



WASHINGTON STATE UNIVERSITY FOUNDATION
(A Nonprofit Corporation)

Consolidated Financial Statements and
Supplementary Information

June 30, 2023 and 2022

(With Independent Auditors' Report Thereon)

WASHINGTON STATE UNIVERSITY FOUNDATION
(A Nonprofit Corporation)

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KPMG LLP
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Independent Auditors' Report

The Board of Directors
Washington State University Foundation:

Opinion

We have audited the consolidated financial statements of Washington State University Foundation and its subsidiaries (the Foundation), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Foundation 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 opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 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 will always detect a material misstatement when it exists. 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 consolidated financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Foundation'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation'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.

Supplementary Information

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

KPMG LLP

Seattle, Washington
November 16, 2023

WASHINGTON STATE UNIVERSITY FOUNDATION

(A Nonprofit Corporation)

Consolidated Statements of Financial Position

June 30, 2023 and 2022

Assets	2023	2022
Cash	\$ 57,897	70,076
Due from Washington State University	7,518,667	9,734,540
Bequests and other receivables	1,719,306	1,321,331
Pledges receivable, net	52,455,965	58,245,490
Endowment investment securities	591,964,356	561,278,881
Notes receivable, net	317,701	334,640
Furniture, fixtures, and equipment (net of accumulated depreciation of \$1,583,944 and \$1,559,001, respectively)	85,625	110,567
Land and real estate	530,000	530,000
Right of use – lease	1,916,305	2,277,439
Assets held in charitable trusts	22,370,837	23,895,763
Contributions receivable from charitable trusts	6,098,530	4,941,200
Beneficial interest in perpetual trusts	37,644,058	36,918,664
Total assets	<u>\$ 722,679,247</u>	<u>699,658,591</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 2,574,621	2,277,256
Lease liability	1,916,305	2,277,439
Annuities payable	10,820,414	11,877,245
Remainder interest payable	20,850	131,528
Total liabilities	<u>15,332,190</u>	<u>16,563,468</u>
Net Assets		
Without donor restrictions	6,995,772	8,777,077
With donor restrictions	700,351,285	674,318,046
Total net assets	<u>707,347,057</u>	<u>683,095,123</u>
Total liabilities and net assets	<u>\$ 722,679,247</u>	<u>699,658,591</u>

See accompanying notes to consolidated financial statements.

WASHINGTON STATE UNIVERSITY FOUNDATION
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Consolidated Statement of Activities

Year ended June 30, 2023

	2023		
	Without donor restrictions	With donor restrictions	Total
Revenue and support:			
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	18,726,267	111,043,595	129,769,862
Net assets released from restrictions	85,010,356	(85,010,356)	—
Expenses:			
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	105,517,928	—	105,517,928
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
Net assets – end of year	\$ 6,995,772	700,351,285	707,347,057

See accompanying notes to consolidated financial statements.

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Consolidated Statement of Activities

Year ended June 30, 2022

	2022		
	Without donor restrictions	With donor restrictions	Total
Revenue and support:			
Contributions of cash and other financial assets	\$ 41,056	96,275,022	96,316,078
Contributions of nonfinancial assets	—	1,190,638	1,190,638
Investment return (loss), net of expenses	(31,865)	(29,283,222)	(29,315,087)
Advancement fee	3,614,365	—	3,614,365
Management and advancement fees	8,545,824	—	8,545,824
Change in value of split-interest agreements	—	(3,130,161)	(3,130,161)
Support provided by Washington State University	4,891,838	—	4,891,838
Other income	385,499	1,070,156	1,455,655
Total revenue and support	<u>17,446,717</u>	<u>66,122,433</u>	<u>83,569,150</u>
Net assets released from restrictions	82,797,539	(82,797,539)	—
Expenses:			
Support provided to/for Washington State University:			
Restricted distributions	55,100,073	—	55,100,073
Endowment income distributions	20,716,765	—	20,716,765
Endowment administration fees	7,613,324	—	7,613,324
Fundraising	8,846,663	—	8,846,663
General and administrative expenses	7,363,922	—	7,363,922
Total expenses	<u>99,640,747</u>	<u>—</u>	<u>99,640,747</u>
Change in net assets	603,509	(16,675,106)	(16,071,597)
Net assets – beginning of year	<u>8,173,568</u>	<u>690,993,152</u>	<u>699,166,720</u>
Net assets – end of year	<u>\$ 8,777,077</u>	<u>674,318,046</u>	<u>683,095,123</u>

See accompanying notes to consolidated financial statements.

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Consolidated Statements of Cash Flows

Years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 24,251,934	(16,071,597)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	24,943	14,266
Noncash settlement of joint venture	—	(50,000)
Net realized and unrealized (gains) losses on investments	(41,899,283)	35,277,244
Decrease in value of split-interest agreements	2,483,228	3,130,161
Contributions and income restricted for investments in endowments and trusts	(17,718,450)	(23,473,733)
Changes in operating assets and liabilities:		
Due from Washington State University	2,215,873	(1,173,530)
Bequests and other receivables	(397,975)	476,790
Pledges receivable	5,789,525	(20,294,655)
Contribution receivable from charitable trusts	22,495	22,495
Accounts payable and accrued liabilities	321,231	693,887
Net cash used in operating activities	<u>(24,906,479)</u>	<u>(21,448,672)</u>
Cash flows from investing activities:		
Purchases of investments	(103,918,179)	(187,982,233)
Sales of investments	102,150,116	196,178,056
Purchase of equipment	—	(119,668)
Proceeds of principal payments on notes receivable	16,939	89,045
Net cash (used) provided by investing activities	<u>(1,751,124)</u>	<u>8,165,200</u>
Cash flows from financing activities:		
Contributions and income restricted for investments in endowments and trusts	17,718,450	23,473,733
Net cash provided by financing activities	<u>17,718,450</u>	<u>23,473,733</u>
Net (decrease) increase in cash and cash equivalents	(8,939,153)	10,190,261
Cash and cash equivalents – beginning of year	18,081,211	7,890,950
Cash and cash equivalents – end of year	<u>\$ 9,142,058</u>	<u>18,081,211</u>
Supplemental cash flow information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flow from operating leases	\$ 361,134	377,815

See accompanying notes to consolidated financial statements.

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Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(1) Summary of Significant Accounting Policies

(a) Nature of Operations

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

The University provides the Foundation with professional and staff services and supplemental funding support for the constituency-based development programs and operations of the Foundation, at levels reflected in the approved operating budget of the Foundation. The University also provides accounting, banking, data processing and general administrative support services.

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

(b) Consolidated Statements

Cougar Property Holdings (CPH), a Washington nonprofit corporation, organized during the year ended June 30, 2000, was formed for the purpose of maximizing, promoting, and executing programs and initiatives for the sole benefit of the Foundation. CPH's endeavors include acquiring, developing, and managing real and personal property along with the formation of strategic partnerships to benefit the Foundation. Because the Foundation is the single member of CPH, its financial statements have been included in the accompanying consolidated statements. All significant interentity transactions have been eliminated.

In June 2018, Cougar Property Holdings entered into a joint venture agreement with INTO USA, Inc. to create INTO Washington State University, LLC. INTO Washington State University, LLC develops academic pathway programs for international students to improve their English language comprehension while preparing them to be successful degree-seeking students at WSU or any other higher education organization. Operations of INTO Washington State University, LLC has since terminated by WSU and as such CPH decided to end the operations related to the joint venture with INTO USA, Inc. The settlement agreement between WSU, CPH and INTO USA and its affiliates to terminate the joint venture was signed in August 2022 and all amounts claimed or owed by the joint venture between CPH were waived and or released as part of this settlement. CPH is not responsible for any additional payments. The Foundation wrote off all amounts related to the joint venture in fiscal year ended June 30, 2022.

WSUF Properties, LLC, a Washington limited liability company, organized during the year ended June 30, 2019, was formed to accomplish its purposes, which include engaging in the acquisition, development, management, operation and lease, and sale of residential or commercial real estate. Because the Foundation is the sole member of WSUF Properties, LLC, its financial statements have been included in the accompanying consolidated statements. All significant interentity transactions have been eliminated.

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(c) Net Assets

The consolidated financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

(i) Without Donor Restrictions

Net assets without donor restrictions represent resources which are not subject to donor-restrictions and over which the trustees of the Foundation retain control to use the funds in order to achieve the Foundation's purpose.

(ii) 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.

(d) Use of Estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and reported amounts of assets and liabilities at the date of the consolidated financial statements. On an ongoing basis, the Foundation's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Foundation's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

(e) Cash and Cash Equivalents

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

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

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The Foundation does not include cash equivalents included within endowment investment securities or assets held in charitable trusts in the statement of cash flows given the long-term nature. The following table reconciles total cash and cash equivalents used in the statement of cash flows.

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 57,897	70,076
Cash included within endowment investment securities	8,634,385	17,348,890
Cash included within assets held in charitable trusts	<u>449,776</u>	<u>662,245</u>
Total cash and cash equivalents	<u>\$ 9,142,058</u>	<u>18,081,211</u>

(f) Pledges Receivable

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

(g) Endowment Investment Securities

Investment securities are stated at fair value. External and direct internal investment expenses are classified within the consolidated statements of activities net of investment return.

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

(h) Furniture, Fixtures, and Equipment

Purchased furniture, fixtures, and equipment are reported at cost. An asset is capitalized if it has a cost of \$5,000 or more and a useful life when acquired of more than one year. Routine maintenance and repairs are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Computer hardware and software	5 years
Furniture and fixtures	10 years
Building components	15 years

(i) Land and Real Estate

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

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(j) *Assets Held in Charitable Trusts, Annuities Payable, and Remainder Interest Payable*

The Foundation has entered into various trust agreements to receive assets, which are gifts of future interest to the Foundation and the University. These trusts are separate legal entities. The Foundation is the trustee for trusts where the Foundation is either the sole beneficiary or where the Foundation shares the remainder interest with another organization. When the Foundation shares the remainder interest with another organization, the Foundation also records a liability for the remainder interest. The annuity payable and remainder interest payable are computed based on actuarial assumptions that include the estimated beneficiaries' life expectancy and current interest rates. These trusts typically have been set up in accordance with federal tax laws to gain certain advantages for the donor. Trust agreements are mainly of four types: unitrusts, pooled income funds, lead trusts, and annuities.

Unitrusts and pooled income funds provide for distribution of annual earnings at a predetermined rate to the donor or designated beneficiary for either a specified term or the life of the donor. At the end of the term or death of the donor, the remaining assets in the unitrust or pooled income fund account are transferred to the without donor restriction fund unless otherwise designated.

Lead trusts provide for distribution of annual earnings at a predetermined rate to the Foundation for a specified term. At the end of the term, the principal amount in the lead trust is distributed back to the donor unless otherwise designated. Revenue is recognized for these irrevocable trusts upon entering into the agreement and receiving the trust assets.

Annuity trusts provide predetermined distributions to the donor. At the end of the term or death of the donor, the remaining assets in the annuity trust account are transferred to the fund designated by the donor. Trust assets are presented at fair market value, with an annuity and remainder-man interest offset.

(k) *Contributions Receivable from Charitable Trusts*

Charitable Trusts held outside the Foundation are trusts established and administered by a trustee bank or donor. They function in a manner similar to the ones held by the Foundation with periodic distributions and a remainder interest upon termination to the Foundation. These trusts are donor restricted with all proceeds being used as directed by the donor in the gift agreement. The value of the trusts are adjusted annually for the change in estimated fair value.

(l) *Beneficial Interest in Perpetual Trusts*

The Foundation is the irrevocable beneficiary of perpetual charitable trusts held by various trustee banks and organizations. The beneficial interest in the trust is reported at fair value, which is the estimated fair value of the underlying trust assets. Distributions of income from the trust assets are restricted for use in accordance with the donors' wishes. The value of the beneficial interest in perpetual trusts is adjusted annually for the change in its estimated value. Those changes are reported as increases in net assets with donor restrictions because the trust assets will never be distributed to the Foundation. The Foundation is not the trustee of these assets.

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(m) Assets Held for Washington State University

Endowed assets held for the University and its related 501(c)(3) entities, such as the Washington State University Alumni Association, are excluded from the Foundation's consolidated financial statements as they are not an agent or a principal in these assets. Instead, these assets held in the endowment pool are disclosed in note 3, *Endowment Investment Securities*.

(n) Contributions and Revenue Recognition

The Foundation processes and records all private gifts to both the University and the Foundation. This includes all direct and indirect contributions to the University including all colleges, departments, and programs. Contributions, including unconditional promises to give, are recognized when received. Amounts received and unconditional promises that are restricted by the donor are reported as funds with donor restrictions. All other contributions are recorded as without donor restrictions. Conditional promises are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met. Gifts to acquire long-lived assets are initially reported as donor-restricted support and are released from restrictions when the asset is acquired and placed into service, if applicable.

The Foundation is the named beneficiary of various estates in probate and trusts administered by other institutions and organizations. The Foundation recognizes income from these bequests and trusts when ownership is legally established and the proceeds are measurable. Recognition of trusts and bequests may be delayed if the Foundation was unaware of the donors' intentions.

(o) Advancement fee

A 5% advancement fee is applied to gifts processed by the WSU Foundation to help offset direct operating costs related to soliciting, processing and stewarding private contributions, and to provide the resources necessary to encourage greater philanthropic support for Washington State University. The advancement fee applies as follows: 5% on all gifts up to \$5 million. For gifts greater than \$5 million, the advancement fee will apply only to the first \$5 million of the total gift. The maximum amount of the advancement fee assessed on a single gift shall not exceed \$250,000.

(p) Management and advancement fees

Annually, a 1.5% Advancement Assessment is charged to the WSU Foundation Endowment. This assessment is paid out quarterly and is calculated based on the 36-month rolling average of the Endowment's market value.

The WSU Foundation contracts with TIAA Kaspick for asset management and administration of its planned gift assets. These planned gift assets include Charitable Gift Annuities, Charitable Remainder Trusts, and Charitable Lead Trusts. The assessments for WSU Foundation and TIAA Kaspick's services are charged to the appropriate account directly. TIAA Kaspick invests in mutual funds, and the mutual fund expense ratios are a separate assessment charged to the gift annuity pool or trust.

(q) Valuation of Long-Lived Assets

The Foundation, using its best estimates based on reasonable and supportable assumptions and projections, reviews assets for impairment whenever events or changes in circumstances have

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indicated that the carrying amount of its assets might not be recoverable. Impaired assets are reported at the lower of cost or fair value.

(r) Financial Instruments

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

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

Endowment investment securities and assets held in charitable trusts – Fair values for endowment and trust investments are based on quoted market prices, if available. The endowment also invests in alternative investments, which are not readily marketable; therefore, net asset value (NAV) per share is used as a practical expedient to estimate fair value. Land held in trust is valued at fair market value at the date of the gift.

Beneficial interest in perpetual trusts – The beneficial interest in perpetual trusts is reported at fair value, which is estimated as the fair value of the underlying assets of the trusts. Because there are no observable market transactions for assets similar to the beneficial interest in the trusts and because the trusts are irredeemable, the valuation technique used by the Foundation is a Level 3 fair value measure.

(s) Federal Income Taxes

The Foundation and its wholly owned subsidiaries have been recognized by the Internal Revenue Service as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3) of the Internal Revenue Code. Unrelated business income is considered taxable income. Donations to the Foundation are generally tax deductible. Neither the Foundation nor its subsidiaries have unrecognized tax benefits that would have required an adjustment to net assets nor unrecognized tax benefits at June 30, 2023 or 2022.

(2) Pledges Receivable

	Year ended June 30	
	2023	2022
Pledges receivable	\$ 55,429,936	62,467,490
Less allowance for uncollectible pledges	(720,589)	(1,874,025)
Total	54,709,347	60,593,465
Less present value discount	(2,253,382)	(2,347,975)
Total	\$ 52,455,965	58,245,490

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June 30, 2023 and 2022

	Year ended June 30	
	2023	2022
Amount expected in:		
One year or less	\$ 6,204,364	4,915,767
One to five years	45,730,401	51,740,191
Over five years	3,495,170	5,811,532
Total	<u>\$ 55,429,935</u>	<u>62,467,490</u>

Unconditional pledges receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those accounts are computed using a five-year interest rate applicable to the years in which the promises are received. The rate for the year ended June 30, 2023 was 3.68% and prior years ranged from 0.39% to 3.08%. Amortization of the discounts is included in contribution revenue.

Conditional pledges receivable are not recorded until the conditions are substantially met. There were no conditional pledges receivable as of June 30, 2023. Conditional pledges receivable were \$710,000 as of June 30, 2022, with all conditions tied to approvals of building projects.

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

(3) 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% and 88.86% of that total at June 30, 2023 and 2022 respectively. The remainder of the pool comprises the University's true endowments and the University's funds functioning as endowments (quasi-endowments), which are not recorded in the Foundation's financial statements. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including quasi-funds that function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Foundation has no board designated endowments.

(a) 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

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- 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

(b) 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 and \$1,493,803 at June 30, 2023 and 2022, respectively, and are included in the accumulated investment gains (losses) in the tables below.

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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)
Other funds		—	474,225,820	99,120,941
Total endowment funds	\$	—	493,728,442	98,235,914
				591,964,356
		Year ended June 30, 2022		
		Without donor restrictions	With donor restrictions	
			Original gift	Accumulated gains/(losses)
				Total
Donor-restricted funds:				
Underwater funds	\$	—	26,581,862	(1,493,803)
Other funds		—	452,120,097	84,070,725
Total endowment funds	\$	—	478,701,959	82,576,922
				561,278,881

(c) Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity as well as quasi-endowments (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.

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(d) Strategies Employed for Achieving Objectives

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

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

The Foundation's spending policy allows for the fund to distribute 5.5% per year (4.0% 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.

(f) 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
Total	\$ —	591,964,356	591,964,356
Year ended June 30, 2022			
	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount	\$ —	478,701,959	478,701,959
Accumulated investment gains	—	82,576,922	82,576,922
Total	\$ —	561,278,881	561,278,881

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(g) 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)
Total	\$ —	591,964,356	591,964,356

Year ended June 30, 2022			
	Without donor restrictions	With donor restrictions	Total
Net asset balance – beginning of year	\$ —	588,014,605	588,014,605
Investment return	—	(21,380,855)	(21,380,855)
Contributions	—	22,975,220	22,975,220
Distribution of endowment assets to/for WSU	—	(28,330,089)	(28,330,089)
Total	\$ —	561,278,881	561,278,881

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(h) Endowments Managed at Fair Value

The Foundation's endowment funds are jointly managed with certain endowments of the University. The University's endowment funds are excluded from 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	2022
Jointly managed endowment funds:		
Cash and short-term investments	\$ 10,430,996	19,658,447
Accrued interest and dividends	847,720	1,392,179
Managed investments	654,565,199	610,595,937
Endowment investments at fair value	665,843,915	631,646,563
Less University endowment funds	(73,879,559)	(70,367,682)
Managed endowment funds recorded by the Foundation	\$ 591,964,356	561,278,881

(i) Cost of Endowments Managed

	Year ended June 30	
	2023	2022
Investments at cost	\$ 443,221,298	438,879,817
Less University endowment funds, at cost	(49,206,603)	(48,893,123)
Managed endowment funds recorded by the Foundation, at cost	\$ 394,014,695	389,986,694

(4) Fair Value Measurements

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

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

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

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

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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:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Endowment investments:				
Cash and equivalents	\$ 10,069,242	—	—	10,069,242
Marketable equities:				
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
Total marketable equities	127,712,471	—	—	127,712,471
Market index common trust fund equities	—	75,548,873	—	75,548,873
Investments measured at NAV:				
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
Total investments measured at NAV				378,633,770
Total endowment investments				591,964,356
Assets in charitable trusts:				
Cash and equivalents	\$ 449,776	—	—	449,776
Marketable equities:				
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
Total marketable equities	21,921,061	—	—	21,921,061
Total assets in charitable trusts	\$ 22,370,837	—	—	22,370,837
Other:				
Beneficial interest in perpetual trusts	\$ —	—	37,644,058	37,644,058

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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, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Endowment investments:				
Cash and equivalents	\$ 18,705,990	—	—	18,705,990
Marketable equities:				
Equities	59,597,675	—	—	59,597,675
Fixed income mutual funds	32,277,867	—	—	32,277,867
Liquid real assets	28,686,665	—	—	28,686,665
Total marketable equities	120,562,207	—	—	120,562,207
Market index common trust fund equities	—	64,219,266	—	64,219,266
Investments measured at NAV:				
Equity funds				60,091,730
Fixed income funds				15,513,898
Hedge funds				105,855,395
Illiquid real assets				58,888,445
Private equities funds				117,441,950
Total investments measured at NAV				357,791,418
Total endowment investments				\$ 561,278,881
Assets in charitable trusts:				
Cash and equivalents	\$ 662,245	—	—	662,245
Marketable equities:				
Equities	12,898,095	—	—	12,898,095
Fixed income mutual funds	6,725,616	—	—	6,725,616
Liquid real assets	3,609,807	—	—	3,609,807
Total marketable equities	23,233,518	—	—	23,233,518
Total assets in charitable trusts	\$ 23,895,763	—	—	23,895,763
Other:				
Beneficial interest in perpetual trusts	\$ —	—	36,918,664	36,918,664

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The following table presents the change in fair value measurements for the Level 3 investments during the years ended June 30, 2023 and June 30, 2022:

	Beneficial interest in <u>perpetual trusts</u>
Other:	
Balance – June 30, 2021	\$ 41,854,963
Change in value, net	<u>(4,936,299)</u>
Balance – June 30, 2022	36,918,664
Change in value, net	<u>725,394</u>
Balance – June 30, 2023	<u>\$ 37,644,058</u>

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

(ii) Illiquid Real Assets and Private Equities

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

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

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The following table presents the redemption frequency for investments measured at net asset value at June 30, 2023 and June 30, 2022, respectively.

	Net asset value		Unfunded commitments	Redemption schedule	Redemption notice period
	2023	2022			
Equity funds	\$ 66,163,794	60,091,730	—	Daily to semimonthly	5–30 days
Fixed income funds	16,215,153	15,513,898	—	Monthly	30 days
Hedge funds	113,734,417	105,855,395	—	Monthly to biennially	30–90 days
Illiquid real assets and private equities funds	182,520,406	176,330,395	60,707,413	Years: 2023–2034	End of agreement
	<u>\$ 378,633,770</u>	<u>357,791,418</u>	<u>60,707,413</u>		

(5) Assets Held in Charitable Trusts

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

	2023	2022
Cash and equivalents	\$ 449,776	662,245
Fixed income mutual funds	6,175,391	6,725,616
Equities	12,538,042	12,898,095
Liquid real assets	3,207,628	3,609,807
Assets, at fair market value	<u>\$ 22,370,837</u>	<u>23,895,763</u>
Assets, at cost	\$ 21,500,066	23,493,703

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

	2023	2022
Charitable remainder unitrusts	\$ 12,923,193	13,941,079
Charitable remainder annuity trusts	1,186,604	1,141,859
Gift annuities	8,261,040	8,698,919
Lead and other trusts	—	113,906
Total	<u>\$ 22,370,837</u>	<u>23,895,763</u>

The State of Washington under RCW 48.38.010 mandates that charities obtain a certificate of exemption to issue charitable gift annuities. Sections 38.010 and 38.020 of the code, respectively, require the charity to 1) have at least \$500,000 in net assets without donor restrictions and 2) maintain a separate reserve fund adequate to meet the future payments under its charitable gift annuity contracts. The reserve fund amount is calculated at the end of the fiscal year and must be performed by an independent third party. The reserve fund requirement as determined by the actuary was \$2,642,706 and \$2,995,600 at June 30, 2023 and 2022, respectively, and the charitable gift annuities payable at June 30, 2023 and 2022 was

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\$3,618,375 and \$4,041,330, respectively, included in annuities payable on the consolidated statements of financial position.

(6) Operating Lease

The Foundation has a 20-year operating lease, which terminated in March 2023, for office space in downtown Pullman that allows for periodic rate increases. The Foundation exercised its renewal option for the office space and continue to rent for additional 5 years, ending in March 2028. The total rent expense under the terms of the lease was \$387,337 and \$377,815 at June 30, 2023 and 2022, respectively.

Right-of use asset and lease liability related to the operating lease as of June 30, 2023 are as follows:

Operating lease ROU asset	\$ 1,916,305
Operating lease liability	1,916,305

The future payments due under this operating lease as of June 30, 2023 are as follows:

Year ending June 30:	
2024	\$ 397,051
2025	406,960
2026	417,109
2027	427,598
2028	326,679
Less effects of discounting	<u>59,092</u>
Total	<u>\$ 1,916,305</u>

Because the Foundation generally does not have access to the rate implicit in the lease or borrowing rate, the discounts on the monthly lease payments are computed using a seven-year risk-free rate applicable to the beginning of fiscal year 2022 when the new lease guidance was implemented. The rate of 1.24% was used to estimate the amount of the right of use assets and related lease liabilities.

The Foundation also entered into a sublease agreement with the WSU Office of the President on April 1, 2022. The sub-lease was determined to be an operating lease. As such, the Foundation recognizes revenue when the rent is due.

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(7) Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of June 30:

	<u>2023</u>	<u>2022</u>
Donor restricted-endowments subject to spending policy and appropriation to support the following purposes (including net accumulated earnings):		
Endowed faculty	\$ 132,780,632	127,498,967
Facilities	2,325,150	1,339,500
Instruction	10,022,172	9,131,974
Libraries	3,926,967	3,737,625
Operational support	133,841,478	127,904,221
Research	27,508,231	26,730,884
Scholarships and fellowships	<u>281,559,726</u>	<u>264,935,710</u>
	591,964,356	561,278,881
Perpetual trusts and split interest agreements, distributions available to support the following purposes:		
Endowed faculty	521,144	552,905
Instruction	623,140	593,340
Libraries	261,174	248,526
Operational support	29,950,324	30,350,878
Research	3,322,783	3,154,729
Scholarships and fellowships	<u>20,593,596</u>	<u>18,846,476</u>
	55,272,161	53,746,854
Subject to passage of time:		
Facilities	27,218,870	33,631,551
Operational support	21,717,293	22,172,531
Research	11,031	43,916
Endowed faculty	1,016,988	596,658
Scholarships and fellowships	<u>3,150,586</u>	<u>2,847,655</u>
	53,114,768	59,292,311
Total net assets with donor restrictions	<u>\$ 700,351,285</u>	<u>674,318,046</u>

(8) Functional Classification of Expenses

The costs of program and supporting services activities have been summarized in the statements of activities. The expense analysis in the table below presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than

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one program or support function. The expenses that are allocated include salaries, wages, and employee benefits, which are allocated on the basis of actual time spent on fundraising or general and administrative tasks. Occupancy and depreciation are allocated based on the full-time employee (FTE) count for fundraising and general and administrative staff. Other costs are classified in each functional category based on the underlying purpose of each transaction.

Year ended June 30, 2023				
	Program services	Supporting services		
	Support provided to Washington State University		Endowment administration fees and general and administrative expenses	Total
	Fundraising			
Advertising	\$ —	15,300	92,161	107,461
Campaign and marketing	—	215,101	—	215,101
Conferences, conventions, and meetings	—	—	317,483	317,483
Consulting services	—	422,795	553,727	976,522
Depreciation	—	10,126	14,817	24,943
Development services – University staff		2,567,805	—	2,567,805
Donor cultivation	—	426,829	—	426,829
Employee benefits	—	1,441,734	1,740,137	3,181,871
Endowment administration fees	—	—	8,254,590	8,254,590
Endowment distributions	22,468,341	—	—	22,468,341
Information technology	—	63,265	590,165	653,430
Miscellaneous	—	1,646,732	375,181	2,021,913
Occupancy	—	231,255	338,369	569,624
Office expense	—	72,470	149,930	222,400
Professional fees	—	—	45,219	45,219

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Year ended June 30, 2023				
	Program services	Supporting services		
	Support provided to Washington State University	Fundraising	Endowment administration fees and general and administrative expenses	Total
Restricted distributions	\$ 55,440,830	—	—	55,440,830
Salaries and wages	—	3,897,457	4,909,207	8,806,664
Travel	—	201,558	168,780	370,338
Provision (recoveries) of uncollectible accounts	—	—	(1,153,436)	(1,153,436)
	<u>\$ 77,909,171</u>	<u>11,212,427</u>	<u>16,396,330</u>	<u>105,517,928</u>
Year ended June 30, 2022				
	Program services	Supporting services		
	Support provided to Washington State University	Fundraising	Endowment administration fees and general and administrative expenses	Total
Advertising	\$ —	10,051	158,875	168,926
Campaign and marketing	—	182,557	—	182,557
Conferences, conventions, and meetings	—	—	251,906	251,906
Consulting services	—	737,993	337,766	1,075,759
Depreciation	—	5,492	8,774	14,266
Development services – University staff	—	2,198,248	—	2,198,248
Donor cultivation	—	1,004,814	—	1,004,814
Employee benefits	—	1,178,917	1,485,582	2,664,499
Endowment administration fees	—	—	7,613,324	7,613,324

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Year ended June 30, 2022				
	Program services	Supporting services		
	Support provided to Washington State University	Fundraising	Endowment administration fees and general and administrative expenses	Total
Endowment distributions	\$ 20,716,765	—	—	20,716,765
Information technology	—	15,593	547,713	563,306
Miscellaneous	—	12,610	390,017	402,627
Occupancy	—	174,751	279,155	453,906
Office expense	—	61,896	133,433	195,329
Professional fees	—	17,968	92,102	110,070
Restricted distributions	55,100,073	—	—	55,100,073
Salaries and wages	—	3,164,739	4,200,212	7,364,951
Travel	—	81,034	111,181	192,215
Provision (recoveries) of uncollectible accounts	—	—	(632,794)	(632,794)
	<u>\$ 75,816,838</u>	<u>8,846,663</u>	<u>14,977,246</u>	<u>99,640,747</u>

(9) Liquidity and Availability

The Foundation regularly monitors liquidity required to meet its operating needs, liabilities, and other obligations as they become due. The Foundation is substantially supported by management and advancement fees assessed on the endowment, advancement fee assessed on certain gifts, and support provided by the University. As the Foundation exists to benefit the University, the majority of the financial assets recorded by the Foundation are not available to support the Foundation's operating needs.

In addition to financial assets available to meet general expenditures over the next twelve months, the Foundation operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by the support provided by the University. This includes obtaining additional support from the University, as needed.

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As of June 30, 2023 and 2022, the Foundation had cash and cash equivalents and amounts due from WSU to cover approximately 141 and 167 days of operating expenses, respectively. The Foundation's budget for fiscal year 2024 includes \$5,292,113 (unaudited) in University support and \$12,659,626 (unaudited) in assessed management and advancement fees (both are excluded from the following table). These amounts are available to be used for general expenditures. The following assets could readily be made available within one year of the date of the statement of financial position to meet general expenditures:

	June 30	
	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 57,897	70,076
Due from Washington State University	7,518,667	9,734,540
Bequests and other receivables	1,719,306	1,321,331
Pledges receivable, net	52,455,965	58,245,490
Endowment investment securities	591,964,356	561,278,881
Notes receivable, net	317,701	334,640
Assets held in charitable trusts	22,370,837	23,895,763
Contributions receivable from charitable trusts	6,098,530	4,941,201
Beneficial interest in perpetual trusts	37,644,058	36,918,664
	<u>720,147,317</u>	<u>696,740,586</u>
Less those unavailable for general expenditure within one year:		
Receivables expected to be collected and remitted directly to Washington State University or other third parties	(60,074,487)	(64,390,791)
Endowment assets and accumulated earnings subject to appropriation to Washington State University	(591,731,455)	(561,055,685)
Charitable trusts and perpetual trusts held by others	(60,014,895)	(60,814,427)
Washington state required reserves for funds without donor restrictions	<u>(500,000)</u>	<u>(500,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u><u>7,826,480</u></u>	<u><u>9,979,683</u></u>

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(10) Contributions of nonfinancial assets

The following table illustrates contributions of nonfinancial assets received for the years ended June 30, 2023 and 2022.

	<u>FY2023</u>	<u>FY2022</u>			
Type	Revenue recognized		Utilization in programs/ activities	Donor restrictions	Valuation techniques and inputs
Animal feed	\$ 23,627	34,899	College of Veterinary Medicine	With donor restrictions	Similar sales
Books and publications	—	5,878	Various programs for students	With donor restrictions	Similar sales
Cars and Vehicles	—	6,500	& Architecture	With donor restrictions	Similar sales
Clothing and household	450	1,185	Various programs for students	With donor restrictions	Similar sales
Collectibles	—	500	Athletics	With donor restrictions	Appraisal
Drug and medical supplies	17,146	117,320	College of Veterinary Medicine	With donor restrictions	Similar sales
Equipment	39,480	149,306	Various programs for students	With donor restrictions	Similar sales
Food and beverage	254	3,632	Food pantry and various events held by Athletics	With donor restrictions	Cost
Miscellaneous	121,168	234,541	Various programs for students	With donor restrictions	Similar sales
Real estate	405,000	570,000	Various programs for students	With donor restrictions	Appraisal
Works of art	406,380	66,877	Various programs for students	With donor restrictions	Expert opinion
Total	<u>\$ 1,013,505</u>	<u>1,190,638</u>			

(11) Related-Party Transactions

The Foundation is named as an owner/member in the Ruckelshaus Center Foundation. The Foundation raises money on behalf of the Ruckelshaus Center Foundation as a pass-through agency transaction. As such, no contribution revenue is recognized by the Foundation relating to these funds. The pass-through agency transactions are \$540,299 and \$522,575 for the years ended June 30, 2023 and 2022, respectively.

During fiscal year 2013, the President of Town Centre LLC, the lessor referred to in note 6, became a member of the Foundation's Board of Directors.

(12) Subsequent Events

Subsequent events have been evaluated through November 16, 2023, which is the date the financial consolidated statements were available to be issued.

WASHINGTON STATE UNIVERSITY FOUNDATION

(A Nonprofit Corporation)

Consolidating Schedule of Financial Position (Unaudited)

June 30, 2023

Assets	WSU Foundation	Cougar Property Holdings	WSUF Properties, LLC	Consolidated
Cash and cash equivalents	\$ 38,007	11,772	8,118	57,897
Due from Washington State University	7,518,667	—	—	7,518,667
Bequests and other receivables	1,717,723	1,583	—	1,719,306
Pledges receivable, net	52,455,965	—	—	52,455,965
Endowment investment securities	591,964,356	—	—	591,964,356
Notes receivable, net	248,529	—	69,172	317,701
Furniture, fixtures, and equipment (net of accumulated depreciation of \$1,583,944)	85,625	—	—	85,625
Land and real estate	530,000	—	—	530,000
Right of use – lease	1,916,305	—	—	1,916,305
Assets held in charitable trusts	22,370,837	—	—	22,370,837
Contributions receivable from charitable trusts	6,098,530	—	—	6,098,530
Beneficial interest in perpetual trusts	37,644,058	—	—	37,644,058
Total assets	\$ 722,588,602	13,355	77,290	722,679,247
Liabilities				
Accounts payable and accrued liabilities	\$ 2,571,336	1,702	1,583	2,574,621
Lease liability	1,916,305	—	—	1,916,305
Annuities payable	10,820,414	—	—	10,820,414
Remainder interest payable	20,850	—	—	20,850
Total liabilities	15,328,905	1,702	1,583	15,332,190
Net Assets				
Without donor restrictions	6,984,119	11,653	—	6,995,772
With donor restrictions	700,275,578	—	75,707	700,351,285
Total net assets	707,259,697	11,653	75,707	707,347,057
Total liabilities and net assets	\$ 722,588,602	13,355	77,290	722,679,247

See accompanying notes to consolidated financial statements.

WASHINGTON STATE UNIVERSITY FOUNDATION

(A Nonprofit Corporation)

Consolidating Schedule of Activities (Unaudited)

Year ended June 30, 2023

	WSU Foundation		Cougar Property Holdings	WSUF Properties LLC	
	Without donor restrictions	With donor restrictions	Without donor restrictions	With donor restrictions	Consolidated
Revenue and support:					
Contributions of cash and other financial assets	\$ 127,710	62,114,528	—	4,910	62,247,148
Contributions of nonfinancial assets	—	1,013,505	—	—	1,013,505
Investment return, 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	1,484,477	1,556,629	15	—	3,041,121
Total revenue and support	18,726,252	111,038,685	15	4,910	129,769,862
Net assets released from restrictions	84,994,326	(84,994,326)			—
Expenses:					
Support provided to/for Washington State University:					
Restricted distributions	55,424,830	—	—	16,000	55,440,830
Endowment income distributions	22,468,341	—	—	—	22,468,341
Endowment administration fee	8,254,590	—	—	—	8,254,590
Fundraising	11,212,427	—	—	—	11,212,427
General and administrative expenses	8,137,910	—	3,800	30	8,141,740
Total expenses	105,498,098	—	3,800	16,030	105,517,928
Change in net assets	(1,777,520)	26,044,359	(3,785)	(11,120)	24,251,934
Net assets – beginning of year	8,761,639	674,231,219	15,438	86,827	683,095,123
Net assets – end of year	\$ 6,984,119	700,275,578	11,653	75,707	707,347,057

See accompanying notes to consolidated financial statements.