

# 2023

ANNUAL FINANCIAL REPORT

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Fiscal year ended  
June 30, 2023



WASHINGTON STATE  
UNIVERSITY



## 2023 | ANNUAL FINANCIAL REPORT

# CONTENTS

<b>Introduction</b>	<b>3</b>
REGENTS AND ADMINISTRATIVE OFFICERS	4
MESSAGE FROM THE PRESIDENT	5
WSU SYSTEM STRATEGIC PLAN, 2020–2025	6
MESSAGE FROM THE EXECUTIVE VICE PRESIDENT FOR FINANCE AND ADMINISTRATION	7
<b>Financial Section</b>	<b>9</b>
INDEPENDENT AUDITOR'S REPORT	10
MANAGEMENT'S DISCUSSION AND ANALYSIS	13
STATEMENT OF NET POSITION	31
WASHINGTON STATE UNIVERSITY FOUNDATION-CONSOLIDATED STATEMENT OF FINANCIAL POSITION	32
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	33
WASHINGTON STATE UNIVERSITY FOUNDATION-CONSOLIDATED STATEMENTS OF ACTIVITIES	34
STATEMENT OF CASH FLOWS	35
WASHINGTON STATE UNIVERSITY FOUNDATION-CONSOLIDATED STATEMENT OF CASH FLOWS	37
NOTES TO THE FINANCIAL STATEMENTS	38
<b>Required Supplemental Information</b>	<b>84</b>
<b>Statistical Section</b>	<b>94</b>
<b>Acknowledgments</b>	<b>104</b>

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/financial-statements](https://genacct.wsu.edu/financial-statements).

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](https://wsu.edu).



FINANCIAL REPORT 2023  
**INTRODUCTION**

# Regents and Administrative Officers

## BOARD OF REGENTS

Lisa Keohokalole Schauer, Chair of the Board

Jenette Ramos, Vice Chair of the Board

Marty Dickinson, Past Chair of the Board

Isaac Marroquin, Student Regent

Judi McDonald, Faculty Regent

Brett Blankenship

Enrique Cerna

Doug Picha

Lura J. Powell

Heather Redman

John Schoettler

Kirk H. Schulz, Secretary Ex-Officio

Leslie Brunelli, Treasurer Ex-Officio

Jay Inslee, Governor, State of Washington,  
Advisory Member Ex-Officio

## EXECUTIVE OFFICERS

Kirk H. Schulz, President

Elizabeth S. Chilton, Provost and Executive Vice President,  
and Chancellor, WSU Pullman

Leslie Brunelli, Executive Vice President for Finance  
and Administration, and Chief Financial Officer

Daryll DeWald, Executive Vice President for Health Sciences  
and Chancellor, WSU Spokane

David R. Cillay, Vice President for Academic Outreach  
and Innovation, and Chancellor, WSU Global Campus

Asif Chaudhry, Vice President for International Programs  
and Vice Chancellor for International Programs, WSU Pullman

Patrick Chun, Director of Athletics

Mike Connell, Vice President, Advancement and CEO,  
WSU Foundation

Theresa Elliot-Cheslek, Vice President and Chief Human  
Resource Officer

Christine R. Hoyt, Vice President for Strategy, Planning and Analysis

Christopher Keane, Vice President for Research  
and Vice Chancellor for Research, WSU Pullman

Chris Mulick, Interim Vice President for External Affairs  
and Government Relations

Tony Opheim, Vice President of Information Technology Services  
and Chief Information Officer

Phil Weiler, Vice President for Marketing and Communications

## ADMINISTRATIVE OFFICERS

Tami Bidle, Interim Executive Director/Controller, Business Services

Sharyl Kammerzell, Chief Compliance and Risk Officer

Heather Lopez, Chief Audit Executive

Matthew Skinner, Senior Associate Vice President for  
Finance and Administration, Deputy Chief Financial Officer

Michael Walters, Interim Chief Information Security Officer

## CHANCELLORS

### WSU PULLMAN

Elizabeth S. Chilton, Provost and Executive Vice President  
and Chancellor

Asif Chaudhry, Vice President for International Programs  
and Vice Chancellor for International Programs

Lisa Guerrero, Vice Chancellor for Equity and Inclusive Excellence

Christopher Keane, Vice President for Research  
and Vice Chancellor for Research, WSU Pullman

Cliff Stratton, Vice Chancellor for Academic Engagement

Ellen Taylor, Vice Chancellor for Student Affairs

### WSU SPOKANE

Daryll DeWald, Executive Vice President for Health Sciences  
and Chancellor

Celestina Barbosa-Leiker, Executive Vice Chancellor  
for Health Sciences

Dan DeNike, Vice Chancellor for Finance and Budget

Peter Gitau, Vice Chancellor for Student Affairs

Craig Parks, Vice Chancellor for Academic Affairs

Nicole Pratapas, Vice Chancellor for Advancement

### WSU TRI-CITIES

Sandra Haynes, Chancellor

Kathleen McAteer, Vice Chancellor for Academic and Student Affairs

Damien Sinnott, Vice Chancellor for Finance and Administration

### WSU VANCOUVER

Mel Netzhammer, Chancellor

Jenny Chambers-Taube, Vice Chancellor for Finance and Operations

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

### WSU GLOBAL CAMPUS

David R. Cillay, Vice President for Academic Outreach  
and Innovation, and Chancellor

Debbie O'Donnell, Vice Chancellor for Student Affairs

Michael Sugerman, Vice Chancellor for Academic Affairs

### WSU EVERETT

Paul E. Pitre, Chancellor

Mark Beattie, Vice Chancellor for Academic Affairs

Lynne Varner, Associate Vice Chancellor and Chief of Staff

## DEANS

Dori Borjesson, Dean, College of Veterinary Medicine

Todd Butler, Dean, College of Arts and Sciences

Deborah (Debbie) Compeau, Interim 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

Wendy Powers, Dean, College of Agricultural, Human,  
and Natural Resource Sciences

James Record, Dean, Elson S. Floyd College of Medicine

Mary Rezac, Dean, Voiland College of Engineering and Architecture

Joseph (Jay) Starratt, Dean, Libraries

Michael Trevisan, Dean, College of Education

## LEGAL COUNSEL

Nathan Deen, Senior Assistant Attorney General and WSU  
Division Chief, Washington State Office of the Attorney General

Officer list effective 11/1/23

## MESSAGE FROM THE PRESIDENT



It is my pleasure to share Washington State University's annual financial report for the 2023 fiscal year. This publication provides detailed information about the University's fiscal health and operations during the period beginning July 1, 2022, and concluding on June 30, 2023.

As I write this message, our Fall semester is concluding with a flurry of final exams. At the beginning of this term, we welcomed the largest incoming class of new first-year students since 2020 – an increase of 258 students system-wide, 6.5%, over the prior year. This kind of success in our enrollment management efforts is a critical step toward stabilizing our budget following the pandemic and provides the financial support needed to fulfill the core tenets of our mission: to provide education to all, to conduct scholarly inquiry that benefits society, and to share expertise that boosts the lives of individuals and communities in Washington and across the world.

As the WSU System, we leverage the unique strengths and identities of each of our six campuses while ensuring consistent mission, quality, and branding through a set of common principles. These principles include support for one degree, one faculty, shared accountability, operational excellence, fiscal stewardship, data-informed decision making, and partnerships with our local communities. Across the institution, our strategic plan and operational priorities are predicated on sound management of the University's resources. With the conclusion of the prior year's reporting cycle, we emphasize our commitment to timely and transparent financial discussions.

In addition to increasing first-year enrollment, there are many examples of WSU's impact to celebrate, including:

- Record-setting private giving with total philanthropic support exceeding \$167M.
- Donors supported over a thousand different projects, initiatives, and funds system-wide, benefiting academic research and outreach efforts in every college and area.
- Investment from the state legislature for new programs, faculty and staff compensation increases, and building and maintenance support benefitting our campuses statewide.
- The state's operating budget provided resources that amounted to over \$21M, plus funds to support compensation adjustments for faculty, staff, and graduate students in FY24.
- Capital planning efforts that include new and renovated facilities for instruction, research, and athletics.

This year, we broke ground on three new facilities on the WSU Pullman campus: the U.S. Department of Agriculture-Agricultural Research Service Plant Science Building, the Taylor Sports Complex, and Schweitzer Engineering Hall. We've also made substantial progress on the Life Sciences Building that will be housed on the WSU Vancouver campus.

WSU is challenged, as all institutions of higher education are, with the demographic enrollment cliff, threats to the value proposition of higher education, and pervasive skepticism around the affordability of a college education. This year, we face concerns identified through faculty and staff surveys, the impact of successive years of budget reductions, and competing with a rapidly changing intercollegiate athletics environment. I am confident we will address these challenges through a commitment to innovation and sustained focus on the evolution of our strategic priorities.

Best regards,

A handwritten signature in black ink that reads "Kirk H. Schulz". The signature is written in a cursive, flowing style.

Kirk H. Schulz  
President  
Washington State University



## MISSION

Washington State University is a public land-grant research university that is committed to the principles of practical education for all, scholarly inquiry that benefits society, and the sharing of expertise to positively impact the state and communities.

## VISION

Washington State University will deepen and expand its impact by building on the strengths of each campus and location for a stronger Washington state and global community.

## GOALS

### 01.

#### Research, Innovation, & Creativity

WSU will be recognized for embracing risk and bold thinking to serve the needs of its communities through innovative research, scholarship, and creative activities.

#### FY23 OBJECTIVE AND TARGET:

▶ Increase total R&D expenditures by 5% from \$357.6M to \$375.5M.

### 02.

#### Student Experience

WSU students will engage in scholarship, research, and experiential learning activities to prepare future leaders, scholars, and global citizens.

#### FY23 OBJECTIVE AND TARGET:

▶ Increase overall retention 1% per year

▶ Reduce the retention gap between our overall group and our first-generation, Pell-eligible, and people of color by 1% per year.

### 03.

#### Outreach, Extension, Service, & Engagement

WSU will be a national leader in advancing quality of life, economic development, sustainability, and equity through meaningful engagement in discovery, education, and service with partners throughout the state, nation, and world.

#### FY23 OBJECTIVE AND TARGET:

▶ Consensus on a shared definition of community engagement, metrics to be used, and a system-wide tool for data collection.

### 04.

#### Institutional Effectiveness & Infrastructure

WSU will advance a culture of engagement and collaboration across its multi-campus system that values and invests in resources; physical, financial, human, and intellectual. Leveraging these to become the social and economic drivers for the community, the state, and the world.

#### FY23 OBJECTIVE AND TARGET:

Reduce reporting unknowns:  
▶ Faculty from 32.7% to 10%  
▶ Staff from 23.3% to 10%

[STRATEGICPLAN.WSU.EDU](https://strategicplan.wsu.edu)

## MESSAGE FROM THE EXECUTIVE VICE PRESIDENT FOR FINANCE AND ADMINISTRATION



January 17, 2024

To President Schulz, Members of the Board of Regents, and the Washington State University community:

I respectfully submit the Washington State University financial statements for the fiscal year ended June 30, 2023. This document includes the Management's Discussion and Analysis (MD&A) and the basic financial statements, as well as other information to provide a transparent understanding of the University's financial position. Responsibility for the accuracy, completeness, and fairness of the information and presentation, including all disclosures, rests with the University's management. We believe, to the best of our knowledge, that information is accurate in all material respects and fairly presents the University's financial position, revenues, expenses, and other changes in net position.

The University is responsible for implementing and maintaining an internal control structure to protect and prevent misuse of the University's assets. To that end, we believe our system of internal controls is sound and sufficient to disclose material deficiencies in controls to the auditors and to the Board of Regents. Because the cost of a control should not exceed the benefits to be derived, the objective is to provide a reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

State law, federal guidelines, and certain bond covenants require that the University's accounting and financial records be audited each year. For the fiscal year ended June 30, 2023, the University contracted with independent certified public accounting firm Eide Bailly, LLP to perform the University's annual audit. The auditors have issued an unmodified opinion, the most favorable outcome of the audit process. The University's internal auditors and the Office of the Washington State Auditor perform fiscal, compliance and performance audits. The reports resulting from these audits are shared with University administration. Internal and external audit reports are provided to the Board of Regents.

The University's financial statement is prepared in accordance with generally accepted accounting principles (GAAP) and in conformance with standards of financial reporting as established by the Governmental Accounting Standards Board (GASB). The MD&A is unaudited and is presented to supplement the financial statements by providing the necessary information for the reader to gain a broad understanding of the University's financial position and results of operations. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditors' Report.

### **Profile of the University**

Washington State University (WSU) is a state supported, land-grant, coeducational institution of high education. Founded in 1890, WSU provides more than 200 academic majors, minors, certificates, and specializations as well as more than 140 graduate programs and certificates. As of fall 2023, Washington State University serves more than 26,000 students across six campuses and celebrates more than 240,000 alumni worldwide. The University is committed to the principles of practical education for all, scholarly inquiry that benefits society, and the sharing of expertise to positively impact the state and communities.

Washington State University is governed by the Board of Regents in accordance with the Revised Code of Washington (RCW) Title 28B, Chapter 30, Section 150. The eleven Regents are selected by the Governor of Washington and include a faculty member and a student. The University President serves as Secretary of the Board. The Executive Vice President for Finance and Administration serves as the Treasurer. Primary responsibilities of the Board of Regents include employing the President of the University, establishing entrance requirements for students, grant certificates and degrees, adopt plans for capital improvement, accept gifts, and direct the disposition of funds belonging to the University. Additionally, with the assistance of the faculty of the University, the Regents prescribe courses of instruction in the various colleges, schools and departments.

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## MESSAGE FROM THE EXECUTIVE VICE PRESIDENT FOR FINANCE AND ADMINISTRATION (Cont.)

The financial statement entity is the entirety of the Washington State University system including all six campuses in Pullman, Spokane, Vancouver, the Tri-Cities, and Everett as well as the online Global campus. Included in the financial statements is the University's discretely presented component unit, the Washington State University Foundation. Established in 1979, the WSU Foundation is the preferred mechanism through which private support is raised and managed for the sole benefit of Washington State University. Since its inception, the WSU Foundation has raised more than \$1.7 billion in private commitments in support of programs and initiatives across Washington State University.

The University conducts business under a comprehensive set of policies and procedures to improve communication, promote administrative consistency and efficiency and ensure compliance with state and federal laws as well as accreditation requirements. The University maintains administrative manuals that provide policies and procedures for Board of Regents governance, university executive officers, business operations and safety operations. Financial policies are in place for management of WSU funds, accounts receivable, sponsored programs, tuition and fee assessment and collection, payroll, purchasing, records retention, information security and property management. Following the implementation of new administrative finance systems, policies have been updated to conform to revised practices.

Washington State University is responsible for controlling its budget and using all funds to fulfill its mission for education, research and service. Effective budget management requires planning, development and control of limited resources in accordance with University, state and federal policies and procedures. Our commitment is to enhance future budget development through a defined calendar that includes evaluation of enrollment trends and net tuition revenue, returns unit budget hearings, assesses alignment of funding to meet strategic plans, and results in the implementation of an all-funds budget. As a means to communicate the annual financial plan, a comprehensive budget document is in development to provide transparency and encourage accountability over the financial assets of the University.

### Acknowledgements

Preparation of the financial statements in a timely manner is possible through the dedicated efforts of the University Controller's Office and the coordinated work across all units in Business and Financial Services and Finance and Administration. Each day, offices throughout the University system participate in financial activity mindful of established policies and procedures. Additionally, we recognize the valuable contributions from the Office of Strategy, Planning and Analysis and University Marketing and Communications. I wish to thank the Board of Regents and the President for their commitment to the fiscal management of Washington State University.

I am grateful for the opportunity to join Washington State University this year. Since I arrived in May, as the fiscal year was reaching its end, I have been impressed by the resilience of individuals throughout the WSU system. In the face of existential threats including the value proposition of higher education, the demographic cliff, realignment of traditional intercollegiate athletic conference, budget reductions, cyberattacks and political instability, our community solves each day's challenges by relying on relationships with loyal, thoughtful and caring people who bring their sense of institutional history and deep expertise to work every day.

During a planning retreat at the end of the summer, the Finance and Administration leadership developed a mission intended to unite our offices through a common theme recognizing the importance of our support for the University to meet its responsibility to our students, faculty and staff, community and the State:

"We provide outstanding stewardship and enhancement of the University's financial and physical resources while providing a safe, enriching, and sustainable environment in which our stakeholders live, learn and work."

I am honored to be part of the WSU community and delighted to work with an incredible team of dedicated professionals.

Sincerely,



Leslie Brunelli

Executive Vice President for Finance and Administration  
& Chief Financial Officer



FINANCIAL REPORT 2023  
**FINANCIAL SECTION**



CPAs & BUSINESS ADVISORS

## Independent Auditor's Report

Board of Regents  
Washington State University  
Pullman, Washington

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the business-type activities and the aggregate discretely presented component unit of Washington State University (the University), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University, as of June 30, 2023, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the discretely presented component unit Washington State University Foundation as of June 30, 2023. Those statements were audited by other auditors whose report has been furnished to us and in our opinion, insofar as it relates to the amounts included for Washington State University Foundation is based solely on the report of the other auditors.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Emphasis of Matter*

As discussed in Note 1, the financial statements of the University, an agency of the state of Washington, are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities of the state of Washington that is attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2023, the changes in its financial position, or its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

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#### ***Adoption of New Accounting Standard***

As discussed in Note 1 to the financial statements, the University has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 96, *Subscription Based Information Technology Arrangements*, for the year ended June 30, 2023. Accordingly, a restatement has been made to the business-type activities as of July 1, 2022, to restate beginning net position. Our opinions are not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The financial statements of Washington State University Foundation were not audited in accordance with *Government Auditing Standards*. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, schedule of WSU contributions, schedule of WSU’s proportionate share of net pension liability/(asset), schedule of changes in total pension liability, schedule of changes in net pension liability and related ratios, and schedule of changes in total OPEB liability (required supplementary information) be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

**Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the message from the president, WSU system strategic plan, 2020-2025, message from the executive vice president for business and finance, regents and administrative officers, and the statistical section (other information) but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2024, 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 solely 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 the effectiveness of the University’s 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.



Boise, Idaho  
January 17, 2024

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# Management's Discussion and Analysis

Washington State University (the "University" or "WSU") was founded by the State Legislature in 1890 as the State's land grant research university. WSU's main campus is in Pullman, while the Spokane campus is the University's health sciences campus which includes the Elson S. Floyd College of Medicine. System campus locations serve other regions of the state in Vancouver, the Tri-Cities and Everett. The University's sixth campus, the WSU Global Campus, offers online access to the University's degrees across the state, nation and world. The University's 11 academic colleges span across all campuses and WSU operates extension offices in all 39 counties in the State, with four agricultural research stations.

Management's Discussion and Analysis provides an overview of the University's financial performance for the fiscal year ended June 30, 2023, with comparative information for the fiscal year 2022. Management has prepared this summary to be read in conjunction with the financial statements and accompanying notes. The financial reporting entity for the financial statements is comprised of the University and its component units. The discussion and analysis are intended to support greater understanding and transparency of WSU's financial activities, based on currently-known facts, decisions, and conditions. The analysis is WSU as a single financial entity and is not broken out by individual campuses, schools, colleges, or divisions.

## Using the Financial Statements

The University's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) 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 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 provides the discretely presented component unit information on pages immediately following the statements of the University. FY22 condensed data is presented in Management's Discussion and Analysis to illustrate certain increases and decreases in comparing with FY23 data.

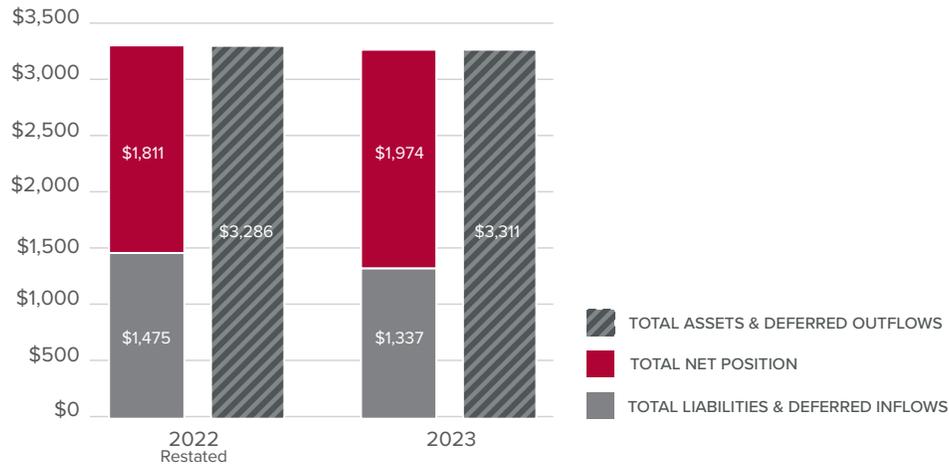
## Financial Overview for Fiscal Year 2023

The University's overall net financial position as of June 30, 2023, increased by \$163 million (9%) over the previous year, resulting in a year-end net position of nearly \$2.0 billion. Fiscal year 2022 has been restated to include accounting changes due to the implementation of GASB pronouncements (see Note 1). Following the pandemic years and the financial recovery plan put in place to resolve structural budget deficits, the financial health of the University is stronger, as evidenced through various ratios. Cash management oversight and the maintenance of adequate working capital have been enhanced. The days cash on hand metric has improved from 125 to 135 for this year. The accumulation of net position requires careful planning for eventual use as those resources are not recurring and cannot replace base budgets. Enrollment declines leading to net tuition revenue reductions, inflationary concerns, and an aging capital and Information Technology infrastructure demand strategic focus as expenditure requirements exceed the scarce funds available.

## Statement of Net Position

The Statement of Net Position (SNP) presents the financial position of the University at the end of the fiscal year. This information allows stakeholders to review the assets available to support the operation of the University and the liabilities due to vendors, investors or other parties. The term "Net Position" refers to the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. The change in net position is one indicator of whether the financial condition has improved or declined during the fiscal year and over time.

**Net Position as Assets compared to Liabilities (In millions)**



The following chart summarizes WSU's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (in millions) for the years ending June 30, 2023 and 2022.

**Condensed Statement of Net Position (in millions)**

	June 30, 2023	Restated June 30, 2022	\$ Change	% Change
<b>Assets</b>				
Current assets	\$ 648	\$ 577	\$ 71	12%
Non-current assets:				
Long-term investments	119	137	(18)	(14)%
Endowment and other restricted investments	678	635	43	7%
Capital and right-to-use assets, net	1,675	1,675	-	-
Pension and other non-current assets	72	163	(91)	(56)%
<b>Total assets</b>	<b>\$ 3,192</b>	<b>\$ 3,187</b>	<b>\$5</b>	<b>-</b>
<b>Deferred outflows of resources</b>	<b>119</b>	<b>99</b>	<b>20</b>	<b>20%</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 3,311</b>	<b>\$3,286</b>	<b>\$ 25</b>	<b>1%</b>
<b>Liabilities</b>				
Current liabilities	\$ 131	\$ 123	\$ 8	8%
Non-current liabilities:				
Accrued leave (Note 9)	39	38	1	3%
Long-term liabilities (Note 14)	580	619	(39)	(6)%
Pension and other post employment benefits liabilities (Notes 16 & 17)	263	366	(103)	(28)%
Other non-current liabilities	23	20	3	5%
<b>Total liabilities</b>	<b>\$ 1,036</b>	<b>\$ 1,166</b>	<b>\$(130)</b>	<b>(11)%</b>
<b>Deferred inflows of resources</b>	<b>301</b>	<b>309</b>	<b>(8)</b>	<b>(3)%</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>\$ 1,337</b>	<b>\$ 1,475</b>	<b>\$(138)</b>	<b>(9)%</b>
<b>Net position</b>				
Net investment in capital assets	\$ 1,101	\$ 1,065	\$ 36	3%
Restricted nonexpendable	621	581	40	7%
Restricted loans	18	23	(5)	(22)%
Restricted expendable	272	235	37	16%
Restricted for pension asset, net	54	29	25	86%
Unrestricted	(92)	(122)	30	25%
<b>Total net position</b>	<b>\$ 1,974</b>	<b>\$ 1,811</b>	<b>\$ 163</b>	<b>9%</b>

**Total Assets and Deferred Outflows of Resources** remained relatively flat during the year increasing \$25 million, or 1%.

**Current assets** are the resources that the University expects to be available within the next twelve months. These resources include cash, accounts receivable, inventories, prepaid expenses, and investments that can be easily converted into cash to meet the University's obligations. In FY23, the current assets cover current liabilities 4.9 times. This current ratio indicates the University's ability to pay short-term obligations or those due within one year and is a slight improvement from the 4.8 times current ratio in the prior year. A second liquidity measure is the coverage of current assets, including restricted cash and cash equivalents, to total operating expenses, excluding depreciation. The coverage of 6.6 months is similar to prior year.

# Management's Discussion and Analysis

During FY23, current assets increased by \$71 million, or 12%, primarily due to:

- Current cash and cash equivalents, along with the current portion of investments, went up by \$54 million, or 11%. This is a result of higher short-term interest rates and WSU's investment strategy to maximize the investment portfolio mix between short and long-term positions compared to FY22 performance.
- Accounts receivable consists of balances owed to WSU by students, customers, and the federal government and state agencies. In FY23, net accounts receivable increased by approximately \$15 million or 18%. This increase is due to a \$9 million increase in receivables due from state agencies, including Washington State Achievement Council and the Washington State Department of Commerce, and a \$10 million increase in state capital appropriation receivable from the Office of the State Treasurer for capital expenditures that were not drawn prior to June 30, 2023. Other increases of \$2 million include funds due from other governments and auxiliaries. These changes were offset by a \$3 million decrease in student receivables, a \$2 million decrease in receivables from the federal government, and \$1 million increase in the allowance for doubtful accounts.
- Inventory is comprised of consumables and merchandise items. Inventories associated primarily with the WSU Creamery increased by \$2 million.

**Non-current assets** are assets not expected to be converted to cash within the next year. These include long-term investments, endowed and permanent fund assets, pension and other assets. Capital and right-to-use and subscription based IT leased assets are also part of noncurrent assets and are reported net of accumulated depreciation and accumulated amortization.

During FY23, total noncurrent assets decreased by 3% or \$68 million. This decrease was primarily due to:

- **Long-term investments** decreased by \$18 million as part of the University's overall investment strategy to take advantage of strong short-term interest rates. As a result, there was a change in the investment mix between short and long-term positions compared to FY22.
- **Endowment investment** increased by \$43 million or 7%. This increase in fair market value was driven by two components of the investment. The land grant permanent funds increased by approximately \$40 million due to significant improvement in equity returns. The increase is a partial recovery from the significant decline in market value experienced during FY22. The market value of WSU's legacy endowed funds increased to nearly \$74 million for FY23, an improvement of \$3 million.
- **Pension assets** are WSU's share of the fair market value assets held at the state for future financing of pension plan benefits. These assets are very sensitive to changes in the underlying actuarial assumptions which were updated based on the 2021 Economic Experience Study. For FY23, pension assets decreased \$88 million or 67%. Assumptions were lowered for future investment earnings from 7.4% to 7.0% and general salary growth from 3.5% to 3.2%. Additionally, loans receivable was reduced by \$3 million due to student payments and the transfer of loans back to the Department of Education when specific criteria was achieved.
- **Right-to-use leased assets**, as defined by GASB Statement No. 87, reduced by \$1 million, a 5% decrease. WSU added \$3 million in new right-to-use assets during FY23 associated with two new office space leases in Spokane and Seattle. The increase was offset by net amortization activity of \$3 million and \$1 million in terminated leases.
- **Subscription-based information technology arrangements (SBITA)** are new to the financial statement in FY23 as part of the adoption of GASB Statement No. 96. A SBITA is defined as a contract that conveys control of the right-to-use another party's information technology software, alone or in combination with tangible capital assets less accumulated amortization. FY22 was restated to include a \$38 million SBITA asset with notable inclusions being WSU's student and business enterprise systems. For FY23, WSU booked \$30 million of net SBITA assets. For FY23, the University's SBITA assets totaled \$30 million. The \$8 million decrease is the result of annual amortization.
- **Capital Assets, Net** increased by \$9 million, a less than 1% change from the prior year. Capital assets consist of the net book value of all buildings, infrastructure, land, and other asset types. Capital assets decreased due to \$80 million in annual depreciation and disposals of \$19 million including the demolition of the Johnson Hall Building and the reclassification of student and business enterprise systems infrastructure assets to SBITA assets. Offsetting these decreases were additions to buildings, land, and libraries of \$11 million including renovated student housing complexes and energy metering upgrades on the Pullman campus, additions to construction in progress of \$80 million including a new Life Sciences Building on the Vancouver campus, and new equipment purchases of \$17 million.

## Deferred Outflows of Resources

Deferred outflows 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. Deferred outflows increased by \$20 million or 20%.

### Deferred Outflows of Resources (in millions)

	June 30, 2023	Restated June 30, 2022	\$ Change	% Change
Deferred Outflows   Bond Refunding	\$ 5	\$ 5	\$ -	-
Deferred Outflows   State Pension	58	26	32	123%
Deferred Outflows   OPEB	26	31	(5)	(16)%
Deferred Outflows   Supplemental Retirement	22	29	(7)	(24)%
Deferred Outflows   Asset Retirement Obligation	8	8	-	-
<b>Total deferred outflows of resources</b>	<b>\$ 119</b>	<b>\$ 99</b>	<b>\$ 20</b>	<b>20%</b>

Deferred outflows for state pension liability increased \$32 million due to Cost of Living Adjustments adjustment for members and lowered assumptions for future investment earnings and general salary growth.

Deferred outflows for Other Post Employment Benefits (OPEB) decreased \$5 million due to a reduced inflation rate, a decrease in projected salary changes, and a decrease in the participation percentage assumption.

Deferred outflows for supplemental retirement decreased by \$7 million due to a new actuarial report reflecting January 1, 2023, participant information, salaries were lower than assumed and benefits for new retirees were lower than estimated, and TIAA benefit calculation assumptions for future retirees were updated based on information from TIAA.

## Total Liabilities and Deferred Inflows of Resources

Total liabilities and deferred inflows of resources decreased by 9% or \$138 million during FY23.

**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. These liabilities increased by \$10 million or 8%. Key changes in current liabilities included:

- Accounts payable and accrued liabilities consist of goods and services provided in FY23 but not invoiced or paid for until the next year. These liabilities increased by \$5 million or 8% for the year. The increase is the result of a \$2 million increase in the current portion of accrued leave based on a three-year average of payments to employees and an increase in goods and services that were received, but not paid for in FY23.
- The current portion of unearned revenue includes funds that were received in FY23 for services that will be performed in FY24. Unearned revenue is generated from various activities including summer academic session, new student orientation, parking permits, housing, fixed price grants, and athletic tickets. Unearned revenue increased \$6 million during the year.
- Funds due to the WSU Foundation decreased by \$2 million.

**Noncurrent Liabilities** are obligations payable beyond one year and include bond obligations, installment contracts, leases, and employee leave that has been earned but unused. Overall, noncurrent liabilities decreased \$140 million or 13% for the year.

**Long-term liabilities** include payments due more than one fiscal year in the future for debt service, lease liability, and subscription liability. Long-term liabilities decreased by \$38 million or 6% from last year. The decrease consists of a \$34 million decrease in long-term debt principal from a year of debt service payments and an \$8 million decrease in lease liability and subscription-based information technology liabilities. These decreases were partially offset by the addition of \$4 million in new leases and subscription-based IT liabilities.

**Pension liability** consists of the University's pro-rata share of the state government's liability for future pension payments for the three state pension plans (PERS, TRS, and LEOFF) and the WSU Supplemental Retirement Plan (WSUSRP). These estimated liabilities are very sensitive to changes in the assumptions made by independent actuaries performing the economic studies. The total pension liability increased by \$8 million or 16%. PERS, TRS, and LEOFF pension plan liability increased by \$14 million due to a decrease in the discount rate. The increase was partially offset by a \$6 million decrease in the WSUSRP liability due to new actuarial data as of January 1, 2023, on salaries paid to recent retirees and long-term rate assumption changes. The PERS, TRS, and LEOFF are considered state level responsibilities for funding and benefit management, the University has no financial control over these pension liabilities. The WSUSRP is currently the responsibility of WSU. The WSUSRP plan is closed and payments to eligible retirees are made on a pay as you go basis.

**Other post employment benefit liability (OPEB)** is measured as the University's pro-rata share of the state of Washington's total OPEB liability for projected benefit payments for medical, dental, life insurance, and disability, with the proportionate share determined based on the relationship of the University's healthcare-eligible headcount to the total healthcare-eligible headcount for the state. These estimated liabilities are very sensitive to changes in market rates and the assumptions made by independent actuaries performing the economic studies. For FY23, OPEB liability decreased \$112 million or 35% due to an increase in the discount rate from 2.16% to 3.54%. This decrease was partially offset by the salary growth decrease from 3.5% to 3.25%. Together, these adjustments made up about half of the change with the balance driven by new assumptions reducing medical and prescription drug costs, and continuation of short-term explicit subsidy growth assumptions. The University has no financial control over the OPEB liability.

## Deferred Inflows of Resources

Deferred inflows of resources are an acquisition of net position that is applicable to future reporting periods.

### Deferred Inflows of Resources (In millions)

	6/30/23	Restated June 30, 2022	\$ Change	% Change
Deferred Inflows-State Pensions	\$ (45)	\$ (136)	\$ 91	(67)%
Deferred Inflows on Bond Refunding	(4)	(4)	-	-
Deferred Inflows on Supplemental Retirement	(50)	(64)	14	(22)%
Deferred Inflows on OPEB	(182)	(85)	(97)	114%
Deferred Inflows on Right-to-Use Leases	(20)	(20)	-	-
<b>Total deferred inflows of resources</b>	<b>\$ (301)</b>	<b>\$ (309)</b>	<b>\$ 8</b>	<b>(3)%</b>

- Deferred inflows for state pension liability decreased \$91 million due to changes in actuarial assumptions and projected investment earnings on pension plan investments being lower than expected.
- Deferred inflows related to OPEB liabilities increased \$97 million due to a decrease in the inflation rate, a decrease in projected salary changes, and a decreased participation percentage assumption.

## Total Net Position

Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. The change in net position is one indicator of whether the financial condition has improved or declined during the fiscal year and over time. The table below illustrates how the composition of net position has changed from FY22 to FY23:

	June 30, 2023	Restated June 30, 2022	\$ Change	% Change
Net investment in capital assets	\$ 1,101	\$ 1,065	\$ 36	3%
Restricted nonexpendable	621	581	40	7%
Restricted loans	18	23	(5)	(22)%
Restricted expendable	272	235	37	16%
Restricted for pension asset, net	54	29	25	86%
Unrestricted	(92)	(122)	30	25%
<b>Total net position</b>	<b>\$ 1,974</b>	<b>\$ 1,811</b>	<b>\$163</b>	<b>9%</b>

Total net position increased by \$163 million or 9% during 2023.

- **Net investment in capital assets** are the University's capital, right-to-use leased and subscription-based IT assets net of accumulated depreciation and accumulated amortization, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Net Investment in Capital Assets improved by \$36 million or 3% during the year. Debt repayment is the key driver of this improvement.
- **Restricted nonexpendable net position** is 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 non-expendable increased \$40 million or 7% during the year. The increase was primarily due to unrealized gains from improved market conditions.
- **Restricted expendable net position** includes 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, professorships, capital projects, and debt service. Restricted expendable increased by \$37 million or 16% due to the increase in grant revenue. WSU also saw increases in earnings from the permanent endowment and Federal appropriations.
- **Restricted loans** are funds that have been established for the explicit purpose of providing student support as prescribed by statute or granting authority. Restricted loans decreased by \$5 million or 22% during the year primarily due to continued return of the Perkins loan program proceeds to the federal government. The Perkins loan program was discontinued by the federal government in 2017. Since then, the University has been paying back the amount determined by the government each year causing restricted loans to decrease in net position.
- **Restricted pension asset net position** includes assets bought with the contributions to the DRS pension plan for the exclusive purpose of financing pension plan benefits. Restricted pension assets increased by \$25 million or 86% during the year. The University has no financial control over pension assets.
- **Unrestricted net position** are assets available to the University for any lawful purpose. Unrestricted increased by \$30 million or 25%.

## Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues and expenses incurred during the year with activities reported as either operating or non-operating. GASB requires state appropriations, federal Pell grants, Higher Education Emergency Funds (HEERF), and gifts to be classified as non-operating revenues resulting in operating deficits before these revenues are considered. The utilization of long-lived assets, capital assets, right-to-use leased assets, and subscription-based technology assets are included in the financial statements as depreciation/amortization, which amortizes the cost of an asset over its expected useful life.

### Condensed Statement of Revenues, Expenses and Changes in Net Position *(In millions)*

	June 30, 2023	Restated June 30, 2022	\$ Change	% Change
<b>Operating revenues (expenses)</b>				
Tuition and fees, net	\$ 285	\$ 297	\$ (12)	(4)%
Grants and contracts	367	318	49	15%
Auxiliaries and Sales and services, net	204	192	12	6%
Other operating revenues	46	40	6	15%
<b>Total operating revenues</b>	<b>902</b>	<b>847</b>	<b>55</b>	<b>6%</b>
Operating expenses	(1,290)	(1,164)	(126)	11%
Operating loss	<b>(388)</b>	<b>(317)</b>	<b>(71)</b>	<b>22%</b>
<b>Non-operating revenues (expenses)</b>				
State and federal appropriations	307	284	23	8%
Federal financial aid	31	32	(1)	(3)%
Gifts and contributions	59	56	3	5%
Investment income, net	87	(64)	151	(236)%
Higher Education Emergency Relief Fund (HEERF)	-	55	(55)	(100)%
Other non-operating revenues (expenses)	(19)	(17)	(2)	12%
<b>Net non-operating revenues (expenses)</b>	<b>465</b>	<b>346</b>	<b>119</b>	<b>34%</b>
<b>Income (loss) before other changes</b>	<b>77</b>	<b>29</b>	<b>48</b>	<b>166%</b>
Capital appropriations	68	14	54	386%
Capital gifts and grants	1	1	-	-
Additions to permanent endowments	17	14	3	21%
<b>Total other additions</b>	<b>86</b>	<b>29</b>	<b>57</b>	<b>197%</b>
<b>Increase (decrease) in net position</b>	<b>163</b>	<b>58</b>	<b>105</b>	<b>181%</b>
Net position, beginning of year	1,811	1,759	52	3%
Change in accounting principle	-	(6)	6	(100)%
Change in net position	163	58	105	181%
<b>Net position, end of year</b>	<b>\$ 1,974</b>	<b>\$ 1,811</b>	<b>\$ 163</b>	<b>9%</b>

## Operating Revenues

Operating revenues are resources generated through the University in fulfilling its instruction, research, and public service mission. While some revenue sources such as state general fund appropriations are recorded as non-operating revenue under GASB these funds are used solely to support the operations of the University. Because of this treatment, public institutions show an operating loss.

Overall, operating revenues increased by \$55 million in FY23 to a total of \$902 million, a 6% increase over FY22. The increase is driven by:

**Net student tuition and fees** consist of gross tuition less the allowance for discounts and scholarships. For FY23, net tuition and fees decreased by \$12 million, or 4% from last year.

- Gross revenue, before accounting for discounts and scholarships, decreased from \$459 million in FY22 to \$433 million in FY23, representing a 6% decrease, resulting from an enrollment decline of 7% across the WSU system. A 2.4% tuition increase for undergraduate and graduate students partially offset the enrollment decline.
- The allowance for scholarships and discounts, calculated from the National Association of College Business Officers (NACUBO) guidance, decreased by \$14 million or 10%. As HEERF funds were awarded in FY22, those dollars are no longer available in FY23. This decline was partially improved by a \$2 million increase in distributions from the 4% Institution Aid fund and nearly \$2 million in additional scholarships from donated funds. While enrollment declined 7%, tuition waivers remained consistent in total dollar amount from year to year, indicating a drop in net tuition revenue per student available to the University budget.

**Grants and contracts** revenue includes awards sponsored by federal, state, and local agencies. For FY23, grant and contract revenue increased by \$49 million, or 15%. Federal grants and contracts increased by \$27 million through increased awards from the US Department of Agriculture, the US Agency for International Development, and the Department of Defense. State grants and contracts increased by \$20 million and include Washington College Grant, grants from the Washington State Potato Commission, the Washington Department of Commerce, and the Washington State Health Care Authority. Local grants increased \$2 million.

**Auxiliary and Sales and Service** revenues increased by \$12 million or 6%, with notable increases in:

- Housing and dining revenues increased by \$3 million due in part to rate increases of 4% in residence halls and 5% for apartments.
- Intercollegiate athletics revenues increased by \$3 million.
- Parking revenues increased \$1 million due to a 10% increase in parking rates and additional metered parking revenues as employee time on campus varies with hybrid work schedules.
- Other auxiliary enterprises increased \$1 million.
- Sales and services of educational departments increased by \$4 million from FY22, or 12%, highlighted by nearly \$1 million of additional revenues generated by the College of Agriculture, Human and Natural Resource Sciences.

## Net Non-operating Revenues

Net non-operating revenues increased by \$119 million to \$465 million, a 34% increase for FY23. Additional revenues are primarily due to the following:

**State and Federal appropriations** increased by \$23 million, or 8%.

- State appropriations for operations increased by \$21 million in FY23. WSU received \$4 million in additional funding for the Elson S. Floyd College of Medicine, \$12 million for employee compensation and fringe benefit costs, and \$3 million to backfill historically mandated tuition reductions. An additional \$2 million was received for the new Cybersecurity academic program.
- Federal appropriations increased approximately \$2 million due to timing of appropriation receipt and expenditure.

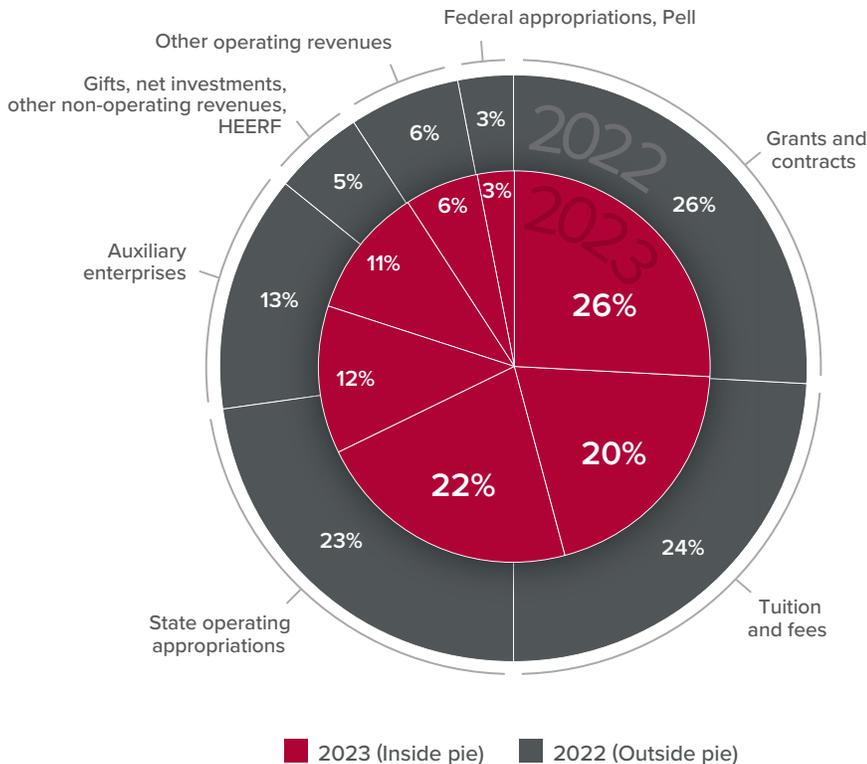
**Investment income, net of expense**, consists of interest income, realized and unrealized gains or losses on the WSU operating portfolio, the WSU legacy endowment (endowed funds received before the formation of the WSU Foundation), and the land grant permanent funds managed by the State Investment Board for the benefit of the University. Market conditions improved in FY23, generating realized and unrealized investment income of \$86 million, with WSU's true endowment, permanent land trust, and WSU's operating portfolio generating realized and unrealized gains of \$25 million, \$44 million, and \$18 million, respectively.

Higher Education Emergency Relief Funds (HEERF) for the pandemic of \$55 million were utilized in FY22, exhausting all relief funds available to WSU. As expected, very little HEERF relief funds were received or utilized in FY23.

## Revenue from All Sources

(In millions)

For the years ended June 30, 2023, and 2022



## Operating Expenses

Operating expenses are expenditures paid to carry out the mission of the institution. WSU expenses are incurred and reported on the financial statements by natural classification and also presented by functional classification.

### Operating Expenses by Natural Classification (*In millions*)

	June 30, 2023	June 30, 2022	\$ Change	% Change
Salaries and wages	\$ 590	\$ 550	\$ 40	7%
Benefits	153	114	39	34%
Scholarships and fellowships	77	86	(9)	(10)%
Utilities	36	29	7	24%
Payments to suppliers	196	182	14	8%
Purchased services	131	98	33	34%
Depreciation	107	105	2	2%
<b>Total operating expenses</b>	<b>\$ 1,290</b>	<b>\$ 1,164</b>	<b>\$ 126</b>	<b>11%</b>

The University's operating expenses for the year were \$1.3 billion, representing an increase of 11% from last year. The increase is primarily attributable to :

**Salary and wages** are the largest operating expense for the University, totaling \$590 million for the year. Salary and wages increased \$40 million, approximately 7% over FY22.

- Salary expense for classified staff increased approximately \$9 million due to a 3.5% general salary increase, and a 2% increase in filled employee positions from fall 2021 to fall 2022.
- Salary expense for exempt administrative professional staff increased approximately \$19 million, or 13% due to a 2.5% general salary increase, and a 6% increase in filled employee positions year over year.
- Salary expense for faculty increased approximately \$10 million, or 4% despite a 2% drop in faculty FTE from fall 2021 to fall 2022. The increase was the result of a 2.5% salary increase and an investment in a pool of funds to begin addressing faculty salary equity.
- Wages for temporary hourly students and other wages increased nearly \$2 million, as campus employment rebounded from reductions during COVID and following the great resignation.

**Benefits** expense is the employer share of health, retirement, and other benefits provided to employees, accrued leave expense, as well as the annual impacts of changes in pension and other post-employment obligations as estimated by GASB standards. Overall, benefit expenses increased \$39 million, or 34%, over the prior year. The increase is largely driven by the following changes:

- Employer cost of benefits for employees increased by approximately \$26 million. The 13% change was a result of the 2% increase in filled positions and escalation in the employer's share of health costs. Most significantly, employer health contributions rose 21% year over year.
- Accrued leave increased by \$3 million, due to growth in filled employee positions and salaries during the year.
- Pension and OPEB liabilities have created dramatic swings in benefit expenses. The decrease in the estimated OPEB liability for FY23 resulted in a \$15 million decrease in benefit expense. Pension and WSUSRP liabilities both increased, which increased benefit expense by \$25 million. The University has no financial control over pension and OPEB activity.

**Scholarship and fellowships** expense decreased \$9 million for FY23. Overall federal grants decreased by \$29 million, as HEERF support funds were exhausted in the prior year. This decrease was offset in part by a \$15 million increase driven by a shift between allowance and expense. Scholarships from state and donated funds and scholarships in athletics increased by \$2 million and scholarships from external sources increased by \$3 million.

**Utilities** expenditures increased significantly, growing 24% from FY22 to FY23, consistent with the rapid increase in energy sources and prices. The state's average monthly natural gas prices grew by 22% across the year leading to a \$7 million increase from FY22.

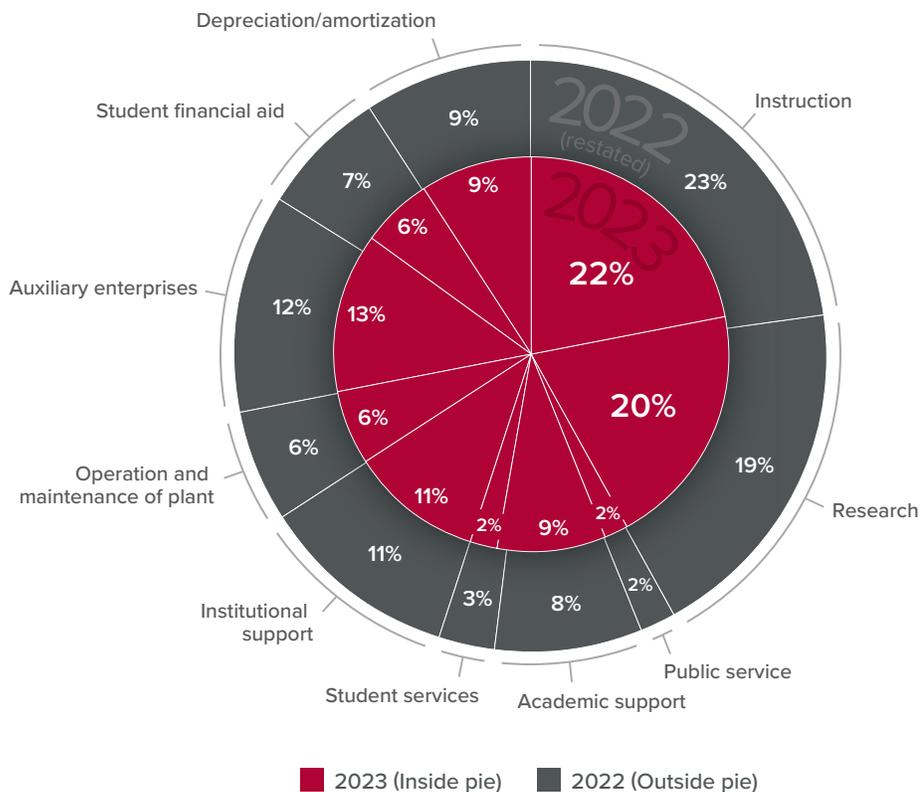
**Payments to suppliers** are the supply and material costs of the University. Overall, payments to suppliers increased \$14 million or 8% over the FY22 level. Payments to suppliers in facility-related projects increased \$6 million, and housing, dining, and student facility operations increased by \$3 million. Other notable increases included a \$2 million increase in meals and banquets, and approximately \$3 million increase in computer and software acquisitions.

**Purchased services** includes travel, services, and subcontracts for grants, which totaled \$131 million for the year, an increase of 34% or \$33 million over FY22. Travel expenditures increased by \$13 million, a change of 76% over the prior year as travel rebounded from pandemic restrictions. International travel increased by \$2 million or 285%, out of state travel grew \$7 million or 65%, and in-state travel increased by \$4 million or 56%. Subcontract expenses on grants increased by \$12 million. Other purchased services increased about \$8 million or 18% over last year.

**Depreciation and amortization** expenses include the non-cash adjustment of capital assets and amortization associated with right-to-use leases and subscription-based technology assets. Depreciation expense decreased by \$8 million or 8% from last year. The decline in capital costs is due to assets which moved from an infrastructure classification to a right-to-use software classification. The remaining decrease is primarily due to the disposal of equipment and building assets. Amortization expense increased by \$10 million or 1185% from FY22 as GASB 96 was implemented. The new amortization expenses associated with GASB 96 were offset by a reduction in amortization expense associated with GASB Statement No. 87 due to the remeasurement and termination of several office space leases across the state.

## Operating Expenses by Function (In millions)

For the years ending June 30, 2023 and 2022



## Capital Assets and Long-Term Liabilities

### Capital Assets

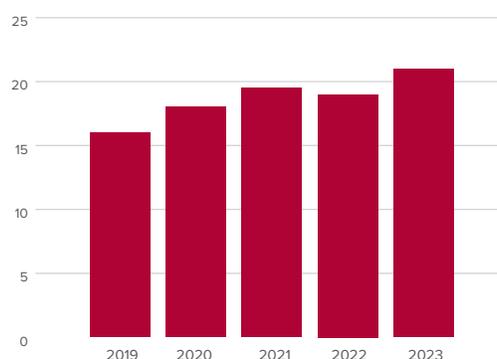
The University's net capital assets remained consistent with the prior year with modest new investment and renovation occurring across the system. As measured by the Age of Plant Ratio, WSU's capital assets are aging, exposing the need for viable space optimization and for additional deferred maintenance funding.

Capital Assets (in millions)

	June 30, 2023	Restated June 30, 2022	\$ Change	% Change
Beginning balance	\$ 1,618	\$ 1,697	\$ (79)	(5)%
Additions	108	52	56	108%
Retirements	(19)	(33)	14	(42)%
Depreciation/amortization	(80)	(98)	18	(18)%
Ending balance	\$ 1,627	\$ 1,618	\$ 9	-

The age of plant ratio indicates the financial average age of total plant facilities in years by measuring the relationship of current depreciation to total accumulated depreciation. It provides a general sense of the age of facilities and the impact of deferred maintenance.

Age of Plant (number of years)



At June 30, 2023, WSU had \$3.6 billion in capital assets, less accumulated depreciation of \$2 billion, for net capital assets of \$1.6 billion. At June 30, 2022, WSU had \$3.5 billion in capital assets, less accumulated depreciation of \$1.9 billion, for net capital assets of \$1.6 billion. During FY23, additions to buildings, land, and libraries totaled \$11 million including renovated student housing complexes and energy metering upgrades on the Pullman campus. Construction in progress of \$80 million included a new Life Sciences Building on the Vancouver campus, and new equipment purchases of \$17 million. These increases were partially offset by \$80 million in annual depreciation, and disposals totaling \$19 million, including the demolition of the Johnson Hall Building and the reclassification of Oracle and Workday infrastructure assets to SBITA assets. Net capital assets increased by \$9 million overall.

Capital Assets (in millions)

	June 30, 2023	Restated June 30, 2022	\$ Change	Change
Land	\$ 33	\$ 33	\$ -	-
Buildings, net	1,263	1,325	(62)	(5)%
Construction in progress	104	24	80	333%
Equipment, net	38	37	1	3%
Library, net	61	64	(3)	(5)%
Other improvements and infrastructure, net	128	135	(7)	(5)%
Total capital assets, net	\$ 1,627	\$ 1,618	\$ 9	-

See note 8

**Right-to-Use Assets**

In FY23, right-to-use assets decreased by \$9 million, driven by accumulated amortization, totaling \$8 million for subscriptions and \$1 million for land and buildings. Amortization expenses were offset somewhat by \$1 million in net additions to buildings, including new office space leases in Spokane and Seattle. In FY23, the University implemented GASB 96 Subscription-Based Information Technology Arrangements resulting in the first-time recognition of the long-term portion of subscriber's right-to-use subscription assets. As part of the implementation of GASB 96, the University's Oracle and Workday infrastructure assets were reclassified as right-to-use subscription assets.

**Right-To-Use Leased assets (In millions)**

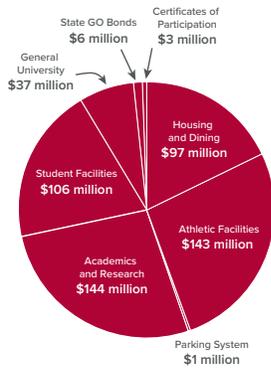
	June 30, 2023	Restated June 30, 2022	\$ Change	% Change
Land	\$ 1	\$ 1	-	-
Building, net	17	18	(1)	(6)%
Subscription, net	30	38	(8)	(21)%
<b>Total right-to-use lease assets, net</b>	<b>\$ 48</b>	<b>\$ 57</b>	<b>\$(9)</b>	<b>(16)%</b>

**Debt Administration**

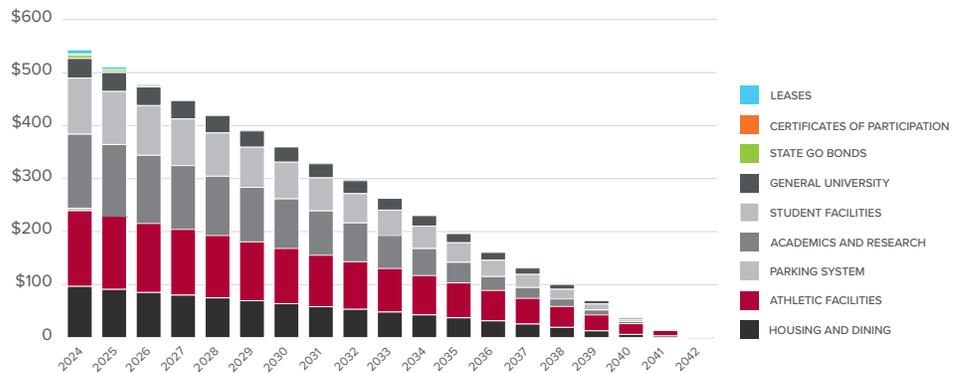
The University did not engage in financing activities in FY23. In the prior year, WSU issued General Revenue Refunding Bonds 2022 to refund the General Revenue Bonds 2012B Series. The refunding generated average annual debt savings of \$258,000, or a 17% net present value debt service savings. A round of refunding was completed in August 2023 and is reported as a subsequent event. Rating agencies maintained current bond ratings at Aa3 with Stable Outlook from Moody's Investors Services and A+ with Stable Outlook from S&P Global.

WSU considers debt capacity a limited resource to be used strategically to advance the mission of the University. WSU has taken a balanced approach to the use of debt to support growth across the organization, including in housing and dining, athletics, parking, academics and research, and student facilities.

**Outstanding Principal by Purpose for June 30, 2023**



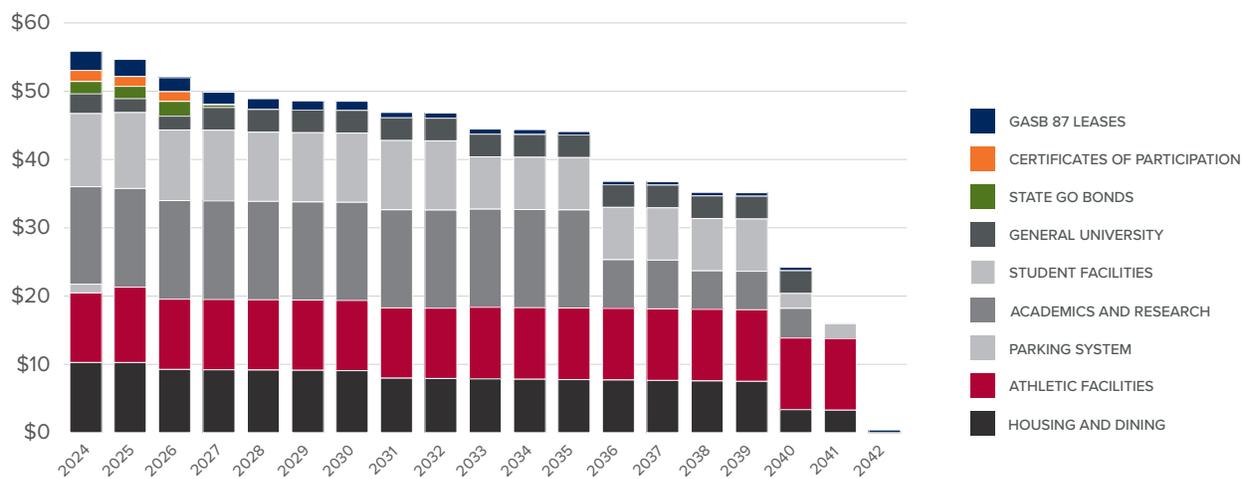
**Outstanding Principal by Purpose**



WSU will pay off approximately 50% of the current outstanding debt in the next ten years.

WSU has managed annual debt service levels to create consistency from a planning and budgeting perspective.

**Annual Debt Service by Purpose  
for June 30, 2023**



## Long-Term Liabilities

Long-term liabilities are analyzed without unearned revenues and accrued leave. In FY23, the long-term liabilities of the University totaled \$900 million, a decrease of \$140 million due to reductions in pension liabilities, long-term liabilities and lease obligations. Other post-employment benefits and pension liabilities continue to fluctuate year after year to accommodate changes in actuarial assumptions and the discount rates.

Revenue and refunding bonds, lease obligations, State of Washington general obligation bonds, and notes payable decreased due to payments on principal. With the implementation of the GASB 96 accounting standard regarding financial liabilities related to subscriptions, financial statements for FY22 were restated. See notes 12, 14 and 15 for more information.

The table below summarizes outstanding liabilities:

**Long-Term Liabilities (In millions)**

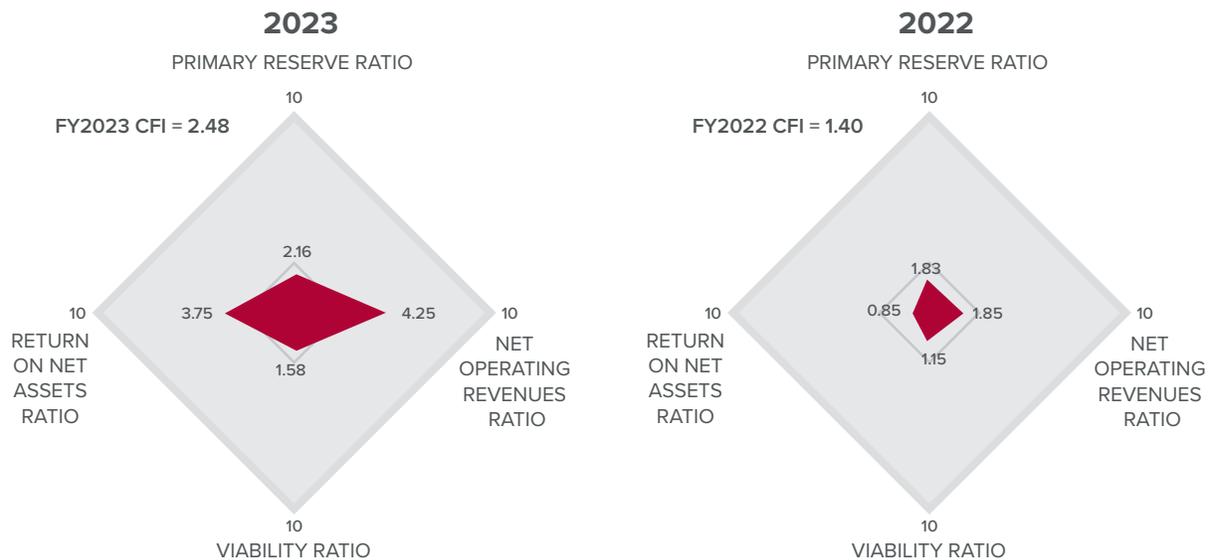
	June 30, 2023	Restated June 30, 2022	\$ Change	% Change
Revenue and refundings bonds payable	\$ 571	\$ 600	\$ (29)	(5)%
Note payable	1	2	(1)	(50)%
State of Washington general obligation bonds	6	8	(2)	(25)%
Certificates of participation	5	6	(1)	(17)%
Lease liability	19	20	(1)	(5)%
Subscription IT liability	14	17	(3)	(18)%
Pension obligation liability	59	51	8	16%
Other post-employment benefits	204	316	(112)	(35)%
Asset retirement obligation	21	20	1	5%
<b>Total long-term liabilities</b>	<b>\$ 900</b>	<b>\$ 1,040</b>	<b>\$ (140)</b>	<b>(13)%</b>

## Financial Health and Flexibility

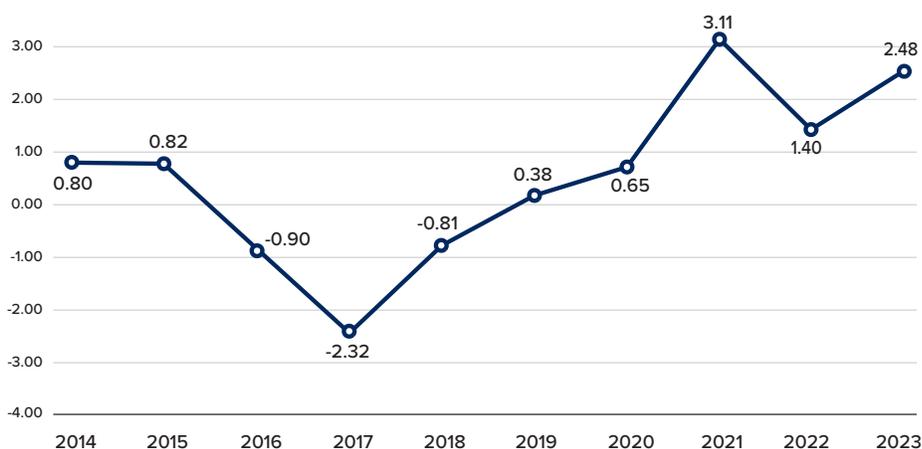
The University calculates and analyzes several ratios to measure financial performance. The composite financial index (CFI) is a sophisticated tool designed to provide a comprehensive picture of the University's financial strengths and weaknesses by combining four core ratios into a single measure. Two of the four ratios consider the performance of the University's balance sheet – the Statement of Net Position. The primary reserve ratio measures the University's financial health by comparing accumulated reserves to operating demands. The viability ratio compares these same reserves to facilities-related debt to measure the University's ability to repay debt from reserves only. These two ratios have a longer time horizon, beyond a year. The other two ratios consider the performance of the University's income statement – the Statement of Revenues, Expenses, and Changes in Net Position. The return on net assets ratio uses a one-year look to show the extent of overall net asset growth, or decline. The net operating revenue ratio, also focusing on a one-year time horizon, measures an institution's ability to conduct activities while relying only on the current year's operating revenues, and to accumulate additional reserves. These four ratios are weighted and push and pull upon one another to highlight the need to use University funds to cover costs and invest in initiatives that will bolster future net revenues. 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 scale is from -4 to 10, with adequate performance equaling 3 and vibrant at 5. The top scale of 10 is considered superb. Yet, higher CFI scores may expose a risk averse institution that manages well within financial resources, but does not focus on competing in a future state. The accumulation of wealth is not a strategic financial goal for higher education. The ability to deploy resources to meet educational, research and service needs is the highest and best use of funds. For context, public higher education institution ratios are negatively affected by inclusion of pension and post employment benefit liabilities. Baseline financial stability for WSU would expect a CFI between 2.5 and 3 with higher scores indicating financial flexibility to consider transformation and experimentation to support long-term mission success. Lower scores signal need for programmatic adjustment and financial remediation. A rolling average of CFI scores over three years will smooth any single year change and be a better indicator of overall financial health.

### Composite Financial Index



Composite Financial Index



The graph above shows Washington State University's Composite Financial Index calculation over the past ten years. Historically, the CFI increases align with periods of enrollment growth and higher investment returns. In the period 2015-2017, the ratio reduced both due to changes in accounting pronouncements to recognize pension and other benefit liabilities and as the University's expenditures exceeded annual revenues. Following significant work to resize the University's budget through the three-year financial recovery plan, the ratio rose until 2021 when the impact of the pandemic and global economic downturn reduced operating budgets and investment returns. The highest CFI score, achieved in 2021, results from strong student enrollment entering WSU in 2018 and 2019, the Higher Education Emergency Relief Funds from the federal government, and managed expenditures throughout the pandemic as well as record-high investment returns. For FY23, the CFI improved year-over-year as WSU reacted to declining revenues from enrollment losses by reducing unit budgets.

The University's near-term budget outlook considers increased costs and challenges with additional revenue generation. Effective financial management demands maintenance of liquidity and efficiencies in operations. As financial reporting at WSU is enhanced through budget variance analysis and development of quarterly financial statements, forecasting financial performance will mature to include robust ratio analysis of other metrics and ultimately support directing scarce resources to strategic plan priorities.

### Economic Outlook

Washington State University remains a viable financial entity evidenced by maintenance of debt ratings by Moody's Investors Service (Aa3; Stable Outlook) and S&P Global (A+; Stable Outlook). As the land-grant institution for the State of Washington, WSU's operating budget is closely tied to the economic condition in the state. Indicators in the Washington State Economic and Revenue Forecast Council's (ERFC) September 2023 forecast support continued expansion of the state's economy, driven by higher-than-expected employment growth and increases in personal income. The ERFC's estimates of state general fund revenues include an increase of \$663.4 million for the current 2023-25 biennium and \$437.4 million in the 2025-27 biennium. The increased forecast is largely due to higher-than-expected collections for sales and business taxes.

WSU has benefitted from the state's economic success through increased appropriations for the 2023-25 biennium. Significant funding items include \$27.2 million for employee compensation and \$7.7 million to establish the Institute for Northwest Energy Futures (INEF) on the WSU Tri-Cities Campus. INEF is purposed to be an integral research hub in Washington with a focus on clean energy, providing benefit to the region and increasing WSU's research footprint, including opportunities for grant funding and partnerships with private industry.

The University is classified at the highest level of research - as an R1 University - Very High Research Activity by the Carnegie Classification of Institutions of Higher Education. Total sponsored project awards were \$307 million in the 2023 fiscal year an increase of \$24 million over the prior year. Notable new awards included a number of new awards in Agricultural Sciences, Engineering, Biomed Sciences, and Health Sciences.

## Management's Discussion and Analysis

Tuition and fee revenue continues to be impacted by lower student enrollment. Undergraduate and graduate tuition rates were increased 2.5% for the 2023-24 academic year, but four consecutive years of enrollment declines are expected to offset any increase in net tuition revenue associated with the rate increase. In an effort to support affordability, the tuition increase was less than the 3% state imposed cap on resident undergraduate tuition rate changes. Non-tuition student fees, such as those supporting self-sustaining enterprises and student-centered facilities, saw only modest increases overall; those operations continue to adapt to reduced revenues while serving a smaller student population.

The University's endowment, totaled \$666 million, with \$592 million held by the WSU Foundation. The endowment is comprised of a mix of unrestricted funds, quasi endowed, term endowed and permanently endowed funds. WSU fundraising achieved a new record in the 2023 fiscal year with philanthropic giving of more than \$167.9 million with highlights including capital project support for a new student success center in the Voiland College of Engineering and Architecture and for new athletics facilities. Within the OneWSU system, the WSU Vancouver campus received a \$1 million investment from the Cowlitz Indian Tribe to support STEM education within the new Life Sciences building under construction. The University's land grant endowment, managed by the Washington State Department of Natural Resources and the Washington State Investment Board, totaled \$604 million.

Since the conclusion of the 2023 fiscal year, Cougar Athletics has been rocked by conference realignment that left the University as one of only two remaining members of the PAC12. Efforts to sustain the strong competitive tradition and campus, alumni and donor engagement are underway and will demand attention and resources for the foreseeable future. Early legal success to control the future of the PAC12 does not diminish the uncertainty and risk for the financial operations for Athletics, but work is underway to rescope the budget to align with reduced resources.

The University has addressed fiscal challenges from lower enrollment by reducing unit operating budgets for the fourth consecutive year, by proactive expense management, and with refocusing efforts to grow enrollment. The state has made significant investments in college affordability and accessibility to Washington residents through the Washington College Grant program, and the eligibility requirements for this robust financial aid program expanded in 2023 so that even more students could benefit. As WSU continues its efforts to recruit students to its five physical campuses and the WSU Global Campus, it does so with its land grant mission in the forefront – to provide practical education to students from all backgrounds, support scholarly inquiry that benefits society, and sharing expertise to positively impact the state and communities

<b>Current assets</b>	
Cash and cash equivalents (Note 2)	\$ 438,272,743
Prepaid expenses	4,891,187
Inventories (Note 5)	20,737,175
Accounts receivable, current portion (Note 6)	101,123,737
Investments, current portion (Note 3)	83,341,044
Subtotal current assets	<b>648,365,886</b>
<b>Non-current assets</b>	
Long-term accounts receivable, net	17,990,859
Long-term investments (Note 3)	118,468,483
Endowment investment (Note 3)	678,336,062
Loans receivable, net (Note 7)	11,216,000
Capital assets, net of accumulated depreciation/amortization (Note 8)	1,674,789,485
Pension assets, net (Note 16)	42,630,940
Subtotal non-current assets	<b>2,543,431,829</b>
<b>Total assets</b>	<b>3,191,797,715</b>
<b>Deferred outflows of resources</b>	119,211,418
<b>Current liabilities</b>	
Accounts payable and accrued liabilities (Note 9)	65,680,024
Due to Washington State University Foundation	7,518,667
Deposits	4,123,756
Unearned revenue, current portion (Note 10)	17,737,703
Long-term liabilities, current portion (Note 14)	35,693,151
Subtotal current liabilities	<b>130,753,301</b>
<b>Non-current liabilities</b>	
Accrued leave (Note 9)	39,359,010
Unearned revenue (Note 10)	2,254,361
Long-term liabilities (Note 15)	580,409,424
Asset retirement obligation (Note 13)	20,562,344
Pension liability, net (Note 16)	59,145,495
Other post employment benefits liability (Note 17)	204,175,546
Subtotal non-current liabilities	<b>905,906,180</b>
<b>Total liabilities</b>	<b>1,036,659,481</b>
<b>Deferred inflows of resources (Note 10)</b>	300,640,120
Net investment in capital assets	1,101,155,265
Restricted nonexpendable	620,623,409
Restricted loans	18,449,730
Restricted expendable	272,001,565
Restricted pension asset, net	53,538,170
Unrestricted	(92,058,607)
<b>Total net position</b>	<b>\$ 1,973,709,532</b>

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

**Washington State University  
Foundation** (A Nonprofit Corporation)

Consolidated Statement of Financial Position  
June 30, 2023

**Assets**

Cash and cash equivalents	\$ 57,897
Due from Washington State University	7,518,667
Bequests and other receivables	1,719,306
Pledges receivable, net	52,455,965
Endowment investment securities	591,964,356
Notes receivable, net	317,701
Furniture, fixtures, and equipment (net of accumulated depreciation of \$1,583,944)	85,625
Land and real estate	530,000
Right-to-use – lease	1,916,305
Assets held in charitable trusts	22,370,837
Contributions receivable from charitable trusts	6,098,530
Beneficial interest in perpetual trusts	37,644,058
Total assets	<u>722,679,247</u>

**Liabilities**

Accounts payable and accrued liabilities	2,574,621
Lease liability	1,916,305
Annuities payable	10,820,414
Remainder interest payable	20,850
Total liabilities	<u>15,332,190</u>

**Net Assets**

Without donor restrictions	6,995,772
With donor restrictions	700,351,285
Total net assets	<u>707,347,057</u>
<b>Total liabilities and net assets</b>	<u><b>\$ 722,679,247</b></u>

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

### Revenues

Operating revenues	
Tuition and fee revenue, net	\$ 284,784,322
Federal grants and contracts	200,187,094
State grants and contracts	118,915,470
Local grants and contracts	48,035,355
Sales and services of educational departments	36,389,846
Auxiliary enterprises	167,728,807
Other operating revenues	45,700,479
<b>Total operating revenues</b>	<b>901,741,373</b>

### Expense

Operating expenses	
Salaries and wages	590,297,507
Benefits	152,965,568
Scholarships and fellowships	76,543,567
Utilities	36,009,617
Payments to suppliers	195,952,392
Purchased services	131,098,309
Depreciation/amortization	106,771,222
<b>Total operating expenses</b>	<b>1,289,638,182</b>
<b>Net operating loss</b>	<b>(387,896,809)</b>

### Non-operating revenues (expenses)

State appropriations	300,307,500
Federal appropriations	6,824,822
Federal pell grants	30,723,971
Interest on capital assets—related debt	(25,281,656)
Federal bond interest subsidy	849,959
Gifts and contributions	59,699,228
Investment income, net of expense	86,728,273
Higher education emergency relief fund (HEERF)	2,634
Other non-operating revenues (expenses)	5,259,644
<b>Total non-operating revenues (expenses)</b>	<b>465,114,375</b>
<b>Income before capital additions and additions to permanent endowment</b>	<b>77,217,566</b>
Capital appropriations	68,131,522
Capital grants and gifts	445,307
Additions to permanent endowments	16,528,603
<b>Total other additions</b>	<b>85,105,432</b>
<b>Increase (decrease) in net position</b>	<b>162,322,998</b>

### Net Position

Net position, beginning of year	1,817,166,530
Change in accounting principle as a result of GASB 96	(5,779,996)
Net position, beginning of year restated	1,811,386,534
Increase (decrease) in net position	162,322,998
<b>Net position, end of year</b>	<b>\$ 1,973,709,532</b>

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

**Washington State University  
Foundation** (A Nonprofit Corporation)

Consolidated Statement of Activities  
Year Ended June 30, 2023

	Without donor restrictions	With donor restrictions	Total
<b>Revenue and support:</b>			
Contributions of cash and other financial assets	\$ 127,710	\$ 62,119,438	\$ 62,247,148
Contributions of nonfinancial assets	—	1,013,505	1,013,505
Investment return (loss), net of expenses	(45,712)	48,837,251	48,791,539
Advancement fee	2,618,920	—	2,618,920
Management and advancement fees	9,227,366	—	9,227,366
Change in value of split-interest agreements	—	(2,483,228)	(2,483,228)
Support provided by Washington State University	5,313,491	—	5,313,491
Other income	1,484,492	1,556,629	3,041,121
Total revenue and support	<u>18,726,267</u>	<u>111,043,595</u>	<u>129,769,862</u>
Net assets released from restrictions	85,010,356	(85,010,356)	—
<b>Expenses:</b>			
Support provided to/for Washington State University:			
Restricted distributions	55,440,830	—	55,440,830
Endowment income distributions	22,468,341	—	22,468,341
Endowment administration fees	8,254,590	—	8,254,590
Fundraising	11,212,427	—	11,212,427
General and administrative expenses	8,141,740	—	8,141,740
Total expenses	<u>105,517,928</u>	<u>—</u>	<u>105,517,928</u>
Change in net assets	(1,781,305)	26,033,239	24,251,934
Net assets – beginning of year	8,777,077	674,318,046	683,095,123
<b>Net assets – end of year</b>	<u><b>\$ 6,995,772</b></u>	<u><b>\$ 700,351,285</b></u>	<u><b>\$ 707,347,057</b></u>

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

<b>Cash flows from operating activities</b>	
Tuition and fees	\$ 293,703,520
Grants and contracts	361,064,369
Payments to suppliers	(188,184,715)
Payments for utilities	(36,009,617)
Purchased services	(131,098,309)
Payments to employees	(593,957,319)
Payments for benefits	(194,503,458)
Payments for scholarships and fellowships	(76,543,567)
Loans issued to students	(791,056)
Collection of loans to students	4,039,626
Auxiliary enterprise receipts	164,882,997
Sales and service of educational departments	36,389,846
Other receipts	45,710,011
<b>Net cash used by operating activities</b>	<b>(315,297,671)</b>
<b>Cash flows from noncapital financing activities</b>	
State appropriations	300,307,500
Federal appropriations	6,824,822
Gifts for other than capital purposes	
Private gifts	59,699,228
Additions to permanent endowment	16,528,603
Federal direct loan receipts	140,925,801
Federal direct loan disbursements	(140,954,417)
Change in deposits	781,155
Federal pell grants	30,723,971
HEERF relief grants	2,634
Other non-operating income (expense)	(450,954)
<b>Net cash provided by noncapital financing activities</b>	<b>414,388,343</b>
<b>Cash flows from capital and related financing activities</b>	
Capital appropriations	58,414,370
Capital grants and gifts received	445,306
Purchases of capital assets	(109,300,229)
Principal received on leases	2,560,050
Interest received on leases	287,613
Principal paid on capital debt and leases	(35,377,227)
Interest paid on capital debt and leases	(25,749,103)
<b>Net cash used by capital and related financing activities</b>	<b>(108,719,220)</b>
<b>Cash flows from investing activities</b>	
Proceeds from sales of investments	1,868,036,648
Purchases of investments	(1,869,242,577)
Investment income	87,578,231
<b>Net cash provided by investing activities</b>	<b>86,372,302</b>
Net increase/(decrease) in cash and cash equivalents	76,743,754
Cash - beginning of year	361,528,989
<b>Cash - end of year</b>	<b>\$ 438,272,743</b>

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

<b>Operating loss</b>	<b>\$ (387,896,809)</b>
<b>Adjustments to reconcile net loss to net cash used by operating activities:</b>	
Depreciation and amortization expense	106,771,222
<b>Changes in assets, liabilities, and deferred inflows and outflows of resources</b>	
<b>Changes in assets and deferred outflows of resources</b>	
Inventories	(1,782,198)
Prepaid expenses	(298,985)
Net accounts receivable	(2,558,583)
Pension asset	87,955,005
Pension and OPEB related deferred outflows of resources	(21,832,402)
Asset retirement obligation deferred outflows	457,216
<b>Changes in liabilities and deferred inflows of resources</b>	
Accounts payable and accrued liabilities	6,833,373
Unearned revenue	5,816,527
Accrued leave	970,449
Pension liabilities	8,167,196
OPEB liability	(111,616,591)
ARO liability	825,917
Pension and OPEB related deferred inflows of resources	(7,109,008)
<b>Net cash used by operating activities</b>	<b>\$ (315,297,671)</b>
<b>Significant Noncash Transactions</b>	
Loss on disposal of capital assets	\$ 3,560,764
New lease as lessor	\$ 2,071,485
New lease as lessee	\$ 3,307,254
Re-measurement of lease/discontinuation	\$ 1,182,343

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

**Cash flows from operating activities:**

Change in net assets	\$ 24,251,934
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	24,943
Net realized and unrealized (gains) losses on investments	(41,899,283)
Decrease in value of split-interest agreements	2,483,228
Contributions and income restricted for investments in endowments and trusts	(17,718,450)
Changes in operating assets and liabilities:	
Due from Washington State University	2,215,873
Bequests and other receivables	(397,975)
Pledges receivable	5,789,525
Contribution receivable from charitable trusts	22,495
Accounts payable and accrued liabilities	321,231
Net cash used in operating activities	<u>(24,906,479)</u>

**Cash flows from investing activities:**

Purchases of investments	(103,918,179)
Sales of investments	102,150,116
Proceeds of principal payments on notes receivable	16,939
Net cash (used)/provided by investing activities	<u>(1,751,124)</u>

**Cash flows from financing activities:**

Contributions and income restricted for investments in endowments and trusts	17,718,450
Net cash provided by financing activities	17,718,450
Net (decrease)/increase in cash and cash equivalents	<u>(8,939,153)</u>
Cash and cash equivalents – beginning of year	18,081,211
Cash and cash equivalents – end of year	<u><u>\$ 9,142,058</u></u>

**Supplemental cash flow information:**

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flow from operating leases	\$ 361,134

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

# CONTENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	39
NOTE 2 – CASH, CASH EQUIVALENTS	45
NOTE 3 – INVESTMENTS	46
NOTE 4 – WASHINGTON STATE UNIVERSITY FOUNDATION ENDOWMENTS	52
NOTE 5 – INVENTORIES	57
NOTE 6 – ACCOUNTS RECEIVABLE	58
NOTE 7 – LOANS RECEIVABLE	58
NOTE 8 – CAPITAL ASSETS	59
NOTE 9 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	60
NOTE 10 – UNEARNED REVENUE AND DEFERRED INFLOWS OF RESOURCES	60
NOTE 11 – RISK MANAGEMENT	61
NOTE 12 – LEASES	62
NOTE 13 – ASSET RETIREMENT OBLIGATION	67
NOTE 14 – BONDS PAYABLE, NOTES PAYABLE AND RELATED DEBT	68
NOTE 15 – DEFERRED OUTFLOWS OF RESOURCES AND SCHEDULE OF LONG-TERM LIABILITIES	70
NOTE 16 – PENSION PLANS	70
NOTE 17 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)	77
NOTE 18 – OPERATING EXPENSES BY FUNCTION	80
NOTE 19 – BLENDED COMPONENT UNIT	81
NOTE 20 – COMMITMENTS AND CONTINGENCIES	83

FINANCIAL REPORT 2023

## NOTES TO THE FINANCIAL STATEMENTS

# Notes to the Financial Statements

June 30, 2023

## 1. Summary of Significant Accounting Policies

### Financial Reporting Entity

Washington State University (WSU or the University) is an agency of the State of Washington and is part of the public system of higher education. It is included as an integral part of the State's Annual Comprehensive Financial Report. Washington State University issues separate financial statements which encompass the University and its affiliated operations. These financial statements present only the activities of the University and are not intended to and do not present either the financial position or changes in financial position of the State of Washington.

The accompanying financial statements include individual colleges and departments of the University and its component units. Component units are organizations which are legally separate, related organizations that the University is financially accountable for and meet the criteria for inclusion in the financial statements as defined by Governmental Accounting Standards Board (GASB) Codification Section 2100, *Defining the Financial Reporting Entity* and Section 2600, *Reporting Entity and Component Unit Presentation and Disclosure*. Financial accountability is demonstrated when one of several conditions exist, such as when the University appoints a voting majority of the organization's board, is able to impose its will on the organization, receives specific financial benefit or incurs specific financial burden from the organization or the organization is fiscally dependent on the University. Depending on their relationship to the University, component units are reported as either blended with the amount reported by the University, or they may be discretely presented on the pages following the University's statements.

### *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. Due to its significance, 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 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 Units**

Blended component units are legally separate but are so intertwined with WSU that they are in substance, the same as the University. These component units are reported as part of the University and blended into its financial statements.

The Washington State University 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 19. The WSUAA's full financial statements can be obtained by contacting the Lewis Alumni Centre on the WSU Pullman campus or calling (509) 335-2586.

The Students Book Corporation (SBC) is a legally separate entity, owned by the students of Washington State University which operates bookstores on each of the WSU campuses. This report presents SBC's financial condition and activities as a blended component unit in the University's financial statements. Condensed financial information can be found in note 19. The Students Book Corporation issues separate financial statements which 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.

## **Basis of Presentation**

The financial statements of the University have been prepared in accordance with the standards set by the Governmental Accounting Standards Board (GASB), which constitute Generally Accepted Accounting Principles (GAAP) for governmental entities. The University is considered a special purpose government engaged in business-type activities. Accordingly, the University presents statement of net position, statement of revenues, expenses and changes in net position, statement 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. All significant intra-agency transactions have been eliminated.

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.

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 additions or 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 refunding's 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.

## **New Accounting Standards**

On July 1, 2022, the University implemented GASB Statement No. 94, *Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs)*. This standard establishes definitions of PPPs and APAs and provides uniform guidance on accounting and financial reporting for these types of transactions.

A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction.

Some PPPs are considered service concession arrangements, in which the operator collects and is compensated by fees from third parties; the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

The statement also provides guidance surrounding APAs, which are defined as arrangements whereby a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. Under these arrangements, the payments made by the government are based entirely on the asset's availability for use.

As a result of implementing this standard, the University recognized two PPP lease receivables and deferred inflows of resources in the amounts of \$23.2 million as of July 1, 2022. There was no change to beginning net position from the implementation of this standard. Please see notes 6 and 12 for additional disclosures. WSU did not book a right-to-use asset for the two buildings involved in these leases since they would be fully depreciated before the end of the leases.

On July 1, 2022, the University implemented GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). This standard applies the same philosophy as GASB 87, *Leases*, in that it requires a right-to-use subscription asset and a corresponding subscription liability to be recorded for certain IT arrangements, most commonly applicable to software licensing. It provides the capitalization criteria for outlays other than subscription payments (including implementation costs of a SBITA), and requires note disclosures regarding a SBITA. As a result of implementing this standard, the University recognized a right-to-use subscription liability of \$17 million and right-to-use subscription assets of \$37.7 million as of July 1, 2022. The right-to-use assets include implementation costs that were capitalized as infrastructure in a prior year and moved to the right-to-use subscription assets in the amount of \$26.3 million. As such the accumulated depreciation was adjusted to match the right-to-use amortization schedule for FY23 resulting in a \$5.8 million change in beginning net position. Please see notes 8 and 12 for additional disclosures.

With the adoption of GASB Statement No. 96, net position was restated at July 1, 2022. Below is a reconciliation of net position as previously reported at June 30, 2022 to the restated net position:

Net position at June 30, 2022, as previously reported	\$ 1,817,166,530
Adoption of GASB 96	(5,779,996)
Net Position at June 30, 2022, as restated	<u>\$ 1,811,386,534</u>

In June 2022, GASB issued Statement No. 101, *Compensated Absences* which will be effective for the fiscal year ending June 30, 2025. This statement will update the recognition and measurement guidance for compensated absences to a unified model. This Statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means. The statement amends the existing disclosure requirements to allow disclosure of only the net change in the liability.

## Use of Estimates

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred outflows/inflows, 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.

WSU estimates the asset retirement obligation liability (see note 13) by reviewing the status of known assets and developing estimates for retirement costs. These estimates are subject to change due to improvements in technology and inflation.

Allowances (see notes 6 and 7) are estimates based on the historical experience of the University and current economic circumstances with respect to the collectability of accounts and loans receivable.

The University's share of pension and other post employment benefit plan assets, liabilities, deferrals and expenses, are based on actuarial valuations prepared by an external actuary. The results of an actuarial valuation are estimates based on historical data, actuarial assumptions, and the demographics of the employee and retiree populations.

## Cash, Cash Equivalents and Investments

Cash balances in excess of current requirements are pooled and may be invested in Treasury securities, time deposits, deposits with the Washington State Local Government Investment Pool (LGIP), federal agency bills, notes, commercial paper and high-quality short-term corporate notes. Cash equivalents are short-term, highly liquid investments convertible to known amounts of cash without change in value or risk of loss. 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 codification section 150: *Investments*, 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.

## Lease Receivables

Lease receivables are recorded as the present value of future lease payments expected to be received from the lessee during the term of the lease, reduced by any provision for estimated uncollectible amounts. Lease receivables are subsequently reduced over the life of the lease as cash is received in the applicable reporting period. The present value of future lease payments to be received are discounted based on the incremental borrowing rates as determined by the University's bond council by using Bloomberg's BVAL curve for similar rated AA- and A+ bonds. The University's financials are rated by Moody's Investors Service.

## Inventories

Inventories, consisting primarily of supplies and merchandise for resale, are valued at cost using various methods. See note 5.

## 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.

In accordance with GASB codification section 1400: *Reporting Capital Assets*, 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, 2023 no assets have been written down.

Right-to-use leased assets, are recognized at the lease commencement date and represent WSU's right-to-use an underlying asset for the lease term. Right-to-use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the asset into service. Right-to-use leased assets are amortized over the lease term using the straight-line method. Amortization periods vary from 1 to 26 years.

Right-to-use subscription IT assets are recognized at the subscription commencement date and represent WSU's right-to-use the underlying IT asset for the subscription term. Right-to-use subscription IT assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any subscription incentives received from the vendor at or before the commencement of the subscription term, plus any initial implementation costs, that can be capitalized, necessary to place the subscription asset into service. Right-to-use subscription IT assets are amortized over the shorter of the subscription term or useful life of the underlying asset using the straight-line method. The amortization period varies from 1 to 6 years. See note 8.

## 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. See note 15.

## 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. See note 10.

## 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. See note 10.

## Asset Retirement Obligation (ARO)

An ARO is a legal obligation associated with the retirement of a tangible asset. AROs are measured at the current value of the estimated cost required to dispose of the asset. They are included in long-term liabilities on the University's Statement of Net Position. See note 13.

## Compensated Absences

The University employees accrue annual leave at rates based on length of service, and for sick leave at the rate of one day per month. Sick leave balances, which are unlimited, can be converted to monetary compensation annually at 25% of the employees' normal compensation rate for any balance that exceeds 480 hours, or for any balance upon retirement or death. Annual leave accrued at June 30, 2023 was \$45 million. Sick leave accrued at June 30, 2023 was \$9 million. The current portion is included in accounts payable and accrued liabilities, while the long-term portion is included in non-current liabilities in the University's Statements of Net Position. See note 9.

## Cost-Sharing Pension Plans (WSU Retirement Plan)

The net pension asset or liability is measured as the University's proportionate share of the collective total pension liability, less the fiduciary net position, of the cost-sharing pension plans in which the University participates. The total pension liability is determined by discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan's fiscal year-end. Projected benefit payments are required to be discounted using a single rate that reflects the expected rate of return on investments measured at fair value, to the extent that plan assets are available to pay benefits. The University's proportionate share is determined based on the relationship of University contributions to total contributions to the plan by all participating employers. Pension expense is recognized for benefits earned during the period, interest on the unfunded liability and changes in benefit terms. Differences between expected and actual experience, and changes in assumptions about future economic or demographic factors, are reported as deferred inflows of resources or deferred outflows of resources, and are recognized over the average expected remaining service period for employees eligible for pension benefits. Differences between expected and actual investment returns are reported as deferred inflows of resources or deferred outflows of resources and are recognized over five years. Contributions made to the plan subsequent to the measurement date and prior to the University's fiscal year-end are reported as a deferred outflow of resources, and recognized in the subsequent fiscal year. The measurement date for the net pension asset or liability is June 30 of the prior fiscal year.

## Single Employer Pension Plan (WSU Supplemental Retirement Plan)

Legislation signed into law on July 1, 2020, amended the RCW applicable to the WSUSRP to define plan provisions including limits on member eligibility, benefit payments, vesting terms and contribution rates. As a result of these amendments, the University is unable to modify the terms of the plan. Administration of the benefit calculations and payments remain the responsibility of the University until the state's Pension Funding Council determines the trust has sufficient assets, at which time the Department of Retirement Systems will assume those duties in accordance with RCW 41.50.280. Other agencies of the state of Washington perform the duties of a board and hold the substantive powers in relation to the WSUSRP. The University does not perform the duties of a board or hold any of the substantive powers that would make the plan a fiduciary component unit of the University.

The total pension liability is determined by discounting projected benefit payments for current participants and retirees, based on the benefit terms and legal agreements existing at the pension plan's fiscal year-end. The discount rate used for the total pension liability as of June 30, 2023, reflects the expected rate of return on investments measured at fair value, to the extent that plan assets are available to pay retiree benefits. The WSUSRP liability as of June 30, 2023, represents the total pension liability less the plan's fiduciary net position. Pension expense is recognized for benefits earned during the period, interest on the unfunded liability and changes in benefit terms. Differences between expected and actual experience, and changes in assumptions about future economic or demographic factors, are reported as deferred inflows of resources or deferred outflows of resources, and are recognized over the average expected remaining service period for employees eligible for pension benefits. Differences between expected and actual investment returns are reported as deferred inflows of resources or deferred outflows of resources, and are recognized over five years. The measurement date for the WSUSRP liability is the same as the Statement of Net Position date. Investments are reported at fair value.

## Other Post Employment Benefits (OPEB)

The total OPEB liability is measured as the University's proportionate share of the state of Washington's total OPEB liability, with the proportionate share determined based on the relationship of the University's healthcare-eligible headcount to the total healthcare-eligible headcount for the state. The total OPEB liability is determined by discounting projected benefit subsidies for current employees and retirees based on the discount rate required by GASB Statement No. 75 for OPEB plans that do not have assets residing in a qualified trust. OPEB expense is recognized for subsidies earned during the period, interest on the total OPEB liability and changes in benefit terms. Differences between expected and actual experience, and changes in assumptions about future economic or demographic factors, are reported as deferred inflows of resources or deferred outflows of resources, and are recognized over the average expected remaining service period for healthcare-eligible employees. Contributions made to the plan subsequent to the measurement date and prior to the University's fiscal year-end are reported as a deferred outflow of resources, and recognized in the subsequent fiscal year. The measurement date for the total OPEB liability is June 30 of the prior fiscal year.

## Long-Term Liabilities

Lease liability represents the University's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the commencement date based on the present value of future lease payments expected to be made during the lease term. The present values of lease payments are discounted based on the University's bond council by using Bloomberg's BVAL curve for similar rated AA- and A+ bonds.

Subscription liabilities represent WSU's obligation to make subscription payments arising from the subscription contract. Subscription liabilities are recognized at the subscription commencement date based on the present value of future subscription payments expected to be made during the subscription term. The present value of subscription payments are discounted based on the University's bond council by using Bloomberg's BVAL curve for similar rated AA- and A+ bonds.

## 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. However, WSU remains subject to income taxes on any income that is derived from a trade or business regularly carried on and not in furtherance of the purpose for which it was granted exemption from income taxes. No income tax is recorded for the year ended June 30, 2023 because there is no significant income from unrelated business.

## 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. Unspent bond proceeds incurred for capital assets are excluded from the amount.
- *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 principal.
- *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.
- *Restricted-pension asset.* These are assets bought with the contributions to the DRS pension plan for the exclusive purpose of financing pension plan benefits.
- *Unrestricted.* These represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises.

## Restricted/Unrestricted Resources

The University has no formal policy addressing which resources to use when both restricted and unrestricted net position are available for the same purpose. University personnel decide which resources to use at the time expenses are incurred. Factors used to determine which resources to use include relative priorities of the University in accordance with the University's strategic initiatives and externally imposed matching requirements of certain restricted funds. Major capital purchases are often split funded from multiple restricted and unrestricted funding sources.

## 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, Pell grants, state appropriations and investment income. The State of Washington appropriates funds on an annual and biennial basis. Appropriations are recognized as revenue when the related expenses are incurred.

## 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, 2023 were \$ 147,936,768.

## 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, 2023 the carrying amount of these University's cash funds, were \$438,272,743 as represented in the table below.

#### Cash and Cash Equivalents

Cash	\$ 151,576,318
Cash Equivalents	286,673,820
Deposits with fiscal agents	22,605
<b>Cash and cash equivalents</b>	<b><u>\$438,272,743</u></b>

### 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 held at 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, 2023, 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	Fair value	Less than 1 year	1-5 years	6-10 years	More than 10 years	Effective duration	Credit rating
Cash equivalents							
Commercial paper	\$ 7,472,250	\$ 7,472,250				0.57	A1/P1
U.S. Treasury	98,831,083	98,831,083				0.24	AAA
Agency discount notes	6,083,530	6,083,530				0.31	AAA
Other- bank short-term investment fund	1,867	1,867				0.01	NR
Local Government Investment Pool	174,285,090	174,285,090				0.09	NR
<b>Total cash equivalents</b>	<b>286,673,820</b>						
Current, short-term investments							
U.S. Treasury	30,506,874	30,506,874				0.21	AAA
Agency bonds	26,587,450	26,587,450				0.30	AAA
Mortgage-backed securities	26,246,720	26,246,720				0.30	AAA
<b>Total current investments</b>	<b>83,341,044</b>						
Non-Current, long-term investments							
U.S. Treasury	55,924,791		\$ 55,924,791			1.79	AAA
Mortgage-backed securities	53,062,906		11,448,233	\$13,671,862	\$ 27,942,811	2.04	AAA
Fixed income mutual fund	9,134,596		9,134,596			1.48	na
Subtotal non-current operating funds investments	<b>118,122,293</b>						
Non-marketable equity/patronage	346,190						
Total non-current, long-term investments	118,468,483						
<b>Total University Investments</b>	<b>\$ 488,483,347</b>						

\*Valued at amortized costs per GASB 79

#### 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 GASB Codification code section 150: *Investment Pools (External)*, for external investments 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 rates 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 1.2 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, bonds issued by state or local governments, registered warrants, supranational institution obligations, bankers' acceptances, 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, 2023, \$304,715,604 of the University's operating fund investments, held by Principal Custody Solutions in Principal's name as agency for the University, and \$476,637 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

<b>University investment type</b>	
Commercial paper	\$ 7,472,250
U.S. Treasury	185,262,748
Agency bonds	26,587,450
Agency discount notes	6,083,530
Mortgage-backed securities	79,309,626
<b>Subtotal</b>	<b>304,715,604</b>
Marketable global equities	476,637
<b>Total investments exposed to custodial credit risk</b>	<b>\$305,192,241</b>



**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 year ended June 30, 2023 was \$729,280.

**(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	Fair value	Level 1	Level 2	Level 3
U.S. Treasury	\$ 185,262,748	\$ 185,262,748	-	-
Agency bonds	26,587,450	-	\$26,587,450	-
Mortgage-backed securities	79,309,626	-	79,309,626	-
Fixed income mutual fund	9,134,596	9,134,596	-	-
Discount notes	6,083,530	6,083,530	-	-
Commercial paper	7,472,250	-	7,472,250	-
<b>Total fixed income investments</b>	<b>313,850,200</b>	<b>200,480,874</b>	<b>113,369,326</b>	-
Equity				
Non-marketable equities	346,190	-	-	346,190
<b>Total equity investments</b>	<b>346,190</b>	-	-	<b>346,190</b>
<b>Total fair value by level investments</b>	<b>314,196,390</b>			
Cash equivalents at amortized cost	174,286,957			
<b>Total investments</b>	<b>\$ 488,483,347</b>			

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 155,393 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	Effective duration	Credit rating
Cash and cash equivalents	\$ 1,041,363	-	-
Commingled monthly bond fund	345,824,790	6.78	Aa3
Commingled monthly equity fund	257,590,352	-	-
Cash at state treasurer	1,155,875	-	-
Pending transactions, receivables, and payables	(1,155,875)	-	-
<b>Total permanent fund investments</b>	<b>\$ 604,456,505</b>	-	-

## (D) University Endowments

Total University endowed investments consist of University-held endowments valued at \$73,879,557 as of June 30, 2023 (as detailed below in table 5), and permanent fund endowment of \$604,456,505 (as detailed above in table 4). The total of \$678,336,062 as of June 30, 2023 is found on the Statement of Net Position as of June 30, 2023, the University had the following endowment investments, maturities, credit ratings and effective durations:

**Table 5: University endowments by classification**

	Fair value	Less than 1 year	1-5 years	6-10 years	More than 10 years	Effective duration	Credit rating
<b>University endowments</b>							
Fixed income mutual funds	\$ 4,030,514			\$4,030,514		7.00	AA
Marketable global equities	6,838,483						
Marketable liquid real assets	3,482,650						
Non-marketable equities	9,434,936						
Equity funds	9,860,627						
Fixed income funds	2,025,033		\$2,025,033			1.70	A+
Hedge funds	14,203,745						
Illiquid real assets	7,206,359						
Private equity funds	15,587,737						
Cash equivalents at amortized cost	1,209,473						
<b>Total endowment investments</b>	<b>\$ 73,879,557</b>						

## 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 21%. University endowment exposure to foreign currency risk at June 30, 2023, is described in the table below.

**Table 6: University foreign currency risk**

Japan - Yen	\$ 2,743,489
Euro	2,297,186
UK - Pound	1,351,380
China - Yuan	775,242
S. Korea - Won	860,138
Swiss Franc	737,303
All other (less than 5%)	4,246,935
<b>Total foreign currency</b>	<b>\$ 13,011,673</b>

### 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 \$665,843,913. See note 4(A) for information on the Foundations endowment investment securities. The fair values of the University's equity in the consolidated endowment pool at June 30, 2023 was \$73,879,557. See table below:

**Table 7: Consolidated endowment pool**

University endowments	\$ 73,879,557	11%
Foundation endowments	591,964,356	89%
<b>Total pooled endowment</b>	<b>\$ 665,843,913</b>	<b>100%</b>

Net appreciation (depreciation) in the fair value of investments includes both realized and unrealized gains and losses on investments. At June 30, 2023 net appreciation of the University's portion of the consolidated endowment pool of \$11,236,672 was available to be spent. All of which is restricted to specific purposes and is 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: University endowment investments by fair value hierarchy**

Investments by fair value level		Level 1	Level 2	Level 3
<b>Fixed income</b>				
Fixed income mutual funds	\$ 4,030,514	\$ 4,030,514	-	-
Fixed income funds	2,025,033	2,025,033	-	-
<b>Total fixed income investments</b>	<b>6,055,547</b>	<b>6,055,547</b>	-	-
<b>Equity</b>				
Marketable global equities	6,838,482	6,838,482	-	-
Marketable liquid real assets	3,482,650	3,482,650	-	-
Non-marketable equities	9,434,936	-	9,434,936	-
<b>Total equity investments</b>	<b>19,756,068</b>	<b>10,321,132</b>	<b>9,434,936</b>	-
<b>Total fair value by level investments</b>	<b>25,811,615</b>			
<b>Investments by NAV</b>				
Equity funds	9,860,629			
Hedge funds	14,203,745			
Illiquid real assets	7,206,359			
Private equity funds	15,587,737			
<b>Total NAV investments</b>	<b>46,858,470</b>			
Total investments at fair value	72,670,085			
Cash equivalents at amortized cost	1,209,472			
<b>Total investments</b>	<b>\$ 73,879,557</b>			

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. Equity securities classified in Level 2 are valued using observable inputs including quoted prices for similar securities and interest rates.

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, 2023 is presented below:

**Table 9: University endowment Investments measured using NAV**

	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Equity funds	\$ 9,860,629	-	Daily to semimonthly	5-30 days
Hedge Funds	14,203,745	-	Monthly to biennially	30-90 days
Illiquid real assets and private equity funds	22,794,096	6,643,090	Years: 2023-2034	End of agreement
<b>Total NAV investments</b>	<b>\$ 46,858,470</b>	<b>\$ 6,643,090</b>		

- **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 modifications 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

### Endowment Investment Securities

The Foundation's endowment consists of 2,793 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 88.90% of that total at June 30, 2023. 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. The Foundation has 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 \$(885,027) at June 30, 2023 and is included in the accumulated investment gains (losses) 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, 2023.

	Year ended June 30, 2023			
	Without donor restrictions	With donor restrictions		
		Original gift	Accumulated gains/(losses)	Total
Donor-restricted funds:				
Underwater funds	-	\$ 19,502,622	\$ (885,027)	\$ 18,617,595
Other funds	-	474,225,820	99,120,941	573,346,761
<b>Total endowment funds</b>	<b>-</b>	<b>\$ 493,728,442</b>	<b>\$ 98,235,914</b>	<b>\$ 591,964,356</b>

### 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 (4.0% 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.

# Notes to the Financial Statements

## Endowment Net Asset Composition, by Type of Fund

	Year ended June 30, 2023		
	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount	-	\$ 493,728,442	\$ 493,728,442
Accumulated investment gains	-	98,235,914	98,235,914
<b>Total</b>	-	<b>\$ 591,964,356</b>	<b>\$ 591,964,356</b>

## Changes in Endowment Net Assets

	Year ended June 30, 2023		
	Without donor restrictions	With donor restrictions	Total
Net asset balance – beginning of year	—	\$ 561,278,881	\$ 561,278,881
Investment return	-	45,925,826	45,925,826
Contributions	-	15,482,580	15,482,580
Distribution of endowment assets to/for WSU	-	(30,722,931)	(30,722,931)
<b>Total</b>	-	<b>\$ 591,964,356</b>	<b>\$ 591,964,356</b>

## 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 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 2023
Jointly managed endowment funds:	
Cash and short-term investments	\$ 10,430,996
Accrued interest and dividends	847,720
Managed investments	654,565,199
Endowment investments at fair value	665,843,915
Less University endowment funds	(73,879,559)
<b>Managed endowment funds recorded by the Foundation</b>	<b>\$ 591,964,356</b>

## Endowments Managed at Cost

	Year Ended June 30, 2023
Investments at cost	\$ 443,221,298
Less University endowment funds, at cost	(49,206,603)
<b>Managed endowment funds recorded by the Foundation, at cost</b>	<b>\$ 394,014,695</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.

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

# Notes to the Financial Statements

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, 2023:

	Level 1	Level 2	Level 3	Total
<b>Endowment investments:</b>				
Cash and equivalents	\$ 10,069,242	-	-	\$ 10,069,242
<b>Marketable equities:</b>				
Equities	67,551,911	-	-	67,551,911
Fixed income mutual funds	32,273,751	-	-	32,273,751
Liquid real assets	27,886,809	-	-	27,886,809
<b>Total marketable equities</b>	<b>\$ 127,712,471</b>	<b>—</b>	<b>—</b>	<b>\$ 127,712,471</b>
Market index common trust fund equities	-	\$ 75,548,873	-	\$ 75,548,873
<b>Investments measured at NAV:</b>				
Equity funds	-	-	-	66,163,794
Fixed income funds	-	-	-	16,215,153
Hedge funds	-	-	-	113,734,417
Illiquid real assets	-	-	-	57,703,872
Private equities funds	-	-	-	124,816,534
<b>Total investments measured at NAV</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>378,633,770</b>
<b>Total endowment investments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ 591,964,356</b>
	Level 1	Level 2	Level 3	Total
<b>Assets in charitable trusts:</b>				
Cash and equivalents	\$ 449,776	-	-	\$ 449,776
<b>Marketable equities:</b>				
Equities	12,538,042	-	-	12,538,042
Fixed income mutual funds	6,175,391	-	-	6,175,391
Liquid real assets	3,207,628	-	-	3,207,628
<b>Total marketable equities</b>	<b>21,921,061</b>	<b>—</b>	<b>—</b>	<b>21,921,061</b>
<b>Total assets in charitable trusts</b>	<b>\$ 22,370,837</b>	<b>—</b>	<b>—</b>	<b>\$ 22,370,837</b>
<b>Other:</b>				
Beneficial interest in perpetual trusts	-	-	\$ 37,644,058	\$ 37,644,058

Other:	Beneficial interest in perpetual trusts
Balance – June 30, 2022	\$ 36,918,664
Change in value, net	725,394
<b>Balance – June 30, 2023</b>	<b>\$ 37,644,058</b>

## 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.

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, 2023.

	Net Asset Value 2023	Redemption frequency	Redemption notice period
Equity funds	\$ 66,163,794	Daily to semimonthly	5-30 days
Fixed income funds	16,215,153	Monthly	30 days
Hedge funds	113,734,417	Monthly to biennially	30-90 days
Illiquid real assets and private equity funds	182,520,406	Years: 2020-2034	End of agreement
<b>Total NAV investments</b>	<b>\$ 378,633,770</b>		

## 5. Inventories

Inventories as of June 30, 2023 were as follows:

Location	Method	2023
Athletics	FIFO	\$ 1,941,250
Bulletin office	FIFO	126,452
Facilities services	FIFO	1,472,029
Ferdinand's	FIFO	8,037,945
Housing and dining	LIFO	424,615
Telecommunications	FIFO	578,725
Design and printing services	FIFO	505,193
Veterinary hospital and pharmacy	FIFO	2,057,651
Veterinary microbiology/pathology	FIFO	2,042,575
WADDL	FIFO	915,419
Other inventory	Various	2,635,321
<b>Inventories</b>		<b>\$ 20,737,175</b>



## 6. Accounts Receivable

At June 30, 2023, accounts receivable were as follows:

<b>Current accounts receivable</b>	
Student tuition and fees	\$ 33,726,482
Due from the federal government	37,267,996
Due from the office of the state treasurer	15,047,145
Due from other state agencies	23,161,920
Interest and dividends receivable	294,005
Auxiliary enterprises	11,780,821
Due from other governments	10,050,453
Lease receivables (current portion)	2,459,925
Other	3,394
Subtotal	137,297,141
Less allowance for doubtful accounts	(32,668,404)
<b>Accounts receivable, net</b>	<b>\$ 101,123,737</b>

## 7. Loans Receivable

Loans receivable consisted of the following at June 30, 2023:

Federal programs	\$ 11,247,120
Institutional loans	314,221
Subtotal	11,561,341
Less allowance for doubtful accounts	(345,341)
<b>Loans receivable, net</b>	<b>\$ 11,216,000</b>



## 8. Capital Assets

A summary of changes in the capital, leased and subscription based IT assets for the year ended June 30, 2023 is presented as follows:

	Beginning balance (restated)	Additions/ transfers	Retirements	Ending balance
<b>Capital assets, non-depreciable</b>				
Land	\$ 32,658,629	\$ 222,800	\$ (190,074)	\$ 32,691,355
Construction in progress	23,978,632	79,714,247	(16,499)	103,676,380
<b>Total capital assets, non-depreciable</b>	<b>56,637,261</b>	<b>79,937,047</b>	<b>(206,573)</b>	<b>136,367,735</b>
<b>Capital assets, depreciable</b>				
Buildings	2,563,340,043	5,839,917	(11,037,372)	2,558,142,588
Other improvements and infrastructure	360,670,818	2,401,669	-	363,072,487
Machinery and equipment	369,635,065	16,895,544	(7,610,012)	378,920,597
Library resources	198,914,844	3,182,399	(304,742)	201,792,501
<b>Total capital assets, depreciable</b>	<b>3,492,560,770</b>	<b>28,319,529</b>	<b>(18,952,126)</b>	<b>3,501,928,173</b>
<b>Less accumulated depreciation</b>				
Buildings	1,237,777,571	65,141,013	(7,875,641)	1,295,042,943
Other improvements and infrastructure	225,594,949	9,213,872	-	234,808,821
Machinery and equipment	332,896,762	15,326,669	(7,417,553)	340,805,878
Library resources	135,304,136	6,144,698	(304,742)	141,144,092
<b>Total accumulated depreciation</b>	<b>1,931,573,418</b>	<b>95,826,252</b>	<b>(15,597,936)</b>	<b>2,011,801,734</b>
<b>Total capital assets, depreciable, net</b>	<b>1,560,987,352</b>	<b>(67,506,723)</b>	<b>(3,354,190)</b>	<b>1,490,126,439</b>
<b>Capital assets, net</b>	<b>\$ 1,617,624,613</b>	<b>12,430,324</b>	<b>\$ (3,560,763)</b>	<b>\$ 1,626,494,174</b>
<b>Right-to-use lease assets, amortized</b>				
Land	\$ 747,799	\$ 4,848	\$ (1,306)	\$ 751,341
Buildings	21,745,516	3,337,641	(2,393,173)	22,689,984
Equipment	271,353	214	-	271,567
<b>Total right-to-use lease assets, amortized</b>	<b>22,764,668</b>	<b>3,342,703</b>	<b>(2,394,479)</b>	<b>23,712,892</b>
<b>Less accumulated amortization</b>				
Land	94,368	110,368	-	204,736
Buildings	3,268,694	3,027,773	(1,201,310)	5,095,157
Equipment	48,600	48,677	-	97,277
<b>Total accumulated amortization</b>	<b>3,411,662</b>	<b>3,186,818</b>	<b>(1,201,310)</b>	<b>5,397,170</b>
<b>Total right-to-use lease assets, net</b>	<b>\$ 19,353,006</b>	<b>\$ 155,885</b>	<b>\$ (1,193,169)</b>	<b>\$ 18,315,722</b>
<b>Right-to-use subscription assets, amortized</b>				
Software agreements	\$ 37,560,101	\$ 177,640	\$ -	\$ 37,737,741
<b>Less accumulated amortization</b>				
Software agreements	-	7,758,152	-	7,758,152
<b>Total right-to-use subscription assets, net</b>	<b>37,560,101</b>	<b>(7,580,512)</b>	<b>-</b>	<b>29,979,589</b>
<b>Total capital assets, net</b>	<b>\$ 1,674,537,720</b>	<b>\$ 5,005,697</b>	<b>\$ (4,753,932)</b>	<b>\$ 1,674,789,485</b>

Current year depreciation and amortization expense was \$106,771,222.

## 9: Accounts Payable and Accrued Liabilities

At June 30, 2023, account payable and accrued liabilities were as follows:

<b>Current accounts payable and accrued liabilities</b>	
Accounts payable	\$ 25,038,355
Payroll	25,884,388
Accrued leave, current portion	14,757,281
Subtotal	65,680,024
<b>Non-current accounts payable and accrued liabilities</b>	
Accrued annual leave	32,718,861
Accrued sick leave	6,558,612
Accrued compensatory leave	81,537
Subtotal	39,359,010
<b>Total accounts payable and accrued liabilities</b>	<b><u>\$105,039,034</u></b>

## 10: Unearned Revenue and Deferred Inflows of Resources

Unearned revenue is comprised of receipts which have not yet met revenue recognition criteria as of June 30, 2023:

<b>Current unearned revenue</b>	
Athletics	\$ 3,237,157
ALIVE! program	341,730
Pre-paid Tri-Cities BSEL building rent	500,000
Students Book Corporation signing bonus	100,000
Housing and dining services	589,245
Summer session	10,566,113
Federal fixed price awards	2,198,107
Parking	205,351
Subtotal	17,737,703
<b>Non-current unearned revenue</b>	
Pre-paid Tri-Cities BSEL building rent	1,940,277
Federal fixed price awards	314,084
Subtotal	2,254,361
<b>Total unearned revenue</b>	<b><u>\$ 19,992,064</u></b>

Deferred inflows of resources include gains on refunding, which are the excess of the net carrying amount of the refunded debt over its reacquisition price, pension, and OPEB as of June 30, 2023:

<b>General obligation bond refunding's</b>	
R2011A(2002A)	\$ 52,666
R2011B(2002A)	7,500
R2017C(R2007A(2001A))	318,717
R2020A(R2010B(2001C))	133,571
R2020C(R2011B(2002A))	61,209
R2021B(R-2011A(2002A))	47,003
Subtotal General Obligation Bonds	620,666
<b>General revenue bond refunding</b>	
GRB 2020A	1,725,919
GRB 2022	1,301,327
Subtotal general revenue bonds	3,027,246
<b>Certificate of participation refunding</b>	
0381-1	24,527
Subtotal certificate of participation	24,527
<b>Pension</b>	
Pension net difference between projected and actual experience	28,855,242
Pension changes in proportion	1,009,569
Pension net difference between projected and actual investment earnings on pension plan investments	37,298,012
Pension changes in assumption	28,180,299
Subtotal Pension	95,343,122
<b>OPEB</b>	
Differences between expected and actual experience	7,183,967
OPEB changes in assumption	148,020,299
OPEB changes in agency proportion	26,778,244
Subtotal OPEB	181,982,510
Right-to-use leases	19,642,049
<b>Total deferred inflows of resources</b>	<b>\$ 300,640,120</b>

## 11. Risk Management

The University is exposed to risk of loss related to tort liability, injuries to employees, loss of property and from failure to be in compliance with laws and regulations. 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, 2023	\$ 461,750	\$5,068,076
June 30, 2022	\$ 470,415	\$ 3,938,772
June 30, 2021	\$ 836,552	\$ 4,485,224

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

## 12. Leases

### Lessee Agreements

The University leases land, building space and equipment from external parties for various terms under long-term lease agreements.

The leases expire at various dates between 2023 and 2049. In accordance with GASB Statement No. 87, the University records right-to-use assets and lease liabilities based on the present value of expected payments over the lease term. As of FY23, the total value of all right-to-use assets resulting from lessee agreements is \$18,315,772, net of \$5,397,170 of accumulated amortization. The total remaining liabilities resulting from lessee agreements is \$18,966,778.

The expected payments are discounted using the University's incremental borrowing rate as determined by the University's bond council by using Bloomberg's BVAL curve for similar rated AA- and A+ bonds. The University's financials are rated by Moody's Investors Service. The discount rates range from 0.70% to 4.34% depending on the term of the lease.

The University entered into two new lease agreements as a lessee, and remeasured one agreement due to material change in the contract. These agreements are described below.

A new agreement between the University and Nicola Northgate LP commenced on November 9, 2022. The lease allows the University to use approximately 3,626 square feet of office space in Seattle, WA in exchange for monthly fixed rent of \$9,367 which will increase 3% annually. The lease term will conclude on December 31, 2027, including all extension options considered likely to be exercised. An initial right-to-use asset and corresponding liability were recorded at \$560,084. The interest rate of the lease is 2.54%.

A new agreement between the University and Spokane Conservation District commenced on May 9, 2023. The lease allows the University to use 5,320 square feet of office space within the "Quarry Campus" location in Spokane, WA in exchange for monthly fixed rent of \$12,413 which will increase annually by 3%. The lease term will conclude on July 31, 2048, including all extension options considered likely to be exercised. An initial right-to-use asset and corresponding liability were recorded at \$2,736,672. The interest rate of the lease is 4.34%.

An agreement between the University and Vine Street Associates was remeasured due to an amendment setting the end date of the lease to August 31, 2023. The lease was previously expected to terminate on March 31, 2028. The University chose not to exercise an extension option that was previously considered likely to be exercised.

A summary of the changes in lessee agreement liabilities as of June 30, 2023, is as follows:

	Restated Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023
Buildings	\$ 18,819,349	\$ 3,307,254	\$ 3,898,969	\$ 18,227,634
Land	653,514	-	90,171	563,343
Equipment	223,804	-	48,003	175,801
Total Lessee	<b>\$ 19,696,667</b>	<b>\$ 3,307,254</b>	<b>\$ 4,037,143</b>	<b>\$ 18,966,778</b>

As of June 30, 2023 the total future annual lease payments are as follows:

Year	Lessee future payments		
	Principal	Interest	Total
2024	\$ 2,362,244	\$ 488,036	\$ 2,850,280
2025	2,072,439	447,073	2,519,512
2026	1,656,803	408,200	2,065,003
2027	1,394,022	376,650	1,770,672
2028	1,274,599	347,243	1,621,842
2029-2033	4,618,904	1,337,367	5,956,271
2034-2038	2,976,845	769,860	3,746,705
2039-2043	1,725,730	307,115	2,032,845
2044-2048	869,054	102,766	971,820
2049	16,138	58	16,196
	<b>\$ 18,966,778</b>	<b>\$ 4,584,368</b>	<b>\$ 23,551,146</b>

## Lessor Agreements

The University leases building and ground space to external parties. The leases expire at various dates between 2023 and 2038. One lease agreement previously included in these calculations is now classified as a public-private partnership (PPP) under GASB Statement No. 94 guidance implemented this fiscal year. The University records lease receivables and deferred inflows of resources based on the present value of expected receipts over the lease term. As of the fiscal year ended June 30, 2023, the total value of receivables associated with lessor agreements is \$15,792,808. The value of deferred inflows of resources associated with lessor agreements \$15,210,393. The University recorded receipts of \$2,817,299 in the current year.

The expected payments are discounted using the University's incremental borrow rate as determined by the University's bond council by using Bloomberg's BVAL curve for similar rated AA- and A+ bonds. The University's financial are rated by Moody's Investors Service. The discount rates range from .38% to 3.50% depending on the term of the lease.

The University remeasured one lessor agreement, and terminated two lessor agreements early. These agreements are described below:

An agreement between Washington State Employees Credit Union and the University was remeasured due to the exercise of an extension option by the lessee. The agreement was set to terminate on June 30, 2028. The agreement provides WSECU with space in the University's Compton Union Building, in exchange for monthly fixed payments of \$4,747 which will increase annually by 2.75%. The new end date for this agreement is June 30, 2033. As a result of the remeasurement, the lease receivable and corresponding deferred inflow of resources were increased by \$223,519. The interest rate of the lease is 3.12%.

Two agreements between Pullman Land, LLC and the University were terminated early due to the lessee exercising an option to purchase the underlying land. Both agreements allowed Pullman Land, LLC to build and operate hotel buildings on property located on the University's Pullman campus. The original end date of both agreements was June 30, 2042. The purchase options were finalized on April 11, 2023, and both agreements were terminated on that date. These terminations resulted in a decrease in lease receivable of \$334,852, and a decrease in deferred inflow of resources of \$339,580.

A summary of the changes in lessor agreement receivables during the year ended June 30, 2023 is as follows:

	Restated Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023
Buildings	\$ 15,359,017	\$ 265,366	\$ 2,372,648	\$ 13,251,735
Land	3,012,194	-	471,121	2,541,073
Total Lessor	<b>\$ 18,371,211</b>	<b>\$ 265,366</b>	<b>\$ 2,843,769</b>	<b>\$15,792,808</b>

As of June 30, 2023 future minimum lease payments to be received under lessor agreements are as follows:

Year	Lessor agreements		
	Principal	Interest	Total
2024	\$ 2,459,925	\$ 292,374	\$ 2,881,489
2025	2,347,588	254,737	2,602,325
2026	2,307,536	217,329	2,524,865
2027	1,278,053	184,884	1,462,937
2028	1,210,759	160,328	1,371,087
2029-2033	5,207,518	416,574	5,624,092
2034-2038	981,429	58,046	910,285
	<b>\$ 15,792,808</b>	<b>\$ 1,584,272</b>	<b>\$ 17,377,080</b>

**Subscription based information technology arrangements**

The University licenses software from external parties for various terms under long-term subscription agreements. The subscriptions expire at various dates through 2029. In accordance with GASB Statement No. 96, the University records right-to-use assets and subscription liabilities based on the present value of expected payments over the subscription term. The expected payments are discounted using the University's incremental borrowing rate as determined by the University's bond council by using Bloomberg's BVAL curve for similar rated AA- and A+ bonds. The University's financials are rated by Moody's Investors Service. The discount rates range from 1.86% to 4.44% depending on the term of the subscription.

The University measured 15 new subscription agreements in accordance with GASB 96, the details of which are as follows:

On July 1, 2022, Washington State University entered into a 15 month subscription for the use of Oracle Managed Cloud. An initial subscription liability was recorded in the amount of \$359,154.12. As of June 30, 2023, the value of the subscription liability is \$72,295. Washington State University is required to make quarterly fixed payments of \$72,685. The subscription has an interest rate of 2.16%. The value of the right-to-use asset as of June 30, 2023 of \$2,259,548 with accumulated amortization of \$1,738,114.

On July 1, 2022, Washington State University entered into a 52 month subscription for the use of VFA Facility Capital Planning Software. An initial subscription liability was recorded in the amount of \$103,239. As of June 30, 2023, the value of the subscription liability is \$77,939. Washington State University is required to make annual fixed payments of \$26,255. The subscription has an interest rate of 2.54%. The value of the right-to-use asset as of June 30, 2023 of \$103,239 with accumulated amortization of \$23,658.

On July 1, 2022, Washington State University entered into a 24 month subscription for the use of Canvas Cloud Subscription. An initial subscription liability was recorded in the amount of \$843,763. As of June 30, 2023, the value of the subscription liability is \$423,597. Washington State University is required to make annual fixed payments of \$420,167. The subscription has an interest rate of 2.16%. The value of the right-to-use asset as of June 30, 2023 of \$843,763 with accumulated amortization of \$421,882.

On July 1, 2022, Washington State University entered into a 84 month subscription for the use of Workday Subscription. An initial subscription liability was recorded in the amount of \$12,568,737. As of June 30, 2023, the value of the subscription liability is \$10,791,360. Washington State University is required to make annual fixed payments of \$1,800,000. The subscription has an interest rate of 2.16%. The value of the right-to-use asset as of June 30, 2023 of \$31,202,445 with accumulated amortization of \$4,457,492.

On July 1, 2022, Washington State University entered into a 29 month subscription for the use of Adobe Enterprise License. An initial subscription liability was recorded in the amount of \$560,213. As of June 30, 2023, the value of the subscription liability is \$282,287. Washington State University is required to make annual fixed payments of \$284,126. The subscription has an interest rate of 2.33%. The value of the right-to-use asset as of June 30, 2023 of \$560,213 with accumulated amortization of \$226,348.

On July 1, 2022, Washington State University entered into a 52 month subscription for the use of Ambra Suite. An initial subscription liability was recorded in the amount of \$85,243. As of June 30, 2023, the value of the subscription liability is \$63,925. Washington State University is required to make annual fixed payments of \$22,400. The subscription has an interest rate of 2.54%. The value of the right-to-use asset as of June 30, 2023 of \$85,243 with accumulated amortization of \$19,671.

On July 1, 2022, Washington State University entered into a 39 month subscription for the use of Comparative Database. An initial subscription liability was recorded in the amount of \$509,791. As of June 30, 2023, the value of the subscription liability is \$342,888. Washington State University is required to make annual fixed payments of \$170,000. The subscription has an interest rate of 2.43%. The value of the right-to-use asset as of June 30, 2023 of \$509,791 with accumulated amortization of \$156,859.

On July 1, 2022, Washington State University entered into a 36 month subscription for the use of Paciolan Software. An initial subscription liability was recorded in the amount of \$474,011. As of June 30, 2023, the value of the subscription liability is \$324,289. Washington State University is required to make annual fixed payments of \$145,000. The subscription has an interest rate of 2.33%. The value of the right-to-use asset as of June 30, 2023 of \$474,011 with accumulated amortization of \$158,004.

On July 1, 2022, Washington State University entered into a 48 month subscription for the use of Saas Predict. An initial subscription liability was recorded in the amount of \$189,135. As of June 30, 2023, the value of the subscription liability is \$140,135. Washington State University is required to make annual fixed payments of \$49,000. The subscription has an interest rate of 2.43%. The value of the right-to-use asset as of June 30, 2023 of \$189,135 with accumulated amortization of \$47,284.

On July 1, 2022, Washington State University entered into a 33 month subscription for the use of WSU Online Learning Management System. An initial subscription liability was recorded in the amount of \$249,417. As of June 30, 2023, the value of the subscription liability is \$125,658. Washington State University is required to make annual fixed payments of \$128,585.64. The subscription has an interest rate of 2.33%. The value of the right-to-use asset as of June 30, 2023 of \$249,417 with accumulated amortization of \$90,697.

On July 1, 2022, Washington State University entered into a 49 month subscription for the use of Digital Measures Activity Insights. An initial subscription liability was recorded in the amount of \$469,401. As of June 30, 2023, the value of the subscription liability is \$356,487. Washington State University is required to make annual fixed payments of \$114,606. The subscription has an interest rate of 2.54%. The value of the right-to-use asset as of June 30, 2023 of \$469,405 with accumulated amortization of \$113,337.

On July 1, 2022, Washington State University entered into a 24 month subscription for the use of Micro Focus Visual COBOL. An initial subscription liability was recorded in the amount of \$375,379. As of June 30, 2023, the value of the subscription liability is \$189,700. Washington State University is required to make quarterly fixed payments of \$48,067. The subscription has an interest rate of 2.16%. The value of the right-to-use asset as of June 30, 2023 of \$375,379 with accumulated amortization of \$187,690.

On August 1, 2022, Washington State University entered into a 36 month subscription for the use of PFF Football Database. An initial subscription liability was recorded in the amount of \$177,640. As of June 30, 2023, the value of the subscription liability is \$140,67. Washington State University is required to make annual fixed payments of \$38,000. The subscription has an interest rate of 2.33%. The value of the right-to-use asset as of June 30, 2023 of \$177,640 with accumulated amortization of \$54,279.

On July 1, 2022, Washington State University entered into a 36 month subscription for the use of Velocity Based Training System. An initial subscription liability was recorded in the amount of \$106,451. As of June 30, 2023, the value of the subscription liability is \$70,147. Washington State University is required to make annual fixed payments of \$36,304. The subscription has an interest rate of 2.33%. The value of the right-to-use asset as of June 30, 2023 of \$106,451 with accumulated amortization of \$35,484.

On July 1, 2022, Washington State University entered into a 57 month subscription for the use of TouchNet Software. An initial subscription liability was recorded in the amount of \$1,059,195. As of June 30, 2023, the value of the subscription liability is \$807,884. Washington State University is required to make annual fixed payments of \$275,502. The subscription has an interest rate of 2.54%. The value of the right-to-use asset as of June 30, 2023 of \$1,059,195 with accumulated amortization of \$219,396.

A summary of the changes in subscription IT liabilities during the year ended June 30, 2023 is as follows:

Subscription based information technology liabilities					
Restated balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Due within one year	
\$17,025,998	\$177,641	\$3,702,408	\$13,501,231	\$3,591,191	

As of June 30, 2023 the total future annual subscription payments are as follows:

Subscription based information technology future payments			
Year	Principal	Interest	Total
2024	\$ 3,297,084	\$ 294,107	\$ 3,591,191
2025	2,323,954	223,206	2,547,160
2026	2,056,605	171,230	2,227,835
2027	1,841,119	125,789	1,966,908
2028	1,939,895	86,021	2,025,916
2029	2,042,574	44,120	2,086,694
	<u>\$ 13,501,231</u>	<u>\$ 944,473</u>	<u>\$ 14,445,704</u>

**Public-Private Partnerships agreements**

The University has entered into two PPPs as a transferor for the construction and operation of student housing and apartment complexes. These partnership agreements extend through 2083 and 2108 for the Tri-Cities and Pullman campuses, respectively. In accordance with GASB Statement No. 94, the University records an initial receivable equal to the present value of expected payments discounted by the University's incremental borrowing rate as determined by the University's bond council by using Bloomberg's BVAL curve for similar rated AA- and A+ bonds. The discount rates are 4.44% and 3.50% for the Tri-Cities and Pullman campus partnerships, respectively. The University depreciates buildings over a 50-year lifespan, and does not expect any residual value to remain in the constructed buildings at the termination of either partnership agreement.

Both of the University's PPP agreements involve construction of student-focused housing developments with mixed-use commercial spaces. GASB 94 requires transferors to recognize a receivable for the value of buildings constructed by the operator over the course of the agreement, based on the expected residual value of the buildings at the termination date. The University depreciates buildings over a 50-year lifespan, and does not expect any residual value to remain in the constructed buildings at the termination of either PPP, as both agreements exceed 50 years.

As of June 30, 2023 the total future minimum payments to be received under these agreements are as follows:

**Public-private partnership agreement future payments**

Year	Principal	Interest	Total
2024	\$ (128,639)	\$ 176,076	\$ 47,437
2025	(132,052)	180,912	48,860
2026	(135,542)	185,868	50,326
2027	(139,111)	190,947	51,836
2028	(142,759)	196,150	53,391
2029-2033	(771,352)	1,063,315	291,963
2034-2038	(874,932)	1,213,397	338,465
2039-2043	(455,767)	1,349,823	894,056
2044-2048	(349,764)	1,424,090	1,074,326
2049-2053	(275,295)	1,484,016	1,208,721
2054-2058	(164,224)	1,525,072	1,360,848
2059-2063	(5,415)	1,538,583	1,533,168
2064-2068	215,255	1,513,235	1,728,490
2069-2073	515,667	1,434,368	1,950,035
2074-2078	918,417	1,283,074	2,201,491
2079-2083	1,267,419	1,037,435	2,304,854
2084-2088	453,207	874,656	1,327,863
2089-2093	680,681	779,969	1,460,650
2094-2098	965,089	641,626	1,606,715
2099-2103	1,318,542	448,844	1,767,386
2104-2108	1,755,565	188,560	1,944,125
	<b>\$ 4,514,990</b>	<b>\$ 18,730,016</b>	<b>\$ 23,245,006</b>

## 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, 2023, the University has recorded an asset retirement obligation of \$20,562,344. Following is a list of assets identified as having an asset retirement obligation.

**Nuclear Radiation Center (NRC)** -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 decommissioning cost estimate was provided by the Nuclear and Advanced Technology Division of the Westinghouse Electric Corp. In 2010 the NRC staff reevaluated the waste disposal cost estimate using methodology described in NUREG-1307 to estimate a more reasonable bracket for decommissioning costs, including an update to the estimated labor costs and the addition of a 25% contingency. The original value of the decommissioning was \$14,600,000. Each year the value is reassessed with a current inflation rate based on the consumer price index. For fiscal year 2023, the inflation rate is 4.3% bringing the estimate for decommissioning to \$19,841,522. The remaining useful life for the nuclear radiation center is 7 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 1 year remaining.

**Cell Tower Contracts** – The University has entered into multiple cell tower contracts that require the removal of equipment once the lease is terminated. Each year the value is reassessed with a current inflation rate based on the consumer price index. For fiscal year 2023, the inflation rate is 4.3%. The total estimated cost of equipment removal based on the engineer's prior experience is \$714,522. The remaining life of these contracts range from 1 to 11 years.

The University has no assets restricted for payment of these obligations. Funds will be requested from the state to fund the decommissioning. No obligation has been recognized for costs that would be incurred in the event that the University removes these assets.

	Balance outstanding 6/30/2022	Additions	Reductions	Balances outstanding 6/30/2023
Nuclear Radiation Center	\$ 19,031,627	\$ 809,895	-	\$ 19,841,522
Magnetic Resonance Imaging Machine (MRI)	6,300	-	-	6,300
Cell tower contracts	698,500	16,022	-	714,522
<b>Total</b>	<b>\$ 19,736,427</b>	<b>\$ 825,917</b>	-	<b>\$ 20,562,344</b>

## 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 systems, 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.

The Housing and Dining System is required to generate net revenue, as defined in the 2010B bond series covenants, equal to at least 125% of the annual debt service requirements during each fiscal year. As of June 30, 2023, Housing and Dining Systems complied with the debt service covenant of the 2010B bond series.

### Bond Refunding Activity

The scheduled liabilities as of June 30, 2023 do not include revenue bonds that were advance refunded. Government obligations in amounts, maturities and interest rates sufficient to fund retirement of these bonds are held in irrevocable trusts.

For the fiscal year ending June 30, 2023 no bonds were refunded.

### 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, 2023, 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	Current Portion	See table below
Housing and Dining	2010B	7.1% - 7.4%	2041	\$ 35,305,000	\$ -	
Compton Union Building	2006B	5% - 6%	2028	11,850,000	2,645,000	1
Trust and Building Fee Revenue Bonds	2019	5%	2035	55,440,000	3,510,000	2
	2013A & B	3% - 5%	2039	34,080,000	2,420,000	
	2014A & B	1.75% - 5%	2039	15,165,000	1,790,000	
	2015	3% - 5%	2040	120,860,000	4,855,000	
	2016	3%-5%	2042	70,965,000	4,165,000	
General revenue bonds	2018	3%-5%	2041	31,045,000	290,000	
	2020A	0.505%-5.0%	2039	96,650,000	4,690,000	
	2020B	0.505%-5.0%	2024	850,000	850,000	
	2021	2.271%-2.999%	2041	37,815,000	-	
	2022	4% - 5%	2037	15,300,000	785,000	
General revenue note	2020	1.78%	2025	1,458,000	723,000	
	2001A	5% - 5.6%	2026	3,245,000	1,030,000	
State of Washington General Obligation Bonds	2001C	5% - 5.3%	2026	1,700,000	540,000	
	2002A	4% - 6%	2027	1,395,000	325,000	
				533,123,000	28,618,000	
Less: unamortized insurance costs				(29,991)		
Plus: unamortized premiums				45,829,608		
<b>Net bonds payable</b>				<b>\$ 578,922,617</b>		

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, 2023:

Ref		Total Future pledged revenues	Current year revenues, net of expenses	Current year principal and interest
1	Compton Union Building (2006B)	\$ 13,358,881	\$ 6,371,248	\$ 3,274,391
2	Trust & Building Fee (2019 Green Bonds)	73,648,250	33,987,285	6,200,625

## Annual Debt Service Requirements

Future debt service requirements at June 30, 2023 are as follows:

Fiscal year	Revenue bond and note obligations			State of Washington General obligation bonds		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 26,723,000	\$ 22,874,134	\$ 49,597,134	\$ 1,895,000	\$ 291,250	\$ 2,186,250
2025	27,150,000	21,742,390	48,892,390	1,985,000	195,375	2,180,375
2026	25,680,000	20,660,246	46,340,246	2,085,000	85,750	2,170,750
2027	28,135,000	19,465,724	47,600,724	375,000	9,375	384,375
2028	29,045,000	18,266,787	47,311,787	-	-	-
2029-2033	159,800,000	70,438,204	230,238,204	-	-	-
2034-2038	160,460,000	33,969,916	194,429,916	-	-	-
2039-2041	69,790,000	4,454,123	74,244,123	-	-	-
<b>Subtotal</b>	<b>526,783,000</b>	<b>211,871,524</b>	<b>738,654,524</b>	<b>6,340,000</b>	<b>581,750</b>	<b>6,921,750</b>
Less: unamortized costs	(29,991)	-	(29,991)	-	-	-
Plus: unamortized premiums	45,829,608	-	45,829,608	-	-	-
<b>Total</b>	<b>\$ 572,582,617</b>	<b>\$ 211,871,524</b>	<b>\$ 784,454,141</b>	<b>\$ 6,340,000</b>	<b>\$ 581,750</b>	<b>\$ 6,921,750</b>

Fiscal year	Certificates of Participation		
	Principal	Interest	Total
2024	\$ 1,415,822	\$ 197,462	\$ 1,613,284
2025	1,319,643	128,053	1,447,696
2026	1,355,679	63,865	1,419,544
2027	101,664	2,033	103,697
<b>Subtotal</b>	<b>4,192,808</b>	<b>391,413</b>	<b>4,584,221</b>
Plus: unamortized premiums	519,440	-	519,440
<b>Total</b>	<b>\$ 4,712,248</b>	<b>\$ 391,413</b>	<b>\$ 5,103,661</b>

## 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), bonds payable, notes payable, and right-to-use leases for the year ending June 30, 2023

Deferred outflows of resources	2023					
	Total amount Issued	Balances outstanding 6/30/2022	Additions	Reductions	Balance outstanding 6/30/2023	Current portion
<b>Revenue bonds</b>						
Student recreation series 2009	- \$	730,218	- \$	(73,729)	\$ 656,489	-
Student fee 2006A refunding (CUB)	-	1,449,444	-	(86,815)	1,362,629	-
General revenue bonds Athletics 2007 refunding	-	577,908	-	(58,351)	519,557	-
Parking series 2005	-	11,956	-	(7,049)	4,907	-
General revenue bonds series 2013 refunding	-	169,192	-	(61,524)	107,668	-
Housing and Dining Services (HDS) series 2005	-	80,715	-	(10,488)	70,227	-
General revenue bond 2016 HDS 2008 refunding	-	1,284,497	-	(75,988)	1,208,509	-
Trust & building 2019B refunding 2020	-	900,599	-	(74,794)	825,805	-
<b>Total revenue bonds</b>	<b>- \$</b>	<b>5,204,529</b>	<b>- \$</b>	<b>(448,738)</b>	<b>\$ 4,755,791</b>	<b>-</b>
<b>Schedule of long-term liabilities</b>						
Revenue and refunding bonds, net	\$ 695,520,000	\$ 599,944,770	- \$	28,820,453	\$ 571,124,317	\$ 26,000,000
Note payable	3,544,000	2,168,000	-	710,000	1,458,000	723,000
State of Washington general obligation bonds, net	-	8,135,000	-	1,795,000	6,340,000	1,895,000
Certificates of participation	-	6,288,831	-	1,576,583	4,712,248	1,415,822
<b>Total</b>	<b>\$ 699,064,000</b>	<b>\$ 616,536,601</b>	<b>- \$</b>	<b>32,902,035</b>	<b>\$ 583,634,566</b>	<b>\$ 30,033,822</b>

## 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 Supplemental Retirement Plan (WSUSRP). PERS, TRS, and LEOFF are cost sharing multiple-employer defined benefit pension plans administered by the Washington State Department of Retirement Systems (DRS). WSUSRP is a defined contribution pension plan with a supplemental defined benefit plan component (SRP) and is administered by the University.

Legislation signed into law on July 1, 2020 amended the RCW relevant to WSUSRP, disabling the University from modifying terms to the plan. The legislation defined plan provisions including limits on member eligibility, benefit payments, contribution rates, and vesting terms. The University remains responsible for administering benefit calculations and payments until the Pension Funding Council determines there are sufficient assets in the trust, at which time DRS will assume those duties in accordance with RCW 41.50.280. The University does not perform the duties of a board or hold any of the substantive powers that would make the plan a fiduciary component of the University. Other agencies of the state of Washington perform the duties of a board and hold the substantive powers in relation to WSUSRP.

As of June 30, 2023, the University's aggregate share of the unfunded liabilities associated with the defined benefit pension plans administered by DRS was \$26,853,184. The aggregate share of plan assets as of June 30, 2023 was \$42,630,940. The liability associated with WSUSRP was \$32,292,311. For the year ended June 30, 2023, total pension expense offset for the University and DRS plans was \$(33,494,394).

## Plans Administered By DRS

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/(asset), 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 positions 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. DRS issues a publicly available financial report that includes financial statements and required supplementary information for PERS, TRS, and LEOFF. The report is available at <https://www.drs.wa.gov/pefi-2022>.

## Plan Descriptions and Benefits Provided

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.

# Notes to the Financial Statements

**Contributions for DRS Plans** The University's contribution rates and required contributions for the above retirement plans for the year ending June 30, 2023 are as follows:

Contribution Rates		
PERS		2023
Plan 1	10.25%	\$ 6,328,314
Plan 2	10.25%	6,097,328
Plan 3	10.25%	4,323,562
<b>TRS</b>		
Plan 1	14.42%	1,013,557
Plan 2	14.42%	-
Plan 3	14.42%	1,254,598
<b>LEOFF</b>		
Plan 2	8.71%	192,934

**Actuarial Assumptions** The total State pension liability was determined by an actuarial valuation performed by the Washington State Office of the State Actuary (OSA) as of June 30, 2021 with the results rolled forward to the June 30, 2022 measurement date using the following actuarial assumptions applied to all periods included in the measurement:

<b>Inflation</b>	2.75%
<b>Salary increases</b>	3.25%
<b>Investment rate of return</b>	7.00%
<b>Discount rate</b>	7.00%

Mortality rates were based on the Society of Actuaries' Pub.H-2010 mortality rates, which vary by member status, as the base table. The Office of the State Actuary applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Under "generational" mortality, a member is assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of OSA's 2013-2018 Demographic Experience Study and the 2021 Economic Experience Study. Additional assumptions are current for subsequent events and law changes as of the 2021 actuarial valuation report.

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, 2022 are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return
Fixed income	20.0%	1.5%
Tangible assets	7.0%	4.7%
Real estate	18.0%	5.4%
Global equity	32.0%	5.9%
Private equity	23.0%	8.9%
<b>Total</b>	<b>100%</b>	

**Discount Rate.** The discount rate used to measure the total State pension liability was 7 percent, 0.4% lower than the previous measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary 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 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 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 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 University as an employer, calculated using the discount rate of 7 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/(asset)**

Plan	1% Decrease	Current discount rate	1 % Increase
PERS 1	\$ 30,882,522	\$ 23,115,898	\$ 16,337,457
PERS 2/3	46,550,706	(39,529,115)	(110,249,130)
TRS 1	5,074,769	3,737,286	2,568,156
TRS 2/3	7,025,122	(387,769)	(6,414,339)
LEOFF 2	(124,979)	(2,714,056)	(4,832,994)

**Proportionate Share.** The State net pension liability was calculated as of the valuation date of June 30, 2021 and rolled forward to the measurement date of June 30, 2022. The basis for determining the proportionate share was the amount of employer contributions processed by DRS during the fiscal year ended June 30, 2022. The University's proportionate share by plan for the year ended June 30, 2023 is in the following table:

Plan	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2
<b>2023</b> Proportionate share	0.83%	1.07%	0.20%	0.20%	0.10%
<b>2022</b> Proportionate share	0.95%	1.20%	0.20%	0.20%	0.10%

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, 2023:

	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2	Total
Pension liability	\$23,115,898		\$3,737,286			\$ 26,853,184
Pension asset		39,529,115		387,769	2,714,056	42,630,940
Pension expense	1,193,120	(22,754,967)	1,013,304	(1,313,902)	128,968	(21,733,477)

**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 \$19,210,293 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, 2024.

	Deferred outflows of resources					
	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2	Total
Differences between expected and actual experience	-	\$ 9,794,390	-	\$ 1,932,098	\$ 644,905	\$ 12,371,393
Changes in assumption	-	22,032,025	-	2,184,535	687,547	24,904,107
Changes in proportion	-	1,858,534	-	140,474	159,407	2,158,415
Contributions paid subsequent to the measurement date	6,328,314	10,420,890	1,013,557	1,254,598	192,934	19,210,293
<b>Total</b>	<b>\$ 6,328,314</b>	<b>\$ 44,105,839</b>	<b>\$ 1,013,557</b>	<b>\$ 5,511,705</b>	<b>\$ 1,684,793</b>	<b>\$ 58,644,208</b>

	Deferred inflows of resources					
	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2	Total
Differences between expected and actual experience	-	\$ 894,838	-	\$ 38,968	\$ 25,182	\$ 958,988
Changes in assumption	-	5,768,773	-	237,589	236,320	6,242,682
Net difference between projected and actual earnings on investments	3,830,984	29,224,166	669,677	2,050,932	908,770	36,684,529
Changes in proportion	-	860,683	-	42,334	106,552	1,009,569
<b>Total</b>	<b>\$ 3,830,984</b>	<b>\$ 36,748,460</b>	<b>\$ 669,677</b>	<b>\$ 2,369,823</b>	<b>\$ 1,276,824</b>	<b>\$ 44,895,768</b>

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

	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2	TOTAL
2024	\$ (1,621,193)	\$ (9,115,598)	\$ (283,928)	\$ (384,926)	\$ (283,595)	\$ (11,689,240)
2025	(1,472,462)	(8,003,673)	(258,145)	(298,498)	(245,587)	(10,278,365)
2026	(1,847,159)	(9,520,135)	(324,668)	(479,967)	(327,438)	(12,499,367)
2027	1,109,830	13,704,052	197,064	1,155,397	393,815	16,560,158
2028	-	5,000,016	-	472,540	112,302	5,584,858
Thereafter	-	4,871,827	-	1,422,738	565,538	6,860,103
<b>Total</b>	<b>\$ (3,830,984)</b>	<b>\$ (3,063,511)</b>	<b>\$ (669,677)</b>	<b>\$ 1,887,284</b>	<b>\$ 215,035</b>	<b>\$ (5,461,853)</b>

**Plans Administered by Washington State University**

**Washington State University Supplemental Retirement Plan (WSUSRP)**

**Plan Description**

WSUSRP, a single-employer 403(b) defined-contribution plan, is administered by the University. Faculty, librarians, and professional staff are eligible to participate in WSUSRP. 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. WSURP was closed to new participants effective March 1, 2011.

**Funding Policy**

Employee contribution rates are based on age and are 5%, 7.5%, or 10% of salary. The University matches 100% of employee contributions. The University’s Board of Regents are authorized to amend benefit provisions under RCW 28B.10.400.

**Supplemental Retirement Plan (SRP)**

SRP, a single-employer 401(a) defined-benefit retirement plan administered by the University, operates along with the 403(b) plan to supplement the defined-contribution savings accumulated under SRP.

The June 30, 2022 measurements have been determined on the same basis as they are reported in the state of Washington’s Annual Comprehensive Financial Report (ACFR). The ACFR is available at <https://ofm.wa.gov/accounting/financial-audit-reports/annual-comprehensive-financial-report>.

In 2011, the plan was amended to eliminate the supplemental benefit provision for all employees hired after June 30, 2011. Members are eligible for a non-reduced supplemental payment after the age of 62 with ten years of full-time service. SRP has a payment 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.

Benefit Payments made during the fiscal year ended June 30, 2023 were \$3,227,855.

**Employer Contributions** State legislation which became effective on July 1, 2020 created an employer contribution rate for the SRP. OSA determines the rate in accordance with RCW 41.45 which provides authority to the Pension Funding Council to adopt changes to economic assumptions and contribution rates. For the fiscal year ended June 30, 2023, the SRP contribution rate was 0.30% of covered salaries per RCW 28B.10.423. Contributions made in the fiscal year ended June 30, 2023 were \$1,040,319.

**Plan Investments** The WSIB has been authorized by statute as having investment management responsibility for the SRP funds. The WSIB manages retirement fund assets to maximize return with limited risks.

Footnote 3.B of the Washington ACFR contains information regarding the investment of SRP funds by WSIB including the valuation, concentration, classifications, and maturities.

**Actuarial Assumptions** The discount rate remained at 7.00 percent from FY22 to FY23. A material assumption change during the measurement period was reflecting the new January 1, 2023 participant data file. The update changed the valuation date from June 30 to January 1. The new data file decreased the TPL. Some of the larger experience items that impacted the TPL was actual salary growth being lower than assumed and SRP benefits for new retirees being lower than estimated. Another material assumption change was updating assumptions used to estimate SRP benefits for future retirees based on input from TIAA and professional judgment. These assumption changes decreased the TPL.

The long-term expected rate of return on pension plan investments was determined by the WSIB using a building block method in which a best estimate of expected future rates of return are developed for each major asset class. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation for June 30, 2023 are summarized in the following table:

Asset Class	Target allocation	Long-term expected real rate of return
Fixed income	20.0%	1.5%
Tangible assets	7.0%	4.7%
Real estate	18.0%	5.4%
Global equity	32.0%	5.9%
Private equity	23.0%	8.9%
<b>Total</b>	<b>100%</b>	

# Notes to the Financial Statements

The following table shows significant assumptions used to measure the net pension liability as of June 30, 2023:

Discount rate	7.00%
Inflation Rate	2.75%
Source of mortality assumptions	Pub.H-2010 tables with the MP-2017 mortality improvement scale
Date of experience study	August 2021
Salary changes	3.50%
Source of discount rate	2021 report on financial condition and economic experience study

The following table presents the net pension liability using a discount rate of 7.00 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:

Discount rate sensitivity on WSUSRP net pension liability		
1% Decrease	Current discount rate	1% Increase
\$37,566,239	\$32,292,311	\$27,743,165

**Net Pension Liability.** The net pension liability is based on an actuarial valuation performed as of January 1, 2023 using the entry age normal cost method and the TPL is projected forward to the measurement date of June 30, 2023.

As of July 1, 2020, legislation was signed into law creating a trust arrangement for assets dedicated to paying SRP benefits to members. Contributions previously paid to DRS were transferred into the trust. As a result, the University is now applying accounting guidance for single employer plans that have trusted assets and reports the net pension liability net of plan assets as of June 30, 2023.

Schedule of changes in net pension liability			
	Total pension liability	Plan fiduciary net position	Net Pension Liability
Beginning balance	\$ 56,679,048	\$ 18,643,123	\$38,035,925
Service cost	857,213	-	857,213
Interest on TPL	3,916,474	-	3,916,474
Differences between expected and actual experience in the measurement of TPL	(668,669)	-	(668,669)
Changes of assumptions	(4,222,404)	-	(4,222,404)
Benefit payments	(3,227,855)	-	(3,227,855)
Employment contributions	-	1,040,319	(1,040,319)
Investment income	-	1,358,138	(1,358,138)
Other	-	(84)	84
<b>Ending balance</b>	<b>\$ 53,333,807</b>	<b>\$ 21,041,496</b>	<b>\$ 32,292,311</b>

Pension expense offset for SRP for the year ended June 30, 2023 was \$(11,760,917).

## Deferred Inflows and Outflows of Resources

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

	Deferred outflows	Deferred inflows
Differences between expected and actual experience	\$ 10,001,504	\$ 27,896,256
Changes in assumptions	11,972,781	21,937,617
Differences between projected and actual earnings on plan investments	-	613,483
<b>Total</b>	<b>\$ 21,974,285</b>	<b>\$ 50,447,356</b>

### Amortization of deferred inflows and outflows of resources

Year	
2024	\$ (8,316,569)
2025	(7,621,510)
2026	(8,409,042)
2027	(4,756,355)
2028	630,405
<b>Total</b>	<b>\$ (28,473,071)</b>

## 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 OPEB 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 2023. 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, 2023:

Active employees	6,171
Inactive employees or beneficiaries currently receiving benefits	1,785
Inactive employees entitled to but not yet receiving benefits*	NA

*\*HCA doesn't have data on this group and OSA doesn't have the methodology to reasonably estimate it. For FY23, there are no options, but to report this as not available*

**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 plan 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 benefit costs between the employer and plan members to that point.

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

Inflation rate	2.35%
Health care trend rate	2.00-11.00% initial rate, 3.8% ultimate rate in 2080
Projected salary increases	3.25% plus service-based salary increases
Discount rate	3.54%
Source of mortality assumptions	Society of Actuaries' Pub.H-2010 mortality rates, with application of the long-term MP-2017 generational improvement scale and updated based on results of the 2013-2018 demographic experience study report and the 2019 report on financial condition and economic experience study
Date of experience study	2013-2018 experience study report
Source of discount rate	Bond buyer general obligation 20-bond municipal bond index as of June 30, 2022

A material assumption change for the measurement period was updating the discount rate from 2.16 to 3.54.

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

The following presents the total OPEB liability calculated using the current healthcare cost trend rate, as well as what the OPEB liability would be if it were calculated using a rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease	Current healthcare cost trend rate	1% Increase
Total OPEB liability	\$172,872,164	\$204,175,546	\$244,222,925

The following presents the total OPEB liability of the State calculated using the discount rate of 3.54 percent, as well as what the OPEB 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:

	1% Decrease	Current discount rate	1% Increase
Total OPEB liability	\$239,243,877	\$204,175,546	\$175,956,987

## 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, 2022. 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 2023:

<b>Total OPEB liability at 7/1/2022</b>	<b>\$ 315,792,137</b>
Service cost	15,061,923
Interest	6,988,534
Differences between expected and actual experience	(6,920,924)
Change of assumptions	(116,854,331)
Benefit payments	(5,134,498)
Changes in proportionate share	(4,757,295)
<b>Total OPEB liability at 6/30/23</b>	<b><u>\$ 204,175,546</u></b>

## OPEB Costs

WSU reported a liability of \$204,175,546 for its proportionate share of the state's OPEB liability for the year ended June 30, 2023. For fiscal year 2023, the OPEB values were measured as of June 30, 2022 by an actuarial valuation. WSU's share of the liability was 4.81% as of June 30, 2023 compared to 4.88% as of June 30, 2022. For the year ended June 30, 2023 the University's share of OPEB expense offset was \$(9,849,060).

For fiscal year 2023, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ 4,256,316	\$ 7,183,967
Changes of assumptions	16,734,464	148,020,299
Changes in proportion		26,778,244
Payments subsequent to the measurement date	5,153,061	-
<b>Total</b>	<b><u>\$ 26,143,841</u></b>	<b><u>\$ 181,982,510</u></b>

Deferred outflows of resources of \$5,153,061 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, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense/(expense offset) as follows:

	Year-ended June 30
2024	\$ (27,006,515)
2025	(27,006,515)
2026	(27,006,514)
2027	(21,538,327)
2028	(14,021,662)
Thereafter	(44,412,197)
<b>Total</b>	<b><u>\$ (160,991,730)</u></b>

## 18. Operating Expenses by Function

	Compensation and benefits	Supplies and services	Scholarships and fellowships	Depreciation/ amortization	Total
Instruction	\$ 250,327,121	\$ 29,934,119	-	-	\$ 280,261,240
Research	164,785,391	98,300,573	-	-	263,085,964
Public service	23,187,794	7,169,784	-	-	30,357,578
Academic support	83,639,413	28,782,997	-	-	112,422,410
Student services	20,928,750	7,193,416	-	-	28,122,166
Institutional support	83,475,311	56,397,753	-	-	139,873,064
Operation and maintenance of plant	30,559,594	50,404,395	-	-	80,963,989
Auxiliary enterprises	86,359,701	84,877,281	-	-	171,236,982
Student financial aid	-	-	76,543,567	-	76,543,567
Depreciation/amortization	-	-	-	106,771,222	106,771,222
	<b>\$ 743,263,075</b>	<b>\$ 363,060,318</b>	<b>\$76,543,567</b>	<b>\$106,771,222</b>	<b>\$ 1,289,638,182</b>



## 19. Blended Component Unit

### Alumni Association

#### Statement of net position

##### Assets

##### Current assets

Cash	\$ 2,300,161
Receivables	123,993
Prepaid expenses	131,446
Inventory	93,437
Subtotal current assets	<u>2,649,037</u>

##### Non-current assets

Pooled endowment investment securities	12,964,704
Subtotal non-current assets	<u>12,964,704</u>

**Total assets** **15,613,741**

##### Liabilities

##### Current liabilities

Accounts payable	28,198
Accrued expense	149,751
Subtotal current liabilities	<u>177,949</u>

##### Non-current liabilities

Deferred revenue	111,678
Subtotal non-current liabilities	<u>111,678</u>

**Total liabilities** **289,627**

##### Net position

Unrestricted	12,995,240
Restricted expendable	2,328,874
<b>Total net position</b>	<b><u><u>\$ 15,324,114</u></u></b>

#### Statement of revenues, expense, and changes in net position

##### Revenue

##### Operating revenue

University support	\$ 1,039,919
Foundation support	366,664
Fundraising	1,157,108
Special events	324,987
Total operating revenue	<u>2,888,678</u>

##### Operating expense

Program services	1,584,550
Support services	2,087,341
Total operating expense	<u>3,671,891</u>

**Net operating loss** **(783,213)**

##### Non operating revenues (expenses)

Income (loss) from assets held by WSU foundation	876,532
Other non operating revenue	649,287
Total non operating revenue	<u>1,525,819</u>

**Increase in net position** **742,606**

##### Net position

Net position, beginning of year	14,581,508
Increase in net position	742,606
Net position, end of year	<b><u><u>\$ 15,324,114</u></u></b>

## Students Book Corporation

## Statement of net position

## Assets

## Current Assets

Cash and cash equivalents	\$ 11,957,716
Receivables	323,009
Inventory	320,004
Prepaid rent	141,282
Subtotal current assets	<u>12,742,011</u>

## Non-current assets

Prepaid rent	2,899,561
Lease assets, net of accumulated amortization	12,033,847
Capital assets, net of accumulated depreciation	1,186,712
Subtotal non-current assets	<u>16,120,120</u>
<b>Total assets</b>	<b><u>28,862,131</u></b>

## Liabilities

## Current liabilities

Accounts payable	208,127
Lease liability, current portion	663,934
Unearned revenue, current portion	100,000
Subtotal current liabilities	<u>972,061</u>

## Non-current liabilities

Lease liability, net of current portion	11,719,769
Unearned revenue	-
Subtotal non-current liabilities	<u>11,719,769</u>
<b>Total liabilities</b>	<b><u>12,691,830</u></b>

## Net position

Net investment in capital assets	836,857
Unrestricted	15,333,444
<b>Total net position</b>	<b><u>\$ 16,170,301</u></b>

## Statement of revenues, expenses and changes in net position

## Revenue

## Operating revenue

Contract revenue	\$ 838,397
Sales and services	191,860
First day revenue	2,663,061
Total operating revenue	<u>3,693,318</u>

## Operating expense

General and administrative expense	207,434
First day expense	2,670,007
Depreciation and amortization	873,150
Support	248,829
Scholarships	12,500
Total operating expense	<u>4,011,920</u>
<b>Net operating loss</b>	<b>(318,602)</b>

## Non-operating revenue (expense)

Interest income	372,964
Interest expense	(444,510)
Total non-operating expense	<u>(71,546)</u>

## Decrease in net position

(390,148)

## Net position

Net position, beginning of year	16,560,449
Decrease in net position	(390,148)
<b>Net position, end of year</b>	<b><u>\$ 16,170,301</u></b>

## 20: Commitments and Contingencies

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

Subsequent to June 30, 2023, WSU became one of two remaining members of the PAC-12 conference at the culmination of the 2023-24 season, creating substantial uncertainty about the conference's viability going forward. As the two remaining Pac-12 members, WSU and Oregon State University (OSU) are exploring options for future conference membership and affiliations and seeking legal protection to gain access to pertinent business information and to understand and safeguard the assets of the conference. WSU Athletics expects to receive between \$26 million and \$30 million per year in conference and television revenue distributions through June 2024. It is unclear at this time what the outcome will be for the Pac-12 conference and its remaining two institutions and how those changes will impact WSU Athletics.

In September 2023, the University issued General Revenue Refunding Bonds, 2023 at a par value of \$20,275,000 plus a premium of \$1,798,928. These 2023 bonds maintain fixed annual coupon rates of 5% with a true interest cost of 3.42%. The 2023 bonds funded a defeasance escrow to redeem the University's General Revenue Bonds, 2013 on December 5, 2023 for the outstanding principal balance of \$22,915,000. This refunding resulted in \$1.37 million, or 5.97% net present value savings while maintaining the same final maturity of October 1, 2038.

The University has commitments of \$22,510,634 for various capital improvement projects that include construction and completion of new buildings and renovations of existing buildings.





FINANCIAL REPORT 2023

# REQUIRED SUPPLEMENTAL INFORMATION

## Schedule of WSU Contributions

### Public Employees' Retirement System Plan 1 Last 10 Fiscal Years

	2023	2022	2021	2020	2019
Contractually required contributions	\$ 6,328,314	\$ 5,088,006	\$ 7,075,580	\$ 6,679,211	\$ 6,645,224
Contributions in relation to the contractually required contribution	(6,328,314)	(5,088,006)	(7,075,580)	(6,679,211)	(6,645,224)
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll	164,455,976	133,971,289	144,295,033	137,784,157	128,281,013
Contributions as a percentage of covered payroll	3.85%	3.80%	4.90%	4.85%	5.18%

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

## Schedule of WSU Contributions

### Public Employees' Retirement System (PERS) Plan 2/3 Last 10 Fiscal Years

	2023	2022	2021	2020	2019
Contractually required contributions	\$ 10,420,890	\$ 8,562,525	\$ 11,343,628	\$ 10,788,830	\$ 9,548,591
Contributions in relation to the contractually required contribution	(10,420,890)	(8,562,525)	(11,343,628)	(10,788,830)	(9,548,591)
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll	163,740,248	133,201,284	143,228,492	136,667,675	127,047,653
Contributions as a percentage of covered payroll	6.36%	6.43%	7.92%	7.89%	7.52%

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

See notes to the Required Supplemental Information.

## Schedule of WSU Contributions

### Teachers Retirement System Plan 1 Last 10 Fiscal Years

	2023	2022	2021	2020	2019
Contractually required contributions	\$ 1,013,557	\$ 1,008,387	\$ 1,095,510	\$ 986,500	\$ 925,684
Contributions in relation to the contractually required contribution	(1,013,557)	(1,008,387)	(1,095,510)	(986,500)	(925,684)
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll	15,676,529	15,695,536	14,806,809	13,614,880	12,505,211
Contributions as a percentage of covered payroll	6.47%	6.42%	7.40%	7.25%	7.40%

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

## Schedule of WSU Contributions

### Teachers' Retirement System (TRS) Plan 2/3 Last 10 Fiscal Years

	2023	2022	2021	2020	2019
Contractually required contributions	\$ 1,254,598	\$ 1,260,368	\$ 1,202,540	\$ 1,098,399	\$ 974,731
Contributions in relation to the contractually required contribution	(1,254,598)	(1,260,368)	(1,202,540)	(1,098,399)	(974,731)
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll	15,584,916	15,625,070	14,755,937	13,564,384	12,448,690
Contributions as a percentage of covered payroll	8.05%	8.07%	8.15%	8.10%	7.83%

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

See notes to the Required Supplemental Information.

## Schedule of WSU Contributions

### Law Enforcement Officers' Retirement System Last 10 Fiscal Years

	2023	2022	2021	2020	2019
Contractually required contributions	\$ 192,934	\$ 206,753	\$ 200,190	\$ 209,016	\$ 199,047
Contributions in relation to the contractually required contribution	(192,934)	(206,753)	(200,190)	(209,016)	(199,047)
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll	2,177,248	2,423,101	2,330,470	2,429,109	2,274,829
Contributions as a percentage of covered payroll	8.86%	8.53%	8.59%	8.60%	8.75%

	2018	2017	2016	2015	2014
Contractually required contributions	\$ 189,919	\$ 143,426	\$ 145,308	\$ 136,419	\$ 122,092
Contributions in relation to the contractually required contribution	(189,919)	(143,426)	(145,308)	(136,419)	(122,092)
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll	2,261,802	1,705,430	1,691,590	1,638,448	1,461,750
Contributions as a percentage of covered payroll	8.53%	8.41%	8.59%	8.33%	8.35%

## Schedule of WSU Contributions

### WSUSRP Supplemental Retirement Plan as of June 30\*

	2023	2022	2021	2020	2019	2018	2017
Contractually required contributions	\$ 1,040,319	\$ 975,365	\$ 481,599	\$ 25,986,853	\$ 25,478,226	\$ 25,552,852	\$ 25,429,397
Contributions in relation to the contractually required contribution	(1,040,199)	(975,000)	(919,000)	(25,986,853)	(25,478,226)	(25,552,852)	(25,429,397)
Contribution deficiency (excess)	120	365	(437,401)	-	-	-	-
Covered payroll	346,733,000	325,121,564	160,533,073	160,533,073	171,012,253	186,365,000	196,596,000
Contributions as a percentage of covered payroll	0.30%	0.30%	0.57%	16.19%	14.90%	13.71%	12.93%

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

See notes to the Required Supplemental Information.

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

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

	2022	2021	2020	2019	2018
PERS 1 employers' proportion of the net pension liability	0.83%	0.95%	0.92%	0.93%	0.95%
PERS 1 employers' proportionate share of the net pension liability	\$ 23,115,898	\$ 11,600,343	\$32,537,245	\$ 35,637,058	\$ 42,454,119
PERS 1 employers' covered payroll	133,971,289	144,295,033	137,784,157	128,281,013	124,750,748
PERS 1 employers' proportionate share of the net pension liability as a percentage of its covered payroll	17.25%	8.04%	23.61%	27.78%	34.03%
Plan fiduciary net position as a percentage of the total pension liability	76.56%	88.74%	68.64%	67.12%	63.22%

	2017	2016	2015	2014
PERS 1 employers' proportion of the net pension liability	0.98%	1.01%	0.97%	0.93%
PERS 1 employers' proportionate share of the net pension liability	\$ 46,335,497	\$ 54,355,128	\$ 50,597,060	\$ 46,759,620
PERS 1 employers' covered payroll	120,938,855	120,186,698	107,767,738	99,541,744
PERS 1 employers' proportionate share of the net pension liability as a percentage of its covered payroll	38.31%	45.23%	46.95%	46.97%
Plan fiduciary net position as a percentage of the total pension liability	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 (Assets)

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

	2022	2021	2020	2019	2018
PERS 2 employers' proportion of the net pension liability (asset)	1.07%	1.20%	1.17%	1.17%	1.18%
PERS 2 employers' proportionate share of the net pension liability (asset)	\$ (39,529,115)	\$ (119,290,666)	\$ 14,978,098	\$ 11,356,082	\$ 20,215,832
PERS 2 employers' covered payroll	133,201,284	143,228,492	136,667,675	127,047,653	123,376,553
PERS 2 employers' proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(29.68)%	(83.29)%	10.96%	8.94%	16.39%
Plan fiduciary net position as a percentage of the total pension liability (asset)	106.73%	120.29%	97.77%	97.44%	95.77%

	2017	2016	2015	2014
PERS 2 employers' proportion of the net pension liability (asset)	1.22%	1.25%	1.19%	1.12%
PERS 2 employers' proportionate share of the net pension liability (asset)	\$ 42,261,445	\$ 62,818,595	\$ 42,397,358	\$ 22,694,083
PERS 2 employers' covered payroll	119,248,641	118,023,229	105,292,307	96,729,193
PERS employers' proportionate share of the net pension liability (asset) as a percentage of its covered payroll	35.44%	53.23%	40.27%	23.46%
Plan fiduciary net position as a percentage of the total pension liability (asset)	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.

See notes to the Required Supplemental Information.

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

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

	2022	2021	2020	2019	2018
TRS 1 employers' proportion of the net pension liability	0.20%	0.20%	0.19%	0.19%	0.19%
TRS 1 employers' proportionate share of the net pension liability	\$ 3,737,286	\$ 1,342,031	\$ 4,524,929	\$ 4,614,748	\$ 5,663,057
TRS 1 employers' covered payroll	15,695,536	14,806,809	13,614,880	12,505,211	11,393,621
TRS 1 employers' proportionate share of the net pension liability as a percentage of its covered payroll	23.81%	9.06%	33.24%	36.90%	49.70%
Plan fiduciary net position as a percentage of the total pension liability	78.24%	91.42%	70.55%	70.37%	66.52%

	2017	2016	2015	2014
TRS 1 employers' proportion of the net pension liability	0.19%	0.18%	0.13%	0.08%
TRS 1 employers' proportionate share of the net pension liability	\$ 5,696,321	\$ 6,014,486	\$ 4,144,932	\$ 2,452,825
TRS 1 employers' covered payroll	10,512,086	8,871,010	6,390,188	3,741,023
TRS 1 employers' proportionate share of the net pension liability as a percentage of its covered payroll	54.19%	67.80%	64.86%	65.57%
Plan fiduciary net position as a percentage of the total pension liability	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 the WSU's Proportionate Share of the Net Pension Liability/(Asset)

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

	2022	2021	2020	2019	2018
TRS 3 employers' proportion of the net pension liability/asset	0.20%	0.20%	0.19%	0.19%	0.20%
TRS 3 employers' proportionate share of the net pension liability/(asset)	\$ (387,769)	\$ (5,462,237)	\$ 2,899,625	\$ 1,123,636	\$ 878,956
TRS 3 employers' covered payroll	15,625,070	14,755,937	13,564,384	12,448,690	11,338,800
TRS 3 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	(2.48)%	(37.02)%	21.38%	9.03%	7.75%
Plan fiduciary net position as a percentage of the total pension liability/asset	100.86%	113.72%	91.72%	96.36%	96.88%

	2017	2016	2015	2014
TRS 3 employers' proportion of the net pension liability/asset	0.19%	0.18%	0.14%	0.08%
TRS 3 employers' proportionate share of the net pension liability/(asset)	\$ 1,758,409	\$ 2,438,303	\$ 1,141,883	\$ 272,606
TRS 3 employers' covered payroll	10,446,117	8,802,686	6,327,223	3,642,005
TRS 3 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	16.83%	27.70%	18.05%	7.49%
Plan fiduciary net position as a percentage of the total pension liability/asset	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.

See notes to the Required Supplemental Information.

**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\*

	2022	2021	2020	2019	2018
LEOFF 2 employers' proportion of the net pension asset	0.10%	0.10%	0.11%	0.11%	0.11%
LEOFF 2 employers' proportionate share of the net pension asset	\$2,714,056	\$5,833,042	\$2,179,543	\$ 2,501,102	\$2,223,495
LEOFF 2 employers' covered payroll	2,423,101	2,330,470	2,429,109	2,274,829	2,177,248
LEOFF 2 employers' proportionate share of the net pension asset as a percentage of its covered payroll	112.01%	250.29%	89.73%	109.95%	102.12%
Plan fiduciary net position as a percentage of the total pension asset	116.09%	142.00%	115.83%	119.43%	118.50%

	2017	2016	2015	2014
LEOFF 2 employers' proportion of the net pension asset	0.09%	0.09%	0.09%	0.09%
LEOFF 2 employers' proportionate share of the net pension asset	\$1,259,899	\$ 552,438	\$ 956,615	\$1,152,604
LEOFF 2 employers' covered payroll	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	73.88%	32.60%	58.39%	78.85%
Plan fiduciary net position as a percentage of the total pension asset	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.

See notes to the Required Supplemental Information.



## Schedule of Changes in Total Pension Liability and Related Ratios

WSUSRP Supplemental Retirement Plan  
as of June 30\*

	2023	2022	2021
<b>Total Pension Liability - Beginning</b>	<b>\$ 56,679,048</b>	<b>\$ 41,101,896</b>	<b>\$ 118,942,000</b>
Service Costs	857,213	604,024	3,114,000
Interest on TPL	3,916,474	2,968,221	2,666,000
Differences between expected and actual experience	(668,669)	11,481,121	(47,565,000)
Changes in assumptions	(4,222,404)	3,771,379	(33,228,000)
Benefit payments	(3,227,855)	(3,247,593)	(2,827,000)
Other	-	-	(104)
<b>Net change in total pension liability</b>	<b>(3,345,241)</b>	<b>15,577,152</b>	<b>(77,840,104)</b>
<b>Total Pension Liability Ending (a)</b>	<b>53,333,807</b>	<b>56,679,048</b>	<b>41,101,896</b>
<b>Plan Fiduciary Net Position Beginning</b>	<b>18,643,123</b>	<b>17,645,508</b>	<b>12,304,870</b>
Employer Contributions	1,040,319	975,412	919,024
Net Investment Income	1,358,138	22,203	4,421,531
Other	(84)	-	84
<b>Net Change in Plan Fiduciary Net Position</b>	<b>2,398,373</b>	<b>997,615</b>	<b>5,340,639</b>
<b>Plan Fiduciary Net Position Ending (b)</b>	<b>21,041,496</b>	<b>18,643,123</b>	<b>17,645,509</b>
WSUSRP Net Pension Liability (a) minus (b)	<b>\$ 32,292,311</b>	<b>\$ 38,035,925</b>	<b>\$ 23,456,387</b>
Plan Fiduciary Net Position as Percentage of the TPL	39.45%	32.89%	42.93%
WSUSRP Covered Payroll	\$ 346,733,000	\$ 325,121,564	\$ 160,533,000
Net Pension Liability as a Percentage of Covered Payroll	9.31%	11.70%	14.61%

## Schedule of Changes in Total Pension Liability and Related Ratios

WSUSRP Supplemental Retirement Plan  
As of June 30\*

	2020	2019	2018	2017
<b>Total Pension Liability</b>				
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	-
<b>Net Change in Total pension Liability</b>	<b>26,222,113</b>	<b>9,888,523</b>	<b>(6,581,732)</b>	<b>(17,911,000)</b>
<b>Total Pension Liability-Beginning</b>	<b>92,719,791</b>	<b>82,831,268</b>	<b>89,413,000</b>	<b>107,324,000</b>
<b>Total Pension Liability-Ending</b>	<b>\$ 118,941,904</b>	<b>\$ 92,719,791</b>	<b>\$ 82,831,268</b>	<b>\$ 89,413,000</b>
<b>Covered-employee payroll</b>	<b>\$ 160,533,073</b>	<b>\$ 171,012,253</b>	<b>\$ 186,365,000</b>	<b>\$ 196,596,000</b>
Total Pension Liability as a percentage of covered-employee 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

See notes to the Required Supplemental Information.

Schedule of Changes in Total OPEB Liability

As of June 30\*

	2023	2022	2021	2020	2019	2018
<b>Total OPEB Liability</b>						
Service Cost	\$ 15,061,923	\$ 15,783,611	\$ 12,480,593	\$ 12,068,578	\$ 16,577,178	\$ 21,249,263
Interest Cost	6,988,534	6,821,580	10,440,211	10,468,799	11,396,717	9,953,285
Differences Between Expected and Actual Experience	(6,920,924)	-	(1,599,865)	-	10,402,988	-
Changes in Assumption	(116,854,331)	2,914,545	6,767,586	19,495,659	(72,572,455)	(48,552,300)
Changes of Benefit Terms					-	-
Benefits Payments	(5,134,498)	(5,197,099)	(4,970,743)	(4,788,847)	(4,813,404)	(5,072,353)
Changes in Proportionate Share	(4,757,295)	(5,289,296)	(9,783,783)	(4,328,719)	(9,286,729)	(5,931,607)
Other	-	-	(10,634,123)	-	-	-
<b>Net Changes in Total OPEB Liability</b>	<b>(111,616,591)</b>	<b>15,033,341</b>	<b>2,699,876</b>	<b>32,915,470</b>	<b>(48,295,705)</b>	<b>(28,353,712)</b>
<b>Total OPEB Liability- Beginning</b>	<b>315,792,137</b>	<b>300,758,796</b>	<b>298,058,920</b>	<b>265,143,450</b>	<b>313,439,155</b>	<b>341,792,867</b>
<b>Total OPEB Liability- Ending</b>	<b>204,175,546</b>	<b>315,792,137</b>	<b>300,758,796</b>	<b>298,058,920</b>	<b>265,143,450</b>	<b>313,439,155</b>
<b>Covered Employee Payroll</b>	<b>\$ 590,297,507</b>	<b>\$ 550,371,846</b>	<b>\$ 540,541,810</b>	<b>\$ 539,452,345</b>	<b>\$ 523,908,013</b>	<b>\$ 524,282,994</b>
Total OPEB Liability as a percentage of covered-employee payroll	35%	56%	54%	55%	50%	60%

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

See notes to the Required Supplemental Information.



## Notes to Required Supplementary Information for the Year ended June 30, 2023

### 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

Effective July 1, 2020 Washington State's House Bill 1661 created a trust arrangement for the WSUSRP. All funds previously contributed by the University were transferred to the trust to pay benefits to the plan's beneficiaries. This arrangement significantly changed the accounting for the plan.

Covered payroll for fiscal year 2023 is based on the payroll of participants in the University's 403(b) defined contribution plan.

Material assumption changes during fiscal year 2023 include reflecting the new January 1, 2023 data file, decreasing the total pension liability. Large experience items that impacted the total pension liability were salaries were generally lower than assumed and SRP benefits for new retirees were lower than estimated. Also, due to the information provided by TIAA some long-term assumptions were updated, which caused a decrease 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 for fiscal year 2023 was an update to the discount rate from 2.16 to 3.54. This caused a decrease in the OPEB liability.



# CONTENTS

NET POSITION BY COMPONENT	95
CHANGES IN NET POSITION	96
OPERATING EXPENSES BY USE	97
REVENUES BY SOURCE	98
SCHEDULE OF CAPITAL ASSET INFORMATION BY ASSIGNED SQUARE FEET	100
ADMISSIONS, ENROLLMENT, AND DEGREES EARNED	101
FACULTY AND STAFF	101
DEMOGRAPHIC DATA	101
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL AND COMPLIANCE	102

FINANCIAL REPORT 2023

STATISTICAL SECTION

## Net Position by Component

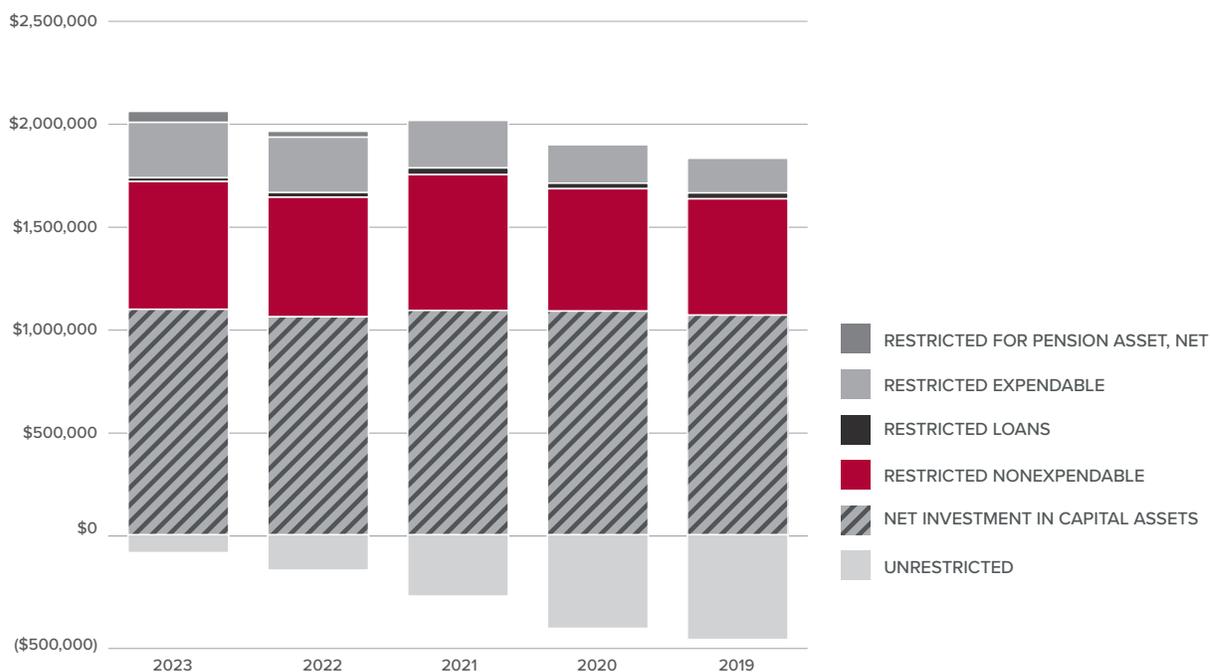
Last Ten Fiscal Years

In Thousands

Fiscal year ended June 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Net investment in capital assets	\$ 1,101,155	\$ 1,064,602	\$ 1,095,711	\$ 1,092,415	\$ 1,072,810	\$ 1,051,011	\$ 1,074,755	\$ 950,875	\$ 931,982	\$ 948,421
Restricted nonexpendable	620,623	580,867	659,432	594,574	565,038	534,361	522,143	504,301	481,183	471,364
Restricted loans	18,450	22,706	32,750	26,790	28,650	29,153	32,504	28,364	28,145	27,527
Restricted expendable	272,002	235,333	231,065	186,588	168,525	154,849	157,238	232,127	250,389	236,173
Restricted for pension asset, net	53,538	28,783	-	-	-	-	-	-	-	-
Unrestricted	(92,059)	(120,902)	(260,192)	(383,585)	(436,418)	(473,347)	(477,284)	(115,217)	(7,461)	11,568
<b>Total net position</b>	<b>\$ 1,973,709</b>	<b>\$ 1,811,387</b>	<b>\$ 1,758,766</b>	<b>\$ 1,516,782</b>	<b>\$ 1,398,605</b>	<b>\$ 1,296,027</b>	<b>\$ 1,309,356</b>	<b>\$ 1,600,450</b>	<b>\$ 1,684,238</b>	<b>\$ 1,695,053</b>

Expressed as a Percent of Total

Fiscal year ended June 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
	%	%	%	%	%	%	%	%	%	%
Net investment in capital assets	55.8	58.8	62.3	72.0	76.7	81.1	82.1	59.4	55.3	56.0
Restricted nonexpendable	31.4	32.1	37.5	39.2	40.4	41.2	39.9	31.5	28.5	27.8
Restricted loans	0.9	1.2	1.9	1.8	2.1	2.3	2.5	1.8	1.7	1.6
Restricted expendable	13.8	13.0	13.1	12.3	12.0	11.9	12.0	14.5	14.9	13.9
Restricted for pension asset, net	2.7	1.6	-	-	-	-	-	-	-	-
Unrestricted	(4.6)	(6.7)	(14.8)	(25.3)	(31.2)	(36.5)	(36.5)	(7.2)	(0.4)	0.7
<b>Total net position</b>	<b>100.0</b>									



## Changes in Net Position

Last Ten Fiscal Years

*In Thousands*

Fiscal Year Ended June 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Operating revenues	\$ 901,741	\$ 846,664	\$ 731,144	\$ 803,427	\$ 799,949	\$ 750,028	\$ 751,046	\$ 731,044	\$ 712,520	\$ 702,807
Operating expenses	1,289,638	1,164,186	1,106,425	1,157,140	1,133,434	1,134,068	1,440,092	1,139,105	1,048,104	1,080,893
Operating loss	(387,897)	(317,522)	(375,281)	(353,713)	(333,485)	(384,040)	(689,046)	(408,061)	(335,584)	(378,086)
<b>Non-operating revenues (expenses)</b>										
State appropriations	300,308	279,671	275,715	261,693	245,923	232,903	224,658	198,805	178,718	176,034
Federal appropriations	6,825	4,112	10,122	9,485	7,990	9,770	10,068	11,008	10,559	10,733
Federal Pell Grants	30,724	32,565	33,477	36,141	38,324	38,623	33,477	36,821	35,506	33,746
Interest on capital assets- related debt	(25,282)	(24,082)	(25,976)	(28,524)	(30,015)	(31,089)	(28,813)	(26,762)	(26,299)	(25,071)
Federal bond interest subsidy	850	850	850	1,350	2,549	2,596	2,646	2,685	2,702	2,681
Gifts and contributions	59,699	56,033	43,875	39,535	44,489	35,494	35,913	37,332	37,397	35,841
Investment income, net of expense	86,728	(64,175)	118,441	65,207	64,603	48,314	51,846	27,294	45,296	73,309
HEERF Relief Funds	3	55,353	43,344	19,052	-	-	-	-	-	-
Other non-operating revenues/expenses	5,260	5,904	10,805	5,831	6,393	15,809	5,892	13	924	896
Settlement of Lawsuit	-	-	-	-	-	-	-	(6,688)	-	-
Net non-operating revenues	465,115	346,231	510,653	409,770	380,256	352,420	335,687	280,508	284,803	308,169
Income before other revenues	77,218	28,709	135,372	56,057	46,771	(31,620)	(353,359)	(127,553)	(50,781)	(69,917)
Capital appropriations	68,132	14,174	46,607	51,730	45,082	5,401	52,381	28,231	32,992	8,725
Capital grants and gifts	445	1,560	1,643	2,150	370	1,566	1,280	3,696	6,837	13,370
Additions to permanent endowments	16,529	13,957	9,614	8,239	10,355	11,324	8,606	11,838	136	92
<b>Increase (decrease) in net position</b>	<b>\$ 162,324</b>	<b>\$ 58,400</b>	<b>\$ 193,236</b>	<b>\$ 118,176</b>	<b>\$ 102,578</b>	<b>\$ (13,329)</b>	<b>\$ (291,092)</b>	<b>\$ (83,788)</b>	<b>\$ (10,816)</b>	<b>\$ (47,730)</b>

## Schedule of Operating Expenses by Use

Last Ten Fiscal Years

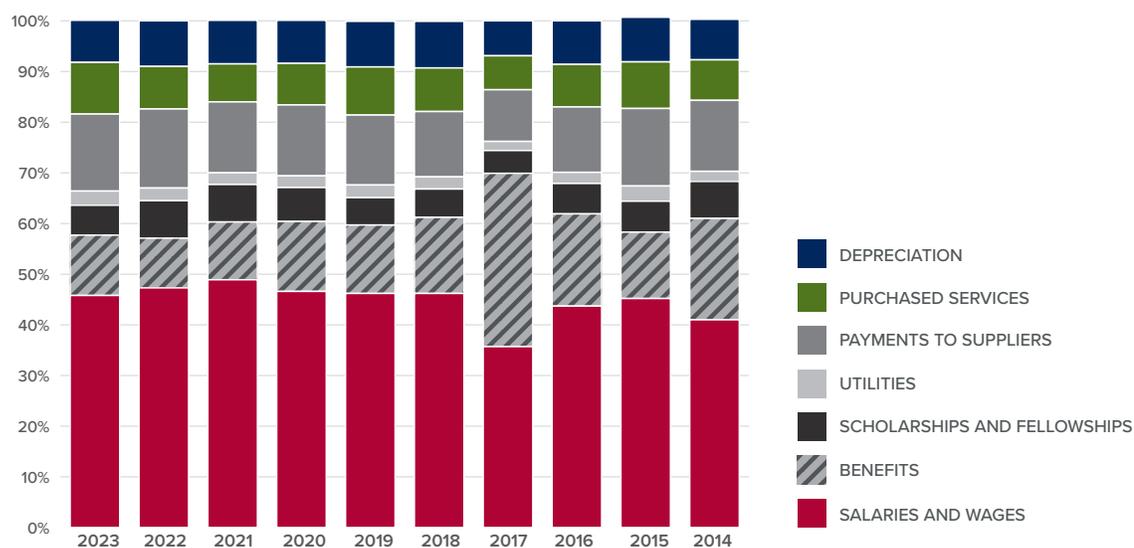
*In Thousands*

Fiscal year ended June 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Operating expense</b>										
Salaries and wages	\$ 590,297	\$ 550,372	\$ 540,542	\$ 539,452	\$ 523,908	\$ 524,283	\$ 513,460	\$ 498,000	\$ 473,929	\$ 438,173
Benefits	152,966	114,092	125,812	159,576	152,770	170,025	492,260	207,124	136,895	219,810
Scholarships and fellowships	76,544	86,490	81,770	77,152	61,616	63,481	65,496	67,958	63,702	73,030
Utilities	36,010	29,172	25,092	26,828	28,591	27,732	25,935	25,519	24,628	25,977
Payments to suppliers	195,952	181,814	155,111	161,863	156,874	146,357	147,080	146,611	160,138	149,030
Purchased services	131,098	97,595	83,009	94,418	107,357	97,875	97,006	95,533	96,147	87,927
Depreciation	106,771	104,651	95,089	97,851	102,318	104,315	98,855	98,360	92,665	86,946
<b>Total operating expenses</b>	<b>\$ 1,289,638</b>	<b>\$ 1,164,186</b>	<b>\$ 1,106,425</b>	<b>\$ 1,157,140</b>	<b>\$ 1,133,434</b>	<b>\$ 1,134,068</b>	<b>\$ 1,440,092</b>	<b>\$ 1,139,105</b>	<b>\$ 1,048,104</b>	<b>\$ 1,080,893</b>

*Expressed as a Percent of Total*

Fiscal year ended June 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
	%	%	%	%	%	%	%	%	%	%
<b>Operating expense</b>										
Salaries and wages	45.8	47.3	48.8	46.6	46.2	46.2	35.7	43.7	45.2	40.6
Benefits	11.8	9.8	11.4	13.8	13.5	15.0	34.2	18.2	13.1	20.3
Scholarships and fellowships	5.9	7.4	7.4	6.7	5.4	5.6	4.5	6.0	6.1	6.8
Utilities	2.8	2.5	2.3	2.3	2.5	2.5	1.8	2.2	2.3	2.4
Payments to suppliers	15.2	15.6	14.0	14.0	13.9	12.9	10.2	12.9	15.3	13.8
Purchased services	10.2	8.4	7.5	8.1	9.5	8.6	6.7	8.4	9.2	8.1
Depreciation	8.3	9.0	8.6	8.5	9.0	9.2	6.9	8.6	8.8	8.0
<b>Total operating expenses</b>	<b>100.0</b>									

## Operating Expenses by Use Percentage



# Required Supplemental Information

## Schedule of Revenues by Source

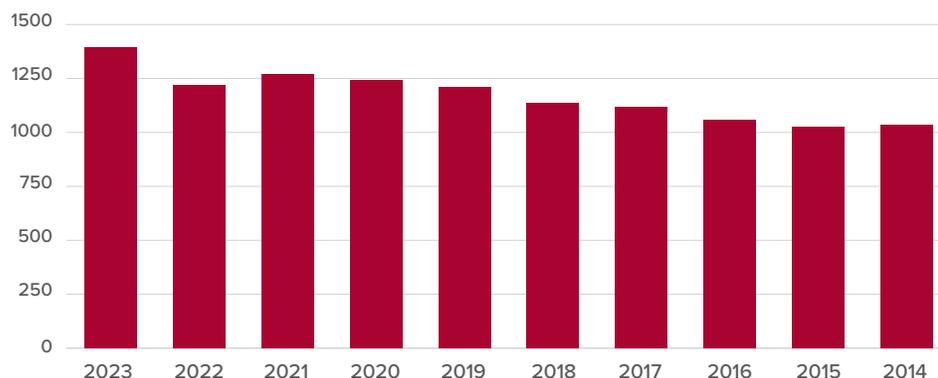
Last Ten Fiscal Year

*In Thousands*

Fiscal year ended June 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Operating Revenues</b>										
Tuition and fee revenue, net	\$ 284,784	\$ 296,412	\$ 314,052	\$ 312,717	\$ 294,861	\$ 279,746	\$ 286,137	\$ 286,292	\$ 292,867	\$ 290,508
Federal grants and contracts	200,187	173,124	158,255	145,935	151,921	141,354	135,290	130,114	123,912	125,505
State grants and contracts	118,915	98,902	113,516	92,495	87,884	86,413	90,501	91,328	89,536	94,111
Local grants and contracts	48,035	45,645	18,099	35,561	34,796	30,442	30,600	29,745	23,945	29,287
Sales and services of educational departments	36,390	32,596	28,612	26,321	25,221	25,617	24,875	24,082	22,320	20,199
Auxiliary enterprises	167,729	159,665	68,984	164,020	173,789	163,828	160,269	153,800	144,926	133,891
Other operating revenues	45,700	40,320	29,626	26,379	31,477	22,629	23,375	15,681	15,015	9,306
<b>Total operating revenues</b>	<b>901,740</b>	<b>846,664</b>	<b>731,144</b>	<b>803,428</b>	<b>799,949</b>	<b>750,029</b>	<b>751,047</b>	<b>731,042</b>	<b>712,521</b>	<b>702,807</b>
<b>Non-operating revenues</b>										
State appropriations	300,307	279,671	275,715	261,693	245,923	232,903	224,658	198,805	178,718	176,034
Federal appropriations	6,825	4,112	10,122	9,485	7,990	9,770	10,068	11,008	10,559	10,733
Federal Pell Grants	30,724	32,565	33,477	36,141	38,324	38,623	33,477	36,821	35,506	33,746
Federal bond interest subsidy	850	850	850	1,350	2,549	2,596	2,646	2,685	2,702	2,681
Gifts and contributions	59,699	56,033	43,875	39,535	44,489	35,494	35,913	37,332	37,397	35,841
Investment income, net of expense	86,728	(64,175)	118,440	65,207	64,603	48,314	51,846	38,994	45,296	73,309
HEERF Relief Funds	3	55,353	43,344	19,052	-	-	-	-	-	-
Other non-operating revenues/ expenses	5,260	5,904	10,805	5,831	6,393	15,809	5,892	13	924	896
<b>Net non-operating revenues</b>	<b>490,396</b>	<b>370,313</b>	<b>536,628</b>	<b>438,294</b>	<b>410,271</b>	<b>383,509</b>	<b>364,500</b>	<b>325,658</b>	<b>311,102</b>	<b>333,240</b>
<b>Total revenue</b>	<b>\$ 1,392,136</b>	<b>\$ 1,216,977</b>	<b>\$ 1,267,772</b>	<b>\$ 1,241,722</b>	<b>\$ 1,210,220</b>	<b>\$ 1,133,538</b>	<b>\$ 1,115,547</b>	<b>\$ 1,056,700</b>	<b>\$ 1,023,623</b>	<b>\$ 1,036,047</b>

## Revenue from All Sources

(in millions)



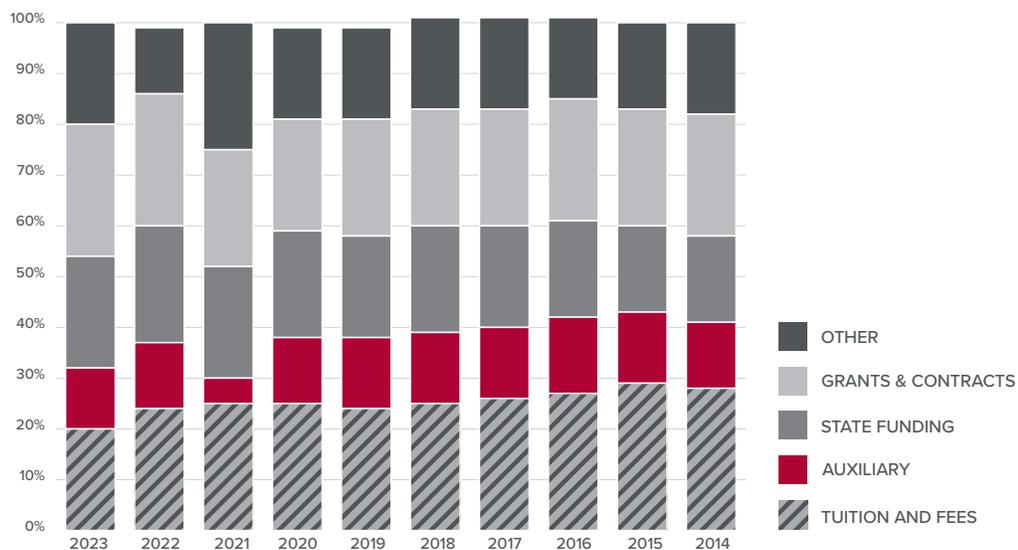
## Schedule of Revenues by Source

Last Ten Fiscal Year

Expressed as a Percent of Total

Fiscal Year Ended June 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
	%	%	%	%	%	%	%	%	%	%
<b>Operating revenues</b>										
Tuition and fee revenue, net	20.5	24.4	24.8	25.2	24.4	24.7	25.7	27.1	28.6	28.0
Federal grants and contracts	14.4	14.2	12.5	11.8	12.5	12.5	12.1	12.3	12.1	12.1
State grants and contracts	8.5	8.1	9.0	7.4	7.3	7.6	8.1	8.6	8.7	9.1
Local grants and contracts	3.5	3.8	1.4	2.9	2.9	2.7	2.7	2.8	2.3	2.8
Sales and services of educational departments	2.6	2.7	2.3	2.1	2.1	2.3	2.2	2.3	2.2	1.9
Auxiliary enterprises	12.0	13.1	5.4	13.2	14.4	14.4	14.4	14.6	14.2	12.9
Other operating revenues	3.3	3.3	2.3	2.1	2.6	2.0	2.1	1.5	1.5	0.9
<b>Total operating revenues</b>	<b>64.8</b>	<b>69.6</b>	<b>57.7</b>	<b>64.7</b>	<b>66.2</b>	<b>66.2</b>	<b>67.3</b>	<b>69.2</b>	<b>69.6</b>	<b>67.8</b>
<b>Non-operating revenues</b>										
State appropriations	21.6	23.0	21.7	21.1	20.3	20.5	20.1	18.8	17.5	17.0
Federal appropriations	0.5	0.3	0.8	0.8	0.6	0.9	0.9	1.0	1.0	1.0
Federal Pell Grants	2.2	2.7	2.6	2.9	3.2	3.4	3.0	3.5	3.5	3.3
Federal bond interest subsidy	-	0.1	0.1	0.1	0.2	0.2	0.3	0.3	0.3	0.3
Gifts and contributions	4.3	4.6	3.5	3.2	3.7	3.1	3.2	3.5	3.6	3.5
Investment income, net of expense	6.2	(5.3)	9.3	5.2	5.3	4.3	4.7	3.7	4.4	7.1
HEERF Relief Funds	0.0	4.5	3.4	1.5	-	-	-	-	-	-
Other non-operating revenues/expenses	0.4	0.5	0.9	0.5	0.5	1.4	0.5	0.0	0.1	0.1
<b>Net non-operating revenues</b>	<b>35.2</b>	<b>30.4</b>	<b>42.3</b>	<b>35.3</b>	<b>33.8</b>	<b>33.8</b>	<b>32.7</b>	<b>30.8</b>	<b>30.4</b>	<b>32.2</b>
<b>Total revenue</b>	<b>100.0</b>									

## Revenues by Source



Schedule of Capital Asset Information by Assigned Square Feet for WSU System

Fiscal Year Ended June 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>Total Rooms by Use/Function</b>											
Classroom	549	537	562	560	561	567	549	514	522	547	508
Laboratory	4,186	4,150	4,388	4,331	4,334	4,316	4,340	4,304	4,237	4,211	4,200
Office	8,731	8,786	9,128	9,010	9,000	8,966	8,921	8,741	8,495	8,197	7,868
Auxiliary	22,983	23,038	22,976	22,846	22,852	22,813	22,638	22,273	21,339	21,329	20,800
<b>Total</b>	<b>36,449</b>	<b>36,511</b>	<b>37,054</b>	<b>36,747</b>	<b>36,747</b>	<b>36,662</b>	<b>36,448</b>	<b>35,832</b>	<b>34,593</b>	<b>34,284</b>	<b>33,376</b>
<b>Total Square Feet by Use/Function</b>											
Classroom	413,252	407,828	409,330	407,992	407,665	409,839	402,131	358,018	347,469	365,886	344,363
Laboratory	1,729,118	1,710,079	1,789,944	1,695,183	1,694,513	1,696,181	1,715,782	1,672,571	1,636,380	1,621,623	1,594,012
Office	1,846,808	1,854,247	1,783,396	1,746,637	1,744,415	1,722,399	1,710,249	1,673,723	1,619,292	1,556,361	1,484,913
Auxiliary	5,662,243	5,701,594	5,632,274	5,625,965	5,628,840	5,586,523	5,530,843	5,499,149	5,388,931	5,357,925	5,271,659
<b>Total</b>	<b>9,651,421</b>	<b>9,673,748</b>	<b>9,614,944</b>	<b>9,475,777</b>	<b>9,475,433</b>	<b>9,414,942</b>	<b>9,359,005</b>	<b>9,203,461</b>	<b>8,992,072</b>	<b>8,901,795</b>	<b>8,694,947</b>



## Admissions, Enrollment, and Degrees Earned Last Ten Fiscal Years (Fall Enrollment)

	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15
<b>Admissions - Freshmen</b>									
Applications	19,401	18,197	21,198	21,434	22,773	22,565	23,223	19,766	18,563
Accepted	16,123	15,607	16,947	16,247	17,579	16,487	16,731	15,742	15,017
Enrolled	3,993	4,007	4,191	4,812	5,168	4,612	4,527	4,728	4,458
Accepted as a percentage of applications	83.1%	85.8%	79.9%	75.8%	77.2%	73.1%	72.0%	79.6%	80.9%
Enrolled as a percentage of accepted	24.8%	25.7%	24.7%	29.6%	29.4%	28.0%	27.1%	30.0%	29.7%

## Admissions, Enrollment, and Degrees Earned Last Ten Fiscal Years (Fall Enrollment)

	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15
<b>Enrollment</b>									
Undergraduate, graduate, and professional (headcount)	27,539	29,843	31,159	31,607	31,478	30,614	30,142	29,686	28,686
Men (headcount)	12,687	13,634	14,215	14,792	14,875	14,632	14,452	14,353	13,958
Percentage of total	46.1%	45.7%	45.6%	46.8%	47.3%	47.8%	47.9%	48.3%	48.7%
Women (headcount)	14,852	16,209	16,944	16,815	16,603	15,982	15,690	15,333	14,728
Percentage of total	53.9%	54.3%	54.4%	53.2%	52.7%	52.2%	52.1%	51.7%	51.3%

## Admissions, Enrollment, and Degrees Earned Last Ten Fiscal Years (Fall Enrollment)

	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15
<b>Degrees Earned</b>									
Baccalaureate	5,788	6,178	6,228	6,058	5,827	5,518	5,597	5,475	5,513
Master's	1,070	1,152	925	937	923	899	960	892	741
Doctoral	252	279	292	356	312	336	315	322	290
Professional	365	397	350	284	273	261	216	238	183
Total earned	7,475	8,006	7,795	7,635	7,335	7,014	7,088	6,927	6,727

## Faculty and Staff Last Ten Fiscal Years

	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15
<b>Faculty and Staff (FTE)</b>									
Faculty	2,046	2,090	2,212	2,233	2,226	2,315	2,316	2,317	2,262
Graduate assistant	781	802	795	850	840	884	887	902	892
Administrative professional	2,205	2,073	2,051	2,044	1,999	2,026	2,007	1,963	1,837
Classified staff	1,941	1,903	2,027	2,046	2,021	2,058	2,071	2,043	1,998
Total faculty and staff	6,973	6,868	7,085	7,173	7,086	7,283	7,281	7,225	6,989

## Demographic Data

	2022	2021	2020	2019	2018	2017	2016
<b>State of Washington Economic Information</b>							
Washington Total Population (April 1)	7,864,400	7,766,925	7,656,200	7,546,400	7,427,570	7,310,300	7,183,700
Per capital personal income	\$ 75,698	\$ 78,373	\$ 75,504	\$ 71,738	\$ 68,307	\$ 66,340	\$ 64,786
Unemployment rate	4.2%	5.2%	8.5%	4.2%	4.5%	4.7%	5.3%



**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Board of Regents  
Washington State University  
Pullman, Washington

We have audited, 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 (*Government Auditing Standards*), the financial statements of the business-type activities and the discretely presented component unit of Washington State University (the University), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated January 17, 2024. Our report includes a reference to other auditors who audited the financial statements of Washington State University Foundation (the Foundation), as described in our report on the University's financial statements. The audit of the financial statements of the Foundation were not performed in accordance with *Government Auditing Standards*, and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance that are reported on separately by those auditors of the Foundation.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Eide Bailly LLP*

Boise, Idaho

January 17, 2024

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2023 Annual Financial Report  
Fiscal year ended June 30, 2023

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We would like to acknowledge the following staff responsible  
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