



2015 ANNUAL REPORT



WASHINGTON STATE
UNIVERSITY
FOUNDATION

A REMARKABLE YEAR



MESSAGE FROM THE CHAIR

Dear WSU supporters,

2015 has been an extraordinary year for Washington State University. WSU celebrated the 125th year of its founding and confidently looks forward to the next 125 years of teaching and discovery. A record \$166 million in private support was contributed this year to advance WSU's academic, research, and extension mission. The historic Campaign for Washington State University wrapped up in June with more than \$1.065 billion in private contributions, thanks to the collective support of 206,259 generous donors. A world-class wine science center opened its doors on the WSU Tri-Cities campus. With the creation of the Elson S. Floyd College of Medicine, WSU is now one of just a few tier one research universities to start a fully-accredited medical school in the last 50 years. One of the largest, best prepared, and most diverse freshmen classes in school history arrived this fall. The list goes on and on.

We've also experienced sorrow, pulling together as a family to mourn the loss of a most dynamic trailblazer—WSU's 10th President, Dr. Elson S. Floyd—whose leadership and vision made these accomplishments possible in so many ways. His legacy will resonate with our university for many years to come.

Together, through it all, the generosity and leadership of our alumni, friends, and volunteers created countless opportunities for access to quality education experiences, innovative research, and meaningful service that benefits us all.

To each generous alumnus, friend, student, parent, faculty and staff member, and corporate partner who contributed to WSU during Fiscal Year 2015, thank you for your genuine support and exceptional advocacy as donors and volunteers to advance the mission of you land-grant research university.

Go Cougs!

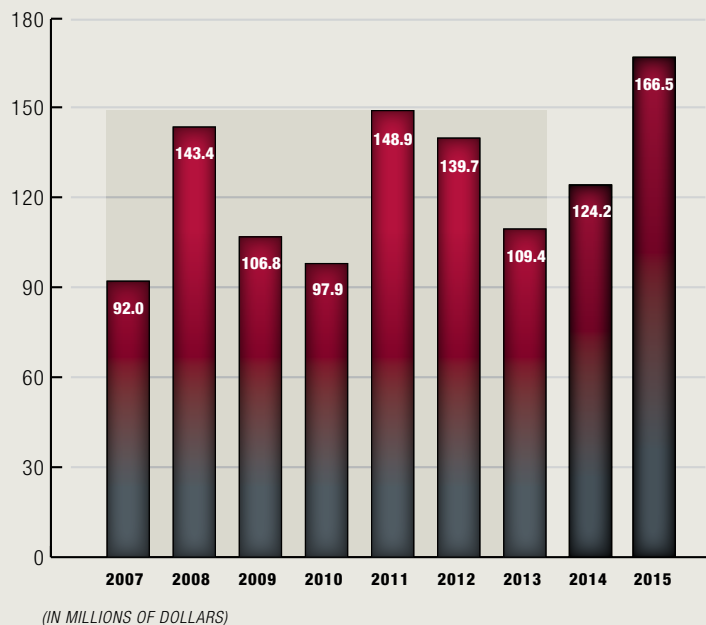
A handwritten signature in dark ink that reads "Judy L. Rogers". The script is fluid and cursive, with the first letters of each name being capitalized and prominent.

FISCAL YEAR 2015 OVERVIEW

The Washington State University Foundation received \$119,724,008 in private gifts, grants, and pledges to support Washington State University during fiscal year (FY) 2015, which ended June 30, 2015. An additional \$46,742,896 in revocable commitments and other contributions were recorded by the WSU Foundation during this period, bringing total fund-raising activity during FY2015 to \$166,466,904. During this period, the all-alumni gift participation rate was 14.9%.

TOTAL PRIVATE SUPPORT 2007-2015* FOR FISCAL YEARS ENDED JUNE 30

**Includes private gifts, grants, pledges, revocable, and other contributions*



A Home for Wine Science

It has been said that every great wine region in the world has a center for education, research and outreach associated with it. Now, thanks to the private support of Ste. Michelle Wine Estates and a \$7.4 million commitment from the state's growers and winemakers through the Washington State Wine Commission during *The Campaign for WSU*, Washington's wine industry welcomed the opening of the new Ste. Michelle Wine Estates WSU Wine Science Center in June.

Among the most technologically advanced wine science centers in the world, the new teaching and research facility located on the WSU Tri-Cities campus features research laboratories and classrooms, a research and teaching winery, a two-acre vineyard, and greenhouses to train technical personnel to support Washington's expanding wine industry—the second largest premium wine producer in the nation. It includes meeting and event space with a large atrium, Washington wine library and conference rooms.

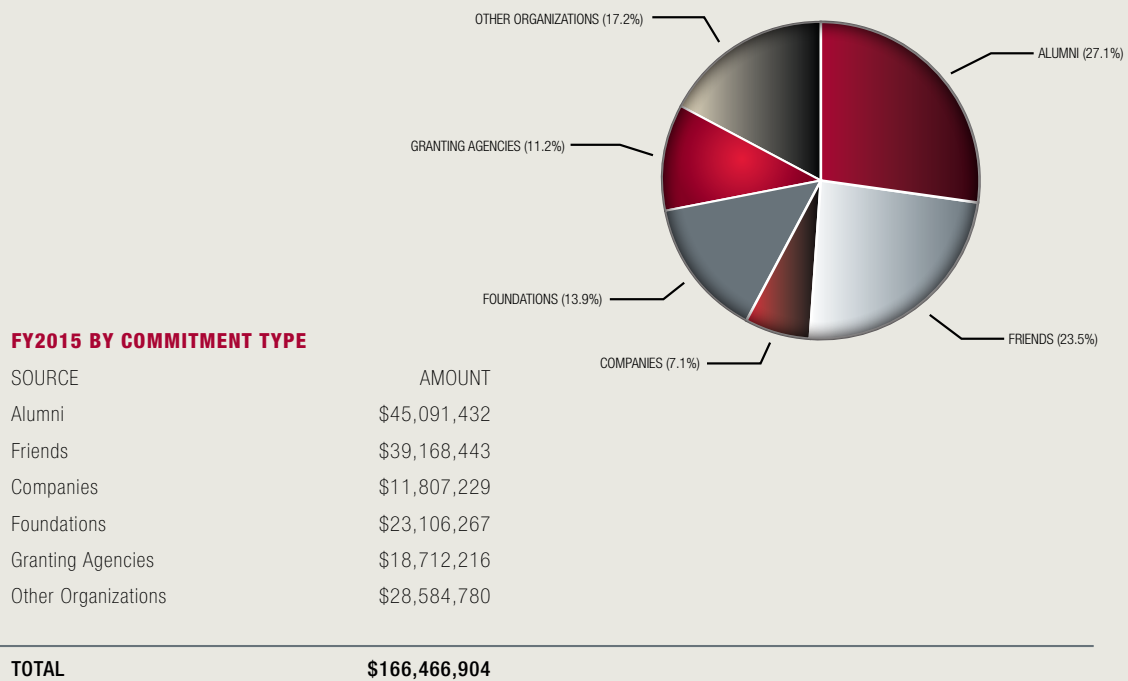
Industry members, students and researchers from around the globe will use the center as a gathering place to spark innovation, fuel economic development and support local, regional, national and international collaboration and provide a catalyst for research breakthroughs.

[More](#)

TOTAL PRIVATE SUPPORT (IN MILLIONS OF DOLLARS)

	2007	2008	2009	2010	2011	2012	2013	2014	2015
PRIVATE GIFTS	37.2	52.0	36.7	33.6	44.4	42.2	50.5	55.5	78.2
PRIVATE GRANTS	26.5	22.6	23.5	25.3	56.6	27.7	26.7	25.0	28.6
PLEDGES	16.5	32.0	5.6	1.8	22.9	39.8	17.9	25.0	12.9
REVOCABLE COMMITMENTS	11.8	36.8	29.4	36.7	24.7	29.7	11.4	13.5	46.2
OTHER CONTRIBUTIONS	0	0	11.6	0.4	0.3	0.2	2.9	5.4	0.6
TOTAL	92.0	143.4	106.8	97.9	148.9	139.7	109.4	124.2	166.5
NUMBER OF DONORS	61,127	65,243	62,722	55,044	57,277	60,091	52,400	55,432	56,752

TOTAL PRIVATE SUPPORT BY SOURCE (FY2015)



*TOTAL PRIVATE SUPPORT BY COLLEGE, CAMPUS,
AND UNIT AREA, FY2015 (IN MILLIONS OF DOLLARS)*

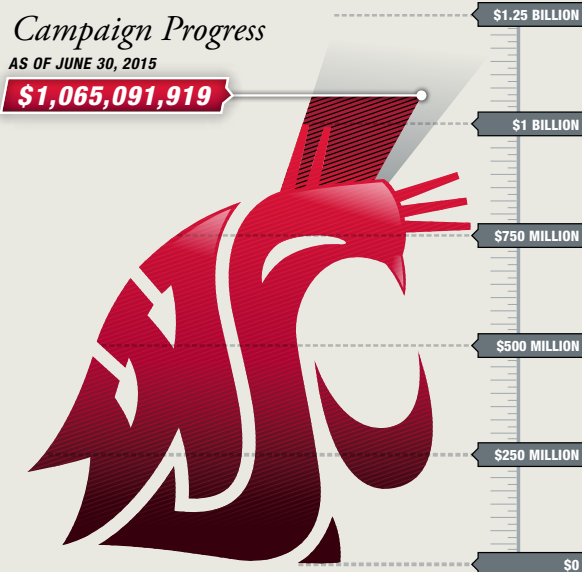
COLLEGE/CAMPUS/UNIT	GIFTS TO DATE	PLEDGE BALANCE	PRIVATE GRANTS	REVOCABLE COMMITMENTS	OTHER CONTRIBUTIONS	TOTAL COMMITMENTS
CAHNRS/4-H-EXTENSION	17,943,225	4,648,764	13,705,798	6,834,168	3,000	43,134,955
ARTS & SCIENCES	1,913,420	264,793	4,378,199	1,610,900	0	8,167,312
CARSON COLLEGE OF BUSINESS	1,291,199	115,074	0	5,670,000	22,570	7,098,843
MURROW COLLEGE OF COMMUNICATION	2,959,721	337,818	1,407,570	2,116,563	2,083	6,823,755
EDUCATION	861,996	7,523	109,636	1,275,000	0	2,254,155
VOILAND COLLEGE OF ENGINEERING & ARCHITECTURE	9,204,065	1,137,460	1,803,932	18,060,000	0	30,205,457
HONORS COLLEGE	498,780	120,775	0	150,000	0	769,555
NURSING	6,365,370	15,085	254,068	1,075,000	0	7,709,522
PHARMACY	646,871	4,972	1,272,645	0	33,500	1,957,989
VETERINARY MEDICINE	7,307,392	88,680	3,106,531	1,310,526	0	11,813,129
WSU SPOKANE	210,070	31,507	1,180,902	1,300,000	54,564	2,777,043
WSU TRI-CITIES	12,911,305	138,422	249,690	0	0	13,299,417
WSU VANCOUVER	1,568,293	5,437	337,235	1,196,000	32,758	3,139,723
COUGAR ATHLETIC FUND	8,071,322	2,295,786	0	2,622,510	109,700	13,099,319
GRADUATE SCHOOL	458,292	20,000	306,000	0	0	784,292
INTERNATIONAL PROGRAMS	67,288	4,273	0	0	0	71,561
LIBRARIES	230,813	10,660	0	1,235,624	0	1,477,097
MUSEUM OF ART	744,258	206,687	15,000	0	0	965,945
STUDENT AFFAIRS & ENROLLMENT	2,400,397	95,326	235,982	737,500	0	3,469,205
UNDERGRADUATE EDUCATION	59,575	1,555	0	0	24,000	85,130
GENERAL UNIVERSITY SUPPORT	2,532,822	3,342,154	221,593	961,246	305,684	7,363,500
FY2015 TOTALS	\$78,246,475	\$12,892,753	\$28,584,780	\$46,155,037	\$587,860	\$166,466,904

THE CAMPAIGN FOR WSU

Begun on July 1, 2006, the \$1 billion *Campaign for Washington State University: Because the World Needs Big Ideas* is the greatest comprehensive fund-raising effort in WSU history. Thanks to the support of all alumni, friends, organizations, faculty and staff members, and students who generously give, *The Campaign for WSU* outperformed expectations.

The detail provided here reflects total campaign activity from July 1, 2006 through June 30, 2015.

More about *The Campaign for WSU* can be found at: campaign.wsu.edu

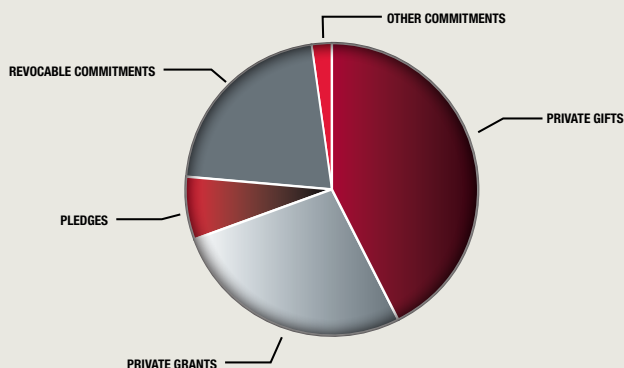


TOTAL CAMPAIGN BY COMMITMENT TYPE

As of June 30, 2015

COMMITMENT TYPE	AMOUNT
Private Gifts	\$454,291,667
Private Grants	\$285,668,999
Pledges	\$74,047,017
Revocable Commitments	\$229,661,902
Other Commitments	\$21,422,334

TOTAL **\$1,065,091,919**

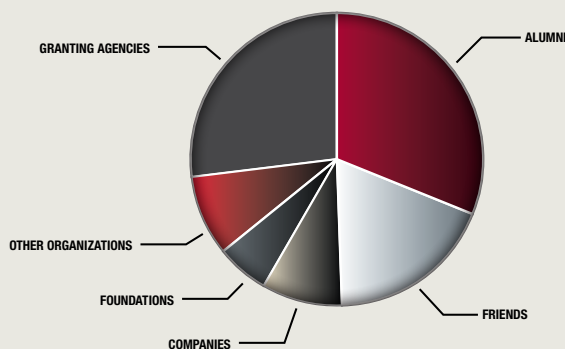


TOTAL CAMPAIGN COMMITMENTS BY SOURCE

As of June 30, 2015

INDIVIDUAL CAMPAIGN GIVING	AMOUNT
Alumni	\$331,685,859
Friends	\$195,555,201
Companies	\$93,853,202
Foundations	\$63,969,579
Other Organizations	\$94,359,079
Granting Agencies	\$285,668,999

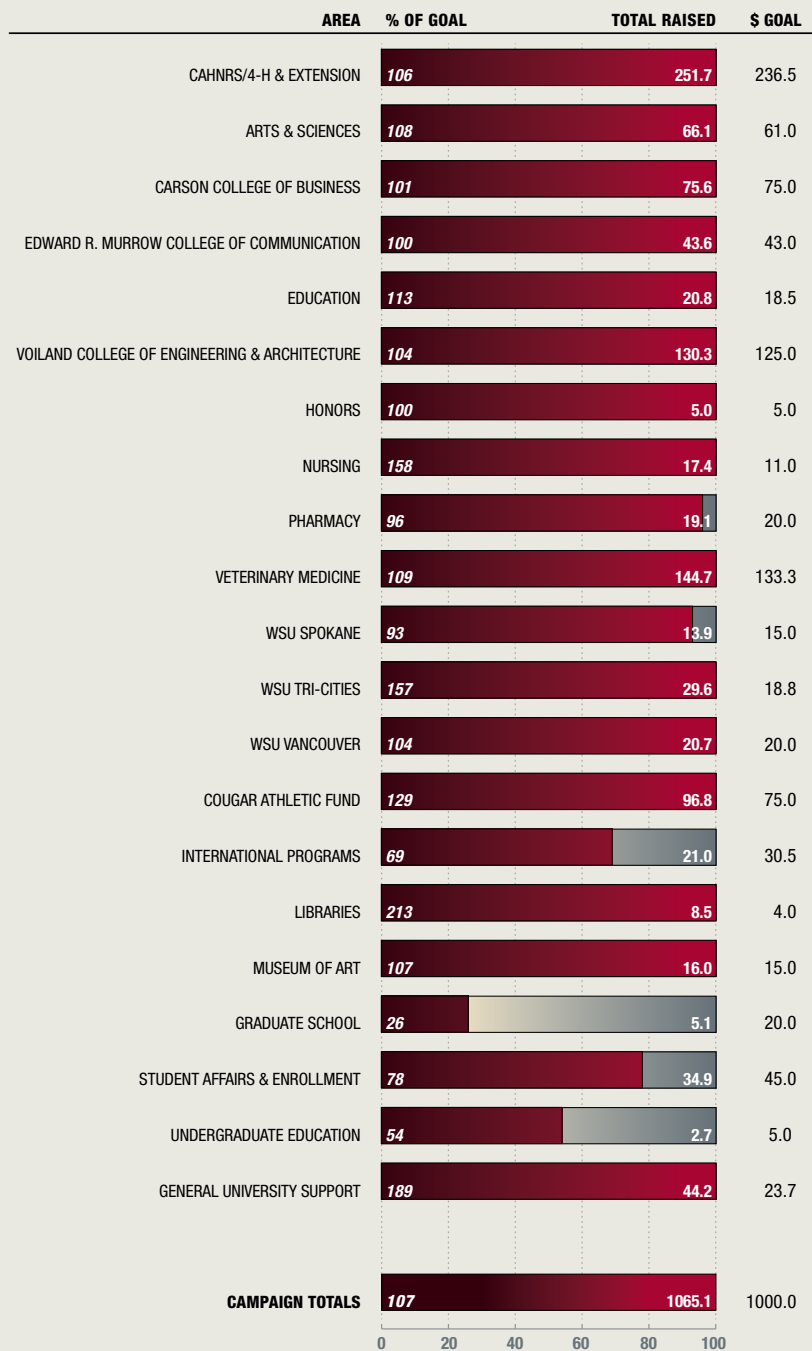
TOTAL **\$1,065,091,919**



CAMPAIGN BY COLLEGE, CAMPUS, AND PROGRAM

AS OF JUNE 30, 2015

(IN MILLIONS)



Transforming Healthcare for Central Washington

Washington State University Tri-Cities received the campus' largest single private gift in its 26 year history when Kadlec Regional Medical Center announced in January a landmark \$18 million investment to support the WSU Tri-Cities College of Nursing.

Kadlec's commitment creates five new endowed faculty positions on the WSU Tri-Cities campus. The Kadlec Distinguished Chairs will allow WSU Tri-Cities to recruit doctoral-prepared faculty with the expertise necessary to meet the region's need for preparing Nurse Practitioners. The result will be an increase in the number of those earning the Doctor of Nursing Practice degree, or DNP, throughout the region.

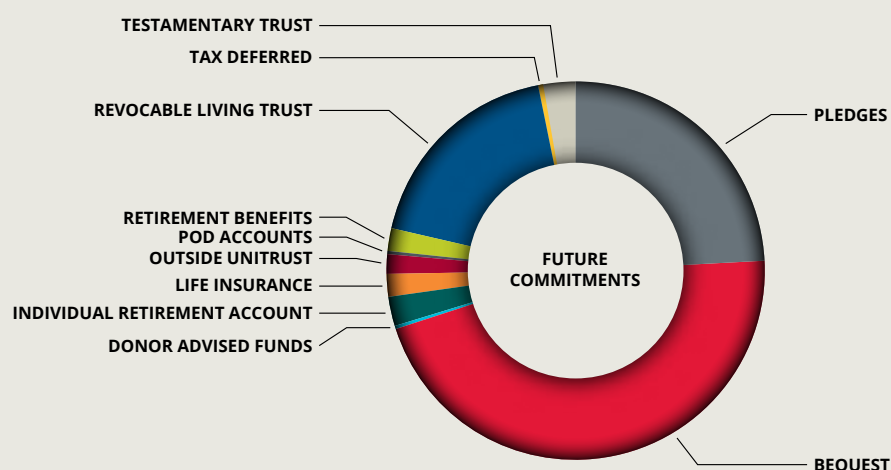
"We are thrilled to embark on a new era for how healthcare needs are addressed in the Tri-Cities, Yakima, Walla Walla, and surrounding communities," said WSU Tri-Cities Chancellor Keith Moo-Young. "This remarkable gift from Kadlec will help WSU Tri-Cities become a national leader in nursing education and practice, and represents a generous commitment to improve access to quality healthcare throughout our region."

Kadlec has had a long-standing commitment to enhance and bolster the healthcare workforce in the Tri-Cities community and region. In 2012, Kadlec committed more than 12,000 square feet of space in Richland to the university along with \$250,000 in equipment to create a state-of-the-art home for WSU Tri-Cities' nursing education program. Kadlec has also provided scholarship support for nursing students over the years.

[More](#)

CAMPAIGN PLEDGES, PLANNED GIVING & REVOCABLE INTENTIONS

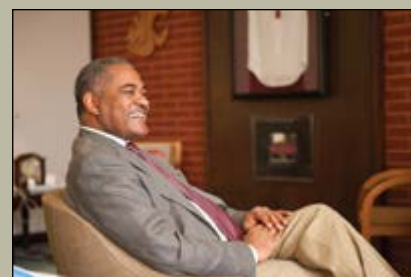
Not all commitments to support Washington State University during The Campaign for WSU will be realized during the campaign timeframe. Pledges, planned gifts, and other revocable intentions are commitments for the future. The following charts reflect the total value of all commitments where a donor has communicated during the current campaign his or her intention to support Washington State University in the future.



CAMPAIGN PLEDGES AND REVOCABLE COMMITMENTS

(As of June 30, 2015)

REVOCABLE COMMITMENTS	AMOUNT
Bequest	\$138,816,860
Donor Advised Fund	\$1,124,000
Individual Retirement Account	\$7,777,054
Life Insurance	\$5,472,429
Outside Unitrust	\$5,562,701
Pay On Death	\$144,252
Retirement Benefits	\$6,475,136
Revocable Living Trust	\$55,242,600
Tax Deferred Annuity	\$334,370
Testamentary Trust	\$8,712,500
SUBTOTAL	\$229,661,902
PLEDGES	\$74,047,017
TOTAL	\$303,708,919



Continuing a Legacy

"Now is the time to address the physician shortage confronting a great many communities in our state," WSU President Elson S. Floyd said in 2014 of WSU's efforts to establish the state's second medical school. He considered the pursuit of the medical school a central part of WSU's land-grant responsibility to serve the needs of the citizens, industries and communities across the state.

In the ensuing months, the legislature granted permission for WSU to pursue creating its own fully-accredited college of medicine and the university began the monumental work to see it through. Sadly, Dr. Floyd will not see the school enroll its first students in 2017. He died in June following his own courageous battle with cancer.

"Washington State University would not be starting a medical school today without Elson's vision and leadership," said John Gardner, Vice President for Advancement and WSU Foundation CEO.

In his memory, the Dr. Elson S. Floyd Medical Education Founders Fund was created to honor and support the tremendous leadership and legacy President Floyd had across WSU and in particular his effort to create a WSU college of medicine. The new fund will support the accreditation, implementation, and operation of the new WSU College of Medicine.

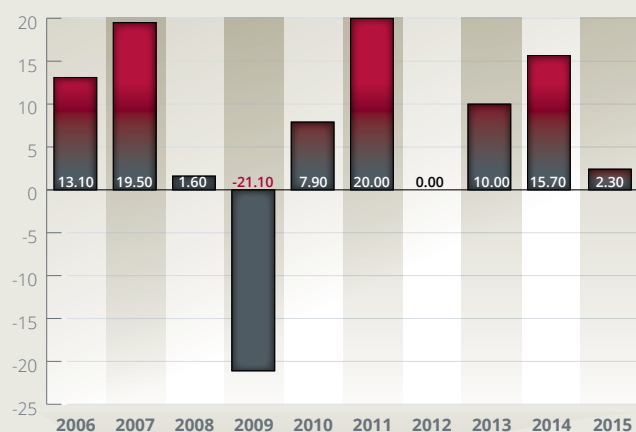
[More](#)

INVESTMENT PERFORMANCE

For the period of July 1, 2014 to June 30, 2015, the endowment portfolio produced a total return of 2.30 percent. Gifts and other additions to the endowment fund totaled \$23,608,102 during this period. A total of \$15,110,116 was distributed from the endowment in support of programs at Washington State University.

BENCHMARK RETURN COMPARISONS

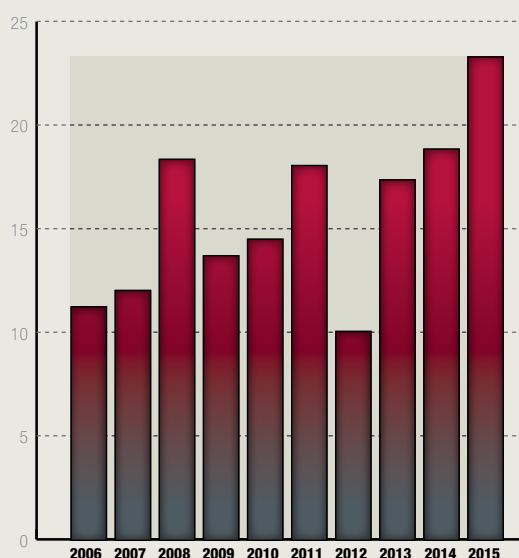
(AS A PERCENTAGE)



ONE-YEAR ANNUAL RETURN (as a percentage)				
DATE	WSUF ENDOW. RETURN	S&P 500	70/30 PORTFOLIO	CPI
6/30/2006	13.10	8.60	5.80	4.30
6/30/2007	19.50	20.60	16.10	2.70
6/30/2008	1.60	-13.10	-7.20	5.10
6/30/2009	-21.10	-26.20	-17.10	-1.40
6/30/2010	7.90	14.40	13.30	1.10
6/30/2011	20.00	30.70	22.30	3.30
6/30/2012	0.00	5.40	6.40	1.70
6/30/2013	10.00	20.60	13.90	1.80
6/30/2014	15.70	24.60	18.30	2.10
6/30/2015	2.30	7.40	5.80	0.10

Note: All performance figures of the Washington State University Foundation Endowment are net of expenses.

GIFTS & OTHER ADDITIONS TO ENDOWMENT, FISCAL YEARS 2006-2015



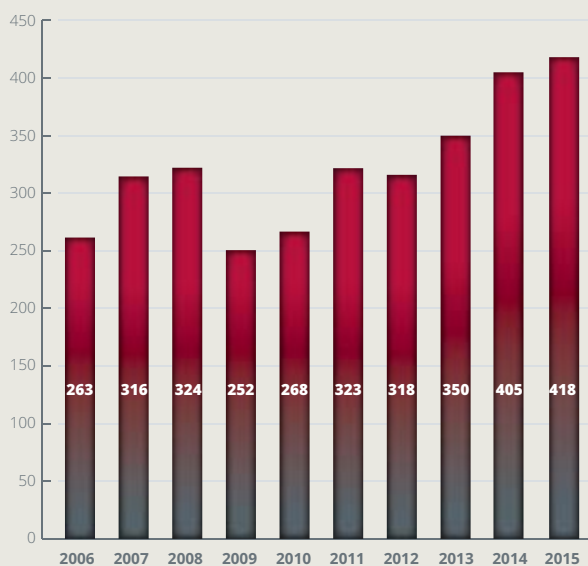
(IN MILLIONS)

2006	\$11,412,180
2007	\$12,290,871
2008	\$18,648,129
2009	\$13,918,140
2010	\$14,728,094
2011	\$18,303,950
2012	\$10,247,807
2013	\$17,611,092
2014	\$19,174,488
2015	\$23,608,102

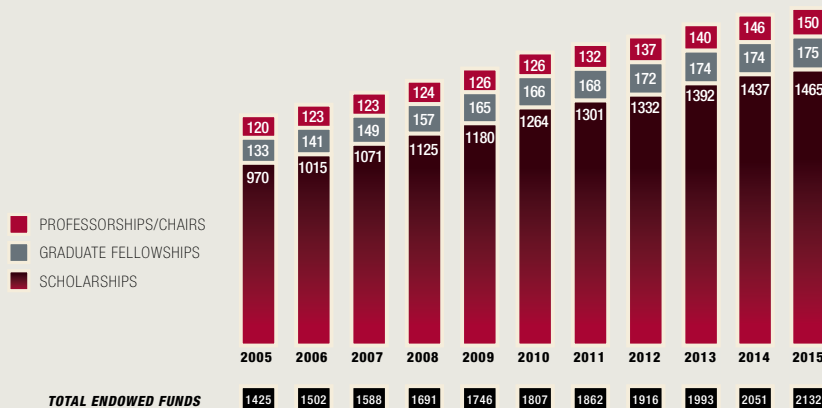
ENDOWMENT GROWTH

The WSU Foundation consolidates all funds available for long-term investment in its Endowment Fund, with the exception of funds restricted by law or by special donor limitations. This fund is the investment pool for approximately 2,100 privately endowed funds supporting a wide variety of education, research, and service programs at WSU. As a result of private giving, investment returns, and institutional fund transfers, the market value of the WSU Foundation Endowment Fund increased from \$263 million in 2006 to nearly \$418 million as of June 30, 2015.

WSU FOUNDATION ENDOWMENT FUND 10-YEAR VALUE (IN MILLIONS OF DOLLARS)



ENDOWED SCHOLARSHIPS, FELLOWSHIPS, PROFESSORSHIPS/CHAIRS



It's About Giving Back

"I want to give other students opportunities, to impact the value of the University, and to stay connected to WSU wherever I go," says Laurel Mahnke ('14).

The Carnation, Washington native earned a degree in public relations from the Edward R. Murrow College of Communication. During her junior year, Laurel became involved with PAWS (Philanthropy at Washington State), a student-run outreach program that emphasizes and teaches how private support impacts WSU.

"PAWS was the perfect fit," Laurel recalls. "The experience gave me an up-close look at the many ways private support changes lives at WSU and enhances the student experience."

Laurel's commitment arises from her own experience with the campus and community in Pullman. "I didn't succeed on an island. Many people pulled me up along the way. People I can't repay, people who do not want repayment. I feel a sort of obligation to future students to be that boost for them. Only good things can come of giving back."

"My hope is that alumni and students of public universities, like WSU, begin to embrace how a gift to their alma mater provides opportunities to students, communities, and yes, sometimes the world. Every gift—no matter the size—is progress toward that goal."

[More](#)

INVESTMENT STRATEGY

The investment objectives of the WSU Foundation Endowment Fund reflect its long-term nature.

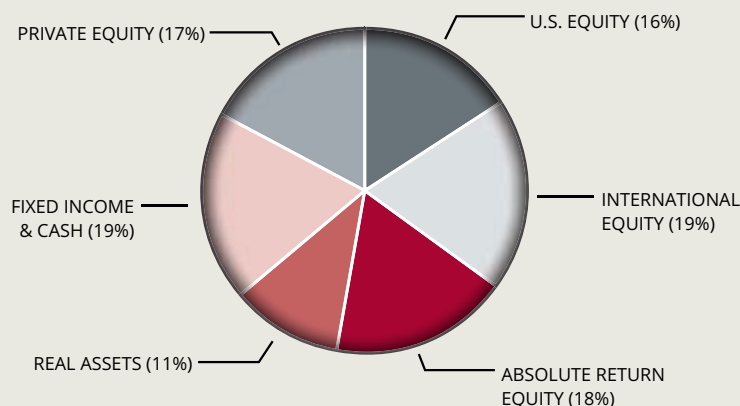
It is recognized that the desire to grow endowment gifts and to produce a large, stable, and predictable payout stream involves tradeoffs that must be balanced in establishing the investment and spending policies. Considerations that shape the Fund's objectives are outlined here:

- Produce a relatively predictable and stable payout stream each year.
- Maintain purchasing power of the assets over the investment horizon.
- Balance the support of present and future generations of students and faculty.

In accordance with WSU Foundation bylaws, the WSU Foundation Investment Committee is responsible for investments, reinvestments, and general management of the endowment. The committee establishes policies for investing capital, monitoring and reviewing investment performance, establishing appropriate benchmarks, and managing the investments.

WSU FOUNDATION ENDOWMENT ACTUAL ASSET ALLOCATION (AS OF JUNE 30, 2015)

As of June 30, 2015, the WSU Foundation Endowment assets totaled \$417,524,809 and were allocated as shown here.



ENDOWMENT MANAGEMENT AND FEES

In accordance with WSU Foundation bylaws, the WSU Foundation Endowment Fund is managed by the Investment Committee, a sub-committee of the WSU Foundation Board of Governors. The Investment Committee is responsible for investments, reinvestments, and general management of the Endowment. The committee establishes policies for investing capital, monitoring and reviewing investment performance, establishing appropriate benchmarks, and managing the investments to maximize the Endowment's financial potential while minimizing risk. Mercer Investment Consulting, Inc. serves as the Foundation's investment consultant.

Each year, the WSU Foundation distributes 4.0 percent of the endowed fund's 36-month rolling average to benefit WSU as designated in the Gift Use Agreement. Additionally, a 1.5 percent advancement fee is charged to the distribution from the endowment. There are other costs associated with the Endowment, such as investment management fees, custodial costs, and consulting expenses. Investment growth beyond the University distribution and the advancement and management fees grows the value of the fund.

For more information about the WSU Foundation Endowment Fund or its distribution fee structure, please call 800-448-2978.

ABOUT THE WSU FOUNDATION

The mission of the Washington State University Foundation is to promote, accept, and maximize private support for programs, initiatives, and properties of Washington State University and its regional campuses. The WSU Foundation also prudently manages, invests, and stewards the assets entrusted to it by WSU and its alumni, friends, and donors.

Established in 1979, the WSU Foundation was created not as an object of philanthropy itself but, rather, as the preferred mechanism through which private support is raised and managed for the sole benefit of Washington State University. Private gifts and grants to the WSU Foundation are designated to the WSU college, program, or fund of the donor's choosing. Contributions can be made by contacting the WSU Foundation Office at 800-448-2978 or by [making a gift online](#).

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or 800-GIV-2-WSU (448-2978)

Fax: 509-335-4788

Email: foundation@wsu.edu

GOVERNANCE

WSU FOUNDATION BOARD OF GOVERNORS

Established in 2004, the Board of Governors serves as the governing board of directors for the WSU Foundation. The Board of Governors has fiduciary responsibility for the general business and affairs of the WSU Foundation, including oversight of the Foundation's property, assets, and policies of the WSU Foundation.

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Bakersfield, CA

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Established with the creation of the Washington State University Foundation in 1979, the Board of Trustees serves as the Foundation's voting membership. By volunteering their time to serve on Foundation committees and to build relationships with prospective donors, the members of the Board of Trustees serve a critical fund-raising role in support of the Foundation and the University.

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Philip D. Cleveland, MD '56	Laurie Sue Johnson '78	Molly M. Philopant '76	Barbara A. Wilson
Harold Cochran (Ex-Officio)	Roger M. Johnson '67	Lura J. Powell (Ex-Officio)	D.J. Wilson '74
Stanley B. Coe, DVM '57	D. Michael Jones '64	Diana B. Prenguber '73	Thomas L. Wilson
Bruce G. Cramer '92	Dennis B. Jones '64	Gregory S. Rankich '94	Gerald A. Winkler '72
Robert R. Crist '89	Jon D. Jones '93	R. Stephen Rasmussen, EdD '73	Gregory M. Witter '84
Jane Yung Dennie '93	Jim King '80	V. Lane Rawlins, Ph.D.	Stephen Woodard, DDS '83
Mac M. Dillsi '57	Lisa K. King '08	Herbert M. Richards III, DVM '84	Michael C. Worthy '77 (Ex-Officio)
Jacquelyne A. Doane '72	Mike J. King '06	Jay Rockey '50	H.S. Wright III '76
Rick L. Doane '71	Gary M. Kirk '83	Floyd A. Rogers '73	Mark H. Wuotila '69
Donna J. Donati	David R. Knowles, Ph.D. '69	Tony Rojas '85	Steve Wymer '01
T. Ryan Durkan '78 (Ex-Officio)	Ann Liberato '80	Sandra K. Saffell '67	Ronald A. Wysaske '74
Darren P. Eastman '02	June E. Lighty	Carrie S. Sakaino, Ph.D. '85	
Richard Ellingson '75	Brian Lockett '01	Gary T. Schneidmiller '71	

WSU FOUNDATION OFFICERS

John C. Gardner, Ph.D.
Vice President, University Advancement
Chief Executive Officer
Washington State University Foundation

Mark Hermanson
Executive Associate Vice President
University Advancement Operations & Campaigns
Washington State University Foundation

Mike Connell
Senior Associate Vice President, University Development
Individual Giving Programs
Washington State University Foundation

Trevor J. Durham
Associate Vice President, University Development
Marketing & Communications
Washington State University Foundation

Anson Fatland
Associate Vice President
Economic Development
Washington State University

Kim A. Holapa
Associate Vice President, University Development
Stewardship, Events, & Board Relations
Washington State University Foundation

Gil Picciotto
Executive Associate Vice President, University Development
Foundation Operations & Principal Gifts
Washington State University Foundation

Juan Zavala
Associate Vice President, University Development
Technology & Advancement Records
Washington State University Foundation



WASHINGTON STATE
UNIVERSITY

F O U N D A T I O N

(A NONPROFIT CORPORATION)

CONSOLIDATED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

JUNE 30, 2015 AND 2014

(WITH INDEPENDENT AUDITOR'S REPORT THEREON)





WASHINGTON STATE UNIVERSITY FOUNDATION
(A Nonprofit Corporation)

Consolidated Financial Statements and
Supplementary Information

June 30, 2015 and 2014

(With Independent Auditors' Report Thereon)

WASHINGTON STATE UNIVERSITY FOUNDATION
(A Nonprofit Corporation)

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements:	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4-5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7
Supplementary Information (Unaudited)	
Consolidating Statement of Financial Position	26
Consolidating Statement of Activities	27



KPMG LLP
Suite 2900
1918 Eighth Avenue
Seattle, WA 98101

Independent Auditors' Report

The Board of Governors
Washington State University Foundation:

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Washington State University Foundation as of June 30, 2015 and 2014, and the results of its operations and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.



Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information, presented on pages 26 and 27, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

KPMG LLP

Seattle, Washington
October 23, 2015

WASHINGTON STATE UNIVERSITY FOUNDATION
(A Nonprofit Corporation)

Consolidated Statements of Financial Position

June 30, 2015 and 2014

Assets	2015	2014
Cash and cash equivalents	\$ 620,944	607,306
Due from Washington State University	2,142,302	1,741,381
Other receivables	17,269,177	4,223,162
Pledges receivable, net	44,684,068	50,030,416
Endowment investment securities (including assets held for Washington State University of \$15,061,215 and \$19,909,407, respectively)	367,669,219	364,099,760
Notes receivable, net	621,506	746,352
Furniture, fixtures, and equipment (net of accumulated depreciation of \$1,409,192 and \$1,255,649, respectively)	308,526	462,069
Land, Cougar Property Holdings	35,000	35,000
Land and real estate	2,188,250	1,658,250
Assets held in charitable trusts	35,147,227	33,203,563
Contributions receivable from charitable trusts	5,889,968	5,742,321
Beneficial interest in perpetual trusts	30,410,761	11,698,327
Total assets	<u>\$ 506,986,948</u>	<u>474,247,907</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 949,992	620,905
Annuities payable	16,157,823	13,036,596
Remainder interest payable	1,711,962	1,174,723
Assets held for other organizations	290,389	270,353
Assets held for Washington State University	15,061,215	19,909,407
Total liabilities	<u>34,171,381</u>	<u>35,011,984</u>
Net Assets		
Unrestricted:		
Other	2,727,448	2,238,020
Funds with deficiencies	(1,510,630)	(719,674)
Total unrestricted net assets	1,216,818	1,518,346
Temporarily restricted	67,112,929	79,706,572
Permanently restricted	404,485,820	358,011,005
Total net assets	<u>472,815,567</u>	<u>439,235,923</u>
Total liabilities and net assets	<u>\$ 506,986,948</u>	<u>474,247,907</u>

See accompanying notes to consolidated financial statements.

WASHINGTON STATE UNIVERSITY FOUNDATION
(A Nonprofit Corporation)

Consolidated Statements of Activities

Year ended June 30, 2015

	2015			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenue and support:				
Contributions	\$ 310,888	36,543,302	51,311,323	88,165,513
Investment income	632	1,760,069	913,348	2,674,049
Gain (loss) on investments	(790,956)	8,981,706	(612,397)	7,578,353
Management and advancement fees	5,465,234	—	—	5,465,234
Change in value of split-interest agreements	—	—	(7,021,184)	(7,021,184)
Support provided by Washington State University	4,296,542	—	—	4,296,542
Other income (loss)	200,547	(1,334)	4,070,067	4,269,280
Total revenue and support	9,482,887	47,283,743	48,661,157	105,427,787
Net assets released from restrictions	62,063,728	(59,877,386)	(2,186,342)	—
Expenses:				
Support provided to/for Washington State University:				
Restricted distributions	42,541,750	—	—	42,541,750
Endowment income distributions	14,956,332	—	—	14,956,332
Management and advancement fees	4,737,272	—	—	4,737,272
Fundraising	6,499,730	—	—	6,499,730
General and administrative expenses	3,113,059	—	—	3,113,059
Total expenses	71,848,143	—	—	71,848,143
Change in net assets	(301,528)	(12,593,643)	46,474,815	33,579,644
Net assets – beginning of year	1,518,346	79,706,572	358,011,005	439,235,923
Net assets – end of year	\$ 1,216,818	67,112,929	404,485,820	472,815,567

See accompanying notes to consolidated financial statements.

WASHINGTON STATE UNIVERSITY FOUNDATION
(A Nonprofit Corporation)

Consolidated Statements of Activities

Year ended June 30, 2014

	2014			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenue and support:				
Contributions	\$ 1,162	46,062,582	18,677,250	64,740,994
Investment income	687	943,728	692,647	1,637,062
Gain on investments	6,419,799	41,837,770	4,154,369	52,411,938
Management and advancement fees	4,998,032	—	—	4,998,032
Change in value of split-interest agreements	—	—	(2,940,687)	(2,940,687)
Support provided by Washington State University	5,075,772	—	—	5,075,772
Other income	—	—	1,361,001	1,361,001
Total revenue and support	16,495,452	88,844,080	21,944,580	127,284,112
Net assets released from restrictions	53,897,416	(53,897,416)	—	—
Expenses:				
Support provided to/for Washington State University:				
Restricted distributions	37,799,228	—	—	37,799,228
Endowment income distributions	10,957,791	—	—	10,957,791
Management and advancement fees	4,322,435	—	—	4,322,435
Fundraising	6,348,845	—	—	6,348,845
General and administrative expenses	5,113,475	—	—	5,113,475
Total expenses	64,541,774	—	—	64,541,774
Change in net assets	5,851,094	34,946,664	21,944,580	62,742,338
Net assets (deficit) – beginning of year	(4,332,748)	44,759,908	336,066,425	376,493,585
Net assets – end of year	\$ 1,518,346	79,706,572	358,011,005	439,235,923

See accompanying notes to consolidated financial statements.

WASHINGTON STATE UNIVERSITY FOUNDATION
(A Nonprofit Corporation)

Consolidated Statements of Cash Flows

Years ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ 33,579,644	62,742,338
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	153,543	156,751
Gain on investments	(7,578,353)	(52,411,938)
Noncash donations of land and real estate	(530,000)	(378,250)
Contribution of noncash donations of land and real estate (WSU)	—	1,083,250
Decrease in value of split-interest agreements	7,021,184	2,940,687
Contributions and income restricted for investments in endowments and trusts	(40,059,187)	(16,644,912)
Impairment – land	—	15,000
Changes in assets and liabilities:		
Due from Washington State University	(400,921)	454,527
Other receivables	(13,046,015)	(4,081,537)
Pledges receivable	5,346,348	(5,413,173)
Accounts payable and accrued liabilities	365,299	115,120
Assets held on behalf of other organizations	20,036	(503,574)
Assets held for Washington State University	(4,848,192)	1,572,494
Net cash used in operating activities	<u>(19,976,614)</u>	<u>(10,353,217)</u>
Cash flows from investing activities:		
Purchases of investments	(195,490,575)	(105,249,335)
Sales of investments	175,296,794	99,293,248
Purchase of property and equipment	—	(237,823)
Issuance of notes receivable	—	(222,849)
Proceeds of principal payments on notes receivable	124,846	38,037
Net cash used in investing activities	<u>(20,068,935)</u>	<u>(6,378,722)</u>
Cash flows from financing activities:		
Contributions and income restricted for investments in endowments and trusts	40,059,187	16,644,912
Net increase (decrease) in cash and cash equivalents	13,638	(87,027)
Cash and cash equivalents – beginning of year	607,306	694,333
Cash and cash equivalents – end of year	<u>\$ 620,944</u>	<u>607,306</u>

See accompanying notes to consolidated financial statements.

WASHINGTON STATE UNIVERSITY FOUNDATION
(A Nonprofit Corporation)

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

(1) Summary of Significant Accounting Policies

(a) Nature of Operations

Washington State University Foundation (the Foundation) was established on May 24, 1979, as an organization with a purpose of raising funds, administering and investing funds, and providing support and assistance for scientific, literary, and educational pursuits on behalf of Washington State University (the University or WSU), which is located in Pullman, Washington.

The University provides the Foundation with office space, accounting and investment services, and access to University services including supplies and equipment. The University also provides financial support for various general operating expenses including salaries for Foundation employees.

The Foundation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

(b) Consolidated Statements

Cougar Property Holdings (CPH), a Washington nonprofit corporation, organized during the year ended June 30, 2000, was formed for the purpose of acquiring, developing, and managing real and personal property for the sole benefit of the Foundation. Because the Foundation is the single member of CPH, its financial statements have been combined with the accompanying consolidated statements. All significant inter-entity transactions have been eliminated.

(c) Net Assets

Unrestricted net assets represent resources over which the trustees of the Foundation retain control to use the funds in order to achieve the Foundation's purpose. Temporarily restricted net assets represent funds restricted by the donor for a particular purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Foundation in perpetuity, consisting predominantly of endowment funds and charitable trusts. Endowment funds represent funds that are subject to restrictions of gift instruments requiring in perpetuity that the principal be invested and only the investment income be utilized. It is the Foundation's policy to reinvest all investment income over 5.5% as additions to endowment principal. Also included are trust funds that represent donor contributions of irrevocable trusts and other instruments wherein the Foundation has a remainder interest in the trust assets upon the death of the last surviving income beneficiary.

(d) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

WASHINGTON STATE UNIVERSITY FOUNDATION
(A Nonprofit Corporation)

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

(e) Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Foundation considers short-term cash investments and highly liquid debt instruments, if any, purchased with an original maturity of three months or less, to be cash equivalents.

At various times throughout the year, the cash balance exceeded federally insured limits of the individual financial institution. A possible loss exists for amounts in excess of insured limits.

(f) Pledges Receivable

Unconditional pledges receivable, less an allowance for uncollectible accounts and the discount to present value, are recognized as revenue in the period received. Conditional pledges receivable, if any, are recognized when the conditions on which they depend are substantially met.

(g) Endowment Investment Securities

Investment securities are stated at fair value. Investment securities received by gift are recorded at fair value at the date of acquisition. Fair values are based on quoted market prices. Taxes, external investment manager's fees, and other administrative fees in the amounts of \$1,117,892 and \$888,926 were paid in the fiscal years ended June 30, 2015 and 2014, respectively, and are classified within the statements of activities as an offset to gain (loss) on investments.

Financial Accounting Standards Board (FASB) guidance requires additional disclosures about endowments (both donor-restricted funds and board-designated funds) for all organizations. The Foundation has disclosed endowment balances and activity in accordance with this provision. See note 3, Endowment Investment Securities, for the disclosures.

(h) Furniture, Fixtures, and Equipment

Purchased equipment is carried at cost. Depreciation and amortization are computed on the straight-line method over the estimated useful lives of the assets.

Buildings and equipment are carried at cost. Expenditures that substantially increase the useful lives of existing assets are capitalized. Routine maintenance and repairs are expensed as incurred. Depreciation is computed by the straight-line method using the estimated useful lives of the assets, as follows:

Computer hardware and software	5 years
Furniture and fixtures	7 years
Building components	15 years

WASHINGTON STATE UNIVERSITY FOUNDATION
(A Nonprofit Corporation)

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

(i) Land and Real Estate

Land and real estate represent gifts of land and real estate to the Foundation. Land and real estate are recorded at appraised value at the time of the gift. Life estate gifts are recorded at the appraised value at the time of the gift and discounted for the present value of future rental income generated by the property.

(j) Assets Held in Charitable Trusts, Contributions Receivable from Charitable Trusts, Annuities Payable, and Remainder Interest Payable

The Foundation has entered into various trust agreements to receive assets, which are gifts of future interest to the Foundation and the University. These trusts are separate legal entities for which the Foundation is trustee and remainderman or only the remainderman. They typically have been set up in accordance with federal tax laws to gain certain advantages for the donor. Trust agreements are of four types: unitrusts, pooled income funds, lead trusts, and annuities.

Unitrusts and pooled income funds provide for distribution of annual earnings at a predetermined rate to the donor or designated beneficiary for either a specified term or the life of the donor. At the end of the term or death of the donor, the remaining assets in the unitrust or pooled income fund account are transferred to the unrestricted fund unless otherwise designated. Lead trusts provide for distribution of annual earnings at a predetermined rate to the Foundation for a specified term. At the end of the term, the principal amount in the lead trust is distributed back to the donor unless otherwise designated. Revenue is recognized for these irrevocable trusts upon entering into the agreement and receiving the trust assets.

Annuity trusts provide predetermined distributions to the donor. At the end of the term or death of the donor, the remaining assets in the annuity trust account are transferred to the fund designated by the donor. Trust assets are presented at fair market value, and an annuity payable is presented for the trusts in which the Foundation is both the trustee and remainderman.

The Foundation is the trustee for trusts where the Foundation is either the sole beneficiary or where the Foundation shares the remainder interest with another organization. When the Foundation is the sole beneficiary, the Foundation records a contribution receivable. When the Foundation shares the remainder interest with another organization, the Foundation also records a liability for the other remainderman interest. The annuity payable, contribution receivable, and remainder interest payable are computed based on actuarial assumptions, which include the estimated beneficiaries' life expectancy and current interest rates.

(k) Beneficial Interest in Perpetual Trusts

Beneficial interest in perpetual trusts is recorded as assets and permanently restricted contribution revenue at fair market value. The Foundation is not the trustee of these assets.

WASHINGTON STATE UNIVERSITY FOUNDATION
(A Nonprofit Corporation)

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

(l) *Assets Held for Other Organizations*

Assets held for other organizations consist of funds the Foundation is holding for University-related entities and activities. The Foundation establishes these project funds as a service to the University and its community. The various organizations can request distribution of their funds at any time.

(m) *Assets Held for Washington State University*

Assets held for the University result from colleges or departments investing expendable gifts totaling \$100,000 or more within the Foundation's consolidated endowment. The college or department may withdraw funds in full or in \$50,000 increments upon six months' notice. The related assets are included with endowment investment securities.

(n) *Contributions and Revenue Recognition*

The Foundation processes all private gifts to both the University and the Foundation. This includes all direct and indirect contributions to the University including all colleges, departments, and programs. Matching gift contribution pledges regarding nonagency contributions are recorded as receivables in the year that the pledge is made. The Foundation is the named beneficiary of various estates in probate and trusts administered by other institutions and organizations. The Foundation recognizes income from these bequests and trusts when ownership is clearly established and the proceeds are measurable. The Foundation recognizes income for trusts on which they are not the trustee but only a remainderman when they become aware of the trust.

(o) *Valuation of Long-Lived Assets*

The Foundation, using its best estimates based on reasonable and supportable assumptions and projections, reviews assets for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable. Impaired assets are reported at the lower of cost or fair value. The impairment loss on long-lived assets was \$0 and \$15,000 during the years ended June 30, 2015 and 2014, respectively.

(p) *Financial Instruments*

The following methods and assumptions were used by the Foundation in estimating the fair value of its financial instruments:

Cash and cash equivalents – The carrying amount reported in the consolidated statements of financial position for cash and cash equivalents approximates its fair value.

Endowment investment securities, assets held in charitable trusts, and beneficial interest in perpetual trusts – Fair values for investments are based on quoted market prices, if available, or estimated using quoted market prices for similar securities. Land held in trust is valued at fair market value at the date of the gift.

Notes receivable – The carrying amount reported in the consolidated statements of financial position for the notes receivable approximates its fair value.

WASHINGTON STATE UNIVERSITY FOUNDATION
(A Nonprofit Corporation)

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

Contributions receivable from trusts, annuities payable, and remainder interests payable – Fair values are based on actuarial assumptions, which include the estimated life expectancy of beneficiaries and current interest rates.

(q) Federal Income Taxes

The Foundation and its wholly owned subsidiary Cougar Property Holdings have been recognized by the Internal Revenue Service as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) of the Internal Revenue Code except to the extent of unrelated business taxable income. Donations to the Foundation are generally tax deductible. The Foundation and its subsidiary neither have unrecognized tax benefits that would have required an adjustment to net assets, nor unrecognized tax benefits at June 30, 2015. In general the Foundation and its subsidiary are no longer subject to U.S. federal and state income tax examinations by tax authorities before its fiscal year ended June 30, 2009.

(r) Implementation of New Accounting Standard

The Foundation has adopted Accounting Standards Update (ASU) 2015-07, *Disclosure for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, for its fiscal year ended June 30, 2015. This ASU removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. Prior year amounts have been reclassified to conform to current year presentation. As a result of the adoption, the June 30, 2014 fair value hierarchy table was restated to reflect the removal of NAV-measured investments of \$260,140,639 previously classified in the fair value hierarchy. See note 4, Fair Value Measurements, for the disclosures.

(2) Pledges Receivable

	Year ended June 30	
	2015	2014
Pledges receivable	\$ 46,852,169	52,554,822
Less allowance for uncollectible pledges	(1,405,565)	(1,576,646)
Total	45,446,604	50,978,176
Less present value discount	(762,536)	(947,760)
Total	\$ 44,684,068	50,030,416

WASHINGTON STATE UNIVERSITY FOUNDATION
(A Nonprofit Corporation)

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

	Year ended June 30	
	2015	2014
Amount expected in:		
One year or less	\$ 3,573,432	1,202,432
One to five years	39,996,950	43,836,802
Over five years	3,281,787	7,515,588
Total	<u>\$ 46,852,169</u>	<u>52,554,822</u>

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

Unconditional pledges receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those accounts are computed using the three-year U.S. Treasury risk-free interest rates applicable to the years in which the promises are received. The rate for the year ended June 30, 2015 was 1.06% and prior years ranged from 0.39% to 5.00%. Amortization of the discounts is included in contribution revenue.

Conditional pledges receivable are not recorded until the conditions are substantially met. Conditional pledges receivable were \$16,306,913 and \$17,837,413 as of June 30, 2015 and 2014, respectively.

Management has calculated the allowance for uncollectible pledges using past experience as a basis for the percentage of pledges that will not be collected.

(3) Endowment Investment Securities

The Foundation's endowment consists of approximately 2,080 individual funds, established for a variety of purposes, which are jointly managed with the University's endowments. The Foundation's endowment funds represent 88.1% and 89.7% of that total at June 30, 2015 and 2014, respectively. The endowment includes both donor-restricted and quasi-endowment funds, which are classified as "Assets Held for Washington State University," on the consolidated statements of financial position, which function as endowments. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including quasi-funds that function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Interpretation of Relevant Law

The Board of Governors of the Foundation, on the advice of legal counsel and the Foundation's Investment Committee, has interpreted Washington State's Unified Prudent Management of Institutional Funds Act (WA-UPMIFA) as requiring the prudent management of the corpus of permanently restricted gifts based on the spending and other investment policies of the organization, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation

WASHINGTON STATE UNIVERSITY FOUNDATION
(A Nonprofit Corporation)

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

classified the following amounts as permanently restricted net assets in the accompanying consolidated financial statements:

- The fair value of the gifts donated to the permanent endowment at the end of the fiscal year
- Accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument or statute at the time the accumulation is added to the fund

The remaining portion of the donor-restricted endowment funds that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are transferred to WSU for appropriation in a manner consistent with the donors' stipulations.

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

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- The fund's special relationship or value to the Foundation's and WSU's mission
- 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
- The investment policies of the Foundation

(b) *Funds with Deficiencies*

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that either the donor or WA-UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature are reported as a reduction to unrestricted net assets. Deficiencies of this nature totaled to \$1,510,630 and \$719,674 at June 30, 2015 and 2014, respectively.

These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs. These appropriations were made under the terms of the gift use agreement executed between the donor and the Foundation or in accordance with the Board of Governors' interpretation of WA-UPMIFA.

(c) *Return Objectives and Risk Parameters*

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of

WASHINGTON STATE UNIVERSITY FOUNDATION
(A Nonprofit Corporation)

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

donor-restricted funds that the organization must hold in perpetuity as well as quasi-endowments (assets held in endowments for Washington State University). Under this policy, as approved by the Investment Committee of the Foundation, the endowment assets are invested in a manner that is intended to produce a relatively predictable and stable payout stream each year and maintain purchasing power of the assets over the investment horizon.

(d) *Strategies Employed for Achieving Objectives*

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

(e) *Spending Policy and How the Investment Objectives Relate to Spending Policy*

The Foundation's spending policy allows for the fund to distribute 5.5% per year (4% for individual accounts and 1.5% for the management and advancement fees) computed quarterly based on the average market value for the 36 months preceding and including the quarter ended prior to the distribution date, adjusted for new gifts on the first day of the distribution quarter.

In establishing this policy, the Foundation considered the long-term expected return on its endowment. This is consistent with the organization's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return. Distribution to colleges or departments from quasi-endowments (assets held in endowments for Washington State University) can be in full or in \$50,000 increments upon six months' notice to the Foundation.

(f) *Endowment Net Asset Composition, by Type of Fund*

	Year ended June 30, 2015			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Donor-restricted endowment funds	\$ (1,510,630)	41,800,579	312,318,055	352,608,004
Assets held in endowment for WSU	—	15,061,215	—	15,061,215
Total	<u>\$ (1,510,630)</u>	<u>56,861,794</u>	<u>312,318,055</u>	<u>367,669,219</u>

WASHINGTON STATE UNIVERSITY FOUNDATION
(A Nonprofit Corporation)

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

		Year ended June 30, 2014		
		Unrestricted	Temporarily restricted	Permanently restricted
				Total
Donor-restricted endowment funds	\$	(719,674)	53,355,203	291,554,824
Assets held in endowment for WSU		—	19,909,407	—
Total	\$	<u>(719,674)</u>	<u>73,264,610</u>	<u>291,554,824</u>
				<u>364,099,760</u>

(g) Changes in Endowment Assets

		Year ended June 30, 2015		
		Unrestricted	Temporarily restricted	Permanently restricted
				Total
Net asset balance – beginning of year	\$	(719,674)	73,264,610	291,554,824
Investment return:				
Net investment income		—	1,405,458	15,824
Net realized and unrealized appreciation (depreciation)		(790,956)	9,152,300	—
Contributions		—	15,399,087	20,747,407
Distribution of endowment assets to/for support of WSU		—	(42,359,661)	—
Total	\$	<u>(1,510,630)</u>	<u>56,861,794</u>	<u>312,318,055</u>
				<u>367,669,219</u>

		Year ended June 30, 2014		
		Unrestricted	Temporarily restricted	Permanently restricted
				Total
Net asset balance – beginning of year	\$	(7,139,473)	44,755,352	272,783,002
Investment return:				
Net investment income		—	1,011,648	—
Net realized and unrealized appreciation		6,419,799	44,732,357	—
Contributions		—	11,277	18,771,822
Distribution of endowment assets to/for support of WSU		—	(17,246,024)	—
Total	\$	<u>(719,674)</u>	<u>73,264,610</u>	<u>291,554,824</u>
				<u>364,099,760</u>

WASHINGTON STATE UNIVERSITY FOUNDATION
(A Nonprofit Corporation)

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

(h) Endowments Recorded at Fair Market Value

The Foundation's endowment funds are jointly managed with certain endowments of the University. The University's endowment funds are not recorded on the Foundation's financial statements as they are not an agent nor a principal in these endowments. The breakout of the jointly managed funds of the University and the Foundation is as follows:

	Year ended June 30	
	2015	2014
Jointly managed endowment funds:		
Cash and short-term investments	\$ 45,586,421	7,241,125
Accrued interest and dividends	1,516,298	176,606
Managed investments	370,422,090	398,492,576
Endowment investments at fair market value	417,524,809	405,910,307
Less University endowment funds	(49,855,590)	(41,810,547)
Foundation endowment	<u>\$ 367,669,219</u>	<u>364,099,760</u>

(i) Endowments Recorded at Cost

	Year ended June 30	
	2015	2014
Investments at cost	\$ 318,054,553	306,090,070
Less University endowment funds, at cost	(33,857,975)	(31,528,624)
Foundation endowment, at cost	<u>\$ 284,196,578</u>	<u>274,561,446</u>

WASHINGTON STATE UNIVERSITY FOUNDATION
(A Nonprofit Corporation)

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

(j) Description of Endowment Investment Assets Classification by Net Asset Category

	<u>Year ended June 30</u>	
	<u>2015</u>	<u>2014</u>
Permanently restricted:		
Portion of the perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by WA-UPMIFA	\$ 312,318,055	291,554,824
Temporarily restricted:		
Portion of the perpetual endowment funds representing realized and unrealized investment returns and contributions to WSU's quasi-endowment	56,861,794	73,264,610
Unrestricted:		
Portion of the perpetual endowment funds representing funds with deficiencies	(1,510,630)	(719,674)
Total	<u>\$ 367,669,219</u>	<u>364,099,760</u>

(4) Fair Value Measurements

The Foundation adopted the provisions of FASB guidance on fair value related to its financial assets measured at fair value on a recurring basis. This guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

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

Level 1 – Quoted prices are available in active markets for identical assets or liabilities. Active markets are those in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies. These models are primarily industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data, or are supported by observable levels at which transactions are executed in the marketplace.

Level 3 – Pricing inputs include significant inputs that are generally unobservable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value. Level 3 instruments include those that may be more structured or otherwise tailored to the endowment's needs.

WASHINGTON STATE UNIVERSITY FOUNDATION
(A Nonprofit Corporation)

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

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

Investments are stated at fair value according to U.S. GAAP (note 3), which requires that the valuation of investments reported at fair value be made in the context of market conditions as of the valuation date. Whenever available, quotations from organized securities exchanges are used as the basis for fair value. For investments not traded on organized exchanges, fair value estimates are provided by investment managers. For applicable investments, manager-reported net asset value (NAV) is used as a practical expedient to estimate fair value. Valuations provided by fund managers consider variables such as the financial performance and sales of underlying investments and other pertinent information. In addition, actual market exchanges at year-end provide additional observable market inputs of the exit price. The university reviews valuations and assumptions provided by fund managers for reasonableness and believes that the carrying amounts of these financial instruments are reasonable estimates of the fair value. Investments are stated at fair value, which is determined by using market quotations and other information available at the valuation date.

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

WASHINGTON STATE UNIVERSITY FOUNDATION
(A Nonprofit Corporation)

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

The following table discloses by level, within the fair value hierarchy, investment assets measured at fair value on a recurring basis as of June 30, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Endowment investments:				
Cash and equivalents	\$ 41,478,301	—	—	41,478,301
Total cash equivalents	41,478,301	—	—	41,478,301
Marketable equities:				
Equities	63,325,791	—	—	63,325,791
Fixed income	17,433,497	—	—	17,433,497
Liquid real assets	—	—	—	—
Total marketable equities	80,759,288	—	—	80,759,288
Investments measured at NAV:				
Equities				65,228,223
Fixed income				14,425,042
Hedge funds				62,996,507
Illiquid real assets				31,157,185
Private equities				71,624,673
Total investments measured at NAV				245,431,630
Total endowment investments	\$ 122,237,589	—	—	367,669,219
Assets in charitable trusts:				
Cash equivalents	\$ 1,660,464	—	—	1,660,464
Total cash equivalents	1,660,464	—	—	1,660,464
Marketable equities:				
Equities	18,962,400	—	—	18,962,400
Fixed income	10,147,991	—	—	10,147,991
Liquid real assets	4,376,372	—	—	4,376,372
Total marketable equities	33,486,763	—	—	33,486,763
Total assets in charitable trusts	\$ 35,147,227	—	—	35,147,227
Other:				
Beneficial interest in perpetual trusts	\$ —	—	30,410,761	30,410,761

WASHINGTON STATE UNIVERSITY FOUNDATION
(A Nonprofit Corporation)

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

The following table presents the change in fair value measurements for the Level 3 investments during the year ended June 30, 2015:

	<u>Beneficial interest in perpetual trusts</u>
Other:	
Balance – July 1, 2014	\$ 11,698,327
Contributions	18,000,000
Change in value, net	<u>712,434</u>
Balance – June 30, 2015	<u>\$ 30,410,761</u>

The following table discloses by level, within the fair value hierarchy, investment assets measured at fair value on a recurring basis as of June 30, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Endowment investments:				
Cash and equivalents	\$ 6,655,160	—	—	6,655,160
Total cash equivalents	<u>6,655,160</u>	<u>—</u>	<u>—</u>	<u>6,655,160</u>
Marketable equities:				
Equities	63,968,732	—	—	63,968,732
Fixed income	14,201,797	—	—	14,201,797
Liquid real assets	19,133,432	—	—	19,133,432
Total marketable equities	<u>97,303,961</u>	<u>—</u>	<u>—</u>	<u>97,303,961</u>
Investments measured at NAV:				
Equities				67,131,679
Fixed income				26,536,609
Hedge funds				66,689,909
Illiquid real assets				32,353,896
Private equities				<u>67,428,546</u>
Total investments measured at NAV				<u>260,140,639</u>
Total endowment investments	<u>\$ 103,959,121</u>	<u>—</u>	<u>—</u>	<u>364,099,760</u>
Assets in charitable trusts:				
Cash equivalents	\$ 611,951	—	—	611,951
Total cash equivalents	<u>611,951</u>	<u>—</u>	<u>—</u>	<u>611,951</u>

WASHINGTON STATE UNIVERSITY FOUNDATION
(A Nonprofit Corporation)

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Marketable equities:				
Equities	\$ 18,184,900	—	—	18,184,900
Fixed income	10,086,405	—	—	10,086,405
Liquid real assets	4,320,307	—	—	4,320,307
Total marketable equities	32,591,612	—	—	32,591,612
Total assets in charitable trusts	\$ <u>33,203,563</u>	<u>—</u>	<u>—</u>	<u>33,203,563</u>
Other:				
Beneficial interest in perpetual trusts	\$ —	—	11,698,327	11,698,327

The following table presents the change in fair value measurements for the Level 3 investments during the year ended June 30, 2014:

	<u>Beneficial interest in perpetual trusts</u>
Other:	
Balance – July 1, 2013	\$ 11,252,319
Contributions	—
Change in value, net	446,008
Balance – June 30, 2014	\$ <u>11,698,327</u>

Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)

Equities, Fixed Income, and Hedge Funds

Certain common stock securities, U.S. government securities, and mutual funds for which market prices are not readily available or for which market prices do not represent the value at the time of pricing are fair valued by the investment manager based upon other inputs (including valuations of securities that are comparable in coupon, rating, maturity, and industry). These investments cover a broad range of risk and diversification by industry with the dual objectives of generating income and providing long-term growth.

Illiquid Real Assets and Private Equities

Multiple limited partnerships that invest in securities designed for generating current income and/or long-term growth using conservative, moderate, and aggressive risk strategies, and real estate. Risk strategies for private equities range from moderate to aggressive with growth of capital being the primary objectives.

WASHINGTON STATE UNIVERSITY FOUNDATION
(A Nonprofit Corporation)

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

Hedge fund investments allow for monthly, quarterly, annual, and biennial redemptions. Illiquid real assets and private equities investments do not allow for periodic redemptions, but rather liquidate upon the termination date as stated in the partnership agreement.

The following table presents the redemption frequency for investments measured at Net Asset Value at June 30, 2015 and June 30, 2014, respectively.

	NAV		Redemption schedule	Redemption notice period
	2015	2014		
Equities	\$ 65,228,223	67,131,679	Daily to semimonthly	2–30 days
Fixed income	14,425,042	26,536,609	Monthly	30 days
Hedge funds	62,996,507	66,689,909	Monthly to biennially	30–100 days
Illiquid real assets and private equities	102,781,858	99,782,442	Years: 2014–2022	End of agreement
	<u>\$ 245,431,630</u>	<u>260,140,639</u>		

(5) Notes Receivable

	Year ended June 30	
	2015	2014
Note receivable, annual payments of \$13,181, including interest at 6%, due January 1, 2025; secured by a deed of trust	\$ 97,160	104,095
Note receivable, annual payments of \$28,735, including interest at 10.5%, due November 1, 2018; secured by a deed of trust	—	89,580
Note receivable, annual payments of \$24,000, including imputed interest at 4.28%, due April 2034; secured by a deed of trust on a private residence	300,898	319,933
Note receivable, annual payments of \$20,933, including interest at 5%, due September 2030; secured by a deed of trust on a farm	223,448	232,744
Total	<u>\$ 621,506</u>	<u>746,352</u>

WASHINGTON STATE UNIVERSITY FOUNDATION
(A Nonprofit Corporation)

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

	Year ended June 30	
	2015	2014
Amounts expected in:		
One year or less	\$ 60,038	71,200
One to five years	290,189	346,356
Over five years	560,335	609,028
Total	910,562	1,026,584
Less present value discount	(279,750)	(270,337)
Less allowance for doubtful accounts	(9,306)	(9,895)
Total	<u>\$ 621,506</u>	<u>746,352</u>

(6) Assets Held in Charitable Trusts

Assets held in charitable trusts consisted of the following types of investments at June 30:

	2015	2014
Cash equivalents	\$ 1,660,464	611,951
Fixed income	10,147,991	10,086,405
Equities	18,962,400	18,184,900
Liquid real assets	4,376,372	4,320,307
Assets, at fair market value	<u>\$ 35,147,227</u>	<u>33,203,563</u>
Assets, at cost	\$ 30,237,937	26,331,452

Assets held in charitable trusts consisted of the following types of trusts at June 30:

	2015	2014
Charitable remainder unitrusts	\$ 20,915,612	22,152,531
Charitable remainder annuity trusts	2,864,092	1,470,711
Gift annuities	10,999,654	9,447,356
Lead and other trusts	367,869	132,965
Total	<u>\$ 35,147,227</u>	<u>33,203,563</u>

The State of Washington under RCW 48.38.010 mandates that charities obtain a certificate of exemption to issue charitable gift annuities. Sections 38.010 and 38.020 of the code, respectively, require the charity to 1) have at least \$500,000 in unrestricted net assets and 2) maintain a separate reserve fund adequate to meet the future payments under its charitable gift annuity contracts. The reserve fund amount is calculated at the end of the fiscal year and must be performed by an independent third party. The reserve fund requirement as determined by the actuary was \$4,128,030 and \$3,849,283 at June 30, 2015 and 2014, respectively, and the charitable gift annuities payable at June 30, 2015 and 2014 was \$5,070,294 and \$3,401,754, respectively.

WASHINGTON STATE UNIVERSITY FOUNDATION
(A Nonprofit Corporation)

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

(7) Operating Lease

The operating lease for office space in downtown Pullman was amended in 2013 to increase the rental space, extend the lease term from 15 to 20 years, and allow for an annual rate increase of 2.5%. The lease terminates on March 31, 2023. The total rent obligation under the terms of the lease for both years ended June 30, 2015 and 2014 is \$280,864.

Future minimum lease payments under this operating lease as of June 30, 2015 are as follows:

Year ending June 30:	
2016	\$ 282,625
2017	289,706
2018	296,949
2019	304,372
2020	311,982
Thereafter	897,797
Total	<u>\$ 2,383,431</u>

(8) Temporarily and Permanently Restricted Net Assets

Temporarily restricted and permanently restricted net assets, by purpose, are as follows at June 30:

	2015		2014	
	Temporarily restricted	Permanently restricted	Temporarily restricted	Permanently restricted
Scholarships	\$ 26,727,361	161,084,290	31,532,190	141,630,367
Graduate fellowship	3,286,549	19,807,842	3,990,922	17,925,672
Department chairs	7,952,909	47,931,735	9,909,250	44,508,506
Distinguished professorships	7,151,263	43,100,257	8,816,124	39,598,611
Research	4,156,460	25,050,752	5,056,135	22,710,196
Instruction	713,360	4,299,381	876,877	3,938,592
Libraries	358,622	2,161,393	446,566	2,005,801
Operational support	14,863,315	89,580,359	16,803,919	75,476,684
Facilities	435,649	2,625,628	542,831	2,438,185
Other	1,467,441	8,844,183	1,731,758	7,778,391
Total	<u>\$ 67,112,929</u>	<u>404,485,820</u>	<u>79,706,572</u>	<u>358,011,005</u>

(9) Related-Party Transactions

The Foundation is named as an owner/member in the Ruckelshaus Center Foundation. The Foundation raises money on behalf of the Ruckelshaus Center Foundation as a pass-through agency transaction. As such, no

WASHINGTON STATE UNIVERSITY FOUNDATION
(A Nonprofit Corporation)

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

contribution revenue is recognized by the Foundation. The pass-through agency transactions are \$292,818 and \$299,183 at June 30, 2015 and 2014, respectively.

During the year ended June 30, 2013, the President of Town Centre LLC, the lessor referred to in note 7, became a member of the Foundation's Board of Governors.

(10) Subsequent Events

Subsequent events have been evaluated through October 23, 2015, which is the date the financial statements were available to be issued.

WASHINGTON STATE UNIVERSITY FOUNDATION
(A Nonprofit Corporation)

Consolidating Statement of Financial Position (Unaudited)

June 30, 2015

Assets	WSU Foundation	Cougar Property Holdings	Consolidated
Cash and cash equivalents	\$ 295,281	325,663	620,944
Due from Washington State University	2,142,302	—	2,142,302
Other receivables	17,268,924	253	17,269,177
Pledges receivable, net	44,684,068	—	44,684,068
Endowment investment securities (including assets held for Washington State University of \$15,061,215)	367,669,219	—	367,669,219
Notes receivable, net	621,506	—	621,506
Furniture, fixtures, and equipment (net of accumulated depreciation of \$1,409,192)	308,526	—	308,526
Land, Cougar Property Holdings	—	35,000	35,000
Land and real estate	2,188,250	—	2,188,250
Assets held in charitable trusts	35,147,227	—	35,147,227
Contributions receivable from charitable trusts	5,889,968	—	5,889,968
Beneficial interest in perpetual trusts	30,410,761	—	30,410,761
Total assets	506,626,032	360,916	506,986,948
Liabilities			
Accounts payable and accrued liabilities	949,486	506	949,992
Annuities payable	16,157,823	—	16,157,823
Remainder interest payable	1,711,962	—	1,711,962
Assets held for other organizations	290,389	—	290,389
Assets held for Washington State University	15,061,215	—	15,061,215
Total liabilities	34,170,875	506	34,171,381
Net Assets			
Unrestricted:			
Other	2,367,038	360,410	2,727,448
Funds with deficiencies	(1,510,630)	—	(1,510,630)
Total unrestricted net assets	856,408	360,410	1,216,818
Temporarily restricted	67,112,929	—	67,112,929
Permanently restricted	404,485,820	—	404,485,820
Total net assets	472,455,157	360,410	472,815,567
Total liabilities and net assets	\$ 506,626,032	360,916	506,986,948

See accompanying independent auditors' report.

WASHINGTON STATE UNIVERSITY FOUNDATION
(A Nonprofit Corporation)

Consolidating Statement of Activities (Unaudited)

Year ended June 30, 2015

	WSU Foundation			Cougar Property Holdings	Consolidated
	Unrestricted	Temporarily restricted	Permanently restricted		
Revenue and support:					
Contributions	\$ 310,888	36,543,302	51,311,323	—	88,165,513
Investment income	—	1,760,069	913,348	632	2,674,049
Gain (loss) on investments	(790,956)	8,981,706	(612,397)	—	7,578,353
Management and advancement fees	5,465,234	—	—	—	5,465,234
Change in value of split-interest agreements	—	—	(7,021,184)	—	(7,021,184)
Support provided by Washington State University	4,296,542	—	—	—	4,296,542
Other income (loss)	200,547	(1,334)	4,070,067	—	4,269,280
Total revenue and support	9,482,255	47,283,743	48,661,157	632	105,427,787
Net assets released from restrictions	62,063,728	(59,877,386)	(2,186,342)	—	—
Expenses:					
Support provided to/for Washington State University:					
Restricted distributions	42,541,750	—	—	—	42,541,750
Endowment income distributions	14,956,332	—	—	—	14,956,332
Management and advancement fees	4,737,272	—	—	—	4,737,272
Fundraising	6,499,730	—	—	—	6,499,730
General and administrative expenses	3,112,539	—	—	520	3,113,059
Total expenses	71,847,623	—	—	520	71,848,143
Change in net assets	(301,640)	(12,593,643)	46,474,815	112	33,579,644
Net assets – beginning of year	1,158,048	79,706,572	358,011,005	360,298	439,235,923
Net assets – end of year	\$ 856,408	67,112,929	404,485,820	360,410	472,815,567

See accompanying independent auditors' report.



WASHINGTON STATE
UNIVERSITY
FOUNDATION