

THE EVERGREEN STATE
COLLEGE FOUNDATION

FINANCIAL REPORT

JUNE 30, 2011 AND 2010

INDEPENDENT AUDITORS' REPORT

Board of Governors
The Evergreen State College Foundation
Olympia, Washington

We have audited the accompanying statements of financial position of The Evergreen State College Foundation (the Foundation) as of June 30, 2011 and 2010, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information has been derived from the Foundation's 2010 financial statements and in our report dated February 28, 2011, we expressed an unqualified opinion on those statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Olympia, Washington
February 8, 2012

Frost & Company, P.S.

THE EVERGREEN STATE COLLEGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2011 AND 2010

ASSETS

	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,357,883	\$ 743,286
Unconditional promises to give, current	837,068	244,670
Other receivables	<u>1,698</u>	<u>28,239</u>
Total current assets	<u>3,196,649</u>	<u>1,016,195</u>
OTHER ASSETS		
Investments	5,356,823	5,686,553
Long-term unconditional promises to give, net	<u>915,134</u>	<u>222,100</u>
Total other assets	<u>6,271,957</u>	<u>5,908,653</u>
Total assets	<u>\$ 9,468,606</u>	<u>\$ 6,924,848</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 13,890	\$ 2,323
Payable to College	274,694	-
Payable to employees	<u>-</u>	<u>2,499</u>
Total current liabilities	288,584	4,822
ANNUITY PAYMENT LIABILITY	<u>13,717</u>	<u>14,383</u>
Total liabilities	<u>302,301</u>	<u>19,205</u>
NET ASSETS		
Unrestricted	1,126,786	1,138,182
Temporarily restricted	4,777,992	2,672,992
Permanently restricted	<u>3,261,527</u>	<u>3,094,469</u>
Total net assets	<u>9,166,305</u>	<u>6,905,643</u>
Total liabilities and net assets	<u>\$ 9,468,606</u>	<u>\$ 6,924,848</u>

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

THE EVERGREEN STATE COLLEGE FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR 2010)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2011 Totals</u>	<u>2010 Totals</u>
SUPPORT AND REVENUES					
Gifts and contributions	\$ 467,603	\$ 2,402,586	\$ 167,058	\$ 3,037,247	\$ 1,359,073
In-kind support from					
College	897,139	-	-	897,139	910,450
Investment income	17,984	565,000	-	582,984	384,554
Change in value of split					
interest agreement	-	(2,368)	-	(2,368)	15,912
Gift fees	17,791	-	-	17,791	38,732
Net assets released from					
restrictions	<u>860,218</u>	<u>(860,218)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and					
revenues	<u>2,260,735</u>	<u>2,105,000</u>	<u>167,058</u>	<u>4,532,793</u>	<u>2,708,721</u>
EXPENSES					
Program services:					
Grants and scholarships	1,099,554	-	-	1,099,554	1,000,179
Other College support	<u>254,020</u>	<u>-</u>	<u>-</u>	<u>254,020</u>	<u>305,303</u>
Total program services	<u>1,353,574</u>	<u>-</u>	<u>-</u>	<u>1,353,574</u>	<u>1,305,482</u>
Support services:					
Management and general	282,618	-	-	282,618	327,729
Fundraising	<u>635,939</u>	<u>-</u>	<u>-</u>	<u>635,939</u>	<u>646,256</u>
Total support services	<u>918,557</u>	<u>-</u>	<u>-</u>	<u>918,557</u>	<u>973,985</u>
Total expenses	<u>2,272,131</u>	<u>-</u>	<u>-</u>	<u>2,272,131</u>	<u>2,279,467</u>
Increase (decrease) in					
net assets	(11,396)	2,105,000	167,058	2,260,662	429,254
NET ASSETS					
Beginning of year	<u>1,138,182</u>	<u>2,672,992</u>	<u>3,094,469</u>	<u>6,905,643</u>	<u>6,476,389</u>
End of year	<u>\$ 1,126,786</u>	<u>\$ 4,777,992</u>	<u>\$ 3,261,527</u>	<u>\$ 9,166,305</u>	<u>\$ 6,905,643</u>

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

THE EVERGREEN STATE COLLEGE FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2011

(WITH COMPARATIVE TOTALS FOR 2010)

	Program Services				Support Services			2010 Totals
	Grants and Scholarships	Other		Total Programs	Management and General	Fundraising	Total Support Services	
		College Support						
Grants and allocations	\$ 1,099,554	-	-	\$ 1,099,554	\$ -	\$ -	\$ -	\$ 1,099,554
In-kind management services	-	102,071	134,909	102,071	134,909	539,055	673,964	776,035
In-kind supplies and equipment use	-	10,976	10,976	10,976	10,976	87,812	98,788	109,764
Food	-	49,063	31,016	49,063	31,016	-	31,016	80,079
Purchased services	-	18,848	927	18,848	927	-	927	19,775
Accounting	-	-	17,000	-	17,000	-	17,000	17,000
Printing and publications	-	2,585	5,184	2,585	5,184	-	5,184	7,769
Supplies	-	11,436	11,037	11,436	11,037	-	11,037	22,473
Travel	-	33,574	19,813	33,574	19,813	-	19,813	53,387
In-kind rent	-	1,134	1,134	1,134	1,134	9,072	10,206	11,340
Salaries, wages and benefits	-	4,123	-	4,123	-	-	-	4,123
Rental and fees	-	953	8,429	953	8,429	-	8,429	9,382
Postage and shipping	-	621	1,162	621	1,162	-	1,162	1,783
Miscellaneous	-	18,636	41,031	18,636	41,031	-	41,031	59,667
	<u>\$ 1,099,554</u>	<u>\$ 254,020</u>	<u>\$ 282,618</u>	<u>\$ 1,353,574</u>	<u>\$ 635,939</u>	<u>\$ 918,557</u>	<u>\$ 2,272,131</u>	<u>\$ 2,279,467</u>

THE EVERGREEN STATE COLLEGE FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,260,662	\$ 429,254
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Contributions restricted for long-term purposes	(167,058)	(371,677)
Donated marketable securities	(76,553)	(25,189)
Unrealized gain on investments and change in value of split interest agreements	(361,727)	(234,219)
(Increase) decrease in unconditional promises to give	(1,285,432)	15,875
(Increase) decrease in other receivables	26,541	(28,239)
(Increase) decrease in accounts payable	11,567	(10,929)
(Increase) decrease in payable to College and employees	<u>272,195</u>	<u>(297,846)</u>
Net cash provided by (used in) operating activities	<u>680,195</u>	<u>(522,970)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of marketable securities	1,356,353	24,654
Reinvested interest and dividend income	(185,974)	(141,659)
Purchases of investments	<u>(400,000)</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>770,379</u>	<u>(117,005)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for long-term purposes	167,058	371,677
Payment of annuity obligations	<u>(3,035)</u>	<u>(8,225)</u>
Net cash provided by financing activities	<u>164,023</u>	<u>363,452</u>
Net increase (decrease) in cash and cash equivalents	1,614,597	(276,523)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>743,286</u>	<u>1,019,809</u>
End of year	<u>\$ 2,357,883</u>	<u>\$ 743,286</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS		
Noncash investing and financing activities:		
Contributions received-marketable securities	<u>\$ 76,553</u>	<u>\$ 25,189</u>

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 (the Foundation) is a not-for-profit corporation organized under the laws of the State of Washington for charitable and 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, at or 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. 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. This includes certain amounts designated by the Board of Governors for endowment and 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.

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 part of the income earned on the investments for general or specific purposes.

The Foundation reports gifts 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.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. 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 their estimated fair value on the date contributed.

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THE EVERGREEN STATE COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)

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 the purposes of reporting cash flows, the Foundation considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The Foundation maintains its cash in the bank deposit accounts, which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts.

Investments

The Foundation maintains most of its investments in a pooled fund managed by outside parties and purchases time certificates of \$250,000 or less at various local banks and credit unions. Interest-bearing deposits, equity securities, and debt securities are carried at market value with the annual change in market value recorded as “Investment income” in the statement of activities.

Federal Income Taxes

The Internal Revenue Service has notified that Foundation that it is exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is included in the accompanying financial statements.

Use of Estimates

The preparation of financial statements 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, at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Allocation of Functional Expenses

The cost of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and in more detail in the statement of functional expenses which is included as supplemental information within this report. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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THE EVERGREEN STATE COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

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, 2010, from which the summarized information was derived.

Subsequent Events

The Foundation does not have any subsequent events as of February 8, 2012 which is the date of report issuance.

NOTE 2 – PROMISES TO GIVE

Unconditional promises to give at June 30 are as follows:

	<u>2011</u>	<u>2010</u>
Receivable in less than one year	\$ 837,068	\$ 244,670
Receivable in one to five years	<u>915,134</u>	<u>222,100</u>
Total unconditional promises to give	<u>\$1,752,202</u>	<u>\$ 466,770</u>

At June 30, 2011 and 2010 the discount to net realizable value of the unconditional promises to give was not significant.

The Foundation also has a conditional promise to give which has not been recorded as of June 30, 2011. The conditional promise to give is in the amount of three installments of \$500,000 each. In order for the Foundation to receive each installment the Foundation must raise \$500,000 by a certain date in order to receive each installment. The first \$500,000 installment will be made during fiscal year 2012 providing the Foundation has met the fundraising requirement.

NOTE 3 – INVESTMENTS

Investments are as follow at June 30:

	<u>2011</u>	<u>2010</u>
Certificates of deposit	\$1,109,902	\$2,370,145
Investment in the University of Washington's Consolidated Endowment Fund	<u>4,246,921</u>	<u>3,316,408</u>
Total investments	<u>\$5,356,823</u>	<u>\$5,686,553</u>

(continued)

THE EVERGREEN STATE COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – INVESTMENTS (concluded)

The University of Washington’s Consolidated Endowment Fund contains nonmarketable alternative investments. The University of Washington reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of alternative investments. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed.

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

	<u>2011</u>	<u>2010</u>
Interest and dividend income	\$ 218,889	\$ 148,362
Net unrealized gains on investments and change in value of split interest agreements	<u>364,095</u>	<u>236,192</u>
Total investment income	<u>\$ 582,984</u>	<u>\$ 384,554</u>

NOTE 4 – 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 Foundation has also elected the fair value option for certain financial assets and liabilities as allowed by FASB ASC 825-10 *The Fair Value Option for Financial Assets and Financial Liabilities*.

Fair value of assets measured on a recurring basis at June 30 are as follows:

	<u>Year Ended June 30, 2011</u>			
	Quoted Market Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	<u>Total</u>
Certificates of deposit	\$ --	\$1,109,902	\$ --	\$1,109,902
Investment in the University of Washington’s Consolidated Endowment Fund	<u>--</u>	<u>3,142,721</u>	<u>1,104,200</u>	<u>4,246,921</u>
Total investments	<u>\$ --</u>	<u>\$4,252,623</u>	<u>\$1,104,200</u>	<u>\$5,356,823</u>

(continued)

THE EVERGREEN STATE COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – FAIR VALUE OF FINANCIAL MEASUREMENTS (concluded)

	<u>Year Ended June 30, 2010</u>			<u>Total</u>
	Quoted Market Prices in Active Markets <u>(Level 1)</u>	Other Observable Inputs <u>(Level 2)</u>	Unobservable Inputs <u>(Level 3)</u>	
Certificates of deposit	\$ --	\$2,370,145	\$ --	\$2,370,145
Investment in the University of Washington's Consolidated Endowment Fund	<u>--</u>	<u>2,818,947</u>	<u>497,461</u>	<u>3,316,408</u>
Total investments	<u>\$ --</u>	<u>\$5,189,092</u>	<u>\$497,461</u>	<u>\$5,686,553</u>

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
	<u>Alternative Investments</u>	<u>Alternative Investments</u>
Balance, July 1	\$ 497,461	\$ 444,635
Net activity controlled by University of Washington	<u>606,739</u>	<u>52,829</u>
Balance, June 30	<u>\$1,104,200</u>	<u>\$ 497,461</u>

NOTE 5 – 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 and \$8,225 for the years ended June 30, 2011 and 2010, respectively. 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 \$13,717 and \$14,383 as of June 30, 2011 and 2010, 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. This certificate is renewed annually.

NOTE 6 – RELATED PARTY TRANSACTIONS

The Foundation owes the College \$274,694 as of June 30, 2011. \$257,218 is related to a pass-thru grant.

THE EVERGREEN STATE COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – RELEASE OF NET ASSETS

Net assets of \$860,218 and \$879,077 were released from donor restrictions for the years ended June 30, 2011 and 2010, respectively, by incurring expenses satisfying the restricted purposes or by the occurrences of other events specified by the donors.

NOTE 8 – RESTRICTED NET ASSETS

Temporarily restricted net assets are available for programs and scholarships at June 30, 2011 and 2010 and total \$4,777,992 and \$2,672,992, respectively.

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

	<u>2011</u>	<u>2010</u>
Programs and scholarships	\$3,147,337	\$2,980,279
Library	<u>114,190</u>	<u>114,190</u>
Total permanently restricted net assets	<u>\$3,261,527</u>	<u>\$3,094,469</u>

NOTE 9 – CONCENTRATIONS

Cash and Cash Equivalents

The Foundation maintains its cash balances in several financial institutions. The balances of the major accounts are insured by the Securities Investor Protection Corporation up to \$500,000. At June 30, 2011 the amount in excess of the insured amount was \$0. The Foundation maintains its main account at the Bank of America in a noninterest bearing account that is fully insured by FDIC due to the temporary unlimited deposit insurance coverage that is effective until December 31, 2012.

Major Donor

During the years ended June 30, 2011 and 2010, 50% and 7%, respectively, of total gifts and contributions were from one donor.

NOTE 10 – IN-KIND SUPPORT

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

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THE EVERGREEN STATE COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 10 – IN-KIND SUPPORT (concluded)

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

	<u>2011</u>	<u>2010</u>
From individual and corporate donors:		
Printing	\$ --	\$ 100
Artwork	21,285	21,940
Materials	<u>8,287</u>	<u>10,431</u>
Total in-kind support from individual and corporate donors	<u>29,572</u>	<u>32,471</u>
From the College:		
Management services	776,035	774,437
Rent	11,340	9,000
Supplies and equipment usage	<u>109,764</u>	<u>127,013</u>
Total in-kind support from the College	<u>897,139</u>	<u>910,450</u>
Total in-kind support	<u>\$ 926,711</u>	<u>\$ 942,921</u>

NOTE 11 – LEASES

The Foundation has a long-term operating lease for a vehicle expiring in May 2014. Lease expense totaled \$5,160 and \$4,896 for the years ended June 30, 2011 and 2010, respectively. The following are future minimum future lease payments required for the years ending June 30:

2012	\$ 4,236
2013	4,236
2014	<u>3,883</u>
	<u>\$ 12,355</u>