

**EASTERN WASHINGTON UNIVERSITY FOUNDATION  
CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2015 AND 2014**



Wealth Advisory

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Audit, Tax, and Consulting

**EASTERN WASHINGTON UNIVERSITY FOUNDATION  
TABLE OF CONTENTS  
YEARS ENDED JUNE 30, 2015 AND 2014**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	
<b>CONSOLIDATED STATEMENTS OF FINANCIAL POSITION</b>	<b>3</b>
<b>CONSOLIDATED STATEMENTS OF ACTIVITIES</b>	<b>4</b>
<b>CONSOLIDATED STATEMENTS OF CASH FLOWS</b>	<b>6</b>
<b>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>8</b>

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Eastern Washington University Foundation  
Cheney, Washington

We have audited the accompanying consolidated financial statements of Eastern Washington University Foundation (a nonprofit organization) (the Foundation) which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Consolidated 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.

### ***Auditors' 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 auditors' 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

Board of Directors  
Eastern Washington University Foundation

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, 2015 and 2014, 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Spokane, Washington  
October 13, 2015

**EASTERN WASHINGTON UNIVERSITY FOUNDATION  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2015 AND 2014**

	2015	2014
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,309,262	\$ 2,452,336
Certificates of Deposit	1,506,594	-
Promises to Give, Net of Allowances and Discounts	381,556	753,048
Other Assets	388,874	405,970
Contributions Receivable from Charitable Trusts	369,078	377,810
Investments Held in Charitable Trusts	199,239	207,016
Investments	18,451,993	17,819,811
Beneficial Interest in Perpetual Trusts	2,427,771	2,505,199
Total Assets	\$ 25,034,367	\$ 24,521,190
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 129,644	\$ 113,922
Annuities Payable	112,424	125,634
Total Liabilities	242,068	239,556
<b>COMMITMENTS</b>		
<b>NET ASSETS</b>		
Unrestricted	379,921	187,874
Temporarily Restricted	6,535,960	6,659,287
Permanently Restricted	17,876,418	17,434,473
Total Net Assets	24,792,299	24,281,634
Total Liabilities and Net Assets	\$ 25,034,367	\$ 24,521,190

See accompanying Notes to Consolidated Financial Statements.

**EASTERN WASHINGTON UNIVERSITY FOUNDATION  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUES, GAINS, AND SUPPORT</b>				
Contributions	\$ 232,769	\$ 2,080,865	\$ 298,440	\$ 2,612,074
Contributions from Trusts	-	94,215	-	94,215
Investment Income, Net of Fees of \$82,059	37,971	359,487	-	397,458
Realized Gain (Loss) on Investments	(317)	580,635	-	580,318
Unrealized Loss on Investments	-	(281,899)	-	(281,899)
Change in Value of Split-Interest Agreements	-	-	(86,667)	(86,667)
Support Provided by Eastern Washington University	1,030,416	-	-	1,030,416
Other	450	814,656	18,449	833,555
Total Revenues, Gains, and Support	<u>1,301,289</u>	<u>3,647,959</u>	<u>230,222</u>	<u>5,179,470</u>
 Net Assets Released from Restrictions and Other Transfers	 3,559,563	 (3,771,286)	 211,723	 -
<b>EXPENSES</b>				
Management and General	1,016,177	-	-	1,016,177
Fundraising	618,050	-	-	618,050
Support Provided to/for Eastern Washington University	3,034,578	-	-	3,034,578
Total Expenses	<u>4,668,805</u>	<u>-</u>	<u>-</u>	<u>4,668,805</u>
 <b>CHANGES IN NET ASSETS</b>	 192,047	 (123,327)	 441,945	 510,665
 Net Assets - Beginning of Year	 <u>187,874</u>	 <u>6,659,287</u>	 <u>17,434,473</u>	 <u>24,281,634</u>
 <b>NET ASSETS - END OF YEAR</b>	 <u>\$ 379,921</u>	 <u>\$ 6,535,960</u>	 <u>\$ 17,876,418</u>	 <u>\$ 24,792,299</u>

See accompanying Notes to Consolidated Financial Statements.

**EASTERN WASHINGTON UNIVERSITY FOUNDATION  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUES, GAINS, AND SUPPORT</b>				
Contributions	\$ 50,172	\$ 1,787,206	\$ 725,318	\$ 2,562,696
Contributions from Trusts	-	58,187	-	58,187
Investment Income, Net of Fees of \$99,886	35,382	278,704	(2,676)	311,410
Realized Gain (Loss) on Investments	(473)	722,929	-	722,456
Unrealized Gain on Investments	-	1,663,773	-	1,663,773
Change in Value of Split-Interest Agreements	-	-	224,131	224,131
Support Provided by Eastern Washington University	997,383	-	-	997,383
Other	4,227	945,163	4,531	953,921
Total Revenues, Gains, and Support	<u>1,086,691</u>	<u>5,455,962</u>	<u>951,304</u>	<u>7,493,957</u>
Net Assets Released from Restrictions and Other Transfers	3,354,783	(3,493,809)	139,026	-
<b>EXPENSES</b>				
Management and General	936,284	-	-	936,284
Fundraising	606,493	-	-	606,493
Support Provided to/for Eastern Washington University	2,694,317	-	-	2,694,317
Total Expenses	<u>4,237,094</u>	<u>-</u>	<u>-</u>	<u>4,237,094</u>
<b>CHANGES IN NET ASSETS</b>	204,380	1,962,153	1,090,330	3,256,863
Net Assets (Deficit) - Beginning of Year	<u>(16,506)</u>	<u>4,697,134</u>	<u>16,344,143</u>	<u>21,024,771</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 187,874</u>	<u>\$ 6,659,287</u>	<u>\$ 17,434,473</u>	<u>\$ 24,281,634</u>

See accompanying Notes to Consolidated Financial Statements.

**EASTERN WASHINGTON UNIVERSITY FOUNDATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Contributors and Trusts	\$ 4,109,999	\$ 3,186,445
Cash Received from Events and Sale of Goods and Services	833,555	953,921
Cash Paid for Foundation Administration and Fundraising	(1,595,467)	(1,515,059)
Cash Paid on Behalf of Eastern Washington University	(3,034,578)	(2,659,997)
Net Cash Provided (Used) by Operating Activities	313,509	(34,690)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sale of Investments	2,738,308	2,912,267
Purchases of Investments	(3,071,754)	(3,157,525)
Purchases of Certificates of Deposits	(1,506,594)	-
Net Cash Used by Investing Activities	(1,840,040)	(245,258)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions Restricted for Endowments	389,398	839,793
Payments on Notes Payable	-	(353,338)
Distribution to Annuitants	(5,941)	(11,584)
Net Cash Provided by Financing Activities	383,457	474,871
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(1,143,074)	194,923
Cash and Cash Equivalents - Beginning of Year	2,452,336	2,257,413
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 1,309,262	\$ 2,452,336

See accompanying Notes to Consolidated Financial Statements.



	<u>2015</u>	<u>2014</u>
<b>RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Changes in Net Assets	\$ 510,665	\$ 3,256,863
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	8,394	8,394
Gain on Investments	(298,736)	(2,386,229)
Change in Value of Split-Interest Agreements	5,942	22,634
Noncash Contributions Received	(433,220)	(342,097)
Distribution of Noncash Contributions to Eastern Washington University	433,220	342,097
Change in Beneficial Interest in Perpetual Trusts	77,428	(173,763)
Contributions Restricted for Long-Term Purposes	(298,440)	(725,318)
Changes in Assets and Liabilities:		
Promises to Give	280,534	4,722
Other	12,000	(63,656)
Accounts Payable	15,722	21,663
Total Adjustments	<u>(197,156)</u>	<u>(3,291,553)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 313,509</u>	<u>\$ (34,690)</u>

#### **SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

New Promises to Give Received as Contribution for Endowments	<u>\$ 10,000</u>	<u>\$ 205,000</u>
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**EASTERN WASHINGTON UNIVERSITY FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

Eastern Washington University Foundation (the Foundation) is a nonprofit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). 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, established in 1977, 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.

The Foundation has fiduciary responsibility for Eagle Athletic Association and Eastern Washington University Alumni Association, both of which are nonprofit corporations exempt from federal income tax under Section 501(c)(3) of the IRC. The Foundation's consolidated financial statements include these nonprofit corporations. All significant intercompany transactions and accounts have been eliminated in consolidation. See Note 14 regarding dissolution of the Eagle Athletic Association.

**Basis of Presentation**

Financial statement presentation follows the requirements of Statement of Financial Accounting Standards *Financial Statements of Not-for-Profit Organizations*. Under *Financial Statements of Not-for-Profit Organizations*, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

**Use of Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management 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.

**EASTERN WASHINGTON UNIVERSITY FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting**

These consolidated financial statements have been prepared on the basis of accounting principles generally accepted in the United States of America.

**Cash and Cash Equivalents**

For purposes of the consolidated statements of cash flows, the Foundation considers short-term cash investments and highly liquid debt instruments, if any, purchased with a maturity of three months or less, to be cash equivalents. Certificates of deposit are carried at cost plus accrued interest.

**Investments**

Investments are stated at fair value based on quoted market prices. Net appreciation (depreciation) in the fair value of investments, which consists of the realized gains or losses and unrealized appreciation (depreciation) of those investments, is shown in the consolidated statements of activities. Investment income is accrued as earned and reported net of investment advisory fees.

The Foundation has significant exposure to a number of risks including interest rate, market, and credit risks for marketable securities. Due to the level of risk exposure, it is possible that near-term valuation changes for investment securities may occur to an extent that could materially affect the amounts reported in the consolidated financial statements.

**Credit Risk**

The Foundation's investments consist primarily of financial instruments including cash and cash equivalents, equity funds, fixed income funds, mutual funds, realty funds, and money market funds. These financial instruments may subject the Foundation to concentrations of credit risk as, from time to time, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation. Management believes that risk with respect to these balances is minimal, due to the high credit quality of the institutions used.

**Market Risk**

The Foundation is subject to market risk, foreign currency risk, and interest rate risk with respect to its investment portfolio. To manage these risks, the Foundation has an investment policy setting out a target mix of investments designed to provide optimal return within reasonable risk tolerances.

**Promises to Give**

Unconditional promises to give, less an allowance for uncollectible accounts, are recognized as revenue in the period the promise is made in writing by the donor. Unconditional promises to give receivables in excess of one year are discounted to their net present value using a discount rate based on the three month U.S. Treasury bill rate at the time of contribution. Accounts are written off in the period they are determined to be uncollectible. Conditional promises to give, if any, are recognized when the conditions on which they depend are substantially met.

**EASTERN WASHINGTON UNIVERSITY FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Other Assets**

Other assets are comprised of accrued investment income, prepaid assets, note receivable, property and equipment (see Note 8), and collections of art.

**Capital Assets and Depreciation**

Property and equipment with a cost greater than \$5,000 and a normal useful life of at least one year are capitalized at cost when purchased, and at fair market value or appraised value when acquired by gift. Depreciation is provided on the straight-line basis over the estimated useful lives of the respective assets, which is generally 30 years for buildings and improvements and three years for computers, equipment, and software. Property and equipment, net, are included in other assets in the consolidated statements of financial position.

The Foundation periodically reviews the carrying amount of capital assets whenever events or circumstances provide evidence that suggests the carrying amount may not be recoverable. If, after reviewing the undiscounted future net operating cash flows from these assets, it is determined that the assets are impaired, the impairment in value is recognized as a charge in the consolidated statements of activities. As of June 30, 2015, the Foundation does not believe that the carrying value of its capital assets has been impaired.

**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.

**Beneficial Interests in Trusts and Other Split-Interest Agreements**

The Foundation has established, through its planned giving program, the ability for donors to design charitable gift plans through the Foundation for the benefit of the University with the added benefit of achieving personalized financial goals for the future. Trusts can be established through contributions of property from donors to provide income, generally for life, to designated beneficiaries, except for a lead trust, which pays its income for a term of years to the Foundation. Each year, beneficiaries receive payments as specified in the trust agreement; a fixed payment (annuity trusts) or a percentage of the trust's fair market value (standard unitrusts), which may be limited to the net income (net-income-with-make-up unitrusts). Upon the termination of each trust, its assets generally will be distributed to the Foundation, or individuals named by the donor, for the purposes designated in the trust agreements. Trusts distributed to the Foundation at termination are assessed a one-time administrative fee. The fee was 3.5% for the years ended June 30, 2015 and 2014.

**EASTERN WASHINGTON UNIVERSITY FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Beneficial Interests in Trusts and Other Split-Interest Agreements (Continued)**

The trusts, formulated through written legal trust documents, are separate legal entities, created under the provisions of the IRC and applicable Washington law. Each trust has a calendar year-end as required by the IRC. The charitable remainder trusts are exempt from federal income taxes, except in any year in which they receive unrelated business taxable income.

In accordance with trust documents, the trusts' property and all receipts of every kind shall be managed and invested by the trustee from which the trustee shall pay an annuity amount in each taxable year of the trusts. Any income in excess of the annuity amount shall be added to the principal annually. Initial recognition and subsequent adjustments to the assets' carrying value are reported as a change in value of split-interest agreements in the accompanying consolidated statements of activities and are classified as to restriction based on donor-imposed purposes or time restrictions, if any. A contribution receivable is presented for trusts in which the Foundation is only the remainderman. The Foundation serves as remainderman, trustee, or both on certain trusts.

**Obligations to Beneficiaries of Split-Interest Agreements**

Obligations to beneficiaries of split-interest agreements, including charitable remainder trusts and charitable gift annuities, are recorded when incurred at the present value of the distributions to be made to the donor-designated beneficiaries. Distributions are paid over the lives or another specified period. Present values are determined using discount rates established by the Internal Revenue Service (IRS) and actuarially determined expected lives. An annuity payable is presented for the trusts in which the Foundation is both the trustee and remainderman. Obligations to beneficiaries of charitable trusts are revalued annually at June 30. The net revaluations, together with any remaining recorded obligations, are recorded as net changes in the value of split-interest agreements.

**Endowments**

The Foundation's endowment consists of approximately 250 funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the board to function as endowments. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including funds designated by the board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Endowments are managed in a unitized investment pool. It is the goal of the Foundation to maintain proper stewardship of assets donors have entrusted to the Foundation for the benefit of the University, its programs, and its students.

**EASTERN WASHINGTON UNIVERSITY FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Endowments (Continued)**

The Foundation follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA) of 2006. Under UPMIFA, annual spending (payout) may be taken from investment income and net realized and unrealized investment gains. The annual dollar amount distributed to each of the accounts within the endowment pool is 4% of the three-year moving average of the endowment's market value. Payout is distributed to individual funds annually on July 1 based on the number of units in each fund. The objective of the spending rate policy is to ensure the dollar amounts distributed will keep pace with inflation. The rate is annually reviewed to reassess anticipated future rates of inflation and total return on investments. The Foundation assesses a 2% administrative fee annually.

In the rare cases when the Foundation has accepted an endowment gift that cannot be pooled for investment purposes, the principal is held and invested separately from all other Foundation investments. At times, the Foundation also temporarily holds donated assets in the nonpooled endowment until they can be liquidated and transferred to the pooled endowment fund. There were no separately held and managed individual endowment funds at June 30, 2015 and 2014.

**Earnings on the Investment of Endowment and Similar Funds**

Income, realized net gains, and unrealized net gains on the investment of endowment and similar funds are reported as follows:

As an accumulation in permanently restricted net assets in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund;

As increases in temporarily restricted net assets for the portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets until those amounts are appropriated for expenditure; and

As increases in unrestricted net assets if the fair value of assets associated with individual donor restricted endowment funds fall below the level that either the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration and when appropriated for expenditure.

**Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are those whose use by the Foundation has been restricted by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Foundation in perpetuity.

**EASTERN WASHINGTON UNIVERSITY FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Donor-Restricted Gifts**

Donor-restricted gifts are reported as either temporarily or permanently 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 as unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. Donor restricted contributions, and related investment gains and losses, whose restrictions are fulfilled in the same time period are classified as restricted and released from restriction for use.

**Income Taxes**

Under provisions of Section 501(c)(3) of the IRC, the Foundation is exempt from federal income taxes, except for net income from unrelated business activities.

Management evaluated the Foundation's tax positions and concluded that the Foundation had taken no uncertain tax positions that require adjustments to the consolidated financial statements to comply with the provisions of this guidance.

**Fair Value Measurements and Disclosures**

Financial Accounting Standards Board *Accounting Standards Codification* 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

*Level 1:* Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

*Level 2:* Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3:* Inputs to the valuation methodology are unobservable and significant to the fair market value measurement.

**EASTERN WASHINGTON UNIVERSITY FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value Measurements and Disclosures (Continued)**

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the valuation methodologies used at June 30, 2015 and 2014.

**Reclassifications**

Certain items in the 2014 consolidated financial statements have been reclassified to confirm with the presentation used in the 2015 consolidated financial statements with no effect on the previously reported changes in net assets.

**Subsequent Events**

Subsequent events have been reviewed through October 13, 2015, which is the date the consolidated financial statements were available to be issued.

**NOTE 2 PROMISES TO GIVE**

Unconditional promises to give, net of allowance for uncollectible accounts, were as follows at June 30:

	2015	2014
Receivable in Less than One Year	\$ 205,017	\$ 399,967
Receivable in One to Five Years	194,420	384,095
Total	399,437	784,062
Less: Allowance for Uncollectible Promises to Give	17,727	30,428
Less: Discount on Promises to Give	154	586
Total	<u>\$ 381,556</u>	<u>\$ 753,048</u>

**NOTE 3 INVESTMENTS**

Investments consisted of the following at June 30:

	2015	2014
Fixed Income Mutual Funds	\$ 6,188,453	\$ 5,010,946
Equity Securities	162,312	156,522
Equity Mutual Funds	12,035,613	12,638,483
Short-Term Money Market Investments	264,854	220,876
Total	<u>\$ 18,651,232</u>	<u>\$ 18,026,827</u>



**EASTERN WASHINGTON UNIVERSITY FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 3 INVESTMENTS (CONTINUED)**

Investments are reported in the consolidated statements of financial position at June 30:

	2015	2014
Restricted for Endowments	\$ 18,451,993	\$ 17,819,811
Held in Charitable Trusts	199,239	207,016
Total	<u>\$ 18,651,232</u>	<u>\$ 18,026,827</u>

As a result of previous general market declines, endowments of colleges, universities, and other nonprofit organizations experienced negative investment returns and overall reductions in the value of their investment portfolios. This year the market continued its recovery. Because these portfolios are directly linked to the endowment funds, many endowed gifts that did have a market value that was below the “historic dollar value” (typically the fair market value at the time of the gift) creating what is referred to as an “underwater endowment” have now moved into a market value that is above the “historic dollar value” creating what is referred to as an “abovewater endowment.”

The current economic environment has contributed to the increase in the number of endowment funds and total dollar amounts by which the funds are abovewater. As of June 30, 2015, there were 19 underwater endowment funds with a market value of \$41,126 less than the historic dollar values. This was an increase compared to June 30, 2014, when there were 15 underwater endowment funds with a market value of \$40,852 less than the historic dollar values. Contextually of the 19 underwater endowment funds, 5 funds allowed distributions while underwater per donor agreement hence will likely remain underwater for an extended period of time and 17 are underwater by less than \$6,000.

**NOTE 4 ENDOWMENT INVESTMENT SECURITIES**

The Foundation’s endowment consists of approximately 250 individual funds established for a variety of purposes. The Foundation includes both donor-restricted endowment funds and funds designated by the board of directors to function as endowments (quasi-endowments). As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

*Interpretation of relevant law – Washington Uniform Prudent Management of Institutional Funds Act (UPMIFA):*

The board of directors of the Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

**EASTERN WASHINGTON UNIVERSITY FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 4    ENDOWMENT INVESTMENT SECURITIES (CONTINUED)**

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that either the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were \$41,126 and \$40,852 at June 30, 2015 and 2014, respectively, and appreciations of value reported in temporarily restricted net assets under UPMIFA were \$3,145,347 and \$3,420,582 at June 30, 2015 and 2014, respectively.

The deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that were deemed prudent by the Foundation. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets.

**Return Objectives and Risk Parameters**

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for donor-specified periods as well as board-designated funds. Under this policy, as approved by the investment committee of the Foundation, the endowment assets are invested in a manner that is intended to produce a relatively predictable and stable payout stream each year and maintain purchasing power of the assets over the investment horizon. The Foundation expects its endowment funds, over time, to provide an average real rate of return of approximately 6% annually. Actual returns in any given year may vary from this amount.

**EASTERN WASHINGTON UNIVERSITY FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 4 ENDOWMENT INVESTMENT SECURITIES (CONTINUED)**

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total-return strategy in which investment returns are achieved through both capital appreciation/depreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

**Spending Policy and how the Investment Objectives Relate to Spending Policy**

The Foundation's spending policy allows for the endowment funds to distribute 6% per year (4% for individual accounts and 2% for the management fee) computed quarterly based on the average market value 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.

In establishing this policy, the Foundation considered the long-term expected return on its endowment. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

The Foundation plans to utilize its current spending policy for fiscal year 2015.

Endowment net assets consisted of the following at June 30:

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-Restricted Endowment Funds	\$ (41,094)	\$ 3,145,347	\$ 14,829,228	\$ 17,933,481
Board-Designated Endowment Funds	69,921	-	-	69,921
Endowment Net Assets	<u>\$ 28,827</u>	<u>\$ 3,145,347</u>	<u>\$ 14,829,228</u>	<u>\$ 18,003,402</u>
	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	\$ (40,536)	\$ 3,420,582	\$ 14,207,643	\$ 17,587,689
Board-Designated Endowment Funds	70,983	-	-	70,983
Endowment Net Assets	<u>\$ 30,447</u>	<u>\$ 3,420,582</u>	<u>\$ 14,207,643</u>	<u>\$ 17,658,672</u>

Endowment net assets are comprised of cash and cash equivalents, investments, accrued investment income, an interfund receivable, and a noncash gift included in the collections of art in the statements of financial position.

**EASTERN WASHINGTON UNIVERSITY FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 4 ENDOWMENT INVESTMENT SECURITIES (CONTINUED)**

Changes in endowment net assets were as follows for the years ended June 30:

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Net Assets - Beginning of Year	\$ 30,447	\$ 3,420,582	\$ 14,207,643	\$ 17,658,672
Contributions Received	-	-	381,694	381,694
Investment Return	(1,620)	313,655	-	312,035
Distributions to/for EWU	-	(588,890)	-	(588,890)
Reclassifications Made at the Request of the Donor	-	-	239,891	239,891
Endowment Net Assets	<u>\$ 28,827</u>	<u>\$ 3,145,347</u>	<u>\$ 14,829,228</u>	<u>\$ 18,003,402</u>
	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Assets - Beginning of Year	\$ (236,775)	\$ 1,870,617	\$ 13,431,969	\$ 15,065,811
Contributions Received	-	-	727,189	727,189
Investment Return	266,552	2,059,865	-	2,326,417
Distributions to/for EWU	670	(509,900)	-	(509,230)
Reclassifications Made at the Request of the Donor	-	-	48,485	48,485
Endowment Net Assets	<u>\$ 30,447</u>	<u>\$ 3,420,582</u>	<u>\$ 14,207,643</u>	<u>\$ 17,658,672</u>

**NOTE 5 FAIR VALUE MEASUREMENTS**

The Foundation uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Foundation values all other assets and liabilities refer to Note 1 – Summary of Significant Accounting Policies.

Financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the fair value of assets and their placement within the fair value hierarchy levels.

Investments are stated at fair value, which is determined by using market quotations and other information available at the valuation date.

Beneficial interest in perpetual trusts and contributions receivable from charitable trusts are stated at fair value, which is determined by using market quotations of the underlying investments at the valuation date.

**EASTERN WASHINGTON UNIVERSITY FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)**

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables disclose by level, within the fair value hierarchy, the Foundation's assets measured at fair value on a recurring basis at June 30:

	2015			
	Level 1	Level 2	Level 3	Total
Short-Term Money				
Market Investments	\$ 264,854	\$ -	\$ -	\$ 264,854
Equity Securities	162,312	-	-	162,312
Equity Mutual Funds	12,035,613	-	-	12,035,613
Fixed Income Mutual Funds	6,188,453	-	-	6,188,453
Contributions Receivable from Charitable Trusts	-	-	369,078	369,078
Beneficial Interest in Perpetual Trusts	-	-	2,427,771	2,427,771
Total	<u>\$ 18,651,232</u>	<u>\$ -</u>	<u>\$ 2,796,849</u>	<u>\$ 21,448,081</u>
	2014			
	Level 1	Level 2	Level 3	Total
Short-Term Money				
Market Investments	\$ 220,876	\$ -	\$ -	\$ 220,876
Equity Securities	156,522	-	-	156,522
Equity Mutual Funds	12,638,483	-	-	12,638,483
Fixed Income Mutual Funds	5,010,946	-	-	5,010,946
Contributions Receivable from Charitable Trusts	-	-	377,810	377,810
Beneficial Interest in Perpetual Trusts	-	-	2,505,199	2,505,199
Total	<u>\$ 18,026,827</u>	<u>\$ -</u>	<u>\$ 2,883,009</u>	<u>\$ 20,909,836</u>

**EASTERN WASHINGTON UNIVERSITY FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)**

The following tables set forth a summary of changes in the fair value of beneficial interest in perpetual trusts and contributions receivable from charitable trusts, the Foundation's Level 3 assets at June 30:

	2015		
	Contributions Receivable from Charitable Trusts	Beneficial Interest in Perpetual Trusts	Total
Balance - Beginning of Year	\$ 377,810	\$ 2,505,199	\$ 2,883,009
Change in Value of Split-Interest Agreements	(8,732)	(77,428)	(86,160)
Balance - End of Year	\$ 369,078	\$ 2,427,771	\$ 2,796,849
	2014		
	Contributions Receivable from Charitable Trusts	Beneficial Interest in Perpetual Trusts	Total
Balance - Beginning of Year	\$ 340,466	\$ 2,331,436	\$ 2,671,902
Change in Value of Split-Interest Agreements	37,344	173,763	211,107
Balance - End of Year	\$ 377,810	\$ 2,505,199	\$ 2,883,009

**NOTE 6 ANNUITIES PAYABLE**

Annuities payable consisted of the following at June 30:

	2015	2014
Annuity Payable at \$1,000 Per Month for the Longer of the Donor's or His/Her Spouse's Life	\$ -	\$ 5,941
Annuity Payable in Quarterly Installments of 6% of the Fair Market Value of Donated Assets for the Life of the Donor	52,075	55,626
Annuity Payable in Quarterly Installments of 6% of the Fair Market Value of Donated Assets for the Life of the Donor	60,349	64,067
Total	\$ 112,424	\$ 125,634

**EASTERN WASHINGTON UNIVERSITY FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 7 SUPPORT PROVIDED BY THE 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 \$1,030,416 and \$997,383 has been recorded in the consolidated financial statements of the Foundation for the fiscal years ended June 30, 2015 and 2014, respectively.

**NOTE 8 CAPITAL ASSETS**

The Foundation's capital assets included in other assets in the consolidated statements of financial position were as follows at June 30:

	2015	2014
Land	\$ 35,250	\$ 35,250
Building	199,750	199,750
Furniture and Equipment	86,888	86,888
Collections of Works of Art	184,942	196,942
Total	506,830	518,830
Less: Accumulated Depreciation for Building and Furniture and Equipment	143,948	135,554
Total	\$ 362,882	\$ 383,276

**EASTERN WASHINGTON UNIVERSITY FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 9 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS**

Temporarily restricted net assets are restricted for the following purposes at June 30:

	<u>2015</u>	<u>2014</u>
Support Provided to/for the University	\$ 6,350,579	\$ 6,457,407
Eagle Athletic Association	-	(109,438)
Eastern Washington University Alumni Association	114,013	103,553
For Periods After June 30, 2015 and 2014, Respectively	<u>71,368</u>	<u>207,765</u>
Total	<u>\$ 6,535,960</u>	<u>\$ 6,659,287</u>

Permanently restricted net assets are restricted for the following purposes at June 30:

	<u>2015</u>	<u>2014</u>
Endowment Net Assets	\$ 14,829,228	\$ 14,207,643
Endowment Pledges Receivable	163,526	244,500
Endowment Works of Art	-	12,000
Charitable Trusts Which the Final Distributions are to be Held in Perpetuity for Support Provided to/for the University	455,893	465,132
Beneficial Interest in Perpetual Trusts	<u>2,427,771</u>	<u>2,505,198</u>
Total	<u>\$ 17,876,418</u>	<u>\$ 17,434,473</u>

**NOTE 10 NET ASSETS RELEASED FROM RESTRICTIONS AND OTHER TRANSFERS**

During the years ended June 30, 2015 and 2014, the Foundation incurred various expenses in satisfaction of the restricted purposes specified by donors, or satisfied the restrictions by the occurrence of other events. Accordingly, during the years ended June 30, 2015 and 2014, corresponding net asset reclassifications have been recorded in the accompanying consolidated statements of activities, together with other transfers as described in the following tables:

	<u>2015</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Support Provided to/for the University	\$ 3,370,733	\$(3,358,513)	\$ (12,220)
Reclassifications Made Based on UPMIFA	(147,338)	(9,917)	157,255
Reclassification Made at the Request of Donors	(474)	(66,214)	66,688
Endowment Management Fees	336,642	(336,642)	-
Endowment Net Assets	<u>\$ 3,559,563</u>	<u>\$ (3,771,286)</u>	<u>\$ 211,723</u>



**EASTERN WASHINGTON UNIVERSITY FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 11 NET ASSETS RELEASED FROM RESTRICTIONS AND OTHER TRANSFERS  
(CONTINUED)**

	2014		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Support Provided to/for the University	\$ 2,776,460	\$(2,776,460)	\$ -
Reclassifications Made Based on UPMIFA	333,723	(333,723)	-
Reclassification Made at the Request of Donors	(80,424)	(63,773)	144,197
Endowment Management Fees	325,024	(319,853)	(5,171)
Endowment Net Assets	<u>\$ 3,354,783</u>	<u>\$(3,493,809)</u>	<u>\$ 139,026</u>

Net assets were released from donor restrictions each year by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors such as funds designated for professorships and graduate fellowships.

**NOTE 12 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 June 2015, the Foundation's board of directors authorized the extension of the loan from the original eight years to the new end term of 12 years. At the request of the University, the loan extension provides the Foundation the ability to increase supporting EWU (see Note 13 Commitments). 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, 2015 and 2014, the interfund loan amount was \$1,341,168 and \$1,469,598, 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. Loan fees of \$7,500 were paid. As of June 30, 2015 and 2014, there was no outstanding commitment on the line of credit.

**EASTERN WASHINGTON UNIVERSITY FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 13 COMMITMENTS**

On June 30, 2012, the Foundation entered into an agreement with KP Sports and Entertainment. KP Sports and Entertainment will represent the Foundation 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). This agreement shall be effective as of July 1, 2012, through the end of the athletic season of 2017-18. KP Sports and Entertainment will receive 25% credit of the total gross revenue sold until the expiration of the sponsorship contract, and they have guaranteed minimum net revenues to the Foundation ranging from \$155,000 to \$172,500 over the term of the contract. The Foundation will provide the University with an annual guaranteed payment of \$120,000 from the Foundation's 75% of the sponsorship revenue share each year.

**NOTE 14 EAGLE ATHLETIC ASSOCIATION**

On November 23, 2013, a meeting of the members of the Eagle Athletic Association voted to approve the dissolution of the Association effective June 30, 2014. Furthermore, the Foundation Board voted on June 17, 2014 that effective June 30, 2014 the Foundation would add an additional committee titled the Eagle Athletic Fund (EAF) Committee. The EAF Committee shall assist the Foundation and the EWU Athletic Department by serving as an advisory committee for both the Foundation and the EWU Athletic Department. The EAF Committee will furthermore support the Foundation by helping raise financial support, awareness and engagement for Student-Athlete Scholarships and the overall Athletic Department needs of Eastern Washington University. As of July 1, 2014 Eagle Athletic Association operations ceased and began operating under the Foundation.