



Consolidated Financial Statements
June 30, 2017 and 2016

Eastern Washington University Foundation

Eastern Washington University Foundation

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Independent Auditor's Report

To the Board of Directors
Eastern Washington University Foundation
Cheney, Washington

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Eastern Washington University Foundation (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the consolidated 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 organization'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Eastern Washington University Foundation as of June 30, 2017 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.

Other Matter

The consolidated financial statements of Eastern Washington University Foundation as of June 30, 2016, were audited by other auditors, whose report dated October 31, 2016, expressed an unmodified opinion on those statements.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Spokane, Washington
October 10, 2017

Eastern Washington University Foundation
Consolidated Statements of Financial Position
June 30, 2017 and 2016

	2017	2016
Assets		
Cash and cash equivalents	\$ 1,805,977	\$ 2,181,417
Certificates of deposit	1,738,744	1,443,216
Promises to give, net	591,184	368,593
Other assets	215,357	209,320
Property and equipment, net	63,316	-
Assets held under split-interest agreements	202,971	175,088
Beneficial interest in charitable trusts held by others	397,034	374,673
Beneficial interest in perpetual trusts	2,457,490	2,306,335
Investments	20,988,154	18,738,529
Total assets	\$ 28,460,227	\$ 25,797,171
Liabilities and Net Assets		
Accounts payable	\$ 110,342	\$ 105,234
Liabilities under split-interest agreements	108,586	96,388
Total liabilities	218,928	201,622
Net Assets		
Unrestricted	445,193	393,007
Temporarily restricted	8,203,906	6,422,672
Permanently restricted	19,592,200	18,779,870
Total net assets	28,241,299	25,595,549
Total liabilities and net assets	\$ 28,460,227	\$ 25,797,171

Eastern Washington University Foundation
Consolidated Statement of Activities
Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Support, and Gains				
Contributions	\$ 26,496	\$ 2,317,225	\$ 450,410	\$ 2,794,131
Net investment return	44,752	2,271,364	-	2,316,116
Other revenue	158	1,027,634	8,817	1,036,609
Support provided by Eastern Washington University	1,104,473	-	-	1,104,473
Change in value of split-interest agreements held by the Foundation	-	-	189,201	189,201
Distributions from and change in value of beneficial interests in assets held by others	-	85,440	-	85,440
Net assets released from restrictions	3,756,527	(3,920,429)	163,902	-
Total revenue, support, and gains	4,932,406	1,781,234	812,330	7,525,970
Expenses				
Program services expense Support provided to/for Eastern Washington University	3,263,691	-	-	3,263,691
Support services expense Management and general	1,008,290	-	-	1,008,290
Fundraising and development	608,239	-	-	608,239
Total supporting services	1,616,529	-	-	1,616,529
Total expenses	4,880,220	-	-	4,880,220
Change in Net Assets	52,186	1,781,234	812,330	2,645,750
Net Assets, Beginning of Year	393,007	6,422,672	18,779,870	25,595,549
Net Assets, End of Year	\$ 445,193	\$ 8,203,906	\$ 19,592,200	\$ 28,241,299

Eastern Washington University Foundation
Consolidated Statement of Activities
Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Support, and Gains				
Contributions	\$ 47,044	\$ 2,366,293	\$ 956,987	\$ 3,370,324
Net investment return	43,266	314,235	-	357,501
Other revenue	(148,016)	1,049,935	16,180	918,099
Support provided by Eastern Washington University	1,066,737	-	-	1,066,737
Change in value of split-interest agreements held by the Foundation	-	-	(123,955)	(123,955)
Distributions from and change in value of beneficial interests in assets held by others	-	93,598	-	93,598
Net assets released from restrictions	3,883,109	(3,937,349)	54,240	-
Total revenue, support, and gains	4,892,140	(113,288)	903,452	5,682,304
Expenses				
Program services expense Support provided to/for Eastern Washington University	3,257,391	-	-	3,257,391
Support services expense Management and general	954,935	-	-	954,935
Fundraising and development	666,728	-	-	666,728
Total supporting services	1,621,663	-	-	1,621,663
Total expenses	4,879,054	-	-	4,879,054
Change in Net Assets	13,086	(113,288)	903,452	803,250
Net Assets, Beginning of Year	379,921	6,535,960	17,876,418	24,792,299
Net Assets, End of Year	<u>\$ 393,007</u>	<u>\$ 6,422,672</u>	<u>\$ 18,779,870</u>	<u>\$ 25,595,549</u>

Eastern Washington University Foundation
Consolidated Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Operating Activities		
Contributions received from contributors and trusts	\$ 3,977,742	\$ 3,867,434
Receipts from special events and sale of goods and services	1,036,609	1,031,616
Payments for Foundation administration and fundraising	(1,621,637)	(1,645,812)
Payments on behalf of Eastern Washington University	(3,263,691)	(3,257,391)
Net Cash from (used for) Operating Activities	129,023	(4,153)
Investing Activities		
Proceeds from sale of investments	10,687,629	12,134,399
Purchases of investments	(11,331,357)	(12,439,314)
Proceeds from sale of property and equipment	-	58,828
Purchases of property and equipment	(63,316)	-
Proceeds from sale of certificates of deposit	-	500,000
Purchases of certificates of deposit	(295,528)	(436,622)
Net Cash used for Investing Activities	(1,002,572)	(182,709)
Financing Activities		
Contributions and other revenue restricted for endowment	450,410	973,167
Collections of contributions restricted for endowment	47,699	85,850
Net Cash from Financing Activities	498,109	1,059,017
Net Change in Cash and Cash Equivalents	(375,440)	872,155
Cash and Cash Equivalents, Beginning of Year	2,181,417	1,309,262
Cash and Cash Equivalents, End of Year	\$ 1,805,977	\$ 2,181,417

Eastern Washington University Foundation
Consolidated Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Reconciliation of Change in Net Assets to Net Cash from (used for) Operating Activities		
Change in net assets	\$ 2,645,750	\$ 803,250
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation	-	5,596
Realized and unrealized (gain) loss on operating investments	(1,605,897)	18,379
Loss on sale of property and equipment	-	113,517
Noncash contributions received	(130,070)	(258,404)
Distribution of noncash contributions to the Eastern Washington University	130,070	258,404
Contributions restricted to endowment	(450,410)	(973,167)
Change in value of split-interest agreements	(166,840)	(6,948)
Change in beneficial interests in perpetual trusts	(22,361)	121,436
Changes in operating assets and liabilities		
Promises to give, net	(270,290)	(72,887)
Other assets	(6,037)	11,081
Accounts payable	5,108	(24,410)
Net Cash from (used for) Operating Activities	\$ 129,023	\$ (4,153)
Supplemental Disclosure of Cash Flow Information		
New promises to give received as contribution for endowments	\$ -	\$ 12,500

Note 1 - Principal Activity and Significant Accounting Policies

Organization

Eastern Washington University Foundation (the Foundation) is a nonprofit corporation established in 1977. The Foundation is organized for charitable and educational purposes and is operated to receive, hold, invest, and properly administer the assets and to make expenditures to or for the benefit of Eastern Washington University (the University), established in 1882 and governed by the board of trustees.

The Foundation operates under a Memorandum of Understanding, dated September 10, 2009, with the University to raise and hold economic resources for the direct benefit of the University, a governmental unit. In exchange, the University provides the Foundation with partial office space, furniture and equipment, supplies, and staff to operate the Foundation. Due to the significance of the financial relationship with the University, in accordance with Governmental Accounting Standards Board (GASB) No. 39, *Determining Whether Certain Organizations are Component Units*, an amendment to GASB No. 14, the Foundation is included as a component unit of the University for financial reporting purposes and is, therefore, also included in the University's comprehensive annual financial report. Funds of the Foundation are neither subject to the state of Washington appropriation process nor held in the state treasury and are not owned by the state.

The Foundation exists to raise and manage private resources to support the mission, goals, and priorities of the University, to provide educational opportunities for the students of the University; and to establish a margin of institutional excellence unattainable with state and federal funds alone.

Principles of Consolidation

The Foundation has fiduciary responsibility for Eastern Washington University Alumni Association, a separate nonprofit organization established to encourage and foster lifelong involvement of the alumni, in partnership with the University, through advocacy, support, service, and communication. The Foundation's consolidated financial statements include the accounts of the Alumni Association. All significant intercompany transactions and accounts have been eliminated in consolidation.

Cash and Cash Equivalents

Cash and cash equivalents are all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to permanent endowment or other long-term purposes are excluded from this definition.

Certificates of Deposit

Certificates of deposit are recorded at cost, which approximates fair market value. The interest rates on the certificates are between 1.00% and 1.69% and mature between November 2017 and February 2018.

Promises to Give

Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The Foundation determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At June 30, 2017 and 2016, the allowance was \$15,900 and \$29,388, respectively.

Property and Equipment

Property and equipment additions over \$5,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to five years. When assets are sold or otherwise disposed of, the cost and related depreciation is removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2017 and 2016.

Assets Held and Liabilities Under Split-Interest Agreements

Charitable Trusts

The Foundation acts as trustee for various irrevocable trusts. These trusts are governed by the respective trust agreements, which generally provide for either an income stream or a future distribution of cash or other assets to the Foundation, in whole or in part, for a specified period or upon the occurrence of a specific event, respectively. If the trust is irrevocable, the trust assets are recorded at fair value, and a related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the trust liability is recorded as a temporarily or permanently restricted contribution until such amount is received via trust distribution and/or is expended in satisfaction of the restricted purpose stipulated by the trust agreement, if any, at which time temporarily restricted net assets are released to unrestricted net assets and permanently restricted net assets are transferred to the endowment. In subsequent years, the liability for future trust payments to the donor is reduced by payments made to the donor and is adjusted to reflect amortization of the discount and changes in actuarial assumptions at the end of the year.

Beneficial Interests in Charitable Trusts Held by Others

The Foundation have been named as an irrevocable beneficiary of several charitable trusts held and administered by independent trustees. These trusts were created independently by donors and are administered by outside agents designated by the donors. Therefore, the Foundation has neither possession nor control over the assets of the trusts. At the date the Foundation receives notice of a beneficial interest, a temporarily or permanently restricted contribution is recorded in the statements of activities, and a beneficial interest in charitable trusts held by others is recorded in the consolidated statements of financial position at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the expected distributions to be received under the agreement. Thereafter, beneficial interests in the trusts are reported at fair value in the consolidated statements of financial position, with changes in fair value recognized in the statements of activities.

Upon receipt of trust distributions and/or expenditures in satisfaction of the restricted purpose stipulated by the donor, if any, temporarily restricted net assets are released to unrestricted net assets; permanently restricted net assets are transferred to the endowment.

Beneficial Interests in Perpetual Trusts

The Foundation has been named as an irrevocable beneficiary of several perpetual trusts held and administered by independent trustees. Perpetual trusts provide for the distribution of the net income of the trusts to the Foundation; however, the Foundation will never receive the assets of the trusts. At the date the Foundation receives notice of a beneficial interest, a permanently restricted contribution is recorded in the statements of activities, and a beneficial interest in perpetual trust is recorded in the consolidated statements of financial position at the fair value of the underlying trust assets. Thereafter, beneficial interests in the trusts are reported at the fair value of the trusts' assets in the consolidated statements of financial position, with trust distributions and changes in fair value recognized in the statements of activities.

Investments

The Foundation records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the consolidated statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

Collections

The Foundation has capitalized its collections since its inception. If purchased, items accessioned into the collection are capitalized at cost, and if donated, they are capitalized at their appraised or fair value on the acquisition date. Gains or losses on the deaccession of collection items are classified on the consolidated statements of activities as unrestricted or temporarily restricted support depending on donor restrictions, if any, placed on the item at the time of accession. Collections are included in other assets in the consolidated statements of financial position.

Net Assets

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:

Unrestricted Net Assets – Net assets available for use in general operations. Unrestricted board-designated net assets consist of net assets designated by the Boards of Directors for operating reserve and board-designated endowment.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or the Foundation’s actions and/or the passage of time, and certain income earned on permanently restricted net assets that has not yet been appropriated for expenditure by the Foundation’s Boards of Directors.

The Foundation reports contributions as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Foundation’s actions. The restrictions stipulate that resources be maintained permanently but permit the Foundation to expend the income generated in accordance with the provisions of the agreements.

Revenue and Revenue Recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Marketing revenue is recognized when earned.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

Eastern Washington University Foundation and Eastern Washington University Alumni Association are organized as Washington nonprofit corporations and have been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3), qualify for the charitable contribution deduction under Section 170(b)(1)(A)(vi), and have been determined not to be private foundations under Section 509(a)(3), respectively. Each entity is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entities are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Foundation files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income.

Management believes that each entity has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Foundation to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Financial Instruments and Credit Risk

The Foundation manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by the Foundation to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Foundation has not experienced losses in any of these accounts. Credit risk associated with promises to give is considered to be limited due to high historical collection rates. Investments are made by diversified investment managers whose performance is monitored by the Foundation and the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Foundation and the Board of Directors believe that the investment policies and guidelines are prudent for the long-term welfare of the organizations.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent Events

The Foundation has evaluated subsequent events through October 10, 2017, the date the consolidated financial statements were available to be issued.

Note 2 - Fair Value Measurements and Disclosures

The Foundation reports certain assets at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Foundation develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Foundation's assessment of the quality, risk or liquidity profile of the asset or liability.

A significant portion of the Foundation's investment assets are classified within Level 1 because they are comprised of open-end mutual funds and equity securities with readily determinable fair values based on daily redemption values. The fair values of beneficial interests in charitable and perpetual trusts are determined by the Foundation using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets, and are based on the fair values of trust investments as reported by the trustees. These are considered to be Level 3 measurements.

Eastern Washington University Foundation
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

The following table presents assets measured at fair value on a recurring basis, except those measured at cost as identified below, at June 30, 2017:

Assets	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets held under split-interest agreements				
Money market funds	\$ 24,590	\$ 24,590	\$ -	\$ -
Equity mutual funds	178,381	178,381	-	-
	<u>\$ 202,971</u>	<u>\$ 202,971</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interests in				
Charitable trusts held by others	\$ 397,034	\$ -	\$ -	\$ 397,034
Perpetual trusts	\$ 2,457,490	\$ -	\$ -	\$ 2,457,490
	<u>\$ 2,854,524</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 397,034</u>
Investments				
Money market funds	\$ 43,688	\$ 43,688	\$ -	\$ -
Equity securities	162,860	162,860	-	-
Equity mutual funds	13,794,713	13,794,713	-	-
Fixed income mutual funds	6,986,893	6,986,893	-	-
	<u>\$ 20,988,154</u>	<u>\$ 20,988,154</u>	<u>\$ -</u>	<u>\$ -</u>

The following table presents assets measured at fair value on a recurring basis, except those measured at cost as identified below, at June 30, 2016:

Assets	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets held under split-interest agreements				
Money market funds	\$ 24,712	\$ 24,712	\$ -	\$ -
Equity mutual funds	150,376	150,376	-	-
	<u>\$ 175,088</u>	<u>\$ 175,088</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interests in				
Charitable trusts held by others	\$ 374,673	\$ -	\$ -	\$ 374,673
Perpetual trusts	\$ 2,306,335	\$ -	\$ -	\$ 2,306,335
	<u>\$ 2,681,008</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 374,673</u>
Investments				
Money market funds	\$ 26,967	\$ 26,967	\$ -	\$ -
Equity securities	142,250	142,250	-	-
Equity mutual funds	11,954,116	11,954,116	-	-
Fixed income mutual funds	6,615,196	6,615,196	-	-
	<u>\$ 18,738,529</u>	<u>\$ 18,738,529</u>	<u>\$ -</u>	<u>\$ -</u>

Eastern Washington University Foundation
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

Below is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2017 and 2016:

	Beneficial Interests	
	Charitable Trusts	Perpetual Trusts
<u>Year ended June 30, 2017</u>		
Balance at June 30, 2016	\$ 374,673	\$ 2,306,335
Net realized and unrealized gain	22,361	151,155
Balance at June 30, 2017	\$ 397,034	\$ 2,457,490
Unrealized gain included in net investment return in the statement of activities relating to assets still held at June 30, 2017	\$ 22,361	\$ 151,155
<u>Year ended June 30, 2016</u>		
Balance at June 30, 2015	\$ 369,078	\$ 2,427,771
Net realized and unrealized gain (loss)	5,595	(121,436)
Balance at June 30, 2016	\$ 374,673	\$ 2,306,335
Unrealized gain (loss) included in net investment return in the statement of activities relating to assets still held at June 30, 2016	\$ 5,595	\$ (121,436)

Note 3 - Net Investment Return

Net investment return consists of the following for the years ended June 30, 2017 and 2016:

	2017	2016
Interest and dividends	\$ 548,104	\$ 458,273
Net realized and unrealized gain (loss)	1,857,155	(18,379)
Less investment management and custodial fees	(89,143)	(82,393)
	\$ 2,316,116	\$ 357,501

Note 4 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2017 and 2016:

	2017	2016
Within one year	\$ 290,330	\$ 184,680
In one to five years	323,749	214,195
	614,079	398,875
Less discount to net present value at rates ranging from 0.04% to 1.01%	6,995	894
Less allowance for uncollectable promises to give	15,900	29,388
	\$ 591,184	\$ 368,593

Note 5 - Property and Equipment

Property and equipment consists of the following at June 30, 2017 and 2016:

	2017	2016
Furniture and equipment	\$ 34,833	\$ 34,833
Less accumulated depreciation	(34,833)	(34,833)
	-	-
Construction in progress	63,316	-
	\$ 63,316	\$ -

Note 6 - Endowment

The Foundation's endowment (the Endowment) consists of approximately 250 individual funds established by donors to provide annual funding for specific activities and general operations. The Endowment also includes certain unrestricted net assets designated for endowment by the Board of Directors. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the Washington Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2017 and 2016, there were no such donor stipulations. As a result of this interpretation, permanently restricted net assets are classified at (a) the original value of gifts donated to the Endowment, (b) the original value of subsequent gifts donated to the Endowment (including promises to give net of discount and allowance for doubtful accounts), and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. The remaining portion of the donor-restricted endowment is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by in a manner consistent with the standard of prudence prescribed by UPMIFA. The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

As of June 30, 2017 and 2016, the Foundation had the following endowment net asset composition by type of fund:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>6/30/2017</u>				
Donor-restricted endowment	\$ (12,718)	\$ 3,693,083	\$ 16,600,714	\$ 20,281,079
Board-designated endowment	72,788	25,000	-	97,788
	<u>\$ 60,070</u>	<u>\$ 3,718,083</u>	<u>\$ 16,600,714</u>	<u>\$ 20,378,867</u>
<u>6/30/2016</u>				
Donor-restricted endowment	\$ (61,269)	\$ 2,547,320	\$ 15,929,885	\$ 18,415,936
Board-designated endowment	67,529	-	-	67,529
	<u>\$ 6,260</u>	<u>\$ 2,547,320</u>	<u>\$ 15,929,885</u>	<u>\$ 18,483,465</u>

At June 30, 2017, certain donor-restricted endowment funds had fair values less than the amount of the original gifts (the permanently restricted portion of the funds). Deficiencies of \$12,718 and \$61,269 at June 30, 2017 and 2016, respectively, were reported in unrestricted net assets on that date.

Investment and Spending Policies

The Foundation has adopted investment and spending policies for the Endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the Endowment investments. The target minimum rate of return is approximately 6% on an annual basis. Actual returns in any given year may vary from this amount. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A significant portion of the funds are invested to seek growth of principal over time.

The Foundation uses an endowment spending-rate formula to determine the maximum amount to spend from the Endowment each year. The rate, determined and adjusted from time to time by the investment committee of the Foundation, is computed quarterly based on average fair value of the Endowment investments for the 36 months preceding and including the quarter ended prior to the distribution date, adjusted for new gifts on the first day of the distribution quarter. During 2017 and 2016, the spending rate maximum was 6% (4% for individual accounts and 2% for the management fee). In establishing this policy, the investment committee considered the long-term expected return on the Endowment, and set the rate with the objective of maintaining the purchasing power of the Endowment over time.

Changes in Endowment net assets for the years ended June 30, 2017 and 2016 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Year Ended June 30, 2017</u>				
Endowment net assets, beginning of year	\$ 6,260	\$ 2,547,320	\$ 15,929,885	\$ 18,483,465
Investment return	15,815	1,865,848	-	1,881,663
Contributions	-	-	670,829	670,829
Distributions to/for EWU	-	(657,090)	-	(657,090)
Reclassifications made at donor request	37,995	(37,995)	-	-
Endowment net assets, end of year	<u>\$ 60,070</u>	<u>\$ 3,718,083</u>	<u>\$ 16,600,714</u>	<u>\$ 20,378,867</u>
<u>Year Ended June 30, 2016</u>				
Endowment net assets, beginning of year	\$ 28,827	\$ 3,145,347	\$ 14,829,228	\$ 18,003,402
Investment return	(22,567)	(20,278)	-	(42,845)
Contributions	-	-	1,010,412	1,010,412
Distributions to/for EWU	-	(577,749)	-	(577,749)
Reclassifications made at donor request	-	-	90,245	90,245
Endowment net assets, end of year	<u>\$ 6,260</u>	<u>\$ 2,547,320</u>	<u>\$ 15,929,885</u>	<u>\$ 18,483,465</u>

Note 7 - Restricted Net Assets

Temporarily restricted net assets at June 30, 2017 and 2016, consist of:

	2017	2016
Support provided to/for the University	\$ 7,495,047	\$ 5,973,627
Eastern Washington University Alumni Association	137,480	140,470
Time restrictions (proceeds are not restricted by donors)	571,379	308,575
	\$ 8,203,906	\$ 6,422,672

Net assets were released from restrictions as follows during the years ended June 30, 2017 and 2016:

	2017	2016
Support provided to/for the University	\$ 3,302,403	\$ 3,446,256
Reclassifications made based on UPMIFA	48,632	(19,608)
Reclassifications made at the request of donors	13,469	5,831
Endowment management fees	392,023	450,630
	\$ 3,756,527	\$ 3,883,109

Permanently restricted net assets consist of beneficial interests in perpetual trusts and endowment funds restricted by donors for investment in perpetuity. Distributions from perpetual trusts and earnings on endowment funds are available for the purposes specified by the donors, or in certain cases, for the Foundation's unrestricted use. The permanently restricted net assets balances, classified by restriction on the use of earnings, are as follows at June 30, 2017 and 2016:

	2017	2016
Endowment net assets	\$ 16,600,714	\$ 15,929,885
Endowment pledges receivable	42,578	90,277
Charitable trusts which the final distributions are to be held in perpetuity for support provided to/for the University	491,419	453,373
Beneficial interests in perpetual trusts	2,457,489	2,306,335
	\$ 19,592,200	\$ 18,779,870

Note 8 - Support Provided by Eastern Washington University

The Foundation has an agreement with the University whereby the Foundation will design and implement such programs and procedures to persuade continuous and philanthropic support for the benefit of the University. In exchange, the University provides the Foundation with office space, furniture and equipment, supplies and related office expenses, and professional staff to operate the Foundation. The fair value of services received of \$1,104,473 and \$1,066,737 has been recorded in the consolidated financial statements of the Foundation for the years ended June 30, 2017 and 2016, respectively.

Note 9 - Gateway Project

In May 2012, the Foundation's board of directors authorized a \$1,517,495 interfund loan at an industry competitive interest rate of 2.96% that allows the Foundation to complete the Gateway Project schematic design and feasibility services, purchase/install Roos Field video scoreboard, and purchase/install Reese Court video board. In September 2016, the Foundation's board of directors approved the AECOM proposal to commence an economic, program review and cost analysis review of the Gateway Project in the amount of \$74,000. At the request of the University, the loan addition provides the Foundation the ability to increase supporting EWU (see Note 10). The repayment mechanism for the loan remains the assigning of marketing rights for EWU Athletics to the University to the Foundation. Marketing revenue continues to be utilized for principal and interest payments. The interest revenue generated over the term of the loan is being utilized equally between unrestricted use and general scholarship use. Further, there is a secure line of credit with Washington Trust Bank in the unlikely event that access to funds is needed by the Foundation. This line of credit has yet to be accessed. As of June 30, 2017 and 2016, the interfund loan amount was \$1,146,791 and \$1,282,937, respectively, with the first scheduled payment completed on June 30, 2013. The interfund loan has been eliminated for presentation on the consolidated statements of financial position.

A secured line of credit was entered into with Washington Trust Bank on July 12, 2012, for \$1,500,000. In the unlikely event it is utilized, years 1 to 5 will have a fixed tax-exempt interest rate of 2.96% and years 6 to 10 will be the 5 year FHLB rate plus 2% with a floor of 4%. Among the terms of the note is a requirement to maintain minimum cash or cash equivalents equal to the outstanding commitment amount. As of June 30, 2017 and 2016, there were no outstanding commitments on the line of credit.

Note 10 - Commitments

The Foundation entered into an agreement with Learfield Sports in a marketing and sales capacity to secure corporate sponsorships for the University's Intercollegiate Athletic Program (whose rights were granted to the Foundation by the University). The agreement is effective through June 30, 2026. Learfield Sports will pay the Foundation a guaranteed rights fee. This annual fee ranges from \$335,000 to \$510,000 throughout the term of the contract. They will also pay the Foundation 50% of the adjusted gross revenue which exceeds the threshold amount that ranges from \$755,000 to \$1,095,000 throughout the term of the contract. The Foundation will continue to provide the University with an annual guaranteed payment of \$120,000 for the Foundation's portion of the guaranteed rights payment. The payments to the University will increase to \$125,000 in 2019 and \$150,000 in 2021 through 2026.