



2020

ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2020

An Agency of the State of Washington.



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ANNUAL FINANCIAL REPORT

For information about the financial data included
in this report, contact:

Business Services/Controller
Washington State University
PO Box 641025
Pullman, Washington 99164-1025
509-335-2022

You may view the financial report at
genacct.wsu.edu/finstat.html.

For information about enrollment, degrees awarded,
research, or academic programs at WSU, contact:

Institutional Research
Washington State University
PO Box 641043
Pullman, Washington 99164-1043
509-335-4553

or

Visit the WSU home page at wsu.edu.

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INTRODUCTION

Regents and Administrative Officers

BOARD OF REGENTS

Brett Blankenship, Chair of the Board
Marty Dickinson, Vice Chair of the Board
Ron Sims, Past Chair of the Board
Arleigh Cayan, Student Regent
Enrique Cerna
Lura J. Powell
Jenette Ramos
Heather Redman
Lisa K. Schauer
John Schoettler
Kirk H. Schulz, Secretary Ex-Officio
Stacy Pearson, Treasurer Ex-Officio
Jay Inslee, Governor, State of Washington,
Advisory Member Ex-Officio

EXECUTIVE OFFICERS

Kirk H. Schulz, President
Elizabeth Chilton, Provost and Executive Vice President
Lisa Calvert, Vice President for Advancement
and CEO of the WSU Foundation
Asif Chaudhry, Vice President for International Programs
Patrick Chun, Director of Athletics
David R. Cillay, Vice President for Academic Outreach
and Innovation and Chancellor, WSU Global Campus
Daryll DeWald, Vice President for Health Sciences
and Chancellor, WSU Spokane
Theresa Elliot-Cheslek, Vice President
and Chief Human Resource Officer
Mary Jo Gonzales, Vice President for Student Affairs
Christine R. Hoyt, Chief of Staff
Christopher Keane, Vice President for Research
Colleen E. Kerr, Vice President for External Affairs
and Government Relations
Stacy Pearson, Vice President for Finance
and Administration and Chief Financial Officer
Sasi K. Pillay, Vice President of Information Technology Services
and Chief Information Officer
Phil Weiler, Vice President for Marketing and Communications

ADMINISTRATIVE OFFICERS

Heather Lopez, Chief Audit Executive
Matthew Skinner, Associate Vice President for Finance
and Administration
Mollie Holt, Executive Director/Controller, Business Services

CHANCELLORS

WSU EVERETT

Paul E. Pitre, Chancellor
Mark Beattie, Vice Chancellor for Academic Affairs

WSU GLOBAL CAMPUS

David R. Cillay, Vice President for Academic Outreach
and Innovation and Chancellor
Debbie O'Donnell, Vice Chancellor for Student Affairs
Rebecca Van de Vord, Vice Chancellor for Academic Affairs

WSU SPOKANE

Daryll DeWald, Vice President for Health Sciences
and Chancellor
Celestina Barbosa-Leiker, Vice Chancellor for Research
Dan DeNike, Vice Chancellor for Finance and Budget
Gwen Halaas, Vice Chancellor for Academic Affairs
James Mohr, Vice Chancellor for Student Affairs

WSU TRI-CITIES

Sandra Haynes, Chancellor
Kathleen McAteer, Vice Chancellor for Academic Affairs
Chris Meiers, Vice Chancellor for Student Affairs and Outreach
Christine Portfors, Vice Chancellor for Research
and Graduate Studies
Ray White, Vice Chancellor for Finance and Administration

WSU VANCOUVER

Mel Netzhammer, Chancellor
Renny Christopher, Vice Chancellor for Academic Affairs
Christine Portfors, Vice Chancellor for Research
and Graduate Studies
Domanic Thomas, Vice Chancellor for Student Affairs
and Enrollment
Lynn Valenter, Vice Chancellor for Finance and Operations

DEANS

Dori Borjesson, Dean, College of Veterinary Medicine
Todd Butler, Interim Dean, College of Arts and Sciences
Lisa Gloss, Dean, Graduate School
Larry W. (Chip) Hunter, Dean, Carson College of Business
Mary Koithan, Dean, College of Nursing
Mark Leid, Dean, College of Pharmacy
and Pharmaceutical Sciences
M. Grant Norton, Dean, Honors College
Bruce Pinkleton, Dean, Edward R. Murrow College
of Communication
Mary Rezac, Dean, Voiland College of Engineering
and Architecture
Joseph (Jay) Starratt, Dean, Libraries
John Tomkowiak, Dean, Elson S. Floyd College of Medicine
Michael Trevisan, Dean, College of Education
André-Denis Girard Wright, Dean, College of Agricultural, Human,
and Natural Resource Sciences

LEGAL COUNSEL

Danielle A. Hess, Senior Assistant Attorney General
and WSU Division Chief, Washington State Office
of the Attorney General

Officer list effective 1/2/2021

Message from the President



Message from the President

Working together to address challenges

It is my pleasure to share Washington State University's annual report for the 2020 fiscal year. This publication provides detailed information about the University's fiscal health and operations during the period beginning July 1, 2019, and concluding on June 30, 2020.

Despite the myriad challenges posed by COVID-19, the University continued to excel in carrying out its land-grant mission in service to the societal and economic needs of the state of Washington and beyond. Our faculty and staff system-wide partnered in creative ways to work around the constraints of the coronavirus, ensuring our ability to provide access to higher education, conduct practical research, and deliver knowledge and services to Washington's communities.

The overall health of the University remains strong. Enrollment for the fall semester dipped less than 2 percent from the previous fall, to a total of 31,159 students system-wide, despite our need to deliver most coursework virtually. Students of color and first-generation students continue to represent about one-third of the total enrollment.

We have achieved a remarkable turnaround in the University's fiscal health. What was a \$30 million annual operating deficit in FY17 has been transformed into a nearly \$30 million annual surplus for FY20. Meanwhile, our research expenditures totaled a record \$369.3 million for FY19, and private philanthropic support surpassed \$125 million for FY20.

The University's contributions to the greater good continue to grow. For example, our fledgling college of medicine, focused on the health care needs of underserved Washingtonians, enrolled its fourth class of entering students in the fall. In November, we dedicated a four-story, 95,000-square-foot Plant Sciences Building on the Pullman campus that will support Washington's \$51 billion food and agriculture industry by providing a modern research venue.

Nearly five years into my presidency at WSU, I remain hopeful about the future, largely because the WSU community is a tremendous font of hope. In times like these when we are faced with adversity, the Cougar family rallies again and again with remarkable resolve to address challenges large and small. Working together—with open hearts and minds—we will overcome this unprecedented period of our lives.

Best regards,

Kirk H. Schulz

President

Washington State University

FINANCIAL SECTION



Office of the Washington State Auditor
Pat McCarthy

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

December 17, 2020

Board of Directors
Washington State University
Pullman, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Washington State University, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the Washington State University Foundation (the Foundation), which represents 100 percent of the assets, net position and revenues of the aggregate discretely presented component unit. We also did not audit the financial statements of the Washington State University Housing and Dining System, which represents 8.3 percent, 5.7 percent and 5.4 percent,

respectively, of the assets, net position and revenues of the University business-type activities. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation and Housing and Dining System, is based solely on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation and Housing and Dining System were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University's preparation and fair presentation of the 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 University'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 financial statements.

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Washington State University, as of June 30, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1, the financial statements of the Washington State University, an agency of the state of Washington, are intended to present the financial position, and the changes in financial position, and where applicable, cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the University and its aggregate discretely presented component units. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2020 and 2019, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

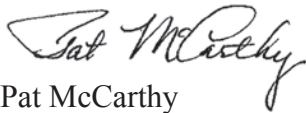
Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements as a whole. The information identified in the table of contents as the Introduction

and Acknowledgments are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated December 17, 2020, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Sincerely,



Pat McCarthy
State Auditor
Olympia, WA

Management's Discussion and Analysis

Introduction

The following discussion and analysis provides an overview of the financial position and activities of Washington State University (the University) for the fiscal year ended June 30, 2020, with comparative information for the fiscal years 2019 and 2018. This overview has been prepared by management and should be read in conjunction with the University's financial statements and accompanying footnote disclosures.

Using the Financial Statements

The University's financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), which establishes standards for external financial reporting for public colleges and universities. The financial statements are presented on a consolidated basis to focus on the University as a whole. The full scope of the University's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

The financial statements presented in this report encompass the University and its discretely presented component unit, the Washington State University Foundation. The University's financial reports include the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. The University presents component unit information on pages immediately following the statements of the University.

Management's discussion and analysis provides additional information regarding the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position.

Financial Highlights for Fiscal Year 2020

The University's overall net financial position as of June 30, 2020 reflects an increase of \$118 million (8.4%) over the previous year, resulting in a net position of \$1.5 billion.

Below are financial highlights from fiscal year 2020:

- Assets and deferred outflows increased by \$123 million to end the year at \$3.0 billion.
- Liabilities and deferred inflows increased by \$5.2 million to end the year at \$1.4 billion.
- Capital assets, net of depreciation experienced a slight increase of \$1 million, totaling \$1.7 billion.
- Pension and Other Post-Employment Benefits (OPEB) liability increased \$42 million, totaling \$470 million. Specifically, the increase was caused by the actuarial discount rate assumption decreasing from 3.5% to 2.21%. Also, the CREF return was assumed at 6.5% while actual was 2.3%. The OPEB discount rate also showed a decrease from 3.87% to 3.5%.

Significant changes to operations were as follows:

- Operating revenues totaled \$803 million, increasing \$3 million from last year. Tuition and fees increased \$18 million and was offset by decreases in sales and services, net of \$9 million, other operating revenues \$5 million and grants \$1 million.
- Operating expenses increased from the previous year a total of \$24 million, ending at \$1.2 billion. Expenses that showed increases include salaries, wages and benefits (\$22 million), scholarships and fellowships (\$16 million) and payments to suppliers (\$5 million). Decreased expenses were comprised of utilities (\$2 million), purchased services (\$13 million), and depreciation (\$4 million).

Condensed Financial Information and Analysis

Financial Position - Statement of Net Position

The Statement of Net Position presents the financial condition of the University at the end of the fiscal year and reports all assets, liabilities and deferrals of the University.

Assets are classified as current, non-current or capital. Current assets are expected to benefit the University within twelve months and include cash, accounts receivable, inventories, prepaid expenses and investments that can easily be converted into cash to meet University expenses. Non-current assets include endowment fund assets, student loans receivable and investments expected to be held more than one year. Capital assets include construction in progress, library materials, furniture and equipment, land, buildings and improvements and are reported net of accumulated depreciation.

Liabilities are classified as current or non-current. Current liabilities are claims that are due and payable within twelve months and include payroll and benefits, amounts payable to suppliers for goods and services received and debt principal payments due within one year. Non-current liabilities are obligations payable beyond one year and include bond obligations, installment contracts, leases and earned but unused vacation and sick leave.

Net position is divided into five categories:

- **Net investment in capital assets:** The University's capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- **Restricted – non-expendable:** The University's endowment funds, land grant endowment funds and similar funds for which donors or external parties have imposed the restriction that the corpus is not available for expenditures but for investment purposes only.
- **Restricted – expendable:** Funds that are subject to externally imposed restrictions in which the University is legally or contractually obligated to spend in accordance with time or purpose restrictions; such as scholarships, fellowships, research, loans, professorships, capital projects and debt service.
- **Restricted – loans:** Funds that have been established for the explicit purpose of providing student support as prescribed by statute or granting authority.
- **Unrestricted:** Funds that are available to the University for any lawful purpose.



Condensed **Statements of Net Position (in millions)** for the last three fiscal years are as follows:

	June 30, 2020	June 30, 2019	Restated June 30, 2018
Assets			
Current assets	\$ 250	\$ 282	\$ 208
Non-current assets:			
Long term investments	211	101	108
Endowment and other restricted investments	640	616	585
Other non-current assets	48	64	63
Capital assets, net of accumulated depreciation	1,705	1,704	1,703
Total assets	2,854	2,767	2,667
Deferred outflows of resources	96	59	45
Total assets and deferred outflows of resources	\$2,950	2,826	2,712
Liabilities			
Current liabilities	\$ 122	\$ 111	\$ 140
Non-current liabilities:			
Accrued leave and unearned compensation	34	28	30
Unearned revenue	7	7	8
Long-term liabilities	609	634	632
Asset retirement obligation	17	17	15
Pension	172	162	179
OPEB liabilities	293	260	283
Other non-current liabilities	27	43	37
Total liabilities	1,281	1,262	1,324
Deferred inflows of resources	152	165	92
Total liabilities and deferred inflows of resources	\$1,433	1,427	1,416
Net position			
Net investment in capital assets	\$ 1,092	1,073	1,051
Restricted nonexpendable	595	565	534
Restricted loans	27	29	29
Restricted expendable	187	169	155
Unrestricted	(384)	(437)	(473)
Total net position	\$1,517	\$1,399	\$1,296

Significant Changes in the Statements of Net Position from 2019 to 2020

- Cash and investments (current and long term) increased \$77 million from the previous year, primarily from investment activity and income.
- Inventories increased \$2 million mostly due to the impact of COVID-19. Ferdinand's Creamery increased \$1 million due to closed operations and the Washington Animal Disease Diagnostic Lab (WAADL) established inventory totaling \$1 million as the result of developing and validating lab tests at the request of federal, state and county animal and public health agencies to assist in the response to the pandemic.
- Endowment investments increased 4.0%, a total of \$25 million to end the year at \$640 million. The endowment consists of two major investments: 1) The University contracts with the WSU Foundation to invest and manage endowed funds received prior to the formation of the WSU Foundation. These endowments decreased 7.1% during fiscal year 2020, from \$66 million to \$61 million. 2) The University has two land-grant endowments and two permanent funds created by legislature. The two land-grants endowments include 151,188 acres of timber, agricultural and grazing lands that are managed by the Department of Natural Resources. The income from the land use is distributed to the permanent fund. The earnings from the permanent fund are used to fund capital projects at the University. The fair market value of this portion of the endowment increased by 5% over last year, from \$550 million to \$579 million.
- Assets held in trust for agencies and the offsetting deposits held in trust for others decreased \$16 million as the result of decreases in funds held for students as a result of COVID-19.
- Current liabilities increased \$11 million from fiscal year 2019 to fiscal year 2020, a 10.6% change. Accounts payable and accrued liabilities increased \$9 million as the result of the impacts of COVID-19 and working from home which increased processing time for paying vendors. Due to the WSU Foundation increased \$1 million due to timing of transactions. Unearned revenue, current portion showed an increase of \$1 million as the result of Housing & Dining increase of \$2 million from CARES funding and student account credit balances held for fall semester offset by decreases in Athletics and Transportation totaling \$1 million.
- Non-current liabilities remained very consistent, increasing \$7 million or less than 1%. Accrued leave increased \$6 million due to additional staffing from previous years and reduced leave usage due to COVID-19 travel restrictions. Long term liabilities decreased as principal payments were made on bonds and the Trust and Building Fee Bonds were refunded, slightly offset by the issuance of a note payable, resulting in a \$25 million reduction in principal. Pensions and Other Post-Employment Benefits (OPEB) increased \$42 million due to changes in actuarial assumptions, discount rate and experience. Other non-current liabilities decreased \$16 million.

Significant Changes in the Statements of Net Position from 2018 to 2019

- Total current assets increased by approximately \$74 million from the prior year primarily due to \$37 million of increased net cash activities including increased operating activities, unspent bond proceeds and collection of loans from students. Other increases include accounts receivable of \$13 million as a result of an increase in the amount due from the Office of the State Treasurer due to timing of the capital budget. Short term investments increased \$24 million which was partially from sale of long term investments, investment returns and net gains and bond proceeds.
- Non-current assets, other than capital assets, increased by \$25 million from fiscal year 2018. This was mostly due to endowment investments increasing by \$31 million, and an increase in assets held in trust for agencies by \$4 million. The increase in endowment investments is due to stronger investment returns, realized and unrealized gains over the last three years. Deposits held in escrow for construction companies decreased by \$1 million due to project completions. There was a decrease of \$8 million in long term investments as they were converted to shorter term investments. Loans receivable decreased \$2 million as student loans were paid off.
- Capital assets, net increased slightly in 2019 for a total of \$1 million. Several projects were placed in full year service from construction in progress, major projects include including refurbished student housing, new dairy equipment installed at the Food Quality Building, Everett academic building, Eastlick Hall renovations, Veterinary Hospital copper shielding and Spokane Academic renovations totaling \$34 million and \$73 million was spent on construction projects during the year, resulting in a net increase of \$39 million in construction in progress. Land purchases and retirements netted a decrease of \$1 million. Other improvements, machinery and equipment and library resources increased \$24 million, net of retirements. These increases were offset by the total increase in accumulated depreciation of \$95 million, net of retirements.

- Current liabilities decreased by \$29 million in fiscal year 2019 primarily as the result of a decrease in accounts payable of \$7 million attributable to quicker payments to vendors, a \$25 million decrease in the current portion of long term OPEB liabilities and long term debt. These were offset by a \$1 million increase in unearned revenue, and amount due to the Foundation of \$1 million which was due to timing.
- Non-current liabilities decreased by \$32 million in fiscal year 2019 primarily due to the \$39 million decrease in pension and OPEB liabilities reflected by increased performance returns and changes in actuarial assumptions. The University continues to pay down long term debt and issued new debt, resulting in a \$2 million increase. Deposits held in trust for others increased \$4 million. The Assets Retirement Obligation (ARO) increased due to the reevaluation of the cost to retire the nuclear radiation center which increased \$2 million.
- Overall net position improved to \$1.4 billion with an increase of \$103 million from fiscal year 2018 restated net position.

Results of Operations - Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the University's results of operations and non-operating items that result in the changes in net position for the year. In accordance with GASB reporting principles, revenues and expenses are classified as either operating or non-operating.

Operating revenues are the inflows of funds from providing goods and services to the University's customers. They include tuition and fees, grant and contract payments, and sales and service revenue generated by student housing, student dining and other University enterprises. Operating expenses are the funds used up in generating operating revenues and in carrying out the University's mission.

Non-operating revenues are revenues earned for which goods and services are not provided and include state appropriations, current-use gifts and grants that are designated for purposes other than capital construction, land grant endowment income, endowment distributions and investment income. Non-operating expenses include interest expense on long-term debt.

Other revenues and expenses include capital appropriations, capital gifts or grants, additions to permanent endowments and gains or losses on the disposal of capital assets.



Management's Discussion and Analysis

Condensed **Statement of Revenues, Expenses and Changes in Net Position (in millions)** for the last three fiscal years are as follows:

	June 30, 2020	June 30, 2019	Restated June 30, 2018
Operating revenues (expenses)			
Tuition and fees, net	\$ 313	\$ 295	\$ 280
Grants and contracts	274	275	258
Sales and services, net	190	199	189
Other operating revenues	26	31	23
Total operating revenues	803	800	750
Operating expenses	(1,157)	(1,133)	(1,134)
Operating loss	(354)	(333)	(384)
Non-operating revenues (expenses)			
State and federal appropriations	271	254	243
Federal financial aid	36	38	39
Interest on debt	(28)	(30)	(31)
Federal interest subsidy on debt	1	3	3
Gifts and contributions	40	44	35
Investment income, net	65	65	48
CARES Grant	19		
Other nonoperating revenues(expenses)	6	6	16
Net nonoperating revenues (expenses)	410	380	353
Income (loss) before other changes	56	47	(31)
Capital additions			
Capital appropriations	52	45	5
Capital gifts and grants	2	1	2
Additions to permanent endowments	8	10	11
Total capital additions	62	56	18
Increase (decrease) in net position	118	103	(13)
Net position—beginning of year	1,399	1,296	1,309
Change in accounting principle			(7)
Change in net position	118	103	(6)
Net position—end of year	\$ 1,517	\$ 1,399	\$ 1,296

Significant Changes in the Statement of Revenues, Expenses and Changes in Net Position from 2019 to 2020:

Despite the impacts of COVID-19 during the last quarter of fiscal year 2020, operating revenue improved slightly with a \$3 million increase over fiscal year 2019.

- Total tuition and fees (before allowance for scholarships and discounts) increased from \$444 million in fiscal year 2019 to \$465 million the following year. The increase was due to a variety of factors including a slight increase in enrollment (.4% fall 2019 compared to fall 2018), a 2.4% increase in resident undergraduate and graduate tuition increases. There were also tuition increases for various professional programs including medical, pharmacy and veterinary medicine and others from 2.5% - 16%. The estimated scholarship and discount allowance decreased by \$1 million using the NACBUO estimation model from \$73 million in fiscal year 2019 to \$72 million in 2020. Waivers increased from \$77 million to \$80 million over this same period, an increase of \$3 million. This brought net tuition to \$313 million in fiscal year 2020, \$18 million more than the previous year. The overall discount rate, while less than the previous year remains a concern from WSU compared to peers and public institution averages.

- Grants and contracts from federal, state and private sources remained flat year over year. Federal research decreased \$6 million primarily due to decreases from Health and Human Services, the Department of Education and the Department of Energy - Oakland. These were partially offset by increases of State awards of \$5 million.
- Sales and services, net decreased \$9 million. WSU auxiliaries revenue decreased by \$9 million primarily due to Housing and dining as a result of COVID-19 related closures. Service centers decreased \$1 million. Others showed a slight increase of \$1 million.
- Other operating revenues decreased \$5 million due to decreased sales due to COVID-19.

Overall operating expenses showed a 2.1% increase over the previous year totaling \$24 million

- WSU experienced a \$16 million increase in salaries and wages attributable to classified employees 3% increase in July 2019, 1.5% increase for faculty, exempt staff, and graduate students effective January 1, 2020. The employee headcount increased from 8,295 to 8,427 from fall 2018 to 2019 also attributing to the increase.
- The fiscal year 2020 benefits expense increased \$7 million as the result of increased salaries, implementation of Washington's Paid Family Medical Leave, WSU's portion of pension expenses increased and COVID-19 related benefits.
- Fellowships and scholarships increased \$16 million. A significant portion, (\$9 million) was the result of CARES funding provided directly to students. Also, the Washington College Promise Scholarship (formally State Need Grant) was expanded to serve an additional 6,000 students for annual year 2019-20.
- Utilities decreased \$2 million due to limited staff and students on campuses as a result of COVID-19. In accordance with Governor Inslee's Stay Home, Stay Healthy (effective March 5, 2020), WSU moved to remote learning and only essential operations were in effect.
- Payment to suppliers increased \$5 million including purchases of supplies for COVID-19 testing, sanitation supplies, modification to work spaces to comply with social distancing and personal protection equipment.
- Purchased services decreased \$13 million as the result of COVID-19 including construction development and engineering delays, and concern regarding impacts of the pandemic to the university's budgets and funding.
- Depreciation decreased \$5 million as the result of retirements of machinery and equipment.

Non-operating revenues (net of expenses) increased \$30 million due to the following:

- The state operating appropriation for 2019-21 increased \$16 million and includes additional funding four cohorts and expansion of the number of students at the medical school beginning fall 2019, salary increases, central services support, soil health research and extension initiatives, maintenance of operation of new state funded buildings, administration of the solar energy program and funding to support miscellaneous legislation.
- Federal appropriations increased \$1 million due to timing of expenditures.
- Pell Grants awarded to students decreased \$2 million as the result of less eligible students.
- Interest on capital assets-related debt increased \$2 million as principal decreased and the Trust and Building bonds were refunded, debt was paid down and new debt of \$ 4 million was issued.
- Federal bond interest subsidy was reduced \$1 million due to the 2019 Trust and Building bond refunding of the BAB which were eligible for the subsidy.
- Gifts and contributions decreased \$5 million based on the impact of COVID-19.
- \$19 million in Coronavirus Aid, Relief, and Economic Security (CARES) funding was awarded to the university, equally split between institutional support and direct aid to students. GASB guidance requires the funds to be recognized as non-operating.
- State Capital Appropriation was \$52 million in fiscal year 2020. Projects include Global Animal Health Building Phase II, Tri-Cities Academic Building, and the Plant Sciences Building. Spending increased from fiscal year 2019 because the capital appropriation was issued late in the fiscal year allowing for less spending than in fiscal year 2020.
- Capital grants and gifts increased \$2 million due to several large projects.
- Additions to permanent endowments decreased \$2 million as the result of decreased investment income.

Significant Changes in the Statement of Revenues, Expenses and Changes in Net Position from 2018 to 2019:

Operating revenue improved significantly with a \$50 million increase in fiscal year 2019 due to the below:

- Total tuition and fees (before scholarships and discounts) increased from \$419 million in fiscal year 2018 to \$444 million in fiscal year 2019 due to a 2.0% increase in resident undergraduate tuition, increases for medical, pharmacy and veterinary medicine tuition, and an overall enrollment increase of 2.8%. The \$23 million increase in gross tuition was partially offset by an \$8 million increase in the scholarship allowance (estimated using the National Association of College and University Business Officers (NACUBO) model). The increase in the scholarship allowance is attributable to a \$4 million increase each for in waivers and other scholarship allowances.
- Grants and contracts from federal, state and private sources were up approximately 6.3% over last year to \$275 million. The majority of the increase this fiscal year came in federal research caused by an overall increase in average award values, and significant increases in awards from the USDA of \$11 million, National Science Foundation \$6 million and the Department of Health and Human Services \$3 million. These were offset by slight decreases in other federal, state and local funding.
- Revenues in WSU auxiliaries increased by \$10 million primarily due to an increases in Housing & Dining of \$6 million, Student Health \$2 million and Athletics \$2 million.
- Other operating revenue increased \$9 million due to \$4 million increase in royalties due to the launch of the Cosmic Crisp Apple, \$1 million increase in deferred revenue from summer session, \$4 million increase in revenue generated by internal services.

Overall operating expenses were consistent with the previous year with a slight decrease of \$1 million.

- Salaries and Wages increased only slightly despite classified employees receiving 2.0% increase in July 2018 and another on January 1, 2019, and a 1.0% increase for faculty, exempt staff, and graduate students effective January 1, 2019 and a minimum wage increase January 1, 2019. These were offset by decreased staffing.
- Benefits decreased \$17 million which is attributable to a decrease in pension expenses due to the University's percentage of the proportionate share of expense related to PERS plans decreasing as well as favorable earnings on plan assets.
- Payments to suppliers increased by \$11 million due to a \$4 million housing and dining increase related to strong occupancy, \$2 million for expenditures associated with development of a new enterprise system for human resources, payroll and finance that were not eligible to be capitalized, increased grant activity totaling \$3 million and a \$2 million increase in self-sustaining activities.
- Purchased Services increased \$9 million, primarily due to grant subcontracts which increased \$6 million. WSU awarded 45 more sub-awards than in the previous year. Additionally, there was \$1 million in additional personal service contracts within self-sustained funds and other miscellaneous increases.
- Depreciation decreased \$2 million due to building retirements in fiscal year 2018 due to the sale of the buildings on land sold for the City of Pullman airport expansion.

Non-operating revenues (net of expenses) increased \$28 million due to the following:

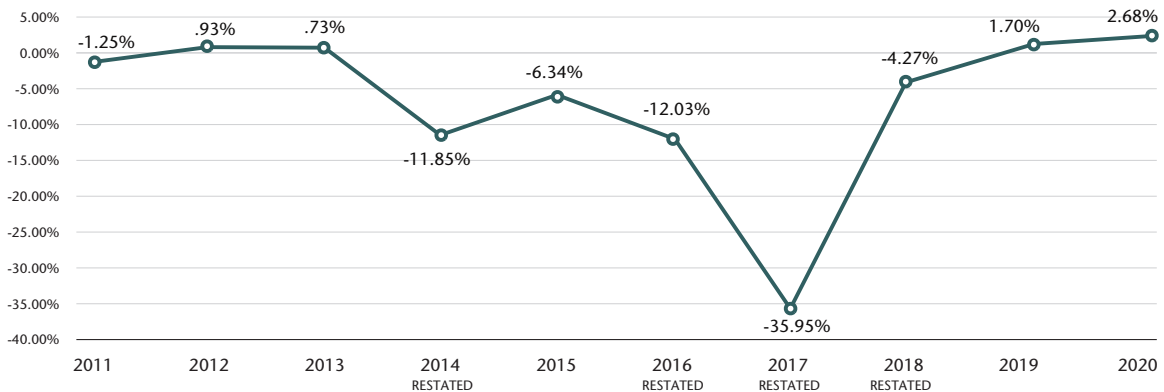
- State Appropriations increased by \$13 million due to funding for College of Medicine of \$4 million, salary and benefit appropriations of \$6 million, and other programs increasing by approximately \$3 million.
- Interest on capital assets decreased by \$1 million due to reduced principal on outstanding debt.
- Gifts and contributions increased \$9 million.
- Investment income, net of expenses increased by \$16 million. The overall portfolio continuously generates income, however fiscal year 2019 was higher than fiscal year 2018 due to better overall performance by the fixed income investments in the permanent land grant funds. Large unrealized gains were recorded in fiscal year 2019 as reported by the State Investment Board Financial Report.
- Other non-operating revenues decreased by \$9 million primarily due to the one-time sale of the land to the Pullman-Moscow Regional Airport that occurred in fiscal year 2018, and not in fiscal year 2019.

Other revenue increased \$38 million as a result of:

- Capital appropriations increased \$40 million while capital gifts and grants decreased \$1 million.
- Additions to permanent endowments decreased \$1 million.

Financial Health and Flexibility

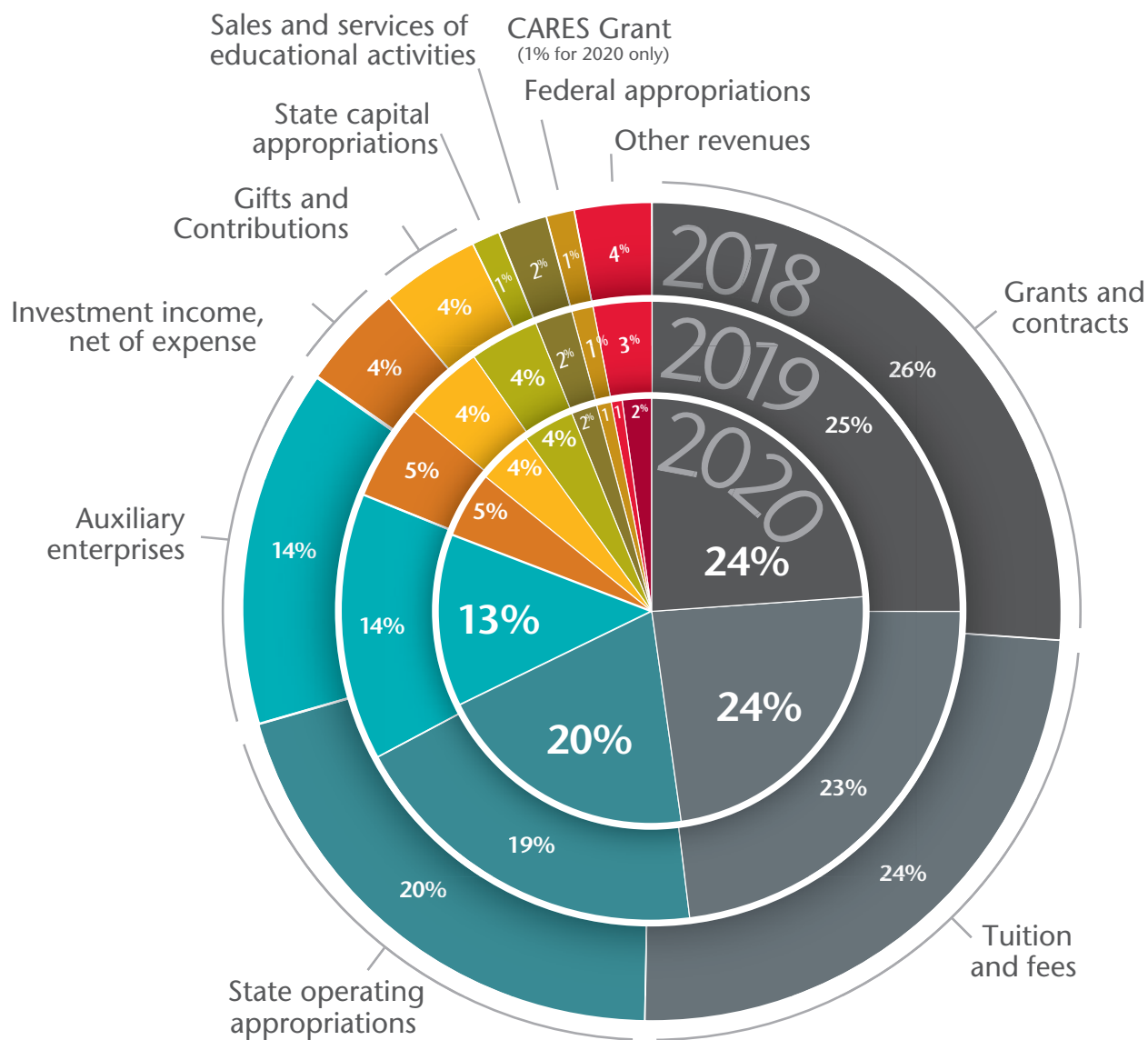
The annual operating margin compares the operating surplus (or deficit) to operating revenues. Moody's definition of operating revenues includes several non-operating revenues in determining margin and an estimated spending rate of the University's investments rather than actual investment income. This ratio indicates the extent to which the University is balancing revenues with expenses and growing its resource base.



In fiscal year 2014 - 2017 onwards, numerous changes in accounting principles impacted this ratio and others. In fiscal year 2015 GASB 68 (Pensions) was implemented which required a restatement of the fiscal year 2014 Statement of Net Position to record the University's share of the State's net pension obligation resulting in operating expenses to increase by \$85 million. In fiscal year 2016, additional pension expense of \$14 million increased operating expenses. In fiscal year 2016, GASB 73 was implemented, which required a restatement of pension expense of \$48 million. In fiscal years 2017 and 2018, GASB 75 (OPEB) resulted in a restatement of \$337 million for fiscal year 2017 and an additional benefit expense of \$25 million in fiscal year 2018. Fiscal years 2018 – 2020 experienced considerable improvement, increasing from -4.27% to 2.68% respectively, the highest ratio in a ten year period.



Revenue from all Sources
For the Years Ended June 30, 2020, 2019 and 2018

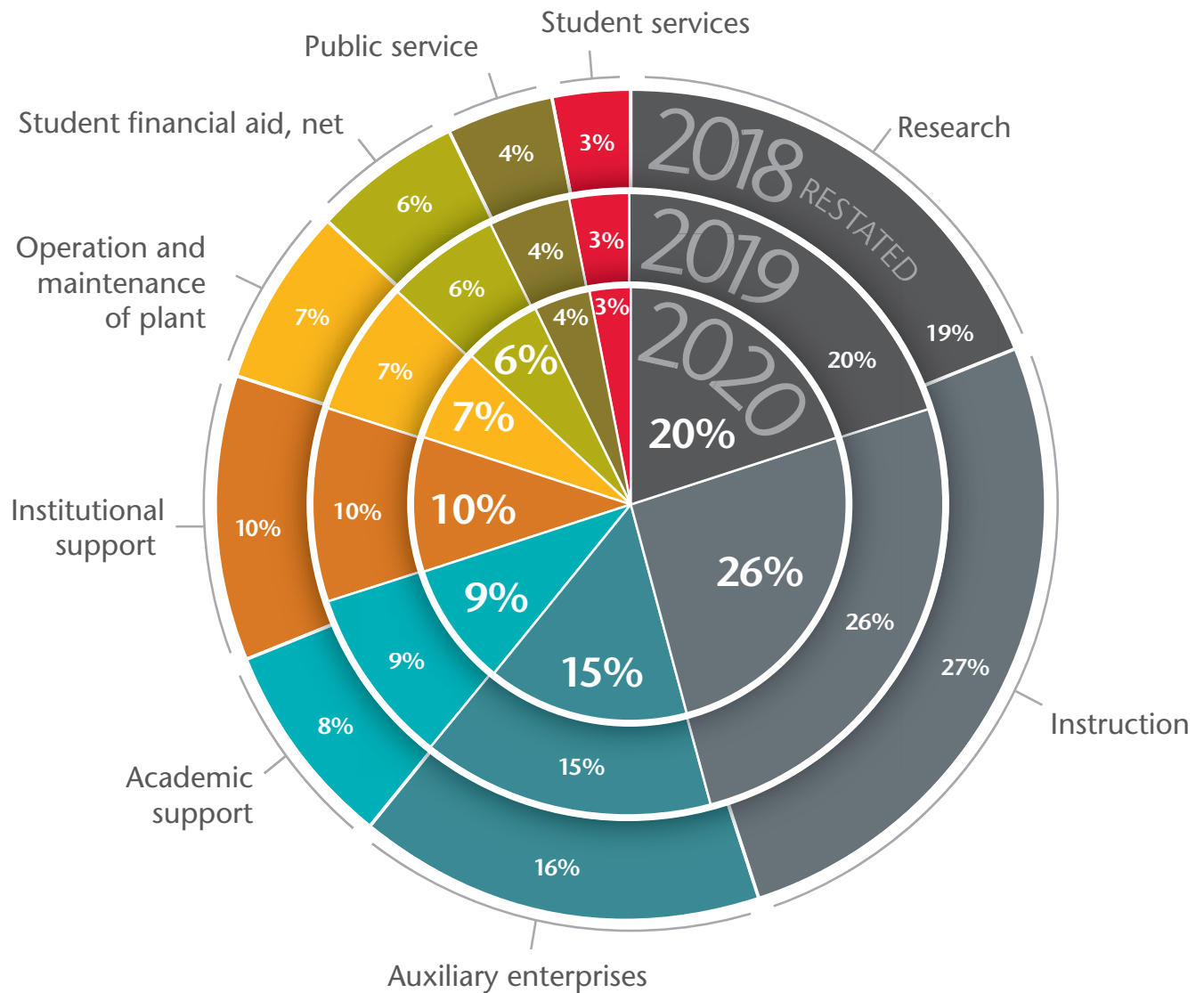


As the above graphs show, the University has a diversified revenue base. No single source of revenue generated more than a quarter of the total fiscal year revenues for fiscal year 2020. In fiscal year 2020 grants and contracts generated \$310 million or 24% of total all revenue. These funds support the university's research activities, which allow students to work with nationally recognized faculty as part of their educational experience. Tuition and fees revenue totals \$313 million and accounts for the same percentage. This is followed by State appropriations at 20%. Auxiliaries account for 13% of the total, consistent for the last three years, with a slight decrease in fiscal year 2020 due to COVID-19 credits and refunds. Investment income, net of expenses, represents 5% of total revenue and gifts and contributions 4%. State capital appropriations total 4%, consistent with previous years.

Operating Expenditures by Functional Classification

For the Years Ended June 30, 2020, 2019 and 2018

(Note: for the purposes of these graphs, depreciation expense has been allocated to the programs.)



Fiscal year 2020 saw no shift in percentages of expenditures between university functions. As in the previous fiscal year, the majority of costs are for instruction which comprises 26% of expenditures, followed by Research at 20%, and auxiliary enterprises at 15%.

Capital Assets and Long-Term Liabilities

Capital Assets

In fiscal year 2020, several key projects were substantially completed and placed in service totaling \$10 million and include East Chill Water Plant, Captive Elk Facility, infrastructure and small projects. Construction in progress increased by \$67 million due to construction of several projects including Global Animal Health Phase II, Plant Science Building, Bailey-Brayton Baseball Clubhouse, and the Tri-Cities Academic Building. Other improvements, machinery and equipment and library resources increased \$18 million, net of retirements. These increases of \$95 million were offset by the total increase in accumulated depreciation of \$94 million, net of retirements resulting in a net increase of \$1 million.

In fiscal year 2019, key projects were substantially completed and were placed in service totaling \$34 million. Construction in process increased by \$39 million due to construction of several projects including refurbished student housing, new dairy equipment installed at the Food Quality Building, Everett academic building, Eastlick Hall renovations, Veterinary Hospital copper shielding and Spokane Academic renovations totaling \$34 million and \$73 million was spent on construction projects during the year, resulting in a net increase of \$38 million in construction in progress. Land purchases and retirements netted a decrease of \$1 million. Other improvements, machinery and equipment and library resources increased \$24 million, net of retirements. These increases were offset by the total increase in accumulated depreciation of \$95 million, net of retirements.

See note 8 for more information.

	June 30, 2020	June 30, 2019	June 30, 2018
Land	\$ 33	\$ 34	\$ 34
Buildings, net	1,275	1,328	1,358
Construction in progress	137	70	31
Equipment, net	43	50	53
Library, net	62	60	58
Other improvements and infrastructure, net	155	162	169
Total capital assets, net	\$ 1,705	\$ 1,704	\$ 1,703

Long Term Liabilities

In fiscal year 2020, the long term liabilities of the university totaled \$1.1 billion, a slight increase of \$18 million. Increases were due to pension liabilities and other post-employment benefits which continue to fluctuate year after year to accommodate changes in actuarial assumptions and the discount rates. Also, a note payable was issued for \$4 million. These increases of \$46 million were partially offset by decreases in bonds and leases payable of \$28 million due to refinancing and principal pay down.

In fiscal year 2019, the University's long term liabilities decreased by \$60 million from fiscal year 2018 to end the year at \$1.1 billion. The decrease was due to fluctuating actuarial assumptions and the discount rate for pension liabilities.

See note 15 for more information

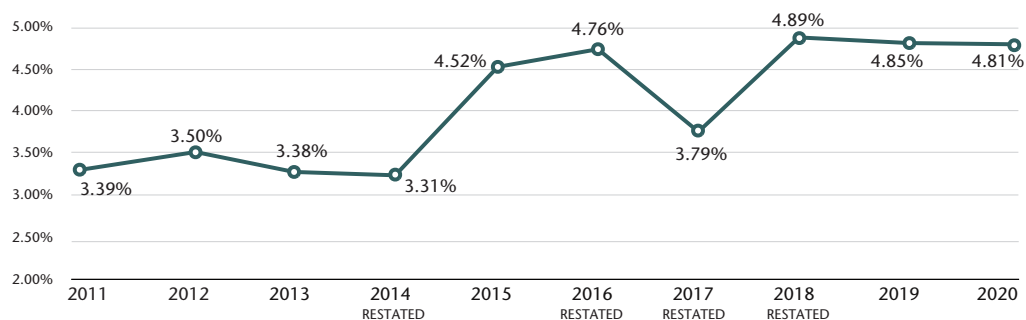
The table below summarizes outstanding liabilities:

	June 30, 2020	June 30, 2019	Restated June 30, 2018
Revenue and refunding bonds payable	\$ 608	\$ 632	\$ 624
Note payable	4	-	-
State of Washington general obligation bonds	13	16	19
Capital leases	10	12	14
Pension obligation liability	172	162	179
Other post-employment benefits	298	265	313
Asset retirement obligation	17	17	15
Total long-term liabilities	\$ 1,122	\$ 1,104	\$ 1,164

Debt Ratios

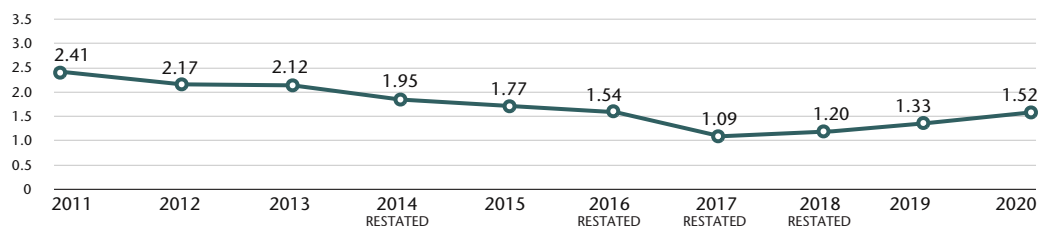
The debt service to operating expense ratio provides an indicator of the University's ability to repay annual principal and interest relative to its overall operating expenses. A lower percentage indicates the greater ability to repay debt service. In fiscal year 2016 the University issued general revenue bonds that increased the amount of principal and interest payments in fiscal year 2017, however, the OPEB restatement increased operating expenses by \$337 million in that same year. As a result the ratio improved to 3.79 % for fiscal year 2017. For fiscal year 2018 total debt service levels remained relatively flat, and operating expenses declined versus fiscal year 2017, resulting in a ratio of 4.89%. During fiscal years 2019 and 2020, additional debt was issued while continuing to refund and pay down bonds. These slight offsets decreased the ratio to 4.85% and 4.81% respectively,

Debt Service to Expenses



The financial reserves ratio (as defined by Moody's) measures coverage of debt by financial reserves or funds a university can access in the intermediate term. The fiscal year 2018 ratio showed a slight increase over the fiscal year 2017 ratio, after several years of decline, increasing expendable resources to debt to 1.20 times over. The trend continued into fiscal years 2019 and 2020 with increases to 1.33 and 1.52 respectively.

Financial Resources to Direct Debt

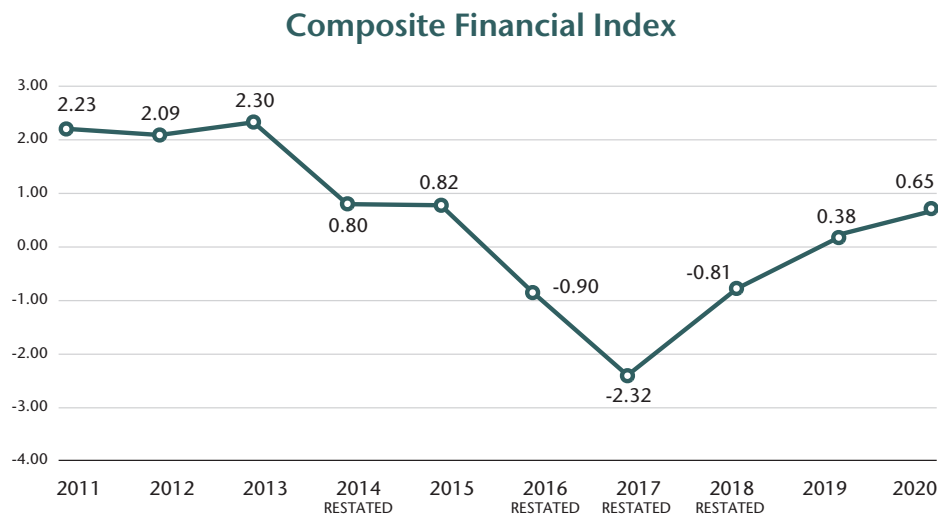


Financial Health and Flexibility

There are many ratios used to gauge financial health and flexibility. Each ratio measures one aspect of performance. The composite financial index (CFI), recommended in the book, [Strategic Financial Analysis for Higher Education, Seventh Edition](#), combines four core ratios into a single measure. Blending the four key measures of financial health into a single number provides a more balanced view of the state of the institution's finances. A weakness in one measure may be offset by the strength of another measure.

The four core ratios are the primary reserve ratio, the net operating revenues ratio, the return on net assets ratio and the viability ratio. Each of these ratios is converted to a strength factor using a common scale then multiplied by specific weighting factors and combined to form the composite financial index.

The graph below shows Washington State University's Composite Financial Index over the past ten years. The ratio was climbing until the global economic downturn reduced operating budgets and investment returns. The University put proactive measures in place to generate greater diversity of revenues and combined that with strategic spending increases. The rate dropped in fiscal year 2014 as a result of recognizing WSU's share of the State's pension liability (GASB 68), decreasing in fiscal year 2016 due to a spending down of reserves and the restatement of the supplemental retirement plan (GASB 73). In fiscal year 2017 we saw a dramatic decrease due to the OPEB restatement (GASB 75) with a slight recovery in fiscal year 2018 to a level just higher than fiscal year 2016. Through its university-wide efforts to improve fiscal health, fiscal years 2019 and 2020 saw continued improvement.



Economic Outlook

The Washington State Economic and Revenue Forecast Council's June 2020 estimate of state general fund revenues indicated a decrease of \$4.5 billion for the current 2019-21 biennium and \$4.4 billion in the 2021-23 biennium. The decreased forecast is attributed to the economic disruption caused by the COVID-19 pandemic. Subsequent forecasts in September and November 2020 increased the 2019-21 and 2021-23 forecasts by \$2.7 billion and \$2.5 billion respectively, primarily due to higher-than-expected revenue collections in the sectors of retail trade and real estate. Much economic uncertainty remains since COVID-19 cases have increased to record levels as of November 2020 and Washington has implemented additional restrictions on economic activity to curb the spread of COVID-19.

Last spring, in response to declining state revenues, the Governor's Office of Financial Management directed all state agencies to identify operating budget savings for FY-2021 equal to 15% of current appropriations. Permanent appropriation reductions will be determined over the course of the 2021 Legislative session that convenes in January.

The COVID-19 pandemic has impacted other non-state appropriated operating revenues as well. Undergraduate and graduate tuition rates were increased 2.5% for the 2020-21 academic year, but enrollment declines are expected to offset any increase in net tuition revenue associated with the rate increase. Most student fees were held flat for the 2020-21 academic year. Refunds and one-time reductions in some fees will occur in FY-2021, and when combined with lower student headcounts should result in lower student fee revenue. Federal and non-federal sponsored research has slowed due to the pandemic. Through the first four months of FY-2021 sponsored program expenditures have dropped nearly 12% over the same time period in FY-2020. Significant and unprecedented revenue losses are expected in auxiliary activities due to reduced occupancy in student housing, COVID-19 restrictions, and decreased service levels associated with work at home rules and the move to predominantly online instruction. Intercollegiate athletic competition has also been impacted by the pandemic, resulting in significant and unprecedented revenue losses in ticket sales and media revenue.

The university has addressed the economic challenges in a number of ways including reduction of unit operating budgets, hiring & purchasing freezes, service level adjustments, and debt restructuring. These efforts combined with robust planning will serve the university well as it navigates the evolving fiscal landscape resulting from the COVID-19 pandemic. Even with these efforts, WSU expects the COVID-19 pandemic revenue losses to negatively impact University reserves for fiscal year 2021.



Assets	2020	2019
Current assets		
Cash and cash equivalents (Note 2)	\$ 121,905,031	\$ 110,246,888
Prepaid expenses	404,782	748,516
Inventories (Note 5)	17,224,535	14,843,786
Accounts receivable, net (Note 6)	72,327,920	72,545,280
Investments, current portion (Note 3)	38,357,120	83,826,237
Subtotal current assets	250,219,388	282,210,707
Non-current assets		
Long-term investments (Note 3)	211,171,541	100,741,584
Endowment investment (Note 3)	640,260,887	615,709,612
Deposits in escrow	262,220	409,149
Assets held in trust for agencies	26,703,197	42,548,077
Loans receivable, net (Note 7)	18,046,360	20,092,526
Capital assets, net of accumulated depreciation (Note 8)	1,705,042,439	1,703,636,664
Pension assets, net (Note 16)	2,501,102	2,223,495
Subtotal non-current assets	2,603,987,746	2,485,361,107
Total assets	2,854,207,134	2,767,571,814
Deferred outflows of resources (Note 15)	95,595,905	58,844,920
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 9)	64,164,725	55,666,780
Due to Washington State University Foundation	7,668,003	6,478,818
Deposits	5,427,365	4,863,190
Unearned revenue, current portion (Note 10)	14,237,291	13,276,928
Long-term liabilities, current portion (Note 15)	30,769,743	30,383,508
Pollution remediation obligation	125,726	
Subtotal current liabilities	122,392,853	110,669,224
Non-current liabilities		
Accrued leave (Note 9)	34,322,301	28,453,977
Deposits held in custody for others	26,703,197	42,548,077
Unearned revenue (Note 10)	6,751,972	7,381,758
Long-term liabilities (Note 15)	608,792,799	634,215,486
Asset retirement obligation (Note 13)	17,153,703	17,014,860
Pension liability (Note 16)	171,673,428	161,931,755
Other post-employment benefits liability (Note 17)	292,919,475	260,275,123
Subtotal non-current liabilities	1,158,316,875	1,151,821,036
Total liabilities	1,280,709,728	1,262,490,260
Deferred inflows of resources (Note 10)	152,311,093	165,320,522
Net Position		
Net investment in capital assets	1,092,415,066	1,072,809,960
Restricted nonexpendable	594,573,759	565,038,187
Restricted loans	26,790,190	28,650,280
Restricted expendable	186,588,263	168,525,376
Unrestricted	(383,585,060)	(436,417,851)
Total net position	\$ 1,516,782,218	\$ 1,398,605,952

The footnote disclosures are an integral part of the financial statements.

Washington State University Foundation (A Nonprofit Corporation)

Consolidated Statements of Financial Position June 30, 2020 and 2019

Assets	2020	2019
Cash and cash equivalents	\$ 330,719	\$ 175,879
Due from Washington State University	7,668,003	6,847,926
Other receivables	3,953,524	1,384,078
Pledges receivable, net	31,641,507	36,257,013
Endowment investment securities	443,705,385	453,053,627
Notes receivable, net	667,895	707,794
Notes receivable from joint venture	1,450,000	1,450,000
Furniture, fixtures, and equipment (net of accumulated depreciation of \$1,586,414 and \$1,577,774, respectively)	11,163	19,803
Land and real estate	1,215,000	1,235,000
Assets held in charitable trusts	27,765,093	31,408,633
Contributions receivable from charitable trusts	5,630,900	5,816,753
Beneficial interest in perpetual trusts	34,558,839	34,538,022
Total assets	558,598,028	572,894,528
Liabilities		
Accounts payable and accrued liabilities	1,618,525	1,490,858
Annuities payable	12,469,058	13,697,082
Remainder interest payable	1,622,417	1,645,325
Notes payable for joint venture	1,500,000	1,500,000
Total liabilities	17,210,000	18,333,265
Net Assets		
Unrestricted	7,277,421	6,531,918
Temporarily restricted	39,832,575	71,296,238
Permanently restricted	494,278,032	476,733,107
Total net assets	541,388,028	554,561,263
Total liabilities and net assets	\$ 558,598,028	\$ 572,894,528

The footnote disclosures are an integral part of the financial statements.



Washington State University

Statement of Revenues, Expenses, and Changes in Net Position for the Years Ended June 30, 2020 and June 30, 2019

Revenues	2020	2019
Operating revenues		
Tuition and fee revenue, net	\$ 312,716,866	\$ 294,861,056
Federal grants and contracts	145,935,113	151,921,433
State grants and contracts	92,494,590	87,883,556
Local grants and contracts	35,560,948	34,795,985
Sales and services of educational departments	26,320,717	25,220,940
Auxiliary enterprises	164,019,744	173,789,065
Other operating revenues	26,379,259	31,477,007
Total operating revenues	803,427,237	799,949,042
Expense		
Operating expenses		
Salaries and wages	539,452,345	523,908,013
Benefits	159,575,661	152,770,188
Scholarships and fellowships	77,151,968	61,616,095
Utilities	26,827,834	28,590,409
Payments to suppliers	161,863,624	156,874,392
Purchased services	94,417,841	107,357,058
Depreciation	97,851,140	102,317,684
Total operating expenses	1,157,140,413	1,133,433,839
Net operating loss	(353,713,176)	(333,484,797)
Non-operating revenues (expenses)		
State appropriations	261,693,255	245,923,021
Federal appropriations	9,484,922	7,990,392
Federal Pell Grants	36,141,438	38,324,292
Interest on capital assets—related debt	(28,524,247)	(30,015,312)
Federal bond interest subsidy	1,349,653	2,549,250
Gifts and contributions	39,535,338	44,489,022
Investment income, net of expense	65,206,741	64,602,836
CARES Grant	19,051,526	
Other non-operating revenues (expenses)	5,831,146	6,392,654
Total non-operating revenues (expenses)	409,769,772	380,256,155
Income before other revenues, expenses, gains or losses	56,056,596	46,771,358
Capital additions (deductions)		
Capital appropriations	51,730,210	45,082,191
Capital grants and gifts	2,150,880	370,054
Additions to permanent endowments	8,238,580	10,354,569
Total other revenues	62,119,670	55,806,814
Decrease in net position	118,176,266	102,578,172
Net position		
Net position, beginning of year	1,398,605,952	1,296,027,780
Increase (decrease) in net position	118,176,266	102,578,172
Net position, end of year	\$ 1,516,782,218	\$ 1,398,605,952

The footnote disclosures are an integral part of the financial statements.

		2020	
	Without donor restrictions	With donor restrictions	Total
Revenue and support:			
Contributions	\$ 2,540,104	\$ 61,199,442	\$ 63,739,546
Investment return, net of expenses	(45,801)	(7,503,611)	(7,549,412)
Management and advancement fees	7,565,983		7,565,983
Change in value of split-interest agreements		(3,281,622)	(3,281,622)
Support provided by Washington State University	4,842,842		4,842,842
Other income	361,324	537,678	899,002
Total revenue and support	15,264,452	50,951,887	66,216,339
Net assets released from restrictions	64,870,625	(64,870,625)	—
Expenses:			
Support provided to/for Washington State University:			
Restricted distributions	40,765,804		40,765,804
Endowment income distributions	17,840,368		17,840,368
Endowment administration fees	6,643,901		6,643,901
Fundraising	7,689,908		7,689,908
General and administrative expenses	6,449,593		6,449,593
Total expenses	79,389,574	—	79,389,574
Change in net assets	745,503	(13,918,738)	(13,173,235)
Net assets – beginning of year	6,531,918	548,029,345	554,561,263
Net assets – end of year	\$ 7,277,421	\$ 534,110,607	\$ 541,388,028

See accompanying notes to consolidated financial statements.

		2019	
	Without donor restrictions	With donor restrictions	Total
Revenue and support:			
Contributions	\$ 2,227,423	\$ 58,771,658	\$ 60,999,081
Investment return, net of expenses	(44,903)	18,168,191	18,123,288
Management and advancement fees	7,101,678	—	7,101,678
Change in value of split-interest agreements	—	(3,495,889)	(3,495,889)
Support provided by Washington State University	4,835,751	—	4,835,751
Other income	432,759	1,942,107	2,374,866
Total revenue and support	14,552,708	75,386,067	89,938,775
Net assets released from restrictions	65,563,309	(65,563,309)	—
Expenses:			
Support provided to/for Washington State University:			
Restricted distributions	41,039,134	—	41,039,134
Endowment income distributions	16,987,259	—	16,987,259
Endowment administration fees	6,166,450	—	6,166,450
Fundraising	7,302,016	—	7,302,016
General and administrative expenses	7,399,854	—	7,399,854
Total expenses	78,894,713	—	78,894,713
Change in net assets	1,221,304	9,822,758	11,044,062
Net assets—beginning of year	5,310,614	538,206,587	543,517,201
Net assets—end of year	\$ 6,531,918	\$ 548,029,345	\$ 554,561,263

The footnote disclosures are an integral part of the financial statements.

Statement of Cash Flows
for the Year Ended June 30, 2020 and June 30, 2019

	2020	2019
Cash flows from operating activities		
Tuition and fees	\$ 381,449,061	\$ 366,592,676
Grant and contracts	296,131,272	267,062,263
Payments to suppliers	(150,692,089)	(149,157,282)
Payments for utilities	(26,712,077)	(29,819,670)
Purchased services	(95,328,470)	(106,602,836)
Payments to employees	(542,454,816)	(526,630,393)
Payments for benefits	(163,439,484)	(157,803,320)
Payments for scholarships and fellowships	(148,775,820)	(133,991,678)
Loans issued to students	(1,132,318)	(1,649,054)
Collection of loans to students	3,117,829	3,411,891
Auxiliary enterprise receipts	167,358,241	172,759,604
Sales and service of educational departments	25,674,648	25,006,765
Other receipts	24,391,439	32,243,729
Net cash used by operating activities	(230,412,584)	(238,577,305)
Cash flows from noncapital financing activities		
State appropriations	269,677,299	244,027,051
Federal appropriations	4,115,465	11,890,921
Gifts for other than capital purposes		
Private gifts	39,858,252	39,987,399
Additions to permanent endowment	8,238,580	10,354,569
Agency fund receipts	28,734,686	171,231
Agency fund disbursements	(43,308,157)	(401,535)
Federal Direct Loan receipts	172,761,715	176,041,529
Federal Direct Loan disbursements	(175,358,175)	(175,973,415)
Federal Pell Grants	36,126,380	38,324,292
Cash received from property	2,569,266	1,806,181
Net cash provided by noncapital financing activities	343,415,311	346,228,223
Cash flows from capital and related financing activities		
Proceeds of capital debt	3,544,000	31,325,000
Capital appropriations	47,462,322	42,962,797
Capital grants and gifts received	2,150,880	365,821
Purchases of capital assets	(90,338,842)	(98,563,588)
Principal paid on capital debt and leases	(25,192,557)	(24,365,400)
Interest paid on capital debt and leases	(27,750,166)	(28,583,659)
Net cash used by capital and related financing activities	(90,124,363)	(76,859,029)
Cash flows from investing activities		
Proceeds from sales of investments	1,667,339,853	1,525,173,637
Purchases of investments	(1,726,310,094)	(1,559,011,195)
Investment income	47,750,020	39,564,986
Net cash provided by investing activities	(11,220,221)	5,727,428
Net increase (decrease) in cash and cash equivalents	11,658,143	36,519,317
Cash—beginning of year	110,246,888	73,727,571
Cash—end of year	\$ 121,905,031	\$ 110,246,888

The footnote disclosures are an integral part of the financial statements.

	2020	2019
Operating loss	\$ (353,713,176)	\$ (333,484,797)
Adjustments to reconcile net loss to net cash used by operating activities		
Depreciation expense	97,851,140	102,317,684
Changes in assets and liabilities		
Changes in assets		
Prepaid expenses	(343,733)	(61,588)
Inventories	(2,380,750)	291,197
Accounts receivable, net	14,197,469	(6,239,704)
Pension asset	(277,607)	(963,596)
Pension and OPEB related deferred outflows of resources	(36,956,035)	(13,504,030)
Asset retirement obligation deferred outflows of resources	605,120	(915,586)
Changes in liabilities		
Accounts payable and accrued liabilities	14,865,578	2,635,116
Due to Washington State University Foundation	1,189,185	1,360,206
Deferred revenue	330,577	592,622
Deposits	564,175	186,156
Accrued leave	4,178,031	729,703
Pension obligation	9,741,673	(16,952,062)
OPEB liability	32,915,470	(48,295,705)
Pension and OPEB related deferred inflows of resources	(13,179,701)	73,727,079
Net cash used by operating activities	\$ (230,412,584)	\$ (238,577,305)
Significant noncash transactions		
Loss on disposal of capital assets	\$ 1,222,692	\$ 803,427
Amortization expense	\$ 3,890,190	\$ 3,243,988



Washington State University Foundation (A Nonprofit Corporation)

Consolidated Statements of Cash Flows Years ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (13,173,235)	\$ 11,044,062
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	8,640	49,539
Impairment on land	20,000	—
Net realized and unrealized (gains) on investments	10,924,589	(14,593,636)
Decrease in value of split-interest agreements	3,281,622	3,495,889
Contributions and income restricted for investments in endowments and trusts	(18,113,009)	(18,744,251)
Changes in operating assets and liabilities:		
Due from Washington State University	(820,077)	(1,729,314)
Other receivables	(2,569,446)	4,681,450
Pledges receivable	4,615,506	(839,969)
Contribution receivable from charitable trusts	22,495	22,495
Accounts payable and accrued liabilities	153,142	419,205
Net cash used in operating activities	(15,649,773)	(16,194,530)
Cash flows from investing activities:		
Purchases of investments	(93,081,540)	(80,075,254)
Sales of investments	88,078,470	76,179,696
Purchase of property and equipment	—	(7,249)
Issuance of notes receivable	—	(853,868)
Proceeds from sale of land	—	125,433
Proceeds from principal payments on notes receivable	39,899	30,146
Net cash used in investing activities	(4,963,171)	(4,601,096)
Cash flows from financing activities:		
Contributions and income restricted for investments in endowments and trusts	18,113,009	18,744,251
Issuance of notes payable	—	650,000
Net cash provided by financing activities	18,113,009	19,394,251
Net increase (decrease) in cash and cash equivalents	(2,499,935)	(1,401,375)
Cash and cash equivalents—beginning of year	4,854,367	6,255,742
Cash and cash equivalents—end of year	\$ 2,354,432	\$ 4,854,367

The footnote disclosures are an integral part of the financial report.

Notes to the Financial Statements

June 30, 2020

These notes form an integral part of the financial statements.

1. Summary of Significant Accounting Policies

Financial Reporting Entity

The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. Washington State University (WSU) is a constituent agency of the State of Washington and is included as an integral part of the State's Comprehensive Annual Financial Report. Washington State University issues separate financial statements which encompass the university and its discretely presented component unit, the Washington State University Foundation.

The financial reporting entity, as defined by Governmental Accounting Standards Board (GASB) Codification Section 2100, *Defining the Financial Reporting Entity*, consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statement to be misleading or incomplete. The accompanying financial statements present all funds belonging to WSU, including individual colleges and departments of the University. WSU's component unit is discretely presented in the University's financial statements. Legally separate, related organizations are included in WSU's operations if they meet the criteria for blending or discrete presentation as set forth in GASB Codification Section 2600, *Reporting Entity and Component Unit Presentation and Disclosure*.

Discretely Presented Component Unit

The WSU Foundation ("the Foundation") is a legally separate, tax-exempt entity, and serves contractual asset management functions in support of the University's mission. The Foundation is a significant component unit based on the criteria of GASB Statement 39. This report presents the Foundation's financial condition and activities as a discretely presented separate component unit in the University's financial statements.

The Foundation reports its financial results in accordance with Financial Accounting Standards Board (FASB) pronouncements and guidance. As such, certain revenue recognition criteria and presentation features are different from GASB. No modifications have been made to the Foundation's financial information in the University's financial statements for these differences. The Foundation presents information about its financial position and activities according to the following two classes of net assets, depending on the existence and nature of donor restrictions. Under FASB, the Foundation's net assets are described as follows:

- Without Donor Restrictions-Net assets without donor restrictions represent resources which are not subject to donor restrictions and over which the trustees of the Foundation retain control to use the funds in order to achieve the Foundation's purpose.
- With Donor Restrictions-Net assets with donor restrictions represent resources subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that are restricted by the donor for a particular purpose and that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are to maintain resources in perpetuity. This consists predominantly of endowment funds and charitable trusts. Donor-restricted endowment funds represent funds that are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity. 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.

For clearer presentation purposes, the University has included the Foundations statements and selected notes in this report.

The Foundation's full financial statements can be acquired at the following address:

WSU Foundation
P.O. Box 641925
Pullman, WA 99164-1925

Blended Component University Units

The Washington State Alumni Association (WSUAA) is a 501(c)-(3) corporation that is presented as a blended component unit of WSU. Condensed financial information can be found in note 20. The WSUAA full financial statements can be obtained by contacting the Lewis Alumni Centre on the WSU Pullman campus or calling (509)335-2586.

Affiliated Organizations

The Students Book Corporation is a legally separate 501(c)-(3) corporation, for whom the University acts as the fiscal agent. Their balances and transactions are reported within agency funds of the University and reported as assets and liabilities held in trust by the University.

Financial statements for the Students Book Corporation may be obtained by contacting the Business Services/Controller's Office at 220 French Administration Bldg., P. O. Box 641025, Pullman, WA 99164-1025 or calling (509) 335-2022.

Global Operations & Leadership Development (GOLD) is a legally separate corporation and was granted 501 (C) 3 status July 3, 2019. GOLD board members include WSU employees and administrative support is provided by the university. The entity is fiscally independent and only financial activity between WSU and GOLD as independent entities is reported in the university's financial statements.

Basis of Presentation

The financial statements of the University have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis, as amended by GASB Statement No. 35, for Public Colleges and Universities." The University, along with its discretely presented component unit is considered a special purpose government engaged in business type activities (BTA). In accordance with BTA reporting, the University presents management's discussion and analysis, statement of net positions, statements of revenues, expenses and changes in net positions, statements of cash flows, and notes to the financial statements. The financial statement presentation provides a comprehensive, entity-wide perspective of the University's assets, liabilities, net position, revenues, expenses, deferred outflows, deferred inflows, changes in net position, and cash flows.

Basis of Accounting

The financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred, regardless of the timing of the cash flows.

Non-exchange transactions, in which the University receives (or gives) value without directly giving (or receiving) equal value in exchange includes state and federal appropriations, and certain grants and donations. Revenues are recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met, if probable of collection.

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

Bond premiums/discounts and insurance costs are deferred and amortized over the term of the bonds using the effective interest method. Unamortized balances are presented as reductions of the face amount of bonds payable. Related amortization is included in interest expense in the statements of revenues, expenses and changes in net position.

Gains or losses on bond refundings are deferred and amortized over the term of the bonds using the effective interest method. Unamortized balances are presented as deferred outflows or inflows of resources.

During the course of operations, numerous transactions occur between individual funds for goods provided, services rendered or interfund loans. For the financial statements, the interfund receivables and payables have been eliminated. Both revenue and expenses relating to internal services, such as central stores, printing and publications, and information technology, have been eliminated.

New Accounting Pronouncements

GASB has issued Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. With the COVID-19 pandemic the GASB has extended the effective date for Statement No. 84 for fiscal years beginning after December 15, 2019. The University will be evaluating for the fiscal year 2021 financial report.

GASB has issued Statement No. 87, Leases effective for reporting periods beginning after June 15, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases to be recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. This statement will recognize a lease receivable and a deferred inflow of resources thereby enhancing the relevance and consistency of information about governments leasing activities. The University will be evaluating for the fiscal year 2022 financial report.

GASB has issued Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This is effective for fiscal years beginning after June 15, 2019. The University does not have any direct borrowings or any direct placements of debt as of June 30, 2020

GASB has issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, effective for reporting periods beginning after December 15, 2020. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The University early adopted this pronouncement and is recognizing interest cost incurred before the end of a construction period as an expense and not including it in the historical cost of a capital asset.

GASB has issued Statement No. 90, Majority Equity Interests-An amendment of GASB Statements No. 14 and No 61, effective for periods beginning after December 15, 2018. The primary objectives of this Statement are to improve the consistency and comparability of reporting majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The University has reviewed all of its investments and the investments of its component unit and has determined that none hold any majority equity interest.

GASB has issued Statement No. 91, Conduit Debt Obligations, effective for periods beginning after December 15, 2020. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The University does not have any conduit debt obligations.

GASB has issued Statement No. 95, Postponement of Effective Dates of Certain Authoritative Guidance, effective immediately. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, Certain Asset Retirement Obligations-The University implemented in fiscal year 19
- Statement No. 84, Fiduciary Activities-The University postponed until fiscal year 21
- Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements-The University does not have direct borrowings or direct placement.
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period- The University implemented in fiscal year 20
- Statement No. 90, Majority Equity Interests-The University does not have any majority equity interests.
- Statement No. 91, Conduit Debt Obligations-The University does not have any conduit debt obligations
- Statement No. 92, Omnibus 2020-The University will review in fiscal year 20
- Statement No. 93, Replacement of Interbank Offered Rates-The University will review in fiscal year 20
- Statement No. 87, Leases-The University will implement in fiscal year 22

GASB has issued Statement No. 97, Certain Component Unit Criteria, and accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. An Amendment of GASB Statements No. 14 and No. 84, and a Suppression of GASB Statement No. 32 effective for periods beginning after June 15, 2021. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The University will be evaluating for the fiscal year 2022 financial report.

Cash, Cash Equivalents and Investments

Cash balances in excess of current requirements are pooled and invested in Treasury securities, time deposits, deposits with the Washington State Local Government Investment Pool (LGIP), federal agency bills and notes. Cash equivalents are short term, highly liquid investments convertible to known amounts of cash without change in value or risk of loss. The University considers investments with a maturity of three months or less when purchased to be cash equivalents. Interest income earned on the investment pool is distributed on a quarterly basis based on daily cash balances in various funds. In accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, cash, cash equivalents and investments are stated at fair value.

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. This also includes amounts due from the federal government, state and local governments or private sources in connection with reimbursement of allowable expenditures made pursuant to the University's sponsored agreements. Accounts receivable are shown net of estimated uncollectible amounts.

Inventories

Inventories, consisting primarily of supplies and merchandise for resale, are valued at cost using various methods.

Capital Assets

Land, buildings and equipment are recorded at cost, or if acquired by gift, at acquisition value at the date of the gift. Capital additions, replacements and major renovations are capitalized. The value of assets constructed includes all material direct and indirect construction costs.

Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. In accordance with the state capitalization policy, only fixed assets with a unit cost of \$5,000 or greater are capitalized. Depreciation is computed using the straight line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and components, 20 to 25 years for infrastructure and land improvements, 20 years for library resources and 5 to 7 years for equipment.

Interest is capitalized on assets acquired or constructed with tax-exempt financing. The amount of interest to be capitalized is calculated by offsetting interest expense incurred while activities necessary to get the asset ready for its intended use are in progress, with interest earned on invested proceeds over the same period. The net capitalized interest for fiscal year 2019 was \$1,098,733. In fiscal year 2020, with the implementation of GASB 89, interest on capitalized assets is now expensed prospectively. A restatement of fiscal year 2019 is not needed.

In accordance with GASB Statement 42, the University 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, 2020 and at June 30, 2019 no assets have been written down.

Deferred Outflows of Resources

Deferred outflow of resources are a consumption of net position by the University that are applicable to future reporting periods. Similar to assets, they have a positive effect on the University's net position.

Unearned Revenues

Unearned revenues include funds that have been collected in advance of an event, such as summer semester tuition and certain auxiliary activities prior to the end of the fiscal year but are related to the subsequent fiscal year.

Deferred Inflows of Resources

Deferred inflows of resources are an acquisition of net position that is applicable to future reporting periods. Similar to liabilities, they have a negative effect on net position.

Tax Exemption

The University is a tax-exempt organization under the provisions of Section 115(a) of the Internal Revenue Code and is exempt from federal income taxes on related income.

Net Position

The University's net position is classified as follows.

- *Net Investment in Capital Assets.* This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of capital assets.

- *Restricted—nonexpendable.* This consists of endowment and similar type funds for which donors or other outside sources have stipulated as a condition of the gift instrument that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income which may either be expended or added to the principle.
- *Restricted—loans.* The loan funds are established for the explicit purpose of providing student support as prescribed by statute or granting authority.
- *Restricted—expendable.* These include resources for which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by third parties.
- *Unrestricted.* These represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises.

Classification of Revenues

The University has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating Revenues. This includes activities that have the characteristics of exchange transactions such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises and (3) most federal, state and local grants and contracts.

Non-operating Revenues. This includes activities that have the characteristics of non-exchange transactions, such as gifts and contributions, state appropriations and investment income.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the published charge for goods and services provided by the University and the amount that is paid by students or third parties making payments on the students' behalf. To the extent that revenues are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and an allowance. Discounts and allowances for the year ending June 30, 2020 and June 30, 2019 were \$151,929,389 and \$149,104,519 respectively.

Reclassifications, Restatements and Changes in Accounting Principal

The University implemented Statement No. 89 of the Governmental Accounting Standards Board (GASB) *Accounting for Interest Cost Incurred before the End of a Construction Period* for fiscal year 2020 financial report period. Since this statement requires capitalized interest to not be added to the cost of capital assets, the University recorded this amount as an expense and made no adjustment to current or prior year statements.

For comparative purposes in the Management's Discussion and Analysis sections, certain amounts in the prior year financial statements have been reclassified to conform to the presentation in the current year financial statements.

2. Cash, Cash Equivalents

Cash

Cash includes cash on hand, petty cash and bank deposits. Cash equivalents include treasury securities that are readily convertible to known amounts of cash and present insignificant risk of value changes due to interest rate changes. As of June 30, 2020 and as of June 30, 2019, the carrying amount of these University's cash funds, were \$121,905,031 and \$110,246,888 respectively as represented in the table below.

Table 1: Cash and Cash Equivalents

	2020	2019
Cash	\$ 93,778,891	\$ 48,612,337
Cash equivalents	28,103,535	61,611,946
Deposits with fiscal agents	22,605	22,605
Cash and cash equivalents	\$ 121,905,031	\$ 110,246,888

Custodial Credit Risks—Deposits

Custodial credit risk for bank demand deposits is the risk that in the event of a bank failure, the University's deposits may not be returned to it. All cash, except for change funds and petty cash held by the University, is insured by the Federal Deposit Insurance Corporation (FDIC) or by collateral held by the Washington Public Deposit Protection Commission (PDPC). The majority of the University's demand deposits are with the Bank of America.

3. Investments

(A) University Investments

University investments are classified as cash equivalents, current investments, or non-current, long-term investments. Cash equivalents include investments in Rule 2a-7 type funds, commercial paper, discount notes, repurchase agreements and Treasury bills. Current investments include short-term debt securities with less than one year to maturity and do not fit the University's definition of cash equivalents. Non-Current, long-term investments include debt securities with more than one year to maturity.

Cash Equivalents, Current and Non-Current, Long-Term Investments

University invested assets include operating funds, current use gift funds, and proceeds from bond issues dedicated to specific capital projects. As of June 30, 2020 and 2019 the University had the following investments, maturities, credit ratings and effective durations:

Table 1: Cash equivalents, current and non-current, long term investments

University investments	2020						Credit rating
	Fair value	Less than 1 year	1–5 years	6–10 years	More than 10 years	Effective duration	
Cash equivalents							
Commercial paper	\$ 6,945,274	\$ 6,945,274				0.29	A1/P1
Discount notes	-	-					
Other—Bank short term investment funds*	3,725,601	3,725,601				0.14	NR
Local Government Investment Pool*	17,432,660	17,432,660				0.14	NR
Total cash equivalents	28,103,535						
Current investments							
U.S. Treasury	20,301,646	20,301,646				0.95	AAA
Agency bonds	14,997,900	14,997,900				0.20	AAA
Mortgage backed securities	3,057,574	3,057,574				0.55	AAA
Total current investments	38,357,120						
Non-Current, long-term investments							
U.S. Treasury	66,484,650		\$ 66,484,650			1.71	AAA
Agency bonds	54,975,950		54,975,950			2.25	AAA
Mortgage-backed securities	79,663,899		9,856,171	\$ 19,533,897	\$ 50,273,831	1.20	AAA
Fixed income mutual funds	10,047,042		10,047,042			1.63	N/A
Subtotal non-current operating fund investments	211,171,541						
Total university investments	\$ 277,632,196						

*Valued at amortized costs as per GASB 79

Table 1: Cash equivalents, current and non-current, long-term investments

	2019 Maturity						
University investments	Fair value	Less than 1 year	1–5 years	6–10 years	More than 10 years	Effective duration	Credit rating
Cash equivalents							
Commercial paper	\$ 13,551,900	\$ 13,551,900				0.08	A1/P1
Discount notes	28,844,379	28,844,379				0.02	AAA
Other—Bank short-term investment funds*	527	527				0.01	NR
Local Government Investment Pool*	19,215,140	19,215,140				0.23	NR
Total cash equivalents	61,611,946						
Current Investments							
U.S. Treasury	83,826,237	83,826,237				0.30	AAA
Total current investments	83,826,237						
Non-Current, long-term investments							
U.S. Treasury	14,986,350		\$ 14,986,350			0.01	AAA
Mortgage-backed securities	75,799,437		14,307,461	\$ 13,849,606	\$ 47,642,370	0.88	AAA
Fixed income mutual funds	9,955,797		9,955,797			1.95	N/A
Subtotal non-current operating fund investments	100,741,584						
Total non-current, long-term investments	100,741,584						
Total university investments	\$ 246,179,767						

*Valued at amortized cost as per GASB79

Investments in Local government Investment Pool (LGIP)

The University is a participant in the Local Government Investment Pool that was authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory Committee.

Investments in LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASBS 79 for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

Interest Rate Risk—Investments

Through its investment policies, the University manages exposure to fair value losses arising from increasing interest rates by limiting the modified duration of the operating portfolio to 1.1 years and by cash matching the dedicated bond portfolios to the anticipated construction schedules of the underlying projects.

Current use gift funds are segmented into short-term, intermediate-term and long-term pools. University policies limit the portfolio average maturity of the short-term pool to one year or less, the portfolio average maturity of the intermediate-term pool to three years or less, and the portfolio average maturity of the long-term pool to ten years or less.

Concentration of Credit Risk—Investments

State law limits University operating investments to obligations of the U.S. government, obligations of U.S. government agencies, highest quality commercial paper and highest quality corporate notes. University policy does not limit the amount the University may invest in any one issuer.

Custodial Credit Risk—Investments

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, the University will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At June 30, 2020 and June 30, 2019, \$246,426,893 and \$217,008,803 of the University's operating fund investments, held by Wells Fargo in the bank's name as agent for the University, and \$407,888 and \$438,839 of endowment assets, held in street name by E*trade for the account of the University, are exposed to custodial credit risk as follows:

Table 2: Investments exposed to custodial credit risk

University investment type	Fair value 2020	Fair value 2019
Commercial paper	\$ 6,945,274	\$ 13,551,900
U.S. Agency discount notes	-	28,844,379
U.S. Treasury	86,786,296	98,812,587
Agency bonds	69,973,850	-
Mortgage-backed securities	82,721,473	75,799,437
Subtotal	246,426,893	217,008,303
Marketable global equities	407,888	438,839
Total investments exposed to custodial credit risk	\$ 246,834,781	\$ 217,447,142

Investment Expenses

Under implementation of GASB 35, investment income for the University is shown net of investment expenses. The investment expenses incurred for the fiscal years ended June 30, 2020 and June 30, 2019 are \$291,823 and \$416,589 respectively.

(B) University Investments measured by fair value level

Investments are measured at fair value on a recurring basis. The three-tier 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 described as follows.

- **Level 1** – Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.
- **Level 2** – Pricing inputs other than quoted prices included in Level 1 that are observable for an asset or liability, either directly or indirectly
- **Level 3** – Pricing inputs that are generally unobservable from objective sources for an asset or liability.

Table 3: Investments by Fair Value Hierarchy

Investments by fair value level	2020	Level 1	Level 2	Level 3
Fixed income				
U.S. Treasury	\$ 86,786,296	\$ 86,786,296	-	-
Agency bonds	69,973,850	-	69,973,850	-
Mortgage-backed securities	82,721,473	-	\$ 82,721,473	-
Fixed income mutual fund	10,047,042	10,047,042	-	-
Discount notes	-	-	-	-
Commercial paper	6,945,274	-	6,945,274	-
Total fixed income investments	256,473,935	96,833,338	159,640,597	-
Total fair value by level investments	256,473,935			
Cash equivalents at amortized cost	21,158,261			
Total investments	\$ 277,632,196			

Table 3: Investments by fair value hierarchy

Investments by fair value level	2019	Level 1	Level 2	Level 3
Fixed income				
U.S. Treasury	\$ 98,812,587	\$ 98,812,587	–	–
Agency bonds	–	–	–	–
Mortgage-backed securities	75,799,437	–	\$ 75,799,437	–
Fixed income mutual fund	9,955,797	9,955,797	–	–
Discount notes	28,844,379	28,844,379		
Commercial paper	13,551,900	–	13,551,900	–
Total fixed income investments	226,964,100	137,612,763	89,351,337	–
Total fair value by level investments	226,964,100			
Cash equivalents at amortized cost	19,215,666			
Total investments	\$ 246,179,766			

Fixed income and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Fixed income and equity securities classified in Level 2 are valued using observable inputs including quoted prices for similar securities and interest rates. Private equity, real assets and other investments classified in Level 3 are valued using either discounted cash flow or market comparable techniques.

(C) Land Grant and Permanent Fund

The University has two land grant endowments and two permanent funds established by legislation. The University's two land grant endowments total 155,335 acres of timber, agricultural and grazing lands managed by the Washington State Department of Natural Resources. The income from this land is distributed to the Agricultural College Permanent Fund, established under RCW 43.79.136, and the Scientific School Permanent Fund, established under RCW 43.79.110. The Washington State Investment Board manages these two permanent funds for the sole benefit of the University. All distributed income is used for capital projects, facility maintenance, or debt service. The fair value of these funds after settlement of all pending transactions, receivables and payables, is shown in the table below.

Table 4: Permanent fund

University permanent fund investments	Fair value 2020	Effective duration	Credit rating	Fair value 2019	Effective duration	Credit rating
Cash and cash equivalents	\$ 323,511			\$ 580,873		
Commingled monthly bond fund	393,114,298	7.12	Aa3	383,134,672	6.41	Aa3
Commingled monthly equity fund	185,867,657			166,375,045		
Cash at state treasurer	319,578			297,124		
Pending transactions, receivables and payables	(319,578)			(297,124)		
Total permanent fund investments	\$ 579,305,466			\$ 550,090,590		

(D) University Endowments

Total University endowed investments consist of University-held endowments valued at \$60,955,421 as of June 30, 2020 and \$65,619,022 as of June 30, 2019 (as detailed below in table 5), and permanent fund endowment of \$579,305,466 and \$550,090,590 (as detailed above in table 4). The total of \$640,260,887 as of June 30, 2020 and \$615,709,612 as of June 30, 2019 is found on the Statement of Net Position.

As of June 30, 2020 the University had the following endowment investments, maturities, credit ratings and effective durations:

Table 5: University endowments by classification

University endowments	Fair value	2020 Maturity				Effective duration	Credit rating
		Less than 1 year	1–5 years	6–10 years	More than 10 years		
Fixed income mutual funds	\$ 2,900,553			\$ 2,900,553		6.78	A1
Marketable global equities	8,084,084						
Marketable liquid real assets	3,014,086						
Non-marketable equities	9,305,164						
Equity funds	7,678,446						
Fixed income funds	2,218,900				\$ 2,218,900	7.33	A2
Hedge funds	11,164,086						
Illiquid real assets	5,715,362						
Private equity funds	10,657,053						
Cash equivalents at amortized cost	217,687						
Total endowment investments	\$ 60,955,421						

As of June 30, 2019 the University had the following endowment investments, maturities, credit ratings and effective durations:

Table 5: University endowments by classification

University endowments	Fair value	2019 Maturity				Effective duration	Credit rating
		Less than 1 year	1–5 years	6–10 years	More than 10 years		
Fixed income mutual funds	\$ 2,905,152			\$ 2,905,152		5.87	AA
Marketable global equities	8,534,089						
Marketable liquid real assets	3,546,107						
Non-marketable equities	9,165,998						
Equity funds	8,641,726						
Fixed income funds	2,313,104				\$ 2,313,104	5.48	A+
Hedge funds	12,911,622						
Illiquid real assets	3,821,257						
Private equity funds	12,419,329						
Cash equivalents at amortized cost	1,360,638						
Total endowment investments	\$ 65,619,022						

Foreign Currency Risk—Investments

Foreign currency risk is the risk that investments denominated in foreign currencies may lose value due to adverse fluctuations in the value of the U.S. dollar relative to foreign currencies. The Washington State University Foundation (Foundation) invests the University's endowed assets. As such the Foundation's investment policy controls foreign currency exposure by limiting foreign equity and fixed income investments to 24%-36% of the total endowment with a current target of 22%. University endowment exposure to foreign currency risk at June 30, 2020 and June 30, 2019, is described in the table below.

Table 6: University foreign currency risk

Foreign currency	Fair value 2020	Fair value 2019
Japan—Yen	\$ 2,597,480	\$ 2,758,303
Euro	2,061,940	2,106,977
UK—Pound	1,204,041	1,449,971
China—Yuan	1,182,521	987,556
Switzerland—Francs	726,500	732,300
S. Korea—Won	622,060	735,941
Other (less than 5%)	3,905,970	5,033,627
Total foreign currency	\$ 12,300,512	\$ 13,804,675

Consolidated Endowment Investment Pool

The University contracts with the Foundation for the management of the consolidated endowment investment pool. University and Foundation endowment assets are pooled and invested with the objectives of long-term capital appreciation and stable but growing income stream. The total amount of the consolidated endowment pool is \$504,660,806 and \$518,672,649 for 2020 and 2019 respectively. See note 4(A) for information on the Foundations endowment investment securities. In the past the Foundation has held certain endowments in trust for the University. In 2017, the Foundation removed those endowments from the face of their financial report due to a change in the memorandum of understanding between the parties. The University is now reporting these endowments as part of their consolidated endowments. The fair values of the University's equity in the consolidated endowment pool at June 30, 2020 were \$60,955,421 and \$65,619,022 at June 30, 2019. See table below:

Table 7: Consolidated endowment pool

	2020	
University endowments	\$ 60,955,421	12.08%
Foundation endowments	443,705,385	87.92%
Total pooled endowments	\$ 504,660,806	100.00%

	2019	
University endowments	\$ 65,619,022	12.65%
Foundation endowments	453,053,627	87.35%
Total pooled endowments	\$ 518,672,649	100.00%

Net appreciation (depreciation) in the fair value of investments includes both realized and unrealized gains and losses on investments. At June 30, 2020 net appreciation of the University's portion of the consolidated endowment pool of \$45,673,694 was available to be spent. All of which is restricted to specific purposes and is included in restricted expendable net position. At June 30, 2019 net appreciation of \$50,671,425 was available to be spent, but was restricted to specific purposes. This amount was included in restricted expendable net position.

(E) University Endowments measured by fair value level

The Foundation reports their results of the consolidated endowment pool in accordance with FASB pronouncements and guidance. As such, certain revenue recognition criteria and presentation features are different from GASB. No modifications have been made to the Foundation presentation of the internal endowment pool. See note 4 (B) for information on the Foundation's endowments measured at fair value.

Investments are measured at fair value on a recurring basis. The three-tier 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 described as follows.

- **Level 1** – Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.
- **Level 2** – Pricing inputs other than quoted prices included in Level 1 that are observable for an asset or liability, either directly or indirectly
- **Level 3** – Pricing inputs that are generally unobservable from objective sources for an asset or liability.

Table 8: Investments by Fair Value Hierarchy

Investments by fair value level	2020	Level 1	Level 2	Level 3
Fixed income				
Fixed income mutual funds	\$ 2,900,553	\$ 2,900,553	-	-
Total fixed income investments	2,900,553	2,900,553	-	-
Equity				
Marketable global equities	8,084,084	8,084,084	-	-
Marketable liquid real assets	3,014,086	3,014,086	-	-
Non-marketable equities	9,305,164	-	\$ 9,305,164	-
Total equity investments	20,403,334	11,098,170	9,305,164	-
Total fair value by level investments	23,303,887			
Investments by NAV				
Equity funds	7,678,446			
Fixed income funds	2,218,900			
Hedge funds	11,164,086			
Illiquid real assets	5,715,362			
Private equity funds	10,657,053			
Total NAV investments	37,433,847			
Total investments at fair value	60,737,734			
Cash equivalents at amortized cost	217,687			
Total investments	\$ 60,955,421			

Table 8: Investments by fair value hierarchy

Investments by fair value level	2019	Level 1	Level 2	Level 3
Fixed Income				
Fixed income mutual funds	\$ 2,905,152	\$ 2,905,152	—	—
Total fixed income investments	2,905,152	2,905,152	—	—
Equity				
Marketable global equities	8,534,088	8,534,088	—	—
Marketable liquid real assets	3,546,107	3,546,107	—	—
Non-marketable equities	9,165,998	—	\$ 9,165,998	—
Total equity investments	21,246,193	12,080,195	9,165,998	—
Total fair value by level investments	24,151,345			
Investments by NAV				
Equity funds	8,641,726			
Fixed income funds	2,313,104			
Hedge funds	12,911,623			
Illiquid real assets	3,821,257			
Private equity funds	12,419,329			
Total NAV investments	40,107,039			
Total investments at fair value	64,258,384			
Cash equivalents at amortized cost	1,360,638			
Total investments	\$ 65,619,022			

Fixed income and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Fixed income and equity securities classified in Level 2 are valued using observable inputs including quoted prices for similar securities and interest rates. Private equity, real assets and other investments classified in Level 3 are valued using either discounted cash flow or market comparable techniques.

The University's interest in certain non-readily marketable alternative investments, such as hedge funds and private equity funds, are stated at fair value based on net asset values (NAV) estimates reported by investment fund managers.

The valuation method for investments measured using the NAV for June 30, 2020 and June 30, 2019 are presented below

Table 9: Investments measured using NAV

	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
2020				
Equity funds	\$ 7,678,446		Daily to semimonthly	5–30 days
Fixed income funds	2,218,900		Monthly	30 days
Hedge funds	11,164,086		Monthly to biennially	30–90 days
Illiquid real assets and private equities funds	16,372,415	\$ 10,853,277	Years: 2020–2034	End of agreement
Total NAV investments	\$ 37,433,847	\$ 10,853,277		
	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
2019				
Equity funds	\$ 8,641,726		Daily to semimonthly	5–30 days
Fixed income funds	2,313,104		Monthly	30 days
Hedge funds	12,911,623		Monthly to biennially	30–90 days
Illiquid real assets and private equities funds	16,240,586	\$ 10,489,722	Years: 2019–2029	End of agreement
Total NAV investments	\$ 40,107,039	\$ 10,489,722		

- **Equities, fixed income, and hedge funds** - Certain common stock securities, U.S. government securities, and mutual funds for which market prices are not readily available or for which market prices do not represent the value at the time of pricing are fair valued by the investment manager based upon other inputs. These inputs include valuations of services that are comparable in coupon, rating, maturity, and industry. The 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 objective.

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

WASHINGTON STATE UNIVERSITY FOUNDATION

4. Washington State University Foundation Endowments

The following notes are an excerpt of the Foundations published financial statements. The Foundation reports their results in accordance with FASB pronouncements and guidance. As such, certain revenue recognition criteria and presentation features are different from GASB. No modification have been made to the Foundation's presentation of the notes below. The full set of notes and other financial information for the Foundation can be acquired at the following address:

WSU Foundation
PO Box 641925
Pullman, WA 99164-1925

(A) Endowment Investment Securities

The Foundation's endowment consists of approximately 2,472 individual funds, established for a variety of purposes, which are jointly managed with the University's endowments. Of the total value of the investments managed, the Foundation's endowment funds represent 87.89% and 87.33% of that total at June 30, 2020 and 2019, respectively. The remainder of the pool comprises the University's true endowments and the University's funds functioning as endowments (quasi-endowments) which are not recorded in the Foundation's financial statements. 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. There are no board designated endowments.

Interpretation of Relevant Law

The Board of Directors of the Foundation, on the advice of legal counsel and the Foundation's Investment Committee, has interpreted Washington State's Uniform Prudent Management of Institutional Funds Act (WA-UPMIFA) as requiring the prudent management of donor-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 net assets with donor restrictions in the accompanying consolidated financial statements:

- The fair value of the gifts donated to the donor-restricted endowment
- Accumulations to the 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 required to be held in perpetuity consisting of accumulated investment gains and losses which are included in net assets with donor restrictions until those amounts are appropriated to WSU 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

Underwater Endowment Funds

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 classified in net assets with donor restrictions. Deficiencies of this nature totaled \$12,033,460 and \$1,341,327 at June 30, 2020 and 2019, respectively, and are included in the accumulated investment gains (loss) in the tables below.

These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new donor-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 Director's prudent interpretation of WA-UPMIFA. The Board allows for continued appropriations to sustain programs with a moratorium on distributions if an endowment's market value is 30% or more below contributions to the fund. Continued appropriation by the Board was deemed prudent during the year ended June 30, 2020

Year ended June 30, 2020				
	Without donor restrictions		With donor restrictions	
		Original gift	Accumulated gains/(losses)	Total
Donor-restricted funds:				
Underwater funds	—	\$ 26,933,123	\$ (12,033,460)	\$ 14,899,663
Other funds	—	403,919,151	24,886,571	428,805,722
Total endowment funds	—	\$ 430,852,274	\$ 12,853,111	\$ 443,705,385

Year ended June 30, 2019				
	Without donor restrictions		With donor restrictions	
		Original gift	Accumulated gains/(losses)	Total
Donor-restricted funds:				
Underwater funds	—	\$ 49,442,048	\$ (1,341,327)	\$ 48,100,721
Other funds	—	358,114,747	46,838,159	404,952,906
Total endowment funds	—	\$ 407,556,795	\$ 45,496,832	\$ 453,053,627

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 (funds functioning as endowments). 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.

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% per year (4% for individual accounts and 1.5% for the endowment administration 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 the University's quasi-endowments (funds functioning as endowments) 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, 2020		
	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount	—	\$ 430,852,274	\$ 430,852,274
Accumulated investment gains	—	12,853,111	12,853,111
Total	—	\$ 443,705,385	\$ 443,705,385

	Year ended June 30, 2019		
	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount	—	\$ 407,556,795	\$ 407,556,795
Accumulated investment gains	—	45,496,832	45,496,832
Total	—	\$ 453,053,627	\$ 453,053,627

Changes in Endowment Net Assets

	Year ended June 30, 2020		
	Without donor restrictions	With donor restrictions	Total
Net asset balance—beginning of year	—	\$ 453,053,627	\$ 453,053,627
Investment return	—	(8,282,750)	(8,282,750)
Contributions	—	23,418,777	23,418,777
Distribution of endowment assets to/for WSU	—	(24,484,269)	(24,484,269)
Total	—	\$ 443,705,385	\$ 443,705,385

	Year ended June 30, 2019		
	Without donor restrictions	With donor restrictions	Total
Net asset balance—beginning of year	—	\$ 439,594,009	\$ 439,594,009
Investment return	—	15,298,623	15,298,623
Contributions	—	21,314,704	21,314,704
Distribution of endowment assets to/for WSU	—	(23,153,709)	(23,153,709)
Total	—	\$ 453,053,627	\$ 453,053,627

Endowments Managed at Fair Value

The Foundation's endowment funds are jointly managed with certain endowments of the University. The University's endowment funds are excluded from 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	
	2020	2019
Jointly managed endowment funds:		
Cash and short-term investments	\$ 4,951,955	\$ 11,567,031
Accrued interest and dividends	48,055	57,420
Managed investments	499,660,793	507,048,198
Endowment investments at fair value	504,660,803	518,672,649
Less University endowment funds	(60,955,418)	(65,619,022)
Managed endowment funds recorded by the Foundation	\$ 443,705,385	\$ 453,053,627

Endowments Managed at Cost

	Year ended June 30	
	2020	2019
Investments at cost	\$ 392,573,160	\$ 388,948,664
Less University endowment funds, at cost	(47,531,475)	(49,294,720)
Managed endowment funds recorded by the Foundation, at cost	\$ 345,041,685	\$ 339,653,944

(B) Fair Value Measurements

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

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

- **Level 1** – Quoted prices are available in active markets for identical assets or liabilities. Active markets are those in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- **Level 2** – Pricing inputs are other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies. These models are primarily industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data, or are supported by observable levels at which transactions are executed in the marketplace.
- **Level 3** – Pricing inputs include significant inputs that are generally unobservable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value. Level 3 instruments include those that may be more structured or otherwise tailored to the endowment's needs.

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.

Notes to the Financial Statements

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

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, 2020:

	Level 1	Level 2	Level 3	Total
Endowment investments:				
Cash and equivalents	\$ 4,782,326		\$	4,782,326
Marketable equities:				
Equities	56,698,359			56,698,359
Fixed income mutual funds	21,055,771			21,055,771
Liquid real assets	21,879,931			21,879,931
Total marketable equities	99,634,061	—	—	99,634,061
Nonmarketable equities		\$ 67,548,278		67,548,278
Investments measured at NAV:				
Equity funds				55,739,569
Fixed income funds				16,107,492
Hedge funds				81,042,614
Illiquid real assets				41,489,099
Private equities funds				77,361,946
Total investments measured at NAV				271,740,720
Total endowment investments				\$ 443,705,385
Assets in charitable trusts:				
Cash and equivalents	929,820			929,820
Marketable equities:				
Equities	13,422,700			13,422,700
Fixed income mutual funds	9,408,060			9,408,060
Liquid real assets	4,004,513			4,004,513
Total marketable equities	26,835,273	—	—	26,835,273
Total assets in charitable trusts	\$ 27,765,093	—		\$ 27,765,093
Other:				
Beneficial interest in perpetual trusts		\$ 34,558,839	\$	34,558,839

The following table presents the change in fair value measurements for the Level 3 investments during the year ended June 30, 2020:

	Beneficial interest in perpetual trusts
Other:	
Balance—July 1, 2019	\$ 34,538,022
Change in value, net	20,817
Balance—June 30, 2020	\$ 34,558,839

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, 2019:

	Level 1	Level 2	Level 3	Total
Endowment investments:				
Cash and equivalents	\$ 10,374,870	—	—	\$ 10,374,870
Marketable equities:				
Equities	58,723,268	—	—	58,723,268
Fixed income mutual funds	20,017,287	—	—	20,017,287
Liquid real assets	24,433,638	—	—	24,433,638
Total marketable equities	103,174,193	—	—	103,174,193
Nonmarketable equities	—	\$ 63,156,207	—	63,156,207
Investments measured at NAV:				
Equity funds				59,543,834
Fixed income funds				15,937,912
Hedge funds				88,964,576
Illiquid real assets				41,888,695
Private equities funds				70,013,340
Total investments measured at NAV				276,348,357
Total endowment investments				453,053,627
Assets in charitable trusts:				
Cash and equivalents	943,805	—	—	943,805
Marketable equities:				
Equities	15,650,525	—	—	15,650,525
Fixed income mutual funds	10,239,317	—	—	10,239,317
Liquid real assets	4,574,986	—	—	4,574,986
Total marketable equities	30,464,828	—	—	30,464,828
Total assets in charitable trusts	\$ 31,408,633	—	—	\$ 31,408,633
Other:				
Beneficial interest in perpetual trusts	—	—	\$ 34,538,022	\$ 34,538,022

The following table presents the change in fair value measurements for the Level 3 investments during the year ended June 30, 2019:

	Beneficial interest in perpetual trusts
Other:	
Balance—July 1, 2018	\$ 33,851,262
Change in value, net	686,760
Balance—June 30, 2019	\$ 34,538,022

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

Equities, Fixed Income, and Hedge Funds

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

Illiquid Real Assets and Private Equities

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

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

The following table presents the redemption frequency for investments measured at net asset value at June 30, 2020 and June 30, 2019, respectively.

	Net asset value		Redemption schedule	Redemption notice period
	2020	2019		
Equity funds	\$ 55,739,569	\$ 59,543,834	Daily to semimonthly	5–30 days
Fixed income funds	16,107,492	15,937,912	Monthly	30 days
Hedge funds	81,042,614	88,964,576	Monthly to biennially	30–90 days
Illiquid real assets and private equities funds	118,851,045	111,902,035	Years: 2019–2034	End of agreement
	\$ 271,740,720	\$ 276,348,357		

5. Inventories

Inventories as of June 30, 2020 and June 30, 2019 were as follows:

Location	Method	2020	2019
Athletics	FIFO	\$ 1,750,068	\$ 1,699,373
Bulletin office	FIFO	116,090	134,841
University stores	FIFO	367,060	263,136
Facilities services	FIFO	1,492,123	1,392,738
Ferdinand's	FIFO	6,167,990	4,630,810
Housing and dining	LIFO	794,325	695,501
Telecommunications	FIFO	373,898	380,034
University publishing	FIFO	425,416	499,863
Veterinary hospital and pharmacy	FIFO	1,465,513	1,562,236
Veterinary microbiology/pathology	FIFO	2,062,675	2,066,575
Washington Animal Disease Diagnostic Laboratory (WADDL)	FIFO	764,417	-
Other inventory	Various	1,444,960	1,518,679
Inventories		\$ 17,224,535	\$ 14,843,786

6. Accounts Receivable

At June 30, 2020 and June 30, 2019, accounts receivable were as follows:

	2020	2019
Student tuition and fees	\$ 43,077,961	\$ 34,749,588
Due from the federal government	13,203,168	8,599,726
Due from the office of the state treasurer	15,395,466	17,409,173
Due from other state agencies	7,827,121	11,611,619
Interest and dividends receivable	1,524,580	774,986
Auxiliary enterprises	11,689,613	17,982,922
Due from other governments	399,617	668,590
Other	319,118	239,087
Subtotal accounts receivable	93,436,644	92,035,691
Less allowance for doubtful accounts	(21,108,724)	(19,490,411)
Accounts receivable, net	\$ 72,327,920	\$ 72,545,280

7. Loans Receivable

Loans receivable consisted of the following at June 30, 2020 and June 30, 2019:

	2020	2019
Federal programs	\$ 18,103,729	\$ 20,212,571
Institutional loans	490,161	487,797
Subtotal	18,593,890	20,700,368
Less allowance for doubtful accounts	(547,530)	(607,842)
Loans receivable, net	\$ 18,046,360	\$ 20,092,526



8. Capital Assets

A summary of changes in the capital assets for the year ended June 30, 2020 is presented as follows:

Capital assets, non-depreciable	Beginning balance	Additions/transfers	Retirements	Ending balance
Land	\$ 33,908,743	\$ 158,735	\$ (660,140)	\$ 33,407,338
Construction in progress	69,799,685	77,580,700	(10,123,491)	137,256,894
Total capital assets, non-depreciable	103,708,428	77,739,435	(10,783,631)	170,664,232
Capital assets, depreciable				
Buildings	2,379,368,969	9,807,442	-	2,389,176,411
Other improvements and infrastructure	365,452,248	3,431,216		368,883,464
Machinery and equipment	339,579,726	12,600,137	(5,291,470)	346,888,393
Library resources	179,109,743	7,686,305	(197,963)	186,598,085
Total capital assets, depreciable	3,263,510,686	33,525,100	(5,489,433)	3,291,546,353
Less accumulated depreciation				
Buildings	1,051,575,443	62,448,802		1,114,024,245
Other improvements and infrastructure	203,678,103	10,676,579		214,354,682
Machinery and equipment	289,697,892	18,271,597	(4,067,480)	303,902,009
Library resources	118,631,012	6,454,161	(197,963)	124,887,210
Total accumulated depreciation	1,663,582,450	97,851,139	(4,265,443)	1,757,168,146
Total capital assets, depreciable, net	1,599,928,236	(64,326,039)	(1,223,990)	1,534,378,207
Capital assets, net	\$ 1,703,636,664	\$ 13,413,396	\$ (12,007,621)	\$ 1,705,042,439

Current year depreciation expense was \$97,851,140.

For fiscal year 20 GASB No. 89 was implemented. The University did not capitalize any interest in this year.

A summary of changes in the capital assets for the year ended June 30, 2019, is presented as follows:

Capital assets, non-depreciable	Beginning balance	Additions/transfers	Retirements	Ending balance
Land	\$ 34,443,743	\$ 1,004,750	\$ (1,539,750)	\$ 33,908,743
Construction in progress	30,986,543	72,748,055	(33,934,913)	69,799,685
Total capital assets, non-depreciable	65,430,286	73,752,805	(35,474,663)	103,708,428
Capital assets, depreciable				
Buildings	2,346,196,445	33,425,374	(252,850)	2,379,368,969
Other improvements and infrastructure	361,257,999	4,194,249		365,452,248
Machinery and equipment	326,356,632	20,069,225	(6,846,131)	339,579,726
Library resources	171,013,966	8,279,576	(183,799)	179,109,743
Total capital assets, depreciable	3,204,825,042	65,968,424	(7,282,780)	3,263,510,686
Less accumulated depreciation				
Buildings	988,490,826	63,088,475	(3,858)	1,051,575,443
Other improvements and infrastructure	192,237,201	11,440,902		203,678,103
Machinery and equipment	273,689,521	22,298,514	(6,290,143)	289,697,892
Library resources	113,325,019	5,489,793	(183,800)	118,631,012
Total accumulated depreciation	1,567,742,567	102,317,684	(6,477,801)	1,663,582,450
Total capital assets, depreciable, net	1,637,082,475	(36,349,259)	(804,980)	1,599,928,236
Capital assets, net	\$ 1,702,512,761	\$ 34,403,546	\$ (36,279,643)	\$ 1,703,636,664

The current year depreciation expense was \$102,317,684. Total interest expense was \$27,776,123 of which \$1,098,733 was capitalized.

9: Accounts Payable and Accrued Liabilities

At June 30, 2020 and June 30, 2019, accrued liabilities were as follows:

Current accrued liabilities	2020	2019
Accounts payable	\$ 19,261,140	\$ 8,612,810
Contract retainage	262,220	409,149
Payroll	25,541,259	25,854,422
Accrued leave, current portion	19,100,106	20,790,399
Subtotal	64,164,725	55,666,780
Non-current accrued liabilities		
Accrued annual leave	28,085,608	23,250,202
Accrued sick leave	6,028,355	5,196,411
Accrued compensatory leave	208,338	7,364
Subtotal	34,322,301	28,453,977
Total accrued liabilities	\$98,487,026	\$84,120,757



10. Unearned Revenue and Deferred Inflows of Resources

Unearned revenue is comprised of receipts which have not yet met revenue recognition criteria.

Current unearned revenue	2020	2019
Athletics	\$ 3,085,930	\$ 3,443,094
ALIVE! program	283,135	487,713
Pre-paid Tri-Cities BSEL building rent	500,000	500,000
Bookie building	129,786	126,166
Housing and dining services	4,091,476	1,801,101
Summer session	6,146,964	6,467,284
Parking	-	451,570
Subtotal	14,237,291	13,276,928
Non-current unearned revenue		
Pre-paid Tri-Cities BSEL building rent	3,440,278	3,940,278
Bookie building	3,311,694	3,441,480
Subtotal	6,751,972	7,381,758
Total unearned revenue	\$ 20,989,263	\$ 20,658,687

Deferred inflows of resources include revenue received that is intended for future periods and deferred inflows related to pension.

Deferred inflows of resources	2020	2019
General obligation bond refundings		
R2011A(2002A)	\$ 131,663	\$ 157,998
R2011B(2002A)	15,000	17,500
R2012A(R2002A(1995A-HEWSU))	-	45,000
R2014A(2004)(1995C)	-	18,571
R2014(2004)(1996A)	-	17,142
R2015SC(R2005A(1997A-HE-WSU))	36,595	60,880
R2017C(R2007A(2001A))	690,384	814,272
R2020A(R2010B(2001C))	311,071	-
R2020C(R2011B(2002A))	116,923	-
Subtotal general obligation bonds	1,301,636	1,131,363
Pension		
Pension net difference between projected and actual experience	14,312,625	18,954,409
Pension changes in proportion	2,416,144	2,324,073
Pension net difference between projected and actual investment earnings on pension plan investments	20,747,492	15,467,151
Pension changes in assumption	10,004,320	12,485,989
Subtotal pension	47,480,581	49,231,622
OPEB		
OPEB changes in assumption	86,420,115	101,152,891
OPEB changes in agency proportion	17,108,761	13,804,646
Subtotal OPEB	103,528,876	114,957,537
Total deferred inflows of resources	\$ 152,311,095	\$ 165,320,522

11. Risk Management

The University is exposed to risk of loss related to tort liability, injuries to employees and loss of property. In accordance with state policy, the University self-insures unemployment compensation for all eligible employees. Buildings that were acquired with bond proceeds are insured through WSU's commercial insurance program, according to each covenant. The University assumes its potential property losses for most other buildings and contents. Other risk liabilities including professional, general, employment practices, automobile liability, information security and privacy protection are either or both insured through the State of Washington Self-Insurance Liability Program (SILP) as covered by the tort Claims Act (RCW 4.92 et seq.), or WSU commercial policies to provide adequate coverage as determined.

Payments made for unemployment compensation claims and cash reserve balances are as follows.

Fiscal year ending	Claims paid	Cash reserves
June 30, 2020	\$600,298	\$4,352,748
June 30, 2019	\$926,061	\$5,082,545
June 30, 2018	\$836,658	\$5,121,613

For all other insurance settlements the settlements did not exceed the coverages for the last three fiscal years

12. Leases Payable

The University finances some capital asset purchases through the Washington State Treasurer's leasing program. Under this program, the interest rates range from .7% to 5.3% and the lease periods range from 4 to 15 years. As of June 30, 2020, the University had \$20,379,754 and as of June 30, 2019, the University had \$20,122,940 in machinery, software, and equipment acquired under capital lease. Depreciation for the capital assets associated with capital leases is included in depreciation expense. The University also has leases for office equipment with various vendors. These leases are classified as operating leases. As of June 30, 2020, the minimum lease payments under capital leases and operating leases consisted of the following:

<i>Leases Payable</i>		
Fiscal year	Capital leases	Operating leases
2021	\$ 2,289,308	\$ 3,538,837
2022	2,207,591	2,828,327
2023	1,833,739	2,227,668
2024	1,835,666	1,000,729
2025	1,643,256	741,430
2026–2030	1,661,074	317,287
2031–2035	-	49,330
Total minimum lease payments	11,470,634	10,703,608
Amount representing interest	(1,251,118)	-
Net present value	\$ 10,219,516	\$ 10,703,608

13. Asset Retirement Obligation

The University has identified several legally enforceable liabilities associated with the retirement of tangible capital assets due to requirements included in state laws and contracts. As of June 30, 2020 the University has recorded an asset retirement obligation of \$17,153,703. Following is a list of assets identified as having an asset retirement obligation.

Nuclear radiation center -The Nuclear Regulatory Commission and other oversight agencies such as Department of Health in the State of Washington require a decommissioning report valuing the cost of decommissioning the nuclear radiation center. A license was acquired in 2010 along with the decommissioning report and is good for 20 years. The original value of the decommissioning was \$14,600,000. In July 2018 the value was reassessed with an inflation rate of 13.61% added to the original value making the estimate for decommissioning \$16,587,060. In July 2019 the value was reassessed again with an additional inflation rate of .8% for fiscal year 2020. This increased the decommissioning estimate to \$16,725,903. The remaining useful life for the nuclear radiation center is 11 years. This was determined based on the remaining years of the decommissioning report.

Magnetic Resonance Imaging Machine (MRI) – This machine contains heavy metals such as lead, gold, silver or mercury for which state and federal hazardous waste regulations apply. The disposal of these metals is regulated by the Department of Ecology in the State of Washington. The cost of dismantling and disposing of this machine was estimated at \$6,300 based on an estimate given at trade in. It has a total useful life of 5 years with 3 years remaining

Cell Tower Contracts – The University has entered into multiple cell tower contracts that require the removal of equipment once the lease is terminated. The total estimated cost of equipment removal based on engineer's prior experience is \$421,500. The remaining life of these contracts range from 1 to 9 years.

	Balance outstanding 6/30/2019	Additions	Reductions	Balance outstanding 6/30/2020
Nuclear radiation center	\$ 16,587,060	\$ 138,843		\$ 16,725,903
Magnetic resonance imaging (MRI) machine	6,300			6,300
Cell tower contracts	421,500			421,500
Total	\$ 17,014,860	\$ 138,843		\$ 17,153,703

	Balance outstanding 6/30/2018	Additions	Reductions	Balance outstanding 6/30/2019
Nuclear radiation center	\$ 14,600,000	\$ 1,987,060		\$ 16,587,060
Magnetic resonance imaging (MRI) machine		6,300		6,300
Cell tower contracts	374,500	47,000		421,500
Total	\$ 14,974,500	\$ 2,040,360		\$ 17,014,860

14. Bonds Payable, Notes Payable and Related Debt

Bonds and Notes Payable consist of specific, general revenue bonds and notes issued by the University for construction and renovation of University buildings, for Housing and Dining System Facilities, for the Student Recreation Center, Parking Services, Compton Union Building, Athletics and the modernization of the University's Finance and Human Resources system, as well as the University's share of Washington State General Obligation bonds issued for the construction of academic buildings. Washington State General Obligation bonds are backed by the full faith, credit and taxing power of the State. A portion of tuition and matriculation fees paid to the University are pledged for the payment of principal and interest on the University's share of these bonds.

Revenue bonds issued by the University include certain restrictive covenants. Certain revenue bonds have a specific revenue stream pledged to pay them. General revenue bonds are special fund obligations of the University, payable from general revenues which include non-appropriated, unrestricted income and revenues, including available auxiliary system revenues.

For fiscal year 20 no new bonds were issued.

On November 20, 2018 the University issued \$31,325,000 in General Revenue Bonds, Series 2018 as approved by the Board of Regents on June 8th, 2018 pursuant to Resolution 180608-586. The bonds will be used to modernize the University's Finance and Human Resource systems including the acquisition and implementation of an enterprise resource planning system and capitalized interest. \$30,000,000 was issued for the project, \$985,450 was issued as capitalized interest. The issue costs were \$161,616 and the Underwriter's discount was \$117,934. Average interest rate is 3.96%. Interest is payable semi-annually on April 1 and October 1, commencing October 1, 2018. Principal payments are due annually on October 1, commencing October 1, 2022.

On February 27, 2020 the University issued \$3,544,000 in a General Revenue Note as approved by the Board of Regents on January 29, 2019 pursuant to Resolution 190125-595. The note will be used for the Baseball Clubhouse. \$3,500,000 was issued for the project and \$44,000 for the cost of issuance. The average interest rate is 1.78%. Interest is payable semi-annually on April 1 and October 1, commencing April 1, 2020. Principal payments are due annually on April 1, commencing on April 1, 2021

Bond Refunding Activity

The scheduled liabilities as of June 30, 2020 do not include revenue bonds that were advance refunded. Government obligations in amounts, maturities and bearing interest rates sufficient to fund retirement of these bonds are held in irrevocable trusts.

On July 16, 2019 the University issued \$65,050,000 in Trust and Building Fee Green Bonds to refund \$78,950,000 in Trust and Building Fee Bonds. The refunding resulted in an aggregate debt service decrease of \$34,687,629 and an economic gain of \$12,571,366

There were no refundings for fiscal year 19

Notes to the Financial Statements

Related Debt

The University does not hold any direct borrowings or direct placements as a form of debt. The University also does not hold any line of credit.

As of June 30, 2020, the University was indebted for bonds and notes payable for the purposes shown in the following table.

Purpose	Series	Interest rate/ ranges	Final maturity date	Principal outstanding 2020	Principal outstanding 2019	Current portion 2020	See table below
Housing and Dining system	2010	3%–5%	2024	\$ 6,265,000	\$ 7,365,000	\$ 1,140,000	1
	2010B	7.1%–7.4%	2041	35,305,000	35,305,000	-	
Student Recreation Center	2009	3%–5.25%	2019		-	-	2
Compton Union Building	2006B	5%–6%	2027	18,895,000	20,980,000	2,210,000	3
Trust and building fee revenue bonds	2009B	3%–6.41%	2034		82,745,000		4
General revenue bonds	2019	5%	2034	65,010,000		3,035,000	5
	2012A & B	2%–5%	2037	81,755,000	84,715,000	3,090,000	
	2013A & B	3%–5%	2038	40,675,000	42,670,000	2,095,000	
	2014A & B	1.75%–5%	2039	47,170,000	48,640,000	1,545,000	
	2015	3%–5%	2045	134,100,000	138,095,000	4,195,000	
	2016	3%–5%	2041	82,300,000	85,715,000	3,590,000	
	2018	3%–5%	2040	31,325,000	31,325,000	-	
General revenue note	2020	1.78%	2026	3,544,000		679,000	
State of Washington general obligation bonds	HE-WSU	3.5%–6.4%	2022	895,000	2,165,000	630,000	
	2001A	5%–5.6%	2025	6,035,000	6,875,000	880,000	
	2001C	5%–5.3%	2026	3,165,000	4,015,000	470,000	
	2002A	4%–6%	2026	2,420,000	2,845,000	305,000	
				558,859,000	593,455,000	\$ 23,864,000	
Less: unamortized insurance costs				(49,986)	(56,651)		
Plus: unamortized premiums				65,394,567	54,336,297		
Net bonds payable				\$ 624,203,580	\$ 647,734,646		

The University has pledged future revenues, net of specific operating expenses, to repay the principal and interest on revenue bonds.

The following is a schedule of pledged revenues and related debt, as of June 30, 2020.

Ref		2020 total future pledged revenues	2020 revenues, net of expenses	2020 principal and interest	2019 revenues, net of expenses	2019 principal and interest
1	Housing and Dining system (2010)	\$ 7,071,925	\$ 19,233,686	\$ 1,423,850	\$ 28,341,890	\$ 1,421,750
2	Student Recreation Center (2009)	-	-	-	-	1,476,800
3	Compton Union Building (2006B)	23,181,021	7,284,547	3,276,158	6,404,964	3,275,639
4	Trust and building fee bonds (2009B)	-	37,163,123	4,888,604	32,585,867	8,881,541
5	Trust and building fee (2019 Green Bonds)	\$ 92,267,500	\$ 37,163,123	\$ 2,302,438	\$ -	\$ -

Annual Debt Service Requirements

Future debt service requirements at June 30, 2020 are as follows:

Fiscal year	Revenue bond and note obligations			State of Washington general obligation bonds		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 21,579,000	\$ 26,053,276	\$ 47,632,276	\$ 2,285,000	\$ 570,435	\$ 2,855,435
2022	22,642,000	24,992,667	47,634,667	2,005,000	481,625	2,486,625
2023	24,040,000	23,857,542	47,897,542	1,825,000	386,750	2,211,750
2024	25,228,000	22,650,015	47,878,015	1,925,000	294,250	2,219,250
2025	25,790,000	21,392,174	47,182,174	2,015,000	196,875	2,211,875
2026–2030	139,635,000	87,851,524	227,486,524	2,085,000	85,750	2,170,750
2031–2035	159,795,000	51,365,992	211,160,992	375,000	9,375	384,375
2036–2040	122,450,000	15,784,287	138,234,287	-	-	-
2041	5,185,000	200,291	5,385,291			
Subtotal	546,344,000	274,147,768	820,491,768	12,515,000	2,025,060	14,540,060
Less: unamortized issuance costs	(49,986)		(49,986)			
Plus: unamortized premiums	65,394,567		65,394,567			
Total	\$ 611,688,581	\$ 274,147,768	\$ 885,836,349	\$ 12,515,000	\$ 2,025,060	\$ 14,540,060



15. Deferred Outflows of Resources and Schedule of Long-Term Liabilities

Following are the changes in refunding of debt (representing the difference between the reacquisition price and the net carrying amount of the old debt), deferred outflows of resources related to pensions, bond payable, capital leases, and other post-employment benefit obligations for the years ending June 30, 2020 and June 30, 2019.

Deferred outflows of resources	2020					Current portion
	Total amount issued	Balances outstanding 6/30/2019	Additions	Reductions	Balance outstanding 6/30/2020	
Revenue bonds						
Student Recreation Series 2009	\$	951,405	\$	(73,729)	\$ 877,676	
Student fee 2006A refunding (CUB)		1,709,889		(86,815)	1,623,074	
General revenue bonds Athletics 2007 refunding		752,958		(58,350)	694,608	
Parking series 2005		33,103		(7,049)	26,054	
General revenue bonds series 2013 refunding		353,764		(61,524)	292,240	
Housing and Dining Services (HDS) series 2005		112,179		(10,488)	101,691	
Housing and Dining Services (HDS) series 2010		481,026		(96,205)	384,821	
General revenue bond 2016 HDS 2008 refunding		1,512,459		(75,987)	1,436,472	
Trust & building 2019B refunding FY20		-	\$ 1,121,907	(71,720)	1,050,187	
Subtotal revenue bonds		5,906,783	1,121,907	(541,867)	6,486,823	
Pension						
Pension differences between expected and actual experience		3,010,085	1,204,718		4,214,803	
Pension differences between projected and actual investment earnings		-			-	
Pension changes in assumption		252,693	465,826		718,519	
Pension changes in proportion		1,525,036		(1,047,888)	477,148	
Contributions subsequent to measurement date		18,550,792	1,488,054		20,038,846	
Subtotal pension		23,338,606	3,158,598	(1,047,888)	25,449,316	
Supplemental retirement						
Difference between expected and actual experience		-	4,663,472		4,663,472	
Changes in assumptions		6,886,690	13,869,244		20,755,934	
Subtotal OPEB		6,886,690	18,532,716	-	25,419,406	
OPEB						
Differences between expected and actual experience		9,247,100		(1,287,984)	7,959,116	
Changes in assumptions		-	17,329,475		17,329,475	
Transactions subsequent to the measurement date		4,868,327		271,118	5,139,445	
Subtotal OPEB		14,115,427	17,329,475	(1,016,866)	30,428,036	

2020

Deferred outflows of resources	Total amount issued	Balances outstanding 6/30/2019	Additions	Reductions	Balance outstanding 6/30/2020	Current portion
Asset retirement obligation						
Asset retirement obligation (ARO)		8,597,414		(785,090)	7,812,324	
Subtotal ARO		8,597,414	-	(785,090)	7,812,324	
Total		\$ 58,844,920	\$ 40,142,696	\$ (3,391,711)	\$ 95,595,905	

Schedule of long-term liabilities

Revenue and refunding bonds, net	\$ 630,895,000	\$ 631,834,646	\$ 80,436,489	\$ (104,126,555)	\$ 608,144,580	\$ 21,579,000
Note payable	\$3,544,000		3,544,000		3,544,000	
State of Washington general obligation bonds, net	29,235,000	15,900,000	3,165,000	(6,550,000)	12,515,000	2,285,000
Capital leases		11,996,023	118,632	(1,895,138)	10,219,517	1,766,298
Pension obligation, net		161,931,755	52,051,629	(42,309,956)	171,673,428	
OPEB liability		265,143,450	32,915,470		298,058,920	5,139,445
Asset retirement obligation		17,014,860	138,843		17,153,703	
Total	\$ 663,674,000	\$ 1,103,820,734	\$ 172,370,063	\$ (154,881,649)	\$ 1,121,309,148	\$ 30,769,743



Notes to the Financial Statements

2019

Deferred outflows of resources	Total amount issued	Restated balances outstanding 6/30/2018	Additions	Reductions	Balance outstanding 6/30/2019	Current portion
Revenue bonds						
Student recreation series 2009	\$	1,025,132	\$	(73,727)	\$ 951,405	
Student fee 2006A refunding (CUB)		1,796,703		(86,814)	1,709,889	
General revenue bonds Athletics 2007 refunding		811,309		(58,351)	752,958	
Parking series 2005		40,153		(7,050)	33,103	
General revenue bonds series 2013 refunding		415,288		(61,524)	353,764	
Housing and Dining Services (HDS) series 2005		122,667		(10,488)	112,179	
Housing and Dining Services (HDS) series 2010		577,232		(96,206)	481,026	
General revenue bond 2016 HDS 2008 refunding		1,588,447		(75,988)	1,512,459	
Subtotal revenue bonds		6,376,931	–	(470,148)	5,906,783	
Pension						
Pension differences between expected and actual experience		4,775,944		(1,765,859)	3,010,085	
Pension differences between projected and actual investment earnings		–			–	
Pension changes in assumption		471,136		(218,443)	252,693	
Pension changes in proportion		3,025,802		(1,500,766)	1,525,036	
Contributions subsequent to measurement date		17,603,439	\$ 947,353		18,550,792	
Subtotal pension		25,876,321	947,353	(3,485,068)	23,338,606	
Supplemental retirement						
Changes in assumptions			6,886,690		6,886,690	
Subtotal OPEB		–	6,886,690	–	6,886,690	
OPEB						
Differences between expected and actual experience			9,247,100		9,247,100	
Transactions Subsequent to the Measurement Date		4,960,373		(92,046)	4,868,327	
Sub total OPEB		4,960,373	9,247,100	(92,046)	14,115,427	
Asset retirement obligation						
Asset retirement obligation (ARO)		7,472,640	2,040,360	(915,586)	8,597,414	
Subtotal ARO		7,472,640	2,040,360	(915,586)	8,597,414	
Total	\$	44,686,265	\$ 19,121,503	\$ (4,962,848)	\$ 58,844,920	
Schedule of long-term liabilities						
Revenue and refunding bonds, net	\$ 662,700,000	\$ 623,957,767	\$ 31,325,000	\$ (23,448,121)	\$ 631,834,646	\$ 20,815,000
State of Washington general obligation bonds, net	29,235,000	18,655,000		(2,755,000)	\$15,900,000	2,900,000
Capital leases		13,876,852		(1,880,829)	\$11,996,023	1,800,181
Pension obligation, net		178,883,816	33,685,417	(50,637,478)	\$161,931,755	
OPEB liability		313,439,155		(48,295,705)	\$265,143,450	4,868,327
Asset retirement obligation		14,974,500	2,040,360		\$17,014,860	
Total	\$ 691,935,000	\$ 1,163,787,090	\$ 67,059,777	\$ (127,017,133)	\$ 1,103,820,734	\$ 30,383,508

16. Pension Plans

The University offers four contributory pension plans: the Washington State Public Employees Retirement System (PERS) plan, the Washington State Teachers Retirement System (TRS) plan, the Law Enforcement Officers' and Firefighters' Retirement System (LEOFF) plan, and the Washington State University Retirement Plan (WSURP). PERS, TRS, and LEOFF are cost sharing multiple-employer defined benefit pension plans administered by the Washington State Department of Retirement Systems (DRS). WSURP is a defined contribution pension plan with a supplemental payment to beneficiaries when required and is administered by the University. WSURP is not subject to GASB 68 or 73 but the supplemental portion (SRP) is subject to GASB 73. The pension liabilities here in calculated are consistent with prior years.

As of June 30, 2020, the University's aggregate share of the unfunded liabilities associated with the defined benefit pension plans administered by DRS was \$52,731,524. The liability associated with WSURP was \$118,941,904. For the year ended June 30, 2020 total pension expense for University and DRS administered plans was \$9,476,646.

PERS, TRS and LEOFF

The state of Washington, through the Department of Retirement Systems, administers the PERS, TRS, and LEOFF plans. Pension plans administered by the state are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, employee and employer contributions are recognized in the period in which employee services are performed, investment gains and losses are recognized as incurred, and benefits and refunds are recognized when due and payable in accordance with the terms of the applicable plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all plans, and additions to/deductions from all plan fiduciary net position have been determined in all material respects on the same basis as they are reported by the plans.

The authority to establish and amend benefit provisions resides with the legislature. Effective July 1, 2003 LEOFF Plan 2 Retirement Board was established to provide governance. The Board can adopt contribution rates and recommend policy changes to the legislature. PERS retirement benefit provisions are established in chapters 41.34 and 41.40 RCW, TRS retirement benefit provisions are established in chapters 41.32 and 41.34 RCW and LEOFF retirement benefits provisions are established in chapter 41.26 RCW. The Washington State Department of Retirement System (DRS) issues a publicly available financial report that includes financial statements and required supplementary information for PERS, TRS, and LEOFF. The report may be obtained by writing to the Department of Retirement Systems, PO Box 48380, Olympia, Washington 98504-8380 or on-line at <http://www.drs.wa.gov/administration/annual-report>.



Plan Descriptions.

PERS provides retirement, disability, and death benefits to eligible nonacademic employees not enrolled in other higher education retirement plans. PERS is a cost sharing, multiple employer retirement system comprised of three separate plans. Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. For reporting purposes Plan 2/3 is considered a single defined benefit plan. Plan 1 is closed to new entrants. Members are vested after five years of eligible service. The monthly benefit is calculated as two percent of average final compensation, (AFC) the average of the member's 24 highest consecutive service months, per year of service up to 60 percent. Members are eligible for retirement after 30 years of service, at age 60 with five years of service, or at age 55 with 25 years of service. Members retiring prior to age 65 may receive actuarially reduced benefits. Members may elect to receive an optional cost of living adjustment (COLA) based on the consumer price index. Plan 2 members are vested after five years of eligible service and eligible for retirement at age 65. The monthly benefit is two percent of the AFC per year of service with no cap on years of service credit and a COLA based on the consumer price index capped at three percent annually. For Plan 2 the AFC is the average of the member's 60 highest paid consecutive months. Members are eligible to retire early with reduced benefits. Plan 3 members are vested in the defined benefit portion after 10 years of service, or after 5 years of service if 12 months of that service are earned after age 44. The monthly benefit is 1 percent of the AFC per year of service with no cap on service years. The AFC and COLA are the same as Plan 2.

TRS provides retirement, disability, and death benefits to certified public school employees working in an instructional, administrative, or supervisory capacity. Similar to PERS, TRS Plan 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component. For reporting purposes Plan 2/3 is considered a single defined benefit plan. Plan 1 is closed to new entrants. Members are vested after five years of eligible service and can retire at any age after 30 years of service, at age 60 after 5 years of service, or age 55 with 25 years of service. The monthly benefit is calculated as two percent of the AFC (total earnable compensation for two consecutive highest paid fiscal years divided by two) for year of service up to 60 percent. Plan 1 members may elect to receive an optional COLA amount based on the consumer price index capped at 3 percent annually, reducing the benefit. Plan 2 members are vested after 5 years of eligible service. Members are eligible for retirement at age 65 with 5 years of service. The monthly benefit is 2 percent of the AFC, the average of the member's 60 highest paid consecutive months, per year of service. A COLA is granted based on the consumer price index capped at 3 percent annually. Members can retire early with reduced benefits. Plan 3 members are vested after 10 years of service or after 5 years of service if 12 months of that service is earned after age 44. The defined benefit portion provides members a monthly benefit of 1 percent of the AFC per year of service, with the same AFC as Plan 2. The same COLA is used as Plan 2 and members can retire early with reduced benefits.

LEOFF 2 provides retirement disability, and death benefits to full time, fully compensated local law enforcement commissioned officers, fire fighters, and as of July 24, 2005 emergency medical technicians. Plan 2 members are vested after 5 years of eligible service. Members are eligible for retirement at age 53 with five years of service or age 50 with 20 years of service. The monthly benefit is 2 percent of the FAS (final average salary), based on the highest consecutive 60 months, per year of service. A COLA is granted based on the consumer price index capped at 3 percent annually. Members can retire early with reduced benefits.

Funding Policy. Each biennium, the state Pension Funding Council adopts PERS and TRS Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute. Under LEOFF, employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary to fully fund the plan. All employers are required to contribute at the level established by state law.

Contributions for DRS Plans The University's contribution rates and required contributions for the above retirement plans for the years ending June 30, 2020 and June 30, 2019 are as follows:

Contribution rates*			
	Employee	University	FY2020
PERS			
Plan 1	6.0%	12.83%	\$ 6,679,211
Plan 2	7.41%	12.83%	6,219,701
Plan 3	5.0–15.0%	12.83%	4,569,129
TRS			
Plan 1	6.0%	15.41%	986,500
Plan 2	7.06%	15.41%	0.00
Plan 3	5.0–15%	15.41%	1,098,399
LEOFF			
Plan 2	8.75%	8.93%	\$ 209,016

*Contribution rates as of measurement date 6/30/2019

Contribution rates*			
	Employee	University	FY2019
PERS			
Plan 1	6.0%	12.70%	\$ 6,645,224
Plan 2	7.38%	12.70%	5,657,074
Plan 3	5.0–15.0%	12.70%	3,891,517
TRS			
Plan 1	6.0%	15.20%	925,684
Plan 2	7.06%	15.20%	0.00
Plan 3	5.0–15%	15.20%	974,731
LEOFF			
Plan 2	8.75%	8.93%	\$ 199,047

*Contribution rates as of measurement date 6/30/2018

Actuarial Assumptions The total State pension liability was determined by an actuarial valuation performed by the Washington State Office of the State Actuary as of June 30, 2018 with the results rolled forward to the June 30, 2019 measurement date using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.50%
Investment rate of return	7.40%
Discount rate	7.40%

Mortality rates were based on the RP-2000 “Combined Healthy Table and Combined Disabled Table” published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of OSA's 2007-2012 Experience Study and the 2017 Economic Experience Study. Additional assumptions are current for subsequent events and law changes as of the 2018 report.

Notes to the Financial Statements

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the WSIB. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of the measurement date of June 30, 2019 are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return
Fixed income	20.0%	2.2%
Tangible assets	7.0%	5.1%
Real estate	18.0%	5.8%
Global equity	32.0%	6.3%
Private equity	23.0%	9.3%
Total	100%	

Discount Rate. The discount rate used to measure the total state pension liability was 7.4 percent, the same as the previous measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.5 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.4 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including PERS Plans 2 and 3 and TRS Plans 2 and 3 whose rates include a component for the PERS/TRS Plan 1 liability). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent on pension plan investments was applied to determine the total pension liability.

Sensitivity of the Net Pension Liability/Asset to Changes in the Discount Rate. The following presents the net pension liability/asset of the state as an employer, calculated using the discount rate of 7.4 percent as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the rate.

Discount rate sensitivity on net pension liability 2020

Plan	1% decrease	Current discount rate	1% increase
PERS 1	\$ 44,628,945	\$ 35,637,058	\$ 27,835,413
PERS 2/3	87,896,636	11,356,082	(50,794,048)
TRS 1	5,898,173	4,614,748	3,501,469
TRS 2/3	6,123,696	1,123,636	(2,951,754)
LEOFF 2	\$ (465,060)	\$ (2,501,102)	\$ (4,162,978)

Discount rate sensitivity on net pension liability 2019

Plan	1% decrease	Current discount rate	1% increase
PERS 1	\$ 52,173,462	\$ 42,454,119	\$ 34,035,206
PERS 2/3	92,467,688	20,215,832	(39,022,626)
TRS 1	7,078,222	5,663,057	4,437,929
TRS 2/3	5,478,293	878,956	(2,857,306)
LEOFF 2	\$ (295,683)	\$ (2,223,495)	\$ (3,795,849)

Proportionate Share. The state net pension liability was calculated as of the valuation date of June 30, 2018 and rolled forward to the measurement date of June 30, 2019. The basis for determining the proportionate share was the amount of employer contributions processed by DRS during the fiscal year ended June 30, 2019. The University's proportionate share by plan for the years ended June 30, 2020 and June 30, 2019 are in the following tables.

	Plan	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2
2020	Proportionate share	.93%	1.17%	.19%	.19%	.11%
2019	Proportionate share	.95%	1.18%	.19%	.20%	.11%

The following table represents the aggregate pension amounts for each plan subject to the requirements of GASB Statement No. 68 for the University as an employer for the fiscal years ended June 30, 2020 and 2019 respectively.

	2020					
	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2	Total
Pension liability	\$35,637,058	\$11,356,082	\$4,614,748	\$1,123,636		\$ 52,731,524
Pension asset					\$2,501,102	2,501,102
Pension expense	\$ 524,135	\$ 2,796,081	\$ (10,886)	\$ 850,205	\$ 43,737	\$ 4,203,272

	2019					
	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2	Total
Pension liability	\$42,454,119	\$20,215,832	\$5,663,057	\$ 878,956		\$ 69,211,964
Pension asset					\$2,223,495	2,223,495
Pension expense	\$ 2,430,651	\$ 385,185	\$ 774,008	\$ 660,338	\$ (84,796)	\$ 4,165,386



Notes to the Financial Statements

Deferred Outflows and Deferred Inflows of Resources

The below tables detail the University's deferred outflows and deferred inflows of resources as well as the schedule of future impacts to pension expense from the deferred amounts amortization. The \$20,038,846 reported as deferred outflows of resources related to state pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ending June 30, 2021.

2020						
Deferred outflows of resources						
	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2	Total
Differences between expected and actual experience		\$ 3,253,544		\$ 781,282	\$ 179,977	\$ 4,214,803
Changes in assumption		290,793		423,606	4,120	718,519
Changes in proportion		120,439		301,529	55,180	477,148
Contributions subsequent to the measurement date	\$ 6,681,219	11,034,832	\$ 986,591	1,122,815	213,389	20,038,846
Total	\$ 6,681,219	\$ 14,699,608	\$ 986,591	\$ 2,629,232	\$ 452,666	\$ 25,449,316

2019						
Deferred Outflows of Resources						
	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2	Total
Differences between expected and actual experience		\$ 2,477,931		\$ 413,046	\$ 119,108	\$ 3,010,085
Changes in assumption		236,491		14,944	1,259	252,694
Changes in proportion		964,422		500,895	59,720	1,525,037
Contributions subsequent to the measurement date	\$ 6,647,444	\$ 9,777,280	\$ 925,786	\$ 997,140	\$ 203,142	\$ 18,550,792
Total	\$ 6,647,444	\$ 13,456,124	\$ 925,786	\$ 1,926,025	\$ 383,229	\$ 23,338,608

The University reported deferred inflows of resources related to state pension from the following sources:

2020						
Deferred inflows of resources						
	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2	Total
Differences between expected and actual experience		\$ 2,441,495		\$ 36,156	\$ 44,976	\$ 2,522,627
Changes in assumption		4,764,634		298,550	281,454	5,344,638
Net difference between projected and actual earnings on investments	\$ 2,380,855	16,529,830	\$ 353,914	970,089	512,804	20,747,492
Changes in proportion		2,173,792		65,014	177,337	2,416,143
Total	\$ 2,380,855	\$ 25,909,751	\$ 353,914	\$ 1,369,809	\$ 1,016,571	\$ 31,030,900

2019						
Deferred inflows of resources						
	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2	Total
Differences between expected and actual experience		\$ 3,539,421		\$ 64,902	\$ 51,630	\$ 3,655,953
Changes in assumption		5,753,262		353,221	319,112	6,425,595
Net difference between projected and actual earnings on investments	\$ 1,687,102	12,405,370	242,175	743,362	389,142	15,467,151
Changes in proportion		2,118,522			205,551	2,324,073
Total	\$ 1,687,102	\$ 23,816,575	\$ 242,175	\$ 1,161,485	\$ 965,435	\$ 27,872,772

Deferred inflows and outflows will be recognized in pension expense with the exception of contributions made after the measurement date as follows:

Year	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2	Total
2021	\$ (525,587)	\$ (5,387,882)	\$ (72,647)	\$ (361)	\$ (149,072)	\$ (6,135,549)
2022	(1,244,965)	(8,922,227)	(190,000)	(309,984)	(275,643)	(10,942,819)
2023	(444,275)	(4,200,957)	(66,811)	(64,826)	(130,729)	(4,907,598)
2024	(166,028)	(2,452,158)	(24,456)	35,088	(76,346)	(2,683,900)
2025		(1,244,893)		116,881	(35,257)	(1,163,269)
Thereafter		(36,858)		359,811	(110,247)	212,704
Total	\$ (2,380,855)	\$ (22,244,975)	\$ (353,914)	\$ 136,609	\$ (777,294)	\$ (25,620,431)

**Negative amounts shown in the table above represent a reduction of expense*

Washington State University Retirement Plan (WSURP)

Plan Description Faculty, librarians and other professional staff, are eligible to participate in the Washington State University Retirement Plan (WSURP), a single-employer 403b defined contribution plan administered by the University. The Teacher's Insurance and Annuity Association (TIAA) and the College Retirement Equities Fund (CREF) are the companion organizations through which individual retirement annuities are purchased. Employees have at all times a 100% vested interest in their accumulations.

TIAA-CREF benefits are payable upon termination at the member's option unless the participant is re-employed in another institution which participates in TIAA-CREF.

WSURP has a supplemental payment (SRP) component that guarantees a minimum retirement benefit goal based upon a one-time calculation at each employee's retirement date when a member's goal income is greater than their assumed income. Assumed income must be calculated by an independent actuary. The minimum retirement benefit goal is 2% of the average annual salary for each year of full-time service up to a maximum of 25 years. However, if the participant does not elect to make the 10% TIAA-CREF contribution after age 49, the benefit goal is 1.5% for each year of full-time service for those years the lower contribution rate is selected.

The University makes direct payments to qualifying retirees when the retirement benefit provided by TIAA-CREF does not meet the benefit goal. Employees are eligible for a non-reduced supplemental payment after the age of 62 with ten years of full-time service.

The University's Board of Regents are authorized to amend benefit provisions under RCW 28B.10.400. In 2011, the plan was amended to eliminate the supplemental benefit provisions for all employees hired after June 30, 2011.

The WSURP supplemental pension benefits are unfunded and charged to operations in the years in which they are paid. The University makes no contributions other than benefit payments and there are no plan assets.

Benefit payments made during the fiscal year ended June 30, 2020 were \$2,721,796.

Actuarial Assumptions Material assumption changes during the measurement period include a decrease in the discount rate from 3.5 percent to 2.21 percent, CREF investment experience was lower than the expected 6.5 percent rate at 2.31 percent, and TIAA decreased to 4.12 percent all of which caused an increase to total pension liability. The following table represents significant assumptions used to measure the total pension liability.

Inflation	2.75%
Discount rate	2.21%
Source of mortality assumptions	Healthy RP-2000 table, generational improvements using scale BB
Date of experience study	April 2016
Salary changes	3.75%
Source of discount rate	Bond Buyer's 20 bond index

Notes to the Financial Statements

The following table presents the net pension liability using a discount rate of 2.21 percent as well as what the pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

Total pension liability 2020

1% decrease	Current discount rate	1% increase
\$ 136,249,661	\$ 118,941,904	\$ 104,640,370

Total pension liability 2019

1% decrease	Current discount rate	1% increase
\$ 105,485,293	\$ 92,719,791	\$ 82,073,109

Total Pension Liability. The total pension liability is based on an actuarial valuation performed as of June 30, 2018 using the entry age normal cost method and rolled forward to the measurement date of June 30, 2020. The WSURP supplemental pension benefits are unfunded and charged to operations in the years in which they are paid. The University makes no contributions other than benefit payments and there are no plan assets.

Schedule of changes in total pension liability	2020
Beginning balance	\$ 92,719,791
Service cost	2,282,208
Interest on TPL	3,281,815
Differences between expected and actual experience in the measurement of TPL	5,496,235
Change of assumptions	17,655,000
Benefit payments	(2,493,145)
Ending balance	\$ 118,941,904

Schedule of changes in total pension liability	2019
Beginning balance	\$ 82,831,268
Service cost	2,111,920
Interest on TPL	3,240,556
Differences between expected and actual experience in the measurement of TPL	(1,022,479)
Change of assumptions	7,997,446
Benefit payments	(2,438,920)
Ending balance	\$ 92,719,791

Pension expense for WSURP for the year ended June 30, 2020 was \$5,273,373.

Deferred Inflows and Outflows of Resources

The tables below detail the deferred inflows and outflows of resources and the amortization of those deferred amounts on pension expense in future periods.

	2020	
	Deferred outflows	Deferred inflows
Differences between expected and actual experience	\$ 4,663,472	\$ 11,789,998
Changes in assumption	20,755,934	4,659,683
Total	\$ 25,419,406	\$ 16,449,681

	2019	
	Deferred outflows	Deferred inflows
Differences between expected and actual experience		\$ 15,298,456
Changes in assumption	\$ 6,886,690	6,060,394
Total	\$ 6,886,690	\$ 21,358,850

Amortization of deferred inflows and outflows of resources

Year	
2021	\$ (290,650)
2022	(290,650)
2023	384,763
2024	3,086,397
2025	3,781,456
Thereafter	2,298,409
Total	\$ 8,969,725



17. Other Post-Employment Benefits (OPEB)

Plan Description

The University is a participating employer in the state's Public Employees Benefits Board (PEBB) program, a single employer defined benefit plan administered by the Washington State Health Care Authority (HCA). The PEBB is authorized to design benefits and determine terms and conditions of employee and retired employee participation and coverage per RCW 41.05.065. The OPEB plan provides medical, dental, prescription drug, vision, life insurance, disability, and long term care insurance benefits for public employees and retirees and their dependents on a pay-as-you-go basis.

The OPEB relationship between PEBB employers and employees is not formalized in a contract or plan document. Instead, the benefits are provided in accordance with a substantive plan in which the plan terms are understood by the employers and plan members based on communications between employers and members and the historical pattern of practice with regard to the sharing of benefits costs.

The employer's plan provides benefits through both explicit and implicit subsidies. The explicit subsidy is a set dollar amount that lowers the monthly premium paid by members over the age of 65 enrolled in Medicare Parts A and B. This set dollar amount is recommended by PEBB and approved by the state Legislature annually and was set at \$183 per member per month for fiscal year 2020. The implicit subsidy results from the inclusion of active and non-Medicare eligible retirees in the same pool when determining premiums. There is an implicit subsidy from active employees since the premiums paid by retirees are lower than they would have been if the retirees were insured separately.

For information on the actuarial valuation of the employer provided subsidies, refer to the Office of the State Actuary's website: <http://leg.wa.gov/osa/additionalservices/Pages/OPEB.aspx>.

Employees covered by benefit terms- The table below shows the University's PEBB membership as of June 30, 2020 and June 30, 2019:

	2020	2019
Active employees	6,325	6,430
Inactive employees or beneficiaries currently receiving benefits	1,732	1,761
Inactive employees entitled to but not yet receiving benefits	308	313

Funding Status and Actuarial Methods and Assumptions:

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare trends. The differences between these assumptions and actual results could have a significant effect on the University's financial report.

Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information. However, the state operates on a pay-as-you-go basis and contributions from employers to the HCA only occur when benefits become due, so the actuarial value of the plan asset is zero.

Projections of benefits for financial reporting purposes are based on the terms of the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the employer and plan members to that point.

Significant methods and assumptions used in the current valuation are as follows:

Actuarial valuation date	6/30/2019
Inflation rate	2.75%
Health care trend rate	8.00% initial rate, 4.5% ultimate rate in 2080
Projected salary increases	3.50%
Discount rate	3.50%
Source of mortality assumptions	RP-2000 combined healthy table and combined disabled table using 100 percent scale BB
Date of experience study	2007–2012 experience study report
Source of discount rate	Bond buyer general obligation 20-bond municipal bond index as of June 30, 2019

A material assumption change for the measurement period was updating the discount rate from 3.87 to 3.50 which caused an increase in the total OPEB liability.

Sensitivity of the OPEB Liability on the Healthcare Cost Trend Rate and Discount Rate

The following presents the total OPEB liability of the state calculated using the current healthcare cost trend rate of 8%, as well as what the OPEB liability would be if it were calculated using a rate that is 1 percentage point lower (7%) or 1 percentage point higher (9%) than the current rate.

2020			
Health care cost trend rate sensitivity on OPEB liability			
	1% decrease (7.00%)	Current health care cost trend rate (8.00%)	1% increase (9.00%)
Total OPEB liability	\$241,233,437	\$298,058,920	\$374,537,387

2019			
Health care cost trend rate sensitivity on OPEB liability			
	1% decrease (7.00%)	Current health care cost trend rate (8.00%)	1% increase (9.00%)
Total OPEB liability	\$217,657,079	\$265,143,450	\$328,291,317

The following presents the total OPEB liability of the state calculated using the discount rate of 3.50 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.50%) or 1 percentage point higher (4.50%) than the current rate.

2020			
Discount rate sensitivity on OPEB liability			
	1% decrease (2.50%)	Current discount rate (3.50%)	1% increase (4.50%)
Total OPEB liability	\$360,939,375	\$298,058,920	\$249,219,431

2019			
Discount rate sensitivity on OPEB liability			
	1% decrease (2.87%)	Current discount rate (3.87%)	1% increase (4.87%)
Total OPEB liability	\$319,700,665	\$265,143,450	\$222,577,012

Total OPEB Liability (TOL)

The TOL for the state of Washington was determined by an actuarial valuation, conducted by the Office of the State Actuary, using data as of June 30, 2019. The TOL reported at June 30, 2020 was calculated as of the valuation date. OPEB implicit and explicit subsidies are funded by required contributions made by participating employers, such as the University. These contributions are made on behalf of all active, healthcare-eligible employees regardless of enrollment status. As such, the allocation method used to determine the University's proportionate share of the statewide TOL is based on the proportionate share of the state's total active health care eligible employee head count

Changes in the total OPEB liability

The following is a schedule of the changes in the total OPEB liability for fiscal year 2020

Public Employee Benefits Board	
Total OPEB liability at 7/1/2019	\$ 265,143,450
Service cost	12,068,577
Interest	10,468,799
Changes of assumptions	19,495,660
Benefit payments	(4,788,847)
Changes in proportionate share	(4,328,719)
Total OPEB liability at 6/30/2020	\$ 298,058,920

OPEB Costs WSU reported a liability of \$298,058,920 and \$265,143,450 for its proportionate share of the state's OPEB liability for the years ended June 30, 2020 and June 30, 2019 respectively. For fiscal year 2020 the OPEB values were measured as of June 30, 2019 by an actuarial valuation. WSU's share of the liability was 5.14% and 5.22% as of June 30, 2020 and June 30, 2019 respectively. For the years ended June 30, 2020 and June 30, 2019 the University's proportionate share of OPEB expense was \$10,313,644 and \$14,024,594 respectively.

For fiscal years 2020 and 2019, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

2020		
	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ 7,959,116	
Changes of assumptions	17,329,475	\$ 86,420,115
Changes in proportion		17,108,761
Payments subsequent to the measurement date	5,139,445	
Total	\$30,428,036	\$103,528,876
2019		
	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ 9,247,100	
Changes of assumptions		\$ 101,152,891
Changes in proportion		13,804,646
Payments subsequent to the measurement date	4,868,327	
Total	\$14,115,427	\$114,957,537

Deferred outflows of resources of \$5,139,445 resulting from payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2021	\$ (12,223,732)
2022	(12,223,732)
2023	(12,223,732)
2024	(12,223,732)
2025	(12,223,732)
Thereafter	(17,121,625)
Total	\$ (78,240,285)

18. Federal Retirement Plans

Selected positions related to the College of Agricultural, Human, and Natural Resource Sciences are eligible to participate in two federal retirement systems maintained by the Office of Personnel Management.

Civil Service Retirement System

Civil Service Retirement System (CSRS) is a defined benefit retirement plan for employees with federal appointments hired prior to January 1, 1984, and who chose not to transfer to Federal Employees Retirement System (FERS). Retirement benefits are vested after an employee completes five years of eligible service.

As of June 30, 2020 the University had 1 employee enrolled in the plan.

Federal Employees Retirement System

The Federal Employees Retirement System (FERS) is a defined benefit retirement plan for employees with federal appointments hired after December 31, 1983, and those Civil Service Retirement System (CSRS) employees choosing to transfer into this system. Retirement benefits are vested after an employee completes five years of eligible service.

As of June 30, 2020 the University had 6 employees enrolled in the plan.

The University's retirement contribution rates for the Federal Retirement Plans are as follows

	Contribution rates		Required employer contributions	
	Employee	University	2020	2019
CSRS	7.0%	7.0%	\$ 7,221	\$ 11,944
FERS	0.8%	16.0%	\$ 75,063	\$ 65,542

19. Operating Expenses by Function

	2020				
	Compensation and benefits	Supplies and services	Scholarships and fellowships	Depreciation	Total
Instruction	\$ 251,297,906	\$ 22,513,214			\$ 273,811,120
Research	134,315,938	76,951,692			211,267,630
Public service	30,674,108	7,468,322			38,142,430
Academic support	74,350,554	19,749,961			94,100,515
Student services	24,840,050	5,029,183			29,869,233
Institutional support	64,793,140	37,962,791			102,755,931
Operation and maintenance of plant	30,502,458	45,339,400			75,841,858
Auxiliary enterprises	88,253,852	68,094,736			156,348,588
Student financial aid			\$ 77,151,968		77,151,968
Depreciation				\$ 97,851,140	97,851,140
Total operating expenses	\$ 699,028,006	\$ 283,109,299	\$ 77,151,968	\$ 97,851,140	\$ 1,157,140,413

	2019				
	Compensation and benefits	Supplies and services	Scholarships and fellowships	Depreciation	Total
Instruction	\$ 244,904,650	\$ 21,216,551			\$ 266,121,201
Research	133,831,612	72,363,820			206,195,432
Public service	29,320,498	8,835,426			38,155,924
Academic support	71,528,360	19,286,832			90,815,192
Student services	24,783,025	5,931,853			30,714,878
Institutional support	58,929,069	49,235,793			108,164,862
Operation and maintenance of plant	29,023,450	40,936,129			69,959,579
Auxiliary enterprises	84,357,537	75,015,455			159,372,992
Student financial aid			\$ 61,616,095		61,616,095
Depreciation				\$ 102,317,684	102,317,684
Total operating expenses	\$ 676,678,201	\$ 292,821,859	\$ 61,616,095	\$ 102,317,684	\$ 1,133,433,839

20. Blended Component Unit

Below are the condensed financial statements for the Alumni Association.

	2020	2019
Statement of financial position		
Assets		
Total assets	\$ 13,066,636	\$ 14,567,133
Liabilities		
Other liabilities	185,631	736,211
Total liabilities	185,631	736,211
Net assets		
Without donor restrictions	10,835,020	11,681,067
With donor restrictions	2,045,985	2,149,855
Total net assets	12,881,005	13,830,922
Total liabilities and net assets	\$ 13,066,636	\$ 14,567,133
Statement of activities		
Revenue		
Support from WSU	\$ 2,141,896	\$ 2,501,375
Income from assets, net	152,916	742,358
Total revenue	2,294,812	3,243,733
Expense		
Program services	1,421,154	1,545,579
Support services	1,823,575	1,804,898
Total expenses	3,244,729	3,350,477
Nonoperating		
Nonoperating transfers out	-	(3,525,141)
Change in net assets	(949,917)	(3,631,885)
Net assets—beginning of year	13,830,922	17,462,807
Net assets—end of year	\$ 12,881,005	\$ 13,830,922
Statement of cash flows		
Operating activities		
Net cash used by operating activities	\$ (712,626)	\$ (317,763)
Investing activities		
Distribution from pooled endowment investment securities	577,102	166,617
Net increase (decrease) in cash	(135,524)	(151,146)
Cash—beginning of year	2,112,919	2,264,065
Cash—end of year	\$ 1,977,395	\$ 2,112,919

21. Commitments and Contingencies

The University is engaged in various legal actions in the ordinary course of business. Management does not believe the ultimate outcome of these actions will have a material adverse effect on the financial statement.

The University will refund the Housing and Dining General Revenue bond series 2010 and 2014 and will refund the Athletics General Revenue bond series 2012. This will result in a zero cash exchange, but will have a present value savings on future cash flow of \$10,772,522.

The University expects to issue a new debt obligation with net proceeds after cost of issuance, not to exceed \$8,940,000. This will be used to cover the cost of issuance for the refunding bonds.

The University has commitments of \$26,239,933 for various capital improvement projects that include construction and completion of new buildings and renovations of existing buildings.

The background is a solid red color, split diagonally from the top-left corner to the bottom-right corner. The upper-right portion of the image features a subtle, repeating wavy pattern in a slightly darker shade of red.

REQUIRED SUPPLEMENTAL INFORMATION

Schedule of WSU Contributions

Public Employees' Retirement System (PERS) Plan 1 Last 10 Fiscal Years
Fiscal year ending June 30*

	2020	2019	2018	2017	2016	2015	2014
Contractually required contributions	\$ 6,679,211	\$ 6,645,224	\$ 6,354,037	\$ 5,873,872	\$ 5,739,650	\$ 4,445,539	\$ 4,108,597
Contributions in relation to the contractually required contribution	(6,679,211)	(6,645,224)	(6,354,037)	(5,873,872)	(5,739,650)	(4,445,539)	(4,108,597)
Contribution deficiency (excess)	-	-	-	-	-	-	-
Covered payroll	\$ 137,784,157	\$ 128,281,013	\$ 124,750,748	\$ 120,938,855	\$ 120,186,698	\$ 107,767,738	\$ 99,541,744
Contributions as a percentage of covered payroll	4.85%	5.18%	5.09%	4.86%	4.78%	4.13%	4.13%

*This schedule is to be built prospectively until it contains ten years of data.

Schedule of WSU Contributions

Public Employees' Retirement System (PERS) Plan 2/3 Last 10 Fiscal Years
Fiscal year ending June 30*

	2020	2019	2018	2017	2016	2015	2014
Contractually required contributions	\$ 10,788,830	\$ 9,548,591	\$ 9,135,929	\$ 7,429,172	\$ 7,202,615	\$ 5,285,672	\$ 4,742,786
Contributions in relation to the contractually required contribution	(10,788,830)	(9,548,591)	(9,135,929)	(7,429,172)	(7,202,615)	(5,285,672)	(4,742,786)
Contribution deficiency (excess)	-	-	-	-	-	-	-
Covered payroll	\$ 136,667,675	\$ 127,047,653	\$ 123,376,553	\$ 119,248,641	\$ 118,023,229	\$ 105,292,307	\$ 96,729,193
Contributions as a percentage of covered payroll	7.89%	7.52%	7.40%	6.23%	6.10%	5.02%	4.90%

*This schedule is to be built prospectively until it contains ten years of data.

Schedule of WSU Contributions

Teachers Retirement System Last (TRS) Plan 1 Last 10 Fiscal Years
Fiscal year ending June 30*

	2020	2019	2018	2017	2016	2015	2014
Contractually required contributions	\$ 986,500	\$ 925,684	\$ 806,421	\$ 659,336	\$ 402,431	\$ 292,813	\$ 164,453
Contributions in relation to the contractually required contribution	(986,500)	(925,684)	(806,421)	(659,336)	(402,431)	(292,813)	(164,453)
Contribution deficiency (excess)	-	-	-	-	-	-	-
Covered payroll	\$ 13,614,880	\$ 12,505,211	\$ 11,393,621	\$ 10,512,086	\$ 8,871,010	\$ 6,390,188	\$ 3,741,023
Contributions as a percentage of covered payroll	7.25%	7.40%	7.08%	6.27%	4.54%	4.58%	4.40%

*This schedule is to be built prospectively until it contains ten years of data.

Schedule of WSU Contributions

Teachers Retirement System (TRS) Plan 2/3 Last 10 Fiscal Years
Fiscal year ending June 30*

	2020	2019	2018	2017	2016	2015	2014
Contractually required contributions	\$1,098,399	\$ 974,731	\$ 868,149	\$ 701,980	\$ 712,476	\$ 359,625	\$ 207,092
Contributions in relation to the contractually required contribution	(1,098,399)	(974,731)	(868,149)	(701,980)	(712,476)	(359,625)	(207,092)
Contribution deficiency (excess)	-	-	-	-	-	-	-
Covered payroll	\$13,564,384	\$12,448,690	\$11,338,800	\$10,446,117	\$8,802,686	\$6,327,223	\$3,642,005
Contributions as a percentage of covered payroll	8.10%	7.83%	7.66%	6.72%	8.09%	5.68%	5.69%

*This schedule is to be built prospectively until it contains ten years of data.

Schedule of WSU Contributions

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Last 10 Fiscal Years
Fiscal year ending June 30*

	2020	2019	2018	2017	2016	2015	2014
Contractually required contributions	\$ 209,016	\$ 199,047	\$ 189,919	\$ 143,426	\$ 145,308	\$ 136,419	\$ 122,092
Contributions in relation to the contractually required contribution	(209,016)	(199,047)	(189,919)	(143,426)	(145,308)	(136,419)	(122,092)
Contribution deficiency (excess)	-	-	-	-	-	-	-
Covered payroll	\$2,429,109	\$2,274,829	\$2,177,248	\$1,705,430	\$1,691,590	\$1,638,448	\$1,461,750
Contributions as a percentage of covered payroll	8.60%	8.75%	8.72%	8.41%	8.59%	8.33%	8.35%

*This schedule is to be built prospectively until it contains ten years of data.

Schedule of WSU Contributions

WSURP Supplemental Retirement Plan as of June 30*

	2020	2019	2018	2017
Contractually required contributions	\$ 25,986,853	\$ 25,478,226	\$ 25,552,852	\$ 25,429,397
Contributions in relation to the contractually required contribution	(25,986,853)	(25,478,226)	(25,552,852)	(25,429,397)
Contribution deficiency (excess)	-	-	-	-
Covered payroll	\$160,533,073	\$171,012,253	\$186,365,000	\$196,596,000
Contributions as a percentage of covered payroll	16.19%	14.90%	13.71%	12.93%

*This schedule is to be built prospectively until it contains ten years of data.

Schedule of WSU's Proportionate Share of the Net Pension Liability

Public Employees' Retirement System (PERS) Plan 1
Measurement Date of June 30*

	2019	2018	2017	2016	2015	2014
PERS 1 employers' proportion of the net pension liability	0.93%	0.95%	0.98%	1.01%	0.97%	0.93%
PERS 1 employers' proportionate share of the net pension liability	\$ 35,637,058	\$ 42,454,119	\$ 46,335,497	\$ 54,355,128	\$ 50,597,060	\$ 46,759,620
PERS 1 employers' covered payroll	\$ 128,281,013	\$ 124,750,748	\$ 120,938,855	\$ 116,436,524	\$ 108,182,777	\$ 98,779,796
PERS 1 employers' proportionate share of the net pension liability as a percentage of its covered payroll	27.78%	34.03%	38.31%	46.68%	46.77%	47.34%
Plan fiduciary net position as a percentage of the total pension liability	67.12%	63.22%	61.24%	57.03%	59.10%	61.19%

*As of June 30; this schedule is to be built prospectively until it contains ten years of data.

Schedule of WSU's Proportionate Share of the Net Pension Liability

Public Employees' Retirement System (PERS) Plan 2/3
Measurement Date of June 30*

	2019	2018	2017	2016	2015	2014
PERS 2 employers' proportion of the net pension liability	1.17%	1.18%	1.22%	1.25%	1.19%	1.12%
PERS 2 employers' proportionate share of the net pension liability	\$ 11,356,082	\$ 20,215,832	\$ 42,261,445	\$ 62,818,595	\$ 42,397,358	\$ 22,694,083
PERS 2 employers' covered payroll	\$ 127,047,653	\$ 123,376,553	\$ 119,248,641	\$ 114,375,414	\$ 105,747,583	\$ 95,879,972
PERS 2 employers' proportionate share of the net pension liability as a percentage of its covered payroll	8.94%	16.39%	35.44%	54.92%	40.09%	23.67%
Plan fiduciary net position as a percentage of the total pension liability	97.77%	95.77%	90.97%	85.82%	89.20%	93.29%

* As of June 30; this schedule is to be built prospectively until it contains ten years of data.

Schedule of WSU's Proportionate Share of the Net Pension Liability

Teachers' Retirement System (TRS) Plan 1
Measurement Date of June 30*

	2019	2018	2017	2016	2015	2014
TRS 1 employers' proportion of the net pension liability	0.19%	0.19%	0.19%	0.18%	0.13%	0.08%
TRS 1 employers' proportionate share of the net pension liability	\$ 4,614,748	\$ 5,663,057	\$ 5,696,321	\$ 6,014,486	\$ 4,144,932	\$ 2,452,825
TRS 1 employers' covered payroll	\$ 12,505,211	\$ 11,393,621	\$ 10,512,086	\$ 8,491,289	\$ 6,453,097	\$ 3,791,772
TRS 1 employers' proportionate share of the net pension liability as a percentage of its covered payroll	36.90%	49.70%	54.19%	70.83%	64.23%	64.49%
Plan fiduciary net position as a percentage of the total pension liability	70.37%	66.52%	65.58%	62.07%	65.70%	68.77%

* As of June 30; this schedule is to be built prospectively until it contains ten years of data.

Schedule of WSU's Proportionate Share of the Net Pension Liability

Teachers' Retirement System (TRS) Plan 3
Measurement Date of June 30*

	2019	2018	2017	2016	2015	2014
TRS 3 employers' proportion of the net pension liability	0.19%	0.20%	0.19%	0.18%	0.14%	0.08%
TRS 3 employers' proportionate share of the net pension liability	\$ 1,123,636	\$ 878,956	\$ 1,758,409	\$ 2,438,303	\$ 1,141,883	\$ 272,606
TRS 3 employers' covered payroll	\$12,448,690	\$11,338,800	\$10,446,117	\$8,426,012	\$6,390,132	\$3,699,860
TRS 3 employers' proportionate share of the net pension liability as a percentage of its covered payroll	9.03%	7.75%	16.83%	28.94%	17.87%	7.37%
Plan fiduciary net position as a percentage of the total pension liability	96.36%	96.88%	93.14%	88.72%	92.48%	96.81%

* As of June 30; this schedule is to be built prospectively until it contains ten years of data.

Schedule of WSU's Proportionate Share of the Net Pension Asset

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2
Measurement Date of June 30*

	2019	2018	2017	2016	2015	2014
LEOFF 2 employers' proportion of the net pension asset	0.11%	0.11%	0.09%	0.09%	0.09%	0.09%
LEOFF 2 employers' proportionate share of the net pension asset	\$ 2,501,102	\$ 2,223,495	\$ 1,259,899	\$ 552,438	\$ 956,615	\$ 1,152,604
LEOFF 2 employers' covered payroll	\$ 2,274,829	\$ 2,177,248	\$ 1,705,430	\$ 1,694,590	\$ 1,638,448	\$ 1,461,750
LEOFF 2 employers' proportionate share of the net pension asset as a percentage of its covered payroll	109.95%	102.12%	73.88%	32.60%	58.39%	78.85%
Plan fiduciary net position as a percentage of the total pension asset	119.43%	118.50%	113.36%	106.04%	111.67%	116.75%

* As of June 30; this schedule is to be built prospectively until it contains ten years of data.

Schedule of Changes in Total Pension Liability and Related Ratios

WSURP Supplemental Retirement Plan
Measurement Date of June 30*

	2020	2019	2018	2017
Total pension liability				
Service costs	\$ 2,282,208	\$ 2,111,920	\$ 2,763,000	\$ 3,803,000
Interest	3,281,815	3,240,556	3,261,000	3,140,000
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	5,496,235	(1,022,479)	(7,171,000)	(16,390,000)
Changes in assumptions	17,655,000	7,997,446	(3,255,000)	(6,574,000)
Benefit payments	(2,493,145)	(2,438,920)	(2,181,000)	(1,890,000)
Other	-	-	1,268	-
Net change in total pension liability	26,222,113	9,888,523	(6,581,732)	(17,911,000)
Total pension liability—beginning	92,719,791	82,831,268	89,413,000	107,324,000
Total pension liability—ending	118,941,904	92,719,791	82,831,268	89,413,000
Covered-employee payroll	\$ 160,533,073	\$ 171,012,253	\$ 186,365,000	\$ 196,596,000
Total pension liability as a percentage of covered payroll	74.09%	54.22%	44.45%	45.48%

— indicates data not available.

*As of June 30; this schedule is to be built prospectively until it contains ten years of data.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

Schedule of Changes in Total OPEB Liability

Measurement Date of June 30*

	2020	2019	2018
Total OPEB liability			
Service cost	\$ 12,068,578	\$ 16,577,178	\$ 21,249,263
Interest	10,468,799	11,396,717	9,953,285
Changes of benefit terms		10,402,988	—
Differences between expected and actual experience	19,495,659	(72,572,455)	(48,552,300)
Changes in assumption		—	—
Benefits payments	(4,788,847)	(4,813,404)	(5,072,353)
Changes in proportionate share	(4,328,719)	(9,286,729)	(5,931,607)
Other			—
Net changes in total OPEB liability	32,915,470	(48,295,705)	(28,353,712)
Total OPEB liability—beginning	265,143,450	313,439,155	341,792,867
Total OPEB liability—ending	298,058,920	265,143,450	313,439,155
Covered-employee payroll	\$ 73,288,660	\$ 70,794,306	\$ 70,792,643
Total OPEB liability as a percentage of covered-employee payroll	407%	375%	443%

*As of June 30; this schedule is to be built prospectively until it contains ten years of data.



Notes to Required Supplementary Information for the Year ended June 30, 2020

DRS Administered Plans

The Actuarially Determined Contributions are calculated by the Office of the State Actuary based on the results of an actuarial valuation. The actuarial valuation is performed biennially, on odd numbered years. The results of the valuation determine the actuarially determined contributions for the biennium beginning two years later. Depending on the governing bodies' actions, adopted contribution rates can vary.

The Office of the State Actuary uses the same methods and assumptions to calculate the contractually required contributions for cost-sharing plans as the actuarially determined contributions, with the difference being the contractually required contributions reflect the adopted contribution rates for the time period shown. These rates may differ from the actuarially determined contribution rates.

University Administered Plans

The University's Supplemental Retirement plan has no assets accumulated in a trust meeting the criteria of GASB 73 to pay related benefits.

As required under GASB 73, the discount rate was changed from 3.50% to 2.21% reflected in the changes in assumption. This decrease in discount rate, increased the liability. Also, actual CREF return was lower than expected at 2.31% compared to the expected rate of 6.5%. This is reflected in the differences between expected and actual experience, resulting in an increase in the total pension liability.

Health Care Authority Administered OPEB Plan

The OPEB plan has no assets accumulated in a trust meeting the criteria of GASB 75 to pay related benefits.

A material assumption change was a decrease to the discount rate from 3.58% to 3.50%, reflected in the change in assumptions. This resulted in an increase to the total OPEB liability.



2020 Annual Financial Report
Fiscal year ended June 30, 2020

PULLMAN | SPOKANE | TRI-CITIES | VANCOUVER | GLOBAL CAMPUS | EXTENSION | EVERETT

We would like to acknowledge the following staff responsible
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