

2014 WSU FOUNDATION

inspire

ANNUAL REPORT

WELCOME



MESSAGE FROM THE CHAIR

Dear WSU supporters,

One billion dollars. What seemed audacious a few years ago is now remarkably within reach. Since the 2006 launch of *The Campaign for Washington State University: Because the World Needs Big Ideas*, nearly 189,000 donors have contributed more than \$921.6 million in gifts, grants, and revocable or other commitments in support of WSU. As we approach our \$1 billion campaign goal, we also acknowledge the generous support from all donors to WSU during the last fiscal year and throughout the entire campaign. Each and every gift, regardless of size, empowers WSU to leverage its impact across the state and around the world.

Together, through our giving, we are empowering the big ideas that will benefit us today and our children tomorrow. Groundbreaking discoveries are being made in WSU's labs and research sites because we choose to invest in the future of this university, its faculty, and its students. Communities and industries across our great state are stronger because generous donors and volunteers are answering the call. Hard-working and talented students have an opportunity to pursue an excellent education—and to call WSU their own—thanks to the generous support of all of us who came before them.

To each generous alumnus, friend, student, parent, faculty and staff member, and corporate partner who contributed to WSU during Fiscal Year 2014, we extend our sincere gratitude for your genuine support and exceptional leadership that inspires big ideas to take flight at Washington State University.

Thank you. Go Cougs!

A handwritten signature in dark ink that reads "Judy L. Rogers". The script is fluid and cursive.

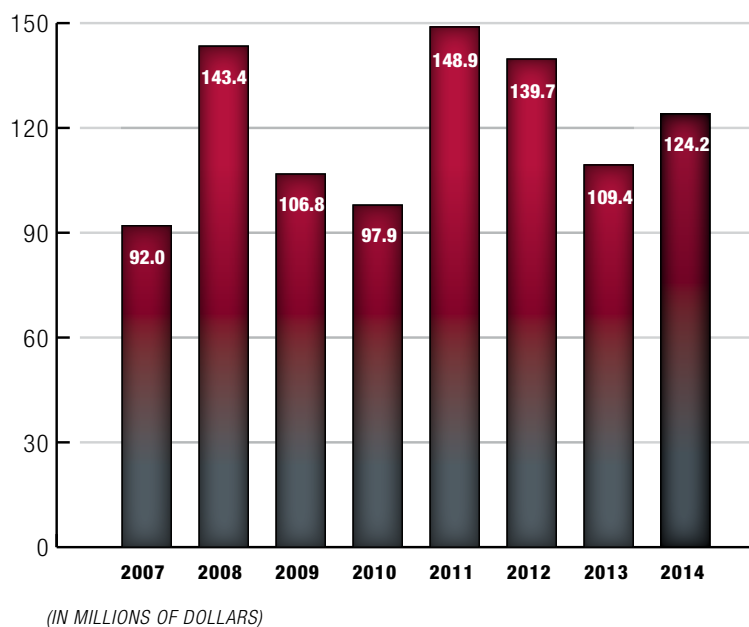
Judy Rogers ('74 Comp. Sci.)
President, WSU Foundation
Chair, WSU Foundation Board of Governors

FISCAL YEAR 2014 OVERVIEW

The Washington State University Foundation received \$105,294,274 in private gifts, grants, and pledges to support Washington State University during fiscal year (FY) 2014, which ended June 30, 2014. An additional \$18,874,164 in revocable commitments and other contributions were recorded by the WSU Foundation during this period, bringing total fund-raising activity during FY2014 to \$124,168,437. During this period, the all-alumni gift participation rate was 16.1%.

TOTAL PRIVATE SUPPORT 2007–2014* FOR FISCAL YEARS ENDED JUNE 30

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



A Gift for Arts' Sake

"Every person, especially young people, must have the opportunity to experience the arts as part of their lives. What better place to help further that goal than our college campuses?"

With those words in October 2013, renowned arts patron Jordan D. Schnitzer of Portland, Oregon announced his commitment of \$5 million toward the construction of a new Museum of Art on WSU's Pullman campus. The gift launched the \$15 million public fundraising phase for the new and larger museum facility.

"We look forward to a building that showcases great objects, opens space for art that has yet to be dreamed of, and ultimately, sends the unmistakable message that this university values the way the arts connect across disciplines, generations, and cultural backgrounds," said Christopher Bruce, director of the WSU Museum of Art.

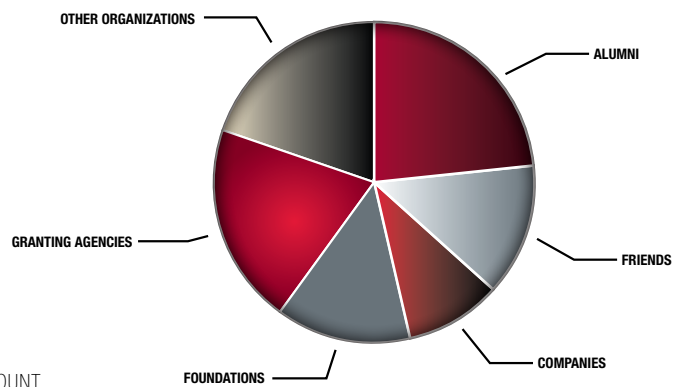
"Mr. Schnitzer's investment sets the foundation for making the dream of a new WSU Museum of Art a reality," said WSU President Elson S. Floyd. "His commitment to the arts in general, and this project in particular, presents the possibility of a transformational development for our Pullman campus, and we thank him for that."

READ MORE AT:
campaign.wsu.edu/news/schnitzer

TOTAL PRIVATE SUPPORT (IN MILLIONS OF DOLLARS)

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

TOTAL PRIVATE SUPPORT BY SOURCE (FY2014)



FY2014 BY COMMITMENT TYPE

SOURCE	AMOUNT
Alumni	\$29,062,371
Friends	\$16,565,398
Companies	\$12,272,375
Foundations	\$16,811,650
Granting Agencies	\$24,997,063
Other Organizations	\$24,458,462

TOTAL	\$124,167,319
--------------	----------------------

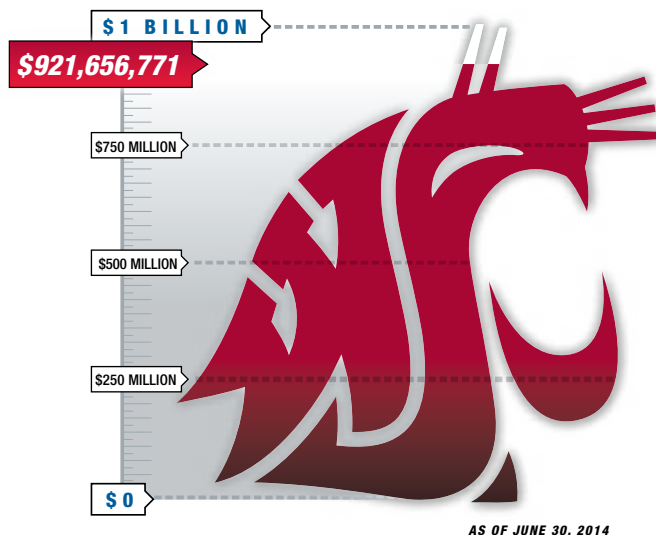
**TOTAL PRIVATE SUPPORT BY COLLEGE, CAMPUS,
AND UNIT AREA (IN MILLIONS OF DOLLARS)**

COLLEGE/CAMPUS/UNIT	GIFTS TO DATE	PLEDGE BALANCE	PRIVATE GRANTS	REVOCABLE COMMITMENTS	OTHER CONTRIBUTIONS	TOTAL COMMITMENTS
CAHNRS/EXTENSION/4-H	13,092,777	5,743,899	10,281,831	-40,000	3,000	29,081,508
ARTS & SCIENCES	1,859,467	52,944	0	572,500	2,421,094	4,906,005
CARSON COLLEGE OF BUSINESS	4,666,927	666,244	0	905,000	113,602	6,351,773
MURROW COLLEGE OF COMMUNICATOIN	331,332	12,197	7,017	2,600,000	70,433	3,020,979
EDUCATION	1,057,332	11,403	10,915	300,000	0	1,379,649
VOILAND COLLEGE OF ENGINEERING & ARCHITECTURE	7,028,939	6,646,564	2,151,329	-1,120,000	579,062	15,285,893
HONORS COLLEGE	243,254	35,429	0	0	113,602	392,286
NURSING	1,089,032	24,110	140,571	-25,000	0	1,228,714
PHARMACY	1,103,354	6,276	812,488	0	0	1,922,118
VETERINARY MEDICINE	4,631,460	97,320	6,102,654	2,578,000	11,714	13,421,148
WSU SPOKANE	798,182	101,151	1,751,310	0	0	2,650,642
WSU TRI-CITIES	1,904,526	323,526	50,437	-40,000	0	2,238,489
WSU VANCOUVER	900,571	12,406	253,635	4,208,369	1,117	5,376,098
COUGAR ATHLETIC FUND	7,843,315	1,421,606	0	2,203,380	229,790	11,698,091
GRADUATE SCHOOL	375,143	0	36,000	0	0	411,143
INTERNATIONAL PROGRAMS	39,899	84,118	36,960	0	0	160,977
LIBRARIES	186,981	1,474	0	0	10,000	198,454
MURROW PUBLIC MEDIA	2,206,751	19,295	2,383,056	55,000	0	4,664,102
MUSEUM OF ART	511,866	8,629,938	0	50,000	1,833,500	11,025,303
STUDENT AFFAIRS & ENROLLMENT	1,810,895	97,028	135,500	194,000	0	2,237,423
UNDERGRADUATE EDUCATION	75,804	100	0	0	6,000	81,904
GENERAL UNIVERSITY SUPPORT	3,645,478	1,121,902	843,360	1,040,000	0	6,650,741
FY2014 TOTALS	\$55,282,281	\$25,014,930	\$24,997,063	\$13,481,249	\$5,392,915	\$124,168,437

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, 2014.

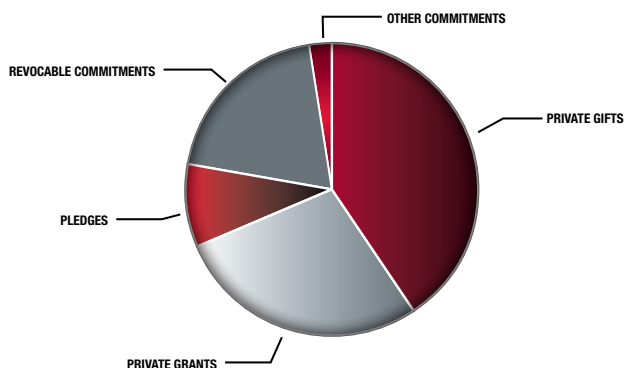


TOTAL CAMPAIGN BY COMMITMENT TYPE

As of June 30, 2014

COMMITMENT TYPE	AMOUNT
Private Gifts	\$375,711,515
Private Grants	\$257,084,218
Pledges	\$84,804,878
Revocable Commitments	\$183,221,685
Other Commitments	\$20,834,474

TOTAL **\$921,656,771**

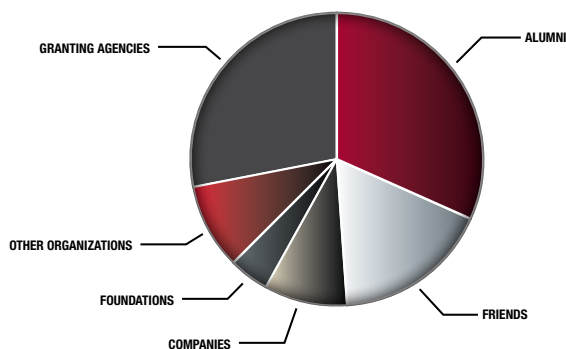


TOTAL CAMPAIGN COMMITMENTS BY SOURCE

As of June 30, 2014

INDIVIDUAL CAMPAIGN GIVING	AMOUNT
Alumni	\$294,403,373
Friends	\$157,053,434
Companies	\$83,791,533
Foundations	\$43,127,924
Other Organizations	\$86,196,288
Granting Agencies	\$257,084,218

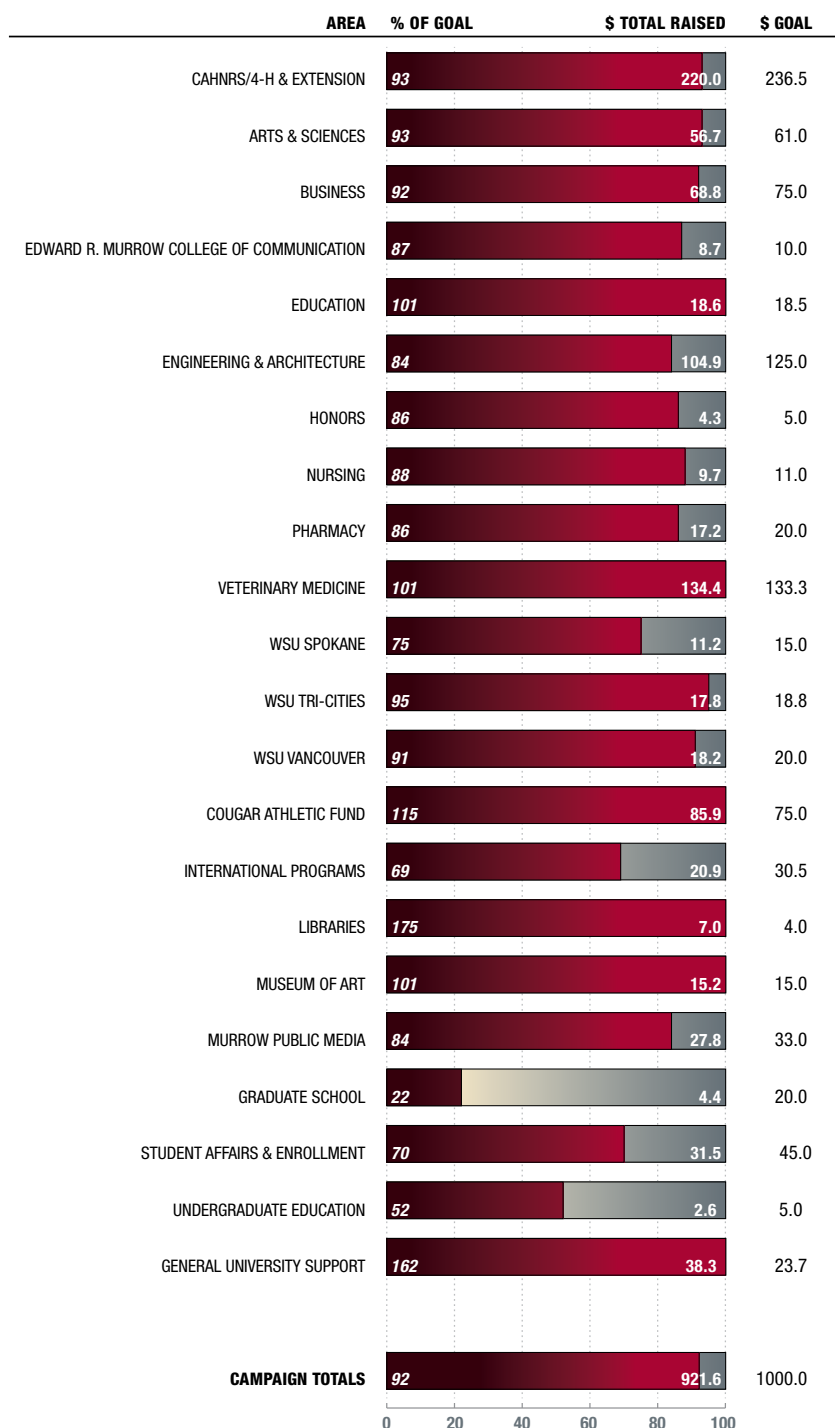
TOTAL **\$921,656,771**



CAMPAIGN BY COLLEGE, CAMPUS, AND PROGRAM

AS OF JUNE 30, 2014

(IN MILLIONS)



Igniting a bright future

Jairo Leonardo Flores Torres '14 has achieved a goal he once believed impossible—graduating from college. The biological sciences major credits the generosity of WSU's alumni and friends for opening the door to a world of opportunities.

"It was important to my parents for me to attend college, but they were unable to help me pay for my education," says Jairo, who is the first in his family to graduate from college. "Scholarships helped me cover my tuition and even most of my educational expenses, like books and student fees. If not for scholarships, I wouldn't have met this great University or the amazing people who are part of it."

During his years at WSU, Jairo was the deserving recipient of several scholarships created and supported by donors, including the *Leona Hickman Educational Trust Scholarship*, the *Class of 1950 Endowed Scholarship*, the *Howard and Ada Hunt Scholarship*, the *David and Maxine Sperry Memorial University Scholarship*, and the *Joseph S. and Vivienne J. Templeton Endowed Scholarship*.

Now, Jairo has his sights set on a career in health care. He is already preparing for the next step in his remarkable journey. He is gaining valuable clinical experience as a translator in a hospital and is working to become a certified nursing assistant. Jairo is also applying to physician's assistant programs. "I want to help people, no matter where they live, feel empowered when it comes to living full and healthy lives."

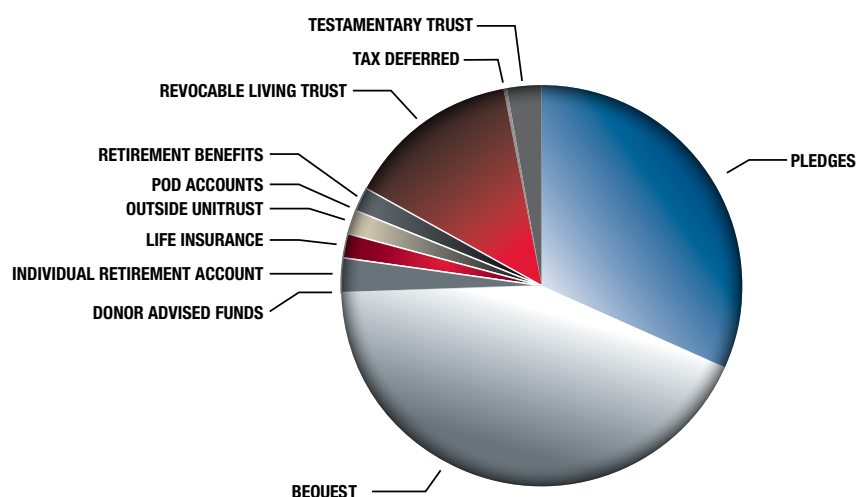
"I will forever be grateful for how WSU embraced and prepared me for this."

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



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, 2014)

REVOCABLE COMMITMENTS	AMOUNT
Bequest	114,416,480
Donor Advised Fund	25,000
Individual Retirement Account	7,266,323
Life Insurance	5,238,248
Outside Unitrust	5,357,175
Pay On Death	144,252
Retirement Benefits	4,967,236
Revocable Living Trust	37,528,600
Tax Deferred Annuity	334,370
Testamentary Trust	7,100,000
SUBTOTAL	\$183,221,685
PLEDGES	\$84,804,878
TOTAL	\$268,026,563



HONORING KEY PARTNERSHIPS

Students, faculty, alumni, and friends gathered for two ceremonies to rename the College of Engineering and Architecture and the College of Business on WSU's Pullman campus this fall. The dedications recognized and celebrated the generosity, vision, and leadership of two remarkable couples who have forever transformed their colleges and the university.

The College of Engineering and Architecture was renamed the Voiland College of Engineering and Architecture to honor the vision, leadership, and contributions of Gene and Linda Voiland on September 18.

"We are grateful to support WSU and to be in a position to give something back in return for what we were given," said Gene Voiland. "We see this college—and WSU as a whole—only increasing their value and contributions to the students, industry, the state and beyond."

On October 24, the College of Business was renamed the Carson College of Business to honor the generosity and longtime support of Scott and Linda Carson.

"You are the reason we invest in WSU," Scott Carson told students during the ceremony. "It's about the beginning of your journey to make this university and this planet a better place. We are delighted and humbled about the naming, but this is about you."

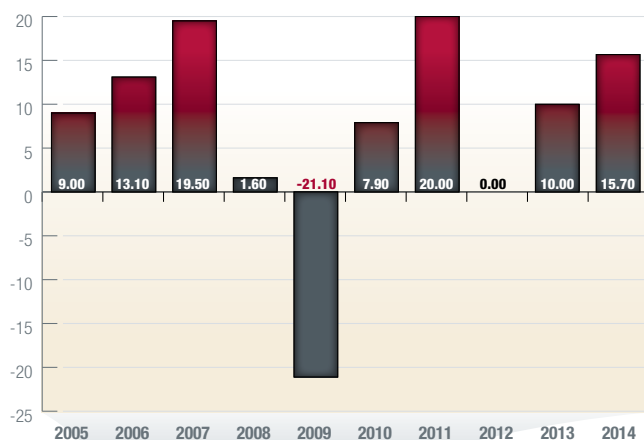
READ MORE AT:

campaign.wsu.edu/news/college-dedications

INVESTMENT PERFORMANCE

For the period of July 1, 2013 to June 30, 2014, the endowment portfolio produced a total return of 15.70 percent. Gifts and other additions to the endowment fund totaled \$19,174,488 during this period. A total of \$14,936,459 was distributed from the endowment in support of programs at Washington State University.

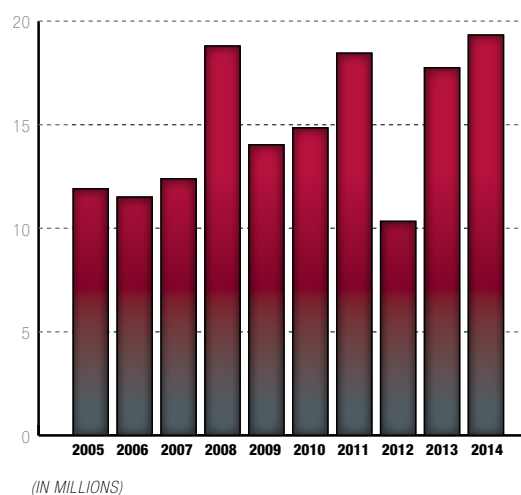
BENCHMARK RETURN COMPARISONS (AS A PERCENTAGE)



ONE-YEAR ANNUAL RETURN (as a percentage)				
DATE	WSUF ENDOW. RETURN	S&P 500	70/30 PORTFOLIO	CPI
6/30/2005	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
6/30/2014	15.70	24.60	18.30	2.10

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

GIFTS & OTHER ADDITIONS TO ENDOWMENT, FISCAL YEARS 2005-2014

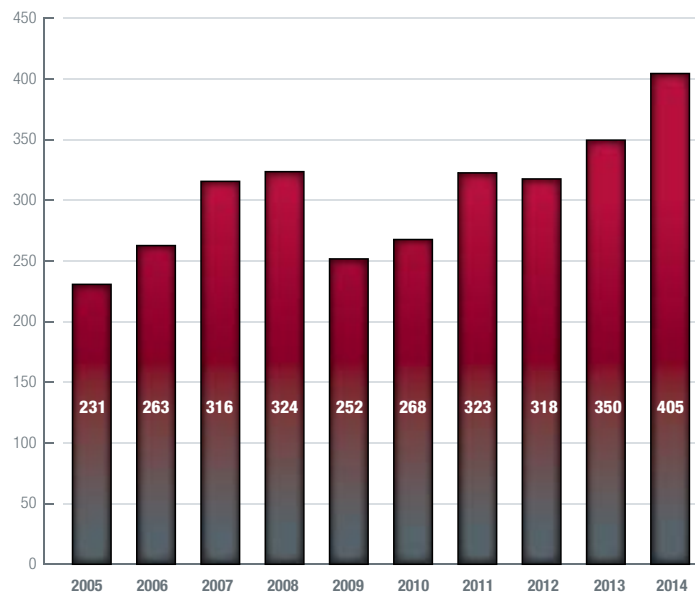


2005	\$11,812,596
2006	\$11,412,180
2007	\$12,290,871
2008	\$18,648,129
2009	\$13,918,140
2010	\$14,728,094
2011	\$18,303,950
2012	\$10,247,807
2013	\$17,611,092
2014	\$19,174,488

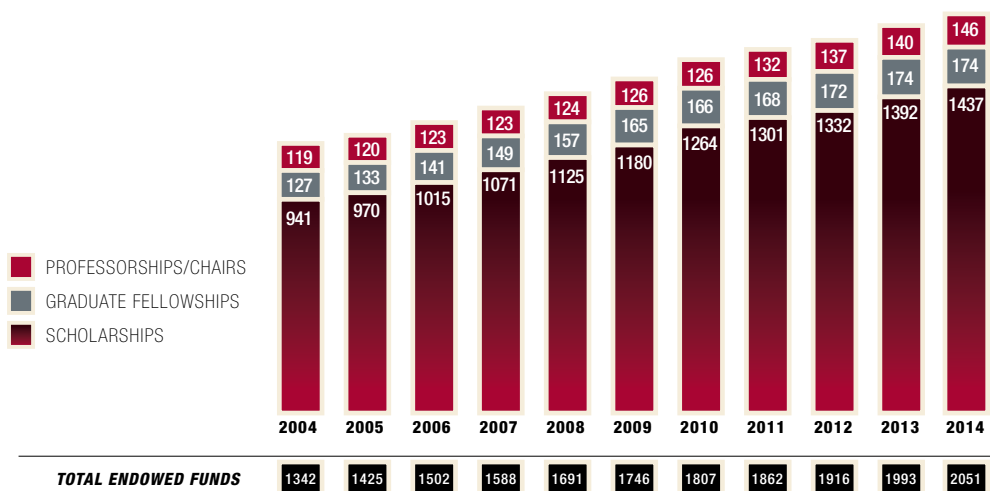
ENDOWMENT GROWTH

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 over 2,000 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 \$231 million in 2005 to nearly \$405 million as of June 30, 2014.

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 the investment and spending policies.

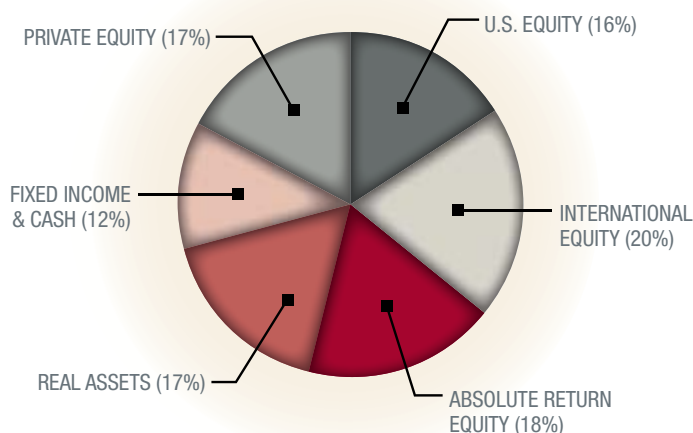
Considerations that shape the Fund's objectives are outlined here:

- 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, 2014)

As of June 30, 2014, the WSU Foundation Endowment assets totaled \$404,995,479 and were allocated as shown here.

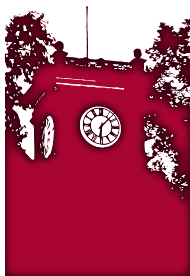


ENDOWMENT MANAGEMENT AND FEES

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.



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.

Town Centre Building, 3rd Floor
255 E. Main Street, Suite 301
PO Box 649125
Pullman, WA 99164-1925

Phone: 509-335-6686,
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.

EXECUTIVE OFFICERS

Judy L. Rogers '74
President, WSU Foundation
Chair, Board of Governors
Bellevue, WA

Lewis Lee '88
Vice President, WSU Foundation
Chair, Board of Trustees
Co-Founder & Partner
Lee and Hayes PLLC
Spokane, WA

K. Duane Brelsford '81
Secretary, WSU Foundation
President & CEO
Corporate Pointe Developers
Pullman, WA

Gina Meyers '85
Treasurer, WSU Foundation
Bellevue, WA

Jim King '80
Member At-Large, WSU Foundation
Executive Committee
Vice President/Owner
Hudson Bay Insulation Company
Snoqualmie, WA

BOARD MEMBERS

Harold A. Cochran (EO)
WSU Regent Representative
Prescott, WA

Elizabeth A. Cowles
Chairman
Cowles Publishing Company
Spokane, WA

Jack Creighton
Strategic Director
Madrona Venture Group
Seattle, WA

Charles W. Eggert '71
Founder & CEO
Pacific Foods of Oregon, Inc.
Portland, OR

Elson S. Floyd, Ph.D. (EO)
President
Washington State University
Pullman, WA

Shari Freidenrich '82
Treasurer
Orange County
Huntington Beach, CA

William R. Graber '65
Sr. Vice President & CFO (Retired)
McKesson, Inc.
Kirkland, WA

Douglas R. Grim '67
Partner/Attorney
Brownstein, Rask, Sweeney, Kerr, Grim
Portland, OR

David McGoldrick '65
Attorney/Partner
Morton McGoldrick
Anderson Island, WA

Joseph T. Mendelson
Private Investor
Santa Barbara, CA

John C. Minge '83
Chairman and President
BP America, Inc.
Anchorage, AK

Linda J. Nihoul '71
Chief Financial Advisor
Nihoul and Associates
Spokane, WA

Larry B. Ogg '67
President
Tod and Maxine McClaskey Foundation
Portland, OR

Donald C. Pelo '81
President, Investment Management
Pelco
Bellevue, WA

Thomas R. Prenguber '74
Portfolio Manager
Premera Blue Cross
Issaquah, WA

Douglas G. Thomas '87
President & CEO
Bellingham Cold Storage Company
Bellingham, WA

Sally van Boheemen (EO)
WSU Alumni Association President
Packwood, WA

Eugene J. Voiland '69
Principal
Voiland Enterprises, LLC
Bakersfield, CA

H.S. Wright III '76
Founder & CEO
SH Worldwide
Seattle, WA

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

Wayne M. Allert '76	Richard Ellingson '75	June E. Lighty	Sandra K. Saffell '67
Douglas C. Allred '73	Joseph E. Eschbach, PhD '76	Brian Lockett '01	Carrie S. Sakaino, PhD '85
Christopher Anderson '84	Marlene A. Fallquist '67	Mark S. Malbon, CPA '77	Gary T. Schneidmiller '71
Lloyd J. Andrews '42	Erik A. Falter '90	Christopher J. Marker '64	Ronald Sims (EO)
Craig Angelo '73	Laura L. Falter '90	Linda Marler	Beverly Smith '58
Wayne L. Asmussen '86	Robert F. Felton '67	Kevin Massimino (EO)	Samuel H. Smith, PhD
Theodor P. Baseler '76 (EO)	Elson S. Floyd, PhD (EO)	Louise H. McAllister	William W. Spencer '75
Robert C. Bates, PhD '69	S. Peter Forsyth '73	Patricia McInturff '69	Heidi B. Stanley '79
Melinda D. Beasley '68	Kyle A. Frandle, DVM '74	Richard W. McKinney '73	Ronald P. Stanley '78
John W. Bernard (EO)	Clive M. D. Freidenrich '78	Barbara Mendelson	Mark A. Suwyn, PhD '67
Mike Bernard '79	Norma C. Fuentes '01	Janis M. Mercker, MD '70	Patricia L. Suwyn '67
Dan Bernardo, PhD '85 (EO)	Robert P. Gibb, MD '44	Richard J. Mitchell '72	Claudia Swenson
David E. Bielski '70	Tyler D. Gibb '87	Michael J. Morgan '83	John Swenson '68
Bryan E. Bloodworth '95	Amy F. Giustino '95	Tammy Mulholland	Gary A. Teague '82
Rich Bowie '68	Jeffrey J. Gordon '71	George L. Murdock '64	Jack Thompson '78
Mark W. Brandon '76	William G. Gottschalk '82	Kraig R. Naasz '83	Lisa Thompson '84
Rodney W. Brooks '75	David K. Grant '75	Gay Nelson '09	Mikal J. Thomsen '79
Gordon D. Bryson '75	Michael Gugliotto	Constance M. Niva '62 (EO)	Robert L. Tobeck '94
Leo Bustad '68	Charles L. Hafenbrack '75	John S. Oftebro '65	Frederick L. Tompkins '58
John P. Byrne '81	Michael O. Hambelton '71	Caron K. Ogg '68	Michael C. Tompkins '85
Constantin Capellas, II	G. Thomas Hargrove '63	Robert B. Olds, DVM '67	Don W. Transeth '73
T. Michael Cappetto '85	Nancy Harnasch '71	James M. Oliver '70	Bruce A. Ver Burg '86
Bradley J. Carlson '74	Arnold R. Hedeon '78	Harold F. Olsen '42	Patricia E. Ward '67
Scott E. Carson '72 (EO)	Theodore G. Herzog '84	Lloyd A. Osborn '59	William O. Ward '66
Paul E. Casey '75	Koichiro Iwasaki '83	James J. Oster '81	Isaac J. Wells '07
Charlene Clark	Doyle W. Jacklin '62	Glenn K. Osterhout '82	Colin A. White '03
Philip D. Cleveland, MD '56	Bradford G. Jackson '85	Donald G. Parachini '56	Paul W. Wiggum '77
Harold Cochran (EO)	Jaimie L. Jacobsen '03	Mark C. Paxton, DDS '76	Peggy A. Wiggum '78
Stanley B. Coe, DVM '57	Laura Jennings (EO)	Molly M. Philopant '76	Robert M. Williams '79
Bruce G. Cramer '92	Elizabeth A. Johnson '76	Lura J. Powell (EO)	Barbara A. Wilson
Jack Creighton	Laurie Sue Johnson '78	Diana B. Prenguber '73	D.J. Wilson '74
Robert R. Crist '89	Roger M. Johnson '67	Brian H. Quint '77	Thomas L. Wilson
Larry A. Culver '64	Sue H. Johnson	Nancy W. Quint '77	Gerald A. Winkler '72
Ronald H. Dailey '78	Dennis B. Jones '64	Gregory S. Rankich '94	Gregory M. Witter '84
Jane Yung Dennie '93	D. Michael Jones '64	R. Stephen Rasmussen, EdD '73	Stephen Woodard, DDS '83
Mac M. Dillsi '57	Jon D. Jones '93	V. Lane Rawlins, PhD	Michael C. Worthy '77 (EO)
Jacquelyne A. Doane '72	Lisa K. King '08	Ann Redmond-Blais '76	Mark H. Wuotila '69
Rick L. Doane '71	Mike J. King '06	Herbert M. Richards III, DVM '84	Steve Wymer '01
Donna J. Donati	Gary M. Kirk '83	Jay Rockey '50	Ronald A. Wysaske '74
Daniel J. Donlan '85	Kenji Kitatani, PhD '77	Floyd A. Rogers '73	
T. Ryan Durkan '78 (EO)	David R. Knowles, PhD '69	Judy L. Rogers '74	
Darren P. Eastman '02	Ann Liberato '80	Tony Rojas '85	

WSU FOUNDATION LEADERSHIP

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

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

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

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

Anson Fatland
Associate Vice President
Economic Development & External Affairs
Washington State University

Kim A. Holapa
Associate Vice President, University Development
Director, Annual Giving, Donor and Board Relations
Washington State University Foundation

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

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

the CAMPAIGN *for*
WASHINGTON STATE
UNIVERSITY

BECAUSE THE WORLD NEEDS BIG IDEAS



WASHINGTON STATE UNIVERSITY FOUNDATION
(A Nonprofit Corporation)

Consolidated Financial Statements and
Supplementary Information

June 30, 2014 and 2013

(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
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7
Supplementary Information (unaudited)	
Consolidating Statement of Financial Position	27
Consolidating Statement of Activities	28



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



Other Matters

2013 Financial Statements

The accompanying consolidated financial statements of the Foundation as of June 30, 2013 and for the year then ended were audited by other auditors whose report thereon dated November 21, 2013 expressed an unmodified opinion on those consolidated financial statements. As part of our audit of the 2014 financial statements, we also audited certain adjustments to the 2013 financial statements described in note 4 and note 3(b). In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2013 financial statements of the Foundation other than with respect to the adjustment and, accordingly, we do not express an opinion or any form of assurance on the 2013 financial statements as a whole.

Supplementary Information

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 27 and 28, 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
November 25, 2014

WASHINGTON STATE UNIVERSITY FOUNDATION
(A Nonprofit Corporation)

Consolidated Statements of Financial Position

June 30, 2014 and 2013

Assets	2014	2013
Cash and cash equivalents	\$ 607,306	694,333
Due from Washington State University	1,741,381	2,195,908
Other receivables	4,223,162	141,625
Pledges receivable	50,030,416	44,617,243
Endowment investment securities (including assets held for Washington State University of \$19,909,407 and \$18,336,913, respectively)	364,099,760	310,398,881
Notes receivable	746,352	561,540
Furniture, fixtures, and equipment (net of accumulated depreciation of \$1,255,649 and \$1,098,898, respectively)	462,069	380,997
Land, Cougar Property Holdings	35,000	50,000
Land and real estate	1,658,250	2,363,250
Assets held in charitable trusts	33,203,563	30,630,319
Contributions receivable from charitable trusts	5,742,321	6,218,400
Beneficial interest in perpetual trusts	11,698,327	11,252,319
Total assets	<u>\$ 474,247,907</u>	<u>409,504,815</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 620,905	505,785
Annuities payable	13,036,596	12,378,335
Remainder interest payable	1,174,723	1,016,270
Assets held for other organizations	270,353	773,927
Assets held for Washington State University	19,909,407	18,336,913
Total liabilities	<u>35,011,984</u>	<u>33,011,230</u>
Net Assets		
Unrestricted:		
Other	2,238,020	2,806,725
Funds with deficiencies	(719,674)	(7,139,473)
Total unrestricted net assets (deficit)	1,518,346	(4,332,748)
Temporarily restricted	79,706,572	44,759,908
Permanently restricted	358,011,005	336,066,425
Total net assets	<u>439,235,923</u>	<u>376,493,585</u>
Total liabilities and net assets	<u>\$ 474,247,907</u>	<u>409,504,815</u>

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 Activities

Year ended June 30, 2013

	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 on investments	4,910,888	18,782,196	2,787,683	26,480,767
Management and advancement fees	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	14,536,764	53,575,601	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	5,512,261	6,248,269	16,085,433	27,845,963
Net assets (deficit) – beginning of year	(9,845,009)	38,511,639	319,980,992	348,647,622
Net assets (deficit) – end of year	\$ (4,332,748)	44,759,908	336,066,425	376,493,585

See accompanying notes to consolidated financial statements.

WASHINGTON STATE UNIVERSITY FOUNDATION
(A Nonprofit Corporation)

Consolidated Statements of Cash Flows

Years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ 62,742,338	27,845,963
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	156,751	129,319
Gain on investments	(52,411,938)	(26,480,767)
Noncash donations of land and real estate	(378,250)	—
Contribution (distribution) of noncash donations of land and real estate (WSU)	1,083,250	(225,750)
Decrease in value of split-interest agreements	2,940,687	2,614,392
Contributions and income restricted for investments in endowments and trusts	(16,644,912)	(11,164,964)
Impairment – land	15,000	—
Changes in assets and liabilities:		
Due from Washington State University	454,527	(944,648)
Other receivables	(4,081,537)	10,127
Pledges receivable	(5,413,173)	2,787,039
Accounts payable and accrued liabilities	115,120	143,892
Assets held on behalf of other organizations	(503,574)	287,451
Assets held for Washington State University	1,572,494	599,523
Net cash used in operating activities	<u>(10,353,217)</u>	<u>(4,398,423)</u>
Cash flows from investing activities:		
Purchases of investments	(105,249,335)	(76,802,487)
Sales of investments	99,293,248	70,339,311
Purchases of property and equipment	(237,823)	(35,050)
Issuance of notes receivable	(222,849)	(345,827)
Proceeds from principal payments on notes receivable	38,037	24,005
Net cash used in investing activities	<u>(6,378,722)</u>	<u>(6,820,048)</u>
Cash flows from financing activities:		
Contributions and income restricted for investments in endowments and trusts	16,644,912	11,164,964
Net decrease in cash and cash equivalents	(87,027)	(53,507)
Cash and cash equivalents – beginning of year	694,333	747,840
Cash and cash equivalents – end of year	<u>\$ 607,306</u>	<u>694,333</u>

See accompanying notes to consolidated financial statements.

WASHINGTON STATE UNIVERSITY FOUNDATION
(A Nonprofit Corporation)

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

(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, 2014 and 2013

(e) *Reclassification*

Certain amounts in the 2013 consolidated financial statements have been reclassified to conform to 2014 presentation.

(f) *Cash and Cash Equivalents*

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

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.

(g) *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.

(h) *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. External investment manager's fees in the amounts of \$888,926 and \$717,997 were paid in the fiscal years ended June 30, 2014 and 2013, respectively, and are classified with in the statements of activities.

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.

(i) *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, 2014 and 2013

(j) 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.

(k) 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.

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.

(l) Beneficial Interest in Perpetual Trusts

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

(m) 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.

WASHINGTON STATE UNIVERSITY FOUNDATION
(A Nonprofit Corporation)

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

(n) *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.

(o) *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.

(p) *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 \$15,000 and \$0 during the years ended June 30, 2014 and 2013, respectively.

(q) *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.

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.

WASHINGTON STATE UNIVERSITY FOUNDATION
(A Nonprofit Corporation)

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

(r) 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 6/30/2014. 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, 2008.

(2) Pledges Receivable

		Year ended June 30	
		2014	2013
Pledges receivable	\$	52,554,822	46,444,113
Less allowance for uncollectible pledges		(1,576,646)	(928,882)
Total		50,978,176	45,515,231
Less present value discount		(947,760)	(897,988)
Total	\$	50,030,416	44,617,243

		Year ended June 30	
		2014	2013
Amount expected in:			
One year or less	\$	1,202,432	5,646,018
One to five years		43,836,802	29,976,780
Over five years		7,515,588	10,821,315
Total	\$	52,554,822	46,444,113

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, 2014 was 0.9% and prior years ranged from 0.39% to 5.09%. Amortization of the discounts is included in contribution revenue.

WASHINGTON STATE UNIVERSITY FOUNDATION
(A Nonprofit Corporation)

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

Conditional pledges receivable are not recorded until the conditions are substantially met. Conditional pledges receivable were approximately \$17,837,413 and \$13,234,000 as of June 30, 2014 and 2013, 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 2,050 individual funds, established for a variety of purposes, which are jointly managed with the University's endowments. The Foundation's endowment funds represent 89.7% and 89.2% of that total at June 30, 2014 and 2013, 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 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

WASHINGTON STATE UNIVERSITY FOUNDATION
(A Nonprofit Corporation)

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

- 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 \$719,674 and \$7,139,473 at June 30, 2014 and June 30, 2013, 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.

In 2014, an error was discovered related to the classification of funds with deficiencies in the 2013 financial statements. Management corrected the 2013 financial statements to properly reflect funds with deficiencies in unrestricted net assets. Adjustments were made to decrease the 2013 unrestricted net assets by \$7,139,473 and increase temporarily restricted net assets by the same amount. Additionally the allocation between gain on investments was adjusted, resulting in an increase in unrestricted revenue of \$4,920,240 and a decrease in temporarily restricted revenue by the same amount.

(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 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.

WASHINGTON STATE UNIVERSITY FOUNDATION
(A Nonprofit Corporation)

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

(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, 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>
				364,099,760
		Year ended June 30, 2013		
		Unrestricted	Temporarily restricted	Permanently restricted
				Total
Donor-restricted endowment funds	\$	(7,139,473)	26,418,439	272,783,002
Assets held in endowment for WSU		—	18,336,913	—
Total	\$	<u>(7,139,473)</u>	<u>44,755,352</u>	<u>272,783,002</u>
				310,398,881

WASHINGTON STATE UNIVERSITY FOUNDATION
(A Nonprofit Corporation)

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

(g) Changes in Endowment Assets

		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>

		Year ended June 30, 2013		
		Unrestricted	Temporarily restricted	Permanently restricted
				Total
Net asset balance – beginning of year	\$	(12,059,713)	37,588,322	256,231,364
Investment return:				
Net investment income		—	2,436,232	—
Net realized and unrealized appreciation		4,920,240	20,340,834	—
Contributions		—	162,862	16,551,638
Distribution of endowment assets to/for support of WSU		—	(15,772,898)	—
Total	\$	<u>(7,139,473)</u>	<u>44,755,352</u>	<u>272,783,002</u>

WASHINGTON STATE UNIVERSITY FOUNDATION
(A Nonprofit Corporation)

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

(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	
		2014	2013
Jointly managed endowment funds:			
Cash and short-term investments	\$	7,241,125	12,218,485
Accrued interest and dividends		176,606	9,121
Managed investments		398,492,576	335,631,444
Endowment investments at fair market value		405,910,307	347,859,050
Less University endowment funds		(41,810,547)	(37,460,169)
Foundation endowment	\$	<u>364,099,760</u>	<u>310,398,881</u>

(i) Endowments Recorded at Cost

		Year ended June 30	
		2014	2013
Investments at cost	\$	306,090,070	299,109,131
Less University endowment funds, at cost		(31,528,624)	(32,211,848)
Foundation endowment, at cost	\$	<u>274,561,446</u>	<u>266,897,283</u>

WASHINGTON STATE UNIVERSITY FOUNDATION
(A Nonprofit Corporation)

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

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

	Year ended June 30	
	2014	2013
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	\$ 291,554,824	272,783,002
Temporarily restricted net assets:		
Portion of the perpetual endowment funds representing realized and unrealized investment returns and contributions to WSU's quasi-endowment	73,264,610	44,755,352
Unrestricted net assets:		
Portion of the perpetual endowment funds representing funds with deficiencies	(719,674)	(7,139,473)
Total	<u>\$ 364,099,760</u>	<u>310,398,881</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

WASHINGTON STATE UNIVERSITY FOUNDATION
(A Nonprofit Corporation)

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

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 according to U.S. GAAP (see 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.

During preparation of the June 30, 2014 financial statements, management of the Foundation determined that there were errors related to the leveling of investment securities in the June 30, 2013 financial statements. As such, management has corrected the June 30, 2013 fair value footnote to properly classify investment securities. Adjustments were made to increase Level 1 by \$22.3 million, decrease Level 2 by \$122.1 million and increase Level 3 by \$99.8 million.

WASHINGTON STATE UNIVERSITY FOUNDATION
(A Nonprofit Corporation)

Notes to Consolidated Financial Statements

June 30, 2014 and 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, 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	<u>19,133,432</u>	<u>—</u>	<u>—</u>	<u>19,133,432</u>
Total marketable equities	<u>97,303,961</u>	<u>—</u>	<u>—</u>	<u>97,303,961</u>
Nonmarketable equities:				
Equities	—	67,131,679	—	67,131,679
Fixed Income	—	26,536,609	—	26,536,609
Hedge Fund	—	—	66,689,909	66,689,909
Illiquid Real Assets	—	—	32,353,896	32,353,896
Private Equities	<u>—</u>	<u>—</u>	<u>67,428,546</u>	<u>67,428,546</u>
Total nonmarketable equities	<u>—</u>	<u>93,668,288</u>	<u>166,472,351</u>	<u>260,140,639</u>
Total endowment investments	<u>\$ 103,959,121</u>	<u>93,668,288</u>	<u>166,472,351</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>
Marketable equities:				
Equities	18,184,900	—	—	18,184,900
Fixed Income	10,086,405	—	—	10,086,405
Liquid Real Assets	<u>4,320,307</u>	<u>—</u>	<u>—</u>	<u>4,320,307</u>
Total marketable equities	<u>32,591,612</u>	<u>—</u>	<u>—</u>	<u>32,591,612</u>
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	<u>\$ —</u>	<u>—</u>	<u>11,698,327</u>	<u>11,698,327</u>

WASHINGTON STATE UNIVERSITY FOUNDATION
(A Nonprofit Corporation)

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

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

	<u>Hedge Fund</u>	<u>Illiquid Real Assets</u>	<u>Private Equities</u>	<u>Total</u>
Endowment investments:				
Balance – July 1, 2013	\$ 60,805,075	29,457,976	60,415,271	150,678,322
Purchases	22,777,510	2,097,817	6,178,548	31,053,875
Sales	(23,826,627)	(4,427,434)	(10,253,311)	(38,507,372)
Realized gain	3,618,316	7,078	90,870	3,716,264
Change in unrealized gain	3,315,635	5,218,459	10,997,168	19,531,262
Balance – June 30, 2014	<u>\$ 66,689,909</u>	<u>32,353,896</u>	<u>67,428,546</u>	<u>166,472,351</u>
				<u>Beneficial interest in perpetual trusts</u>
Other:				
Balance – July 1, 2013	\$ —	—	—	11,252,319
Change in value, net	<u>—</u>	<u>—</u>	<u>—</u>	446,008
Balance – June 30, 2014	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>11,698,327</u>

Investment gains (realized and unrealized) are included in the consolidated statement of activities. The unrealized portion of gains in Level 3, reported above, related to assets held at June 30, 2014, was \$34,577,397. There were no significant transfers between Level 1 and Level 2 for the year ended June 30, 2014.

WASHINGTON STATE UNIVERSITY FOUNDATION
(A Nonprofit Corporation)

Notes to Consolidated Financial Statements

June 30, 2014 and 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, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Endowment investments:				
Cash and equivalents	\$ 10,933,504	—	—	10,933,504
Total cash equivalents	<u>10,933,504</u>	<u>—</u>	<u>—</u>	<u>10,933,504</u>
Marketable equities:				
Equities	50,897,355	—	—	50,897,355
Fixed Income	13,469,940	—	—	13,469,940
Liquid Real Assets	<u>10,880,009</u>	<u>—</u>	<u>—</u>	<u>10,880,009</u>
Total marketable equities	<u>75,247,304</u>	<u>—</u>	<u>—</u>	<u>75,247,304</u>
Nonmarketable equities:				
Equities	—	48,619,743	—	48,619,743
Fixed Income	—	24,920,008	—	24,920,008
Hedge Fund	—	—	60,805,075	60,805,075
Illiquid Real Assets	—	—	29,457,976	29,457,976
Private Equities	<u>—</u>	<u>—</u>	<u>60,415,271</u>	<u>60,415,271</u>
Total nonmarketable equities	<u>—</u>	<u>73,539,751</u>	<u>150,678,322</u>	<u>224,218,073</u>
Total endowment investments	<u>\$ 86,180,808</u>	<u>73,539,751</u>	<u>150,678,322</u>	<u>310,398,881</u>
Assets in charitable trusts:				
Cash equivalents	\$ 688,501	—	—	688,501
Total cash equivalents	<u>688,501</u>	<u>—</u>	<u>—</u>	<u>688,501</u>
Marketable equities:				
Equities	16,257,380	—	—	16,257,380
Fixed Income	9,781,404	—	—	9,781,404
Liquid Real Assets	<u>3,903,034</u>	<u>—</u>	<u>—</u>	<u>3,903,034</u>
Total marketable equities	<u>29,941,818</u>	<u>—</u>	<u>—</u>	<u>29,941,818</u>
Total assets in charitable trusts	<u>\$ 30,630,319</u>	<u>—</u>	<u>—</u>	<u>30,630,319</u>
Other:				
Beneficial interest in perpetual trusts	<u>\$ —</u>	<u>—</u>	<u>11,252,319</u>	<u>11,252,319</u>

WASHINGTON STATE UNIVERSITY FOUNDATION
(A Nonprofit Corporation)

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

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

	<u>Hedge Fund</u>	<u>Illiquid Real Assets</u>	<u>Private Equity</u>	<u>Total</u>
Balance – July 1, 2012	\$ 56,397,960	26,551,247	62,777,595	145,726,802
Purchases	6,911,180	3,670,098	5,115,304	15,696,582
Sales	(8,592,689)	(2,166,192)	(10,608,175)	(21,367,056)
Realized gain	3,309,913	109,222	2,886,215	6,305,350
Change in unrealized gain	2,778,711	1,293,601	244,332	4,316,644
Balance – June 30, 2013	<u>\$ 60,805,075</u>	<u>29,457,976</u>	<u>60,415,271</u>	<u>150,678,322</u>
				Beneficial interest in perpetual trusts
Other:				
Balance – July 1, 2012	\$ —	—	—	11,340,441
Change in value, net	—	—	—	(88,122)
Balance – June 30, 2013	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>11,252,319</u>

The unrealized portion of gains in Level 3, reported above, that are related to assets held at June 30, 2013, was \$15,739,374. There were no significant transfers between Level 1 and Level 2 for the year ended June 30, 2013.

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

Equities, Fixed Income and Hedge Fund

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, 2014 and 2013

The Hedge Fund investments held under Level 3 allow for monthly, quarterly, annual, and biennial redemptions. The Illiquid Real Assets and Private Equities investments, held under Level 3, 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 Level 3 investments at June 30, 2014 and June 30, 2013, respectively.

	Fair value		Redemption schedule	Redemption notice period
	2014	2013		
Hedge Fund	\$ 66,689,909	60,805,075	Monthly to Biennially	30-100 days
Illiquid Real Assets and Private Equities	99,782,442	89,873,247	Years: 2014–2022	End of agreement
	<u>\$ 166,472,351</u>	<u>150,678,322</u>		

(5) Notes Receivable

	Year ended June 30	
	2014	2013
Note receivable, annual payments of \$13,181, including interest at 6%, due January 1, 2025; secured by a deed of trust	\$ 104,095	110,638
Note receivable, annual payments of \$28,735, including interest at 10.5%, due November 1, 2018; secured by a deed of trust	89,580	107,075
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	319,933	343,827
Note receivable, annual payments of \$20,933, including interest at 5%, due September 2030; secured by a deed of trust on a farm	232,744	—
Total	<u>\$ 746,352</u>	<u>561,540</u>

WASHINGTON STATE UNIVERSITY FOUNDATION
(A Nonprofit Corporation)

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

	Year ended June 30	
	2014	2013
Amounts expected in:		
One year or less	\$ 71,200	65,916
One to five years	346,356	290,026
Over five years	609,028	444,472
Total	1,026,584	800,414
Less present value discount	270,337	238,874
Less allowance for doubtful accounts	9,895	—
Total	<u>\$ 746,352</u>	<u>561,540</u>

(6) Assets Held in Charitable Trusts

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

	2014	2013
Cash Equivalents	\$ 611,951	688,501
Fixed Income	10,086,405	9,781,404
Equities	18,184,900	16,257,380
Liquid Real Assets	4,320,307	3,903,034
Assets, at fair market value	<u>\$ 33,203,563</u>	<u>30,630,319</u>
Assets, at cost	\$ 26,331,452	26,723,843

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

	2014	2013
Charitable remainder unitrusts	\$ 22,152,531	20,395,013
Charitable remainder annuity trusts	1,470,711	1,442,006
Gift annuities	9,447,356	8,664,316
Lead trusts	132,965	128,984
Total	<u>\$ 33,203,563</u>	<u>30,630,319</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 \$3,849,283 and \$3,874,008 for the years ended June 30,

WASHINGTON STATE UNIVERSITY FOUNDATION
(A Nonprofit Corporation)

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

2014 and 2013, respectively, and the charitable gift annuities payable at June 30, 2014 and 2013 was \$3,401,754 and \$3,555,764, respectively.

(7) Operating Lease

The fiscal year 2003 operating lease for office space in downtown Pullman was amended, in fiscal year 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, 2014 and 2013 is \$280,864.

Future minimum lease payments under this operating lease as of June 30, 2014 are as follows:

Year ending June 30:	
2015	\$ 280,864
2016	282,625
2017	289,706
2018	296,949
2019	304,372
Thereafter	1,209,779
Total	<u>\$ 2,664,295</u>

(8) Temporarily and Permanently Restricted Net Assets

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

	<u>2014</u>		<u>2013</u>	
	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>
Scholarships	\$ 31,532,190	141,630,367	17,266,331	129,639,106
Graduate fellowship	3,990,922	17,925,672	2,275,714	17,086,519
Department chairs	9,909,250	44,508,506	5,828,436	43,761,075
Distinguished professorships	8,816,124	39,598,611	5,158,106	38,728,101
Research	5,056,135	22,710,196	2,890,655	21,703,622
Instruction	876,877	3,938,592	513,889	3,858,384
Libraries	446,566	2,005,801	254,494	1,910,791
Operational support	16,803,919	75,476,684	9,210,625	69,155,232
Facilities	542,831	2,438,185	319,334	2,397,621
Other	1,731,758	7,778,391	1,042,324	7,825,974
Total	<u>\$ 79,706,572</u>	<u>358,011,005</u>	<u>44,759,908</u>	<u>336,066,425</u>

WASHINGTON STATE UNIVERSITY FOUNDATION
(A Nonprofit Corporation)

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

(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 are \$299,183 and \$268,806 at June 30, 2014 and 2013, 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 November 25, 2014, 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, 2014

Assets	WSU Foundation	Cougar Property Holdings	Consolidated
Cash and cash equivalents	\$ 282,256	325,050	607,306
Due from Washington State University	1,741,381	—	1,741,381
Other receivables	4,222,914	248	4,223,162
Pledges receivable	50,030,416	—	50,030,416
Endowment investment securities (including assets held for Washington State University of \$19,909,407)	364,099,760	—	364,099,760
Notes receivable	746,352	—	746,352
Furniture, fixtures, and equipment (net of accumulated depreciation of \$1,255,649)	462,069	—	462,069
Land, Cougar Property Holdings	—	35,000	35,000
Land and real estate	1,658,250	—	1,658,250
Assets held in charitable trusts	33,203,563	—	33,203,563
Contributions receivable from charitable trusts	5,742,321	—	5,742,321
Beneficial interest in perpetual trusts	11,698,327	—	11,698,327
Total assets	<u>\$ 473,887,609</u>	<u>360,298</u>	<u>474,247,907</u>
Liabilities			
Accounts payable and accrued liabilities	\$ 620,905	—	620,905
Annuities payable	13,036,596	—	13,036,596
Remainder interest payable	1,174,723	—	1,174,723
Assets held for other organizations	270,353	—	270,353
Assets held for Washington State University	19,909,407	—	19,909,407
Total liabilities	<u>35,011,984</u>	<u>—</u>	<u>35,011,984</u>
Net Assets			
Unrestricted:			
Other	1,877,722	360,298	2,238,020
Funds with deficiencies	(719,674)	—	(719,674)
Total unrestricted net assets	<u>1,158,048</u>	<u>360,298</u>	<u>1,518,346</u>
Temporarily restricted	79,706,572	—	79,706,572
Permanently restricted	358,011,005	—	358,011,005
Total net assets	<u>438,875,625</u>	<u>360,298</u>	<u>439,235,923</u>
Total liabilities and net assets	<u>\$ 473,887,609</u>	<u>360,298</u>	<u>474,247,907</u>

See accompanying independent auditors' report.

WASHINGTON STATE UNIVERSITY FOUNDATION
(A Nonprofit Corporation)

Consolidating Statement of Activities (Unaudited)

Year ended June 30, 2014

	WSU Foundation			Cougar Property Holdings	Consolidated
	Unrestricted	Temporarily restricted	Permanently restricted		
Revenue and support:					
Contributions	\$ 1,162	46,062,582	18,677,250	—	64,740,994
Investment income	—	943,728	692,647	687	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	16,494,765	88,844,080	21,944,580	687	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	5,097,982	—	—	15,493	5,113,475
Total expenses	64,526,281	—	—	15,493	64,541,774
Change in net assets	5,865,900	34,946,664	21,944,580	(14,806)	62,742,338
Net assets (deficit) – beginning of year	(4,707,852)	44,759,908	336,066,425	375,104	376,493,585
Net assets – end of year	\$ 1,158,048	79,706,572	358,011,005	360,298	439,235,923

See accompanying independent auditors' report.