WSU FOUNDATION

2013 ANNUAL REPORT

TRANSFORM

WELCOME

MESSAGE FROM THE CHAIR

Dear WSU supporters,

Philanthropy and its impacts are powerful. An investment in Washington State University is not merely a gift to a university—it is a game-changer. It is a game-changer for all of us who look to WSU's research teams to make the critical discoveries, innovations, and advances that help improve our lives and livelihoods. It is a game-changer for our communities that look to WSU to train the next generation of teachers, health-care professionals, veterinarians, engineers, farmers, entrepreneurs, scientists, community leaders, and more. It is a game-changer for all of us.

With this annual report of the WSU Foundation, we acknowledge the generous support of all donors to WSU during the last fiscal year and throughout our $1 billion *Campaign for Washington State University: Because the World Needs Big Ideas.* Since the campaign began in 2006, more than 175,000 individual donors have contributed more than $811 million to support Washington State University. Every gift—large and small—empowers WSU to further leverage its impact across the state and around the globe.

Each and every donor, volunteer, and advocate makes an influential difference for Washington State. On behalf of the WSU Foundation, Washington State University, and the entire Cougar community, thank you for your support of, and investment in, all that can be accomplished at this great university and for your leadership to make it happen.

As always, Go Cougs!

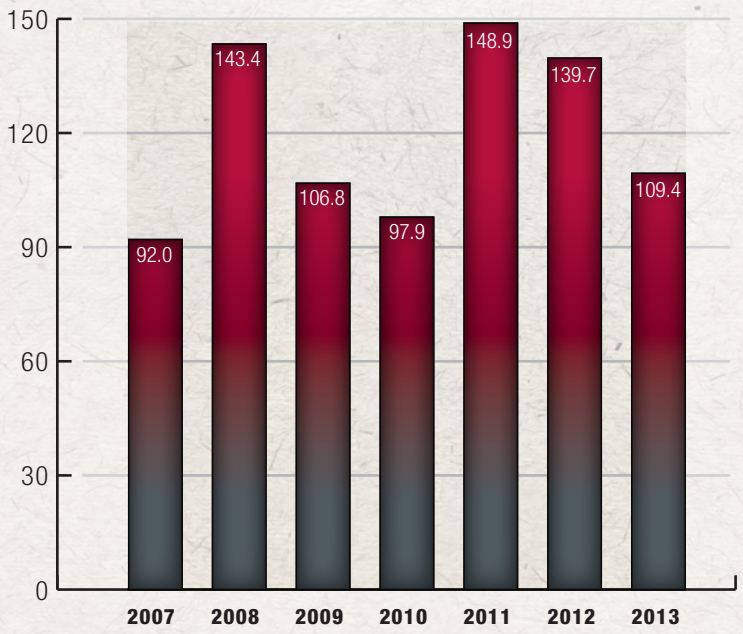
Dan Harmon ('80 Const. Mgt.)
President, WSU Foundation
Chair, WSU Foundation Board of Governors

FISCAL YEAR 2013 OVERVIEW

The Washington State University Foundation received $95,135,398 in private gifts, grants, and pledges to support Washington State University during fiscal year (FY) 2013, which ended June 30, 2013. An additional $14,273,683 in revocable commitments and other contributions were recorded during this period, bringing total fund-raising activity during FY2013 to $109,409,081. During this period, the all-alumni gift participation rate was 13.4 percent.

TOTAL PRIVATE SUPPORT* FOR FISCAL YEARS 2007–2013

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



(IN MILLIONS OF DOLLARS)

DREAMS TAKING FLIGHT

A civil engineering major and Spanish minor, Ben James '15 knows that achieving big dreams requires a lot of hard work. Thanks to scholarship support, the Chugiak, Alaska native now has the extra motivation he needs for his dreams to take flight.

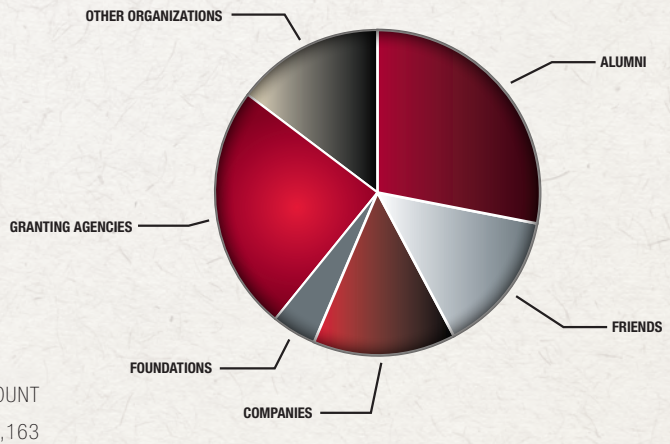
"I wanted to attend WSU ever since junior high. Scholarships are helping me and my family afford my education and helping me move closer to my dream of becoming a pilot in the US Air Force every day. I appreciate everything donors do for me. Thank you."

READ MORE AT:
foundation.wsu.edu/impact/benj

TOTAL PRIVATE SUPPORT (IN MILLIONS OF DOLLARS)

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

TOTAL PRIVATE SUPPORT BY SOURCE (FY2013)



TOTAL CAMPAIGN BY COMMITMENT TYPE

SOURCE	AMOUNT
Alumni	$30,786,163
Friends	$15,614,410
Companies	$15,339,640
Foundations	$5,074,877
Granting Agencies	$26,703,066
Other Organizations	$15,890,925
TOTAL	**$109,409,081**

TOTAL PRIVATE SUPPORT BY COLLEGE, CAMPUS, AND UNIT AREA

COLLEGE/CAMPUS/UNIT	GIFTS TO DATE	PLEDGE BALANCE	PRIVATE GRANTS	REVOCABLE COMMITMENTS	OTHER CONTRIBUTIONS	TOTAL COMMITMENTS
CAHNRS/EXTENSION/4-H	5,935,128	14,274,755	17,254,303	888,500	1,489	38,354,174
ARTS & SCIENCES	3,985,288	69,783	358,876	2,634,021	0	7,047,968
BUSINESS	6,524,359	435,021	0	459,245	0	7,418,624
MURROW COLLEGE	361,311	8,238	1,031,263	10,000	0	1,410,812
EDUCATION	519,293	106,655	60,505	466,913	0	1,153,366
ENGINEERING & ARCHITECTURE	4,184,938	689,916	2,289,243	1,155,123	0	8,319,221
HONORS COLLEGE	246,145	7,620	0	550,000	0	803,765
NURSING	1,067,517	13,584	241,392	0	4,800	1,327,293
PHARMACY	638,630	6,748	345,300	30,000	8,525	1,029,202
VETERINARY MEDICINE	6,699,302	75,998	3,072,243	1,377,000	3,997	11,228,539
WSU SPOKANE	769,496	165,953	870,480	0	0	1,805,928
WSU TRI-CITIES	3,218,251	79,202	135,055	0	2,424,280	5,856,788
WSU VANCOUVER	1,178,008	787,259	136,675	250,000	30,830	2,382,773
COUGAR ATHLETIC FUND	8,365,907	492,755	0	1,461,188	429,272	10,749,122
GRADUATE SCHOOL	157,052	0	-30	0	0	157,022
INTERNATIONAL PROGRAMS	86,423	7,222	0	0	0	93,645
LIBRARIES	183,059	54,025	0	67,500	0	304,584
MURROW PUBLIC MEDIA	2,214,028	29,867	0	290,000	0	2,533,894
MUSEUM OF ART	591,123	391,689	50,000	250,000	0	1,282,812
STUDENT AFFAIRS & ENROLLMENT	1,091,527	88,721	124,648	942,500	3,500	2,250,896
UNDERGRADUATE EDUCATION	361,871	2,120	0	225,000	0	588,991
GENERAL UNIVERSITY SUPPORT	2,284,606	143,343	733,112	310,000	0	3,471,062
FY2013 TOTALS	**$50,501,861**	**$17,930,471**	**$26,703,066**	**$11,366,990**	**$2,906,693**	**$109,409,081**

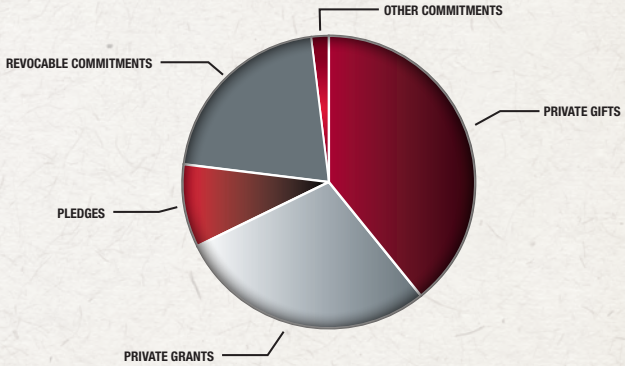
THE CAMPAIGN FOR WSU

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* is outperforming expectations.

The detail provided here reflects total campaign activity from July 1, 2006 through June 30, 2013.

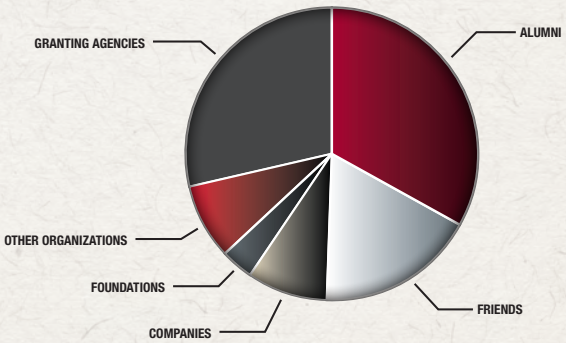
TOTAL CAMPAIGN BY COMMITMENT TYPE

COMMITMENT TYPE	AMOUNT
Private Gifts	$318,942,961
Private Grants	$232,087,156
Pledges	$75,259,331
Revocable Commitments	$169,575,436
Other Commitments	$15,441,559
TOTAL	**$811,306,443**



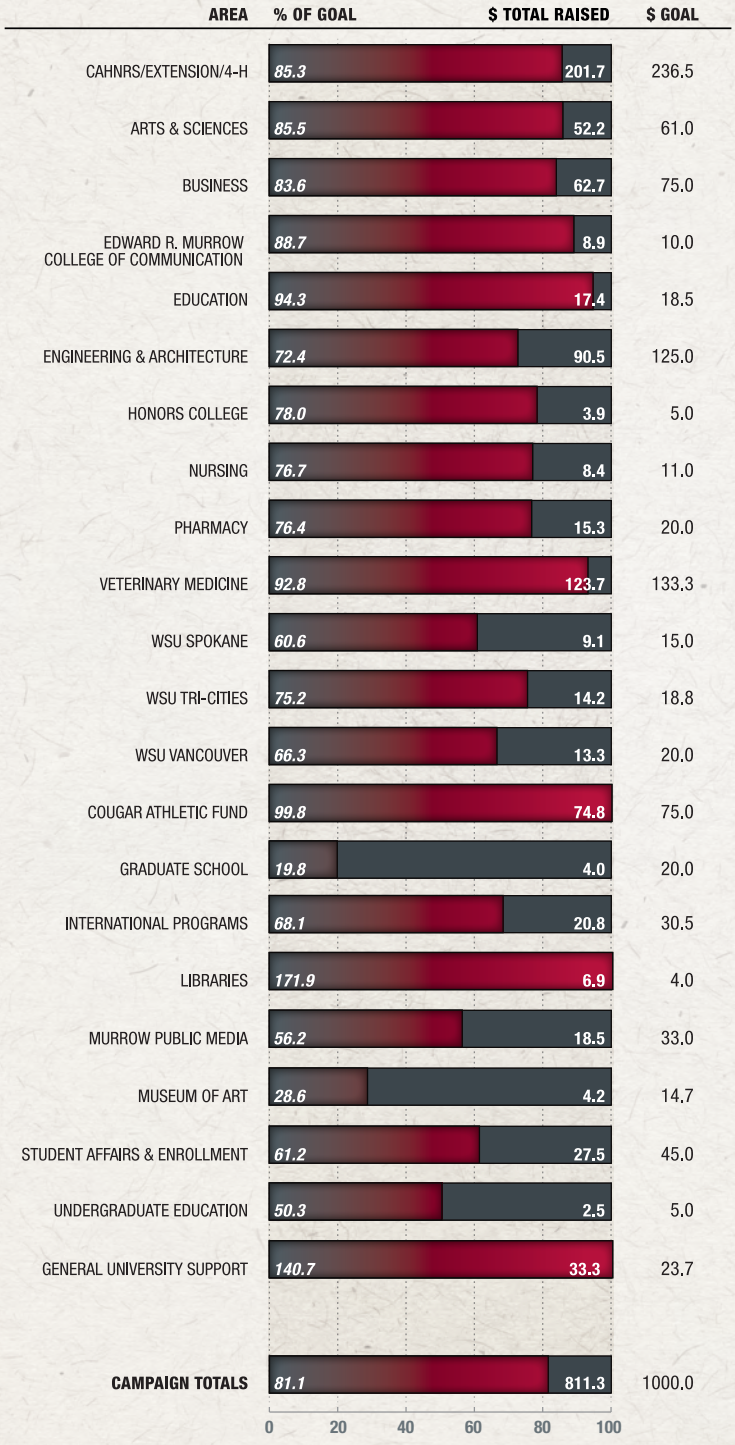
TOTAL CAMPAIGN COMMITMENTS BY SOURCE

INDIVIDUAL CAMPAIGN GIVING	AMOUNT
Alumni	269,057,983
Friends	142,283,576
Companies	73,051,090
Foundations	27,401,421
Other Organizations	67,425,217
Granting Agencies	232,087156
TOTAL	**$811,306,443**



CAMPAIGN BY COLLEGE, CAMPUS, AND PROGRAM

AS OF JUNE 30, 2013 *(IN MILLIONS)*



A SWEET INVESTMENT

In February 2012, cherry and stone fruit growers throughout the state agreed to make a $5 million investment over the next eight years at WSU research and extension centers in Prosser and Wenatchee. This builds on a similar measure voted on by apple and pear growers in 2011 to galvanize cooperation between the industry and WSU.

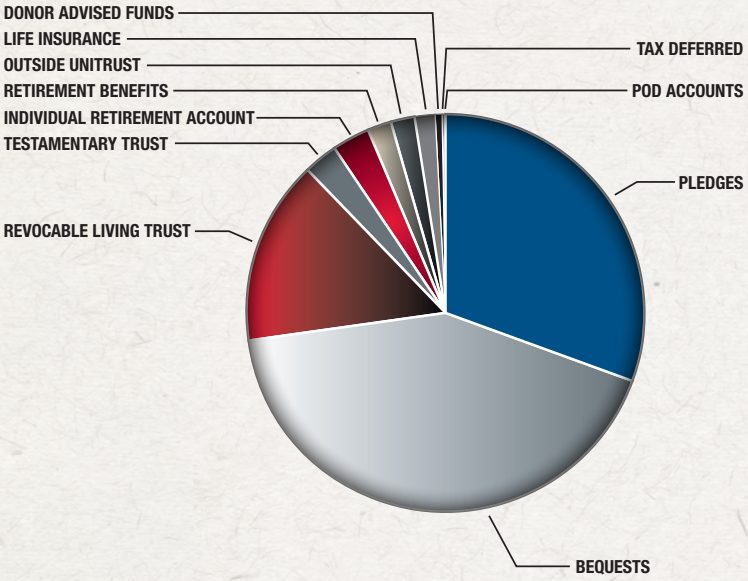
This investment comes at a time when the state's $46 billion food and agriculture industry continues to increase its contribution to the state's economy. Annually, the Washington tree fruit industry accounts for more than $7 billion of economic impact, with more than a third of that derived from exports.

"This investment builds on the strategic road map outlined by the industry and WSU over a decade ago for all our commodities," said Jim Doornink, chair of the Washington Tree Fruit Research Commission, who raises cherries, apricots, peaches, pears and apples in the Yakima Valley. "That trajectory continues according to plan with WSU's strategic hires, the commission's continued funding of priority projects, and now industry-wide support to make our research and extension partnership with WSU unequivocally the best in the world."

READ MORE AT:
campaign.wsu.edu/news/fruit-growers

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, 2013)

REVOCABLE COMMITMENTS	AMOUNT
Bequests	$ 103,248,111
Revocable Living Trust	36,663,600
Testamentary Trust	7,100,000
Individual Retirement Account	7,038,323
Retirement Benefits	4,967,236
Outside Unitrust	4,807,175
Life Insurance	4,256,368
Donor Advised Funds	1,016,000
Tax Deferred	334,370
POD Accounts	144,252
SUBTOTAL	**$169,575,436**
PLEDGES	$75,259,331
TOTAL	**$244,834,767**

INSPIRATION ACROSS GENERATIONS

A young woman with big dreams, May 2013 graduate Lisa Heard (Bus. Admin.) knows that facing challenges is all about finding the right inspiration. Thanks to receiving the *Edythe Miller Boucher Endowed Scholarship in Business,* she drew inspiration from another WSU alumna—a 1934 business graduate known for her verve.

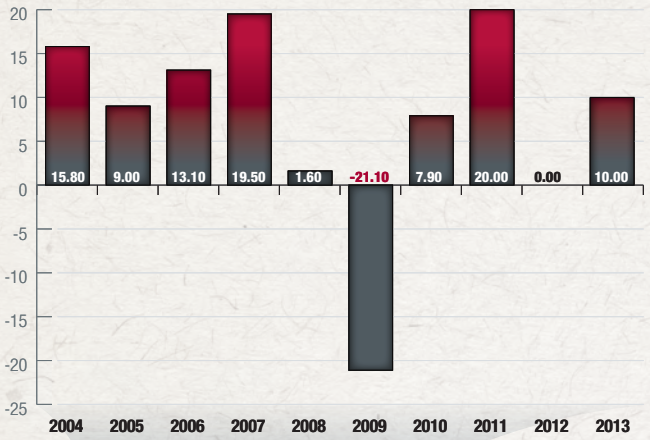
"I was so excited when I got Edythe's scholarship. I kept a photo of her on the wall in my bedroom for inspiration. I admire her—she was fearless. After graduating, Edythe's characteristic boldness inspired me to move to New York City to pursue my dream to work for a Fortune 500 Company. I was fortunate to land a job with TIME Magazine and I'm loving it! I can't wait until I'm in a position to give back."

READ MORE AT:
foundation.wsu.edu/impact/lisah

INVESTMENT PERFORMANCE

For the period of July 1, 2012 to June 30, 2013, the WSU Foundation's endowment portfolio produced a total return of 10.0 percent. Gifts and other additions to the endowment fund totaled $17,611,092 during this period. A total of $12,907,954 was distributed from the endowment in support of programs at Washington State University.

BENCHMARK RETURN COMPARISONS



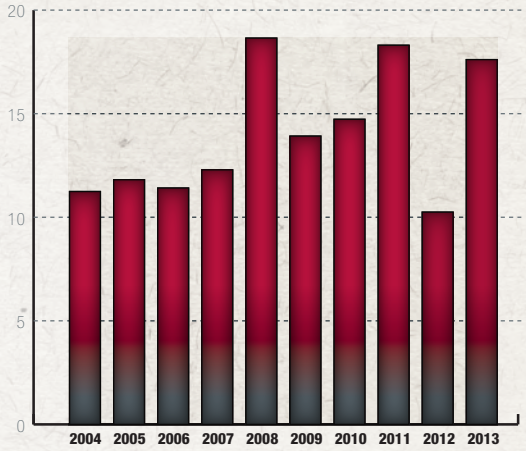
(AS A PERCENTAGE)

ONE-YEAR ANNUAL RETURN *(as a percentage)*

DATE	WSUF ENDOW. RETURN	S&P 500	70/30 PORTFOLIO	CPI
6/30/2004	**15.80**	19.10	13.27	3.20
6/30/2005	**9.00**	6.30	6.50	2.50
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

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

GIFTS & OTHER ADDITIONS TO ENDOWMENT, FISCAL YEARS 2004-2013



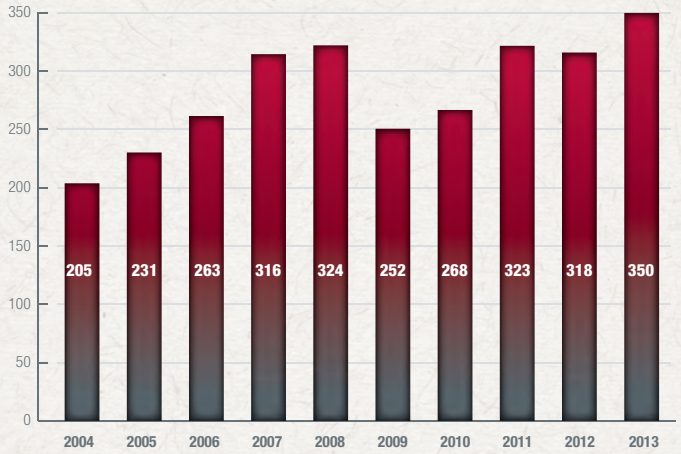
(IN MILLIONS)

2004	$11,242,221
2005	$11,812,596
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

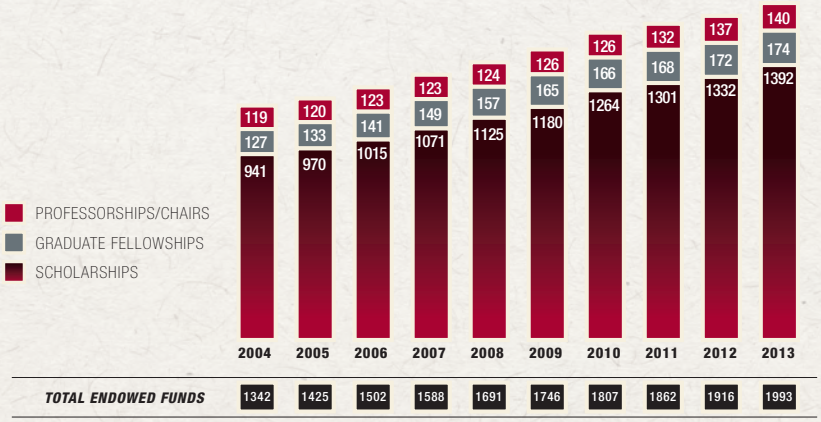
ENDOWMENT GROWTH

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 1,993 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 WSU Foundation Endowment Fund grew from $205 million in 2004 to more than $349.8 million as of June 30, 2013.

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



ENDOWED SCHOLARSHIPS, FELLOWSHIPS, PROFESSORSHIPS/CHAIRS



INVESTMENT STRATEGY

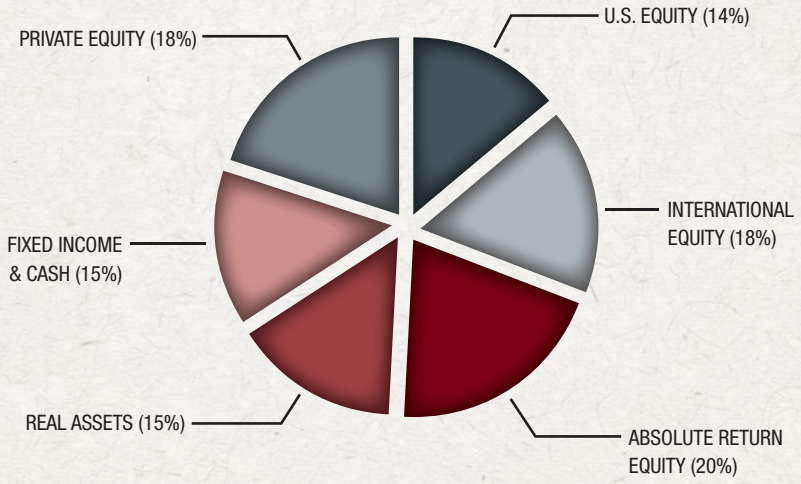
The investment objectives of the WSU Foundation Endowment Fund reflect its long-term nature.

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 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.

WSU FOUNDATION ENDOWMENT ACTUAL ASSET ALLOCATION

As of June 30, 2013, the WSU Foundation Endowment Fund assets totaled $349,889,946 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 WSU Foundation 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.

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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WSU FOUNDATION BOARD OF TRUSTEES

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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William W. Spencer '75
Heidi B. Stanley '79
Ronald P. Stanley '78
Mark A. Suwyn, PhD '67
Patricia L. Suwyn '67
Gary A. Teague '82
Jack Thompson '78
Mikal J. Thomsen '79
Robert L. Tobeck '94
Frederick L. Tompkins '58
Michael C. Tompkins '85
Don W. Transeth '73
Bruce A. Ver Burg '86
Patricia E. Ward '67
William O. Ward '66
Isaac J. Wells '07
Colin A. White '03
Paul W. Wiggum '77
Peggy A. Wiggum '78
Nancy L. William '69
Robert M. Williams '79
Barbara A. Wilson
D.J. Wilson '74
Thomas L. Wilson
Gerald A. Winkler '72
Gregory M. Witter '84
Michael C. Worthy '77 (EO)
Mark H. Wuotila '69
Steve Wymer '01
Ronald A. Wysaske '74

WSU FOUNDATION OFFICERS

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Associate Vice President, University Development
Director, Gift Planning
Washington State University Foundation

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Director, Marketing & Communications
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Anson Fatland
Associate Vice President
Economic Development & External Affairs
Washington State University

Elson S. Floyd
President
Washington State University

Cheryl Harrelson
Associate Vice President, University Development
Director, Annual & Special Gifts, Stewardship & Special Events
Washington State University Foundation

Mark Hermanson
Senior Associate Vice President, University Development
Chief Operating Officer & Campaign Director
Washington State University Foundation

Kim A. Holapa
Senior Director
Board Relations & Prospect Management
Washington State University Foundation

Gil Picciotto
Associate Vice President, University Development
Director, Leadership Gifts & Regional Gifts
Washington State University

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

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WASHINGTON STATE UNIVERSITY FOUNDATION (A NONPROFIT CORPORATION)

COMBINED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2013 AND 2012

WASHINGTON STATE UNIVERSITY FOUNDATION
(A NONPROFIT CORPORATION)
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INDEPENDENT AUDITORS' REPORT

Board of Governors
Washington State University Foundation
Pullman, Washington

We have audited the accompanying combined financial statements of Washington State University Foundation (a nonprofit organization) (the Foundation) which comprise the combined statements of financial position as of June 30, 2013 and 2012, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined 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 combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

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

Board of Governors
Washington State University Foundation

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Washington State University Foundation as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Spokane, Washington
November 21, 2013

WASHINGTON STATE UNIVERSITY FOUNDATION
(A NONPROFIT CORPORATION)
COMBINED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

	2013	2012
ASSETS		
Cash and Cash Equivalents	$ 694,333	$ 747,840
Due from Washington State University	2,195,908	1,251,260
Other Receivables	141,625	151,752
Pledges Receivable	44,617,243	47,404,282
Endowment Investment Securities (Including Assets Held in Endowments for Washington State University of $18,336,913 and $17,737,390, Respectively)	310,398,881	281,759,973
Notes Receivable	561,540	239,718
Furniture, Fixtures, and Equipment (Net of Accumulated Depreciation of $1,098,898 and $969,579, Respectively)	380,997	475,267
Land, Cougar Property Holdings	50,000	50,000
Land and Real Estate	2,363,250	2,137,500
Assets Held in Charitable Trusts	30,630,319	30,515,637
Contributions Receivable From Charitable Trusts	6,218,400	6,743,775
Beneficial Interest in Perpetual Trusts	11,252,319	11,340,441
Total Assets	$ 409,504,815	$ 382,817,445
LIABILITIES		
Accounts Payable and Accrued Liabilities	$ 505,785	$ 361,893
Annuities Payable	12,378,335	12,832,814
Remainder Interest Payable	1,016,270	2,751,250
Assets Held for Other Organizations	773,927	486,476
Assets Held in Endowments for Washington State University	18,336,913	17,737,390
Total Liabilities	33,011,230	34,169,823
NET ASSETS		
Unrestricted	2,806,725	2,214,704
Temporarily Restricted	37,620,435	26,451,926
Permanently Restricted	336,066,425	319,980,992
Total Net Assets	376,493,585	348,647,622
Total Liabilities and Net Assets	$ 409,504,815	$ 382,817,445

See accompanying Notes to Combined Financial Statements.

WASHINGTON STATE UNIVERSITY FOUNDATION
(A NONPROFIT CORPORATION)
COMBINED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT				
Contributions	$ 886	$ 32,495,387	$ 13,640,077	$ 46,136,350
Investment Income	1,213	2,298,018	833,468	3,132,699
Gain (Loss) on Investments	(9,352)	23,702,436	2,787,683	26,480,767
Management and Advancement Fee	4,550,366	-	-	4,550,366
Change in Value of Split-Interest Agreements	-	-	(2,614,392)	(2,614,392)
Support Provided by Washington State University	5,073,411	-	-	5,073,411
Other Income	-	-	648,889	648,889
Total Revenue and Support	9,616,524	58,495,841	15,295,725	83,408,090
NET ASSETS RELEASED FROM RESTRICTIONS	46,537,624	(47,327,332)	789,708	-
EXPENSES				
Support Provided to/for Washington State University:				
Restricted Distributions	31,914,395	-	-	31,914,395
Endowment Income Distributions	10,554,696	-	-	10,554,696
Management and Advancement Fees	3,958,011	-	-	3,958,011
Fundraising	6,570,176	-	-	6,570,176
General and Administrative Expenses	2,564,849	-	-	2,564,849
Total Expenses	55,562,127	-	-	55,562,127
CHANGE IN NET ASSETS	592,021	11,168,509	16,085,433	27,845,963
Net Assets - Beginning of Year	2,214,704	26,451,926	319,980,992	348,647,622
NET ASSETS - END OF YEAR	$ 2,806,725	$ 37,620,435	$ 336,066,425	$ 376,493,585

See accompanying Notes to Combined Financial Statements.

WASHINGTON STATE UNIVERSITY FOUNDATION
(A NONPROFIT CORPORATION)
COMBINED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT				
Contributions	$ 11,681	$ 37,198,146	$ 37,028,507	$ 74,238,334
Investment Income	2,088	1,029,324	800,265	1,831,677
Loss on Investments	(17,684)	(1,868,427)	(589,985)	(2,476,096)
Management and Advancement Fee	4,266,555	-	-	4,266,555
Change in Value of Split-Interest Agreements	-	-	(1,612,641)	(1,612,641)
Support Provided by Washington State University	4,658,652	-	-	4,658,652
Other Income	-	-	557,358	557,358
Total Revenue and Support	8,921,292	36,359,043	36,183,504	81,463,839
NET ASSETS RELEASED FROM RESTRICTIONS	45,516,882	(45,734,221)	217,339	-
EXPENSES				
Support Provided to/for Washington State University:				
Restricted Distributions	31,166,930	-	-	31,166,930
Endowment Income Distributions	9,950,110	-	-	9,950,110
Management and Advancement Fees	3,711,265	-	-	3,711,265
Fundraising	5,943,252	-	-	5,943,252
General and Administrative Expenses	3,399,821	-	-	3,399,821
Total Expenses	54,171,378	-	-	54,171,378
CHANGE IN NET ASSETS	266,796	(9,375,178)	36,400,843	27,292,461
Net Assets - Beginning of Year	1,947,908	35,827,104	283,580,149	321,355,161
NET ASSETS - END OF YEAR	$ 2,214,704	$ 26,451,926	$ 319,980,992	$ 348,647,622

See accompanying Notes to Combined Financial Statements.

WASHINGTON STATE UNIVERSITY FOUNDATION
(A NONPROFIT CORPORATION)
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 27,845,963	$ 27,292,461
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	129,319	135,240
(Gain) Loss on Investments	(26,480,767)	2,476,096
Distribution of Noncash Donations of Land and Real Estate (WSU)	(225,750)	-
Decrease in Value of Split-Interest Agreements	2,614,392	1,612,641
Contributions and Income Restricted for Investments in Endowments and Trusts	(11,164,964)	(38,390,377)
Changes in Assets and Liabilities:		
Due from Washington State University	(944,648)	(493,718)
Other Receivables	10,127	(25,159)
Pledges Receivable	2,787,039	(33,460,090)
Accounts Payable and Accrued Liabilities	143,892	(63,575)
Assets Held on Behalf of Other Organizations	287,451	84,886
Assets Held in Endowments for Washington State University	599,523	(908,617)
Net Cash Used by Operating Activities	(4,398,423)	(41,740,212)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(76,802,487)	(21,901,110)
Sales of Investments	70,339,311	25,133,383
Purchases of Property and Equipment	(35,050)	(65,344)
Issuance of Notes Receivable	(345,827)	-
Proceeds from Principal Payments on Notes Receivable	24,005	20,151
Net Cash Provided (Used) by Investing Activities	(6,820,048)	3,187,080
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions and Income Restricted for Investments in Endowments and Trusts	11,164,964	38,390,377
NET DECREASE IN CASH AND CASH EQUIVALENTS	(53,507)	(162,755)
Cash and Cash Equivalents - Beginning of Year	747,840	910,595
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 694,333	$ 747,840
NONCASH TRANSACTIONS		
Noncash Contributions	$ 1,113,698	$ 1,141,838

See accompanying Notes to Combined Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Combined Statements

These statements include the assets, liabilities, revenue, and expenses of Cougar Property Holdings (CPH), a Washington nonprofit corporation organized during the year ended June 30, 2000, which is an affiliated entity of the Foundation. All significant inter-entity transactions have been eliminated.

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 percent 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.

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 combined financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

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

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.

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. Investment manager's fees in the amounts of $717,997 and $891,007 were paid in the fiscal years ended June 30, 2013 and 2012, respectively.

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. Refer to Note 3, Endowment Investment Securities, for the disclosures.

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.

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets Held in Charitable Trusts, Contributions Receivable From Charitable Trusts, Annuities Payable, and Remainder Interest Payable (Continued)

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. A contribution receivable is presented for trusts in which the Foundation is only the remainderman. Some trusts have named another charitable organization to share the remainder interest. The Foundation records a liability for other remainderman interests. 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.

Beneficial Interest in Perpetual Trusts

Such assets are stated at fair value.

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.

Assets Held in Endowments for Washington State University

Assets held in endowments 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Credit Risk

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.

Contributions and Revenue Recognition

The Foundation processes all private gifts to the University, University Alumni Association, 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 assets are received by the Foundation. The Foundation recognizes income for trusts on which they are only the remainderman when they become aware of the trust.

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. At June 30, 2013 and 2012, no assets had been written down.

Financial Instruments

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

Cash – The carrying amount reported in the combined statements of financial position for cash 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 combined statements of financial position for the notes receivable approximates its fair value.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Uncertain Tax Positions

Management evaluated the Foundation's tax positions and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of FASB guidance on this subject. With few exceptions, the Foundation is no longer subject to income tax examinations by tax authorities before 2010.

Implementation of Accounting Standards

During 2010, FASB released ASU 2010-06 *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements*. This guidance changes the requirements to reflect Level 3 changes (purchases, sales, issuances, and settlements) from a net basis to require separate disclosure for each type and is effective for fiscal years ending after December 15, 2011. This guidance does not require the change to be retrospectively applied to prior periods presented. The Foundation adopted this guidance effective for the fiscal year ended June 30, 2012.

Subsequent Events

Subsequent events have been evaluated through November 21, 2013, which is the date the financial statements were available to be issued.

NOTE 2 PLEDGES RECEIVABLE

	June 30,	
	2013	2012
Pledges Receivable	$ 46,444,113	$ 49,348,247
Less: Allowance for Uncollectible Pledges	(928,882)	(986,965)
Total	45,515,231	48,361,282
Less: Present Value Discount	(897,988)	(957,000)
Total	$ 44,617,243	$ 47,404,282

	June 30,	
	2013	2012
Amounts Expected in:		
One Year or Less	$ 5,646,018	$ 7,395,471
One to Five Years	29,976,780	31,252,973
Over Five Years	10,821,315	10,699,803
Total	$ 46,444,113	$ 49,348,247

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.

NOTE 2 PLEDGES RECEIVABLE (CONTINUED)

Unconditional pledges receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows less an allowance for uncollectible accounts. 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, 2013 was 0.58 percent and prior years ranged from 0.39 percent to 5.09 percent. Amortization of the discounts is included in contribution revenue.

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

Conditional pledges receivable are not included as support until the conditions are substantially met. Conditional pledges receivable were $13,234,000 and $15,349,400 as of June 30, 2013 and 2012, respectively.

NOTE 3 ENDOWMENT INVESTMENT SECURITIES

The Foundation's endowment consists of approximately 1,990 individual funds, established for a variety of purposes, which are invested in an endowment pool consisting of funds for the Foundation, the University, and the Alumni Association. The Foundation's endowment funds represent an 89.2 percent and 88.9 percent undivided interest in the consolidated investment pool for all endowments at June 30, 2013 and 2012, respectively. The endowment includes both donor-restricted and quasi-endowment funds, which are classified as "Assets Held in Endowments for Washington State University" on the combined 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.

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 classified the following amounts as permanently restricted net assets in the accompanying combined 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

NOTE 3 ENDOWMENT INVESTMENT SECURITIES (CONTINUED)

Interpretation of Relevant Law (Continued)

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

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 that are reported in temporarily restricted net assets are $7,139,473 and $12,059,713 at June 30, 2013 and 2012, 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.

Return Objectives and Risk Parameters

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

NOTE 3 ENDOWMENT INVESTMENT SECURITIES (CONTINUED)

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

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

In establishing this policy, the Foundation considered the long-term expected return on its endowment. This is consistent with the 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.

Endowment Net Asset Composition, by Type of Fund

	Year Ended June 30, 2013		
	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	$ 19,278,966	$ 272,783,002	$ 292,061,968
Assets Held in Endowment for WSU	18,336,913	-	18,336,913
Total	$ 37,615,879	$ 272,783,002	$ 310,398,881

	Year Ended June 30, 2012		
	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	$ 7,791,219	$ 256,231,364	$ 264,022,583
Assets Held in Endowment for WSU	17,737,390	-	17,737,390
Total	$ 25,528,609	$ 256,231,364	$ 281,759,973

NOTE 3 ENDOWMENT INVESTMENT SECURITIES (CONTINUED)

Changes in Endowment Net Assets

	Year Ended June 30, 2013		
	Temporarily Restricted	Permanently Restricted	Total
Net Assets - Beginning of Year	$ 25,528,609	$ 256,231,364	$ 281,759,973
Investment Return:			
Net Investment Income	2,436,232	-	2,436,232
Net Realized and Unrealized Appreciation	25,261,074	-	25,261,074
Contributions	162,862	16,606,584	16,769,446
Distributions of Endowment Assets to/for Support of WSU	(15,772,898)	(54,946)	(15,827,844)
Total	$ 37,615,879	$ 272,783,002	$ 310,398,881

	Year Ended June 30, 2012		
	Temporarily Restricted	Permanently Restricted	Total
Net Assets - Beginning of Year	$ 40,867,708	$ 245,845,882	$ 286,713,590
Investment Return:			
Net Investment Income	1,085,123	-	1,085,123
Net Realized and Unrealized Depreciation	(1,990,801)	-	(1,990,801)
Contributions	149,203	10,603,242	10,752,445
Distributions of Endowment Assets to/for Support of WSU	(14,582,624)	(217,760)	(14,800,384)
Total	$ 25,528,609	$ 256,231,364	$ 281,759,973

Consolidated Endowments, Recorded at Fair Value

	Years Ended June 30,	
	2013	2012
University Pooled Endowment Funds:		
Cash and Short-Term Investments	$ 12,218,485	$ 3,536,802
Accrued Interest and Dividends	9,121	511
Managed Investments	335,631,444	313,345,609
Endowment Investments at Fair Market Value	347,859,050	316,882,922
Less: University Endowment Funds	(37,460,169)	(35,122,949)
Foundation Endowment	$ 310,398,881	$ 281,759,973

NOTE 3 ENDOWMENT INVESTMENT SECURITIES (CONTINUED)

Consolidated Endowments, Recorded at Cost

	Years Ended June 30,	
	2013	2012
Investments at Cost	$ 299,109,131	$ 290,387,229
Less: University Endowment Funds, at Cost	(32,211,848)	(32,188,036)
Foundation Endowment, at Cost	$ 266,897,283	$ 258,199,193

Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowment Only)

	Years Ended June 30,	
	2013	2012
Permanently Restricted Net Assets:		
Portion of the Perpetual Endowment Funds That is Required to be Retained Permanently Either by Explicit Donor Stipulation or by WA-UPMIFA	$ 272,783,002	$ 256,231,364
Temporarily Restricted Net Assets:		
Portion of the Perpetual Endowment Funds Representing Realized and Unrealized Investment Returns and Contributions to WSU's Quasi-Endowment	37,615,879	25,528,609
Total	$ 310,398,881	$ 281,759,973

NOTE 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.

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

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.

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, 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.

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2013:

	Level 1	Level 2	Level 3	Total
Endowment Investments:				
Cash	$ 561,314	$ -	$ -	$ 561,314
U.S. Government Securities	-	10,372,191	-	10,372,191
Common Stock	19,684,036	1,585,103	-	21,269,139
Limited Partnerships	-	29,285,621	43,521,860	72,807,481
Investment Funds	43,647,641	154,431,439	1,840,338	199,919,418
Real Estate Investment Trusts	-	-	5,469,338	5,469,338
Total	$ 63,892,991	$ 195,674,354	$ 50,831,536	$ 310,398,881
Assets in Charitable Trusts:				
Cash Equivalents	$ 688,501	$ -	$ -	$ 688,501
Mutual Funds	26,038,784	-	-	26,038,784
Real Estate Investment Trusts	3,903,034	-	-	3,903,034
Total	$ 30,630,319	$ -	$ -	$ 30,630,319
Other:				
Beneficial Interest in Perpetual Trusts	$ -	$ -	$ 11,252,319	$ 11,252,319

The tables below present the change in fair value measurements for the Level 3 investments during the year ended June 30, 2013:

	Limited Partnerships	Mutual Funds	Real Estate Investment Trusts	Total
Endowment Investments:				
Balance - July 1, 2012	$ 38,586,912	$ 1,802,754	$ 5,849,082	$ 46,238,748
Purchases	6,648,912	-	-	6,648,912
Sales	(5,496,545)	-	(1,040,272)	(6,536,817)
Realized Gain	1,604,347	-	-	1,604,347
Change in Unrealized Gain (Loss)	2,178,234	37,584	660,528	2,876,346
Balance - June 30, 2013	$ 43,521,860	$ 1,840,338	$ 5,469,338	$ 50,831,536

	Beneficial Interest in Perpetual Trusts
Other:	
Balance - July 1, 2012	$ 11,340,441
Change in Value, Net	(88,122)
Balance - June 30, 2013	$ 11,252,319

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

Investment gains and losses (realized and unrealized) are included in the combined statement of activities. The unrealized portion of gains (losses) in Level 3, reported above, related to assets held at June 30, 2013, was $2,102,958. There were no significant transfers between Level 1 and Level 2 for the year ended June 30, 2013.

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, 2012:

	Level 1	Level 2	Level 3	Total
Endowment Investments:				
Cash	$ 434,101	$ -	$ -	$ 434,101
U.S. Government Securities	-	2,711,118	-	2,711,118
Common Stock	15,585,450	5,240,063	-	20,825,513
Limited Partnerships	-	30,475,554	38,586,912	69,062,466
Investment Funds	39,416,720	141,658,219	1,802,754	182,877,693
Real Estate Investment Trusts	-	-	5,849,082	5,849,082
Total	$ 55,436,271	$ 180,084,954	$ 46,238,748	$ 281,759,973
Assets in Charitable Trusts:				
Cash Equivalents	$ 1,166,219	$ -	$ -	$ 1,166,219
Mutual Funds	25,312,691	-	-	25,312,691
Real Estate Investment Trusts	4,036,727	-	-	4,036,727
Total	$ 30,515,637	$ -	$ -	$ 30,515,637
Other:				
Beneficial Interest in Perpetual Trusts	$ -	$ -	$ 11,340,441	$ 11,340,441

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

The tables below present the change in fair value measurements for the Level 3 investments during the year ended June 30, 2012:

	Limited Partnerships	Mutual Funds	Real Estate Investment Trusts	Total
Endowment Investments:				
Balance - July 1, 2011	$ 24,179,502	$ 1,763,948	$ 6,555,289	$ 32,498,739
Purchases	19,103,494	-	35,566	19,139,060
Sales	(6,878,406)	-	(119,531)	(6,997,937)
Realized Gain	833,011	-	-	833,011
Change in Unrealized Gain (Loss)	1,349,311	38,806	(622,242)	765,875
Balance - June 30, 2012	$ 38,586,912	$ 1,802,754	$ 5,849,082	$ 46,238,748

	Beneficial Interest in Perpetual Trusts
Other:	
Balance - July 1, 2011	$ 11,699,630
Change in Value, Net	(359,189)
Balance - June 30, 2012	$ 11,340,441

The unrealized portion of gains (losses) in Level 3, reported above, that are related to assets held at June 30, 2012, is ($609,806). There were no significant transfers between Level 1 and Level 2 for the year ended June 30, 2012.

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

Common Stock and Mutual 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.

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

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

Limited Partnerships

Multiple partnerships' interests that invest in securities and real estate. Risk strategies range from moderate to aggressive with growth of capital being the primary objectives.

Real Estate Investment Trusts

Multiple trusts which invest in securities designed for generating current income and/or long-term growth using conservative, moderate, and aggressive risk strategies.

NOTE 5 NOTES RECEIVABLE

Notes receivable consisted of the following at June 30:

	2013	2012
Note Receivable, Annual Payments of $13,181, Including Interest at 6%, Due January 1, 2025; Secured by a Deed of Trust	$ 110,638	$ 116,810
Note Receivable, Annual Payments of $28,735, Including Interest at 10.5%, Due November 1, 2018; Secured by a Deed of Trust	107,075	122,908
Note Receivable, Annual Payments of $24,000, Less Discount of 4.28%, Due April 2034; Secured by a Deed of Trust on a Private Residence Issued in 2013	343,827	-
Total	$ 561,540	$ 239,718

The notes receivable have future estimated payments as follows as of June 30, 2013:

Receivable in Less than One Year	$ 65,916
Receivable in One to Five Years	290,026
Receivable After Five Years	444,472
Total	800,414
Less: Present Value Discount	238,874
Total	$ 561,540

NOTE 6 ASSETS HELD IN CHARITABLE TRUSTS

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

	2013	2012
Cash	$ 688,501	$ 1,166,219
Bonds	9,781,404	9,640,893
Equities	16,257,380	15,671,798
Real Estate Investment Trusts	3,903,034	4,036,727
Assets, at Fair Market Value	$ 30,630,319	$ 30,515,637
Assets, at Cost	$ 26,723,843	$ 28,050,545

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

	2013	2012
Charitable Remainder Unitrust	$ 20,395,013	$ 19,613,169
Charitable Remainder Annuity Trusts	1,442,006	1,331,802
Gift Annuities	8,664,316	7,604,445
Lead Trusts	128,984	1,966,221
Total	$ 30,630,319	$ 30,515,637

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 $3,874,008 and $3,868,039 for the years ended June 30, 2013 and 2012, respectively, and the charitable gift annuities payable at June 30, 2013 and 2012, were $3,555,764 and $3,594,186, respectively.

NOTE 7 OPERATING LEASE

On March 1, 2003, the Foundation entered into an agreement to lease office space in downtown Pullman. The lease has a term of 15 years and an annual lease payment of $266,057 in years 1 through 10 and $300,995 in years 11 through 15. The lease terminates on March 1, 2018.

NOTE 7 OPERATING LEASE (CONTINUED)

Future minimum lease payments under this operating lease as of June 30, 2013, are as follows:

Year Ending June 30,	Amount
2014	300,995
2015	300,995
2016	300,995
2017	300,995
2018	200,663
Total	$ 1,404,643

NOTE 8 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

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

	2013		2012	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Scholarships	$ 14,512,248	$ 129,639,106	$ 10,178,724	$ 123,128,960
Graduate Fellowship	1,912,724	17,086,519	1,206,980	14,600,474
Chairs	4,898,766	43,761,075	3,531,765	42,722,696
Distinguished Professorships	4,335,357	38,728,101	3,127,121	37,827,839
Research	2,429,578	21,703,622	1,718,753	20,791,239
Instruction	431,921	3,858,384	314,618	3,805,843
Libraries	213,901	1,910,791	157,600	1,906,434
Operational Support	7,741,475	69,155,232	5,361,811	64,860,217
Facilities	268,398	2,397,621	198,060	2,395,867
Other	876,067	7,825,974	656,494	7,941,423
Total	$ 37,620,435	$ 336,066,425	$ 26,451,926	$ 319,980,992

NOTE 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 contribution revenue is recognized by the Foundation. The pass-through agency transactions were $268,806 and $204,413 at June 30, 2013 and 2012, respectively.

During the year ended June 30, 2012, the President of Town Centre LLC, the lessor referred to in Note 7, became a member of the Foundation Board of Governors.

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Governors
Washington State University Foundation
Pullman, Washington

We have audited the combined financial statements of the Washington State University Foundation (a nonprofit organization) as of and for the year ended June 30, 2013, and have issued our report thereon dated November 21, 2013, which contained an unmodified opinion on those combined financial statements. Our audit was performed for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying supplementary information, included on pages 25 and 26, is presented for the purposes of additional analysis and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the 2013 audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Spokane, Washington
November 21, 2013

WASHINGTON STATE UNIVERSITY FOUNDATION
(A NONPROFIT CORPORATION)
COMBINING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	WSU Foundation	Cougar Property Holdings	Combined
ASSETS			
Cash and Cash Equivalents	$ 369,464	$ 324,869	$ 694,333
Due from Washington State University	2,195,908	-	2,195,908
Other Receivables	141,390	235	141,625
Pledges Receivable	44,617,243	-	44,617,243
Endowment Investment Securities (Including Assets Held in Endowments for Washington State University of $18,336,913)	310,398,881	-	310,398,881
Notes Receivable	561,540	-	561,540
Furniture, Fixtures, and Equipment (Net of Accumulated Depreciation of $1,098,898)	380,997	-	380,997
Land, Cougar Property Holdings	-	50,000	50,000
Land and Real Estate	2,363,250	-	2,363,250
Assets Held in Charitable Trusts	30,630,319	-	30,630,319
Contributions Receivable From Charitable Trusts	6,218,400	-	6,218,400
Beneficial Interest in Perpetual Trusts	11,252,319	-	11,252,319
Total Assets	$ 409,129,711	$ 375,104	$ 409,504,815
LIABILITIES			
Accounts Payable and Accrued Liabilities	$ 505,785	$ -	$ 505,785
Annuities Payable	12,378,335	-	12,378,335
Remainder Interest Payable	1,016,270	-	1,016,270
Assets Held for Other Organizations	773,927	-	773,927
Assets Held in Endowments for Washington State University	18,336,913	-	18,336,913
Total Liabilities	33,011,230	-	33,011,230
NET ASSETS			
Unrestricted	2,431,621	375,104	2,806,725
Temporarily Restricted	37,620,435	-	37,620,435
Permanently Restricted	336,066,425	-	336,066,425
Total Net Assets	376,118,481	375,104	376,493,585
Total Liabilities and Net Assets	$ 409,129,711	$ 375,104	$ 409,504,815

WASHINGTON STATE UNIVERSITY FOUNDATION
(A NONPROFIT CORPORATION)
COMBINING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	WSU Foundation			Cougar	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Property Holdings	Combined
REVENUE AND SUPPORT					
Contributions	$ 886	$ 32,495,387	$ 13,640,077	$ -	$ 46,136,350
Investment Income	460	2,298,018	833,468	753	3,132,699
Gain (Loss) on Investments	(9,352)	23,702,436	2,787,683	-	26,480,767
Management and Advancement Fee	4,550,366	-	-	-	4,550,366
Change in Value of Split-Interest Agreements	-	-	(2,614,392)	-	(2,614,392)
Support Provided by Washington State University	5,073,411	-	-	-	5,073,411
Other Income	-	-	648,889	-	648,889
Total Revenue and Support	9,615,771	58,495,841	15,295,725	753	83,408,090
NET ASSETS RELEASED FROM RESTRICTIONS	46,537,624	(47,327,332)	789,708	-	-
EXPENSES					
Support Provided to/for Washington State University:					
Restricted Distributions	31,914,395	-	-	-	31,914,395
Endowment Income Distributions	10,554,696	-	-	-	10,554,696
Management and Advancement Fees	3,958,011	-	-	-	3,958,011
Fundraising	6,570,176	-	-	-	6,570,176
General and Administrative Expenses	2,564,614	-	-	235	2,564,849
Total Expenses	55,561,892	-	-	235	55,562,127
CHANGE IN NET ASSETS	591,503	11,168,509	16,085,433	518	27,845,963
Net Assets - Beginning of Year	1,840,118	26,451,926	319,980,992	374,586	348,647,622
NET ASSETS - END OF YEAR	$ 2,431,621	$ 37,620,435	$ 336,066,425	$ 375,104	$ 376,493,585