

WESTERN WASHINGTON UNIVERSITY FOUNDATION

Financial Statements

For the Years Ended June 30, 2022 and 2021

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Independent Auditor's Report

**To the Board of Directors
Western Washington University Foundation
Bellingham, Washington**

Opinion

We have audited the accompanying financial statements of the Western Washington University Foundation (the Foundation), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.



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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Clark Nuber P.S.

Certified Public Accountants
October 24, 2022

WESTERN WASHINGTON UNIVERSITY FOUNDATION

Statements of Financial Position

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents	\$ 2,444,932	\$ 1,197,289
Unconditional promises to give, net	8,729,785	11,709,748
Accounts receivable and other assets	11,505	125,779
Investments-		
Operating investment pool	20,383,852	19,135,521
Endowment investment pool	106,200,113	120,473,748
Endowment real estate held for investment	3,632,900	3,579,610
Annuity and life income investments	611,299	746,672
Real property	<u>1,425,557</u>	<u>1,425,557</u>
Total investments	132,253,721	145,361,108
Property and equipment, net	<u>438,656</u>	<u>451,904</u>
Total Assets	<u>\$ 143,878,599</u>	<u>\$ 158,845,828</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 151,767	\$ 114,502
Due to Western Washington University	1,144,818	1,478,770
Commitment to Western Washington University	1,500,000	
Annuity and life income obligations	301,230	314,075
Deferred revenue from life estate	165,880	180,960
Investments held in trust for Western Washington University	<u>13,509,778</u>	<u>15,958,562</u>
Total Liabilities	16,773,473	18,046,869
Net Assets:		
Without donor restrictions	26,342,032	32,602,813
With donor restrictions	<u>100,763,094</u>	<u>108,196,146</u>
Total Net Assets	<u>127,105,126</u>	<u>140,798,959</u>
Total Liabilities and Net Assets	<u>\$ 143,878,599</u>	<u>\$ 158,845,828</u>

See accompanying notes.

WESTERN WASHINGTON UNIVERSITY FOUNDATION

**Statement of Activities
For the Year Ended June 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	2022 Total
Support and Revenue:			
Contributions	\$ 328,130	\$ 10,075,114	\$ 10,403,244
In-kind services and facilities provided by Western Washington University	3,605,204		3,605,204
In-kind contributions - other	336,417		336,417
Interest and dividends	25,102	95,669	120,771
Net realized and unrealized losses on investments	(5,628,019)	(9,392,483)	(15,020,502)
Return on annuity and life income investments		(81,803)	(81,803)
Change in valuation of annuity and life income obligations		(35,303)	(35,303)
Administrative fees	1,600,690		1,600,690
Fundraising events and other	100,652	428,709	529,361
Total support and revenue before net assets released from restrictions	368,176	1,089,903	1,458,079
Net assets released from restrictions	8,522,955	(8,522,955)	
Total Support and Revenue	8,891,131	(7,433,052)	1,458,079
Expenses:			
Program services and grants	10,415,199		10,415,199
Management and general in-kind	1,812,648		1,812,648
Management and general - other	340,575		340,575
Fundraising in-kind	1,792,556		1,792,556
Fundraising - other	790,934		790,934
Total Expenses	15,151,912		15,151,912
Change in Net Assets	(6,260,781)	(7,433,052)	(13,693,833)
Net assets, beginning of year	32,602,813	108,196,146	140,798,959
Net Assets, End of Year	\$ 26,342,032	\$ 100,763,094	\$ 127,105,126

See accompanying notes.

WESTERN WASHINGTON UNIVERSITY FOUNDATION

**Statement of Activities
For the Year Ended June 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	2021 Total
Support and Revenue:			
Contributions	\$ 408,951	\$ 7,086,577	\$ 7,495,528
In-kind services and facilities provided by Western Washington University	3,448,275		3,448,275
In-kind contributions - other	62,034		62,034
Interest and dividends	16,996	76,020	93,016
Net realized and unrealized gains on investments	7,221,717	17,517,315	24,739,032
Return on annuity and life income investments		229,994	229,994
Change in valuation of annuity and life income obligations		155,220	155,220
Administrative fees	1,593,275		1,593,275
Fundraising events and other	86,930	183,314	270,244
Total support and revenue before net assets released from restrictions	12,838,178	25,248,440	38,086,618
Net assets released from restrictions	7,185,148	(7,185,148)	
Total Support and Revenue	20,023,326	18,063,292	38,086,618
Expenses:			
Program services and grants	7,555,815		7,555,815
Management and general in-kind	1,737,322		1,737,322
Management and general - other	337,145		337,145
Fundraising in-kind	1,710,953		1,710,953
Fundraising - other	929,124		929,124
Total Expenses	12,270,359		12,270,359
Change in Net Assets	7,752,967	18,063,292	25,816,259
Net assets, beginning of year	24,849,846	90,132,854	114,982,700
Net Assets, End of Year	\$ 32,602,813	\$ 108,196,146	\$ 140,798,959

See accompanying notes.

WESTERN WASHINGTON UNIVERSITY FOUNDATION

**Statements of Functional Expenses
For the Years Ended June 30, 2022 and 2021**

	Program Services and Grants	Management and General		Fundraising		2022 Total
		University In-Kind	Foundation	University In-Kind	Foundation	
Grants to the University:						
Grants and awards - in-kind	\$ 336,417	\$ -	\$ -	\$ -	\$ -	\$ 336,417
Grants - commitment	1,500,000					1,500,000
Grants and scholarships - cash	4,520,608					4,520,608
Subtotal grants to the University	6,357,025					6,357,025
Salaries and benefits	1,099,799	1,586,412	121	1,718,612	427,428	4,832,372
Travel, receptions and meetings	494,203		45,609		96,796	636,608
Communications and advertising	172,387	11,852	17,143	18,539	3,282	223,203
Dues, memberships, education and training	94,572		42,858		19,170	156,600
Equipment	173,859		735			174,594
Goods and supplies	214,305	86,634	10,676		8,865	320,480
Printing and postage	43,270	19,419	322		5,319	68,330
Professional services	105,753		126,334		200,475	432,562
Rentals and leases	85,753	30,236	52,947	34,785	1,229	204,950
Administrative expenses	1,300,238		1,200			1,301,438
Other	274,035	78,095	42,630	20,620	28,370	443,750
Total Functional Expenses	\$ 10,415,199	\$ 1,812,648	\$ 340,575	\$ 1,792,556	\$ 790,934	\$ 15,151,912
	Program Services and Grants	Management and General		Fundraising		2021 Total
		University In-Kind	Foundation	University In-Kind	Foundation	
Grants to the University:						
Grants and awards - in-kind	\$ 62,034	\$ -	\$ -	\$ -	\$ -	\$ 62,034
Grants and scholarships - cash	3,914,155					3,914,155
Subtotal grants to the University	3,976,189					3,976,189
Salaries and benefits	801,775	1,511,086	320	1,637,009	424,890	4,375,080
Travel, receptions and meetings	48,459		26,324		4,279	79,062
Communications and advertising	161,943	11,852	18,023	18,539	852	211,209
Dues, memberships, education and training	56,968		20,714		18,812	96,494
Equipment	631,238					631,238
Goods and supplies	132,761	86,634	1,458		11,577	232,430
Printing and postage	20,368	19,419	55,887		36,049	131,723
Professional services	144,431		108,741		408,403	661,575
Rentals and leases	48,377	30,236	47,383	34,785	10,849	171,630
Administrative expenses	1,391,410		2,476			1,393,886
Other	141,896	78,095	55,819	20,620	13,413	309,843
Total Functional Expenses	\$ 7,555,815	\$ 1,737,322	\$ 337,145	\$ 1,710,953	\$ 929,124	\$ 12,270,359

See accompanying notes.

WESTERN WASHINGTON UNIVERSITY FOUNDATION

**Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ (13,693,833)	\$ 25,816,259
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Realized and unrealized loss (gain) on investments	15,020,502	(24,739,032)
Loss (gain) on annuity and life income investments	81,803	(229,994)
Change in valuation of annuity and life income obligations	35,303	(155,220)
Loss on disposal of property and equipment		5,679
Depreciation	13,248	68,021
Proceeds from contributions restricted for endowment	(2,230,608)	(2,143,072)
Changes in assets and liabilities:		
Unconditional promises to give, net	2,979,963	1,617,660
Accounts receivable and other assets	114,274	159,483
Accounts payable and accrued expenses	37,265	(50,610)
Due to Western Washington University	(333,952)	1,019,143
Commitment to Western Washington University	1,500,000	
Deferred revenue from life estate	(15,080)	(95,117)
Net Cash Provided by Operating Activities	3,508,885	1,273,200
Cash Flows From Investing Activities:		
Purchases of investments	(5,613,334)	(55,605,974)
Proceeds from the sale of investments	1,169,632	51,727,132
Net Cash Used in Investing Activities	(4,443,702)	(3,878,842)
Cash Flows From Financing Activities:		
Proceeds from contributions restricted for endowment	2,230,608	2,143,072
Payments to annuitants	(48,148)	(52,557)
Net Cash Provided by Financing Activities	2,182,460	2,090,515
Net Change in Cash and Cash Equivalents	1,247,643	(515,127)
Cash and cash equivalents, beginning of year	1,197,289	1,712,416
Cash and Cash Equivalents, End of Year	\$ 2,444,932	\$ 1,197,289

See accompanying notes.

WESTERN WASHINGTON UNIVERSITY FOUNDATION

Notes to Financial Statements For the Years Ended June 30, 2022 and 2021

Note 1 - Nature of Operations and Significant Accounting Policies

Western Washington University Foundation (the Foundation) is a Washington nonprofit corporation established in 1966 to promote, aid, and assist the educational and instructional programs and services of Western Washington University (the University). Operations consist primarily of solicitation of contributions, investment and management of donated assets.

Basis of Presentation - The Foundation's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

The Foundation classifies net assets, revenues, gains and losses based on the existence or absence of donor-imposed restrictions. Net assets are classified as without donor restrictions and with donor restrictions.

Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions. The Foundation's Board of Directors has designated certain net assets without donor restrictions to operate as a quasi-endowment (Note 9).

With Donor Restrictions - Net assets subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or the passage of time. In addition, support received in the form of endowment or sustaining funds which can never be spent; however, the earnings of such funds are available for expenditure in accordance with the existence or absence of donor-imposed restrictions (Note 9).

Revenues are reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions, unless their uses are restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Revenue Recognition and Unconditional Promises to Give - Contributions received, including unconditional promises to give, are recognized as revenue at their fair value in the period received. Contributions to be received over more than one year are stated at net realizable value using risk-adjusted interest rates applicable to the years in which the promises were received. Amortization of the discount is reported as contribution revenue. An estimated allowance for uncollectible promises to give is recorded based upon historical payment trends. Contributions are available for general use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions upon which they depend are substantially met. Consequently, at June 30, 2022 and 2021, conditional contributions of \$2,000,000, of which no amounts had been received in advance, have not been recognized in the accompanying financial statements.

Cash and Cash Equivalents - For purposes of reporting cash flows, the Foundation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents, except cash held in its investment portfolio. The Foundation also holds a portion of the University's pooled cash fund. This cash pool is invested in demand deposits and certificates of deposit. Investment income and expense are allocated to pool participants in proportion to the average balances in the pool. The Foundation's position in the cash pool was (\$1,144,818) and (\$1,478,770) at June 30, 2022 and 2021, respectively, and is reflected on the statements of financial position as amounts due to Western Washington University.

WESTERN WASHINGTON UNIVERSITY FOUNDATION

Notes to Financial Statements For the Years Ended June 30, 2022 and 2021

Note 1 - Continued

Accounts Receivable - Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the receivable. As of June 30, 2022 and 2021, accounts receivable, included in accounts receivable and other assets in the statements of financial position, totaled \$1,005 and \$125,779, respectively. An allowance against accounts receivable was not deemed necessary by management as of June 30, 2022 and 2021.

Investments - Investments are reported at fair value. Realized and unrealized gains and losses are reported in the statements of activities and are recognized in the period in which they occur. Investments are held in pooled funds as follows:

Operating Investment Pool - The Foundation segregates and invests certain funds into an operating investment pool in order to further reduce the risk of volatility of these amounts. The pool is invested primarily in fixed income securities, but may also include some equity investments as a way to incrementally increase the returns of the pool.

Endowment Investment Pool - Certain investments are pooled in the Foundation endowment investment pool. Externally managed funds are invested primarily with Russell. Pooled investments include a mix of fixed income securities and domestic and international equity securities. Pooled investments may at times also include alternative investments, which are used to diversify the pool and manage investment risk. The Foundation's asset allocation is designed to provide a stream of earnings to meet annual cash requirements in an environment of inflation and market fluctuation.

Endowment Real Estate Held for Investment - Real estate consists of income producing property located in Napa County, California. The property is recorded at fair value on the date of donation based on professional appraisal and is adjusted to fair value annually based on professional appraisals or market assessments.

Annuity and Life Income Investments - All annuity and life income funds are invested with KeyBank. As the Foundation's agent, KeyBank is responsible for the investment and administration of these funds (Note 4). Assets are invested in individual and grouped accounts as needed to match investment objectives to annuitant requirements. Each account consists of equity securities and various fixed income securities.

Real Property - Real property consists of several parcels of real estate gifted to the Foundation that are currently occupied. The properties are recorded at fair value based on assessed values and are evaluated annually for adjustment as deemed appropriate.

Investment securities, in general, are exposed to various risks, such as interest rate, market, and credit risk. It is reasonably possible given the level of risk associated with the investment securities that changes in the near term could materially affect the Foundation's account balances and the amounts reported in the financial statements.

Property and Equipment - Property and equipment that are purchased are recorded at original cost. Donated property and equipment are recorded at fair value on the date of receipt. The Foundation capitalizes individual assets with a cost or value of over \$5,000 and an estimated useful life of over one year. Depreciation is computed using the straight-line method over the estimated useful lives of the assets of 3 to 40 years.

WESTERN WASHINGTON UNIVERSITY FOUNDATION

Notes to Financial Statements For the Years Ended June 30, 2022 and 2021

Note 1 - Continued

Functional Allocation of Expense - The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of the Foundation. Those expenses include salaries and benefits, facilities, and other office related expenses which are allocated based on a percentage of estimated time and effort.

In-Kind Contributions - In-kind contributions are recorded at their estimated fair value at the date of donation. Donated services are recognized as contributions if the services received (1) create or enhance nonfinancial assets or (2) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated.

Essentially all of the Foundation's office facilities, furniture and equipment, and a significant number of full-time employees and support services, including depository, disbursing, payroll, and purchasing functions, are provided by the University at no cost. The value of these contributed goods and services is reported as in-kind support and expense in the statements of activities. Although the Foundation expects to receive continued support from the University, the University has not made an unconditional promise to provide the use of its facilities and personnel in the future. Accordingly, the Foundation has not recorded a promise to give for goods and services that may be received from the University in the future.

The Foundation received the following in-kind contributions from the University for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Salaries, payroll taxes and benefits	\$ 3,305,024	\$ 3,148,095
Supplies, services and other	235,159	235,159
Facilities and utilities	<u>65,021</u>	<u>65,021</u>
Total Services and Facilities Provided by the University	<u>\$ 3,605,204</u>	<u>\$ 3,448,275</u>

In valuing the salaries, payroll taxes, and benefits contributed, the Foundation estimated the fair value based on current salary, payroll taxes, and benefits provided by the University through March 2022.

In valuing the supplies, services, and other contributed goods and services, the Foundation estimated the fair value based on actual costs incurred for those contributed goods and services.

In valuing the facilities and utilities contributed, the Foundation estimated the fair value based on values provided by the University, using estimates of square footage assigned to the unit.

In-kind contributions received from other donors, consisting primarily of supplies, are reported as in-kind contributions - other on the statements of activities. In-kind contributions from other donors totaled \$336,417 and \$62,034, for the years ended June 30, 2022 and 2021, respectively. The value of the donated supplies is defined by the donor and evaluated for fair value by the Foundation. All in-kind contributions received from other donors are contributed to the University and included in the grants to the University on the statements of functional expenses.

No in-kind contributions are monetized.

WESTERN WASHINGTON UNIVERSITY FOUNDATION

Notes to Financial Statements For the Years Ended June 30, 2022 and 2021

Note 1 - Continued

Concentrations - The Foundation maintains its cash and investments in accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts.

As of June 30, 2022 and 2021, 63% and 78%, respectively, of pledges receivable are from two donors. There were no significant contribution revenue concentrations for the year ended June 30, 2022 and 2021. Management is aware of the related vulnerability but does not anticipate any losses in connection with these concentrations.

As of June 30, 2022, and 2021, 91% and 98% of in-kind contributions were from one donor, the University. Management is aware of the related vulnerability but does not anticipate any losses in connection with these concentrations.

Federal Income Taxes - The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and is classified as an organization that is not a private foundation. Unrelated business income tax, if any, is insignificant and no tax provision has been made in the accompanying financial statements.

Use of Estimates - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Accordingly, actual results could differ from those estimates.

Reclassifications - Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation of the current year financial statements. The reclassification had no effect on the previously reported change in net assets or net asset balances.

Subsequent Events - The Foundation has evaluated subsequent events through October 24, 2022, the date on which the financial statements were available to be issued.

Note 2 - Unconditional Promises to Give

Unconditional promises to give consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Due in less than one year	\$ 5,884,834	\$ 5,290,705
Due in two to five years	1,770,715	5,390,403
Due in more than five years	<u>2,738,066</u>	<u>2,759,780</u>
Total unconditional promises to give	10,393,615	13,440,888
Less discounts to net present value (0.34% - 3.91%)	(1,352,020)	(1,327,920)
Less allowance for doubtful accounts	<u>(311,810)</u>	<u>(403,220)</u>
Unconditional Promises to Give, Net	<u>\$ 8,729,785</u>	<u>\$ 11,709,748</u>

WESTERN WASHINGTON UNIVERSITY FOUNDATION

Notes to Financial Statements For the Years Ended June 30, 2022 and 2021

Note 3 - Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Real property	\$ 561,201	\$ 561,200
Less accumulated depreciation	<u>(122,545)</u>	<u>(109,296)</u>
Property and Equipment, Net	<u>\$ 438,656</u>	<u>\$ 451,904</u>

Depreciation expense totaled \$13,248 and \$68,021 for the years ended June 30, 2022 and 2021, respectively.

Note 4 - Annuity and Life Income Investments and Obligations

Charitable Remainder Trusts - The Foundation is trustee for Charitable Remainder Annuity Trusts (the Unitrusts) whereby the donors contribute assets in exchange for distributions to the donors or other income beneficiaries over a specified lifetime. At the end of the specified lifetimes, the remaining assets will be distributed to the Foundation for use according to the donors' wishes. The assets received were recorded at fair value on the dates the Unitrusts were funded and a liability equal to the present value of the future distributions was recorded in the statements of financial position. The difference between the fair value of the assets received and the liability to the donors or other income beneficiary was recognized as contribution revenue in the statements of activities in the years the Unitrusts were funded.

The Foundation did not receive any new trusts during the years ended June 30, 2022 and 2021. Trusts with net values totaling \$0 and \$1,430,989 matured during the years ended June 30, 2022 and 2021, respectively, and became available for use by the Foundation.

Charitable Gift Annuities - The Foundation administers charitable gift annuities (CGAs) for which it is obligated to make periodic distributions to designated beneficiaries. The assets received were recorded at fair value on the date received and a liability equal to the present value of the future distributions was recorded in the statements of financial position. The difference between the fair value of the assets received and the annuity liability was recognized as contribution revenue in the statements of activities in the years received. Upon the death of the beneficiaries, the related periodic payments cease and the related remaining funds either become available for use by the Foundation or will be added to the Foundation's endowment. The Foundation maintains assets equal to the sum of reserves on outstanding agreements and a surplus of 10% of such reserves, in accordance with Washington State law. The present value of the payments due to the beneficiaries, plus the 10% reserve, totaled \$200,271 and \$212,550 as of June 30, 2022 and 2021, respectively.

The Foundation did not administer any new CGA's during the years ended June 30, 2022 and 2021. CGAs with net values totaling \$0 and \$4,187 matured during the years ended June 30, 2022 and 2021, respectively, and became available for use by the Foundation.

WESTERN WASHINGTON UNIVERSITY FOUNDATION

Notes to Financial Statements For the Years Ended June 30, 2022 and 2021

Note 4 - Continued

In accordance with U.S. GAAP, the present value of the periodic payments for both the Unitrusts and CGAs is determined at year end based on IRS mortality tables and discount rates that were applicable at the original date of the gift, which range from 4.25% to 10.09%. Investment return and changes in the estimated liability are recognized in the statements of activities.

Annuity and life income investments and obligations are as follows at June 30:

	<u>2022</u>	<u>2021</u>
Annuity and life income investments-		
Charitable remainder annuity trusts	\$ 263,201	\$ 325,863
Charitable gift annuities	<u>348,098</u>	<u>420,809</u>
Total annuity and life income investments	611,299	746,672
Annuity and life income obligations-		
Charitable remainder annuity trusts	141,268	147,258
Charitable gift annuities	<u>159,962</u>	<u>166,817</u>
Total annuity and life income obligations	<u>301,230</u>	<u>314,075</u>
Annuity and Life Income Net Assets	<u>\$ 310,069</u>	<u>\$ 432,597</u>

Note 5 - Fair Value Measurements

Fair Value Measurements - U.S. GAAP establishes a 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) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy are described as follows:

Level 1 - Unadjusted quoted prices available in active markets for identical assets or liabilities;

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or

Level 3 - Unobservable inputs that are significant to the fair value measurement.

A financial instrument's 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.

WESTERN WASHINGTON UNIVERSITY FOUNDATION

Notes to Financial Statements For the Years Ended June 30, 2022 and 2021

Note 5 - Continued

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis. There have been no changes in the methodologies used at June 30, 2022 and 2021.

Money Market Funds - Valued at cost plus accrued interest, which approximates fair value.

Commonfund and Russell Equity, Fixed Income, Alternative Strategies and Real Assets Funds - Valued at net asset value (NAV) provided by the fund managers, Commonfund and Russell Investments. The NAV is based on the fair value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of units outstanding at the valuation date. These funds are not publicly traded.

Equity and Fixed Income Mutual Funds - Valued at quoted market prices in active markets, which represent the NAV of shares held by the Foundation at year end.

Equity Securities - Valued at the closing price reported on the active market on which the securities are traded.

Real Estate and Real Property - Valued based on estimated prices from independently prepared appraisals or negotiated sales prices with potential buyers.

Private Equities - Private equities consist primarily of investments in partnerships that are valued using the NAV provided by the investment's manager. The NAV is based on the fair value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of units outstanding at the valuation date. These investments are traded on private markets that are not active.

The Foundation measures the fair value of investments that do not have readily determinable fair values on the basis of the net asset value (NAV) per share, or its equivalent, as a practical expedient for measuring fair value. NAV is determined by audited financial statements of the investments and quarterly valuation updates provided by investment managers. The NAV of an investment may be adjusted to reflect illiquidity or non-transferability of an investment. The Foundation follows ASU 2015-07, Fair Value Measurement (Topic 820): *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)*, which removed the requirement that investments for which fair value is measured using the NAV per share, or its equivalent, be categorized in the fair value hierarchy.

WESTERN WASHINGTON UNIVERSITY FOUNDATION

Notes to Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 5 - Continued

Fair values of assets measured on a recurring basis are as follows at June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Operating investment pool-				
Russell fixed income	\$ 4,066,393	\$ 16,317,459	\$ -	\$ 20,383,852
Endowment Investment Pool:				
Russell Investments-				
Large cap		12,148,395		12,148,395
International		8,731,306		8,731,306
Emerging markets		2,377,550		2,377,550
Core bonds		16,619,973		16,619,973
Sustainable multi-asset growth		59,070,712		59,070,712
Money market	4,262			4,262
Mutual funds	690,726			690,726
Equities	186,984			186,984
Emerging markets	103,972			103,972
Intermediate term	<u>682,337</u>			<u>682,337</u>
	1,668,281	98,947,936		100,616,217
Real estate held for investment			3,632,900	3,632,900
Real property			1,425,557	1,425,557
Annuity and life income funds-				
Money market funds	14,497			14,497
Equity mutual funds	318,881			318,881
Fixed income mutual funds	232,183			232,183
Real assets	19,482			19,482
Alternative strategies	<u>26,256</u>			<u>26,256</u>
	<u>611,299</u>			<u>611,299</u>
Total Investments in the Fair Value Hierarchy	<u>\$ 6,345,973</u>	<u>\$ 115,265,395</u>	<u>\$ 5,058,457</u>	126,669,825
Private equities measured using NAV as a practical expedient				<u>5,583,896</u>
Total Investments at Fair Value at June 30, 2022				<u>\$ 132,253,721</u>

WESTERN WASHINGTON UNIVERSITY FOUNDATION

Notes to Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 5 - Continued

Fair values of assets measured on a recurring basis are as follows at June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Operating investment pool-				
Russell fixed income	\$ 3,797,705	\$ 15,337,816	\$ -	\$ 19,135,521
Endowment Investment Pool:				
Russell Investments-				
Large cap		13,610,296		13,610,296
International		10,311,588		10,311,588
Emerging markets		2,676,545		2,676,545
Core bonds		18,480,226		18,480,226
Sustainable multi-asset growth		68,746,427		68,746,427
Money market	2,928			2,928
Mutual funds	156,420			156,420
Equities	1,071,988			1,071,988
Emerging markets	128,188			128,188
Intermediate term	786,699			786,699
	<u>2,146,223</u>	<u>113,825,082</u>		<u>115,971,305</u>
Real estate held for investment			3,579,610	3,579,610
Real property			1,425,557	1,425,557
Annuity and life income funds-				
Money market funds	29,706			29,706
Equity mutual funds	394,322			394,322
Fixed income mutual funds	274,413			274,413
Real assets	19,734			19,734
Alternative strategies	28,497			28,497
	<u>746,672</u>			<u>746,672</u>
Total Investments in the Fair Value Hierarchy	<u><u>\$ 6,690,600</u></u>	<u><u>\$ 129,162,898</u></u>	<u><u>\$ 5,005,167</u></u>	140,858,665
Private equities measured using NAV as a practical expedient				<u>4,502,443</u>
Total Investments at Fair Value at June 30, 2021				<u><u>\$ 145,361,108</u></u>

WESTERN WASHINGTON UNIVERSITY FOUNDATION

Notes to Financial Statements For the Years Ended June 30, 2022 and 2021

Note 5 - Continued

The following table presents information for private equities held by the Foundation for which fair value is measured using the NAV per share practical expedient and summarizes significant terms as of June 30, 2022:

<u>Asset Class</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Terms</u>	<u>Redemption Restrictions</u>
Private equities	\$ 5,583,896	\$ 1,500,125	Closed ended investments not eligible for redemption except in limited circumstances.	Not redeemable

Real Estate Held for Investment in the Endowment Pool - Real estate held for investment in the endowment pool includes a vineyard received by donation during the year ended June 30, 2005. The vineyard is subject to a long-term lease that will expire in November 2027. The Foundation values this investment based on periodic appraisals of fair value and industry standard factors for growth, and discounts the fair value for limited marketability prior to expiration of the lease.

During the year ended June 30, 2016, the Foundation received two properties as part of a life estate gift. The Foundation recognized deferred revenue totaling \$416,434 during the year ended June 30, 2016 related to the occupancy of the two homes by residents throughout the remainder of their lives. During the year ended June 30, 2021, one life estate matured and the Foundation sold the related property for a gain of approximately \$358,000. Revenue recognized during the years ended June 30, 2022 and 2021 totaled \$15,080 and \$95,117, respectively. The remaining deferred revenue balance was \$165,880 and \$180,960 at June 30, 2022 and 2021, respectively.

Note 6 - Commitments to Western Washington University

During the year ending June 30, 2021, the Foundation verbally committed to support funding for the development and construction of a new Advanced Technology Building. During the year ending June 30, 2022, the Foundation and the University signed a Memorandum of Understanding in which the Foundation committed to fund the project up to \$3 million dependent on fundraising results. The commitment is contingent upon the results of fundraising efforts by the Foundation. The range of the liability was determined to be \$0 to \$3 million during the year ended June 30, 2021. As such, a liability in the amount of \$0 related to this conditional commitment has been recorded for the year ended June 31, 2021. During the year ended June 30, 2022, the Foundation estimated the range of the liability to be \$1.5 million to \$2.5 million based on the fundraising efforts during the year ended June 30, 2022. As such, an estimated liability and grant commitment of \$1.5 million was recognized as of and for the year ended June 30, 2022.

Note 7 - Endowments Held for Others

In January 2011, the University transferred its endowment assets, which totaled approximately \$9.4 million, to the Foundation to manage and invest as agent for the University. These assets have been merged with the endowment investments of the Foundation to form a single investment pool for endowments. The University's funds are maintained separately in the financial system of the Foundation and they receive a proportional share of the investment pool's activity. As such, the University has a financial interest in the pool while not owning any of the underlying assets. Accordingly, the Foundation has recorded a liability for the University's interest in the endowment pool, investments held in trust for Western Washington University, in the statements of financial position.

WESTERN WASHINGTON UNIVERSITY FOUNDATION

**Notes to Financial Statements
For the Years Ended June 30, 2022 and 2021**

Note 8 - Net Assets

Net assets consist of and are subject to donor restrictions and Board designations as follows at June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Undesignated	\$ 11,934,315	\$ -	\$ 11,934,315
Funds available for spending according to donor restrictions		32,486,685	32,486,685
Life estate, net		424,500	424,500
Annuities and life income funds		310,069	310,069
Total nonendowment funds	11,934,315	33,221,254	45,155,569
Quasi-endowment - board designated	14,407,717		14,407,717
Term endowments - donor restricted		2,886,858	2,886,858
Accumulated investment gains - donor restricted		7,193,532	7,193,532
Perpetual endowments - donor restricted		57,461,450	57,461,450
Total endowment funds	14,407,717	67,541,840	81,949,557
Total Net Assets, June 30, 2022	\$ 26,342,032	\$ 100,763,094	\$ 127,105,126

Net assets consist of and are subject to donor restrictions and Board designations as follows at June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Undesignated	\$ 15,959,057	\$ -	\$ 15,959,057
Funds available for spending according to donor restrictions		28,481,183	28,481,183
Life estate, net		409,420	409,420
Annuities and life income funds		432,597	432,597
Total nonendowment funds	15,959,057	29,323,200	45,282,257
Quasi-endowment - board designated	16,643,756		16,643,756
Term endowments - donor restricted		3,163,182	3,163,182
Accumulated investment gains - donor restricted		20,554,036	20,554,036
Perpetual endowments - donor restricted		55,155,728	55,155,728
Total endowment funds	16,643,756	78,872,946	95,516,702
Total Net Assets, June 30, 2021	\$ 32,602,813	\$ 108,196,146	\$ 140,798,959

WESTERN WASHINGTON UNIVERSITY FOUNDATION

Notes to Financial Statements For the Years Ended June 30, 2022 and 2021

Note 9 - Endowments

The Foundation's endowments consist of approximately 450 individual funds established for a variety of purposes. Endowments include both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments (i.e., quasi-endowments). As required by U.S. GAAP, 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 - The Board of Directors of the Foundation has reviewed the Washington State Prudent Management of Institutional Funds Act (PMIFA) and, having reviewed its rights and obligations thereunder, has determined that it is desirable to preserve, on a long-term basis, 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 determination, the Foundation classifies as net assets with donor restrictions the original value of gifts to the endowment, the original value of subsequent gifts to the endowment, and accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument.

The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by PMIFA.

In accordance with PMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Foundation 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 Foundation; and
- The investment policies of the Foundation.

Changes to endowment net assets are as follows for the year ended June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2021	\$ 16,643,756	\$ 78,872,946	\$ 95,516,702
Investment return, net	(2,181,718)	(9,299,939)	(11,481,657)
Contributions	374,143	2,350,932	2,725,075
Other revenue	2,199	2,199	4,398
Appropriation of endowment assets for expenditure	(430,663)	(4,384,298)	(4,814,961)
Endowment Net Assets, June 30, 2022	\$ 14,407,717	\$ 67,541,840	\$ 81,949,557

WESTERN WASHINGTON UNIVERSITY FOUNDATION

Notes to Financial Statements For the Years Ended June 30, 2022 and 2021

Note 9 - Continued

Changes to endowment net assets are as follows for the year ended June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2020	\$ 12,654,795	\$ 61,355,016	\$ 74,009,811
Investment return	3,963,385	17,591,672	21,555,057
Contributions	299,142	1,933,588	2,232,730
Other revenue		1,200	1,200
Other expenses		1,435,175	1,435,175
Appropriation of endowment assets for expenditure	<u>(273,566)</u>	<u>(3,443,705)</u>	<u>(3,717,271)</u>
Endowment Net Assets, June 30, 2021	<u>\$ 16,643,756</u>	<u>\$ 78,872,946</u>	<u>\$ 95,516,702</u>

Funds With Deficiencies - From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or the State Prudent Management of Institutional Funds Act requires the Foundation to retain as a fund of perpetual duration.

Deficiencies of this nature exist in multiple donor-restricted endowment funds, which together have an original gift value of \$22,471,349, a current fair value of \$20,160,946, and a deficiency of \$3,310,403 as of June 30, 2022. At June 30, 2021, the original gift value was \$2,435,069, the current fair value was \$1,686,042, and the deficiency was \$749,027.

These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

Return Objectives and Risk Parameters - It is the policy of the Foundation to invest its endowments in order to support the University in perpetuity and to achieve inter-generational equity in the spending of endowment earnings. The Foundation has developed investment guidelines which have been designed to allow for sufficient flexibility in the management oversight process to capture investment opportunities as they may occur, while at the same time setting forth reasonable risk control parameters to ensure prudence and care in the execution of the investment program.

The endowment investment objective is to ensure that the future growth of the fund is sufficient to offset normal inflation plus reasonable spending, thereby preserving the constant dollar value and purchasing power of the fund. This will be accomplished through a carefully planned and executed long-term investment strategy. The objective of the investment strategy is to enhance the fund's long-term viability by maximizing the value of the fund within a prudent level of risk.

Strategies Employed for Achieving Objectives - The Foundation seeks an investment return, over a full market cycle, which exceeds the amount distributed for use plus the average rate of inflation over that market cycle. The target asset allocation for endowment investments is 55% equity, 15% fixed income, 15% diversifying, and 15% real asset investments. Within these broad categories, the Foundation seeks investments that provide diversification and enhance fund returns.

WESTERN WASHINGTON UNIVERSITY FOUNDATION

Notes to Financial Statements For the Years Ended June 30, 2022 and 2021

Note 9 - Continued

Spending Policy and How the Investment Objectives Relate to the Spending Policy - The Foundation spends from endowments using a weighted formula that provides for a base level of spending and allows spending to increase over time to meet inflation. The base level is established as 4.0% of the endowment corpus and the formula factors in inflation and a three-year rolling average of the fair value of endowment assets.

Note 10 - Availability of Financial Assets and Liquidity

The Foundation endeavors to structure its financial assets to be available and liquid as its general expenditures, grant making needs, and other obligations become due and to allow for investment flexibility. The investment portfolio holds a significant portion of its investments in liquid securities classified as Level 1 and Level 2 in the fair value hierarchy (Note 5). There are other components of the Foundation's investments that may be available and liquid within one year that consist of certain portions of marketable alternative investments.

The following reflects the Foundation's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts not available include amounts set aside for long-term investing in the quasi-endowment that could be drawn upon if the governing board approves that action.

Financial assets available for general expenditure within one year of the date of the statements of financial position are as follows at June 30:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 2,444,932	\$ 1,197,289
Unconditional promises to give, net	8,729,785	11,709,748
Investments in investment pool	126,583,965	139,609,269
Accounts receivable	1,005	125,779
	<u>137,759,687</u>	<u>152,642,085</u>
Total financial assets		
Receivables scheduled to be collected in more than one year	(2,844,951)	(6,419,043)
Investments held in trust for Western Washington University	(13,509,778)	(15,958,562)
Donor restricted endowment funds	(67,541,840)	(78,872,946)
Quasi-endowment	(14,407,717)	(16,643,756)
	<u>(98,303,286)</u>	<u>(117,894,307)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u><u>\$ 39,455,401</u></u>	<u><u>\$ 34,747,778</u></u>

Note 11 - Subsequent Events

The Foundation has evaluated subsequent events through October 24, 2022, the date on which the financial statements were available to be issued. Subsequent to year end the Foundation signed a letter of intent with the Alumni Association of Western Washington University on August 15, 2022 to merge entities effective July 1, 2023. The letter of intent is contingent upon multiple matters and those matters are expected to be resolved by July 1, 2023.