



Consolidated Financial Statements
June 30, 2019 and 2018

Eastern Washington University
Foundation

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CPAs & BUSINESS ADVISORS

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 statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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, 2019 and 2018 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 and Note 11 to the consolidated financial statements, Eastern Washington University Foundation has adopted the provisions of Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. Accordingly, the June 30, 2018 consolidated financial statements have been restated to adopt this standard. Our opinion is not modified with respect to this matter.

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

Spokane, Washington
October 8, 2019

Eastern Washington University Foundation
Consolidated Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	\$ 2,537,799	\$ 2,295,193
Certificates of deposit	1,796,168	1,764,184
Promises to give, net	6,064,533	618,821
Other assets	111,096	155,759
Property and equipment, net	245,442	245,442
Assets held under split-interest agreements	1,312,341	202,475
Beneficial interest in charitable trusts held by others	409,498	401,395
Beneficial interest in perpetual trusts	2,421,109	2,460,878
Investments	24,506,194	22,818,122
Total assets	\$ 39,404,180	\$ 30,962,269
Liabilities and Net Assets		
Accounts payable	\$ 80,384	\$ 48,142
Program support payable	5,000,000	-
Liabilities under split-interest agreements	1,015,320	116,789
Total liabilities	6,095,704	164,931
Net Assets		
Without donor restriction		
Undesignated	393,492	457,780
Designated by the Board for endowment	109,815	70,923
	503,307	528,703
With donor restriction	32,805,169	30,268,635
Total net assets	33,308,476	30,797,338
Total liabilities and net assets	\$ 39,404,180	\$ 30,962,269

Eastern Washington University Foundation
Consolidated Statement of Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Contributions	\$ 100,426	\$ 9,286,788	\$ 9,387,214
Net investment return	50,290	1,648,766	1,699,056
Marketing revenue	-	381,274	381,274
Gross special events revenue	-	634,898	634,898
Less cost of direct benefits to donors	-	(604,757)	(604,757)
Net special events revenue	-	30,141	30,141
Other	22	3,040	3,062
Support provided by Eastern Washington University	1,680,165	-	1,680,165
Change in value of split-interest agreements held by the Foundation	-	(22,631)	(22,631)
Distributions from and change in value of beneficial interests in assets held by others	-	86,475	86,475
Net assets released from restrictions	8,877,319	(8,877,319)	-
Total revenue, support, and gains	<u>10,708,222</u>	<u>2,536,534</u>	<u>13,244,756</u>
Expenses			
Program services expense	<u>8,328,330</u>	-	<u>8,328,330</u>
Supporting services expense			
Management and general	1,117,753	-	1,117,753
Fundraising and development	<u>1,287,535</u>	-	<u>1,287,535</u>
Total supporting services expenses	<u>2,405,288</u>	-	<u>2,405,288</u>
Total expenses	<u>10,733,618</u>	-	<u>10,733,618</u>
Change in Net Assets	(25,396)	2,536,534	2,511,138
Net Assets, Beginning of Year, As Adjusted	<u>528,703</u>	<u>30,268,635</u>	<u>30,797,338</u>
Net Assets, End of Year	<u>\$ 503,307</u>	<u>\$ 32,805,169</u>	<u>\$ 33,308,476</u>

Eastern Washington University Foundation
Consolidated Statement of Activities
Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Contributions	\$ 70,780	\$ 3,640,730	\$ 3,711,510
Net investment return	39,137	1,825,189	1,864,326
Marketing revenue	-	412,712	412,712
Gross special events revenue	-	364,108	364,108
Less cost of direct benefits to donors	-	(264,753)	(264,753)
Net special events revenue	-	99,355	99,355
Other	1,096	5,306	6,402
Support provided by Eastern Washington University	1,395,834	-	1,395,834
Change in value of split-interest agreements held by the Foundation	-	(950)	(950)
Distributions from and change in value of beneficial interests in assets held by others	-	67,364	67,364
Net assets released from restrictions	3,577,177	(3,577,177)	-
Total revenue, support, and gains	<u>5,084,024</u>	<u>2,472,529</u>	<u>7,556,553</u>
Expenses			
Program services expense	<u>3,079,149</u>	-	<u>3,079,149</u>
Supporting services expense			
Management and general	934,497	-	934,497
Fundraising and development	986,868	-	986,868
Total supporting services expenses	<u>1,921,365</u>	-	<u>1,921,365</u>
Total expenses	<u>5,000,514</u>	-	<u>5,000,514</u>
Change in Net Assets	83,510	2,472,529	2,556,039
Net Assets, Beginning of Year, As Adjusted	<u>445,193</u>	<u>27,796,106</u>	<u>28,241,299</u>
Net Assets, End of Year, As Adjusted	<u>\$ 528,703</u>	<u>\$ 30,268,635</u>	<u>\$ 30,797,338</u>

Eastern Washington University Foundation
Consolidated Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services	Management and General	Fundraising and Development	Total
Support provided to Eastern Washington University	\$ 6,701,786	\$ 545,076	\$ 1,135,087	\$ 8,381,949
Scholarship Distributions	1,556,201	-	-	1,556,201
Foundation Grants	70,343	-	-	70,343
Professional Fees	-	36,162	-	36,162
Bank Fees	-	38,644	-	38,644
Sponsorships	-	-	46,134	46,134
Office Expenses	-	1,639	1,274	2,913
Information Technology	-	134,536	-	134,536
Travel	-	-	54,926	54,926
Conferences and Meetings	-	108,670	-	108,670
Insurance	-	42,757	-	42,757
Meals and Entertainment	-	-	46,304	46,304
Dues and Memberships	-	585	-	585
Bad Debt	-	180,469	-	180,469
Miscellaneous	-	29,215	3,810	33,025
Special Event Expenses	-	-	604,757	604,757
	<u>8,328,330</u>	<u>1,117,753</u>	<u>1,892,292</u>	<u>11,338,375</u>
Total expenses				
Less expenses included with revenues on the statement of activities				
Cost of direct benefits to donors	-	-	(604,757)	(604,757)
	<u>-</u>	<u>-</u>	<u>(604,757)</u>	<u>(604,757)</u>
Total expenses included in the expense section on the statement of activities	<u>\$ 8,328,330</u>	<u>\$ 1,117,753</u>	<u>\$ 1,287,535</u>	<u>\$ 10,733,618</u>

Eastern Washington University Foundation
Consolidated Statement of Functional Expenses
Year Ended June 30, 2018

	Program Services	Management and General	Fundraising and Development	Total
Support provided to Eastern Washington University	\$ 1,657,523	\$ 545,703	\$ 850,131	\$ 3,053,357
Scholarship Distributions	1,364,126	-	-	1,364,126
Foundation Grants	57,500	-	-	57,500
Professional Fees	-	27,408	-	27,408
Bank Fees	-	30,970	-	30,970
Sponsorships	-	-	45,731	45,731
Office Expenses	-	4,636	2,570	7,206
Information Technology	-	92,622	-	92,622
Travel	-	-	23,301	23,301
Conferences and Meetings	-	145,872	-	145,872
Insurance	-	17,590	-	17,590
Meals and Entertainment	-	-	53,870	53,870
Dues and Memberships	-	2,545	-	2,545
Bad Debt	-	21,595	-	21,595
Miscellaneous	-	45,556	11,265	56,821
Special Event Expenses	-	-	264,753	264,753
	<u>3,079,149</u>	<u>934,497</u>	<u>1,251,621</u>	<u>5,265,267</u>
Total expenses				
Less expenses included with revenues on the statement of activities				
Cost of direct benefits to donors	-	-	(264,753)	(264,753)
	<u>-</u>	<u>-</u>	<u>(264,753)</u>	<u>(264,753)</u>
Total expenses included in the expense section on the statement of activities	<u>\$ 3,079,149</u>	<u>\$ 934,497</u>	<u>\$ 986,868</u>	<u>\$ 5,000,514</u>

Eastern Washington University Foundation

Consolidated Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Operating Activities		
Contributions received from contributors and trusts	\$ 5,243,027	\$ 4,328,131
Receipts from special events	634,898	364,108
Marketing and other cash receipts	384,336	419,114
Payments for Foundation administration and fundraising	(2,328,383)	(2,108,909)
Payments on behalf of Eastern Washington University	(3,933,087)	(3,280,586)
Net Cash from (used for) Operating Activities	791	(278,142)
Investing Activities		
Proceeds from sale of investments	10,827,267	1,193,596
Purchases of investments	(11,331,357)	(1,594,948)
Purchases of certificates of deposit	(31,984)	(25,440)
Net Cash used for Investing Activities	(536,074)	(426,792)
Financing Activities		
Collections of contributions restricted to endowment	777,889	1,194,150
Net Cash from Financing Activities	777,889	1,194,150
Net Change in Cash and Cash Equivalents	242,606	489,216
Cash and Cash Equivalents, Beginning of Year	2,295,193	1,805,977
Cash and Cash Equivalents, End of Year	\$ 2,537,799	\$ 2,295,193

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

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, are considered to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to 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 1.65% and 2.15% and mature between August and November 2020.

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.

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 depending on donor restrictions, if any, placed on the item at the time of accession. Collections are included in property and equipment in the consolidated statements of financial position.

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. Collections of art are not depreciated. 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, 2019 and 2018.

Assets Held and Liabilities Under Split-Interest Agreements*Charitable Trusts*

The Foundation acts as trustee for various revocable and 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, in whole or in part, for a specified period or upon the occurrence of a specific event, respectively. If a trust is revocable, or if the maker of the trust reserves the right to replace the Foundation as the beneficiary of the trust, assets are recorded and placed in trust at fair value, with an equal and offsetting liability until such time that distributions are received from the trust in accordance with its terms. 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 contribution with donor restrictions until such amount is received via trust distribution or is expended in satisfaction of the donor-restricted purpose stipulated by the trust agreement, or both, if any. At that time, net assets with donor-imposed time or purpose restrictions are released to net assets without restrictions, and net assets with donor restrictions that are perpetual in nature 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 has 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. 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 contribution with donor restrictions is recorded in the statements of activities and a beneficial interest in charitable trusts held by others is recorded in the 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 statements of financial position, with changes in fair value recognized in the statements of activities.

Upon receipt of trust distributions or expenditures, or both, in satisfaction of the donor-restricted purpose, if any, net assets with donor-imposed time or purpose restrictions are released to net assets without donor restrictions. Trust distributions with donor-imposed restrictions that are perpetual in nature are transferred to the endowment, in which case, net assets with donor-restrictions are not released.

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 contribution with donor restrictions of a perpetual nature is recorded in the statements of activities and a beneficial interest in perpetual trust is recorded in the 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 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.

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:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Directors has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Foundation reports contributions restricted by donors as increases in net assets with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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, that is, those with a measurable performance or other barrier, and a right of return, 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 consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied.

The expenses that are allocated include support provided to Eastern Washington University, which is allocated on the basis of time and effort. All other expenses are tracked based on actual usage.

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 Foundation.

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.

Change in Accounting Principle

As of July 1, 2018, the Foundation adopted the provisions of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities*. The provisions of the ASU replace the existing three classes of net assets with two new classes (net assets without donor restrictions and net assets with donor restrictions). The ASU introduces new disclosure requirements to provide information about what is included or excluded from the Foundation's intermediate measure of operations as well as disclosures to improve a financial statement user's ability to assess the Foundation's liquidity and exposure to risk. The ASU also introduces new reporting requirements to present expenses by both function and natural classification in a single location and to present investment returns on the statements of activities net of external and direct internal investment expenses.

The amendments should be applied on a retrospective basis; however, if presenting comparative financial statements, the ASU allows for the option to omit, for any periods presented before the period of adoption, the analysis of expenses by both natural classification and functional classification (the separate presentation of expenses by functional classification and expenses by natural classification is still required), and the disclosure about liquidity and availability of resources. The Foundation has elected not to present comparative information for liquidity and availability of resources.

The Foundation has adopted this standard as management believes the standard improves the usefulness and understandability of the Foundation's financial reporting.

Subsequent Events

The Foundation has evaluated subsequent events through October 8, 2019, the date the consolidated financial statements were available to be issued.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 227,153
Endowment spending-rate management fees	398,000
Endowment gift fees	<u>120,000</u>
	<u>\$ 745,153</u>

The Foundation is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to its donors. Thus certain financial assets may not be available for general expenditures within one year. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Foundation invests cash in excess of daily requirements in short-term investments. All of the short-term investments (certificate of deposits) can be cancelled at any time in the event of an unanticipated liquidity need. Additionally, the Foundation has a quasi-endowment of \$55,187. Although the Foundation does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditures as part of its annual budget approval and appropriation process, amounts from its quasi-endowment could be made available if necessary.

Note 3 - 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.

Eastern Washington University Foundation

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

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.

The following table presents assets measured at fair value on a recurring basis, except those measured at cost as identified below, at June 30, 2019:

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	\$ 23,619	\$ 23,619	\$ -	\$ -
Equity mutual funds	167,722	167,722	-	-
Land	1,121,000	-	-	-
	<u>\$ 1,312,341</u>	<u>\$ 191,341</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interests in				
charitable trusts held by others	<u>\$ 409,498</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 409,498</u>
Perpetual trusts	<u>\$ 2,421,109</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,421,109</u>
Investments				
Money market funds	\$ 49,341	\$ 49,341	\$ -	\$ -
Equity securities	15,671,321	15,671,321	-	-
Equity mutual funds	290,607	290,607	-	-
Fixed income mutual funds	8,494,925	8,494,925	-	-
	<u>\$ 24,506,194</u>	<u>\$ 24,506,194</u>	<u>\$ -</u>	<u>\$ -</u>

Eastern Washington University Foundation

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

The following table presents assets measured at fair value on a recurring basis, except those measured at cost as identified below, at June 30, 2018:

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	\$ 24,825	\$ 24,825	\$ -	\$ -
Equity mutual funds	177,650	177,650	-	-
	<u>\$ 202,475</u>	<u>\$ 202,475</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interests in				
Charitable trusts held by others	\$ 401,395	\$ -	\$ -	\$ 401,395
Perpetual trusts	\$ 2,460,878	\$ -	\$ -	\$ 2,460,878
Investments				
Money market funds	\$ 36,047	\$ 36,047	\$ -	\$ -
Equity securities	217,451	217,451	-	-
Equity mutual funds	14,591,967	14,591,967	-	-
Fixed income mutual funds	7,972,657	7,972,657	-	-
	<u>\$ 22,818,122</u>	<u>\$ 22,818,122</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2019:

	Beneficial Interests	
	Charitable Trusts	Perpetual Trusts
Balance at June 30, 2018	\$ 401,395	\$ 2,460,878
Investment return, net	8,103	(39,769)
Balance at June 30, 2019	<u>\$ 409,498</u>	<u>\$ 2,421,109</u>

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, 2018:

	Beneficial Interests	
	Charitable Trusts	Perpetual Trusts
Balance at June 30, 2017	\$ 397,034	\$ 2,457,490
Investment return, net	4,361	3,388
Balance at June 30, 2018	\$ 401,395	\$ 2,460,878

Note 4 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2019 and 2018:

	2019	2018
Within one year	\$ 928,675	\$ 198,442
In one to five years	3,339,268	449,869
Over five years	2,000,000	-
	6,267,943	648,311
Less discount to net present value at rates ranging from 0.04% to 2.16%	191,341	12,770
Less allowance for uncollectable promises to give	12,069	16,720
	\$ 6,064,533	\$ 618,821

Note 5 - Property and Equipment

Property and equipment consists of the following at June 30, 2019 and 2018:

	2019	2018
Furniture and equipment	\$ 34,833	\$ 34,833
Less accumulated depreciation	34,833	34,833
	-	-
Collections of art	245,442	245,442
	\$ 245,442	\$ 245,442

Note 6 - Endowment

The Foundation's endowment (the Endowment) consists of approximately 250 individual funds established by donors to provide annual funding for scholarships, specific activities, and general operations. The Endowment also includes certain net assets without donor restrictions 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. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts and (b) any accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The following factors are considered 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

Eastern Washington University Foundation

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

As of June 30, 2019, endowment net asset composition by type of fund is as follows:

	Without Donor Restriction	With Donor Restrictions	Total
Board-designated endowment funds	\$ 109,815	\$ -	\$ 109,815
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	18,295,514	18,295,514
Accumulated investment gains	-	5,108,275	5,108,275
	\$ 109,815	\$ 23,403,789	\$ 23,513,604

As of June 30, 2018, endowment net asset composition by type of fund is as follows:

Board-designated endowment funds	\$ 73,705	\$ 31,145	\$ 104,850
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	17,657,066	17,657,066
Accumulated investment gains	(2,782)	4,411,282	4,408,500
	\$ 70,923	\$ 22,099,493	\$ 22,170,416

From time to time, certain donor-restricted endowment funds may have fair values less than the required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2018, funds with original gift values of \$118,242, fair values of \$115,460, and deficiencies of \$2,782 were reported in net assets without donor restrictions. These amounts were fully recovered during 2019 due to favorable market fluctuations.

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 2019 and 2018, 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 year ended June 30, 2019 are as follows:

	Without Donor Restriction	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 70,923	\$ 22,099,493	\$ 22,170,416
Investment return, net	5,786	1,467,442	1,473,228
Contributions	-	638,448	638,448
Distributions to/for EWU	(3,320)	(765,168)	(768,488)
Reclassifications made at donor request	36,426	(36,426)	-
Endowment net assets, end of year	<u>\$ 109,815</u>	<u>\$ 23,403,789</u>	<u>\$ 23,513,604</u>

Changes in Endowment net assets for the year ended June 30, 2018 are as follows:

	Without Donor Restriction	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 60,070	\$ 20,318,797	\$ 20,378,867
Investment return, net	(19,879)	1,497,716	1,477,837
Contributions	-	1,056,352	1,056,352
Distributions to/for EWU	-	(742,640)	(742,640)
Reclassifications made at donor request	30,732	(30,732)	-
Endowment net assets, end of year	<u>\$ 70,923</u>	<u>\$ 22,099,493</u>	<u>\$ 22,170,416</u>

Note 7 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purpose or periods at June 30, 2019 and 2018:

	2019	2018
Subject to expenditure for specified purpose		
Support provided to/for the University	\$ 50,241	\$ 4,463,718
Eastern Washington University Alumni Association	158,978	138,644
Promises to give, the proceeds from which have been restricted by donors	6,064,533	618,821
	6,273,752	5,221,183
Subject to the passage of time		
Beneficial interest in charitable trusts held by others	409,498	401,395
Assets held under split-interest agreements	297,021	85,686
	706,519	487,081
Endowments		
Subject to appropriation and expenditure when a specified event occurs and restricted by donors for		
Support provided to/for the University	5,108,275	4,442,427
Perpetual in nature, earnings from which are subject to endowment spending policy appropriation	18,295,514	17,657,066
Total endowments	23,403,789	22,099,493
Perpetual in nature, not subject to spending policy or appropriation		
Beneficial interest in perpetual trusts	2,421,109	2,460,878
	\$ 32,805,169	\$ 30,268,635

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2019 and 2018:

	2019	2018
Satisfaction of purpose restrictions		
Support provided to/for the University	\$ 7,957,753	\$ 2,708,622
Reclassifications made at the request of donors	521,277	472,185
Endowment management fees	398,289	396,370
	\$ 8,877,319	\$ 3,577,177

Note 8 - Related Party Transactions

The Foundation has an agreement with Eastern Washington 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 \$1,680,165 and \$1,395,834 has been recorded in the consolidated financial statements of the Foundation for the years ended June 30, 2019 and 2018, respectively.

During the year ended June 30, 2019, the Foundation received a promise to give from several agencies totaling \$5,000,000. In response to this, the Foundation promised a \$5,000,000 support payment to the University. The promise will be paid over 10 years and is included within the program support payable on the statement of financial position. These funds will be used by the University as the lead presence in the state-of-the-art Catalyst Building.

Located on the south landing of the University District Gateway Bridge in Spokane, the Catalyst will be an internationally significant eco-district where smart grid meets smart building. The city's first net zero energy building, this immersive and applied learning center will inspire yet more innovations among EWU students and faculty.

Members of the Foundation's Board of Directors contributed \$42,993 and \$20,466 to the Foundation during the years ended June 30, 2019 and 2018, 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, 2019 and 2018, the interfund loan amount was \$862,291 and \$1,006,615, 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, 2019 and 2018, 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 \$150,000 in 2021 through 2026.

Note 11 - Adjustment Resulting from Change in Accounting Policy

As disclosed in Note 1, the Foundation adopted the provisions of ASU 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities* as of June 30, 2019. As part of the adoption, changes were made to the presentation of the financial statements and the classification of net assets. Following is a summary of the effects of the change in accounting policy in the Foundation's June 30, 2018 net assets.

The effect on the Foundation's statement of financial position as of June 30, 2018 is as follows:

	As Previously Reported	Adoption of ASU 2016-14	As Adjusted
Unrestricted	\$ 528,703	\$ (528,703)	\$ -
Temporarily Restricted Net Assets	9,651,732	(9,651,732)	-
Permanently Restricted Net Assets	20,616,903	(20,616,903)	-
Net Assets without Donor Restrictions	-	528,703	528,703
Net Assets with Donor Restrictions	-	30,268,635	30,268,635

Eastern Washington University Foundation

Notes to Financial Statements

June 30, 2019 and 2018

The effect on the Foundation's statement of activities as of June 30, 2018 is as follows:

	As Previously Reported	Adoption of ASU 2016-14	As Adjusted
Net Assets, Beginning of Year			
Unrestricted	\$ 445,193	\$ (445,193)	\$ -
Temporarily restricted net assets	8,203,906	(8,203,906)	-
Permanently restricted net assets	19,592,200	(19,592,200)	-
Net assets without donor restrictions	-	445,193	445,193
Net assets with donor restrictions	-	27,796,106	27,796,106
Net Assets, End of Year			
Unrestricted	\$ 528,703	\$ (528,703)	\$ -
Temporarily restricted net assets	9,651,732	(9,651,732)	-
Permanently restricted net assets	20,616,903	(20,616,903)	-
Net assets without donor restrictions	-	528,703	528,703
Net assets with donor restrictions	-	30,268,635	30,268,635