



the  
evergreen  
state college  
foundation

**FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

## 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>Statements of Activities and Changes in Net Assets FY20.....</b>	<b>4</b>
<b>Statements of Activities and Changes in Net Assets FY19.....</b>	<b>5</b>
<b>Statements of Functional Expenses FY20.....</b>	<b>6</b>
<b>Statements of Functional Expenses FY19.....</b>	<b>7</b>
<b>Statements of Cash Flow.....</b>	<b>8</b>
<b>Notes to Financial Statements.....</b>	<b>9-21</b>



## INDEPENDENT AUDITORS' REPORT

February 27, 2021

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, 2020 and 2019, 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, 2020 and 2019, 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 & Associates AS  
NRSmith and Associates, PS

**THE EVERGREEN STATE COLLEGE FOUNDATION**  
**Statement of Financial Position**  
**Year Ended June 30, 2020 And 2019**

**ASSETS**

	2020	2019
<b>CURRENT ASSETS</b>		
Cash, including restricted cash	\$ 2,321,187	\$ 3,437,882
Investment cash	1,729,719	1,349,715
Beneficial interest in lead trust	150,000	150,000
Unconditional promises to give, current	347,350	66,344
Other receivables	7,092	-
	<b>4,555,348</b>	<b>5,003,942</b>
<b>OTHER ASSETS</b>		
Investments	16,098,059	16,405,660
Beneficial interest in lead trust	1,265,368	1,393,883
Long-term unconditional promises to give	318,783	32,132
	<b>17,682,210</b>	<b>17,831,675</b>
<b>Total Assets</b>	<b>\$ 22,237,558</b>	<b>\$ 22,835,617</b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 4,646	\$ 84,314
Payable to Evergreen State College	110,600	201,141
	<b>115,246</b>	<b>285,455</b>
<b>Total Current Liabilities</b>	<b>115,246</b>	<b>285,455</b>
<b>Total Liabilities</b>	<b>115,246</b>	<b>285,455</b>
<b>NET ASSETS</b>		
Without Donor Restriction	1,014,049	954,617
Without Donor Restriction-Board Designated	1,015,212	894,913
	<b>2,029,261</b>	<b>1,849,530</b>
<b>Total net assets without donor restrictions</b>	<b>2,029,261</b>	<b>1,849,530</b>
With Donor Restriction	19,234,334	19,763,080
With Donor Restriction-Board Designated	858,717	937,552
	<b>20,093,051</b>	<b>20,700,632</b>
<b>Total net assets with donor restrictions</b>	<b>20,093,051</b>	<b>20,700,632</b>
<b>Total Net Assets</b>	<b>22,122,312</b>	<b>22,550,162</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 22,237,558</b>	<b>\$ 22,835,617</b>

**THE EVERGREEN STATE COLLEGE FOUNDATION**  
**Statement of Activities and Changes in Net Assets**  
**Year Ended June 30, 2020**

	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>2020 Total</b>
<b>SUPPORT AND REVENUES</b>			
Gifts and contributions	\$ 222,080	\$ 2,493,855	\$ 2,715,935
In-kind support from College	1,229,598	-	1,229,598
Investment income	115,130	133,776	248,906
Gift fees	69,157	-	69,157
Reclassifications and transfers	85,075	(85,075)	-
Net assets released from restrictions	3,150,137	(3,150,137)	-
<b>Total support and revenues</b>	<b>4,871,177</b>	<b>(607,581)</b>	<b>4,263,597</b>
<b>EXPENSES</b>			
Program services:			
Grants and scholarships	2,997,071	-	2,997,071
Other College support	325,968	-	325,968
<b>Total program services</b>	<b>3,323,039</b>	<b>-</b>	<b>3,323,039</b>
Support Services:			
Management and General	835,659	-	835,659
Fundraising	532,749	-	532,749
<b>Total support services</b>	<b>1,368,408</b>	<b>-</b>	<b>1,368,408</b>
<b>Total expenses</b>	<b>4,691,447</b>	<b>-</b>	<b>4,691,447</b>
<b>(Decrease) increase in net assets</b>	<b>179,730</b>	<b>(607,581)</b>	<b>(427,851)</b>
<b>NET ASSETS</b>			
Beginning of year	1,849,530	20,700,632	22,550,162
<b>Ending Net Assets</b>	<b>\$ 2,029,261</b>	<b>\$ 20,093,051</b>	<b>\$ 22,122,312</b>

**THE EVERGREEN STATE COLLEGE FOUNDATION**  
**Statement of Activities and Changes in Net Assets**  
**Year Ended June 30, 2019**

	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>2019 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 EVERGREEN STATE COLLEGE FOUNDATION**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2020**  
**(With Comparative Totals for 2019)**

	<u>Program Services</u>			<u>Support Services</u>			<u>2020 Totals</u>	<u>2019 Totals</u>
	<u>Grants and Scholarships</u>	<u>Other College Support</u>	<u>Total Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Support Services</u>		
Grants and allocations	\$ 2,997,071	\$ -	\$ 2,997,071	\$ -	\$ -	\$ -	\$ 2,997,071	\$ 1,875,189
In-kind management services	-	95,385	95,385	589,444	390,956	980,400	1,075,785	1,139,031
In-kind supplies and equipment use	-	12,570	12,570	62,849	50,279	113,128	125,697	166,920
Food	-	52,720	52,720	47,452	35,777	83,228	135,948	147,325
Purchased services	-	75,880	75,880	40,005	5,570	45,575	121,455	144,511
Printing and publications	-	7,068	7,068	2,733	4,164	6,897	13,966	11,937
Supplies	-	46,064	46,064	16,127	8,936	25,064	71,128	32,484
Travel	-	5,681	5,681	8,844	88	8,932	14,614	17,800
In-kind rent (space)	-	2,812	2,812	2,812	22,493	25,304	28,116	18,916
Rental and fees	-	2,021	2,021	9,283	11,528	20,811	22,832	22,941
Postage and shipping	-	287	287	4,786	-	4,786	5,073	923
Miscellaneous	-	25,480	25,480	51,324	2,959	54,283	79,763	94,964
<b>Total Expenses</b>	<b><u>\$ 2,997,071</u></b>	<b><u>\$ 325,968</u></b>	<b><u>\$ 3,323,039</u></b>	<b><u>\$ 835,659</u></b>	<b><u>\$ 532,749</u></b>	<b><u>\$ 1,368,408</u></b>	<b><u>\$ 4,691,447</u></b>	<b><u>\$ 3,672,942</u></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**

	<u>Program Services</u>			<u>Support Services</u>			<b>2019 Totals</b>
	<u>Grants and Scholarships</u>	<u>Other College Support</u>	<u>Total Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Support Services</u>	
Grants and allocations	\$ 1,875,189	\$ -	\$ 1,875,189	\$ -	\$ -	\$ -	\$ 1,875,189
In-kind management services	-	109,608	109,608	590,819	438,604	1,029,423	1,139,031
In-kind supplies and equipment use	-	16,692	16,692	83,460	66,768	150,228	166,920
Food	-	77,327	77,327	39,439	30,560	69,999	147,325
Purchased services	-	10,918	10,918	112,658	20,935	133,593	144,511
Printing and publications	-	557	557	4,693	6,687	11,380	11,937
Supplies	-	9,078	9,078	17,862	5,543	23,406	32,484
Travel	-	1,576	1,576	10,757	5,467	16,224	17,800
In-kind rent (space)	-	1,892	1,892	1,892	15,132	17,024	18,916
Rental and fees	-	480	480	11,278	11,184	22,462	22,941
Postage and shipping	-	588	588	335	-	335	923
Miscellaneous	-	14,543	14,543	77,451	2,970	80,421	94,964
<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>

The accompanying notes are an integral part of these financial statements

**THE EVERGREEN STATE COLLEGE FOUNDATION  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2020 AND 2019**

	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (427,851)	\$ 1,708,492
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions restricted for long term purposes	(259,482)	(150,665)
(Increase) Decrease in unconditional promises to give	(567,656)	86,540
Decrease in Split-Interest Agreements	128,515	131,869
Proceeds from sale of donated stock	182,319	520,154
Donated marketable securities	(186,562)	(447,843)
(Decrease) Increase in accounts payable	(79,667)	28,152
(Decrease) Increase in payable to College	(90,542)	(279,609)
(Increase) Decrease in other receivable	(7,092)	16,533
<b>Net cash provided (used) by operating activities</b>	<b>(1,308,018)</b>	<b>1,613,623</b>
<b>CASH FLOWS APPLIED TO INVESTING ACTIVITIES</b>		
(Purchase) sale of investment	163,106	(1,526,043)
Investment Income added to investments	(586,543)	(286,222)
Unrealized gains on investments	351,035	(278,842)
Loss on donated marketable securities	4,242	3,714
<b>Net cash used by investing activities</b>	<b>(68,160)</b>	<b>(2,087,393)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions restricted for long-term purposes	259,482	150,665
<b>Net cash provided by financing activities</b>	<b>259,482</b>	<b>150,665</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(1,116,695)</b>	<b>(323,105)</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	3,437,882	3,760,987
<b>End of year</b>	<b>\$ 2,321,187</b>	<b>\$ 3,437,882</b>
<b>Non-Cash Transactions - Contributions in kind</b>	<b>\$ 1,418,969</b>	<b>\$ 1,833,388</b>

**THE EVERGREEN STATE COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

**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). Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

**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 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, 2020 and 2019, cash totaled \$2,321,187 and \$3,437,882 of which \$1,339,192 and \$2,441,204 was restricted for donor purposes. 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.

**THE EVERGREEN STATE COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

**Investments**

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

Investment portfolio with Morgan Stanley:

**Morgan Stanley**

	<u>2020</u>	<u>2019</u>
Cash and Money Market	\$ 1,729,719	\$ 1,349,715
Mutual Funds	463,970	426,301
Certificates of Deposit	864,757	1,202,255
Total	<u>\$ 3,058,446</u>	<u>\$ 2,978,271</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.

Investments held in the University of Washington's Consolidated Endowment Fund:

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

**Fair Market Value as of June:**

	<u>2020</u>	<u>2019</u>
Total Units at U of W	37,583,470	36,487,704
Value per Unit	\$ 94.722	\$ 98.334
Total value at U of W	<u>\$ 3,560,000,000</u>	<u>\$ 3,588,000,000</u>

**Evergreen Foundation Portion**

Total Units	153,649	146,049
Value per Unit	\$ 94.722	\$ 98.334
Total Evergreen Foundation Portion	<u>\$ 14,554,017</u>	<u>\$ 14,361,698</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 or purchase units in the CEF at the end of a calendar quarter.

**THE EVERGREEN STATE COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

At June 30, 2020 and 2019, an additional \$215,315 and \$415,406 respectively, was held by the University of Washington pending investment purchases.

**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, 2020 and 2019. The fiscal years ended June 30, 2020, 2019, 2018 and 2017 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.

**THE EVERGREEN STATE COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

**Related Party Transactions**

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.

The Foundation provided grants to the College totaling \$2,163,915 and \$1,152,199 for the years ended June 30, 2020 and 2019. During the years ended June 30, 2020 and 2019, the Foundation also provided \$833,153 and \$722,990 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 10 for additional in-kind support information.

Amounts payable to the college were \$110,600 and \$201,141 as of June 30, 2020 and 2019, respectively.

**Fund-Raising**

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

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

**THE EVERGREEN STATE COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 2 – UNCONDITIONAL PROMISES TO GIVE**

Unconditional promises to give at June 30 are as follows:

	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 347,350	\$ 66,345
Receivable in one to five years	318,783	32,132
Total Unconditional Promises to Give	<u>\$ 666,133</u>	<u>\$ 98,477</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 1.44% and 3.15% and the total discount for the long-term promises to give as of June 30, 2020, and June 30, 2019, is \$13,244 and \$1,198, respectively.

**NOTE 3 – INVESTMENTS**

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

	<u>2020</u>	<u>2019</u>
Cash	\$ 360,293	\$ 6
Money market	1,369,426	1,349,709
Certificates of deposit	869,759	1,202,255
Mutual funds	458,969	426,301
Investment in the University of Washington Consolidated endowment fund	14,769,331	14,777,104
Total Investments	<u>\$ 17,827,778</u>	<u>\$ 17,755,375</u>

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

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 609,517	\$ 546,900
Net realized/ unrealized gains on investments	(360,611)	270,257
Total Investment Loss/income	<u>\$ 248,906</u>	<u>\$ 817,157</u>

**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). Disclosure about endowment funds, both donor-restricted and board designated endowment funds are required.

The Foundation endowment funds include donor-restricted and board-designated endowment funds.

For 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

**THE EVERGREEN STATE COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

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 gift 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:**

<b>2020</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 12,934,287	\$ 12,934,287
Board-designated endowment funds	1,015,212	858,717	1,873,929
Total Funds	<u>\$ 1,015,212</u>	<u>\$ 13,793,004</u>	<u>\$ 14,808,216</u>
<b>2019</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
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>



**THE EVERGREEN STATE COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

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

<b>2020</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 894,913	\$ 14,028,650	\$ 14,923,563
Investment return	25,299	130,035	155,334
Contributions, net of transfers	95,000	260,812	355,812
Net assets released	-	(626,493)	(626,493)
Endowment net assets, end of year	<u>\$ 1,015,212</u>	<u>\$ 13,793,004</u>	<u>\$ 14,808,216</u>
<b>2019</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
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>

**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, 2020 and 2019.

**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 assume the construction of a global, equity-oriented, diversified portfolio coupled with active risk management.

**THE EVERGREEN STATE COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

**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:**

Investment Strategy	2020	2019
	Long-term Target	
Emerging Markets Equity	18%	19%
Developed Markets Equity	32%	32%
Private Equity	15%	13%
Real Assets	5%	5%
Opportunistic	2%	2%
Absolute Return	18%	18%
Fixed Income	10%	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*.

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:

**THE EVERGREEN STATE COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

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.

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

	<b>Year Ended June 30, 2020</b>			
	<b>Quoted Market Prices in Active Markets (Level 1)</b>	<b>Other Observable Inputs (Level 2)</b>	<b>Unobservable Inputs (Level 3)</b>	<b>Total</b>
Cash and money market	\$ -	\$ 1,729,719	\$ -	\$ 1,729,719
Certificates of deposit		869,759	-	869,759
Mutual funds		458,968	-	458,968
Consolidated endowment fund (CEF)		14,769,331	-	14,769,331
Charitable lead annuity trust		1,415,368	-	1,415,368
<b>Total assets at fair value</b>	<b>\$ -</b>	<b>\$19,243,145</b>	<b>\$ -</b>	<b>\$19,243,145</b>

	<b>Year Ended June 30, 2019</b>			
	<b>Quoted Market Prices in Active Markets (Level 1)</b>	<b>Other Observable Inputs (Level 2)</b>	<b>Unobservable Inputs (Level 3)</b>	<b>Total</b>
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
<b>Total assets at fair value</b>	<b>\$ -</b>	<b>\$ 19,299,258</b>	<b>\$ -</b>	<b>\$19,299,258</b>

**THE EVERGREEN STATE COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

**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

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>2020</u>	<u>2019</u>
Due in less than one year	\$ 150,000	\$ 150,000
Due in one to five years	750,000	750,000
Due in six years or more	746,302	896,302
Discount	<u>(230,934)</u>	<u>(252,419)</u>
Total	<u>\$ 1,415,368</u>	<u>\$ 1,543,883</u>

**NOTE 7 – RELEASE OF NET ASSETS**

Net assets of \$3,150,137 and \$1,756,083 were released from donor restrictions for the years ended June 30, 2020 and 2019, respectively, by incurring expenses satisfying the restricted purposes or by the occurrences of other events specified by the donors.

**NOTE 8 – NET ASSETS WITH DONOR RESTRICTION**

Net assets with donor restriction includes both endowed net assets with donor restriction and non-endowed net assets with donor restriction. Net assets with donor restriction support the following:

	<u>2020</u>	<u>2019</u>
Academic Support and Research	\$ 6,310,322	\$ 6,918,729
Other College Support	1,622,777	1,129,917
Public Service Centers	116,594	318,286
Student Aid	<u>12,043,358</u>	<u>12,333,700</u>
Total Net Assets With Donor Restriction	<u>\$20,093,051</u>	<u>\$ 20,700,632</u>

**THE EVERGREEN STATE COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 9 – CONCENTRATIONS**

**Major Donors**

For the year ended June 30, 2020, the Foundation received contributions from ten sources that comprised approximately 48% of total contribution revenue. For the year ended June 30, 2019, the Foundation received contributions from ten sources that comprised approximately 62% of total contribution revenue.

**NOTE 10 – 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>2020</u>	<u>2019</u>
<u>From individual and corporate donors:</u>		
Stock	\$ 186,562	\$ 447,843
Art Work	-	23,384
Materials	2,809	37,294
Total in-kind support from individuals and corporate donors	<u>189,371</u>	<u>508,521</u>
 <u>From the College</u>		
Management services	1,075,785	1,139,031
Rent	28,116	18,916
Supplies and equipment usage	125,697	166,920
Total in-kind support from the College	<u>1,229,598</u>	<u>1,324,867</u>
 Total in-kind support	<u>\$ 1,418,969</u>	<u>\$ 1,833,388</u>

**NOTE 11 – 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 \$69,157 and \$84,150 in administrative fees for the years ended June 30, 2020 and 2019, respectively.

**NOTE 12 – 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 are recognized when they are offered to the student and 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

**THE EVERGREEN STATE COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

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, 2020, the Foundation was holding funds earmarked for academic year 2020-2021 scholarships in the amount of \$946,365 and as of June 30, 2019, the amount held for academic year 2019-2020 was \$802,060. Of those amounts, \$472,800 and \$437,115 was available for endowment based scholarships, and \$473,565 and \$364,945 was available for one-time scholarships on June 30, 2020 and 2019, 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 13 – LIQUIDITY AND AVAILABILITY**

An analysis of asset accounts at fiscal year-end June 30, 2020 and 2019, 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>2020</u>	<u>2019</u>
Financial assets		
Cash and cash equivalents	\$ 2,321,187	\$ 3,437,882
Investment cash	1,729,719	1,349,715
Beneficial interest in lead trust	1,415,368	1,543,883
Contributions receivable net	666,133	98,477
Other receivables	7,092	-
Investments	<u>16,098,059</u>	<u>16,405,660</u>
Financial assets, at year end	<u>22,237,558</u>	<u>22,835,617</u>
Less those unavailable for general expenditure within one year:		
Beneficial interest in lead trust - collectible beyond one year	1,265,368	1,393,883
Contributions receivable - collectible beyond one year	318,783	32,132
Long term investments	<u>16,098,059</u>	<u>16,405,660</u>
	<u>17,682,210</u>	<u>17,831,675</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,555,348</u>	<u>\$ 5,003,942</u>

**THE EVERGREEN STATE COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 14 – SUBSEQUENT EVENTS**

The Foundation has evaluated subsequent events through February 17, 2021, the date on which the financial statements were available to be issued.

**NOTE 15 – FINANCIAL IMPACT OF COVID-19**

The spread of the novel coronavirus (COVID-19) around the globe has affected the foundation both directly and indirectly. On February 29, 2020, the Governor issued proclamation 20-05, declaring a State of Emergency for all counties throughout the state of Washington as a result of COVID-19. Due to the continued worldwide spread of the virus, on March 13, 2020, the Governor exercised emergency powers under RCW 43.06.220, which prohibited all public and private universities, colleges, and technical schools from conducting in-person classroom instruction and lecturers to slow down the spread of the virus. Following the Governor's Stay Home order, the foundation suspended its annual in person fundraising event Art of Giving and held it virtually. As a result, the foundation did not accept gifts-in-kind to be auctioned potentially reducing the amount of revenue earned from the virtual event.

Annual revenues were similar to prior years, and management expects fundraising performance in FY20 to continue at a similar level. Some expenses associated with in-person events and meetings have declined resulting in decreased management, fundraising, and program operating expenses.

Management believes the extent of the COVID 19 pandemic's impact on operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the foundation's control and ability to forecast. Such factors include, but are not limited to, the length and severity of the pandemic, COVID safety restrictions and the overall economy. Because of these and other uncertainties, management cannot estimate the length or impact of the pandemic on the foundation's financial position.



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 (360) 867-6300