

# EVERGREEN



INSPIRING  
POSSIBILITIES  
2006-07  
ANNUAL REPORT



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# EVERGREEN

The Evergreen State College  
Olympia Washington  
[www.evergreen.edu](http://www.evergreen.edu)



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## FORTY YEARS LATER, EVERGREEN IS A FORCE FOR CHANGE

This has been a year of both visionary planning and continuing achievement.

In 2007, we completed the update of our strategic plan to guide our work for the next several years. Within the broad categories of educational, supporting and financial goals, we articulated 11 strategic areas of focus. These range from enhancing our distinctive interdisciplinary curriculum in the liberal arts and sciences to improving recruitment and retention of students, faculty and staff, to strengthening underlying institutional commitments to diversity and sustainability. We also launched a campus master planning process to envision the nature and use of our campus, its natural resources and its facilities for the decades ahead.

And while we were looking ahead, we were also marking another year of continued achievement.

We were able to successfully present our case to the Legislature for both capital – to continue renovations in the Library and Campus Activities Building – and operating funds to sustain our vibrant learning community.

In academics, Evergreen once again achieved high marks in the National Survey of Student Engagement (NSSE), documenting our extraordinary work in key areas including academic challenge, active and collaborative learning, student-faculty interaction, enriching educational experiences, and a supportive campus environment.

Our Day of Absence/Day of Presence events earned national honors for excellence in the promotion of diversity. We also bolstered our position as a national leader in sustainability, weaving the essential threads of environmentalism, diversity and social justice into our curriculum, our operations and our campus life.

Forty years ago, Daniel J. Evans signed the legislation establishing The Evergreen State College. Today, our unique approach to education continues to transform lives and inspire new possibilities for our students, our communities and our world.

*We thank you for your contributions to that success.*

Thomas L. Purce  
President

## TABLE OF CONTENTS

6	EVERGREEN HIGHLIGHTS 2006-2007
18	AUDITOR'S REPORT
19	MANAGEMENT'S DISCUSSION AND ANALYSIS
23	COLLEGE FINANCIAL STATEMENTS
27	FOUNDATION FINANCIAL STATEMENTS
30	NOTES TO THE FINANCIAL STATEMENTS



# A YEAR IN REVIEW

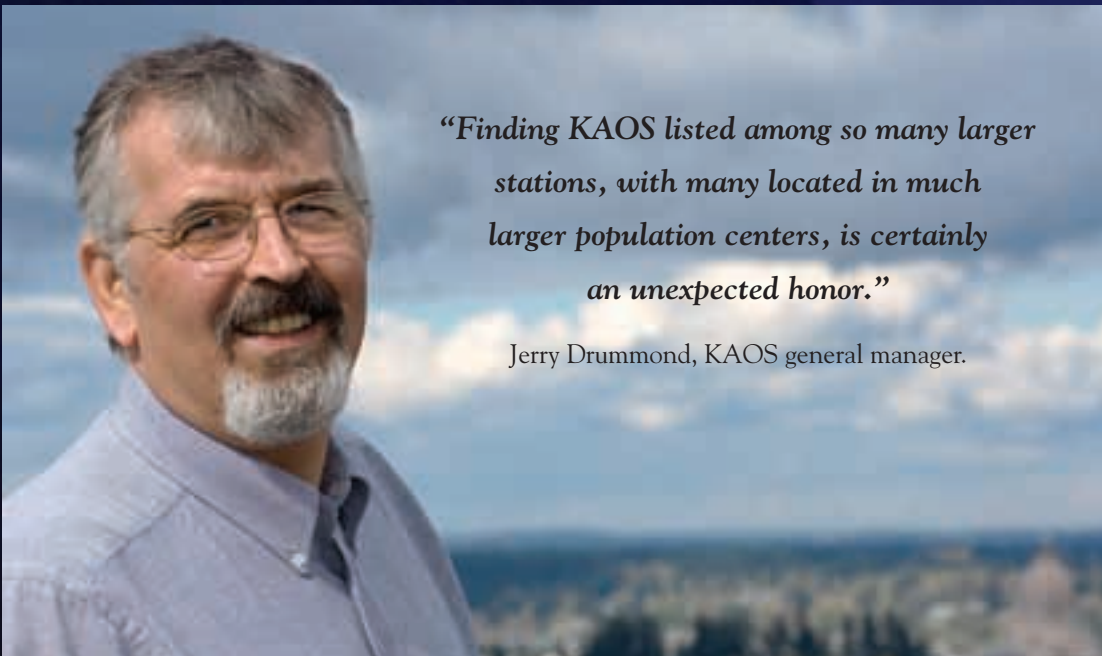
EVERGREEN HIGHLIGHTS 2006–2007

## Evergreen's Unique Education Recognized Nationally

The 2008 edition of the Princeton Review's annual college guide "Best 366 Colleges" (Random House/Princeton Review), released in August, named The Evergreen State College a Best Western College – one of 123 schools it recommends in the Western region, stretching from Texas to California, Alaska and Hawaii. Evergreen is also named one of the nation's "best value" colleges – based on cost, quality and financial aid – among the most academically outstanding colleges in the nation.

These honors follow the recognition of Evergreen's outstanding First Year Experience, Learning Communities, and Undergraduate Research/Creative Projects in the "Outstanding Academic Programs" category of *U.S. News & World Report's* 2008 America's Best Colleges guide. The magazine also ranked Evergreen 27th among more than 60 master's universities in the Western region.

The Princeton Review also named KAOS 89.3 FM, Evergreen's community radio station, one of the top 15 college radio stations in the nation. Since going on the air in 1973, the station has continued to gain popularity both on and off campus through its eclectic blend of music, commentary and public service.



*"Finding KAOS listed among so many larger stations, with many located in much larger population centers, is certainly an unexpected honor."*

Jerry Drummond, KAOS general manager.



## Angelou Draws Record Crowd

Renowned author, poet and literary legend Maya Angelou drew more than 3,000 people to Evergreen's College Recreation Center gym in February, urging those in the audience to be "rainbows in the clouds." The standing-room only crowd, hailing from around the region, gave Angelou a standing ovation as she delivered her remarks. Angelou's visit to Evergreen was her first, and one of the college's largest-ever speaking events.

Angelou is known for the autobiographical writings *I Know Why the Caged Bird Sings* (1969) and *All God's Children Need Traveling Shoes* (1986). In 1993, Angelou read her poem "On the Pulse of Morning" during the inauguration ceremony for President Clinton. In 2001, she was named as one of the 30 most powerful women in America.

Angelou's talk began as a sometimes humorous, sometimes striking conversation ranging from her observations about history to the need to honor those who have paid the price for civil rights and liberties. Among the thousands of people in attendance from as far away as Bellingham and Portland, Ore., was Keith Logan from Kirkland, who said "Her work is very important and the chance to see her comes maybe once every few years, if at all."

## Diversity Efforts Gain National Recognition

The National Association of Student Personnel Administrators (NASPA) Division V recently awarded The Day of Absence/Day of Presence organizing committee from The Evergreen State College the 2007 Innovative Program Award for its yearly diversity program efforts.

Although many of Evergreen's campus events and activities focus on issues of diversity each and every day, the yearly observance, Day of Absence/Day of Presence, asks the entire campus to think about racial diversity for two days each year.

The Day of Absence is an opportunity for all students, staff and faculty of color to gather off-campus for an educational and community-building retreat. While students and staff of color are off campus, typically, a group of white students and staff plan educational workshops and invite guest speakers to campus to work on issues of multiculturalism from an ally perspective. The Day of Presence reunites the college community to honor diversity and unity as a whole campus.

Depending on the ideas generated in the committee, the events look different every year. The primary function of the event has always been to give the campus an opportunity for community building and reflection around issues of culture, heritage and diversity.

## Faculty Receive Inaugural Harvill Award for Work in Art, Science

In December 2006, four Evergreen faculty members – Judy Cushing, Ruth Hayes, David McAvity and Richard Weiss – became the first recipients of the Tom Rye Harvill award, providing \$5,000 to explore art and science through visual arts, literature, multimedia, dance and theatre.

Evergreen alumnus Young Harvill '76 created the award to honor his late father, Tom, an electronics engineer, poet, technical writer, early computer operator, radio enthusiast and stargazer.



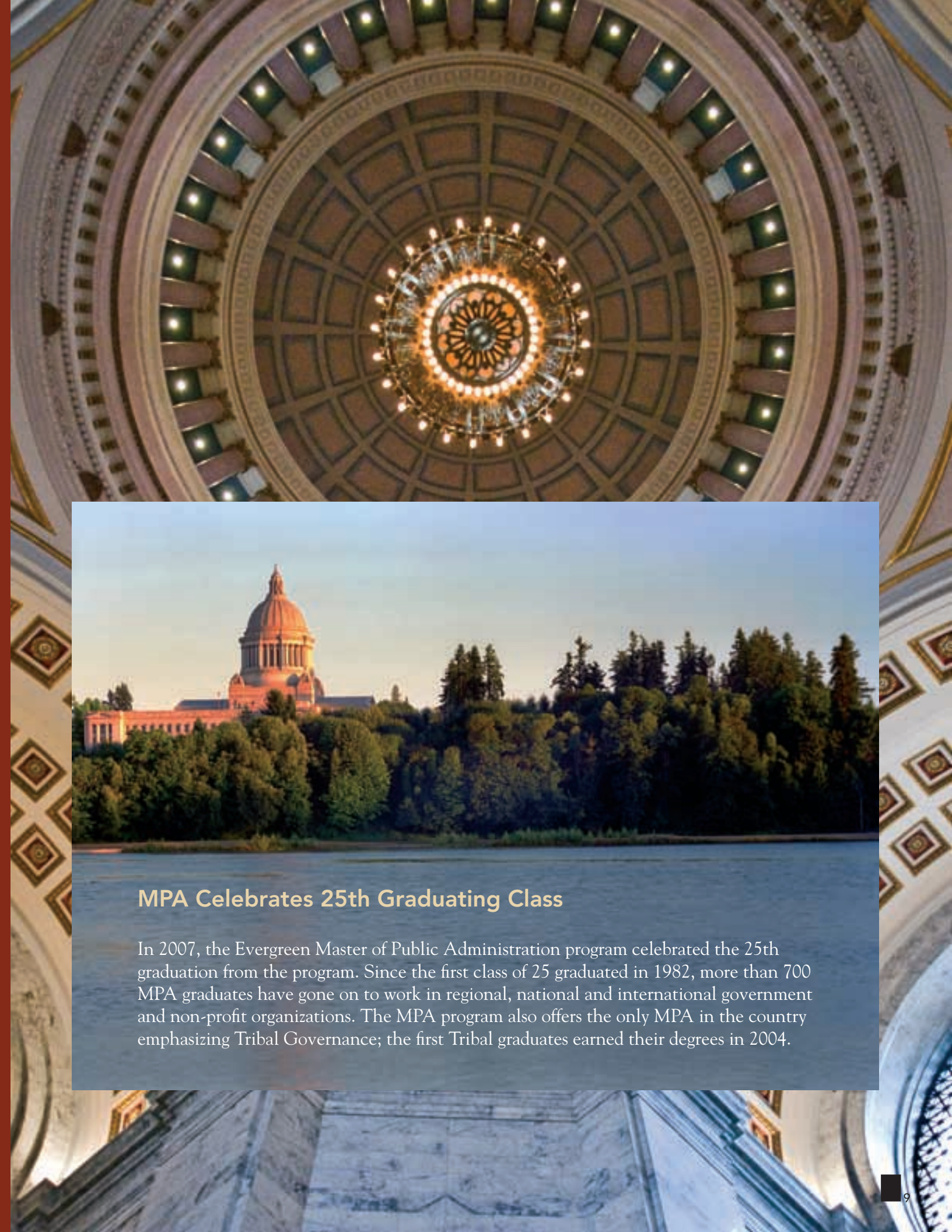
A biography of Tom Harvill explains that he “read a lot, did a lot, and was great at synthesizing big concepts from detail. He used this in his poetry, and in day-to-day conversation. He was great to talk with because he was always engaged and interested in some new connection, some new way of looking at the world.” Tom Harvill died in 1997.

The faculty members are using the award for the collaborative development of three-dimensional animated models of forest canopies. Data for their project comes from Evergreen's nationally featured Forest Canopy Database Project.

The Tom Rye Harvill award is awarded annually. Competitions take place in February and are open to Evergreen faculty, staff and alumni.

For more information about the award, go to [www.evergreen.edu/sponsoredresearch/harvillaward.htm](http://www.evergreen.edu/sponsoredresearch/harvillaward.htm).

Student D.J. Cox conducts research as part of Evergreen's Forest Canopy Database Project.



## **MPA Celebrates 25th Graduating Class**

In 2007, the Evergreen Master of Public Administration program celebrated the 25th graduation from the program. Since the first class of 25 graduated in 1982, more than 700 MPA graduates have gone on to work in regional, national and international government and non-profit organizations. The MPA program also offers the only MPA in the country emphasizing Tribal Governance; the first Tribal graduates earned their degrees in 2004.



Dr. Artee Young



## Evergreen Tacoma Names New Executive Director

After almost 20 years as executive director of Evergreen's Tacoma Campus, Dr. W.J. "Joye" Hardiman stepped down in spring 2007. A member of Evergreen's faculty for 32 years, Hardiman has been honored as a Fulbright Scholar, and has completed extensive field research on the African presence in global history.

Dr. Artee Young, an Evergreen faculty member since 1992, was named executive director, beginning her work in summer 2007. She has been a leader in college governance, including serving as chair of the faculty during the 2005-06 academic year, and as faculty representative to the Board of Trustees in 2006-07. She holds her Ph.D. from the University of Michigan and a law degree from the University of Puget Sound. With her background in both education and law, she served as a law clerk at the Washington Supreme Court in the early 1990's, and is active in the Seattle and Tacoma communities. She is well known for her support and expertise in community-based learning.

Evergreen Tacoma, established under the leadership of Dr. Maxine Mimms in 1982, is located in the Hilltop neighborhood. The campus focuses on serving the educational needs of urban working adults, with nearly 2,000 alumni and an annual enrollment of more than 200 students.

## U.S. Department of Education Awards \$1.7 Million to Evergreen for Education Outreach

In May, the U.S. Department of Education awarded The Evergreen State College's Upward Bound program a \$1.7 million grant, allowing the college to continue a 31-year program that supports 90 high-risk, low-income first generation college students from the city of Tacoma and the Puyallup Indian Reservation. The program provides year-round academic support to help students meet high school graduation and college admission standards and be successful in college.

Evergreen's yearly award - \$446,568 - was the second-highest award among the 11 Washington colleges and universities that received federal funding. Evergreen Upward Bound, a part of the college's regional outreach, serves students at Chief Leschi, Foss, Lincoln, Mount Tahoma, River Ridge, Stadium, and Wilson high schools, hosting a six-week summer residential program at the college. "The college strives to provide access to a college education, including access for populations under-represented in the past," said Art Costantino, Evergreen's vice president for student affairs. "We are very pleased to continue a program which has been very successful in providing this to students who are willing to work for it."

For more information, go to [www.evergreen.edu/upwardbound](http://www.evergreen.edu/upwardbound).

## Creating a Sustainable Future

Evergreen continues to be recognized as a leader in sustainability, going above and beyond recognizable "green" measures to initiatives that weave together environmentalism, diversity and social justice. Over the past year, the college has attracted regional and national recognition for four decades of dedication to environmental leadership and visible action on campus.

President Les Purce joined more than 400 higher education leaders nationwide in signing the Association of American Colleges and University Presidents (AACUP) Climate Commitment. With Evergreen already purchasing 100 percent renewable electricity for campus operations, the college was recognized with several awards, including recognition from the Association for the Advancement of Sustainability in Higher Education, *Grist* magazine's top 15 list of green colleges and universities, and the Governor's Award for Pollution Prevention and Sustainable Practices, Washington state's highest environmental honor.

For more information on Evergreen's vision for a sustainable future, visit [www.evergreen.edu/sustainability](http://www.evergreen.edu/sustainability).

## Peace Corps Recognizes Evergreen Graduates Abroad

The level of alumni involvement in the Peace Corps has again landed The Evergreen State College the distinction as one of the Corps top-25 schools in the nation.

With 17 students working abroad as Peace Corps volunteers, Evergreen ranks 18th among the nation's colleges and universities with less than 5,000 undergraduate students. Ron Tschetter, Director of the Peace Corps said "the Peace Corps presents the face of America to people around the world, and our success is directly attributable to the outstanding support we receive from The Evergreen State College."

With the broad range of study abroad options and the values that the college places on public service, Evergreen President Thomas L. "Les" Purce says "our alumni involvement with the Peace Corps continues to be impressive — it's a testament to the commitment we place on learning across differences and preparing our students to effect positive change."



D. Lee Hoemann

For more than three decades, The Evergreen State College Foundation has worked to provide needed additional resources to support the mission of the College. As public funding of higher education in the State of Washington has declined, private dollars are increasingly vital to ensure student access to quality programs.

The tuition burden on students is diminishing the opportunity for an advanced education in a world where not only is such education economically critical but enormously important for understanding and stewarding an increasingly complex global community. Since 1980, the state has decreased its support for the cost of instruction from 75% to 47%, more than doubling the proportion borne by students and challenging our ability to continue providing the quality of education our mission and values demand.

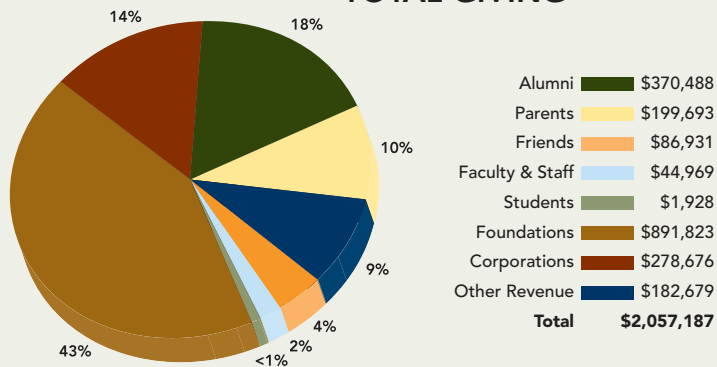
In response, we must dramatically increase the efforts of our foundation to support students and academic programs. In the short term, we have committed to initiatives that will fund equipment for our Center for Creative and Applied Media, expand scholarship and fellowship programs and begin developing a comprehensive sustainability funding program.

One crucial funding program is our Annual Fund. Your support made 2007 another record-breaking year for the Evergreen Annual Fund, inspiring us to set an unprecedented \$500,000 goal for 2008. It is a challenging goal in a year that appears likely to suffer the impacts of a weakening economy. Our \$1,000 donors who are members of the President's Club will be joined this year by a new Founders' Society for donors who give \$1,967. We hope many of you will consider becoming founding members of the Founders' Society!

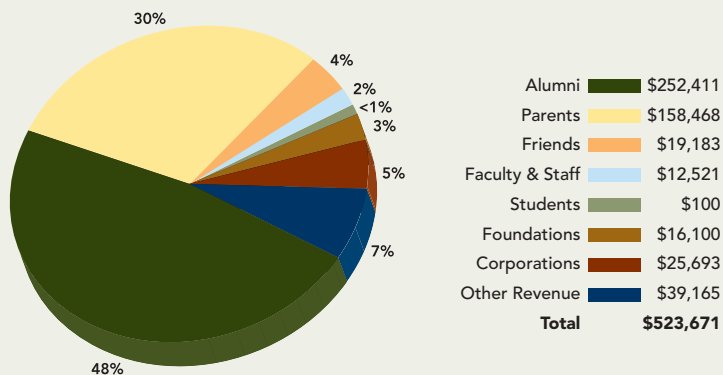
Thank you for your generosity. Your support will ensure that Evergreen remains a leader and model for higher education.

D. Lee Hoemann  
Vice President for College Advancement and  
Executive Director of The Evergreen State College Foundation

## TOTAL GIVING



## ANNUAL FUND



## ILLUMINATION: Celebrating and Supporting Native Arts and Artists

"Artists are luminaries of their cultures, lighting the pathway back into the far reaches of history, and leading the way into the future with their creative vision."

*Tina Kuckkahn (Ojibwe), director of Evergreen's Longhouse Education and Cultural Center, describes the work of the center's Native Arts Program, which promotes Indigenous arts and cultures through workshops, events and grants in an inter-tribal, intergenerational context.*

In 2007, the Longhouse awarded its first round of national Ford Foundation IllumiNation grants to Native American artists. Under the program, seven arts organizations across the United States have been awarded two-year grants of up to \$250,000 that are then disseminated to individual artists, community groups and institutions. Evergreen IllumiNation grants are offered through two Longhouse programs.

The National Native Creative Development Program addresses the professional development needs of individual artists, such as training in marketing, providing supplies and materials, harvesting resources, portfolio development and apprenticeships. The Longhouse awarded 16 grants of up to \$2,000 to Native artists from around the nation. Individual artists' projects ranged from film and music production to basketry and weaving, publishing Native children's books, creating marketing materials and purchasing a log to create a West Coast totem pole.

The National Native Master Artist Initiative: Artists Teaching Artists program creates opportunities for a master Native artist to teach other Native artists, whether established or emerging, in both urban and rural Native communities throughout the United States. The Longhouse awarded six \$5,000 grants. Master artists taught printmaking, glass art, weaving, filmmaking and root harvesting.

The \$1.9-million IllumiNation program is a reflection of the commitment to Native America by the Ford Foundation, which has invested more than \$80 million in Native American programs over the last 20 years. The designation of the Longhouse as a granting agency for this innovative program follows the foundation's 2005 grant to the center's Artist in Residence program, which has brought regional, national and international Native artists to campus.

In awarding the grants, the foundation praised Evergreen's commitment to Native arts and culture. "The Evergreen State College has a long history of bolstering Native American communities, offering a variety of Native American-focused programs and opportunities. With the establishment of its Longhouse Education and Cultural Center's Native Economic Development Arts Initiative, the college promotes education, artistic creativity and economic development for Native artists."

Evergreen senior and IllumiNation grant recipient Erin Genia (Sisseton-Wahpeton), with two of her works featured in the 2nd annual "In the Spirit" northwest Native arts exhibit at the Washington State History Museum. Photo by Brett Clubbe '00





## Charles and Barbara McCann

Evergreen's founding president, Charles McCann, lives in a modest condominium with his wife Barbara a few miles from campus. In their tastefully decorated living room are paintings of Trinidad, New England, Oregon and the wine country of California. Handsome volumes of Leo Tolstoy's *War and Peace* and Dante's *Inferno* are stacked under a glass coffee table. *The Secrets of Jesuit Soupmaking* cradles a world atlas topped with a magnifying glass. A grandfather clock in the corner chimes a descending scale on the quarter hour.

Although retired, the McCanns remain intricately tied to the college through the Charles and Barbara McCann Endowed Scholarship, established in 1977 at the end of Charles's nine years as president. He has also donated thousands of books in history and literature from his personal library as well as darkroom equipment to the college.

"The scholarship is meant to help students take advantage of the freedom Evergreen gives in coordinated studies, internships and independent learning contracts,"

"The scholarship is meant to help students take advantage of the freedom Evergreen gives in coordinated studies, internships and independent learning contracts," says Charles, who taught at Evergreen for many years after retiring from the presidency. "We always think the world is going to be OK when we hear about the work the scholarship recipients do," Barbara adds.

Giving regularly to the college in small amounts is a strategy the McCanns advocate. "We certainly never had a big chunk of money to give. All you have to do is multiply a fairly small figure by 12 and then by the number of years. It's amazing how it adds up," Charles says. "Figure out how much you spend on lattes every month and give half of that."

## Youtz Legacy Reaches Around the World

The ripples of founding faculty member Byron Youtz's legacy have reached all the way to the Netherlands.

The Byron Youtz Memorial Endowed Scholarship was awarded in 2007 to Tara Cardinal, a student in public health. The scholarship allowed her to research maternal health while observing and interviewing midwives in the Netherlands for five weeks last year through an independent learning contract in maternal health across cultures. With the guidance of faculty sponsor Cynthia Kennedy, Tara chose the Netherlands because of its progressive approach to birth. Thirty-five percent of the country's births occur at home, and the cesarean rate is half that of the U.S.

"I want to be able to give the best care possible," says Tara, who graduated in winter 2008 and is applying to graduate schools in midwifery.

Tara left home at age 13, raised her brother and earned her GED before coming to Evergreen at age 23. A transfer student from Centralia Community College, Tara's academic career at Evergreen included science, women's health and environmental justice. "I want to work with women and children on their journeys, empower them, and help them get access to quality services," she adds. "The scholarship allowed me to realize a midwife's dream – to be able to go to the Netherlands. I feel honored and privileged."

The scholarship Tara received is in memory of Byron Youtz, one of Evergreen's founding faculty members. He came to the college because of his commitment to a quality, affordable liberal arts education for students after teaching stints at the American University in Beirut, Reed College and the State University of New York at Old Westbury, where he served as provost. His wife Bernice established the Byron Youtz Memorial Endowed Scholarship in 1992 after her husband's passing.

"My children and I agreed that a scholarship would be by far the most appropriate use of a contribution," says Bernice. "I was also asked if this should be a scholarship for a science student, and I said, no. Even though Byron was a physicist, he had a profound interest in the humanities, and his great joy in teaching at Evergreen was the interdisciplinary path. He eagerly enjoyed working with colleagues in literature, history and the arts." Their daughter, Margaret Wolcott, graduated from Evergreen in 1978 and son Greg also attended the college.

In addition to the scholarship, the Youtz legacy at Evergreen is continuing with Byron and Bernice's granddaughter, Katherine, who as a toddler unveiled the North Star plaque on Red Square, which is dedicated to Byron. "Evergreen is grandpa's school," says Katherine, who is considering a focus in international relations.



Tara Cardinal '07 (left), recipient of the 2007 Byron Youtz Memorial Scholarship, with current Evergreen student Katherine Youtz, Byron and Bernice's granddaughter.

## SUSTAINABILITY: Connecting What We Learn to Where We Live

Even though the environment touches their lives every day, most college students say they know little to nothing about the issues facing Puget Sound and the Pacific Northwest. Helping students understand the broad, complex, universal issues we face is the goal of the Curriculum for the Bioregion. Jean MacGregor directs this initiative at the Washington Center for Improving the Quality of Undergraduate Education, one of Evergreen's public service centers. Faculty members from 32 colleges and universities across the Puget Sound bioregion are involved.

The Curriculum for the Bioregion initiative aims to make active, place-based learning about our local environment a part of every undergraduate's academic experience. "Bioregions are literally 'life places' – defined by the intertwined natural and social systems we rely upon for our well-being," explains MacGregor.

"Situating learning in our bioregion means engaging students with the immediacy and significance of what is happening here – connecting classroom learning to local places, issues, people and practices."

"Situating learning in our bioregion means engaging students with the immediacy and significance of what is happening here – connecting classroom learning to local places, issues, people and practices." By creating curriculum for the bioregion, faculty members hope to give students the tools – and the inspiration – to assume responsibility for environmental and community stewardship here, or wherever they live.

Learning opportunities across multiple academic disciplines will include annual summer institutes on curriculum development, "faculty learning communities" to build these concepts into introductory college classes, field and community-based workshops on pressing bioregional issues featuring people and organizations working on solutions, and a website to share activities, opportunities and resources.

The Russell Family Foundation funded the planning phase of the project, and in June 2007, awarded a new \$380,000 two-year grant to begin implementation, engaging a constellation of faculty learning communities in the development of curricula that integrate sustainability concepts and practices in lower-division, general education college classes. "We are remarkably fortunate to have the Russell Family Foundation in this region," says MacGregor.

"It is one of the few foundations in the country to have made an enduring commitment to a place, Puget Sound, and to environmental education and sustainability. Their support has been invaluable."

Faculty and students from across the Puget Sound region will benefit from the learning opportunities made possible through the Curriculum for the Bioregion project. *Photo courtesy of North Seattle Community College.*





Eddie Sumlin '07 was able to bring a prestigious regional dance competition to Evergreen with the support of a Foundation Activity Grant.

## Foundation Activity Grants Turn Ideas into Reality

From puppet theater to Native American powwows to opera, Evergreen has hosted a variety of important events, artistic events and performances over the years. Thanks to Eddie Sumlin '07, that list now includes a prestigious regional breakdancing competition.

"I knew I wanted to graduate from Evergreen with a bang," says Sumlin of Gig Harbor, whose social psychology focus at Evergreen led him to fruitful work with Stephanie Kozick, Kabby Mitchell and doranne crable.

Sumlin's bang was to organize and stage in May 2007 the Pacific Northwest regional finals of the All Nations 1v1 national tournament. An urban style of Dancing with the Stars, 32 participants vied for the title of Northwest champion and an opportunity to compete at nationals. The \$1,000 Activity Grant Sumlin received from the Foundation allowed him to organize the event, which included bringing in top-notch judges from New York City.

The competition attracted more of a diverse audience than Sumlin has seen at similar events, including lots of families and Evergreen students. "That's what we wanted to happen," says Sumlin, who chose Evergreen for his college career because he wanted an "intimate educational experience."

**"Evergreen students have a lot of ideas. The Foundation gives us the opportunity to dream as big as we can."**

"The art of break dancing exemplifies all the values that the college instills in its student body," says Sumlin, who lives in Gig Harbor and began breakdancing in high school. "By nature, it's a collaborative art form because it's always been about community. Breakdancing parallels Evergreen's commitment to interdisciplinary learning because this art form not only combines elements of African and Latin dance, but forms of ballet and gymnastics among other dance disciplines."

Since graduation, Sumlin has been working to save money for graduate school. He also continues to work with at-risk youth through Fab-5, a Tacoma-based arts nonprofit for at-risk youth where he interned his junior year.

"Evergreen students have a lot of ideas," he adds. "The Foundation gives us the opportunity to dream as big as we can."



## Washington State Auditor Brian Sonntag

### INDEPENDENT AUDITOR'S REPORT

November 30, 2007

Board of Trustees  
The Evergreen State College  
2700 Evergreen Parkway NW  
Olympia, WA 98505

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of The Evergreen State College, Thurston County, Washington, as of and for the years ended June 30, 2007 and 2006, as which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of The Evergreen State College Foundation, which represent 100% of the assets, net assets, and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for The Evergreen State College Foundation, is based on the report of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of The Evergreen State College are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the business-type activities of the state of Washington that is attributable to the transactions of the College. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2007 and 2006, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of The Evergreen State College, Thurston County, Washington, as of June 30, 2007 and 2006, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Sonntag", is written over a light blue circular stamp. The stamp contains the text "AUDITOR OF STATE" and "WASHINGTON" around the perimeter, with a shield in the center.

BRIAN SONNTAG, CGFM  
STATE AUDITOR

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis provides an overview of the financial position and activities of The Evergreen State College ("the College") for the fiscal years ended June 30, 2007 with comparative 2006 and 2005 financial information. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes, which follow this section.

### Reporting Entity

The Evergreen State College is one of six state-assisted public institutes of higher education in the state of Washington, with over 4,200 students. The College was established in 1967, and its primary purpose is to prepare individuals for successful contributions to society through their careers and in leadership roles as citizens.

The College's main campus is located in Olympia, Washington, a community of 40,000 residents. The College is governed by an eight member Board of Trustees appointed by the governor of the state with the consent of the state Senate. One of the members is a full-time student of the College. By statute, the Board of Trustees has full control of the College and its property of various kinds, except as otherwise provided by law.

### Using the Financial Statements

This report consists of three financial statements: the Statements of Net Assets; the Statements of Revenues, Expenses and Changes in Net Assets; and the Statements of Cash Flows. These financial statements have been prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*.

### Statement of Net Assets

The Statement of Net Assets provides information about the College's assets, liabilities, and net assets at year-end and includes all assets and liabilities of the College. A condensed comparison of the Statement of Net Assets for June 30, 2007, 2006 and 2005 follows:

STATEMENT OF NET ASSETS (in thousands)			
	2007	2006	2005
<b>ASSETS</b>			
Current assets	\$ 37,701	\$ 41,930	\$ 29,716
Capital, net	127,380	121,452	106,183
Other non-current assets	4,734	4,571	4,843
Total assets	<u>169,815</u>	<u>167,953</u>	<u>140,742</u>
<b>LIABILITIES</b>			
Current liabilities	12,274	16,487	13,785
Other non-current liabilities	8,117	8,669	3,133
Total liabilities	<u>20,391</u>	<u>25,156</u>	<u>16,918</u>
<b>NET ASSETS</b>	<u>\$ 149,424</u>	<u>\$ 142,797</u>	<u>\$ 123,824</u>

Current assets consist primarily of cash, investments and receivables. Total current assets decreased by over \$4.2 million in fiscal 2007 due almost entirely by the realization of a \$4.25 million receivable from the State Treasurer for the settlement of litigation associated with the general contractor for the Seminar II Building; see Note 13 to the financial statements.

The College's largest asset is its investment in capital assets of \$127.4 million at June 30, 2007, which had increased significantly over recent years by double-digit percentages. This increase is associated with capital projects funding by the state Legislature, and will continue into fiscal year 2008 and beyond, as the College's Library remodel project enters into Phase II of construction, and other projects in their planning stages start construction. Capital assets consist of the College's investment in land, buildings, infrastructure and equipment.

Current liabilities decreased by \$4.2 million. This decrease is due to the payment of a \$4.25 million settlement with the general contractor for the Seminar II Building in 2007; see Note 13 to the financial statements. Non-current liabilities have decreased modestly in 2007, this decrease is the result of payments on outstanding debt, see Note 9 to the financial statements.

Net assets represent the difference between the College's assets after liabilities are deducted. The College reports its net assets in four categories:

- **Investment in Capital Assets (net of related debt)** – the College's total investment in property, plant, equipment, and infrastructure net of accumulated depreciation and outstanding debt obligations related to those capital assets;
- **Restricted Net Assets:**
  - **Expendable** – resources in which the College is legally or contractually obligated to spend in accordance with restrictions placed by donor and/or external parties that have placed time or purpose restrictions on the use of the asset;
  - **Non Expendable** – consists of funds in which the donor or external party has imposed the restriction that the corpus is not available for expenditures but for investment purposes only;
- **Unrestricted Net Assets** – all other funds available to the institution for the general and educational obligations to meet current expenses for any lawful purpose.

Total net assets are reported in three categories: invested in plant, net of related debt; restricted net assets (nonexpendable and expendable); and unrestricted net assets. Total net assets increased by almost \$7 million during 2007 to a total of \$149.4 million, mainly due to an increase in investments in Capital Assets of over \$11 million, offset by about \$5 million in associated depreciation. During the year, the College collected about \$1 million in student fees, which the student body voted to assess themselves, for renovation of the Community Activities Building (CAB). The College's unrestricted net assets increased by \$1.6 million in 2007, this increase is attributed to budget surpluses in the operating and summer school funds. Though not subject to external imposed stipulations, the College has designated the unrestricted net assets for various academic and administrative programs, in addition to auxiliary enterprises.

### ***Statement of Revenues, Expenses and Changes in Net Assets***

The Statement of Revenues, Expenses and Changes in Net Assets present the detail of the changes of total net assets for the College. The objective of the statement is to present the revenues received, both operating and non-operating, and the expenses paid by the College, along with any other revenue, expenses, gains and losses of the College.

Generally, operating revenues are revenues earned by the College in exchange for providing goods and services. Operating expenses are defined as expenses incurred in the normal operation of the College, including a provision for allowance of depreciation on property and equipment assets. The difference between operating revenues and operating expenses is the operating loss. The College will always be expected to show an operating loss since significant recurring revenues and expenses are shown as non-operating revenues and expenses as required by the Governmental Accounting Standards Board (GASB), the rule setting body for accounting standards for the College. A summary of the College's Statement of Revenues, Expenses and Changes in Net Assets for the Years Ended June 30, 2007, 2006 and 2005, follows:

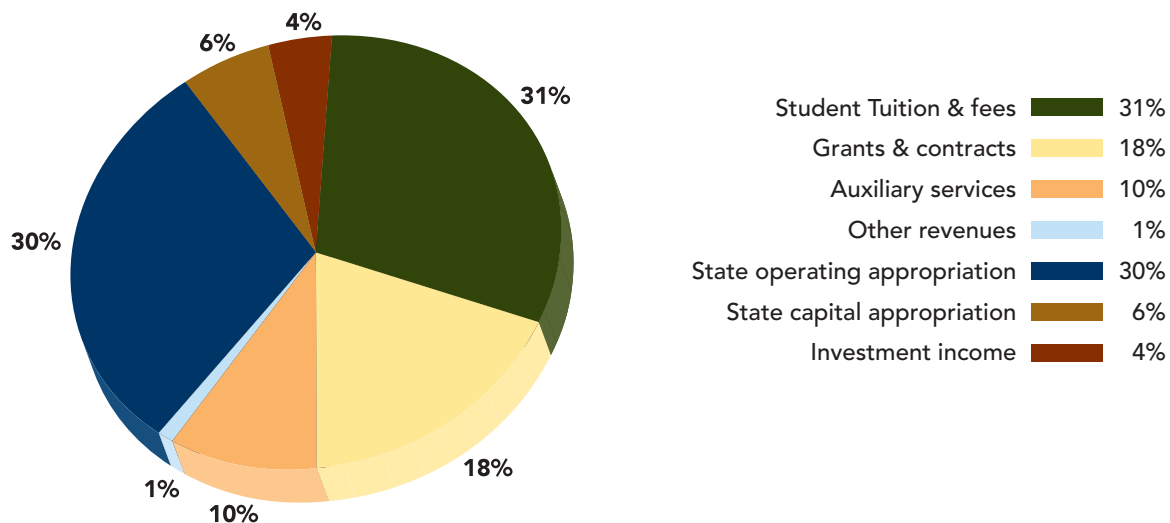
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (in thousands)**

	2007	2006	2005
Operating revenues	\$ 56,527	\$ 54,225	\$ 53,128
Operating expenses	<u>87,349</u>	<u>85,923</u>	<u>81,141</u>
Net operating loss	<u>(30,822)</u>	<u>(31,698)</u>	<u>(28,013)</u>
Non-operating revenues	32,556	29,828	26,783
Non-operating expenses	<u>418</u>	<u>252</u>	<u>202</u>
Income (loss) before other revenues	1,316	(2,122)	(1,432)
Other revenues	<u>5,311</u>	<u>21,095</u>	<u>13,942</u>
Increase net assets	6,627	18,973	12,510
Net assets beginning of year	<u>142,797</u>	<u>123,824</u>	<u>111,314</u>
Net assets end of year	<u>\$ 149,424</u>	<u>\$ 142,797</u>	<u>\$ 123,824</u>

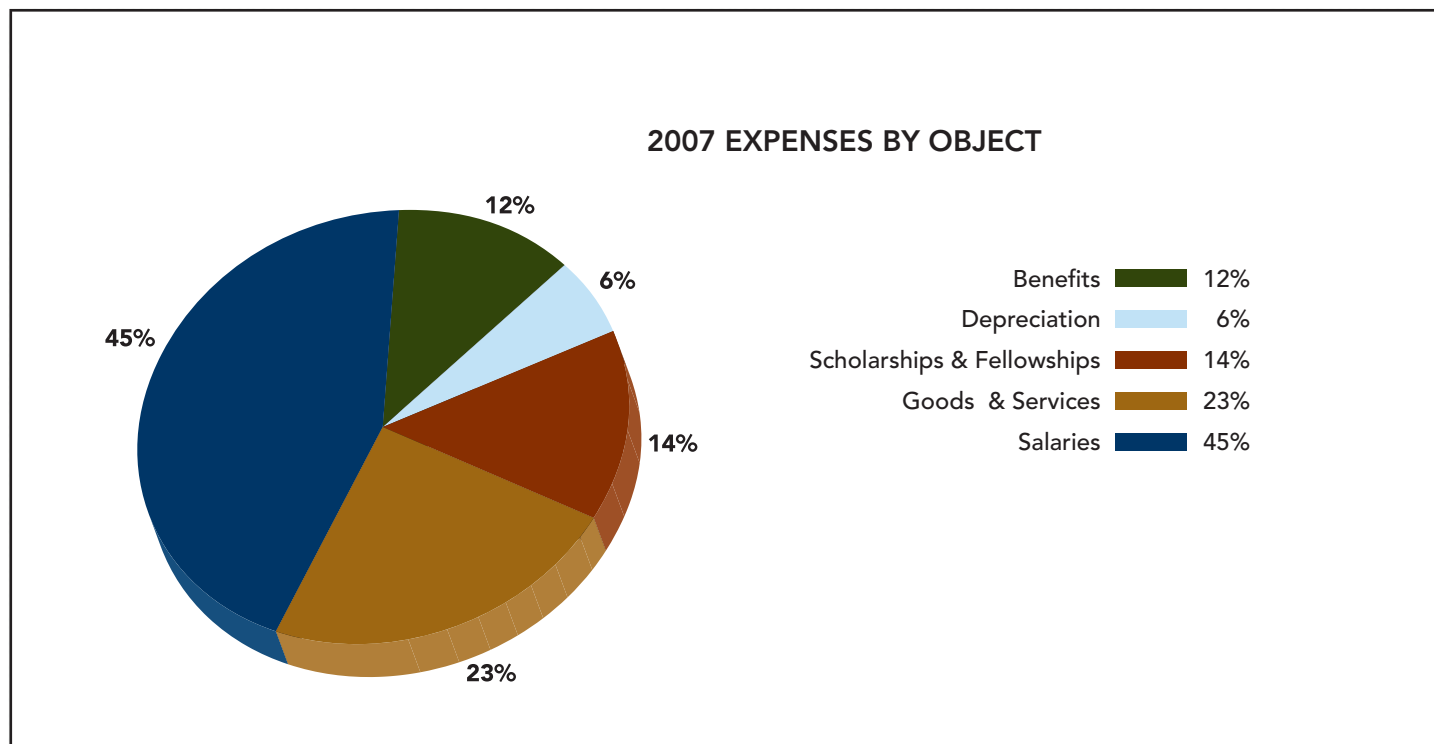
**Diversified Revenue Sources**

The College has a diversified revenue base. No single source generated more than 31% of the total 2007 revenues of \$94.39 million. The major source of operating revenue for the College is student tuition and fees, at 31%, as shown in the pie chart below. The major source of non-operating revenue consists of state appropriations, 30% for operating and 6% for capital. In addition to the 6% capital appropriations noted, over \$2.6 million, approximately 63% of the investment income is associated with revenues earned from The Normal School Permanent Fund, which derives its corpus from the sale of state lands and timber, and is used for capital related purposes. This is discussed in greater detail in Note 3 to the financial statements.

**2007 REVENUES BY SOURCE**



In 2007, the College experienced a small increase in its overall operating expenses. Total operating expenses for fiscal year 2007 were \$87.35 million as compared to \$85.92 million in 2006, a \$1.43 million increase, but there were several dynamics in this change, state employees received 1.6% pay raise in 2007, healthcare insurance premiums continued to rise, depreciation expense is up over 20% in 2007, reflecting the expensing, via depreciation expense, of recent capital project costs, but goods and services expenses are lower by over \$1.8 million. As shown in the chart below, salaries and benefits make up the majority of operating expenses, at 57%. The remaining operating expenses are comprised of scholarships and fellowships (14%), goods and services (23%), and depreciation (6%). These percentages have remained fairly consistent for the last several years.



### **Capital Improvements**

The College spent \$11 million for capital related purposes in 2007. The largest project was for the renovation of the Library, which is scheduled for completion in 2009 at a cost of more than \$43 million, in addition to Housing remodeling and improvements, for which \$7.55 million in Bonds were sold in 2006, in order to finance Housing related projects over several years. Other significant future capital projects include the Longhouse renovation and the Community Activities Building (CAB) remodel. See Notes 6 and 11 to the Financial Statements for further information on capital.

### **Economic Factors That Will Affect the Future**

Funding for Higher Education in the State of Washington is tied, in part, to enrollment levels, which for the Fall Quarter of 2007 are at record numbers, along with the Freshman Class hitting an all-time high at the College. These increases can be attributed to the Leadership of the College, in updating the College's Strategic Plan to better recruit 18-25 year-old students, in addition, another one of the Strategic Plan's goals is to augment and diversify its revenue streams and continue to control operating expenses, making prudent use of resources.

The economy of the state of Washington has shown continued strength compared to the nation's economy as a whole, which has been affected by the housing slowdown. The state's chief economist predicts continued surpluses within the state's general fund, with the state's legally protected "rainy-day account" balance at currently over \$1 billion dollars.

# COLLEGE FINANCIAL STATEMENTS



The Evergreen State College  
Statements of Net Assets  
June 30, 2007 and 2006

	2007	2006
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 17,891,837	\$ 17,863,423
Short-term investments	10,630,537	10,000,000
Due from State Treasurer	895,228	5,136,817
Funds held with State Treasurer	3,688,905	4,069,947
Accounts receivable, net	3,035,398	3,261,998
Student loan receivables, net	1,006,261	987,784
Inventories	552,762	610,789
<b>Total current assets</b>	<u>37,700,928</u>	<u>41,930,758</u>
<b>Non-Current Assets</b>		
Endowment investments	1,525,676	1,362,006
Student loan receivables, net	3,087,171	3,069,096
Bond discounts and issue costs, net of amortization	120,825	139,787
Capital assets, net of depreciation	127,380,313	121,451,713
<b>Total non-current assets</b>	<u>132,113,985</u>	<u>126,022,602</u>
<b>Total assets</b>	<u>169,814,913</u>	<u>167,953,360</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	4,802,491	9,554,565
Deposits payable	671,068	575,032
Compensated absences	2,470,612	2,494,707
Long-term liabilities, current portion	803,596	854,871
Deferred revenues	3,526,279	3,007,356
<b>Total current liabilities</b>	<u>12,274,046</u>	<u>16,486,531</u>
<b>Non-Current Liabilities</b>		
Compensated absences	730,937	693,997
Long-term liabilities	7,386,000	7,975,596
<b>Total non-current liabilities</b>	<u>8,116,937</u>	<u>8,669,593</u>
<b>Total liabilities</b>	<u>20,390,983</u>	<u>25,156,124</u>
<b>Net Assets</b>		
Investment in capital assets, net of related debt	127,878,057	123,218,360
Restricted for nonexpendable scholarships and professorships	2,171,073	2,178,364
Expendable		
Endowment earnings	489,959	327,613
Loans	4,982,854	4,869,204
Other	168,129	114,735
Unrestricted	13,733,858	12,088,960
<b>Total net assets</b>	<u>\$ 149,423,930</u>	<u>\$ 142,797,236</u>

See accompanying notes to the financial statements.

# EVERGREEN

The Evergreen State College  
Statements of Revenues, Expenses and Changes in Net Assets  
For the Years Ended June 30, 2007 and 2006

	2007	2006
<b>Operating Revenues</b>		
Student tuition and fees	\$ 32,294,226	\$ 30,217,781
Less scholarship allowances	(2,308,375)	(2,166,835)
Federal grants and contracts	8,113,503	6,998,051
Auxiliary enterprise sales, net	8,440,163	8,037,649
State and local grants and contracts	5,970,429	6,144,294
Nongovernmental grants and contracts	2,445,864	3,094,943
Other operating revenue	727,193	753,351
Sales and services of educational activities	788,195	1,077,712
Interest on loans to students	55,991	67,938
<b>Total operating revenue</b>	<u>56,527,189</u>	<u>54,224,884</u>
<b>Operating Expenses</b>		
Salaries and wages	38,910,636	37,410,863
Benefits	10,703,912	10,278,824
Scholarships and fellowships	12,567,179	12,093,972
Goods and services	20,168,166	21,980,700
Depreciation	4,999,106	4,158,677
<b>Total operating expenses</b>	<u>87,348,999</u>	<u>85,923,036</u>
<b>Operating loss</b>	<u>(30,821,810)</u>	<u>(31,698,152)</u>
<b>Non-Operating Revenues (Expenses)</b>		
State appropriations	28,342,726	26,453,000
Investment income, gains and losses	4,213,101	3,374,794
Interest on indebtedness	(418,020)	(252,253)
<b>Net non-operating revenues (expenses)</b>	<u>32,137,807</u>	<u>29,575,541</u>
Income (loss) before other revenues, expenses, gains or losses	1,315,997	(2,122,611)
Capital appropriations	<u>5,310,697</u>	<u>21,095,916</u>
<b>Increase in net assets</b>	<u>6,626,694</u>	<u>18,973,305</u>
<b>Net Assets</b>		
Net assets, beginning of year	<u>142,797,236</u>	<u>123,823,931</u>
<b>Net assets, end of year</b>	<u>\$ 149,423,930</u>	<u>\$142,797,236</u>

See accompanying notes to the financial statements.

# EVERGREEN

The Evergreen State College  
Statements of Cash Flows  
For the Years Ended June 30, 2007 and 2006

	2007	2006
<b>Cash Flows from Operating Activities</b>		
Student tuition and fees	\$ 30,790,858	\$ 27,343,887
Grants and contracts	17,043,818	15,764,694
Sales and services of educational activities	788,195	1,077,712
Auxiliary enterprise sales	9,167,356	8,791,000
Payments to employees	(49,614,548)	(47,689,687)
Payments to vendors	(24,509,811)	(19,374,252)
Payments for scholarships and fellowships	(12,567,179)	(12,093,972)
<b>Net cash used by operating activities</b>	<u>(28,901,311)</u>	<u>(26,180,618)</u>
<b>Cash Flows from Non-capital Financing Activities</b>		
State appropriations	<u>28,342,726</u>	<u>26,453,000</u>
<b>Net cash provided by non-capital financing activities</b>	<u>28,342,726</u>	<u>26,453,000</u>
<b>Cash Flows from Capital Financing Activities</b>		
Capital appropriations	12,046,226	20,993,831
Purchase of capital assets	(11,111,827)	(19,427,250)
Principal paid on capital debt	(854,871)	(2,457,692)
Interest paid	(418,020)	(252,253)
Proceeds from capital debt	—	7,550,000
<b>Net cash provided (used) by capital financing activities</b>	<u>(338,492)</u>	<u>6,406,636</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	(10,630,000)	(10,000,000)
Proceeds from sales and maturities of investments	10,000,000	5,001,556
Income from investments	1,555,491	962,904
<b>Net cash provided (used) by investing activities</b>	<u>925,491</u>	<u>(4,035,540)</u>
<b>Increase in Cash and Cash Equivalents</b>	28,414	2,643,478
<b>Cash and Cash Equivalents at the Beginning of the Year</b>	<u>17,863,423</u>	<u>15,219,945</u>
<b>Cash and Cash Equivalents at the End of the Year</b>	<u>\$ 17,891,837</u>	<u>\$ 17,863,423</u>

See accompanying notes to the financial statements.

# EVERGREEN

The Evergreen State College  
Statements of Cash Flows  
For the Years Ended June 30, 2007 and 2006

2007

2006

## Reconciliation of Operating Loss to Net Cash used by Operating Activities

<b>Operating Loss</b>	\$ (30,821,810)	\$ (31,698,152)
Adjustment to reconcile operating loss to net cash used by operating activities		
Depreciation expense	4,999,106	4,158,677
Changes in assets and liabilities		
Accounts receivable	607,642	(880,336)
Loans receivable	(36,552)	82,224
Inventory	58,027	3,947
Bond discount and issue costs	18,962	(61,815)
Accounts payable and accrued expenses	(4,341,645)	2,527,047
Deferred revenues	518,923	(286,157)
Deposits	96,036	(26,053)
<b>Net cash used by operating activities</b>	<u>\$ (28,901,311)</u>	<u>\$ (26,180,618)</u>
<b>Non-cash transactions:</b>		
Purchase of endowment investments	(957,607)	(977,248)
Proceeds from sales and maturities of endowment investments	1,040,508	986,561

See accompanying notes to the financial statements.



**FOUNDATION FINANCIAL STATEMENTS (COMPONENT UNIT)**  
**JUNE 30, 2007 AND 2006**



The Evergreen State College Foundation  
 Statements of Financial Position  
 June 30, 2007 and 2006

	2007	2006
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 953,555	\$ 490,002
Unconditional promises to give, current	43,617	5,750
Other receivables	<u>2,924</u>	<u>-</u>
<b>Total Current Assets</b>	<b>1,000,096</b>	<b>495,752</b>
Investments	7,184,499	5,859,041
Long-term unconditional promises to give, net	<u>20,056</u>	<u>10,000</u>
<b>Total Assets</b>	<b><u>\$8,204,651</u></b>	<b><u>\$ 6,364,793</u></b>
<b>Current Liabilities</b>		
Accounts Payable	\$ 4,899	\$ 5,782
Payable to College	<u>309,935</u>	<u>31,919</u>
<b>Total Current Liabilities</b>	<b>314,834</b>	<b>37,701</b>
Annuity payment liability	<u>42,790</u>	<u>44,992</u>
<b>Total Liabilities</b>	<b>357,624</b>	<b>82,693</b>
<b>Net Assets</b>		
Unrestricted	1,344,523	960,069
Temporarily Restricted	4,097,479	3,056,495
Permanently Restricted	<u>2,405,025</u>	<u>2,265,536</u>
<b>Total Net Assets</b>	<b><u>7,847,027</u></b>	<b><u>6,282,100</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$8,204,651</u></b>	<b><u>\$ 6,364,793</u></b>

The accompanying notes are an integral part of the financial statements.

# EVERGREEN

The Evergreen State College Foundation  
Statements of Activities and Changes in Net Assets  
For the Years Ended June 30, 2007 and 2006

	Unrestricted	Temporarily Restricted	Permanently Restricted	2007	2006
<b>Support &amp; Revenue</b>					
Gifts & Contributions	\$ 493,236	\$ 1,394,027	\$ 139,489	\$ 2,026,752	\$ 2,237,100
In-kind Support From College	736,855	-	-	736,855	537,933
Investment Returns	238,007	1,107,123	-	1,345,130	733,916
Change in Value of Split-Interest Agreement	-	(6,023)	-	(6,023)	(5,993)
Gift Fees	30,435	-	-	30,435	20,745
Net assets released from restrictions	<u>1,454,143</u>	<u>(1,454,143)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Support &amp; Revenue</b>	<b>2,952,676</b>	<b>1,040,984</b>	<b>139,489</b>	<b>4,133,149</b>	<b>3,523,701</b>
<b>Expenses</b>					
Program Services:					
Grant & Scholarships	1,345,399	-	-	1,345,399	866,072
Other College Support	<u>326,328</u>	<u>-</u>	<u>-</u>	<u>326,328</u>	<u>90,245</u>
<b>Total Program Services</b>	<b>1,671,727</b>	<b>-</b>	<b>-</b>	<b>1,671,727</b>	<b>956,317</b>
Support Services:					
Management and General	615,235	-	-	615,235	537,073
Fundraising	<u>281,260</u>	<u>-</u>	<u>-</u>	<u>281,260</u>	<u>226,196</u>
<b>Total Support Services</b>	<b>896,495</b>	<b>-</b>	<b>-</b>	<b>896,495</b>	<b>763,269</b>
<b>Total Expenses</b>	<b>2,568,222</b>	<b>-</b>	<b>-</b>	<b>2,568,222</b>	<b>1,719,586</b>
<b>Other Changes In Net Assets</b>					
Loss on uncollectible pledges	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>700</u>
<b>Increase to Net Assets</b>	<b>384,454</b>	<b>1,040,984</b>	<b>139,489</b>	<b>1,564,927</b>	<b>1,803,415</b>
Net Assets, beginning of year	<u>960,069</u>	<u>3,056,495</u>	<u>2,265,536</u>	<u>6,282,100</u>	<u>4,478,685</u>
<b>Ending Net Assets</b>	<b><u>\$1,344,523</u></b>	<b><u>\$ 4,097,479</u></b>	<b><u>\$2,405,025</u></b>	<b><u>\$ 7,847,027</u></b>	<b><u>\$6,282,100</u></b>

The accompanying notes are an integral part of the financial statements.

# EVERGREEN

The Evergreen State College Foundation  
Statements of Cash Flows  
For the Years Ended June 30, 2007 and 2006

	2007	2006
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$1,564,927	\$ 1,803,415
Adjustment to reconcile change in net income to net cash provided by operating activities:		
Contributions restricted for long term purposes	(139,489)	(114,027)
Donated marketable securities	(41,131)	(45,791)
Realized loss on investments	-	43,816
Unrealized gains on investments and change in value of split interest agreements	(988,741)	(497,421)
Reinvested interest and dividend income	(319,834)	(240,962)
Increase in unconditional promises to give	(47,923)	(50)
Increase in other receivables	(2,924)	-
Increase (decrease) in accounts payable	(883)	5,782
Increase (decrease) in payable to College	278,016	(31,195)
<b>Net Cash Provided By Operating Activities</b>	<b>302,018</b>	<b>923,567</b>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sale of marketable securities	130,271	45,791
Purchases of investments	(100,000)	(800,000)
<b>Net Cash Provided (Used) By Investing Activities</b>	<b>30,271</b>	<b>(754,209)</b>
<b>Cash Flows From Financing Activities</b>		
Contributions restricted for long-term purposes	139,489	114,027
Payment of annuity obligations	(8,225)	(8,225)
<b>Net Cash Provided By Capital Financing Activities</b>	<b>131,264</b>	<b>105,802</b>
<b>Net Change In Cash</b>	<b>463,553</b>	<b>275,160</b>
Cash Balance, Beginning of Year	490,002	214,842
<b>Cash Balance, End of Year</b>	<b>\$ 953,555</b>	<b>\$ 490,002</b>

The accompanying notes are an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## JUNE 30, 2007

### Note 1. Summary of Significant Accounting Policies

#### Financial Reporting Entity

The Evergreen State College (the College) is a comprehensive institution of higher education offering baccalaureate and master's degrees. The College is an agency of the state of Washington, and is governed by an eight-member Board of Trustees appointed by the governor and confirmed by the state Senate.

#### Financial Statement Presentation

The financial statements of the College for the years ended June 30, 2007 and 2006 have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted accounting standard setting body for establishing governmental accounting and financial reporting principles. These financial statements have been prepared in accordance with GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, and GASBS No. 37, and No. 38.

The Governmental Accounting Standards Board (GASB) issued Statement 39, *Determining Whether Certain Organizations are Component Units*, which amended GASB 14, *The Financial Reporting Entity*. This provided additional guidance to determine whether certain organizations are component units for which the primary government is not financially accountable but should be reported based on the nature and significance of their relationship with the primary government.

Under GASB 39 criteria, The Evergreen State College Foundation is considered a legally separate component unit of the College and is discretely presented in the College's financial statements. During the fiscal year ended June 30, 2007, the Foundation distributed more than \$1 million to the College for restricted and unrestricted purposes. Intra-entity transactions and balances between the College and the Foundation are not eliminated for financial statement presentation.

#### Basis of Accounting

For financial reporting purposes, the College is considered as a special purpose government engaged in business type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses

are recorded when an obligation has been incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The College reports capital assets net of accumulated depreciation, and reports depreciation expense in the Statement of Revenues, Expenses and Changes in Net Assets.

In addition, the College applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements.

**Cash and Cash Equivalents:** For the purposes of the statements of cash flow, the College considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents. Funds invested through the State Treasurer's Local Government Investment Pool are also considered cash equivalents.

**Investments:** The College implemented GASB 40, Deposit and Investment Risk Disclosure, which changes the disclosure requirement related to investment risk and which is discussed further in Note 2.

**Accounts Receivable:** Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Receivables also include amounts due from federal, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Accounts receivable is recorded net of estimated uncollectible amount.

**Inventories:** Inventories consist primarily of merchandise and consumables held by auxiliary and internal service departments. They are valued at cost using the first in, first out method.

**Capital Assets:** Land, buildings, equipment, and library resources are stated at cost or, if acquired by gift, at fair market value at the date of the gift. Additions, replacements, major repairs and renovations are capitalized.

The capitalization threshold is \$100,000 or greater for buildings and infrastructure, and \$5,000 or greater for equipment. The purchase of land is capitalized regardless of cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for building components, 20 to 50 years for infrastructure and land improvements, 15 years for library resources and 5 to 7 years for equipment.

**Deferred Revenue:** Deferred revenues occur when funds have been collected in advance of an event, such as advance ticket sales, summer quarter tuition, and unspent cash advances on certain grants.

**Compensated Absences:** College employees accrue annual leave at rates based on length of service and sick leave at the rate of one day (8 hours) per month. Both are included in long-term liabilities. Employees are entitled to either the present value of 25% of his/her unused sick leave balance upon retirement or 25% of his/her net accumulation for the year in which it exceeds 480 hours.

**Tuition and Fees:** Tuition and fees are presented along with offsetting scholarship allowances, representing waiver of tuition expenses, while student aid paid directly to students is presented as scholarship and fellowship expenses.

**State Appropriations:** The state of Washington appropriates funds to the College on both an annual and biennial basis. These revenues are reported as non-operating revenues on the Statement of Revenues, Expenses and Changes in Net Assets, and recognized as such when the related expenses are incurred.

**Operating Revenues/Expenses:** Operating revenues consist of tuition and fees, grants and contracts, sales and service of educational activities and auxiliary enterprise revenues. Operating expenses include salaries, fringe benefits, goods and services and depreciation. All other revenue and expenses of the College are reported as non-operating revenues and expenses including state general appropriations, gifts and investment income, endowment income and interest expense.

**Net Assets.** The College's net assets are classified as follows:

**Investment in capital assets, net of related debt:** This represents the College's total investment in capital assets, less accumulated depreciation, and net of outstanding debt obligations related to capital assets;

**Restricted net assets – nonexpendable:** This consists of endowment and similar type funds in which the donor or other outside sources have stipulated, as a condition of the gift, that the principal is to be maintained by inviolate and in perpetuity, and invested for the purpose of present and future income, which may be either expended, or added to principal.

**Restricted net assets – expendable:** Include resources that the College is obligated to spend in accordance with restrictions imposed by external third parties.

**Unrestricted net assets:** Net assets which are not subject to externally imposed restrictions, but which may be designated for specific purposes by management, or the Board of Trustees.

**Tax Exemption:** The College is a tax-exempt organization under the provisions of Section 115(a) of the Internal Revenue Code and is exempt from federal income taxes on related income. The Foundation is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code.

**Violations:** The College does not have any material violations of finance-related legal or contractual provisions.

**Reclassifications:** Certain reclassifications not affecting total net assets have been made to the 2006 amounts in order to conform to 2007 presentation.

## Note 2. Cash and Investments

Cash and cash equivalents include bank demand deposits, an overnight sweep account, petty cash held at the College and unit shares in the Local Government Investment Pool. Except for petty cash held at the College, all others are covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Deposit Protection Commission (PDPC).

Investments are stated at market value. They consist of time certificates of deposit in addition to investments in equities. Time certificates of deposit have repurchase agreements with the respective financial institutions; investments in equities are subject to loss of all 100% of the balance of investments.

GASB Statement No. 40 requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. The College's policy is to invest in short-term financial instruments with an original maturity of 12 months or less, this in order to maintain the goal of liquidity.

The College, through its investment policy, where applicable, manages its exposure to custodial credit risk, credit risk, concentration of credit risk, interest rate risk and foreign currency risk.

	June 30, 2007	June 30, 2006
Cash on hand	\$ 17,013	\$ 18,883
Bank demand and time deposits	126,242	656,878
Local government investment pool	<u>17,748,582</u>	<u>17,187,662</u>
<b>Total cash and cash equivalents</b>	<b><u>\$17,891,837</u></b>	<b><u>\$ 17,863,423</u></b>

**Interest Rate Risk** – The College manages its exposure to interest rate changes by limiting the duration of investments and structuring the maturities of investments to mature at various points in the year. No investment may exceed 12 months.

**Concentration of Credit Risk**– The College's Time Certificates of Deposit are insured through either the Federal Deposit Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Deposit Protection Commission (PDPC). The Endowment fund investment policy allows for the investments in equities of domestic publicly listed corporations on national exchanges.

Investments	Fair value	Investment Maturities			
		One year or less	1-5 years	6-10 years	10+ years
Operating Funds					
Time certificate of deposits	\$ 10,630,537	\$ 10,630,537	\$ –	\$ –	\$ –
Endowment funds					
Bonds	655,021	167,833	108,301	103,067	275,820
Equities	<u>870,655</u>	N/A	N/A	N/A	N/A
Total investments	<u>\$ 12,156,213</u>				

### Note 3. Funds with State Treasurer

Funds with the State Treasurer represent the College's share of net earnings of the Normal School Permanent Fund as well as tuition distribution, reduced by expenditures for capital projects and debt service over the years (Fund 066) and the balance of licensing revenues held by the State Treasurer (Fund 786). At June 30, 2007, the balance held with the State Treasurer totaled \$3,688,905.

The Normal School Permanent Fund, established under RCW 43.79.160 is a permanent endowment fund, which derives its corpus from the sale of state lands and timber. The Washington State Investment Board manages the investing activities of the fund and the State Department of Natural Resources manages the sale of state land and timber. Interest earned from the investments is either reinvested or used exclusively for the benefits of Central Washington University, Eastern Washington University, The Evergreen State College and Western Washington University.

### Note 4. Accounts and Student Loans Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. It also includes amounts due from federal, state and local governments or private sources in connection with reimbursements of allowable expenditures made according to sponsored agreements.

#### Accounts receivable at June 30 consisted of the following:

	2007	2006
Student tuition and fees	\$ 985,231	\$ 721,933
Federal, state and private grants	1,027,970	862,225
State appropriation receivable	895,228	5,136,817
Auxiliary enterprises	993,764	1,063,176
Other operating activities	<u>134,139</u>	<u>781,083</u>
<b>Subtotal</b>	4,036,332	8,565,234
Allowance for uncollectibles	<u>(105,706)</u>	<u>(166,419)</u>
<b>Net accounts receivable</b>	<u>\$ 3,930,626</u>	<u>\$ 8,398,815</u>

Loans receivable at June 30 consisted primarily of student loan funds as follows:

	2007	2006
Perkins loans	\$ 3,804,612	\$ 3,759,386
Other loans	<u>295,020</u>	<u>302,613</u>
<b>Subtotal</b>	4,099,632	4,061,999
Allowance for uncollectibles	<u>(6,200)</u>	<u>(5,119)</u>
<b>Total student loans receivable</b>	<u>\$ 4,093,432</u>	<u>\$ 4,056,880</u>

## Note 5. Inventories

Inventories consist of the following:

	Balance June 30, 2007	Balance June 30, 2006
Enterprise funds	\$ 369,471	\$ 418,238
Working capital funds	<u>183,291</u>	<u>192,551</u>
<b>Totals</b>	<u>\$ 552,762</u>	<u>\$ 610,789</u>

## Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2007 is summarized as follows:

	Balance June 30, 2006	Additions/ Transfers	Retirements	Balance June 30, 2007
<b>Non-depreciable assets</b>				
Land	\$ 4,997,751	\$ -	\$ -	\$ 4,997,751
Construction in progress	<u>20,416,775</u>	<u>5,937,424</u>	<u>21,356,865</u>	<u>4,997,334</u>
<b>Total non-depreciable assets</b>	<u>25,414,526</u>	<u>5,937,424</u>	<u>21,356,865</u>	<u>9,995,085</u>
<b>Depreciable assets</b>				
Infrastructure	13,198,866	708,549	-	13,907,415
Buildings	118,508,385	23,801,825	79,019	142,231,191
Furniture, fixtures and equipment	10,544,533	1,634,893	136,649	12,042,777
Library resources	<u>17,211,693</u>	<u>386,001</u>	<u>-</u>	<u>17,597,694</u>
<b>Total depreciable assets</b>	<u>159,463,477</u>	<u>26,531,268</u>	<u>215,668</u>	<u>185,779,077</u>
<b>Less accumulated depreciation</b>				
Infrastructure	6,519,533	461,515	-	6,981,048
Buildings	35,449,384	3,045,139	58,604	38,435,919
Furniture, fixtures and equipment	8,019,671	1,002,121	(27,057)	9,048,849
Library resources	<u>13,437,702</u>	<u>490,331</u>	<u>-</u>	<u>13,928,033</u>
<b>Total accumulated depreciation</b>	<u>63,426,290</u>	<u>4,999,106</u>	<u>31,547</u>	<u>68,393,849</u>
<b>Net capital assets</b>	<u>\$121,451,713</u>	<u>\$ 27,469,586</u>	<u>\$ 21,540,986</u>	<u>\$127,380,313</u>

## Note 7. Accrued Leave Liabilities

At termination of employment, employees may receive cash payments for all accumulated vacation and compensatory time. Employees who retire get 25% of the value of their accumulated sick leave credited to a Voluntary Employees' Beneficiary Association (VEBA) account, which can be used for future medical expenses and insurance purposes. The amounts of unpaid vacation and compensatory time accumulated by College employees are accrued when incurred. The sick leave liability is recorded as an actuarial estimate of one-fourth the total balance on the payroll records. The accrued vacation leave balance as of June 30, 2007 was \$2,470,612 and sick leave totaled \$730,937.

## Note 8. Long-Term Liabilities

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007	Current Portion	Long-Term Portion
Accrued leave liabilities	\$ 3,188,704	\$ 2,095,389	\$ 2,082,544	\$ 3,201,549	\$ 2,470,612	\$ 730,937
Other liabilities	120,000	-	-	120,000	-	120,000
Leases/contracts payable	968,467	-	504,871	463,596	463,596	-
Pension liability	192,000	214,000	-	406,000	-	406,000
Bonds payable	7,550,000	-	350,000	7,200,000	340,000	6,860,000
<b>Total</b>	<u>\$12,019,171</u>	<u>\$ 2,309,389</u>	<u>\$ 2,937,415</u>	<u>\$11,391,145</u>	<u>\$ 3,274,208</u>	<u>\$ 8,116,937</u>

## Note 9. Bonds Payable

In March 2006, the College sold \$7,550,000 in Housing Revenue Bonds, with interest rates ranging from 3.75% to 4.25%. Proceeds of the bond issue went to refund the outstanding Housing Series 1994 Revenue Bonds, and the remaining proceeds are being used to construct a Housing Administration Building, and to remodel and refurbish existing housing structures.

	Interest Rate	Original Issue	Balance June 30, 2007	Balance June 30, 2006
System revenue bonds				
Series 2006	3.75% to 4.25%	\$7,550,000	\$7,200,000	\$7,550,000

**Debt Service Requirements.** The scheduled maturities of system revenue bonds are as follows:

Fiscal Year	Principal	Interest	Total
2008	\$ 340,000	\$ 283,081	\$ 623,081
2009	355,000	270,331	625,331
2010	370,000	257,019	627,019
2011	380,000	243,144	623,144
2012	395,000	228,894	623,894
2013-2017	2,040,000	910,469	2,950,469
2018-2022	1,700,000	553,356	2,253,356
2023-2026	1,620,000	175,263	1,795,263
	<u>\$ 7,200,000</u>	<u>\$ 2,921,557</u>	<u>\$10,121,557</u>

Internal Revenue Code regulations prohibit investing the proceeds from the issuance of debt, whose interest is exempt for income tax purpose at a higher rate of return than what the interest rate paid on the debt. This is known as Arbitrage, an exemption to this regulation exists for a temporary period for which proceeds are used to finance capital expenditures in accordance within a 3-year period. The College is in compliance with Arbitrage regulations as of June 30, 2007.

## Note 10. Lease Obligations

The College has acquired certain improvements and equipment under various capital lease agreements. In 2005, the College entered into an agreement with the Office of State Treasurer for purchasing a point of sales system for the bookstore.

### Lease Payable as of June 30, 2007 is:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	463,596	12,913	476,509

In addition to the above, the College has an operating lease rental of the Tacoma Branch Campus, along with several photo copier operating leases.

### Operating lease payments for the next five years are as follows:

2008	\$ 803,483
2009	722,421
2010	657,200
2011	273,163
	<u>\$ 2,456,267</u>

Total operating lease expenses in 2007 were \$863,449.

## Note 11. Commitments

Remaining commitments totaled \$637,596 for the Library remodel, with total remaining appropriations for the Library remodel of \$20,104,102 at June 30, 2007. Encumbrances for current funds carried forward as of June 30, 2007 totaled \$3,080,219.

## Note 12. Operating Expenses by Function

### Operating expenses by functional classification for the years ended June 30, 2007 and 2006 are summarized as follows:

	<u>FY2007</u>	<u>FY2006</u>
Instruction	\$ 26,624,309	\$ 26,706,697
Scholarship and aid	12,567,179	12,093,972
Auxiliary enterprises	9,892,619	10,398,280
Institutional support	9,250,872	8,857,979
Operation and maintenance	8,843,600	10,671,175
Academic support	6,896,319	6,403,225
Student services	5,438,699	4,996,543
Depreciation	4,999,106	4,158,677
Public service	2,770,203	1,573,860
Research	66,093	62,628
<b>Total operating expenses</b>	<u>\$ 87,348,999</u>	<u>\$ 85,923,036</u>



## Note 13. Contingencies and Risk Management

Amounts received and expended by the College under various federal and state programs are subject to audit by governmental agencies. In the opinion of management, audit adjustments, if any, will not have a significant effect on the financial position of the College.

The College is a party to various litigations and other claims in the ordinary course of business. In the opinion of management, the ultimate resolution of these matters will not have a significant effect on the financial position of the College.

In 2006, a settlement was reached with the general contractor for the Seminar II Building that called for the College to pay \$4.25 million to settle claims arising from disputes involving its construction. This settlement was funded by an appropriation from the state Legislature and paid in 2007.

The College participates in the State of Washington risk management self-insurance program. Premiums are based on actuarially determined projections. The College assumes its potential liability and property losses for all properties except for Housing, which were acquired with proceeds of bond issues where the bond agreement requires the College to carry insurance on Housing property.

In accordance with state policy, the College self-insures unemployment compensation for all employees. The College is on a pay-as-you-go basis, in which claims are paid in the period incurred. Unemployment compensation claims paid by the College were \$90,102 and \$97,377 for 2007 and 2006, respectively.



## Note 14. Deferred Compensation

The College, through the state of Washington, offers its employees a deferred compensation plan created under Internal Revenue Code Section 457. The plan, available to all state employees, permits individuals to defer a portion of their salary until future years. The state of Washington administers the plan on behalf of the College's employees. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable financial emergency.



## Note 15. Retirement Plans

The College offers four contributory pension plans, which cover eligible faculty, staff and administrative employees: The Washington State Public Employees' Retirement System (PERS), the Washington State Teachers Retirement System (TRS) and the Law Enforcement Officers' and Firefighters'

Retirement System (LEOFF) are multiple-employer, defined benefit, public retirement systems administered by the state of Washington, Department of Retirement Systems (DRS), as established in the Revised Code of Washington (RCW) chapter 41.50. The Evergreen State College Retirement Plan (TESCRP) is a defined contribution plan for the faculty and some exempt staff, with supplemental payment, when required.

The payroll for the College's employees for the year ended June 30, 2007 was \$12,886,909 for PERS, \$472,490 for LEOFF, \$0 for TRS and \$19,845,190 for TESCRP. Total covered payroll was \$33,204,589.

### **PERS, TRS and LEOFF Plans**

#### **Plan Descriptions**

PERS, TRS and LEOFF are multiple-employer, defined benefit pension plans administered by the state of Washington, Department of Retirement Systems (DRS).

**PERS Plan I** provides retirement and disability benefits, and minimum benefits increase beginning at any age, with 30 years of service, or at age 55, with 25 years of service, or at age 60 with five years of service to eligible members hired prior to October 1, 1977.

**PERS and TRS Plans II** provide retirement and disability benefits, and a cost-of-living allowance, beginning at age 65 with five years of service, or actuarially reduced benefit beginning at age 55 with 20 years of service to eligible members hired on or after October 1, 1977.

**LEOFF Plan II** provides retirement and disability benefits, and a cost-of-living allowance, beginning at age 53 with five years of service, or actuarially reduced benefit beginning at age 50 with 20 years of service to eligible members hired on or after October 1, 1977.

**PERS Plan III** is a hybrid defined benefit and defined contribution plan. College contributions fund the defined benefit component, providing retirement and disability. In addition, PERS III has a defined contribution component, which is fully funded by employee contributions. PERS defined benefit plan benefits are vested after an employee completes five years of eligible service. Information regarding the plan descriptions and benefit provisions is included in a Comprehensive Annual Financial Report publicly available from the Washington State Retirement Systems, P.O. Box 48380, Olympia, WA 98504.

## Funding Policy

Each biennium, the Office of the State Actuary, using funding methods prescribed by statute, determines the actuarially required contribution rates for PERS, TRS and LEOFF plans, except where employee contribution rates are set by statute. All employers are required to contribute at the level established by state law. The contribution rates at June 30, 2007 were as follows:

### PERS, TRS and LEOFF 2007 Contribution Rates

<u>Plan</u>	<u>Member</u>	<u>College</u>
PERS I	6.00%	5.46%
PERS II	3.50%	5.46%
PERS III	Various	5.46%
TRS II	3.01%	4.74%
LEOFF II	7.85%	8.03%

## The Evergreen State College Retirement Plan

### Plan Description

The plan is a defined contribution plan administered by the College and covers most faculty and exempt staff. Contributions to the plan are invested in annuity contracts with or mutual fund accounts offered by the Teachers Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF). Benefits from fund sponsors are available upon separation or retirement at the member's option. Employees have, at all times, a 100% vested interest in their accumulations.

Employee contribution rates, which are based on age, range from 5% to 10%. The College matches the employee contributions. Employer and employee contributions for the years ended June 30, 2007 and 2006 were \$1,661,659 and \$1,561,920, respectively.

The benefit goal is 2% of the average annual salary for each year of full-time service up to a maximum of 25 years. However, if the participant does not elect to make the 10% contribution after age 50, the benefit goal is 1.5% for each year of full-time service for the years in which the lower contribution was selected. No significant changes were made in the faculty benefit provisions for the year ended June 30, 2007.

The plan has a supplemental payment plan component which guarantees a minimum retirement benefit based upon a one-time calculation at each employee's retirement date. The College makes direct payments to qualifying retirees when the retirement benefits provided by the fund sponsors do not meet the benefit goals. The supplemental component of the TESCRP is financed on a pay-as-you-go basis.

The College received an actuarial evaluation of the supplemental component of the TESCRP for fiscal year 2007. The previous evaluation was performed in 2004. The Unfunded Actuarial accrued Liability (UAL) calculated as of June 30, 2007 and 2004 was \$1,413,000 and \$445,000, respectively, and is amortized over a 16.5-year period. The Annual Required Contribution (ARC) of \$214,000 consists of amortization of the UAL (\$92,000) and normal, or current, cost (\$117,000). The UAL and ARC were established using the entry age normal cost method.

The actuarial assumptions include an investment rate of return ranging from 6% to 8% and projected salary increases ranging from 2% to 4%. The following reflects the activity in the Net Pension Obligation (NPO) for the years ended June 30, 2007 and 2006:

<b>Balance as of June 30, 2005</b>	\$ 128,000
2006 Annual Required Contribution	64,000
2006 Payments to Beneficiaries	<u>-</u>
<b>Balance as of June 30, 2006</b>	192,000
2007 Annual Required Contribution	214,000
2007 Payments to Beneficiaries	<u>-</u>
<b>Balance as of June 30, 2007</b>	<u><u>\$ 406,000</u></u>

The College reports the NPO as a long-term liability.

## Note 16. Segment Information

The Evergreen State College operates residence halls (Housing) located on the College campus. Revenue bonds are issued from time to time to build or remodel Housing facilities. Housing pledges net revenues to cover the costs of debt service for the bonds, therefore, for accounting purposes, Housing is a segment of the College. Presented below are condensed financial statements for Housing as reviewed by The State Auditor's Office (SAO) as of and for the years ended June 30, 2007 and 2006.

	June 30, 2007	June 30, 2006
<b>Condensed Statement of Net Assets</b>		
Assets		
Current assets	\$ 5,523,706	\$ 6,781,686
Noncurrent assets	9,591,633	7,917,734
Total assets	<u>15,115,339</u>	<u>14,699,420</u>
Liabilities		
Current liabilities	877,541	1,086,269
Noncurrent liabilities	6,883,043	7,311,890
Total liabilities	<u>7,760,584</u>	<u>8,398,159</u>
Net assets		
Invested in capital assets, net of related debt	6,403,514	5,999,980
Unrestricted	951,241	301,281
Total net assets	<u>\$ 7,354,755</u>	<u>\$ 6,301,261</u>
<b>Condensed Statement of Revenues, Expenses and Changes in Net Assets</b>		
Operating revenues	\$ 3,902,636	\$ 3,735,914
Operating expenses	2,929,910	3,238,545
Net operating income	972,726	497,369
Nonoperating revenues (expenses)	80,768	(146,459)
Changes in net assets	1,053,494	350,910
Total net assets beginning of year	6,301,261	5,950,351
Total net assets end of year	<u>\$ 7,354,755</u>	<u>\$ 6,301,261</u>
<b>Condensed Statement of Cash Flows</b>		
Net cash flows provided by operating activities	\$ 1,302,989	\$ 1,127,048
Net cash flows provided (used) by capital financing activities	(2,889,045)	5,183,185
Net cash flows provided by investing activities	360,945	27,494
Net increase (decrease) in cash	(1,225,111)	6,337,727
Cash beginning of year	6,530,714	192,987
Cash end of year	<u>\$ 5,305,603</u>	<u>\$ 6,530,714</u>



## EVERGREEN

It is the policy of The Evergreen State College Foundation Board of Governors to offset a portion of the costs of fundraising by assessing a gift fee of 5 percent, which is below the national average of 15-20 percent for not-for profit organizations.

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The Evergreen State College Foundation is a 501(c)(3) nonprofit organization, and gifts are tax deductible to the extent permitted by federal law.

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