



the  
evergreen  
state college  
foundation

**FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

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## INDEPENDENT AUDITORS' REPORT

February 27, 2020

Board of Governors  
*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, 2019 and 2018, 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, 2019 and 2018, 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.

  
Smith & Associates  
Olympia, Washington



**THE EVERGREEN STATE COLLEGE FOUNDATION**  
**Statement of Financial Position**  
**Year Ended June 30, 2019 And 2018**

**ASSETS**

	2019	2018
<b>CURRENT ASSETS</b>		
Cash, including restricted cash	\$ 3,437,882	\$ 3,760,987
Investment cash	1,349,715	-
Investments	-	352,093
Beneficial interest in lead trust	150,000	150,000
Unconditional promises to give, current	66,345	110,307
Gifts of Stock Held for Sale	-	76,025
Other receivables	-	16,533
	<b>5,003,942</b>	<b>4,465,945</b>
<b>OTHER ASSETS</b>		
Investments	16,405,660	15,312,176
Beneficial interest in lead trust	1,393,883	1,525,752
Long-term unconditional promises to give	32,132	74,710
	<b>17,831,675</b>	<b>16,912,637</b>
<b>Total Assets</b>	<b>\$ 22,835,617</b>	<b>\$ 21,378,582</b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 84,314	\$ 56,162
Payable to College	201,141	480,750
	<b>285,455</b>	<b>536,912</b>
<b>Total Current Liabilities</b>	<b>285,455</b>	<b>536,912</b>
<b>Total Liabilities</b>	<b>285,455</b>	<b>536,912</b>
<b>NET ASSETS</b>		
Without Donor Restriction	954,617	1,256,239
Without Donor Restriction-Board Designated	894,913	662,468
	<b>1,849,530</b>	<b>1,918,707</b>
<b>Total net assets without donor restrictions</b>	<b>1,849,530</b>	<b>1,918,707</b>
With Donor Restriction	19,763,080	17,910,975
With Donor Restriction-Board Designated	937,552	1,011,988
	<b>20,700,632</b>	<b>18,922,963</b>
<b>Total net assets with donor restrictions</b>	<b>20,700,632</b>	<b>18,922,963</b>
<b>Total Net Assets</b>	<b>22,550,162</b>	<b>20,841,670</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 22,835,617</b>	<b>\$ 21,378,582</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, 2019**

	<b>Without</b>	<b>With</b>	<b>2019</b>
	<b>Donor Restriction</b>	<b>Donor Restriction</b>	<b>Total</b>
<b>SUPPORT AND REVENUES</b>			
Gifts and contributions	\$ 206,689	\$ 2,948,572	\$ 3,155,260
In-kind support from College	1,324,867	-	1,324,867
Investment income	127,127	690,030	817,157
Gift fees	84,150	-	84,150
Reclassifications and transfers	104,850	(104,850)	-
Net assets released from restrictions	1,756,083	(1,756,083)	-
<b>Total support and revenues</b>	<b>3,603,765</b>	<b>1,777,669</b>	<b>5,381,433</b>
<b>EXPENSES</b>			
Program services:			
Grants and scholarships	1,875,189	-	1,875,189
Other College support	243,258	-	243,258
<b>Total program services</b>	<b>2,118,447</b>	<b>-</b>	<b>2,118,447</b>
Support Services:			
Management and General	950,644	-	950,644
Fundraising	603,851	-	603,851
<b>Total support services</b>	<b>1,554,494</b>	<b>-</b>	<b>1,554,494</b>
<b>Total expenses</b>	<b>3,672,942</b>	<b>-</b>	<b>3,672,942</b>
<b>(Decrease) increase in net assets</b>	<b>(69,177)</b>	<b>1,777,669</b>	<b>1,708,492</b>
<b>NET ASSETS</b>			
Beginning of year	1,918,707	18,922,963	20,841,670
<b>Ending Net Assets</b>	<b>\$ 1,849,530</b>	<b>\$ 20,700,632</b>	<b>\$ 22,550,162</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, 2018**

	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>2018 Total</b>
<b>SUPPORT AND REVENUES</b>			
Gifts and contributions	\$ 195,889	\$ 1,840,646	\$ 2,036,536
In-kind support from College	1,585,342	-	1,585,342
Investment income	162,121	1,075,262	1,237,383
Gift fees	94,026	-	94,026
Reclassifications and transfers	83,863	(83,863)	-
Net assets released from restrictions	1,587,934	(1,587,934)	-
<b>Total support and revenues</b>	<b>3,709,175</b>	<b>1,244,112</b>	<b>4,953,287</b>
<b>EXPENSES</b>			
Program services:			
Grants and scholarships	1,020,522	-	1,020,522
Other College support	899,862	-	899,862
<b>Total program services</b>	<b>1,920,384</b>	<b>-</b>	<b>1,920,384</b>
Support Services:			
Management and General	1,036,767	-	1,036,767
Fundraising	738,074	-	738,074
<b>Total support services</b>	<b>1,774,841</b>	<b>-</b>	<b>1,774,841</b>
<b>Total expenses</b>	<b>3,695,225</b>	<b>-</b>	<b>3,695,225</b>
<b>Increase (decrease) in net assets</b>	<b>13,950</b>	<b>1,244,112</b>	<b>1,258,062</b>
<b>NET ASSETS</b>			
Beginning of year	1,904,757	17,678,852	19,583,609
<b>Ending Net Assets</b>	<b>\$ 1,918,707</b>	<b>\$ 18,922,963</b>	<b>\$ 20,841,670</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, 2019**  
**(With Comparative Totals for 2018)**

	Program Services			Support Services			2019	2018	Totals
	Grants and Scholarships	Other College Support	Total Programs	Management and General	Fundraising	Total Support Services			
Grants and allocations	\$ 1,875,189	-	\$ 1,875,189	\$ -	-	\$ -	\$ 1,875,189	\$ 1,020,522	\$ 1,020,522
In-kind management services	-	109,608	109,608	590,819	438,604	1,029,423	1,139,031	1,322,225	1,322,225
In-kind supplies and equipment use	-	16,692	16,692	83,460	66,768	150,228	166,920	241,332	241,332
Food	-	77,327	77,327	39,439	30,560	69,999	147,325	186,360	186,360
Purchased services	-	10,918	10,918	102,977	20,935	123,913	134,830	225,106	225,106
Accounting	-	-	-	9,680	-	9,680	9,680	16,274	16,274
Printing and publications	-	557	557	4,693	6,687	11,380	11,937	15,227	15,227
Supplies	-	9,078	9,078	17,862	5,543	23,406	32,484	128,287	128,287
Travel	-	1,576	1,576	10,757	5,467	16,224	17,800	55,377	55,377
In-kind rent (space)	-	1,892	1,892	1,892	15,132	17,024	18,916	21,785	21,785
Salaries, wages and benefits	-	-	-	-	-	-	-	247,752	247,752
Rental and fees	-	480	480	11,278	11,184	22,462	22,941	46,017	46,017
Postage and shipping	-	588	588	335	-	335	923	2,822	2,822
Miscellaneous	-	14,543	14,543	77,451	2,970	80,421	94,964	166,139	166,139
<b>Total Expenses</b>	<b>\$ 1,875,189</b>	<b>\$ 243,258</b>	<b>\$ 2,118,447</b>	<b>\$ 950,644</b>	<b>\$ 603,851</b>	<b>\$ 1,554,494</b>	<b>\$ 3,672,942</b>	<b>\$ 3,695,225</b>	<b>\$ 3,695,225</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, 2018

	Program Services			Support Services			2018 Totals
	Grants and Scholarships	Other College Support	Total Programs	Management and General	Fundraising	Total Support Services	
Grants and allocations	\$ 1,020,522	-	\$ 1,020,522	\$ -	-	\$ -	\$ 1,020,522
In-kind management services	-	129,784	129,784	639,896	552,545	1,192,441	1,322,225
In-kind supplies and equipment	-	24,133	24,133	120,666	96,533	217,199	241,332
Food	-	107,176	107,176	48,625	30,559	79,184	186,360
Purchased services	-	155,502	155,502	56,885	12,719	69,604	225,106
Accounting	-	-	-	16,274	-	16,274	16,274
Printing and publications	-	9,605	9,605	209	5,413	5,622	15,227
Supplies	-	106,685	106,685	19,617	1,985	21,602	128,287
Travel	-	21,967	21,967	31,775	1,635	33,410	55,377
In-kind rent (space)	-	2,179	2,179	2,179	17,428	19,607	21,785
Salaries, wages and benefits	-	234,537	234,537	13,215	-	13,215	247,752
Rental and fees	-	15,063	15,063	14,650	16,303	30,953	46,017
Postage and shipping	-	849	849	1,873	100	1,973	2,822
Miscellaneous	-	92,382	92,382	70,904	2,853	73,757	166,139
<b>Total Expenses</b>	<b>\$ 1,020,522</b>	<b>\$ 899,862</b>	<b>\$ 1,920,384</b>	<b>\$ 1,036,768</b>	<b>\$ 738,073</b>	<b>\$ 1,774,841</b>	<b>\$ 3,695,225</b>

The accompanying notes are an integral part of these financial statements



**THE EVERGREEN STATE COLLEGE FOUNDATION**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,708,492	\$ 1,258,061
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions restricted for long term purposes	(150,665)	(223,289)
Decrease in unconditional promises to give	86,540	353,071
Decrease in Split-Interest Agreements	131,869	107,375
Proceeds from sale of donated stock	520,154	47,333
Donated marketable securities	(447,843)	(124,189)
Increase in accounts payable	28,152	32,501
(Decrease) Increase in payable to College	(279,609)	166,081
Decrease (Increase) in other receivable	16,533	(16,533)
<b>Net cash provided (used) by operating activities</b>	<b>1,613,623</b>	<b>1,600,411</b>
<b>CASH FLOWS APPLIED TO INVESTING ACTIVITIES</b>		
(Purchase) sale of investment	(1,526,043)	98,728
Investment Income added to investments	(286,222)	(510,043)
Unrealized gains on investments	(278,842)	(729,870)
Loss on donated marketable securities	3,714	831
<b>Net cash used by investing activities</b>	<b>(2,087,393)</b>	<b>(1,140,354)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions restricted for long-term purposes	150,665	223,289
Payment of annuity obligations	-	(759)
<b>Net cash provided by financing activities</b>	<b>150,665</b>	<b>222,531</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(323,105)</b>	<b>682,589</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	3,760,987	3,078,398
<b>End of year</b>	<b>\$ 3,437,882</b>	<b>\$ 3,760,987</b>
<b>Non-Cash Transactions - Contributions in kind</b>	<b>\$ 1,833,388</b>	<b>\$ 1,736,013</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, 2019 AND 2018**

**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:

**Net Assets without Donor Restrictions**

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 some 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.

**Net Assets with Donor Restrictions**

Net assets subject to donor-imposed restrictions. Some donor imposed restrictions are temporary in nature 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. Other donor-imposed restrictions are 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.

**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.

**THE EVERGREEN STATE COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

**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 Investment 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, 2019 and 2018, cash totaled \$3,437,882 and \$3,760,987 of which \$2,441,204 and \$2,534,783 were restricted by donors for scholarships and support of academic programs. Invested cash consists of short-term, highly liquid investments that are readily convertible to known amounts of cash, including savings accounts, money market accounts, and time deposit with a duration of less than 90 days at acquisition .

**Investments**

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

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

**Morgan Stanley**

	<u>2019</u>	<u>2018</u>
Cash and Money Market	\$ 1,349,715	\$ 386
Mutual Funds	426,301	394,376
Certificates of Deposit	1,202,255	694,000
Total	<u>\$ 2,978,271</u>	<u>\$ 1,088,762</u>

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. 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 Foundation began investing in the University of Washington's Consolidated Endowment Fund in 2003.

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

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

**Fair Market Value as of June:**

	<u>2019</u>	<u>2018</u>
Total Units at U of W	36,487,704	34,963,195
Value per Unit	\$ 98.334	\$ 97.445
Total value at U of W	<u>\$ 3,588,000,000</u>	<u>\$ 3,407,000,000</u>



**THE EVERGREEN STATE COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

**TESC Foundation Portion**

Total Units	146,049	142,930
Value per Unit	\$ 98.334	\$ 97.445
Total TESC Foundation Portion	<u>\$ 14,361,698</u>	<u>\$ 13,927,905</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, 2019 and 2018, an additional \$415,406 and \$295,509 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.

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy. There have been no changes in valuation methodologies used at June 30, 2019 and 2018.

Common stock, is valued at the closing price reported on the active markets on which the individual securities are traded.

Mutual funds (Equity and Fixed Income), shares of mutual funds are valued at the net asset value (NAV) of shares held by the University and are valued at the closing price reported on the active market on which the individual securities are traded.

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

**THE EVERGREEN STATE COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

**Credit and Market Risk**

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

Investment securities are exposed to various risks including, but not limited to, interest rate, 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 Annuity Trust split-interest agreement. The basis of recognition for the revenue is the present value of the future cash flow for the expected annuity payment.

**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, 2019 and 2018. The fiscal years ended June 30, 2019, 2018, 2017 and 2016 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



**THE EVERGREEN STATE COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

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.

**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, 2018. 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.

**Financial statement presentation** – The Foundation has implemented Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*, and has adjusted the presentation in these financial statements accordingly, including changes to the presentation of net asset classification in the financial statements, inclusion of information about liquidity and availability of resources (Note 15), and inclusion of information provided about expenses by natural and functional classification and methods used to allocate costs across the different functions. Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

**Net Assets without Donor Restrictions**

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.

**Net Assets with Donor Restrictions**

Net assets subject to donor-imposed restrictions. Some donor imposed restrictions are temporary in nature 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. Other donor-imposed restrictions are 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.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains or losses on donor-restricted endowment investments are reported as increases or decreases in net assets with donor restrictions until appropriated by the Board of Governors. Gains and losses on non-endowment investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation. Expirations of restrictions on net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled or

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the stipulated time period has elapsed) are reported on the statements of activities as net assets released from restriction.

**NOTE 2 – UNCONDITIONAL PROMISES TO GIVE**

Unconditional promises to give at June 30 are as follows:

	<u>2019</u>	<u>2018</u>
Receivable in less than one year	\$ 66,345	\$ 110,307
Receivable in one to five years	33,330	77,360
Long-term pledge receivable discount	<u>(1,198)</u>	<u>(2,650)</u>
Total Unconditional Promises to Give	<u>\$ 98,477</u>	<u>\$ 185,017</u>

These promises to give are for scholarships and support of academic programs.

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 1.95% and 2.89% and the total discount for the long-term promises to give as of June 30, 2019, and 2018, are \$1,198 and \$2,650, respectively.

**NOTE 3 – INVESTMENTS**

Long and short term investments, net of management fees, are as follows at June 30:

	<u>2019</u>	<u>2018</u>
Cash	\$ 6	\$ 386
Money market	1,349,709	-
Certificates of deposit	1,202,255	1,046,093
Mutual funds	426,301	394,376
Investment in the University of Washington		
Consolidated endowment fund	<u>14,777,104</u>	<u>14,223,414</u>
Total Investments	<u>\$ 17,755,375</u>	<u>\$ 15,664,269</u>

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

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ 546,900	\$ 507,513
Net realized/ unrealized gains on investments	<u>270,257</u>	<u>729,870</u>
Total Investment Loss/income	<u>\$ 817,157</u>	<u>\$ 1,237,383</u>



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**NOTE 4 – ENDOWMENTS**

The net asset classification of 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).

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 net assets with donor restrictions: a) the original value of the gifts donated to the endowment with donor restrictions, b) the original value of subsequent gifts, if any, to the endowment with donor restrictions, and c) accumulations to the endowment with donor restrictions, 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 net assets with donor restrictions is classified as net assets with donor restrictions 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. The investment policies of the Foundation

For board designated endowment funds, the Foundation classifies as net assets with donor restrictions, a) the original value of the gifts fund that the board designated to the endowment, and b) the original value of subsequent gifts funds designated, if any, to the endowment fund.

The remaining portion of the board designated endowment fund that is not classified as net assets with donor restrictions is classified as net assets without donor restrictions until those amounts are appropriated for expenditure by the Foundation.

**Endowment by type of fund as of June 30:**

2019	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 13,091,098	\$ 13,091,098
Board-designated endowment funds	894,913	937,552	1,832,465
Total Funds	<u>\$ 894,913</u>	<u>\$ 14,028,650</u>	<u>\$ 14,923,563</u>

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2018	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 12,747,120	\$ 12,747,120
Board-designated endowment funds	662,468	1,011,988	1,674,457
Total Funds	<u>\$ 662,468</u>	<u>\$ 13,759,109</u>	<u>\$ 14,421,577</u>

**Changes in Endowment net assets for the year ended June 30:**

2019	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 662,468	\$ 13,759,109	\$14,421,577
Investment return	89,945	685,578	775,523
Contributions, net of transfers	142,500	150,665	293,165
Net assets released	-	(566,702)	(566,702)
Endowment net assets, end of year	<u>\$ 894,913</u>	<u>\$ 14,028,650</u>	<u>\$14,923,563</u>

2018	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 469,413	\$ 12,937,840	\$ 13,407,253
Investment return	139,522	1,072,245	1,211,767
Contributions, net of transfers	2,519	237,131	239,650
Net assets released	51,015	(488,107)	(437,093)
Endowment net assets, end of year	<u>\$ 662,468</u>	<u>\$ 13,759,109</u>	<u>\$ 14,421,577</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, 2019 and 2018.

**Return Objectives and Risk Parameters**

The Foundation has adopted objectives that seek to provide permanent funding for endowed programs while maintaining the purchasing power of any endowment after spending and inflation. Over time, long-term rates of return should be sufficient 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. These objectives

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assume 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. (Note: Percentages may not sum due to rounding).  
CEF Asset Allocation as of June 30, 2019

<b>Investment Strategy</b>	<b>Long-term Target</b>
Emerging Markets Equity	19%
Developed Markets Equity	32%
Private Equity	13%
Real Assets	5%
Opportunistic	2%
Absolute Return	18%
Fixed Income	11%

**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:

The Foundation uses a weighted average or hybrid method of determining spending from Foundation Endowments. Spending is calculated by taking a weighted average comprising 80% of the prior year's spending adjusted by an inflation factor and 20% of the amount that results when the endowment's spending rate is applied to the endowment market value. The Foundation spending rate shall generally be 5%. The spending rate for new endowments shall be established beginning the end of the second year of investment. The initial endowment spending shall be based on 5% of the first two years' rolling average.

In calculating the spending, the market value of the endowment shall be reduced by the total value of new contributions given to the endowment in the past fiscal year. The inflation factor shall be equal to the CPI except that it shall never fall below 0% nor exceed 5%. The minimum scholarship award level is \$1,000. If the spending formula for a scholarship endowment generates a calculation for a scholarship award of less than \$1,000, no distribution will be taken for that fiscal year and the scholarship will not be awarded.

**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*.



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

	Year Ended June 30, 2019			
	Quoted Market Prices in Active Markets	Other Observable Inputs	Unobservabl e Inputs	Total
	(Level 1)	(Level 2)	(Level 3)	
Cash and money market	\$ -	\$ 1,349,715	\$ -	\$ 1,349,715
Certificates of deposit		1,202,255		1,202,255
Mutual funds		426,301		426,301
Consolidated endowment fund (CEF)		14,777,104		14,777,104
Charitable lead annuity trust		1,543,883		1,543,883
Total assets at fair value	<u>\$ -</u>	<u>\$19,299,258</u>	<u>\$ -</u>	<u>\$19,299,258</u>
	Year Ended June 30, 2018			
	Quoted Market Prices in Active Markets	Other Observable Inputs	Unobservable Inputs	Total
	(Level 1)	(Level 2)	(Level 3)	
Cash and money market	\$ -	\$ 386	\$ -	\$ 386
Certificates of deposit	-	1,046,093	-	1,046,093
Mutual funds	-	394,376	-	394,376
Consolidated endowment fund (CEF)	-	14,223,414	-	14,223,414
Charitable lead annuity trust	-	1,675,752	-	1,675,752
Total assets at fair value	<u>\$ -</u>	<u>\$ 17,340,021</u>	<u>\$ -</u>	<u>\$17,340,021</u>

**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

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Annuity Trust (CLAT). The CLAT 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 payout is \$300,000 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 Annuity Trust present value at June 30 is as follows:

	<u>2019</u>	<u>2018</u>
Due in less than one year	\$ 150,000	\$ 150,000
Due in one to five years	750,000	750,000
Due in five years or more	896,302	1,046,302
Discount	<u>(252,419)</u>	<u>(270,550)</u>
Total	<u>\$ 1,543,883</u>	<u>\$ 1,675,752</u>

**NOTE 7 – RELATED PARTY TRANSACTIONS**

The Foundation provided grants to the College totaling \$1,152,199 and \$334,395 for the years ended June 30, 2019 and 2018. During the years ended June 30, 2019 and 2018, the Foundation also provided \$722,990 and \$686,127 to the College for student scholarships and fellowships. These amounts are included in the grants and allocations total shown 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.

Amounts payable to the college were \$201,141 and \$480,750 as of June 30, 2019 and 2018, respectively.

**NOTE 8 – RELEASE OF NET ASSETS**

Net assets of \$1,756,083 and \$1,587,934 were released from donor restrictions for the years ended June 30, 2019 and 2018, respectively, by incurring expenses satisfying the restricted purposes or by the occurrences of other events specified by the donors.

**NOTE 9 – NET ASSETS WITH DONOR RESTRICTION**

Net assets with donor restrictions support the following:

	<u>2019</u>	<u>2018</u>
Academic Support and Research	\$ 6,918,729	\$ 6,062,603
Other College Support	1,129,917	852,052
Public Service Centers	318,286	171,037
Student Aid	<u>12,333,700</u>	<u>11,837,271</u>
Total Net Assets With Donor Restriction	<u>\$20,700,632</u>	<u>\$ 18,922,963</u>

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**NOTE 10 – CONCENTRATIONS**

**Major Donors**

For the year ended June 30, 2019, the Foundation received contributions from ten sources that comprised approximately 62% of total contribution revenue. For the year ended June 30, 2018, the Foundation received contributions from ten sources that comprised approximately 50% 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.

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

	<u>2019</u>	<u>2018</u>
<u>From individual and corporate donors:</u>		
Stock	\$ 447,843	\$ 124,189
Art Work	23,384	11,730
Materials	<u>37,294</u>	<u>14,752</u>
Total in-kind support from individuals and corporate donors	508,521	150,671
<u>From the College</u>		
Management services	1,139,031	1,322,225
Rent	18,916	21,785
Supplies and equipment usage	<u>166,920</u>	<u>241,332</u>
Total in-kind support from the College	1,324,867	1,585,342
Total in-kind support	<u>\$ 1,833,388</u>	<u>\$ 1,736,013</u>

**NOTE 12 – LEASES**

In May 2014, the Foundation entered into a new long-term operating lease for a vehicle which was renewed in April 2017, and will expire in April, 2020. Lease expense totaled \$6,927 and \$7,000 for the years ended June 30, 2019 and 2018, respectively. Minimum required annual lease payments thru 2019 are \$6,864.

**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 \$84,150 and \$94,026 in administrative fees for the years ended June 30, 2019 and 2018, respectively.



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**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, 2019, the Foundation was holding funds earmarked for academic year 2019-2020 scholarships in the amount of \$802,060 and as of June 30, 2018, the amount held for academic year 2018-2019 was \$731,483. Of those amounts, \$437,115 and \$405,020 was available for endowment based scholarships, and \$364,945 and \$326,463 was available for one-time scholarships on June 30, 2019 and 2018, 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 – LIQUIDITY AND AVAILABILITY**

An analysis of asset accounts at fiscal year-end June 30, 2019 and 2018, occurred to determine which are liquid and which are illiquid.

The following table provides a summary of the Foundation's financial assets, reduced by those unavailable for general expenditure within one year, to determine the amount of financial asset available to meet cash needs for general expenditure within one year.

	<u>2019</u>	<u>2018</u>
Financial assets		
Cash and cash equivalents	\$ 3,437,882	\$ 3,760,987
Investment cash	1,349,715	-
Beneficial interest in lead trust	1,543,883	1,675,752
Contributions receivable net	98,477	185,016
Other receivables	-	92,558
Investments	<u>16,405,660</u>	<u>15,664,269</u>
Financial assets, at year end	<u>22,835,617</u>	<u>21,378,582</u>

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Less those unavailable for general expenditure within one year:		
Beneficial interest in lead trust - collectible beyond one year	1,393,883	1,525,752
Contributions receivable - collectible beyond one year	32,132	74,709
Long term investments	<u>16,405,660</u>	<u>15,312,176</u>
	<u>17,831,675</u>	<u>16,912,637</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,003,942</u>	<u>\$ 4,465,945</u>

**NOTE 16 – SUBSEQUENT EVENTS**

The Foundation has evaluated subsequent events through March 10, 2020, the date on which the financial statements were available to be issued.



the  
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foundation

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. The Evergreen State College Foundation | 2700 Evergreen Parkway NW, Olympia, WA 98505 | [evergreen.edu/foundation](http://evergreen.edu/foundation) (360) 867-6300