses</b>	<b>2,952,411</b>	<b>-</b>	<b>-</b>	<b>2,952,411</b>	<b>3,174,217</b>
<b>Increase (decrease) in net assets</b>	<b>(81,136)</b>	<b>1,505,917</b>	<b>1,460,324</b>	<b>2,885,105</b>	<b>1,594,886</b>
<b>NET ASSETS</b>					
Beginning of year	1,752,123	5,620,080	7,360,586	14,732,789	13,137,903
<b>Ending Net Assets</b>	<b>\$ 1,670,987</b>	<b>\$ 7,125,997</b>	<b>\$ 8,820,910</b>	<b>\$ 17,617,894</b>	<b>\$ 14,732,789</b>

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

**THE EVERGREEN STATE COLLEGE FOUNDATION**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2015**

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

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

THE EVERGREEN STATE COLLEGE FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2016  
(WITH COMPARATIVE TOTALS FOR 2015)

	Program Services			Support Services			2016	Totals	2015	Totals
	Grants and Scholarships	Other College Support	Total Programs	Management and General	Fundraising	Total Support Services				
Grants and allocations	\$ 839,820	\$ -	\$ 839,820	\$ -	\$ -	\$ -	\$ 839,820	\$	\$ 1,050,231	
In-kind management services	-	98,588	98,588	527,260	429,857	957,117	1,055,705		993,426	
In-kind supplies and equipment use	-	22,266	22,266	111,332	89,066	200,398	222,664		207,595	
Food	-	150,284	150,284	24,717	35,994	60,711	210,995		132,215	
Purchased services	-	63,594	63,594	12,837	6,500	19,337	82,931		56,230	
Accounting	-	-	-	16,042	-	16,042	16,042		19,430	
Printing and publications	-	15,916	15,916	49	5,127	5,176	21,092		9,157	
Supplies	-	57,786	57,786	4,257	854	5,111	62,897		65,709	
Travel	-	11,760	11,760	5,363	725	6,088	17,848		8,321	
In-kind rent (space)	-	2,918	2,918	2,918	23,340	26,258	29,176		25,212	
Salaries, wages and benefits	-	196,541	196,541	-	15,804	15,804	212,345		497,939	
Rental and fees	-	17,165	17,165	13,590	-	13,590	30,755		40,794	
Postage and shipping	-	1,666	1,666	-	234	234	1,900		6,372	
Miscellaneous	-	32,450	32,450	108,609	7,183	115,792	148,242		61,588	
	<b>\$ 839,820</b>	<b>\$ 670,934</b>	<b>\$ 1,510,754</b>	<b>\$ 826,974</b>	<b>\$ 614,683</b>	<b>\$ 1,441,657</b>	<b>\$ 2,952,411</b>	<b>\$</b>	<b>\$ 3,174,217</b>	

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



THE EVERGREEN STATE COLLEGE FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2015

	Program Services			Support Services			2015	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	
In-kind management services	-	91,980	91,980	482,070	419,376	901,446	993,426	
In-kind supplies and equipment use	-	20,760	20,760	103,797	83,038	186,835	207,595	
Food	-	73,274	73,274	54,019	4,923	58,941	132,215	
Purchased services	-	27,244	27,244	24,486	4,500	28,986	56,230	
Accounting	-	-	-	19,430	-	19,430	19,430	
Printing and publications	-	5,983	5,983	580	2,594	3,174	9,157	
Supplies	-	61,376	61,376	2,823	1,510	4,333	65,709	
Travel	-	6,484	6,484	728	1,109	1,837	8,321	
In-kind rent (space)	-	2,521	2,521	2,521	20,170	22,691	25,212	
Salaries, wages and benefits	-	321,061	321,061	-	176,877	176,877	497,939	
Rental and fees	-	6,883	6,883	15,901	18,010	33,912	40,794	
Postage and shipping	-	1,622	1,622	4,464	286	4,750	6,372	
Miscellaneous	-	27,244	27,244	29,481	4,862	34,343	61,588	
	<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>	

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

**THE EVERGREEN STATE COLLEGE FOUNDATION**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 2,885,105	\$ 1,594,886
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Contributions restricted for long term purposes	(1,460,324)	(807,148)
Bad Debts	(6,000)	-
Donated marketable securities	(196,297)	(90,212)
Investment income added to investments	(405,301)	(359,517)
Unrealized loss/gain on investments and change in value of split interest agreements	594,420	(263,021)
Increase in unconditional promises to give	(68,079)	(166,089)
Increase in split-interest agreements	(1,887,771)	-
Decrease/increase in accounts payable	(6,551)	8,614
Decrease in payable to College and employees	-	(89,955)
<b>Net cash used in operating activities</b>	<b>(550,798)</b>	<b>(172,442)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from certificates of deposit	602	811,207
Proceeds from sale of donated stock	191,781	87,145
Purchases of investments	(1,717,025)	(562,378)
<b>Net cash provided (used) by investing activities</b>	<b>(1,524,642)</b>	<b>335,974</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions restricted for long-term purposes	1,480,609	960,729
Payment of annuity obligations	(3,025)	(3,035)
<b>Net cash provided by financing activities</b>	<b>1,477,584</b>	<b>957,694</b>
<b>Net increase/decrease in cash and cash equivalents</b>	<b>(597,856)</b>	<b>1,121,226</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	2,413,810	1,292,584
<b>End of year</b>	<b>\$ 1,815,954</b>	<b>\$ 2,413,810</b>

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

**THE EVERGREEN STATE COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

**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 (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 that have donor-imposed restrictions are listed based on the donor's intent. 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.



**THE EVERGREEN STATE COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

**Unconditional Promises to Give**

Contributions, including unconditional promises to give are recognized as revenues in the period received. Unconditional promises to give due within one 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.

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**

For purposes of reporting on the statements of cash flows, the Foundation considers all checking accounts as cash, except those held in an investment portfolio. As of June 30, 2016 and 2015, cash totaled \$1,815,954 and \$2,413,810; of which \$118,192 and \$728,361 was restricted for donor purposes.

**Investments**

The Foundation has investments which include certificates of deposit, an investment portfolio with Morgan Stanley and invested funds in the University of Washington's Consolidated Endowment Fund (CEF).

Certificates of deposit include deposits with individual balances of \$250,000, or less, with various financial institutions. At June 30, 2016 and 2015, the Foundation has \$345,000 and \$100,000 in certificates of deposit, all of which mature within one year.

In 2014, the Foundation established an investment portfolio with Morgan Stanley:

<b>Morgan Stanley</b>	<b>2016</b>	<b>2015</b>
Cash	\$ 578	\$ -
Mutual Funds	328,701	324,609
Certificates of Deposit	704,093	703,092
<b>Total</b>	<b><u>\$ 1,033,372</u></b>	<b><u>\$ 1,027,701</u></b>

Most 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 when determination of allocation is made. 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.

**THE EVERGREEN STATE COLLEGE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

Asset allocation of the CEF at June 30 was as follows:

**University of Washington Consolidated Endowment Fund (CEF)**

**Fair Market Value as of June:**

	2016	2015
Total Units at U of W	34,527,691	33,521,892
Value per Unit	\$ 85.96	\$ 91.77
Total value at U of W	<u>\$ 2,968,000,318</u>	<u>\$ 3,076,225,847</u>

**TESC Foundation Portion**

Total Units	125,584.00	112,029.00
Value per Unit	\$ 85.96	\$ 91.77
Total TESC Foundation Portion	<u>\$ 10,795,210</u>	<u>\$ 10,280,645</u>

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 calendar quarter.

At June 30, 2016 and 2015, an additional \$994,127 and \$224,518 respectively, was held by the University of Washington pending investment purchases.

**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.

Assets listed at fair market value are listed in the note *Fair Value of Financial Measurements*.

**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.



**THE EVERGREEN STATE COLLEGE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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 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.

In December 2015, the Foundation became a 50% beneficiary of a Charitable Lead Unitrust split-interest agreement. The basis of recognition for the revenue is the present value of the future cash flow for the expected annuity payment.

The Foundation has another agreement that has a liability equal to the present value of the expected future benefit distributions to the donor.

**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, 2016 and 2015. The fiscal years ended June 30, 2016, 2015, 2014 and 2013 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 labor costs, square footage rates for space, and the cost of shared usage of supplies and equipment.

**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. The services provided without cost are recognized as in-kind revenues and expenses.

**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**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

**New Accounting Pronouncements**

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.

In February 2016, the FASB issued *Leases*, (ASU No. 2016-02). This Update was issued to increase the transparency and comparability among organizations by requiring lessees to recognize the assets and liabilities associated with all leases on the statement of financial position. The amendments in this Update are effective for fiscal years beginning after December 15, 2019. 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>2016</u>	<u>2015</u>
Receivable in less than one year	\$ 386,126	\$ 172,257
Receivable in one to five years	397,098	587,198
Long-term pledge receivable discount	<u>(9,989)</u>	<u>(40,014)</u>
Total Unconditional Promises to Give	<u>\$ 773,235</u>	<u>\$ 719,441</u>

The discount rates are based on what the risk free applicable federal long-term rates were at the time each unconditional promise to give was made. The rates range from 2.19% and 3.37% and the total discount for the long-term promises to give as of June 30, 2016, and June 30, 2015, is \$9,989 and \$40,014, respectively.

**NOTE 3 – INVESTMENTS**

Long and short term investments are as follows at June 30:

	<u>2016</u>	<u>2015</u>
Cash	\$ 578	\$ -
Certificates of deposit	1,049,093	803,092
Mutual funds	328,701	324,609
Investment in the University of Washington's Consolidated Endowment Fund	<u>11,789,337</u>	<u>10,505,163</u>
Total Investments	<u>\$ 13,167,709</u>	<u>\$ 11,632,864</u>

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

	<u>2016</u>	<u>2015</u>
Interest and dividend income	\$ 404,699	\$ 358,977
Net unrealized gains on investments	<u>(586,879)</u>	<u>269,158</u>
Total Investment Loss/Income	<u>\$ (182,180)</u>	<u>\$ 628,135</u>



**THE EVERGREEN STATE COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

**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

**Changes in endowment net assets for the year ended June 30, 2016**

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2015	\$ 2,241,112	\$ 7,360,586	\$9,601,698
Adjustment for reclassified funds	-	-	-
Investment return	(158,454)	-	(158,454)
Contributions, net of transfers	(354,891)	1,460,324	1,105,433
Net assets released	17,232	-	17,232
Endowment net assets, June 30, 2016	<u>\$1,744,999</u>	<u>\$ 8,820,910</u>	<u>\$10,565,909</u>

**THE EVERGREEN STATE COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

**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>

**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, 2016 and 2015.

**Return Objectives and Risk Parameters**

The Foundation's objectives are: 1) to provide permanent funding for endowed programs, 2) maintain the purchasing power of any endowments 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 Foundation invests most of its funds in the University of Washington's CEF. It is divided into sub-categories, each with its own targeted allocation. Over the long run, the allocation between and within the subcategories may be the single most important determinant of the CEF's investment performance.

<b>Investment Strategy</b>	<b>Long-term Target</b>
Emerging Markets Equity	20%
Developed Markets Equity	37%
Private Equity	12%
Real Assets	6%
Opportunistic	2%
Absolute Return	16%
Fixed Income	7%

**THE EVERGREEN STATE COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

**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 and five percent of the rolling average thereafter, continually for five years until a continuous five year average is obtained. 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.

**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, 2016			Total
	Quoted Market Prices in Active Markets  (Level 1)	Other Observable Inputs  (Level 2)	Unobservable Inputs  (Level 3)	
Cash	\$ -	\$ 578	\$ -	\$ 578
Certificates of deposit		1,049,093		1,049,093
Mutual funds		328,701		328,701
Consolidated Endowment Fund (CEF)		11,789,337		11,789,337
Charitable Lead Unitrust		1,887,771		1,887,771
Total assets at fair value	<u>\$ -</u>	<u>\$ 15,055,480</u>	<u>\$ -</u>	<u>\$ 15,055,480</u>



**THE EVERGREEN STATE COLLEGE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	Year Ended June 30, 2015			Total
	Quoted Market Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
Cash	\$ -	\$ -	\$ -	\$ -
Certificates of deposit		803,092		803,092
Mutual funds		324,609		324,609
Consolidated Endowment Fund (CEF)		10,505,163		10,505,163
<b>Total assets at fair value</b>	<b>\$ -</b>	<b>\$ 11,632,864</b>	<b>\$ -</b>	<b>\$ 11,632,864</b>

#### **NOTE 6 – CHARITABLE GIFT ANNUITIES**

Certain donors have entered into charitable gift annuity agreements with the Foundation under which the Foundation received certain assets.

In December 2015, the Foundation became a beneficiary of a split interest agreement via a Charitable Lead Unitrust (CLUT). The CLUT is a \$5 million trust in which the Foundation is a 50% beneficiary, with the Foundation anticipating \$2.25 million in payments over the life of the agreement. The 15 year annuity pays out 6% of the net fair market value of the asset each year of which the Foundation receives 50%. The basis of recognition for the revenue is the present value of the future cash flow for the expected annuity payment. The discount rate applied is 2.61%. At the end of the 15 year period, the donor will receive the remaining balance of the trust.

The Charitable Lead Unitrust present value at June 30 is as follows:

	<u>2016</u>
Due in less than one year	\$ 150,000
Due in one to five years	750,000
Due in five years or more	1,346,301
Discount	(358,530)
Total present value of Charitable Lead Unitrust	<u>\$ 1,887,771</u>

The Foundation is beneficiary of another split-interest agreement which was entered into in a prior year and is still active as of June 30, 2016. 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 annual installment payments totaled \$3,025 and \$3,070 respectively for the years ended June 30, 2016 and 2015.

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 \$10,596 and \$11,184 as of June 30, 2016 and 2015, 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**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

**NOTE 7 – RELATED PARTY TRANSACTIONS**

The Foundation provided grants to the College totaling \$182,800 and \$584,450 for the years ended June 30, 2016 and 2015. During the years ended June 30, 2016 and 2015, the Foundation also provided \$501,462 and \$353,847 to the College for student scholarships and fellowships. These amounts are listed as grants and allocations on the statements of functional expenses.

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 \$1,222,689 and \$1,648,056 were released from donor restrictions for the years ended June 30, 2016 and 2015, 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 \$7,125,997 and \$5,620,080 at June 30, 2016 and 2015, respectively.

	<u>2016</u>	<u>2015</u>
Academic Support and Research	\$ 3,209,521	\$ 1,405,881
Other College Support	1,071,437	320,653
Public Service Centers	29,838	623,998
Student Aid	<u>2,815,201</u>	<u>3,269,548</u>
Total Temporarily Restricted Net Assets	<u>\$ 7,125,997</u>	<u>\$ 5,620,080</u>

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

	<u>2016</u>	<u>2015</u>
Academic Support and Research	\$ 1,728,297	\$ 1,059,668
Other College Support	115,875	115,861
Student Aid	<u>6,976,738</u>	<u>6,185,057</u>
Total Restricted Net Assets	<u>\$ 8,820,910</u>	<u>\$ 7,360,586</u>

**THE EVERGREEN STATE COLLEGE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

**NOTE 10 – CONCENTRATIONS**

**Major Donors**

For the year ended June 30, 2016, the Foundation received contributions from six sources that comprised approximately 72% of total contribution revenue. For the year ended June 30, 2015, the Foundation received contributions from four sources that comprised approximately 55% 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 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. If the donation is consumed (put into use) rather than sold in a fundraiser it is expensed.

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

	<u>2016</u>	<u>2015</u>
<u>From individual and corporate donors:</u>		
Stock	\$ 196,297	\$ 90,213
Art Work	10,695	14,260
Materials	<u>12,582</u>	<u>21,127</u>
Total in-kind support from individuals and corporate donors	219,574	125,600
 <u>From the College:</u>		
Management services	1,055,705	993,426
Rent	29,176	25,212
Supplies and equipment usage	<u>222,664</u>	<u>207,595</u>
Total in-kind support from the College	1,307,545	1,226,233
 Total in-kind support	<u>\$ 1,527,119</u>	<u>\$ 1,351,833</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 \$4,762 and \$4,866 for the years ended June 30, 2016 and 2015, respectively. Minimum required annual lease payments thru 2017 are \$4,762.

**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. The Foundation charged \$125,200 and \$75,823 in administrative fees for the years ended June 30, 2016 and 2015, respectively.



**THE EVERGREEN STATE COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

**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 scholarships are reclassified into their own internal account for tracking purposes. 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, 2016, the Foundation was holding funds earmarked for academic year 2016-2017 scholarships in the amount of \$607,020 and as of June 30, 2015, the amount held for academic year 2015-2016 was \$505,660. Of those amounts, \$315,175 and \$278,122 was available for endowment based scholarships, and \$291,845 and \$227,538 was available for one-time scholarships on June 30, 2016 and 2015, 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 – SUBSEQUENT EVENTS**

The Foundation has evaluated subsequent events through March 3, 2017, the date on which the financial statements were available to be issued.



The Evergreen State College Foundation is a 501(c)(3) nonprofit organization dedicated to building an outstanding future for The Evergreen State College. Since 1976, the foundation has supported this goal by raising private gifts from our generous donors. Donations ensure access for students who may not be able to afford the cost of attendance, support faculty research, facilitate work led by the college's public service centers, and much more.