

# 2014 Comprehensive Annual Financial Report

Fiscal year ended June 30, 2014 • Pullman, Washington

A blended component unit of the State of Washington

WASHINGTON STATE  
 UNIVERSITY





WASHINGTON STATE  
UNIVERSITY

Waller Hall, a men's residence hall, provides an example of historic architecture at an important entry point to the Pullman campus. Built in 1935, Waller reflects the Colonial Revival style of architecture.

**Washington State University**

# **2014 Comprehensive Annual Financial Report**

Fiscal year ended June 30, 2014 • Pullman, Washington

Prepared by the Controller's Office

On the cover: Construction of a \$61 million football operations building at the west end of Martin Stadium was completed during the summer. Combined with another recent project that added premium suites and club seats, the stadium now provides one of the best football game-day venues in the Pacific-12 Conference.



A luminarium visiting campus for two days last April drew crowds of the curious. The giant, inflatable, walk-through colored PVC luminari filter daylight to create a constantly changing experience inside.

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# 2014 Comprehensive Annual Financial Report

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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 [www.wsu.edu/genacct/finstat.htm](http://www.wsu.edu/genacct/finstat.htm).

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

Institutional Research  
Washington State University  
PO Box 641009  
Pullman, Washington 99164-1009  
509-335-4553

or

Visit the WSU home page at [wsu.edu](http://wsu.edu).

# Introduction



The men's and women's crew teams practice and hold meets on the Snake River, located about 30 minutes from the Pullman campus.



# Regents and Administrative Officers

## BOARD OF REGENTS

Michael C. Worthy, Chair of the Board  
T. Ryan Durkan, Vice Chair of the Board  
Constance M. Niva, Past Chair of the Board  
Kevin Massimino, Student Regent  
Theodor Baseler  
Scott E. Carson  
Harold A. Cochran  
Laura M. Jennings  
Lura J. Powell  
Ron Sims

Elson S. Floyd, Secretary Ex-Officio  
Roger D. Patterson, Treasurer Ex-Officio  
Jay Inslee, Governor, State of Washington  
Advisory Member Ex-Officio

## EXECUTIVE OFFICERS AND CHANCELLORS

Elson S. Floyd, President  
Daniel J. Bernardo, Provost and Executive Vice President  
David R. Cillay, Vice President for Global Campus  
Anson W. Fatland, Associate Vice President, Economic  
Development and External Affairs  
John Fraire, Vice President for Student Affairs  
John Gardner, Vice President for Development  
and CEO of the WSU Foundation  
Christopher Keane, Vice President for Research  
Colleen E. Kerr, Vice President for Government Relations  
and External Affairs  
Joan King, Associate Vice President and Chief Budget Officer  
Heather Lopez, Director for Internal Audit  
William H. Moos, Director for Intercollegiate Athletics  
Roger D. Patterson, Vice President for Finance and  
Administration and Interim Chief Information Officer  
Matthew Skinner, Associate Vice President  
and Chief Enterprise Systems Officer

Lisa Brown, Chancellor, WSU Spokane  
H. Keith Moo-Young, Chancellor, WSU Tri-Cities  
Mel Netzhammer, Chancellor, WSU Vancouver

## ADMINISTRATIVE OFFICERS

Barry E. Johnston, Associate Vice President for Finance  
Terry L. Ely, Executive Director of Business Services/Controller

## ACADEMIC DEANS

William Andrefsky Jr., Graduate School  
Patricia G. Butterfield, College of Nursing  
Candis S. Claiborn, Voiland College of Engineering  
and Architecture  
Daryll B. DeWald, College of Arts and Sciences  
Ronald C. Mittelhammer, College of Agricultural,  
Human, and Natural Resource Sciences  
M. Grant Norton, University Honors College  
Lawrence E. Pintak, Murrow College of Communication  
Gary M. Pollack, College of Pharmacy  
Kenneth P. Roberts, College of Medical Sciences (interim)  
Bryan K. Slinker, College of Veterinary Medicine  
Joseph "Jay" A. Starratt, Libraries  
Michael S. Trevisan, College of Education  
David A. Whidbee, Carson College of Business (interim)

## LEGAL COUNSEL

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

*Officer list effective as of September 30, 2014*

The Smith Center for Undergraduate Education (CUE) offers undergraduates a wealth of resources, including walk-in tutorial services, computer labs, and personal assessments. The building also houses 17 innovative classrooms, two auditoriums, and a coffee shop with wi-fi, campus ethernet connections, and laptop stations.



## Message from the President

Greetings and welcome to the Washington State University Financial Report for Fiscal 2014.

The stories and reports included herein reflect the vibrancy of an institution proactively aligning its resources with the needs of the stakeholders we serve locally, statewide, nationally, and internationally. Fiscal 2014 was a year of new people and new initiatives.

Dan Bernardo, agricultural economist and dean of the WSU College of Agricultural, Human, and Natural Resource Sciences, became provost and executive vice president in the spring. Chris Keane, an astrophysicist who has worked in the national lab system and the Department of Energy for many years, joined WSU as our new vice president for research. We hired a near-record 130 new faculty members, primarily in the areas of science, technology, engineering, and mathematics. We recruited one of the largest and most diverse student bodies in our history.

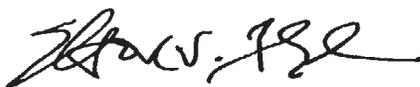
In 2014 we also launched efforts to establish a second, publicly funded medical school for the state. For too long Washington state has produced too few physicians to meet the needs of our citizens. As a result, many communities are facing a crisis regarding access to healthcare because we do not have enough doctors.

In addition, we made major strides toward completing our \$1 billion Campaign for Washington State University. We are well on track to meet our goal before the campaign ends June 30, 2015.

Underpinning all of these activities is a deep, institution-wide commitment to financial responsibility and stewardship. The care and planning with which we handle our resources—from whatever source—enables the innovation and responsiveness you will read about in the following pages.

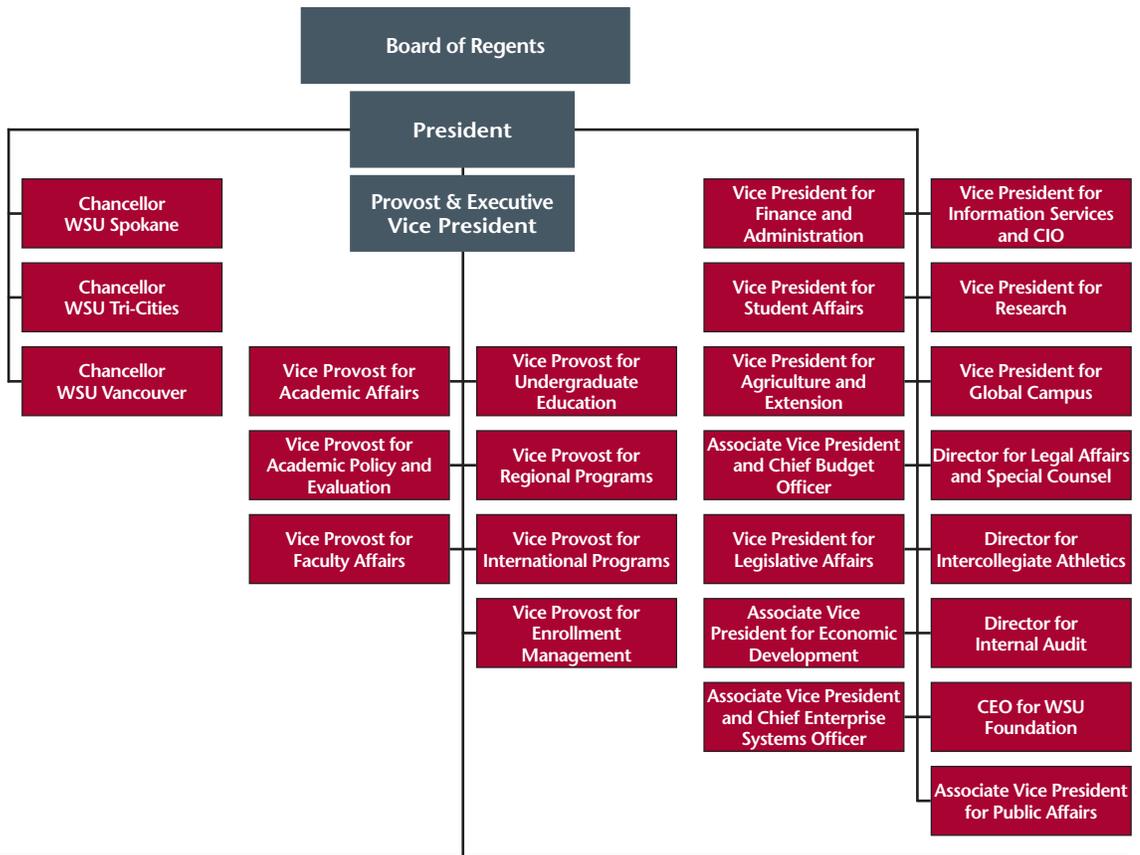
As our great institution approaches its 125th anniversary next year, I am proud of our rich legacy and excited about the possibilities for the future.

Best regards,



Elson S. Floyd, Ph.D.  
President, Washington State University





|  |  |   |   |  |
|--|--|---|---|--|
| <p><b>College of Agricultural, Human &amp; Natural Resource Sciences</b></p> <ul style="list-style-type: none"> <li>• Agricultural Research</li> <li>• Animal Sciences</li> <li>• Apparel, Merchandising, Design and Textiles</li> <li>• Biological Systems Engineering</li> <li>• Crop and Soil Sciences</li> <li>• Economic Sciences, School of</li> <li>• Entomology</li> <li>• Environment, School of the **</li> <li>• Extension</li> <li>• School of Food Science</li> <li>• Horticulture and Landscape Architecture</li> <li>• Human Development</li> <li>• Institute of Biological Chemistry</li> <li>• Design and Construction, School of *</li> <li>• Plant Pathology</li> </ul> | <p><b>Carson College of Business</b></p> <ul style="list-style-type: none"> <li>• Accounting</li> <li>• Finance &amp; Management Science</li> <li>• Management, Information Systems and Entrepreneurship</li> <li>• Hospitality Business Management, School of</li> <li>• Marketing</li> </ul> | <p><b>Voiland College of Engineering and Architecture</b></p> <ul style="list-style-type: none"> <li>• Engineering and Computer Science (Vancouver), School of</li> <li>• Chemical Engineering and Bio-Engineering, School of</li> <li>• Civil and Environmental Engineering</li> <li>• Design and Construction, School of *</li> <li>• Electrical Engineering and Computer Science, School of</li> <li>• Mechanical and Materials Sciences, School of</li> </ul> | <p><b>College of Arts and Sciences</b></p> <ul style="list-style-type: none"> <li>• Anthropology</li> <li>• Biological Sciences, School of</li> <li>• Chemistry</li> <li>• Criminal Justice</li> <li>• Critical Culture, Gender, &amp; Race Studies</li> <li>• English</li> <li>• Environment, School of the **</li> <li>• Fine Arts</li> <li>• Foreign Languages and Cultures</li> <li>• History</li> <li>• Materials Science &amp; Engineering</li> <li>• Mathematics</li> <li>• Music, School of</li> <li>• Physics &amp; Astronomy</li> <li>• Politics, Philosophy, &amp; Public Affairs, School of</li> <li>• Psychology</li> <li>• Sociology</li> </ul> | <p><b>College of Nursing</b></p> <ul style="list-style-type: none"> <li>• Undergraduate Programs</li> <li>• Graduate Programs</li> </ul>   |
|  | <p><b>Murrow College of Communication</b></p>  | <p><b>Graduate School</b></p>   |   | <p><b>College of Pharmacy</b></p> <ul style="list-style-type: none"> <li>• Pharmaceutical Sciences</li> <li>• Pharmacotherapy</li> </ul>   |
|  | <p><b>College of Education</b></p> <ul style="list-style-type: none"> <li>• Educational Leadership, Sports Studies, and Educational/Counseling Psychology</li> <li>• Teaching and Learning</li> </ul>  | <p><b>Libraries</b></p>   |   | <p><b>College of Veterinary Medicine</b></p> <ul style="list-style-type: none"> <li>• Molecular Biosciences, School of</li> <li>• School for Global Animal Health</li> <li>• Veterinary Clinical Sciences</li> <li>• Integrative Physiology and Neuroscience</li> <li>• Veterinary Microbiology and Pathology</li> </ul> |
|  |  | <p><b>Honors College</b></p>  |   | <p><b>College of Medical Sciences</b></p>  |

\*Jointly administered by VCEA and CAHNRS

\*\*Jointly administered by CAS and CAHNRS

# Letter of Transmittal

December 17, 2014

To President Floyd, Members of the Board of Regents, and Friends of Washington State University

We are pleased to present this *Comprehensive Annual Financial Report* (CAFR) of Washington State University for the year ended June 30, 2014. The report includes the audited financial statements as well as other useful information that helps ensure the University's accountability to the public. Responsibility for the accuracy of the information and for the completeness and fairness of its presentation, including all disclosures, rests with the University's management. We believe the information is accurate in all material respects and fairly presents the University's financial position, revenues, expenses, and other changes in net position.

We believe our system of internal controls is sound and sufficient to disclose material deficiencies in controls to the auditors and the audit committee and to provide management with reasonable, although not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition.

State law, federal guidelines, and certain bond covenants require that the University's accounting and financial records be audited by the Office of the State Auditor or a certified public accountant each year. The University's internal auditors also perform fiscal, compliance, and performance audits. The reports resulting from these audits are shared with University management. Internal and external audit reports are provided to the Finance and Audit Committee of the Board of Regents. The audit of the University's federal financial assistance programs is performed by the Office of the State Auditor in conjunction with the statewide Single Audit.

The CAFR includes Management's Discussion and Analysis and all disclosures necessary for the reader to gain a broad understanding of the University's financial position and results of operations for the fiscal year ended June 30, 2014.

## PROFILE OF THE UNIVERSITY

Founded in Pullman in 1890 as the state's land-grant research university, Washington State University today has campuses in Pullman, Spokane, Tri-Cities, and Vancouver. An award-winning Global Campus online program offers access to the University's degrees statewide and around the world. Enrollment exceeds 27,600 students who are served by over 3,000 faculty and 3,500 staff members. Among the University's faculty are eight members of the National Academy of Sciences and National Academy of Engineering, and the Institute of Medicine.

The Carnegie Foundation classifies the University as one of 96 U.S. public and private universities with very high research activity. *U.S. News and World Report* consistently ranks the University among the top 60 public universities. A 2010 *Wall Street Journal* survey ranked the University among the nation's top 25 colleges and universities that best prepare its students for workforce success. WSU Pullman has the safest campus among the six public universities and colleges in the state of Washington. It was also named one of the 50 greenest institutions in the state by *Seattle Business* magazine.

The University has eleven academic colleges plus the Graduate School and WSU Online Global Campus. The colleges include Agricultural, Human, and Natural Resource Sciences; Business; Communication; Education; Engineering and Architecture; Honors; Arts and Sciences; Nursing; Pharmacy; Veterinary Medicine, and the newly formed College of Medical Sciences. The University offers more than 200 fields of study including more than 95 majors, 66 master's degree programs and 47 doctoral degree programs. Professional degrees are offered in nursing, pharmacy, and veterinary medicine. Last year, 6,533 degrees, including bachelor's, master's, professional, and doctoral degrees, were conferred.

The University is known for research strengths in such diverse areas as biotechnology, reproductive biology, shock physics, viticulture, sleep research, wood technology, computer chips, and advertising's impact on healthy decision-making. Research stations are located in Lind, Long Beach, Mount Vernon, Othello, Prosser, Pullman, Puyallup, and Wenatchee. There are extension offices in all 39 Washington counties.

The accompanying financial statements present all funds belonging to the University and its component units. The University is an agency of the State of Washington. It is governed by a ten-member Board of Regents appointed by the Governor and confirmed by the State Senate. The financial reporting entity for the financial statements is comprised of the University and its component unit, the Washington State University Foundation (WSU Foundation). The WSU Foundation is a legally separate, non-profit, tax-exempt organization and is reported as a discretely presented component unit based on the nature and significance of its relationship to the University. There are five legally separate entities that are reported as if they were part of the University. They are the Washington State University Alumni Association, the Students Book Corporation, the Washington State University Research Foundation, the Washington State University Global Operations, Leadership and Development Corporation, and Washington State University's Global Animal Health—Tanzania. The Washington State University Research Foundation was dissolved during 2014 and its operations have been assumed by the University.

The University is responsible for controlling its budget and using the funds to fulfill its educational, research, and public service missions. It is responsible for planning, developing, and controlling budgets and expenditures within authorized allocations in accordance with University, state, and federal policies and procedures. The University maintains budgetary controls to ensure compliance with provisions embodied in the biennial budget approved by the Legislature of the State of Washington.

The State of Washington enacts biennial budgets beginning July 1 of odd-numbered years. The current biennial budget contained an increase in operating appropriations for higher education for the first time in several years. This increase made it possible for the University to keep tuition rates unchanged. Supplemental budgets may result in revisions to the biennial budget in even-numbered years.

Annually, the University's Board of Regents approves operating and capital budget requests which are then submitted to the Governor. Once the budget is enacted by the Legislature and signed by the Governor, the University is responsible for the planning, analysis, and implementation of approved policies and programs within the budgetary limits imposed by legislation.

The operating budget includes resources available for allocation in support of the University's fundamental missions of instruction, research, and public service. Operating budget allocations are provided to each campus, college, or budget area, which in turn determines the distribution of funding to their departments. Capital funds are budgeted on a project-by-project basis.

Budgeted funds, both operating and capital, are monitored at the University level to ensure compliance with state authorized expenditure authority. Budget control is accomplished at the campus, college, and budget area level through monthly budget statements.

## ECONOMIC CONDITION

The State of Washington contributed 2.5 percent of the national Gross Domestic Product (GDP) in 2013. Real GDP growth in Washington was 2.7 percent from 2012 to 2013, higher than the U.S. growth rate of 1.8 percent. Private industries in the state made up 86 percent of GDP in 2013, with the largest contributors being the real estate, manufacturing, and information industries.

The U.S. Census reports that Washington had an estimated population of 6.97 million in 2013, making it the 13th most populous state in the U.S. The median household income of Washingtonians was \$58,405 in 2013, compared to a national average of \$52,250. Approximately 32.7 percent of Washington's population had attained a bachelor's degree or higher in 2013, compared to a U.S. average of 29.6 percent.

Two business sectors important to Washington's economy and WSU's mission are agriculture and aerospace technology. There were 179 aerospace products and parts manufacturing firms across Washington in 2013, producing total wages of \$9.6 billion. The aerospace manufacturing industry produced 52 percent of Washington's exports in 2013, or \$42.5 billion, and employed 96,000 workers. Crop production firms in Washington employed an average of 62,755 workers during the year, with total annual wages at \$1.4 billion. The USDA National Agriculture Statistics Service estimates the value of all land and buildings on Washington farms at \$34 billion for 2013.

Washington has seen improvement in its unemployment rate since the economic downturn. The rate peaked in 2010 at 10.2 percent but had declined to 5.8 percent by the end of fiscal year 2014, when the national unemployment rate was 6.1 percent. Though job growth was weaker than expected in fiscal year 2014, the Washington economy continues to grow at a moderate pace, with positive signs towards expansion in the manufacturing, housing, and software sectors, according to the Washington Economic and Revenue Forecast Council. Total nonfarm employment was 3.05 million in June 2014, an increase of 2.3 percent over the previous year.

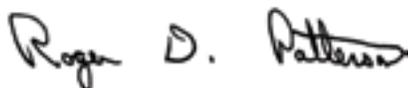
## AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United State and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the University for its CAFR for the fiscal year ended June 30, 2013. 2013 was the first year that the University prepared and submitted a CAFR for review by the GFOA. This was the first year that the University has been honored with this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Preparation of the CAFR in a timely manner would not have been possible without the coordinated efforts of the staff of the Business Services/Controller's Office, the staff of University Publishing, and the staff of University Communications. Each member has our sincere appreciation for their contributions in the preparation of the report.

Sincerely,



Roger D. Patterson  
Vice President for Finance and Administration  
and Interim Chief Information Officer  
Washington State University



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Washington State University**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

Executive Director/CEO

## Progress and Major Initiatives

Fiscal Year 2013-14

### Advancing the nation's priorities

Founded as the people's university in 1890, Washington State University fulfills that commitment by transforming lives globally through teaching, research, and community outreach. During the process of carrying out that mission, the University has earned a reputation as one of the most influential and admired institutions of higher education in the world.

#### Highlights of 2014

A research team led by professors Su Ha and M. Grant Norton has developed the first fuel cell that can directly convert fuels, such as jet fuel or gasoline, to electricity—providing a dramatically more energy-efficient way to create electric power for planes or cars. The development is a key step in the integration of fuel cell technology in aviation and efforts to develop electric-powered planes. The same technology could be used to power cars.



A team of WSU students won an international hydrogen design competition in May with their innovative plan to create a low-cost hydrogen fueling station that could help make environmentally friendly, hydrogen-powered cars a viable transportation option in the future. The students' design would lower the current \$2-4 million cost of building a hydrogen station by 75 percent. The WSU team competed against students from Asia, Europe, South Africa, and North America in the contest, sponsored by The Hydrogen Education Foundation.



*Smithsonian Magazine* presented Michael Skinner, a WSU professor of biological sciences, with an American Ingenuity Award for his pioneering work in the field of transgenerational epigenetics: the study of inherited genetic changes that can't be explained by traditional genetics. Studies led by Skinner indicate that ancestral exposure to toxic substances during pregnancy may lead to a variety of diseases in future generations. The Smithsonian awards honor innovators who are revolutionizing their fields with high-impact achievements.



The University joined forces with AgriPro, a division of Syngenta Cereals, to market a new variety of hard white spring wheat developed by WSU breeders. The agronomic attributes and pest resistance of the new variety, known as Dayn, make it a low risk, high-profit option for farmers. The milling and baking qualities of grain milled from the variety will make it desirable to the food industry in the making of breads, hard rolls, and tortillas.



WSU students won an international design contest in April with their innovative design of a low-cost hydrogen fueling station.

Brianna Berg, an Honors College biochemistry and chemistry major, became the first WSU student—and one of just 10 nationally—selected by the American Association for Cancer Research for the annual Thomas J. Bardos Science Education Award. The two-year award promotes education and training of exceptional next-generation scientists and helps them develop their potential as future cancer researchers. Berg works in the chemistry lab of Jonel Saludes, where she investigates part of a biomarker protein that is highly expressed in prostate cancer.



A biodegradable gel developed by WSU researchers that can absorb more than 250 times its weight in water could potentially help farmers retain moisture in drought-stricken fields. The gel is similar to that used in absorbent diapers, but the hydrogel pellets are made from biodegradable agricultural material rather than derived from petroleum. Lead researcher Jin-wen Zhang is working with mOasis, Inc., a California-based company, to begin testing the product in fields.



An eye-catching, large, dark-red apple with a firm, crisp, and juicy texture developed by WSU apple breeders is one step closer to market. In the fall, 24 Washington growers were selected in a drawing to receive the first trees that will produce the highly anticipated Cosmic Crisp apple. The apples are expected to be widely available to consumers in 2019.



*The Daily Evergreen*, the WSU student-produced newspaper, was named the best all-around campus newspaper in the Northwest at the annual regional conference of the Society of Professional Journalists. In addition to the all-around award, staff members won individual first place awards for general column and sports column writing, general news photography, and breaking news reporting.



Juming Tang, a WSU food engineering researcher, was named recipient of the 2014 Freezing Research Award—international recognition for research that has significantly improved food quality and safety through freezing. Tang's contributions to the field of food process engineering include microwave pasteurization technology to control microbial and viral pathogens in frozen and chilled meals.



The first 23 students in the University's mechanical engineering program at WSU North Puget Sound at Everett received their diplomas in May. The program in Everett was launched as part of a state initiative to increase the number of engineering and computer science students and graduates. The program provides more affordable and accessible options for students and delivers more engineers who are critically needed for the state's economy.



Three professors in the WSU Voiland College of Engineering and Architecture have been named among the influential scientific researchers in the world. Alex Guenther, Su Ha, and Yuehe Lin are among the 3,200 top cited or influential researchers, according to Thomas Reuters, because they have published the most or most influential articles among those frequently cited by fellow researchers.



Kellie Wall, a WSU senior, helped develop a new method for detecting water on Mars. Her findings were published in *Nature Communications*, one of the most influential general science journals. Wall completed much of her analysis using the x-ray diffraction machine in WSU's geoanalytical laboratory, comparing her results to rocks analyzed by the rover Curiosity that is exploring Mars.



The first 23 students in the new mechanical engineering program at WSU North Puget Sound at Everett graduated in May. The program was launched to support a state initiative that seeks to train more engineering and computer science professionals.



The much-anticipated Cosmic Crisp apple developed by WSU apple breeders moved another step closer to market during the past year.



Senior Kellie Wall has helped develop a new method for detecting water on Mars.

## Effort to launch medical school gains momentum

Plans to explore establishment of a WSU medical school—first announced in April—quickly gained momentum in subsequent months as healthcare and community leaders, government officials, and residents of the state endorsed the initiative.

As 2014 drew to a close, University leaders were preparing to ask state legislators to support the plan during their 2015 session convening in January. Once accredited, a medical school could open as early as the fall of 2017.

“Now is the time to address the physician shortage confronting a great many Washington state communities,” noted WSU President Elson S. Floyd. “We also have a unique opportunity to further grow our state’s healthcare economy by utilizing the exceptional medical talent we have and by building on the tremendous investment made by the state and community in our research campus, WSU Health Sciences at Spokane.”

### The need

The effort to establish a medical school was launched to respond to the increasing shortage of primary care doctors in the state, which makes it difficult for most Washingtonians to access basic healthcare services. The situation is expected to worsen as the state’s population ages, primary care providers retire in increasing numbers, and as federal healthcare reforms take effect.

### Feasibility study confirms WSU’s readiness

A feasibility study completed during the summer by the national consulting firm MGT of America found that WSU is well positioned to create a medical school. In fact, the University is more prepared to begin the accreditation process than most of the new medical schools established in the U.S. during the last decade, the report concluded.

Much of that readiness is due to WSU’s significant health sciences resources already in place at its Spokane campus. Among the examples: recently constructed health sciences facilities, including an \$80 million Pharmaceutical and Biomedical Sciences Building, established academic programs in the health professions, and more than four decades of experience training medical students through a multi-state education program managed by the University of Washington.

### Lack of medical education seats

The MGT report also found that the state isn’t training enough doctors to satisfy the growing

demand for healthcare, particularly in underserved areas of the state.

More than 800 Washingtonians applied to medical school in 2012-13 in a state in which there are only 120 publicly funded seats available per class. Of all state residents who attended medical school that year, two-thirds left the state to do so.

### Community Based Medical Education (CBME)

The University has proposed a CBME model for its medical education program. The CBME approach—which reflects the national trend in medical education—incorporates community healthcare resources into a medical student’s education rather than focusing the educational experience at a university-owned, campus-based teaching hospital. The approach provides students with field experiences in a variety of community settings, including smaller hospitals and clinics, which eliminates the costs of university-owned facilities.

### Economic benefits

An economic impact study completed in 2010 by the consulting firm Tripp Umbach concluded that development of the downtown Spokane campus as a health sciences-focused enterprise would create more than 13,000 jobs in the regional healthcare sector, with an eventual statewide economic impact of \$2.1 billion per year.

Of that total, \$1.6 billion of the economic impact would be felt in eastern Washington.



The 2014 opening of an \$80 million Pharmaceutical and Biomedical Sciences Building provided another boost to the health sciences enterprise in place at the WSU Health Sciences campus in Spokane.

## New facility will boost environmental technology research and education

Construction of a new building on the Pullman campus focused on meeting the state's education and research needs in high-demand clean technology fields progressed rapidly during 2014.

Groundbreaking for the PACCAR Environmental Technology Building (PETB) took place in March. The \$52.8 million, 96,000-square-foot facility is scheduled for completion in October 2015.

The PETB will house science and engineering programs focused on developing new technologies in renewable materials, sustainable design, water quality, and environmental and atmospheric research. The facility will provide state-of-the-art research laboratories, faculty and graduate student offices, and interactive breakout spaces.

"The impact (of the building) will be immediate and significant," said Candis Claiborn, dean of the Voiland College of Engineering and Architecture during the March 5 groundbreaking ceremony. "The transitional research that will take place in this space will address some of society's grand challenges around energy and environment."

The building was named to recognize PACCAR's major donation to the project. The Fortune 200 global technology company headquartered in Bellevue, Wash., sees the facility as an essential element in the University's interdisciplinary environmental technology initiative that will benefit students and the Pacific Northwest for years to come, according to Mark Pigott, company chairman and chief executive officer.

"PACCAR has recruited excellent employees from WSU for many decades and this investment will provide another strong link in our robust relationship," Pigott said.

Renewable materials and technologies developed at the University—including wood composites, recycled concrete, and pervious pavement—are being incorporated in the construction of the PETB. The facility will also incorporate water capture and re-use, heat recovery, individual control of air quality factors, maximized daylighting, and other features that will make it the greenest building built to date on the Pullman campus.



An architect's rendering of the PACCAR Environmental Technology Building currently under construction. The 96,000-square-foot building is scheduled for completion in fall, 2015.

## New construction addresses needs, strategic goals

The University continued its aggressive approach to constructing new state-of-the-art facilities across WSU campuses statewide during the past 12 months. Those efforts reflect a long-range plan designed to enrich teaching, research, and student living facilities.

Among the major building projects in 2014:

### Wine Science Center, Richland

Construction is nearing completion on this \$23 million project on the WSU Tri-Cities campus in Richland. The facility will attract world-class researchers and students who will focus their efforts on the opportunities and challenges facing grape growers and winemakers in the Pacific Northwest. The center will include a research and teaching winery, state-of-the-art research laboratories, classrooms, and an international wine library.

### Small grain plant growth facilities

Completion of the first phase of a two-part project on the Pullman campus to expand plant growth facilities and advance grain research is expected in 2015. The new buildings—funded in part by the Washington Grain Commission—will include innovative controlled environment growth rooms, green spaces, and laboratories. There, plant scientists will conduct cutting-edge research designed to help the state's wheat and barley growers produce more and better quality products and address some of the biggest challenges in agriculture and climate.

### Northside Residence Hall, phase 2

Construction is well under way on this hall—part of a sustained effort to replace and modernize student housing on the Pullman campus. The \$40 million Northside II will include 270 beds in a combination of single and double rooms, two- and four-bed semi-suites, and a number of apartment-type suites. The building will include a café and market. Northside II is scheduled to open for the fall 2015 semester.

### Football operations building

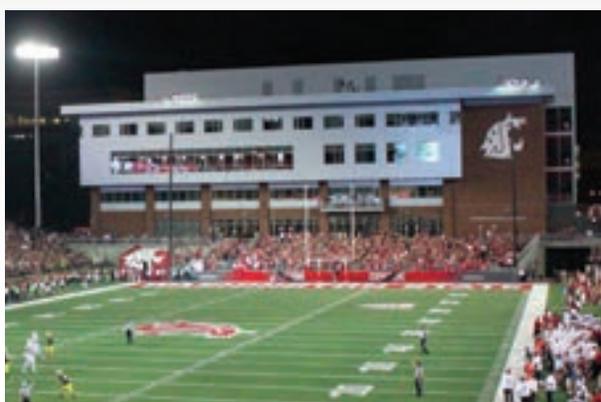
A \$61 million facility built to centralize all football-related operations in a single location opened during the summer of 2014. The 84,192-square-foot building located at the west end of Martin Stadium includes players' lockers; equipment, weight, and training rooms; a theater; coaches' offices; and a gallery of Cougar athletic heritage and memorabilia. The facility is expected to assist player recruitment, conditioning and training, and boost WSU's status in the Pac-12 Conference.



The Wine Science Center under construction on the Tri-Cities campus will serve as the hub for wine research and education in the Pacific Northwest.



Architect's rendering of Northside Residence Hall, phase 2



Among the features of the new football operations building: greatly expanded space for players' lockers and weightlifting and other training, and a gallery area of Cougar heritage and memorabilia.

## Ensuring student access; managing educational costs

The University continued to emphasize the enrollment of first-generation, low income, and other underrepresented students during the past year—upholding a 125-year institutional promise to ensure that higher education is accessible to the state’s residents.

Those efforts bore large dividends in 2013: 38.8 percent of the 2013 entering freshmen on the Pullman campus were from underrepresented groups, continuing a recent trend of increasing enrollment of students of color.

The commitment to the success of first-generation students required ongoing institutional-wide efforts to minimize tuition increases and to maximize financial aid resources.

Thanks to the state legislature, which approved a budget that avoided increases in tuition for two consecutive years, students and their families recently have enjoyed a measure of stability in the cost of a WSU education. And thanks to the resourcefulness of financial aid staff and the generosity of donors, the University awarded a record \$380 million in scholarships, grants, work study, and loans to undergraduates during 2013-14. Some 70 percent of undergraduates received aid packages averaging \$20,248 each.

Need-based aid and private scholarships continue to provide a critically important bridge to transition students from academia to the workforce, where they serve as valuable resources to employers and provide a tremendous boost to the economy.



## The Class of 2018—the largest, one of most diverse

The University shattered previous enrollment records for fall semester 2014, enrolling 28,686 students at WSU’s campuses across the state— some 1,000 students more than the previous record, set in the fall of 2012. The total is a four percent increase compared to last fall.

About 35 percent of the freshman class is composed of students of color, making it one of the most diverse in the University’s history.

“The growing diversity of our student body is a clear reflection of one of our fundamental land-grant values—providing access to a higher education,” noted Dan Bernardo, WSU provost and executive vice president. “That access enhances the overall quality of experience for all students.”

Statewide, the enrollment of graduate students grew five percent from a year ago. The number of students seeking professional degrees in nursing, pharmacy, medical sciences, and veterinary medicine increased by five percent. All of WSU’s urban campuses increased enrollment: Spokane and Tri-Cities by six percent and Vancouver by five percent.

Enrollment in the WSU online Global Campus jumped by 17 percent.

As in years past, the University continued to primarily serve in-state students—nearly 85 percent are Washingtonians.



The University continued to emphasize the enrollment of underrepresented students during the past year. About 35 percent of the entering fall 2014 freshman class at campuses statewide represented students of color—one of the highest percentages in University history.

## Private gift support surpasses \$124 million; *The Campaign for WSU* reaches \$928 million

Thanks to the commitment of more than 55,400 generous donors, the University received \$124.2 million in total private support—including gifts, grants, pledges, revocable, and other commitments—during the 2014 fiscal year, which concluded June 30.

The \$1 billion *Campaign for Washington State University: Because the World Needs Big Ideas* surpassed the 90 percent mark in 2014, finishing the fiscal year at more than \$928.8 million. Since the campaign began in July 2006, more than 190,000 individual donors have made nearly 720,000 gifts, grants, revocable, or other commitments in support of WSU's students, faculty, research and outreach, and to leverage the University's impact across the state and around the world.

The WSU Foundation's endowment market value as of June 30, 2014 was \$405 million, its highest mark ever. The investment return for the fiscal year to date was 15.7 percent, and the three-year investment return to date was 8.4 percent.

### Highlights and impacts of private support during 2014

- During the past fiscal year, alumni, friends, and corporate partners helped WSU create 59 new endowed funds, including six new endowed professorships and chairs, and 45 new scholarships and graduate fellowships. Since the campaign began, 566 new endowed funds have been established; 396 of these are new scholarships and graduate fellowships, and 27 are new endowed professorship or chair positions.
- In October 2013, renowned arts patron Jordan D. Schnitzer of Portland, Oregon, announced his commitment of \$5 million toward the construction of a new Museum of Art on WSU's Pullman campus. The gift launched the \$15 million public fundraising phase for the new and larger museum facility. In part to honor Schnitzer's commitment, internationally acclaimed artist Jim Dine made an unprecedented gift in June 2014 of more than 200 fine art prints—valued at nearly \$2 million—creating the largest permanent collection of Dine prints at a university worldwide.
- In May 2014, WSU's Board of Regents approved renaming two of the University's most prominent colleges. The College of Engineering and Architecture was rededicated as the Voiland College of Engineering and Architecture during a campus celebration in September. A month later, the renaming of the College of Business as the Carson College of Business was feted at another campus event. The names honor lifetime contributions that Gene and Linda Voiland and Scott and Linda Carson have made to the colleges, to the University, and to their respective industries.

The WSU Foundation's annual report can be found at: <http://foundation.wsu.edu/about/annualreport.html>



Some 800 students, alumni, faculty, staff, and friends turned out September 18 to celebrate the renaming of the College of Engineering and Architecture to honor longtime WSU donors Gene and Linda Voiland.

Financial Section





A 60-foot-tall skylight dome juts from the roof of Terrell Library in the heart of campus. The lush lawn of Holland Plaza offers gathering places and stunning views.





# Washington State Auditor Troy Kelley

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

December 17, 2014

Board of Regents  
Washington State University  
Pullman, Washington

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Washington State University, Whitman County, Washington, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, based on our audit and report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component of the Washington State University, Washington, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Matters of Emphasis**

As described in Note 1, during the year ended June 30, 2014, the University has implemented the Governmental Accounting Standards Board *Statement No. 69, Government Combinations and Disposals of Government Operations*. Our opinion is not modified with respect to this matter.

As described in Note 1, the financial statements of Washington State University are intended to present the financial position, and the changes in financial position, and where applicable, cash flows of only the portion of business-type activities of the state of Washington that is attributable to the transactions of the University and its aggregate discretely presented component units. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2014, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 26 through 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements as a whole. The information identified in the table of contents as the Introductory, Statistical Sections and Acknowledgments are presented for purposes of additional analysis and is not a required part of the basic financial statements of the University. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we will also issue our report dated December 17, 2014, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Sincerely,



TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

# Management's Discussion and Analysis

## Introduction

The following discussion and analysis provides an overview of the financial position and activities of Washington State University (the University) for the fiscal year ended June 30, 2014, with comparative information for the fiscal year ended June 30, 2013. This overview has been prepared by management and should be read in conjunction with the University's financial statements and accompanying footnote disclosures.

## Using the Financial Statements

Washington State University is pleased to present its financial statements for fiscal year 2014. While audited financial statements for fiscal year 2013 are not presented with this report, condensed operations and financial position data will be presented in this section in order to illustrate certain increases and decreases. The emphasis of discussions about these statements will be on current year data.

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

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

Autumn colors frame Wilmer-Davis Hall, a residence hall for women only. Its central location and the active lifestyle of its residents make it a popular choice.



## Financial Highlights

The University's financial position at June 30, 2014, reflects improvement over the previous fiscal year. The improvements have been the result of management's continuing efforts to increase efficiency.

- Assets increased by \$103 million to end the year at \$2.6 billion.
- Liabilities increased by \$65 million to end the year at \$805 million.
- Net investment in capital assets totaled \$1.6 billion, an increase of \$68 million.
- Net position, which is the residual of assets after deducting liabilities, increased by \$38 million to end the year at \$1.8 billion.

Other significant changes to operations were as follows:

- Operating revenues totaled \$703 million, an increase of \$13 million.
- Operating expenses totaled \$995 million, an increase of \$71 million.
- Non-operating revenues, net of expense, totaled \$308 million, an increase of \$53 million.

## Condensed Financial Information and Analysis

### ***Financial Position—Statement of Net Position***

The Statement of Net Position is a snapshot of the University's financial position at fiscal year end. It lists the University's assets (economic resources), liabilities (creditors' claims) and net position (residual interest in assets after paying creditors) based on end-of-year data.

Assets are classified as current, non-current or capital. Current assets are expected to benefit the University within 12 months and include cash, accounts receivable, inventories, prepaid expenses and investments that can easily be converted into cash to meet University expenses. Non-current assets include endowment fund assets, student loans receivable and investments expected to be held more than one year. Capital assets include construction in progress, library materials, furniture and equipment, land, buildings and improvements and are reported net of accumulated depreciation.

Liabilities are classified as current or non-current. Current liabilities are claims that are due and payable within 12 months and include payroll and benefits, amounts payable to suppliers for goods and services received and debt principal payments due within one year. Non-current liabilities are obligations payable beyond one year and include bond obligations, installment contracts, leases and earned but unused vacation and sick leave.

Net position is divided into five categories

- **Net investment in capital assets:** represents the University's capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- **Restricted—nonexpendable:** University endowment funds, Land Grant Endowment funds and similar funds for which donors or outside sources have stipulated as a condition of the gift that the principal be maintained in perpetuity.
- **Restricted—loans:** funds that have been established for the explicit purpose of providing student support as prescribed by statute or granting authority.
- **Restricted—expendable:** funds that are subject to externally imposed restrictions governing their use, such as scholarships, fellowships, research, loans, professorships, capital projects and debt service.
- **Unrestricted:** represent those assets that are available to the University for any lawful purpose.

## Summarized Statements of Net Position

|  | June 30, 2014           | June 30, 2013           | Change               |
|--|-------------------------|-------------------------|----------------------|
| <b>Assets</b>                              |                         |                         |                      |
| Current assets                             | \$ 256,199,389          | \$ 260,014,586          | \$ (3,815,197)       |
| Non-current assets:                        |                         |                         |                      |
| Long term investments                      | 214,507,165             | 215,778,242             | (1,271,077)          |
| Endowment and other restricted investments | 503,991,331             | 467,244,725             | 36,746,606           |
| Other non-current assets                   | 52,126,033              | 48,803,789              | 3,322,244            |
| Capital assets, net                        | 1,555,948,638           | 1,487,769,706           | 68,178,932           |
| <b>Total assets</b>                        | <b>2,582,772,556</b>    | <b>2,479,611,048</b>    | <b>103,161,508</b>   |
| <b>Deferred outflows of resources</b>      | <b>2,886,385</b>        | <b>3,359,635</b>        | <b>(473,250)</b>     |
| <b>Liabilities</b>                         |                         |                         |                      |
| Current liabilities                        | 104,898,773             | 98,194,883              | 6,703,890            |
| Non-current liabilities:                   |                         |                         |                      |
| Accrued leave and deferred compensation    | 38,192,150              | 37,702,030              | 490,120              |
| Unearned revenue                           | 10,478,361              | 6,940,278               | 3,538,083            |
| Long term liabilities                      | 629,585,764             | 580,664,884             | 48,920,880           |
| Other non-current liabilities              | 21,692,677              | 16,684,478              | 5,008,199            |
| <b>Total liabilities</b>                   | <b>804,847,725</b>      | <b>740,186,553</b>      | <b>64,661,172</b>    |
| <b>Net position</b>                        |                         |                         |                      |
| Net investment in capital assets           | 948,421,251             | 921,456,436             | 26,964,815           |
| Restricted nonexpendable                   | 471,364,261             | 443,584,735             | 27,779,526           |
| Restricted loans                           | 27,527,323              | 26,912,647              | 614,676              |
| Restricted expendable                      | 236,173,174             | 227,027,001             | 9,146,173            |
| Unrestricted                               | 97,325,207              | 123,803,311             | (26,478,104)         |
| <b>Total net position</b>                  | <b>\$ 1,780,811,216</b> | <b>\$ 1,742,784,130</b> | <b>\$ 38,027,086</b> |

## Significant Changes in the Statements of Net Position

- Current assets decreased by \$4 million. Cash and cash equivalents decreased by \$37 million due to planned spending on construction projects and because the University liquidated certain cash equivalent investments and moved them into long term investments in a strategic move to gain better yields. Current investments increased by \$21 million as proceeds from bonds were invested partially in shorter term investments to be ready to meet construction cash flow needs. Accounts receivable increased by \$12 million. Enrollment increases and an increase in course fees, for the first time in several years, resulted in a \$3.6 million increase in student receivables. In addition, \$6 million in Federal appropriations were requested but not received at year end, and grants receivable increased by \$2 million.
- Non-current assets, other than capital assets, increased by \$39 million. Certain long term investments were liquidated to ensure that \$1 million cash was available for various construction projects. Endowment investments increased \$37 million owing to a significant increase in market value of the investments. Deposits in Escrow decreased by \$1.5 million as retainage was paid out for completed construction projects. Assets held in trust for agencies increased by \$4 million.
- Capital assets increased by \$68 million. The Biomedical & Health Sciences Building in Spokane and the Pullman campus Visitor Center were completed. The Northside Residence Hall, Clean Technology Research Building, Wine Science Center, and Football Operations Building were under construction. In addition, the WSU Research Foundation was dissolved during the year and the University took ownership of that building. Finally, the State legislation dissolved an agency and transferred ownership of its building, located on University property, to the University.

- Current liabilities increased by \$7 million; \$2 million in accounts payable, \$2 million in accrued payroll, and \$3 million in unearned revenue.
- Non-current liabilities increased by \$60 million. In 2014, the University issued \$53 million in General Revenue bonds to construct another new residence hall and to construct the Clean Technology Research building. Also, the net pension obligation on the University's pension plan increased by \$7 million.
- Net position increased by \$38 million. Restricted nonexpendable net assets increased by \$28 million, the result of increased market value in the endowment investments. Restricted expendable net assets increased by \$9 million reflecting increased gifts received as pledges continue to come in from the Foundation's fund-raising campaign. Unrestricted net assets decreased by \$26 million, a result of planned spending on projects expected to bring future returns. Net investment in capital assets increased by \$26 million; \$10 million in land and buildings were gifted to the University and \$15 million represents the increases due to purchases and current construction, net of the current depreciation expense.

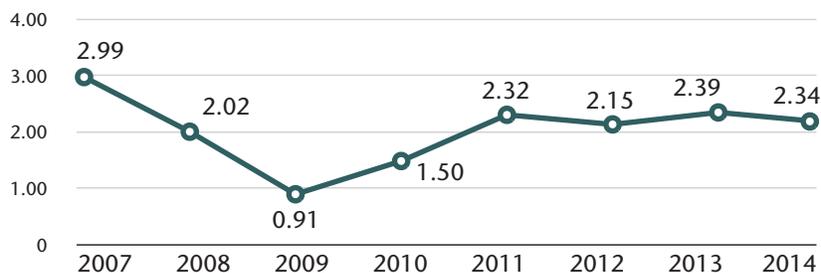
## Financial Health and Flexibility

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

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

The graph below shows Washington State University's Composite Financial Index over the past eight years. The ratio was climbing until the global economic downturn reduced operating budgets and investment returns. The University put proactive measures in place to generate greater diversity of revenues and combined that with strategic spending increases. The rate dipped in 2014 as the University kept tuition rates unchanged.

### Composite Financial Index



## Results of Operations—Statements of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position is the University's equivalent of an income statement. It shows the sources and amounts of revenues earned and nature and amount of expenses incurred during the year, classified as operating, non-operating or other.

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

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

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

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

|  | June 30, 2014           | June 30, 2013           | \$ Change            |
|--|-------------------------|-------------------------|----------------------|
| <b>Operating revenues (expenses)</b>         |                         |                         |                      |
| Student tuition and fees, net                | \$ 290,508,398          | \$ 277,446,583          | \$ 13,061,815        |
| Grants and contracts                         | 248,903,143             | 250,326,028             | (1,422,885)          |
| Sales and services, net                      | 154,089,274             | 151,071,476             | 3,017,798            |
| Other operating revenues                     | 9,305,921               | 10,698,477              | (1,392,556)          |
| <b>Total operating revenues</b>              | <b>702,806,736</b>      | <b>689,542,564</b>      | <b>13,264,172</b>    |
| Operating expenses                           | 995,135,796             | 923,702,193             | 71,433,603           |
| <b>Operating loss</b>                        | <b>(292,329,060)</b>    | <b>(234,159,629)</b>    | <b>(58,169,431)</b>  |
| <b>Non-operating revenues (expenses)</b>     |                         |                         |                      |
| State and federal appropriations             | 186,767,133             | 161,261,088             | 25,506,045           |
| Federal financial aid                        | 33,746,385              | 31,135,851              | 2,610,534            |
| Non-capital gifts and grants                 | 35,840,676              | 29,996,883              | 5,843,793            |
| Investment income, net                       | 73,309,420              | 46,150,116              | 27,159,304           |
| Interest on debt                             | (25,071,064)            | (16,924,858)            | (8,146,206)          |
| Federal interest subsidy on debt             | 2,681,195               | 2,912,759               | (231,564)            |
| Other non-operating revenues (expenses)      | 895,588                 | 166,509                 | 729,079              |
| <b>Net non-operating revenues (expenses)</b> | <b>308,169,333</b>      | <b>254,698,348</b>      | <b>53,470,985</b>    |
| <b>Income (loss) before other changes</b>    | <b>15,840,273</b>       | <b>20,538,719</b>       | <b>(4,698,446)</b>   |
| Capital appropriations                       | 8,724,921               | 34,357,063              | (25,632,142)         |
| Capital gifts and grants                     | 13,370,360              | 5,986,819               | 7,383,541            |
| Additions to permanent endowments            | 91,532                  | 129,238                 | (37,706)             |
|  | 22,186,813              | 40,473,120              | (18,286,307)         |
| <b>Increase in net position</b>              | <b>38,027,086</b>       | <b>61,011,839</b>       | <b>(22,984,753)</b>  |
| Net position, beginning of year              | 1,742,784,130           | 1,681,772,291           | 61,011,839           |
| <b>Net position, end of year</b>             | <b>\$ 1,780,811,216</b> | <b>\$ 1,742,784,130</b> | <b>\$ 38,027,086</b> |

## Significant Changes in the Statement of Revenues, Expenses and Changes in Net Position:

- Operating revenues increased by \$13 million. While the University did not raise tuition rates, enrollment increased resulting in a \$3 million increase in gross tuition revenue. At the same time, loans and financial aid grants decreased which reduced tuition allowances by \$9 million, resulting in an increase in net tuition. Auxiliary enterprises revenue increased by \$2 million, a result of the increased enrollment. Grant revenues decreased by \$1 million.
- Operating expenses increased overall by \$71 million. Salaries increased by \$26 million as a result of a 4% pay increase for certain employees and a one-time payment to employees of \$1.7 million. Benefits increased by \$7 million as a result of the increase in salaries. Benefit rates did not increase. Scholarship expenses increased by \$18 million, a result of an increase in State aid and increased third party scholarships. Payments for goods and services increased by \$16 million reflecting purchases of non-capitalizable equipment required to complete new buildings. Purchased services increased by \$2 million as a result of several new initiatives being undertaken by the University, including studies related to the new medical sciences department. Depreciation expense increased by \$2 million.
- Net non-operating revenues increased by \$53 million overall. State operating appropriations increased by \$25 million, a result of the State legislature's desire to invest in higher education. Federal PELL grant revenues increased by \$3 million. Gifts and contributions increased by \$6 million due to the receipt of several large pledges made during the WSU Foundation's *Campaign for WSU*. Investment income increased by \$27 million, due to the increased market value of endowment investments. Interest expense increased by \$8 million, reflecting payments on new bonds, and reducing non-operating revenues.
- Other revenues decreased by \$18 million. State capital appropriations decreased by \$25 million. Appropriations are budgeted over two years. In the first year, amounts are lower as projects are just beginning. Capital gifts and grants increased by \$7 million. The State dissolved an agency and gave its land and building to WSU. In addition, WSU dissolved its Research Foundation and transferred its building to the University.

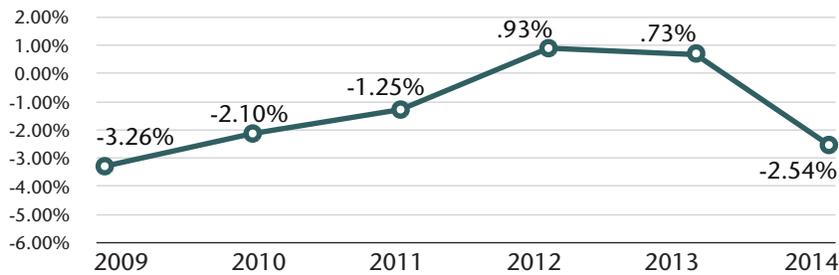
Carpenter Hall (foreground) is home to one of the best-equipped schools of architecture in the country. Upper level architecture students have their own workstations supplied with specialized software, and a complete architecture library is located on the ground floor.



## Operating Performance

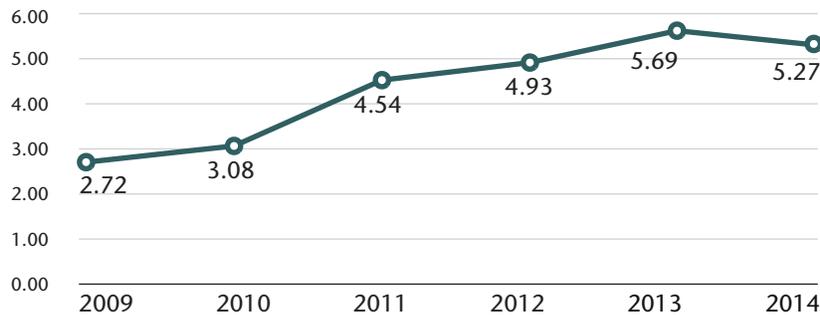
Rating agencies use a number of ratios to assess operating performance. One of the ratios more commonly used by Moody's is annual operating margin, which compares the operating surplus (or deficit) to operating revenues. Moody's definition of operating revenues includes several non-operating revenues in determining margin and an estimated spending rate of the University's investments rather than actual investment income. This ratio indicates the extent to which the University is balancing revenues with expenses and growing its resource base. The University's annual operating margin dipped slightly in 2013 to .73% but remained positive. In 2014, the ratio dropped significantly. The state legislature mandated that there be no tuition increases. While state appropriations increased, they did not increase enough to offset planned operating expenditure increases. Measures are being put in place to reduce costs in the future.

### Annual Operating Margin



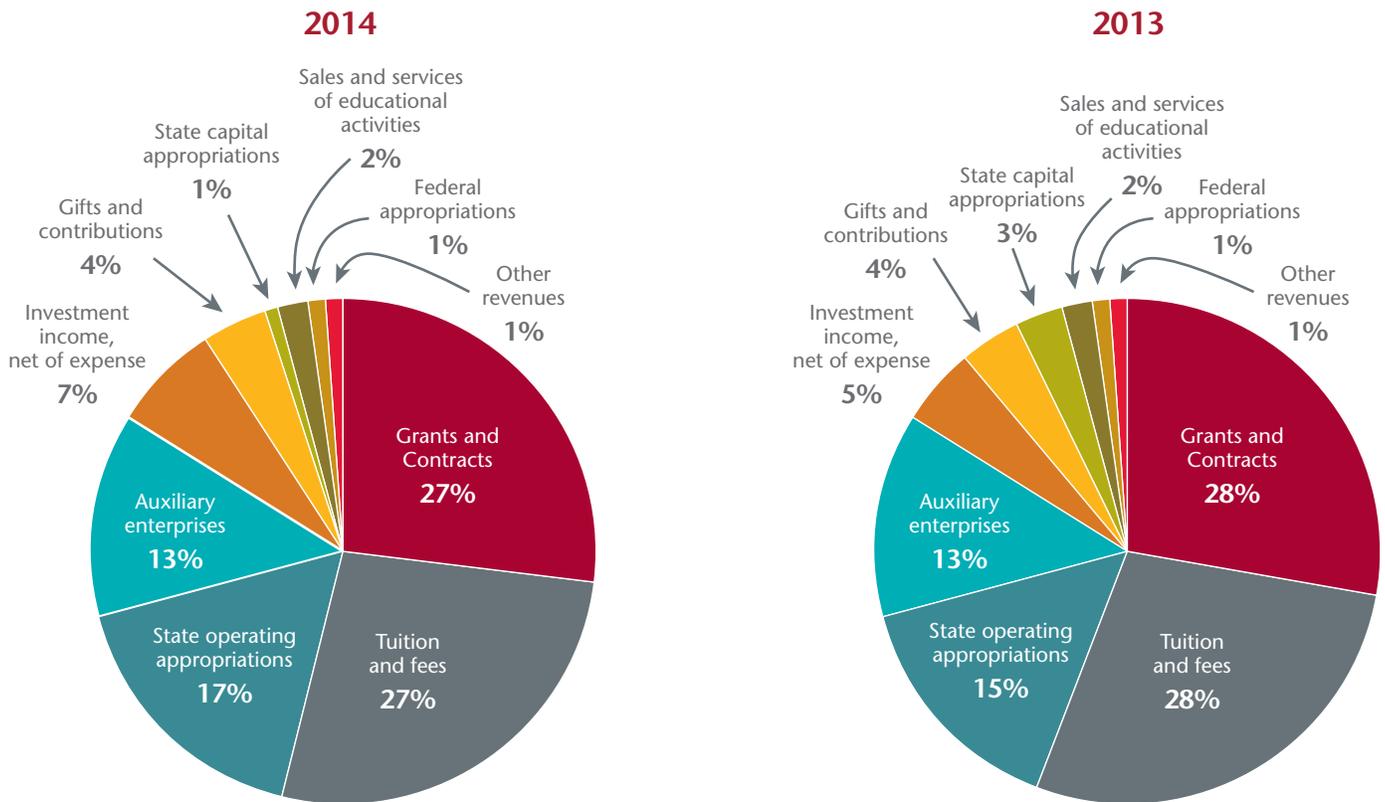
The ratio of expendable financial resources to operations (as defined by Moody's) measures the strength of net position. This ratio, illustrated in the chart below, shows that in 2014, the University had enough expendable resources from various sources to fund operations for a period of 5.27 months. This decrease reflects flat tuition rates and increased operating costs.

### Expendable Financial Resources to Operations



## Revenues from all Sources

For the Years Ended June 20, 2014 and 2013



As the above graphs show, the University has a diversified revenue base. No single source of revenue generated more than 28% of the total fiscal year revenues. In fiscal year 2014, tuition revenues and grants revenues were nearly equal at 27% each and were the largest sources of revenue, followed by State appropriations at 17%, a little higher than in 2013. The University relies on this state funding which subsidizes its instructional activities allowing for lower tuition rates. In 2012 and 2013, the reductions in the State appropriations meant that the University had to increase tuition by 14% and 16% respectively to help bridge the funding gap. In 2014, the State appropriations increased and the University made no increase in tuition rates.

Grants and contracts generated \$282 million or 27% of total revenue. These funds support the university's research activities, which allow students to work with nationally recognized faculty as part of their educational experience. Tuition and fees generated \$290 million or 27% of total revenue. State appropriations revenue increased for the first time in several years and generated \$176 million or 17% of total revenue.

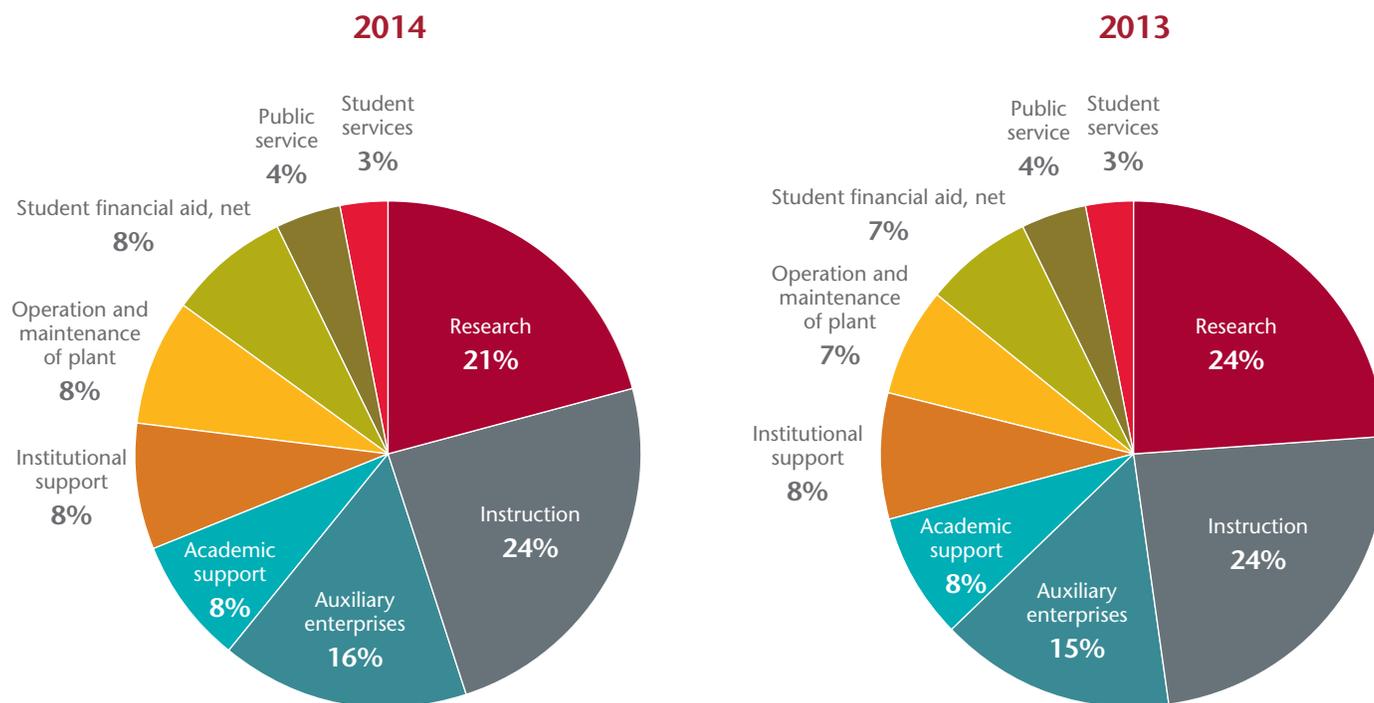
Investment income, net of expenses, increased to 7% of total revenue, due to increased earnings on endowments. Gifts and contributions remained steady at 4% of revenue. State capital appropriations decreased as, in the first year of the budget biennium, project expenses are just beginning.

Auxiliary enterprises generated \$134 million in revenues representing 13% of the total revenue, continuing to hold steady, unchanged for the last two years. Auxiliary enterprises, such as university residences, intercollegiate athletics and the student union are essential supporting activities.

### Operating Expenditures by Functional Classification

For the Years Ended June 20, 2014 and 2013

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



Research costs decreased as two new research buildings came online and research staff and faculty moved into them. As a result, instruction expenses exceed research expenses in 2014. Auxiliary expenses, financial aid, and operation and maintenance of plant costs increased slightly in 2014. All other costs remained steady.

### Capital Assets and Long-Term Liabilities

#### Capital Assets

At June 30, 2014, the value of the University's net investment in capital assets was \$1.6 billion. This represents an increase of \$68 million over last year, as shown in the table below:

|  | June 30, 2014           | June 30, 2013           | Change               |
|--|-------------------------|-------------------------|----------------------|
| Land                                       | \$ 41,075,811           | \$ 39,913,605           | \$ 1,162,206         |
| Construction in progress                   | 110,587,406             | 86,202,742              | 24,384,664           |
| Buildings, net                             | 1,087,856,845           | 1,045,335,551           | 42,521,294           |
| Other improvements and infrastructure, net | 192,443,439             | 203,176,751             | (10,733,312)         |
| Equipment, net                             | 70,294,644              | 60,580,726              | 9,713,918            |
| Library resources, net                     | 53,690,493              | 52,560,331              | 1,130,162            |
| <b>Total capital assets, net</b>           | <b>\$ 1,555,948,638</b> | <b>\$ 1,487,769,706</b> | <b>\$ 68,178,932</b> |

A summary of changes in capital assets is disclosed in Note 6.

The increase is a result of continued construction on multiple campuses. In 2014, construction in process increased by \$24 million as construction continued on the Football Operations building and the Biomedical and Health Sciences Building in Spokane, and began on the Clean Technology building and a second Northside residence hall. A detailed schedule of changes in capital assets is disclosed in Note 6.

## Long-Term Liabilities

At June 30, 2014, the University's long term liabilities totaled \$649 million.

The University had \$608 million in outstanding bond debt and leases, representing an increase of \$42 million over the prior year. The University issued \$54 million in general revenue bonds to finance the construction of a new residence hall and to begin construction of the new Clean Technology Research Building. The bonds were issued at a premium of \$6 million. Principal payments decreased revenue bonds by \$12 million. General obligation bonds decreased by \$3 million as a result of a bond refunding and principal payments. Capital leases decreased by \$3 million; as only one new lease was entered into, the reduction is primarily the result of principal payments.

The net pension obligation for the University's pension plan, managed by the State of Washington, increased \$7 million based on the most recent, 2013, actuarial study.

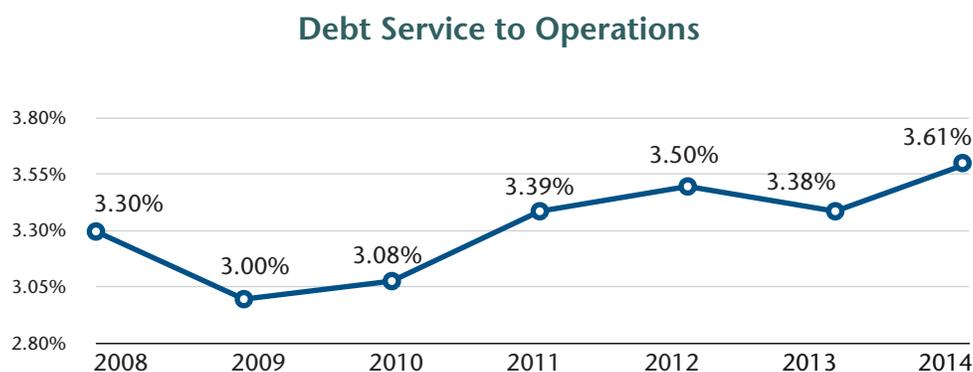
The table below summarizes outstanding liabilities:

|  | June 30, 2014         | June 30, 2013         | Change               |
|--|-----------------------|-----------------------|----------------------|
| Revenue and refunding bonds payable          | \$ 558,037,787        | \$ 510,808,324        | \$ 47,229,463        |
| State of Washington general obligation bonds | 31,625,000            | 34,715,000            | (3,090,000)          |
| Capital leases                               | 17,864,600            | 20,789,946            | (2,925,346)          |
| Net pension obligation                       | 41,210,245            | 33,557,585            | 7,652,660            |
| <b>Total</b>                                 | <b>\$ 648,737,632</b> | <b>\$ 599,870,855</b> | <b>\$ 48,866,777</b> |

See Note 14 for additional information on long term liabilities.

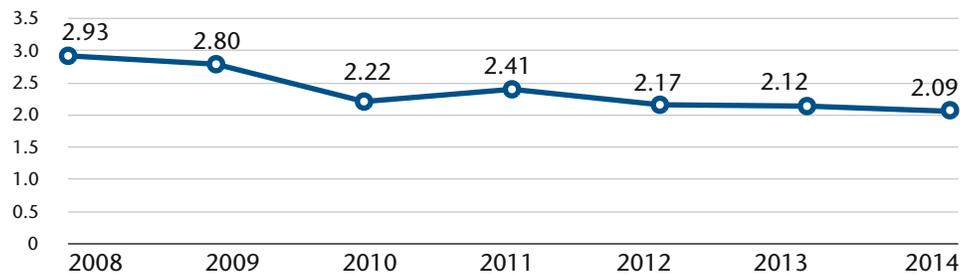
## Debt Ratios

The debt service to operations ratio provides an indicator of the University's ability to repay annual principal and interest relative to its overall operating expenses. A higher ratio gives a level of comfort that the institution has a net revenue stream available to meet its debt burden. The graph below shows the University's debt service ratio for the past seven years.



The 2014 ratio of financial resources to debt (as defined by Moody's) shows that the University has sufficient expendable resources to pay its long-term debt obligations 2.1 times over.

## Financial Resources to Direct Debt



The reduction in State capital funding has required the University to issue debt to finance necessary new buildings. This has reduced the ratio of total financial resources to direct debt, but the ratio remains well above Moody's median for Aa2 rated entities.

## Economic Outlook

For the first time since the onset of the economic downturn, WSU's 2013-15 state biennial budget reflects a reinvestment in higher education. Compared with the 2011-13 biennial budget, Washington State University's state appropriations for fiscal year 2014 increased by \$22.6 million over fiscal year 2012 and fiscal year 2015 is \$24.5 million greater than fiscal year 2013. The 2014 supplemental budget made minor adjustments to the University's state general fund appropriation for fiscal years 2014 and 2015. The Washington State Economic and Revenue Forecast Council's September 2014 estimate of state general fund revenues indicated growth over the previous June 2014 forecast for this biennium and the 2015-17 biennium. However, the Governor's Budget Office, the Office of Financial Management, currently projects that revenue growth for 2015-17 will fall short of what will be needed to maintain current services, cover mandatory increases, and provide additional support to meet the state's constitutional basic education obligations. As a result of this budget uncertainty, we will not know the impact on state appropriations until the 2015 legislature concludes its session. The University's other, non-state appropriated operating revenue sources are expected to be stable or increase in the coming fiscal year.

Capital appropriations and bonding authority have been approved for the 2013-15 biennium at \$273.2 million. Federal appropriations for the University's land-grant programs are expected to remain near the \$10 million funding level in 2015.

Student tuition and fees were not increased for the 2014-2015 academic year. This is the second year in a row that tuition rates remained the same. Enrollment is expected to be approximately 2% above the 2013-14 academic year level—about 25,600 annual average full time equivalent students for the four-campus system. Overall, the University expects net tuition and fee revenues to be slightly higher than the fiscal year 2014 level of \$290.5 million to support operations.

Federally sponsored research programs are the largest portion of externally funded grant expenditures; 64% of University sponsored projects were supported by federal funding and 36% by non-federal funding in 2014. Federal and non-federal funded project expenditures were slightly down from FY 2013 by about 4%. Sponsored programs continue to be expended at the fiscal year 2014 level, based on the first three months of fiscal year 2015. The longer-term outlook is less certain, due to possible federal funding constraints and economic conditions nationwide, which could constrain both federal and non-federal project activities.

Washington State University  
Statement of Net Position as of June 30, 2014

| Assets   | University 2014         | Foundation 2014       |
|--|-------------------------|-----------------------|
| <b>Current assets</b>  |                         |                       |
| Cash and cash equivalents                                      | \$ 86,855,722           | \$ 607,306            |
| Prepaid expenses   | 633,891                 |                       |
| Inventories  | 16,141,237              |                       |
| Accounts receivable, net                                       | 74,809,195              | 4,223,162             |
| Pledges receivable   |                         | 50,030,416            |
| Due from Washington State University                           |                         | 1,741,381             |
| Investments, current portion                                   | 77,759,344              |                       |
| Subtotal current assets  | 256,199,389             | 56,602,265            |
| <b>Non-current assets</b>                                      |                         |                       |
| Long-term investments  | 214,507,165             |                       |
| Endowment investment   | 503,991,331             | 364,099,760           |
| Deposits in escrow   | 6,024,737               |                       |
| Assets held in trust by Washington State University Foundation | 19,909,407              |                       |
| Assets held in trust for agencies                              | 5,391,902               |                       |
| Long-term notes receivable from charitable trusts              |                         | 6,488,673             |
| Assets held in charitable and beneficial trusts                |                         | 44,901,890            |
| Loans receivable, net  | 20,799,987              |                       |
| Capital assets, net  | 1,555,948,638           | 2,155,319             |
| Subtotal non-current assets                                    | 2,326,573,167           | 417,645,642           |
| <b>Total assets</b>  | <b>2,582,772,556</b>    | <b>474,247,907</b>    |
| <b>Deferred outflows of resources</b>                          |                         |                       |
| Loss on bond refunding   | 2,886,385               |                       |
| <b>Liabilities</b>   |                         |                       |
| <b>Current liabilities</b>                                     |                         |                       |
| Accounts payable and accrued liabilities                       | 67,093,907              | 14,832,224            |
| Due to Washington State University Foundation                  | 1,741,381               |                       |
| Due to Washington State University                             |                         | 19,909,407            |
| Deposits   | 5,157,610               |                       |
| Assets held for other organizations                            |                         | 270,353               |
| Unearned revenue, current portion                              | 11,646,890              |                       |
| Long-term liabilities, current portion                         | 19,151,868              |                       |
| Pollution remediation obligation                               | 107,117                 |                       |
| Subtotal current liabilities                                   | 104,898,773             | 35,011,984            |
| <b>Non-current liabilities</b>                                 |                         |                       |
| Accrued leave  | 38,192,150              |                       |
| Deferred compensation  | 152,250                 |                       |
| Deposits held in custody for others                            | 21,540,427              |                       |
| Unearned revenue   | 10,478,361              |                       |
| Long-term liabilities  | 629,585,764             |                       |
| Subtotal non-current liabilities                               | 699,948,952             |                       |
| <b>Total liabilities</b>                                       | <b>804,847,725</b>      | <b>35,011,984</b>     |
| <b>Net Position</b>  |                         |                       |
| Net Investment in Capital Assets                               | 948,421,251             |                       |
| Restricted nonexpendable                                       | 471,364,261             | 358,011,005           |
| Restricted loans   | 27,527,323              |                       |
| Restricted expendable  | 236,173,174             | 79,706,572            |
| Unrestricted   | 97,325,207              | 1,518,346             |
| <b>Total net position</b>                                      | <b>\$ 1,780,811,216</b> | <b>\$ 439,235,923</b> |

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

**Washington State University**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended June 30, 2014**

| <b>Revenues</b>  | <b>University 2014</b>  | <b>Foundation 2014</b> |
|--|-------------------------|------------------------|
| Operating revenues   |                         |                        |
| Tuition and fee revenue, net                                   | \$ 290,508,398          |                        |
| Federal grants and contracts                                   | 125,504,933             |                        |
| State grants and contracts                                     | 94,111,028              |                        |
| Local grants and contracts                                     | 29,287,182              |                        |
| Gifts and contributions  |                         | \$ 46,063,744          |
| Sales and services of educational departments                  | 20,198,562              |                        |
| Auxiliary enterprises  | 133,890,712             |                        |
| Other operating revenues                                       | 9,305,921               |                        |
| <b>Total operating revenues</b>                                | <b>702,806,736</b>      | <b>46,063,744</b>      |
| <b>Expenses</b>  |                         |                        |
| Operating expenses   |                         |                        |
| Salaries and wages   | 438,172,736             |                        |
| Benefits   | 134,052,291             |                        |
| Scholarships and fellowships                                   | 73,029,774              |                        |
| Utilities  | 25,976,759              |                        |
| Payments to suppliers  | 149,030,362             |                        |
| Purchased services   | 87,927,462              |                        |
| Depreciation   | 86,946,412              |                        |
| <b>Total operating expenses</b>                                | <b>995,135,796</b>      |                        |
| <b>Net operating loss</b>                                      | <b>(292,329,060)</b>    | <b>46,063,744</b>      |
| <b>Non-operating revenues (expenses)</b>                       |                         |                        |
| State appropriations   | 176,033,698             |                        |
| Federal appropriations   | 10,733,435              |                        |
| Federal Pell Grants  | 33,746,385              |                        |
| Interest on capital assets—related debt                        | (25,071,064)            |                        |
| Federal bond interest subsidy                                  | 2,681,195               |                        |
| Gifts and contributions  | 35,840,676              |                        |
| Investment income, net of expense                              | 73,309,420              | 51,783,910             |
| Support provided to/for Washington State University, net       |                         | (43,681,247)           |
| Fund raising   |                         | (6,348,845)            |
| General and administrative expenses                            |                         | (5,113,475)            |
| Other non-operating revenues (expenses)                        | 895,588                 | 1,361,001              |
| <b>Total non-operating revenues (expenses)</b>                 | <b>308,169,333</b>      | <b>(1,998,656)</b>     |
| <b>Income before other revenues, expenses, gains or losses</b> | <b>15,840,273</b>       | <b>44,065,088</b>      |
| <b>Capital additions (deductions)</b>                          |                         |                        |
| Capital appropriations   | 8,724,921               |                        |
| Capital grants and gifts                                       | 13,370,360              |                        |
| Additions to permanent endowments                              | 91,532                  | 18,677,250             |
| <b>Total other revenues</b>                                    | <b>22,186,813</b>       | <b>18,677,250</b>      |
| <b>Increase in net position</b>                                | <b>38,027,086</b>       | <b>62,742,338</b>      |
| <b>Net Position</b>  |                         |                        |
| Net position, beginning of year                                | 1,742,784,130           | 376,493,585            |
| <b>Increase in net position</b>                                | <b>38,027,086</b>       | <b>62,742,338</b>      |
| <b>Net position, end of year</b>                               | <b>\$ 1,780,811,216</b> | <b>\$ 439,235,923</b>  |

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

**Washington State University  
Statement of Cash Flows  
For the Year Ended June 30, 2014**

| <b>Cash flows from operating activities</b>                      | <b>2014</b>          |
|--|----------------------|
| Tuition and fees   | \$ 334,954,721       |
| Grant and contracts  | 249,231,208          |
| Payments to suppliers  | (137,521,165)        |
| Payments for utilities   | (25,875,600)         |
| Purchased services   | (88,909,825)         |
| Payments to employees  | (440,288,688)        |
| Payments for benefits  | (125,938,238)        |
| Payments for scholarships and fellowships                        | (119,853,208)        |
| Loans issued to students   | (4,008,485)          |
| Collection of loans to students                                  | 5,121,763            |
| Auxiliary enterprise receipts                                    | 128,607,277          |
| Sales and service of educational departments                     | 20,269,047           |
| Other receipts   | 12,895,518           |
| <b>Net cash used by operating activities</b>                     | <b>(191,315,675)</b> |
| <br>   |                      |
| <b>Cash flows from noncapital financing activities</b>           |                      |
| State appropriations   | 177,507,983          |
| Federal appropriations   | 9,451,306            |
| <b>Gifts for other than capital purposes</b>                     |                      |
| Private gifts  | 35,446,160           |
| Additions to permanent endowment                                 | 91,532               |
| Agency fund receipts   | 33,223,897           |
| Agency fund disbursements  | (31,812,614)         |
| Federal Direct Loan receipts                                     | 154,827,305          |
| Federal Direct Loan disbursements                                | (155,343,548)        |
| Federal Pell Grants  | 33,746,385           |
| Cash received from property                                      | 582,106              |
| <b>Net cash provided by noncapital financing activities</b>      | <b>257,720,512</b>   |
| <br>   |                      |
| <b>Cash flows from capital and related financing activities</b>  |                      |
| Proceeds of capital debt   | 60,196,345           |
| Capital appropriations   | 11,113,162           |
| Capital grants and gifts received                                | 2,621,010            |
| Purchases of capital assets                                      | (148,006,359)        |
| Principal paid on capital debt and leases                        | (17,824,691)         |
| Interest paid on capital debt and leases                         | (24,529,274)         |
| <b>Net cash used by capital and related financing activities</b> | <b>(116,429,807)</b> |
| <br>   |                      |
| <b>Cash flows from investing activities</b>                      |                      |
| Proceeds from sales of investments                               | 287,011,081          |
| Purchases of investments   | (308,260,138)        |
| Investment income  | 34,250,473           |
| <b>Net cash provided by investing activities</b>                 | <b>13,001,416</b>    |
| <br>   |                      |
| Net increase (decrease) in cash and cash equivalents             | (37,023,554)         |
| Cash—beginning of year   | 123,879,276          |
| <b>Cash—end of year</b>  | <b>\$ 86,855,722</b> |

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

**Washington State University**  
**Statement of Cash Flows—continued**  
**Reconciliation of net loss to net cash used by operating activities**

|  | <b>2014</b>                           |
|--|---------------------------------------|
| <b>Operating loss</b>  | \$ (292,329,060)                      |
| Adjustments to reconcile net loss to net cash used by operating activities |                                       |
| Depreciation expense   | 86,946,412                            |
| Changes in assets and liabilities  |                                       |
| <b>Changes in assets</b>   |                                       |
| Deposits in escrow   | 1,476,664                             |
| Prepaid expenses   | (52,342)                              |
| Inventories  | 123,607                               |
| Accounts receivable, net   | (12,175,025)                          |
| Investments  | 19,856,501                            |
| <b>Changes in liabilities</b>  |                                       |
| Accounts payable and accrued liabilities                                   | 3,830,174                             |
| Deferred revenue   | 2,987,056                             |
| Due to Washington State University Foundation                              | 454,527                               |
| Deposits   | 116,782                               |
| Long term debt-current portion   | (2,550,971)                           |
| Net cash used by operating activities                                      | <b><u><u>\$ (191,315,675)</u></u></b> |
| Noncash investing, capital and financing activities                        |                                       |
| Loss on disposal of capital assets   | \$ (1,223,892)                        |
| Increase in fair value of investments                                      | \$ 22,682,382                         |
| Capital Assets acquired through gifts                                      | \$ 10,749,350                         |

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

Bryan Hall Clock Tower marks the symbolic and historical center of campus. Chimes signal each hour's passing, and music rings daily from the carillons.



# Notes to the Financial Statements

June 30, 2014

*These notes form an integral part of the financial statements.*

## 1. Summary of Significant Accounting Policies

### Financial Reporting Entity

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

The accompanying financial statements present all funds belonging to WSU and its component units. WSU's component units are either blended or discretely presented in the University's financial statements. The blended component units, although legally separate, are in substance, part of WSU's operations and therefore are reported as if they were part of WSU. Discretely presented component units' financial data are reported in separate financial statements because of their use of different GAAP reporting models and to emphasize their legal separateness.

### Affiliated Organizations

The Washington State Alumni Association (WSUAA) and the Students Book Corporation are both legally separate 501 (c)(3) corporations for whom the University acts as the fiscal agent. Their balances and transactions are reported within agency funds of the University and reported as assets and liabilities held in trust by the University.

Financial statements for these entities, the Students Book Corporation and the WSUAA, may be obtained by contacting the Business Services/Controller's Office at 240 French Administration Bldg., PO Box 641025, Pullman, WA 99164-1025 or calling 509-335-2022.

### Discretely Presented Component Unit

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

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

- Unrestricted net assets—Support received that is not subject to donor-imposed restrictions and over which the Board of Directors has discretionary control.
- Temporarily restricted net assets—Support received subject to donor-imposed use restrictions or time restrictions.
- Permanently restricted net assets—Support received subject to donor-imposed restrictions stipulating that funds be invested in perpetuity.

For presentation purposes, in the University's financial statements, temporarily restricted net assets have been shown as expendable net position and permanently restricted net assets have been shown as nonexpendable net position.

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

WSU Foundation  
PO Box 641925  
Pullman, WA 99164-1925

## Basis of Presentation

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

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

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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

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

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

## New Accounting Pronouncements

In 2014, GASB Statement No. 66, *Technical Corrections to GASB statements 10 and 62*, became effective. The University reviewed the statement and determined that it has no impact on current practices.

GASB issued Statement No. 67, *Financial Reporting for Pension Plans*, effective for fiscal year 2014. As the University does not administer any pension plans, the statement has no impact on current practices.

GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions* which amends GASB Statement No. 27. This statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trust or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this statement are effective for financial statements with fiscal years beginning after June 15, 2014.

GASB has issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards for mergers, acquisitions, and transfers of operation (i.e. government combinations). This statement is effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. The University has applied this standard in reporting a government merger that took place during this fiscal year. See Note 18.

GASB has issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This statement establishes accounting and financial reporting standards for situations where a state or local government, as a guarantor, agrees to indemnify a third-party obligation holder under specified conditions (i.e. nonexchange financial guarantees). Guidance is provided for situations where a state or local government extends or receives a nonexchange financial guarantee. The requirements of this statement are effective for financial statements for reporting periods beginning after June 15, 2013. The University has reviewed the statement and determined that it has no impact on current practices.

## Cash, Cash Equivalents and Investments

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

## Accounts Receivable

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

## Inventories

Inventories, consisting primarily of supplies and merchandise for resale, are valued at cost using various methods. See note 3.

## Capital Assets

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

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

Interest is capitalized on assets acquired or constructed with tax-exempt financing. The amount of interest to be capitalized is calculated by offsetting interest expense incurred while activities necessary to get the asset ready for its intended use are in progress, with interest earned on invested proceeds over the same period. The net capitalized interest for fiscal year 2014 was \$3,327,800.

In accordance with GASB Statement 42, the University reviews assets for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable. Impaired assets are reported at the lower of cost or fair value. At June 30, 2014, no assets had been written down.

## 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.

## Tax Exemption

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

## Net Position

The University's net position is classified as follows.

- *Net Investment in Capital Assets.* This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of capital assets.
- *Restricted—nonexpendable.* This consists of endowment and similar type funds for which donors or other outside sources have stipulated as a condition of the gift instrument that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income which may either be expended or added to the principle.
- *Restricted—loans.* The loan funds are established for the explicit purpose of providing student support as prescribed by statute or granting authority.
- *Restricted—expendable.* These include resources for which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by third parties.
- *Unrestricted.* These represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises.

### Classification of Revenues

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

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

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

### Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the published charge for goods and services provided by the University and the amount that is paid by students or third parties making payments on the students' behalf. To the extent that revenues are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and an allowance. Discounts and allowances for the year ending June 30, 2014 are \$104,250,783.

### Reclassifications

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

## 2. Cash, Cash Equivalents and Investments

### Cash

As of June 30, 2014, the carrying amount of the University's change funds, petty cash and bank demand deposit accounts with financial institutions was \$40,573,096 as represented in the table below.

Table 1: Cash and Cash Equivalents

|                                  | <b>2014</b>                        |
|----------------------------------|------------------------------------|
| Cash                             | \$ 40,573,096                      |
| Cash equivalents                 | 46,263,021                         |
| Deposits with fiscal agents      | 19,605                             |
| <b>Cash and cash equivalents</b> | <b><u><u>\$ 86,855,722</u></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 with the Bank of America.

### University Endowments

The University contracts with the Foundation for the management of privately endowed assets. University and Foundation endowments are pooled and invested with the objectives of long-term capital appreciation and stable but growing income stream. The fair values of the University endowment investments at June 30, 2014 were \$41,810,548.

## 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 151,188 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 2: Permanent Fund

| University permanent fund investments          | Fair value            | Average duration | Credit rating |
|--|-----------------------|------------------|---------------|
| Cash and cash equivalents                      | \$ 1,767,920          |                  |               |
| Commingled monthly bond fund                   | 312,307,540           | 5.04             | Aa3           |
| Commingled monthly equity fund                 | 149,527,803           |                  |               |
| Cash at state treasurer                        | 386,924               |                  |               |
| Pending transactions, receivables and payables | (1,809,403)           |                  |               |
| <b>Total permanent fund investments</b>        | <b>\$ 462,180,784</b> |                  |               |

Endowment investments consist of University-held endowments valued at \$41,810,548 (as noted in the paragraph above and detailed in Table 3), and the permanent fund of \$462,180,784, for a total of \$503,991,331 as of June 30, 2014.

Although Thompson Hall is the oldest building on campus, a carefully remodeled interior melds historical character with high technology.



## Investments

Investments are classified as cash equivalents, short or long-term investments, or endowment investments. University invested assets include operating funds, current use gift funds, proceeds from bond issues dedicated to specific capital projects and University endowment and trust funds. The carrying amount of University invested assets includes cash equivalents and permanent fund investments as represented below.

Table 3: University Investments by type

| University investments                          | Fair value           | Maturity         |               |             |                    | Effective duration | Credit rating |
|---|----------------------|------------------|---------------|-------------|--------------------|--------------------|---------------|
|   |                      | Less than 1 year | 1–5 years     | 6–10 years  | More than 10 years |                    |               |
| Cash equivalents                                |                      |                  |               |             |                    |                    |               |
| Commercial paper                                | \$ 11,410,266        | \$11,410,266     |               |             |                    | 0.50               | A1/P1         |
| Local Government Investment Pool                | 34,852,755           | 34,852,755       |               |             |                    | 0.01               | NR            |
| <b>Total cash equivalents</b>                   | <b>46,263,021</b>    |                  |               |             |                    |                    |               |
| <b>Current Investments</b>                      |                      |                  |               |             |                    |                    |               |
| US Government Treasury                          | 59,503,788           | 59,503,788       |               |             |                    | 0.23               | AAA           |
| US Agency obligations                           | 18,255,556           | 18,255,556       |               |             |                    | 0.68               | AAA           |
| <b>Total current investments</b>                | <b>77,759,344</b>    |                  |               |             |                    |                    |               |
| <b>Non-Current Investments</b>                  |                      |                  |               |             |                    |                    |               |
| Operating Funds                                 |                      |                  |               |             |                    |                    |               |
| US Government Treasury                          | 141,252,545          |                  | \$141,252,545 |             |                    | 0.94               | AAA           |
| US Agency obligations                           | 24,034,616           |                  | 24,034,616    |             |                    | 1.40               | AAA           |
| Mortgage pass through                           | 37,745,313           |                  |               |             | \$37,745,313       | 0.23               | AAA           |
| Fixed income mutual funds                       | 10,523,542           |                  | 10,523,542    |             |                    | 2.83               |               |
| Subtotal non-current operating fund investments | 213,556,016          |                  |               |             |                    |                    |               |
| Miscellaneous                                   | 951,149              |                  |               |             |                    |                    |               |
| <b>Total non-current investments</b>            | <b>214,507,165</b>   |                  |               |             |                    |                    |               |
| <b>University endowments</b>                    |                      |                  |               |             |                    |                    |               |
| US Stocks                                       | 230,565              |                  |               |             |                    |                    |               |
| Mutual and commingled funds                     |                      |                  |               |             |                    |                    |               |
| -US fixed income                                | 3,657,582            | 764,230          | -             | \$1,630,830 | 1,262,522          | 5.24               | Aa3           |
| -Foreign fixed income                           | 1,784,748            |                  |               |             | 1,784,748          | 6.38               | AA-           |
| -US equity                                      | 6,392,132            |                  |               |             |                    |                    |               |
| -Foreign equity                                 | 8,431,913            |                  |               |             |                    |                    |               |
| -Private equity                                 | 7,222,732            |                  |               |             |                    |                    |               |
| -Hedge funds                                    | 7,658,180            |                  |               |             |                    |                    |               |
| -Timber   | 332,637              |                  |               |             |                    |                    |               |
| -Real estate                                    | 2,439,167            |                  |               |             |                    |                    |               |
| -Oil and gas                                    | 3,660,892            |                  |               |             |                    |                    |               |
| <b>Total endowment investments</b>              | <b>41,810,548</b>    |                  |               |             |                    |                    |               |
| <b>Total university investments</b>             | <b>\$380,340,078</b> |                  |               |             |                    |                    |               |

## Interest Rate Risk—Investments

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

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

University endowments fall under the Foundation investment policy, which employs broad asset class diversification to control overall endowment fund volatility, and limits fixed income investments to a maximum of 15% of total endowment fund assets.

## Concentration of Credit Risk—Investments

State law limits University operating investments to the highest quality sectors of the domestic fixed income market and specifically excludes corporate stocks, corporate and foreign bonds, futures contracts, commodities, real estate, limited partnerships and negotiable certificates of deposit. 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, 2014, \$292,432,649 of the University's operating fund investments, held by Bank of New York Mellon in the bank's name as agent for the University, and \$230,565 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 4: Investments exposed to custodial credit risk

| University investment type                                | Fair value            |
|---|-----------------------|
| Commercial paper  | \$ 11,410,266         |
| US government treasuries                                  | 200,756,333           |
| US agency obligations                                     | 42,290,172            |
| Mortgage Pass Throughs                                    | 37,745,313            |
| Subtotal  | 292,202,084           |
| US common stock   | 230,565               |
| <b>Total investments exposed to custodial credit risk</b> | <b>\$ 292,432,649</b> |

## Foreign Currency Risk—Investments

University endowment exposure to foreign currency risk at June 30, 2014, is described in the table below and is limited by Foundation investment policy.

Table 5: University foreign currency risk

| Foreign currency              | Fair value           |
|-------------------------------|----------------------|
| Euro                          | \$ 2,217,414         |
| Japan - Yen                   | 1,526,035            |
| UK - Pound                    | 1,338,629            |
| S. Korea - Won                | 613,004              |
| Switzerland - Francs          | 569,533              |
| Other (less than 5%)          | 3,833,680            |
| <b>Total foreign currency</b> | <b>\$ 10,098,295</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, 2014 were \$450,975.

### 3. Inventories

Inventories as of June 30, 2014 are as follows

| Location                          | Method           | Amount              |
|-----------------------------------|------------------|---------------------|
| Athletics                         | FIFO             | \$ 972,999          |
| Bulletin office                   | FIFO             | 132,524             |
| Central stores                    | FIFO             | 343,982             |
| Facilities operations             | Weighted average | 1,457,308           |
| Ferdinand's                       | FIFO             | 4,991,712           |
| Housing and dining                | LIFO             | 694,584             |
| Telecommunications                | FIFO             | 597,505             |
| University communications         | FIFO             | 1,778,365           |
| Veterinary hospital and pharmacy  | LIFO             | 1,231,868           |
| Veterinary microbiology/pathology | FIFO             | 1,977,075           |
| Other inventory                   | Various          | 1,963,315           |
| <b>Inventories</b>                |                  | <b>\$16,141,237</b> |

### 4. Accounts Receivable

At June 30, 2014, accounts receivable are as follows

|  |                      |
|--|----------------------|
| Student tuition and fees                   | \$ 31,555,005        |
| Due from the federal government            | 18,320,628           |
| Due from the office of the state treasurer | 13,412,873           |
| Due from other state agencies              | 10,783,626           |
| Interest and dividends receivable          | 369,087              |
| Auxiliary enterprises                      | 14,091,356           |
| Due from other governments                 | 358,051              |
| Other                                      | 453,740              |
| Subtotal accounts receivable               | 89,344,366           |
| Less allowance for doubtful accounts       | (14,535,171)         |
| <b>Accounts receivable, net</b>            | <b>\$ 74,809,195</b> |

### 5. Loans Receivable

Loans receivable consisted of the following at June 30, 2014

|                                      |                      |
|--------------------------------------|----------------------|
| Federal programs                     | \$ 20,968,300        |
| Institutional loans                  | 473,736              |
| Subtotal                             | 21,442,036           |
| Less allowance for doubtful accounts | (642,049)            |
| <b>Loans receivable, net</b>         | <b>\$ 20,799,987</b> |

## 6. Capital Assets

A summary of changes in the capital assets for the year ended June 30, 2014 is presented as follows

|   | Beginning balance       | Additions/transfers   | Retirements            | Ending balance          |
|---|-------------------------|-----------------------|------------------------|-------------------------|
| <b>Capital assets, non-depreciable</b>        |                         |                       |                        |                         |
| Land  | \$ 39,913,605           | \$ 1,642,706          | \$ (480,500)           | \$ 41,075,811           |
| Construction in progress                      | 86,202,742              | 100,227,571           | (75,842,907)           | 110,587,406             |
| <b>Total capital assets, non-depreciable</b>  | <b>126,116,347</b>      | <b>101,870,277</b>    | <b>(76,323,407)</b>    | <b>151,663,217</b>      |
| <b>Capital assets, depreciable</b>            |                         |                       |                        |                         |
| Buildings                                     | 1,759,948,027           | 92,727,530            | (2,052,094)            | 1,850,623,463           |
| Other improvements and infrastructure         | 335,731,474             | 1,977,915             | (63,680)               | 337,645,709             |
| Machinery and equipment                       | 253,499,455             | 31,405,069            | (8,434,820)            | 276,469,704             |
| Library resources                             | 140,549,774             | 6,280,076             | (338,451)              | 146,491,399             |
| <b>Total capital assets, depreciable</b>      | <b>2,489,728,730</b>    | <b>132,390,590</b>    | <b>(10,889,045)</b>    | <b>2,611,230,275</b>    |
| <b>Less accumulated depreciation</b>          |                         |                       |                        |                         |
| Buildings                                     | 714,612,476             | 48,333,522            | (179,380)              | 762,766,618             |
| Other improvements and infrastructure         | 132,554,723             | 12,711,227            | (63,680)               | 145,202,270             |
| Machinery and equipment                       | 192,918,729             | 20,776,189            | (7,519,858)            | 206,175,060             |
| Library resources                             | 87,989,443              | 5,125,474             | (314,011)              | 92,800,906              |
| <b>Total accumulated depreciation</b>         | <b>1,128,075,371</b>    | <b>86,946,412</b>     | <b>(8,076,929)</b>     | <b>1,206,944,854</b>    |
| <b>Total capital assets, depreciable, net</b> | <b>1,361,653,359</b>    | <b>45,444,178</b>     | <b>(2,812,116)</b>     | <b>1,404,285,421</b>    |
| <b>Capital assets, net</b>                    | <b>\$ 1,487,769,706</b> | <b>\$ 147,314,455</b> | <b>\$ (79,135,523)</b> | <b>\$ 1,555,948,638</b> |

The current year depreciation expense was \$86,946,412. Total interest expense was \$25,717,064 of which \$3,327,669 was capitalized.

The University has commitments of \$96,004,038 for various capital improvement projects that include construction and completion of new buildings and renovations of existing buildings.

## 7. Accounts Payable and Accrued Liabilities

At June 30, 2014, accrued liabilities were as follows

|                    |                     |
|--------------------|---------------------|
| Accounts payable   | \$38,785,254        |
| Contract retainage | 6,024,738           |
| Payroll            | 22,283,915          |
|                    | <b>\$67,093,907</b> |

## 8. Unearned Revenue

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

| <b>Current unearned revenue</b>        |                      |
|--|----------------------|
| Athletics                              | \$ 2,661,154         |
| ALIVE! program                         | 601,393              |
| Pre-paid Tri-Cities BSEL building rent | 500,000              |
| Bookie building                        | 109,524              |
| Housing and dining services            | 1,355,645            |
| Summer session                         | 6,202,353            |
| Parking                                | 216,821              |
| Subtotal                               | 11,646,890           |
| <b>Non-current unearned revenue</b>    |                      |
| Pre-paid Tri-Cities BSEL building rent | 6,440,278            |
| Bookie building                        | 4,038,083            |
| <b>Total unearned revenue</b>          | <b>\$ 22,125,251</b> |

## 9. Accrued Leave

The accrued leave liability balance as of June 30, 2014 is \$38,192,150. The components of this liability include vacation leave earned and unused for exempt professionals, civil service employees and faculty on annual appointments; sick leave earned and unused limited to an estimate of fifteen times the prior three-year average of the amount paid at the time of separation; and earned and unused compensated leave for civil service employees.

University employees accrue annual leave at rates based on length of service and sick leave at the rate of one day per month for full time employees.

For reporting purposes, all vacation leave is shown as a non-current liability. Employees are limited by statute as to how many hours they may carry forward.

|                                |                      |
|--------------------------------|----------------------|
| Accrued annual leave           | \$ 29,200,902        |
| Accrued sick leave             | 8,738,189            |
| Accrued compensatory leave     | 253,059              |
| <b>Accrued leave liability</b> | <b>\$ 38,192,150</b> |

## 10. Deferred Compensation

The University administers a limited number of contractual deferred agreements. The deferred compensation obligation for these agreements as of June 30, 2014 was \$152,250. The University offers all employees qualified deferred compensation plans created under Internal Revenue Code Sections 403b and 457. The plans are available to all state employees and permit them to defer a portion of their salary until future years. The State of Washington administers these plans on behalf of the University's employees; the University does not have legal access to these funds.

## 11. Risk Management

The University, in accordance with state policy, self-insures unemployment compensation for all employees. The University assesses all funds a monthly payroll expense for unemployment compensation for all employees. Payments made for claims from July 1, 2013 through June 30, 2014, were \$881,974. Cash reserves for unemployment compensation for all employees at June 30, 2014, were \$4,077,949.

The University purchases commercial insurance property insurance for auxiliary enterprise buildings that were acquired with bond proceeds when the bond agreement requires the University to insure property and earnings. The University assumes its potential property losses for most other buildings and contents. Liability exposures are insured through the State of Washington Self-Insurance Liability Program as covered by the Tort Claims Act (RCW 4.92 et seq.)

## 12. Leases Payable

The University finances some capital asset purchases through the Washington State Treasurer's leasing program. Under this program, the interest rates range from .7% to 5.3%, and the lease periods range from 4 to 15 years. As of June 30, 2014, the University had \$33,614,863 in machinery, software, and equipment acquired under capital lease. Depreciation for the capital assets associated with capital leases is included in depreciation expense. The University also has leases for office equipment with various vendors. As of June 30, 2014, the minimum lease payments under capital leases and operating leases consist of the following:

### Leases Payable

| Fiscal year                  | Capital leases      | Operating leases    |
|------------------------------|---------------------|---------------------|
| 2015                         | \$ 3,174,395        | \$ 3,148,453        |
| 2016                         | 2,586,725           | 2,808,204           |
| 2017                         | 2,380,992           | 1,826,338           |
| 2018                         | 2,227,407           | 1,118,495           |
| 2019                         | 1,432,529           | 855,904             |
| 2020-2024                    | 6,712,595           | 3,187,751           |
| 2025-2026                    | 2,601,000           | 1,407,465           |
| Total minimum lease payments | <b>21,115,643</b>   | <b>14,352,610</b>   |
| Amount representing interest | (3,251,043)         |                     |
| <b>Net present value</b>     | <b>\$17,864,600</b> | <b>\$14,352,610</b> |

## 13. Bonds Payable

Bonds payable consist of special and general revenue bonds 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 and Athletics, 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 for specific revenue bonds. Certain auxiliary revenues, net of operating expenses, are pledged to pay certain revenue bonds. General revenue bonds are special fund obligations of the University, payable from general revenues which include nonappropriated, unrestricted income and revenues, including available auxiliary system revenues.

On February 13, 2014, the University issued \$54,335,000 in General Revenue Bonds, Series 2014A&B; \$20 million will be used for construction of a new clean technology research building and \$40 million will be used to construct a new residence hall. These bonds were authorized pursuant to Resolution 131004-462 and Resolution 131004-464 adopted by the Board of Regents on October 4, 2013. The bonds were issued at a premium of \$6,009,344. The issue costs were \$344,000. The average interest rate is 4.97% and interest is payable semiannually on April 1 and October 1, commencing April 1, 2015.

### Bond Refunding Activity

The scheduled liabilities as of June 30, 2014 do not include revenue bonds that were advance refunded. Government obligations in amounts, maturities and bearing interest rates sufficient to fund retirement of these bonds are held in irrevocable trusts.

On April 2, 2013 the University issued \$9,755,000 in General Revenue Bonds Series 2013 (refunding portion) to defease \$10,945,000 of Housing and Dining Revenue Bonds Series 2004. The net proceeds were used to purchase U.S. Government securities that were deposited to an irrevocable trust with an escrow agent to provide for all future debt service payment on the bonds. On April 1, 2014, these bonds were called and the principal outstanding is zero as of June 30, 2014.

Neither the assets of these trusts, nor their outstanding obligations, are included in the Statement of Net Position.

As of June 30, 2014, the University was indebted for bonds payable for the purposes shown in the following table.

### Bonds Payable

| Purpose                                      | Series  | Interest rate/<br>ranges | Final<br>maturity<br>date | Principal<br>outstanding | Current<br>portion  | See table<br>below |
|--|---------|--------------------------|---------------------------|--------------------------|---------------------|--------------------|
|  | 2004    |                          |                           | -                        | -                   |                    |
| Housing and Dining System                    | 2005    | 3%–4.75%                 | 2039                      | \$ 13,635,000            | \$ 615,000          |                    |
|  | 2008    | 3.2%–5.25%               | 2038                      | 23,770,000               | 535,000             | 1                  |
|  | 2010    | 3%–5%                    | 2024                      | 12,375,000               | 945,000             |                    |
|  | 2010B   | 7.1%–7.4%                | 2041                      | 35,305,000               | -                   |                    |
| Student Recreation Center                    | 2009    | 3%–5.25%                 | 2032                      | 32,725,000               | 1,220,000           | 2                  |
| Compton Union Building                       | 2006A&B | 5%–6%                    | 2038                      | 83,155,000               | 1,555,000           | 3                  |
| Intercollegiate Athletics                    | 2007    | 4%–4.25%                 | 2032                      | 19,930,000               | 740,000             | 4                  |
| Parking and Transportation Services          | 2005    | 3%–4.4%                  | 2024                      | 6,210,000                | 515,000             | 5                  |
| Trust and building fee revenue bonds         | 2009A&B | 3%–6.41%                 | 2034                      | 100,060,000              | 3,245,000           | 6                  |
|  | 2012A&B | 2%–5%                    | 2037                      | 97,945,000               | 2,465,000           |                    |
| General revenue bonds                        | 2013    | 3%–5%                    | 2038                      | 41,640,000               | 905,000             |                    |
|  | 2014    | 1.75%–5%                 | 2039                      | 18,130,000               | 290,000             |                    |
|  | 2013    | 3%–5%                    | 2024                      | 9,755,000                | 705,000             |                    |
|  | 2014    | 1.75%–5%                 | 2039                      | 36,205,000               | -                   |                    |
| State of Washington general obligation bonds | 1991B   | 5.4%–5.7%                | 2015                      | 310,000                  | 150,000             |                    |
|  | HE-WSU  | 3.5%–6.4%                | 2022                      | 9,165,000                | 1,410,000           |                    |
|  | 2001A   | 5%–5.6%                  | 2025                      | 11,890,000               | 745,000             |                    |
|  | 2001C   | 5%–5.3%                  | 2026                      | 6,150,000                | 390,000             |                    |
|  | 2002A   | 4%–6%                    | 2026                      | 4,110,000                | 225,000             |                    |
| <b>Total bonds payable (principal only)</b>  |         |                          |                           | <b>562,465,000</b>       | <b>\$16,655,000</b> |                    |
| Less: unamortized insurance costs            |         |                          |                           | (849,087)                | (43,076)            |                    |
| Less: unamortized discounts                  |         |                          |                           | (129,137)                | (7,656)             |                    |
| Plus: unamortized premiums                   |         |                          |                           | 28,176,011               | 1,467,948           |                    |
| <b>Net bonds payable</b>                     |         |                          |                           | <b>\$589,662,787</b>     | <b>\$18,072,216</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, 2014.

### Pledged Revenue

| Ref |                                    | Total future<br>pledged<br>revenues | Current year<br>revenues, net<br>of expenses | Current year<br>principal and<br>interest |
|-----|------------------------------------|-------------------------------------|--|---|
| 1   | Housing and Dining System          | \$ 76,159,141                       | \$ 21,898,430                                | \$ 4,290,208                              |
| 2   | Student Recreation Center          | 49,503,825                          | 3,513,475                                    | 2,749,675                                 |
| 3   | Compton Union Building             | 148,628,529                         | 6,248,166                                    | 5,945,070                                 |
| 4   | Intercollegiate Athletics          | 28,546,653                          | (6,600,823)                                  | 1,588,956                                 |
| 5   | Parking and Transportation Systems | 7,761,679                           | 2,088,431                                    | 773,546                                   |
| 6   | Trust and building fee bonds       | 29,249,133                          | 33,062,008                                   | 7,219,785                                 |

## Annual Debt Service Requirements

Future debt service requirements at June 30, 2014 are as follows

| Fiscal year                       | Revenue bond obligations |                       |                       | State of Washington<br>General obligation bonds |                     |                      |
|-----------------------------------|--------------------------|-----------------------|-----------------------|---|---------------------|----------------------|
|                                   | Principal                | Interest              | Total                 | Principal                                       | Interest            | Total                |
| 2015                              | \$ 13,735,000            | \$ 24,317,438         | \$ 38,052,438         | \$ 2,920,000                                    | \$ 1,652,425        | \$ 4,572,425         |
| 2016                              | 15,240,000               | 23,421,375            | 38,661,375            | 3,075,000                                       | 1,492,320           | 4,567,320            |
| 2017                              | 15,830,000               | 22,818,216            | 38,648,216            | 3,045,000                                       | 1,320,500           | 4,365,500            |
| 2018                              | 16,455,000               | 22,202,415            | 38,657,415            | 2,810,000                                       | 1,149,725           | 3,959,725            |
| 2019                              | 17,145,000               | 21,516,808            | 38,661,808            | 2,890,000                                       | 985,350             | 3,875,350            |
| 2020–2024                         | 97,805,000               | 95,457,610            | 193,262,610           | 11,865,000                                      | 2,857,875           | 14,722,875           |
| 2025–2029                         | 114,400,000              | 70,835,872            | 185,235,872           | 5,020,000                                       | 379,025             | 5,399,025            |
| 2030–2034                         | 124,460,000              | 42,356,721            | 166,816,721           | -   | -                   | -                    |
| 2035–2039                         | 109,790,000              | 17,629,633            | 127,419,633           | -   | -                   | -                    |
| 2040–2044                         | 5,980,000                | 434,765               | 6,414,765             | -   | -                   | -                    |
| <b>Subtotal</b>                   | <b>530,840,000</b>       | <b>340,990,853</b>    | <b>871,830,853</b>    | <b>31,625,000</b>                               | <b>9,837,220</b>    | <b>41,462,220</b>    |
| Less: unamortized insurance costs | (849,087)                |                       | (849,087)             |   |                     |                      |
| Less: unamortized discounts       | (129,137)                |                       | (129,137)             |   |                     |                      |
| Plus: unamortized premiums        | 28,176,011               |                       | 28,176,011            |   |                     |                      |
| <b>Total</b>                      | <b>\$ 558,037,787</b>    | <b>\$ 340,990,853</b> | <b>\$ 899,028,640</b> | <b>\$ 31,625,000</b>                            | <b>\$ 9,837,220</b> | <b>\$ 41,462,220</b> |

## 14. Schedule of Long Term Liabilities

|   | Total amount issued  | Balance outstanding 6/30/2013 | Additions           | Reductions            | Balance outstanding 6/30/2014 | Current portion     |
|---|----------------------|-------------------------------|---------------------|-----------------------|-------------------------------|---------------------|
| Revenue and refundings bonds, net                 | \$ 578,185,000       | \$ 510,808,324                | \$ 60,344,344       | \$ (13,114,881)       | \$ 558,037,787                | \$ 13,735,000       |
| State of Washington general obligation bonds, net | 68,145,000           | 34,715,000                    | 2,355,000           | (5,445,000)           | 31,625,000                    | 2,920,000           |
| Capital leases                                    |                      | 20,789,946                    | 82,030              | (3,007,376)           | 17,864,600                    | 2,496,868           |
| Net pension obligation                            |                      | 33,557,585                    | 8,979,000           | (1,326,340)           | 41,210,245                    |                     |
| <b>Total</b>                                      | <b>\$646,330,000</b> | <b>\$599,870,855</b>          | <b>\$71,760,374</b> | <b>\$(22,893,597)</b> | <b>\$648,737,632</b>          | <b>\$19,151,868</b> |

## 15. 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), the Law Enforcement Officers' and Firefighters' Retirement System (LEOFF), cost sharing multiple-employer defined benefit pension plans administered by the State of Washington Department of Retirement Services and the Washington State University Retirement Plan (WSURP), a defined contribution pension plan with a supplemental payment to beneficiaries when required.

The University employs approximately 5,951 full-time employees eligible for participation in one of the four retirement plans.

For the year ended June 30, 2014, the payroll for employees covered by PERS was \$98,779,796, the payroll for employees covered by TRS was \$3,791,772, the payroll for employees covered by LEOFF was \$1,461,750 and the payroll for employees covered by the Washington State University Retirement Plan was \$263,397,933.

**PERS, TRS and LEOFF**

The state of Washington, through the Department of Retirement Systems, administers the PERS, TRS and LEOFF plans. Pension plans administered by the state are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, employee and employer contributions are recognized in the period in which employee services are performed; investment gains and losses are recognized as incurred; and benefits and refunds are recognized when due and payable in accordance with the terms of the applicable plan.

The authority to establish and amend benefit provisions resides with the legislature. PERS retirement benefit provisions are established in chapters 41.34 and 41.40 RCW, TRS retirement benefit provisions are established in chapters 41.32 and 41.34 RCW and LEOFF retirement benefits provisions are established in chapter 41.26 RCW. The plans may be amended only by the Legislature. The Washington State Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PERS, TRS and LEOFF. The report may be obtained by writing to the Department of Retirement Systems, PO Box 48380, Olympia, Washington 98504-8380 or online at [drs.wa.gov/administration](http://drs.wa.gov/administration).

**Plan Descriptions.** PERS Plan 1 provides retirement and disability benefits and minimum benefit increases beginning at age 66 to eligible nonacademic plan members hired prior to October 1, 1977. PERS Plans 2 and 3 provide retirement and disability benefits and a cost-of-living adjustment to eligible nonacademic plan members hired on or after October 1, 1977. Retirement benefits are vested after five years of eligible service. PERS Plan 3 has a defined contribution component that members may elect to self-direct as established by the Employee Retirement Benefits Board.

TRS 1 provides retirement and disability benefits, a lump sum death benefit, and minimum benefit increases beginning at age 65 to certain eligible faculty hired prior to October 1, 1977. TRS 2 and 3 provide retirement benefits and cost-of-living adjustment to certain eligible faculty hired on or after October 1, 1977. In addition, TRS 3 has a defined contribution component which is fully funded by employee contributions. Defined benefit plan benefits are vested after an employee completes five years of eligible service.

LEOFF 2 provides retirement benefits and a cost-of-living adjustment for eligible law enforcement officers. LEOFF System benefits are vested after an employee complete five years of eligible service.

**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.

The required contribution rates expressed as a percentage of current year covered payroll are shown below. The University and the employees made the required contributions.

**Federal Retirement Plans**

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

**Civil Service Retirement System**

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

As of June 30, 2014 the University had 8 employees enrolled in the plan.

**Federal Employees Retirement System**

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

As of June 30, 2014 the University had 9 employees enrolled in the plan.

### Contribution Rates and Required Contributions

The University's contribution rates and required contributions for the above retirement plans for the year ending June 30, 2014 are as follows

|                  | Contribution rates |            | Required contributions |            |
|------------------|--------------------|------------|------------------------|------------|
|                  | Employee           | University | Employee               | Employer   |
| <b>PERS</b>      |                    |            |                        |            |
| Plan 1           | 6.0%               | 9.21%      | \$ 168,175             | \$ 267,175 |
| Plan 2           | 4.92%              | 9.21%      | 3,146,773              | 5,891,915  |
| Plan 3           | 5.0–15.0%          | 9.21%      | 2,039,983              | 2,944,507  |
| <b>TRS</b>       |                    |            |                        |            |
| Plan 1           | 6.0%               | 10.39%     | 5,686                  | 9,521      |
| Plan 2           | 4.96%              | 10.39%     | 0.00                   | 0.00       |
| Plan 3           | 5.0–15%            | 10.39%     | 288,739                | 377,084    |
| <b>LEOFF</b>     |                    |            |                        |            |
| Plan 2           | 8.41%              | 8.59%      | 122,935                | 125,517    |
| <b>FED Plans</b> |                    |            |                        |            |
| CSRS             | 7.0%               | 7.0%       | 50,740                 | 50,740     |
| FERS             | 0.8%               | 11.9%      | \$ 4,886               | \$ 72,689  |

The University's actual retirement contributions to the above plans for the fiscal years ended June 30, 2014, 2013, and 2012 were

| Fiscal year ended |              | PERS        | TRS       | LEOFF     | CSRS     | FERS     |
|-------------------|--------------|-------------|-----------|-----------|----------|----------|
| 2014              | Rate         | 9.21%       | 10.39%    | 8.59%     | 7.00%    | 11.90%   |
| 2014              | Contribution | \$9,103,599 | \$386,605 | \$125,517 | \$50,740 | \$72,689 |
| 2013              | Rate         | 7.21%       | 8.05%     | 8.62%     | 7.00%    | 11.90%   |
| 2013              | Contribution | \$6,777,706 | \$136,907 | \$119,947 | \$58,951 | \$87,162 |
| 2012              | Rate         | 7.08%       | 8.04%     | 8.62%     | 7.00%    | 11.90%   |
| 2012              | Contribution | \$6,645,613 | \$74,419  | \$116,926 | \$81,278 | \$95,689 |

### Washington State University Retirement Plan

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

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

WSURP has a supplemental payment component that guarantees a minimum retirement benefit goal based upon a one-time calculation at each employee's retirement date. The University makes direct payments to qualifying retirees when the retirement benefit provided by TIAA-CREF does not meet the benefit goal. Employees are eligible for a non-reduced supplemental payment after the age of 65 with ten years of full-time service.

The minimum retirement benefit goal is 2% of the average annual salary for each year of full-time service up to a maximum of 25 years. However, if the participant does not elect to make the 10% TIAA-CREF contribution after age 49, the benefit goal is 1.5% for each year of full-time service for those years the lower contribution rate is selected.

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

**Contributions.** Contribution rates for the WSURP (TIAA-CREF), which are based upon age, are 5%, 7.5% or 10% of salary and are matched by the University. Employee and employer contributions for the year ended June 30, 2014 were each \$21,897,849. Supplemental payments made by the University for the year ended June 30, 2014 were \$1,326,339.

The University's actual retirement contributions to the plan for the years ended June 30, 2014, 2013, and 2012 were:

| <b>Fiscal year ended</b> | <b>Rate</b> | <b>Contributions</b> | <b>Supplemental payments</b> |
|--------------------------|-------------|----------------------|------------------------------|
| 2014                     | 5%–10%      | \$21,897,849         | \$1,326,339                  |
| 2013                     | 5%–10%      | 20,329,453           | 1,275,987                    |
| 2012                     | 5%–10%      | 19,431,402           | 1,181,004                    |

The WSURP supplemental pension benefits are unfunded and charged to operations in the years in which they are paid. The University makes no contributions other than benefit payments and there are no plan assets. An actuarial study of the supplemental pension benefits was performed as of July 1, 2013. The actuarial assumptions for the evaluation included an investment rate of return of 4.25% and projected salary increases of 2% per year for two years and 4% per year thereafter. Based on assumptions made regarding expected benefit payments, the actuary presents a cash flow projection rather than an actuarial funding plan to liquidate unfunded liabilities. The University uses this cash flow projection to budget annual amounts to provide funds for these benefits. The unfunded actuarial accrued liability calculated at July 1, 2013 was \$60,742,000 under the plan's entry age normal method and is amortized over a 11 year period. The annual required contribution (ARC) is projected at \$8,979,000. The net pension obligation is the cumulative excess, if any, of the ARC over the actual benefit payments and is reported as a liability on the University's financial statements. The net pension obligation as of June 30, 2014 is \$41,210,245.

#### **Other Post-Employment Benefits**

Health care and life insurance programs for employees of the state of Washington are administered by the Washington State Health Care Authority (HCA). The HCA calculates the premium amounts each year that are sufficient to fund the statewide health and life insurance programs on a pay-as-you-go basis. These costs are passed through to individual state agencies based upon active employee headcount; the agencies pay the premiums for active employees to the HCA. The agencies may also charge employees for certain higher cost options elected by the employee.

State of Washington retirees may elect coverage through state health and life insurance plans, for which they pay less than the full cost of the benefits, based on their age and other demographic factors. The health care premiums for active employees, which are paid by the agency during the employees' working careers, subsidize the "underpayments" of retirees. An additional factor in the OPEB obligation is a payment that is required by the State Legislature to reduce the premiums for retirees covered by Medicare (an "explicit" subsidy). This explicit subsidy is also passed through to state agencies via active employee rates charged to the agency. There is no formal state or University plan that underlies the subsidy of retiree health and life insurance.

The state of Washington funds OPEB obligations at a state-wide level on a pay-as-you-go basis. Disclosure information, as required under GASB Statement No. 45, does not exist at department levels, and as a result, the AAL is not available for the University. The state of Washington's Comprehensive Annual Financial Report (CAFR) includes the state's measurement and recognition of OPEB expense/expenditures, liabilities, note disclosures, and required supplementary information specified by GASB Statement No. 45. The State Actuary's report is available at [osa.leg.wa.gov/Actuarial\\_Services/OPEB/OPEB.htm](http://osa.leg.wa.gov/Actuarial_Services/OPEB/OPEB.htm).

The University paid \$57.1 million for healthcare expenses in 2014, which included its pay-as-you-go portion of the OPEB liability, calculated by the actuary at \$99 million for 2014.

## 16. Operating Expenses by Program

In the Statement of Revenues, Expenses and Changes in Net Position, operating expenses are displayed by natural classifications, such as salaries, benefits, and supplies. The table below summarizes operating expenses by program or function such as instruction, research, and academic support. The following table lists operating expenses by program for the fiscal year ending June 30, 2014.

|                                    | <b>Compensation and benefits</b> | <b>Supplies and services</b> | <b>Scholarships and fellowships</b> | <b>Depreciation</b>  | <b>Total</b>          |
|------------------------------------|----------------------------------|------------------------------|-------------------------------------|----------------------|-----------------------|
| Instruction                        | \$ 193,530,323                   | \$ 19,927,666                |                                     |                      | \$ 213,457,989        |
| Research                           | 123,131,472                      | 70,388,234                   |                                     |                      | 193,519,706           |
| Public service                     | 31,199,598                       | 8,627,573                    |                                     |                      | 39,827,171            |
| Academic support                   | 55,725,015                       | 17,039,495                   |                                     |                      | 72,764,510            |
| Student services                   | 24,160,138                       | 5,425,748                    |                                     |                      | 29,585,886            |
| Institutional support              | 49,683,892                       | 21,395,861                   |                                     |                      | 71,079,753            |
| Operation and maintenance of plant | 24,811,912                       | 47,946,339                   |                                     |                      | 72,758,251            |
| Auxiliary enterprises              | 69,982,677                       | 72,183,667                   |                                     |                      | 142,166,344           |
| Student financial aid              |                                  |                              | \$ 73,029,774                       |                      | 73,029,774            |
| Depreciation                       |                                  |                              |                                     | \$ 86,946,412        | 86,946,412            |
| <b>Total operating expenses</b>    | <b>\$ 572,225,027</b>            | <b>\$ 262,934,583</b>        | <b>\$ 73,029,774</b>                | <b>\$ 86,946,412</b> | <b>\$ 995,135,796</b> |

## 17. Commitments and Contingencies

There is a class action filed against the State of Washington on behalf of certain employees alleging improper denial of healthcare benefits. Although WSU has not been named as a defendant in the lawsuit, some of the class members are current or former employees of the University. Potentially, the state could assess the University with a material share of any amount paid in the event of a settlement or judgment. Due to the status of the lawsuit, the impact upon the University cannot be assessed with reasonable certainty at present.

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

The University has commitments of \$101,852,472 for various capital improvement projects that include construction and completion of new buildings and renovations of existing buildings.

## 18. Merger of WSU Research Foundation with WSU

In January 2013, the Washington State University Board of Regents voted to dissolve the Washington State University Research Foundation (WSURF) and merge its operations into the University. WSURF was a Section 501(c)(3) Washington nonprofit corporation. WSURF was created to manage the transfer of technology through the commercialization and licensing of inventions and other intellectual property. WSURF also managed the Washington State University Research Park. As part of this merger, WSURF transferred cash, buildings, improvements, equipment, security deposits and unearned revenue to the University. No significant adjustments were needed to bring the assets into conformity with WSU's accounting policies. No transferred assets were impaired.

As of June 30, 2014, the merger was complete. The value of the assets transferred to and recognized by WSU are detailed in the table below

|  |                     |
|--|---------------------|
| <b>Assets</b>  |                     |
| Cash   | \$ 1,271,486        |
| <b>Capital assets</b>  |                     |
| Building   | 2,788,423           |
| Improvements   | 589,219             |
| Accumulated depreciation                                       | (1,817,417)         |
| Equipment  | 70,424              |
| Accumulated depreciation                                       | (61,837)            |
| Capital Assets, net  | 1,568,812           |
| Total assets transferred                                       | 2,840,298           |
| <b>Liabilities</b>   |                     |
| Liabilities transferred  | (226,971)           |
| <b>Net value of assets and liabilities transferred to WSU*</b> | <b>\$ 2,613,327</b> |

\*Capital assets were transferred at book value with no adjustments. No liabilities or deferred inflows or outflows were transferred.

## 19. Subsequent Events

Sometime between November and February of 2015, the University will issue General Revenue Bonds in the amount of approximately \$93.5 million. \$55 million will be used to fund the construction of a new academic digital classroom building on the Pullman campus. An estimated \$16 million will be used to construct a health clinic on the Spokane campus and \$7.5 million will be spent on public safety projects. \$15 million will be used to refund existing bonds.



The Animal Disease Biotechnology Facility is home to some of the core research done by the College of Veterinary Medicine and the Paul G. Allen School for Global Animal Health. Researchers located here focus primarily on solving diseases in agricultural animals.

## Statistical Section



The Compton Union Building (CUB) serves as the heartbeat of campus life, offering a variety of student activities, multiple dining options, and plenty of comfortable seating.



This arch is a three-quarter-size replica of the original 36-foot-tall arch dedicated in 1905 that served as the University's primary entry point for pedestrians. The replica was constructed in 2003, a gift from the classes of 1947 and 1997. The arch is located on the walkway behind the WSU president's home.



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## Net Position by Component

Last Ten Fiscal Years

IN THOUSANDS

| Fiscal year ended June 30,       | 2014                | 2013                | 2012                | 2011                | 2010                | 2009                | 2008                | 2007                | 2006                | 2005                |
|----------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|                                  | AS RESTATED         |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Net investment in capital assets | \$ 948,421          | \$ 921,456          | \$ 937,138          | \$ 944,850          | \$ 940,143          | \$ 954,112          | \$ 875,094          | \$ 839,086          | \$ 777,404          | \$ 769,249          |
| Restricted nonexpendable         | 471,364             | 443,585             | 434,224             | 418,321             | 415,394             | 384,439             | 371,530             | 348,845             | 333,974             | 372,287             |
| Restricted loans                 | 27,527              | 26,913              | 28,211              | 27,493              | 28,050              | 26,936              | 25,743              | 25,043              | 25,009              | 24,430              |
| Restricted expendable            | 236,173             | 227,027             | 181,044             | 152,762             | 84,230              | 72,704              | 97,040              | 87,044              | 69,361              | 25,443              |
| Unrestricted                     | 97,325              | 123,803             | 101,155             | 91,734              | 81,791              | 72,032              | 69,686              | 67,029              | 61,232              | 52,385              |
| <b>Total net position</b>        | <b>\$ 1,780,811</b> | <b>\$ 1,742,784</b> | <b>\$ 1,681,772</b> | <b>\$ 1,635,161</b> | <b>\$ 1,549,608</b> | <b>\$ 1,510,223</b> | <b>\$ 1,439,093</b> | <b>\$ 1,367,048</b> | <b>\$ 1,266,979</b> | <b>\$ 1,243,793</b> |

EXPRESSED AS A PERCENT OF THE TOTAL

| Fiscal year ended June 30,              | 2014         | 2013         | 2012         | 2011         | 2010         | 2009         | 2008         | 2007         | 2006         | 2005         |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|   | %            | %            | %            | %            | %            | %            | %            | %            | %            | %            |
| Invested in capital assets, net of debt | 53.3         | 52.9         | 55.8         | 57.8         | 60.7         | 63.2         | 60.8         | 61.4         | 61.4         | 61.8         |
| Restricted nonexpendable                | 26.5         | 25.5         | 25.8         | 25.6         | 26.8         | 25.5         | 25.8         | 25.5         | 26.4         | 29.9         |
| Restricted loans                        | 1.5          | 1.5          | 1.7          | 1.7          | 1.8          | 1.8          | 1.8          | 1.8          | 2.0          | 2.0          |
| Restricted expendable                   | 13.3         | 13.0         | 10.7         | 9.3          | 5.4          | 4.8          | 6.7          | 6.4          | 5.5          | 2.0          |
| Unrestricted                            | 5.5          | 7.1          | 6.0          | 5.6          | 5.3          | 4.8          | 4.8          | 4.9          | 4.8          | 4.2          |
| <b>Total net position</b>               | <b>100.0</b> |

PERCENTAGE INCREASE (DECREASE) FROM PRIOR YEAR

| Fiscal year ended June 30,              | 2014       | 2013       | 2012       | 2011       | 2010       | 2009       | 2008       | 2007       | 2006       | 2005       |
|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
|   | %          | %          | %          | %          | %          | %          | %          | %          | %          | %          |
| Invested in capital assets, net of debt | 2.9        | (2.0)      | (0.5)      | 0.5        | (1.5)      | 9.0        | 4.3        | 7.9        | 1.1        | 7.1        |
| Restricted nonexpendable                | 6.3        | 2.2        | 3.8        | 0.7        | 8.1        | 3.5        | 6.5        | 4.5        | (10.3)     | 5.7        |
| Restricted loans                        | 2.3        | (4.6)      | 2.6        | (2.0)      | 4.1        | 4.6        | 2.8        | 0.1        | 2.4        | 3.9        |
| Restricted expendable                   | 4.0        | 25.4       | 18.5       | 81.4       | 15.9       | (25.1)     | 11.5       | 25.5       | 172.6      | 21.5       |
| Unrestricted                            | (21.4)     | 22.4       | 10.3       | 12.2       | 13.5       | 3.4        | 4.0        | 9.5        | 16.9       | (10.8)     |
| <b>Total net position</b>               | <b>2.2</b> | <b>3.4</b> | <b>3.0</b> | <b>5.5</b> | <b>2.6</b> | <b>4.9</b> | <b>5.3</b> | <b>7.9</b> | <b>1.9</b> | <b>6.0</b> |

Some figures may not total due to rounding.

# Changes in Net Position

## Last Ten Fiscal Years

IN THOUSANDS

| Fiscal year ended June 30,                    | 2014             | 2013             | 2012             | 2011             | 2010             | 2009             | 2008             | 2007              | 2006             | 2005             |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|
| AS RESTATED                                   |                  |                  |                  |                  |                  |                  |                  |                   |                  |                  |
| <b>Revenues</b>                               |                  |                  |                  |                  |                  |                  |                  |                   |                  |                  |
| <b>Operating revenues</b>                     |                  |                  |                  |                  |                  |                  |                  |                   |                  |                  |
| Tuition and fee revenue, net                  | \$ 290,508       | \$ 277,447       | \$ 252,695       | \$ 219,672       | \$ 194,836       | \$ 173,288       | \$ 155,785       | \$ 143,481        | \$ 133,648       | \$ 124,749       |
| Federal grants and contracts                  | 125,505          | 132,106          | 129,360          | 126,127          | 117,239          | 98,599           | 111,917          | 108,412           | 105,417          | 107,637          |
| State grants and contracts                    | 94,111           | 86,698           | 73,095           | 61,472           | 56,178           | 50,118           | 45,724           | 46,691            | 41,621           | 38,968           |
| Local grants and contracts                    | 29,287           | 31,522           | 32,238           | 38,690           | 31,971           | 34,674           | 32,017           | 30,769            | 25,437           | 27,514           |
| Sales and services of educational departments | 20,199           | 19,220           | 20,660           | 18,981           | 18,635           | 18,909           | 17,782           | 15,564            | 15,007           | 13,824           |
| Auxiliary enterprises                         | 133,891          | 131,852          | 117,422          | 104,438          | 107,875          | 101,126          | 95,146           | 87,824            | 84,106           | 80,023           |
| Other operating revenues                      | 9,306            | 10,698           | 13,337           | 12,383           | 15,148           | 19,600           | 21,011           | 20,652            | 18,998           | 18,823           |
| <b>Total operating revenues</b>               | <b>702,807</b>   | <b>689,543</b>   | <b>638,807</b>   | <b>581,762</b>   | <b>541,883</b>   | <b>496,315</b>   | <b>479,383</b>   | <b>453,393</b>    | <b>424,233</b>   | <b>411,539</b>   |
| <b>Expenses</b>                               |                  |                  |                  |                  |                  |                  |                  |                   |                  |                  |
| <b>Operating expenses</b>                     |                  |                  |                  |                  |                  |                  |                  |                   |                  |                  |
| Salaries and wages                            | 438,173          | 412,203          | 392,582          | 392,810          | 389,495          | 396,068          | 382,877          | 354,581           | 334,758          | 319,922          |
| Benefits                                      | 134,052          | 126,895          | 124,272          | 122,793          | 114,148          | 104,431          | 109,312          | 93,656            | 91,616           | 82,758           |
| Scholarships and fellowships                  | 73,030           | 55,097           | 55,204           | 54,094           | 51,651           | 45,473           | 41,735           | 39,418            | 33,606           | 32,660           |
| Utilities                                     | 25,977           | 25,688           | 25,105           | 27,340           | 26,634           | 27,566           | 32,508           | 28,532            | 30,188           | 25,405           |
| Payments to suppliers                         | 149,030          | 132,921          | 119,198          | 118,133          | 121,200          | 127,320          | 130,494          | 115,649           | 108,326          | 107,606          |
| Purchased services                            | 87,927           | 86,197           | 72,256           | 68,597           | 53,233           | 50,925           | 50,031           | 47,325            | 42,239           | 41,923           |
| Other operating expenses                      | 0                | 0                | 0                | 0                | 0                | 1,381            | 1,743            | 1,780             | 1,888            | 1,716            |
| Depreciation                                  | 86,946           | 84,701           | 77,614           | 74,475           | 73,516           | 68,493           | 64,558           | 50,595            | 56,279           | 52,396           |
| <b>Total operating expenses</b>               | <b>995,136</b>   | <b>923,702</b>   | <b>866,230</b>   | <b>858,242</b>   | <b>829,878</b>   | <b>821,658</b>   | <b>813,258</b>   | <b>731,536</b>    | <b>698,901</b>   | <b>664,386</b>   |
| <b>Operating loss</b>                         | <b>(292,329)</b> | <b>(234,159)</b> | <b>(227,423)</b> | <b>(276,480)</b> | <b>(287,996)</b> | <b>(325,343)</b> | <b>(333,875)</b> | <b>(278,142)</b>  | <b>(274,668)</b> | <b>(252,847)</b> |
| <b>Non-operating revenues (expenses)</b>      |                  |                  |                  |                  |                  |                  |                  |                   |                  |                  |
| State appropriations                          | 176,034          | 151,004          | 153,354          | 189,243          | 206,284          | 246,599          | 245,464          | 221,288           | 209,657          | 195,794          |
| Federal appropriations                        | 10,733           | 10,256           | 10,760           | 10,213           | 8,685            | 8,611            | 10,859           | 9,213             | 9,730            | 8,550            |
| Federal Pell Grants                           | 33,746           | 31,136           | 30,467           | 29,009           | 25,812           | 17,403           | 0                | 0                 | 0                | 0                |
| Interest on capital assets-related debt       | (25,071)         | (16,925)         | (17,108)         | (16,266)         | (13,860)         | (13,870)         | (15,132)         | (11,711)          | (11,044)         | (11,237)         |
| Federal bond interest subsidy                 | 2,681            | 2,913            | 2,913            | 2,259            | 0                | 0                | 0                | 0                 | 0                | 0                |
| Gifts and contributions                       | 35,841           | 29,997           | 27,679           | 26,513           | 19,834           | 21,037           | 26,743           | 19,241            | 18,358           | 14,107           |
| Investment income, net of expense             | 73,309           | 46,150           | 49,256           | 45,919           | 56,556           | 19,675           | 66,786           | 57,233            | 29,754           | 44,797           |
| Other non-operating revenues (expenses)       | 896              | 167              | (3,622)          | (281)            | 775              | (4,721)          | 4,016            | 9,878             | (457)            | 6,232            |
| <b>Net non-operating revenues</b>             | <b>308,169</b>   | <b>254,698</b>   | <b>253,699</b>   | <b>286,610</b>   | <b>304,087</b>   | <b>294,735</b>   | <b>338,735</b>   | <b>305,142</b>    | <b>255,998</b>   | <b>258,243</b>   |
| <b>Income before other revenues</b>           | <b>15,839</b>    | <b>20,539</b>    | <b>26,275</b>    | <b>10,130</b>    | <b>16,092</b>    | <b>(30,608)</b>  | <b>4,860</b>     | <b>26,999</b>     | <b>(18,669)</b>  | <b>5,396</b>     |
| Capital appropriations                        | 8,725            | 34,357           | 18,674           | 40,099           | 19,542           | 94,290           | 59,763           | 72,324            | 41,402           | 61,782           |
| Capital grants and gifts                      | 13,370           | 5,987            | 4,535            | 35,133           | 3,354            | 7,059            | 7,203            | 201               | 318              | 333              |
| Additions to permanent endowments             | 92               | 129              | 187              | 192              | 397              | 388              | 219              | 544               | 135              | 2,884            |
| <b>Increase (decrease) in net position</b>    | <b>\$ 38,027</b> | <b>\$ 61,012</b> | <b>\$ 49,672</b> | <b>\$ 85,553</b> | <b>\$ 39,385</b> | <b>\$ 71,130</b> | <b>\$ 72,045</b> | <b>\$ 100,069</b> | <b>\$ 23,186</b> | <b>\$ 70,395</b> |

## Changes in Net Position-continued

Last Ten Fiscal Years

IN THOUSANDS

| Fiscal year ended June 30,                 | 2014             | 2013             | 2012             | 2011             | 2010             | 2009             | 2008             | 2007              | 2006             | 2005             |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|
| AS RESTATED                                |                  |                  |                  |                  |                  |                  |                  |                   |                  |                  |
| Total revenues                             | \$ 1,058,234     | \$ 1,001,639     | \$ 936,632       | \$ 960,342       | \$ 883,123       | \$ 911,378       | \$ 900,435       | \$ 843,315        | \$ 733,588       | \$ 746,019       |
| Total expenses                             | 1,020,207        | 940,627          | 886,960          | 874,789          | 843,738          | 840,249          | 828,390          | 743,247           | 710,401          | 675,624          |
| <b>Increase (decrease) in net position</b> | <b>\$ 38,027</b> | <b>\$ 61,012</b> | <b>\$ 49,672</b> | <b>\$ 85,553</b> | <b>\$ 39,385</b> | <b>\$ 71,130</b> | <b>\$ 72,045</b> | <b>\$ 100,069</b> | <b>\$ 23,186</b> | <b>\$ 70,395</b> |

EXPRESSED AS A PERCENT OF TOTAL REVENUES/TOTAL EXPENSES

| Fiscal year ended June 30,                    | 2014          | 2013          | 2012          | 2011          | 2010          | 2009          | 2008          | 2007          | 2006          | 2005          |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|   | %             | %             | %             | %             | %             | %             | %             | %             | %             | %             |
| <b>Revenues</b>                               |               |               |               |               |               |               |               |               |               |               |
| <b>Operating revenues</b>                     |               |               |               |               |               |               |               |               |               |               |
| Tuition and fee revenue, net                  | 27.5          | 27.7          | 27.0          | 22.9          | 22.1          | 19.0          | 17.3          | 17.0          | 18.2          | 16.7          |
| Federal grants and contracts                  | 11.9          | 13.2          | 13.8          | 13.1          | 13.3          | 10.8          | 12.4          | 12.9          | 14.4          | 14.4          |
| State grants and contracts                    | 8.9           | 8.7           | 7.8           | 6.4           | 6.4           | 5.5           | 5.1           | 5.5           | 5.7           | 5.2           |
| Local grants and contracts                    | 2.8           | 3.1           | 3.4           | 4.0           | 3.6           | 3.8           | 3.6           | 3.6           | 3.5           | 3.7           |
| Sales and services of educational departments | 1.9           | 1.9           | 2.2           | 2.0           | 2.1           | 2.1           | 2.0           | 1.8           | 2.0           | 1.9           |
| Auxiliary enterprises                         | 12.7          | 13.2          | 12.5          | 10.9          | 12.2          | 11.1          | 10.6          | 10.4          | 11.5          | 10.7          |
| Other operating revenues                      | 0.9           | 1.1           | 1.4           | 1.3           | 1.7           | 2.2           | 2.3           | 2.4           | 2.6           | 2.5           |
| <b>Total operating revenues</b>               | <b>66.5</b>   | <b>68.9</b>   | <b>68.2</b>   | <b>60.6</b>   | <b>61.4</b>   | <b>54.5</b>   | <b>53.2</b>   | <b>53.8</b>   | <b>57.8</b>   | <b>55.2</b>   |
| <b>Expenses</b>                               |               |               |               |               |               |               |               |               |               |               |
| <b>Operating expenses</b>                     |               |               |               |               |               |               |               |               |               |               |
| Salaries and wages                            | 42.9          | 43.8          | 44.3          | 44.9          | 46.2          | 47.1          | 46.2          | 47.7          | 47.1          | 47.4          |
| Benefits                                      | 13.1          | 13.5          | 14.0          | 14.0          | 13.5          | 12.4          | 13.2          | 12.6          | 12.9          | 12.2          |
| Scholarships and fellowships                  | 7.2           | 5.9           | 6.2           | 6.2           | 6.1           | 5.4           | 5.0           | 5.3           | 4.7           | 4.8           |
| Utilities                                     | 2.5           | 2.7           | 2.8           | 3.1           | 3.2           | 3.3           | 3.9           | 3.8           | 4.2           | 3.8           |
| Payments to suppliers                         | 14.6          | 14.1          | 13.4          | 13.5          | 14.4          | 15.2          | 15.8          | 15.6          | 15.2          | 15.9          |
| Purchased services                            | 8.6           | 9.2           | 8.1           | 7.8           | 6.3           | 6.1           | 6.0           | 6.4           | 5.9           | 6.2           |
| Other operating expenses                      | 0.0           | 0.0           | 0.0           | 0.0           | 0.0           | 0.2           | 0.2           | 0.2           | 0.3           | 0.3           |
| Depreciation                                  | 8.5           | 9.0           | 8.8           | 8.5           | 8.7           | 8.2           | 7.8           | 6.8           | 7.9           | 7.8           |
| <b>Total operating expenses</b>               | <b>97.5</b>   | <b>98.2</b>   | <b>97.7</b>   | <b>98.1</b>   | <b>98.4</b>   | <b>97.8</b>   | <b>98.2</b>   | <b>98.4</b>   | <b>98.4</b>   | <b>98.3</b>   |
| <b>Operating loss</b>                         | <b>(31.0)</b> | <b>(29.3)</b> | <b>(29.5)</b> | <b>(37.5)</b> | <b>(37.0)</b> | <b>(43.3)</b> | <b>(44.9)</b> | <b>(44.7)</b> | <b>(40.6)</b> | <b>(43.2)</b> |
| <b>Non-operating revenues (expenses)</b>      |               |               |               |               |               |               |               |               |               |               |
| State appropriations                          | 16.6          | 15.1          | 16.4          | 19.7          | 23.4          | 27.1          | 27.3          | 26.2          | 28.6          | 26.2          |
| Federal appropriations                        | 1.0           | 1.0           | 1.1           | 1.1           | 1.0           | 0.9           | 1.2           | 1.1           | 1.3           | 1.1           |
| Federal Pell Grants                           | 3.2           | 3.1           | 3.3           | 3.0           | 2.9           | 1.9           | 0.0           | 0.0           | 0.0           | 0.0           |
| Interest on capital assets-related debt       | (2.5)         | (1.8)         | (1.9)         | (1.9)         | (1.6)         | (1.7)         | (1.8)         | (1.6)         | (1.6)         | (1.7)         |
| Federal bond interest subsidy                 | 0.3           | 0.3           | 0.3           | 0.2           | 0.0           | 0.0           | 0.0           | 0.0           | 0.0           | 0.0           |
| Gifts and contributions                       | 3.4           | 3.0           | 3.0           | 2.8           | 2.2           | 2.3           | 3.0           | 2.3           | 2.5           | 1.9           |
| Investment income, net of expense             | 6.9           | 4.6           | 5.3           | 4.8           | 6.4           | 2.2           | 7.4           | 6.8           | 4.1           | 6.0           |
| Other non-operating revenues (expenses)       | 0.1           | (0.0)         | (0.4)         | (0.0)         | 0.1           | (0.6)         | 0.4           | 1.2           | (0.1)         | 0.8           |
| <b>Net non-operating revenues</b>             | <b>29.0</b>   | <b>25.3</b>   | <b>27.0</b>   | <b>29.7</b>   | <b>34.4</b>   | <b>32.2</b>   | <b>37.5</b>   | <b>36.0</b>   | <b>34.8</b>   | <b>34.5</b>   |
| <b>Income before other revenues</b>           | <b>(4.0)</b>  | <b>(4.0)</b>  | <b>(2.5)</b>  | <b>(7.9)</b>  | <b>(2.6)</b>  | <b>(11.2)</b> | <b>(7.5)</b>  | <b>(8.7)</b>  | <b>(5.7)</b>  | <b>(8.7)</b>  |
| Capital appropriations                        | .8            | 3.4           | 2.0           | 4.2           | 2.2           | 10.3          | 6.6           | 8.6           | 5.6           | 8.3           |
| Capital grants and gifts                      | 1.3           | 0.6           | 0.5           | 3.7           | 0.4           | 0.8           | 0.8           | 0.0           | 0.0           | 0.0           |
| Additions to permanent endowments             | 0.0           | 0.0           | 0.0           | 0.0           | 0.0           | 0.0           | 0.0           | 0.1           | 0.0           | 0.4           |
| <b>Increase (decrease) in net position</b>    | <b>(2.0)</b>  | <b>(4.3)</b>  | <b>(2.5)</b>  | <b>(7.9)</b>  | <b>(2.6)</b>  | <b>(11.2)</b> | <b>(7.5)</b>  | <b>(8.7)</b>  | <b>(5.7)</b>  | <b>(8.7)</b>  |

Some figures may not total due to rounding.

## Changes in Net Position-continued

### Last Ten Fiscal Years

PERCENTAGE INCREASE (DECREASE) FROM PRIOR YEAR

| Fiscal year ended June 30,                    | 2014          | 2013          | 2012          | 2011          | 2010           | 2009           | 2008          | 2007           | 2006           | 2005           |
|---|---------------|---------------|---------------|---------------|----------------|----------------|---------------|----------------|----------------|----------------|
|   | AS RESTATED   |               |               |               |                |                |               |                |                |                |
|   | %             | %             | %             | %             | %              | %              | %             | %              | %              | %              |
| <b>Revenues</b>                               |               |               |               |               |                |                |               |                |                |                |
| <b>Operating revenues</b>                     |               |               |               |               |                |                |               |                |                |                |
| Tuition and fee revenue, net                  | 4.7           | 9.8           | 15.0          | 12.7          | 12.4           | 11.2           | 8.6           | 7.4            | 7.1            | 10.6           |
| Federal grants and contracts                  | (5.0)         | 2.1           | 2.6           | 7.6           | 18.9           | (11.9)         | 3.2           | 2.8            | (2.1)          | 4.0            |
| State grants and contracts                    | 8.6           | 18.6          | 18.9          | 9.4           | 12.1           | 9.6            | (2.1)         | 12.2           | 6.8            | 8.2            |
| Local grants and contracts                    | (7.1)         | (2.2)         | (16.7)        | 21.0          | (7.8)          | 8.3            | 4.1           | 21.0           | (7.6)          | 49.6           |
| Sales and services of educational departments | 5.1           | (7.0)         | 8.8           | 1.9           | (1.4)          | 6.3            | 14.3          | 3.7            | 8.6            | 4.0            |
| Auxiliary enterprises                         | 1.5           | 12.3          | 12.4          | (3.2)         | 6.7            | 6.3            | 8.3           | 4.4            | 5.1            | 5.3            |
| Other operating revenues                      | (13.0)        | (19.8)        | 7.7           | (18.3)        | (22.7)         | (6.7)          | 1.7           | 8.7            | 0.9            | (1.0)          |
| <b>Total operating revenues</b>               | <b>1.9</b>    | <b>7.9</b>    | <b>9.8</b>    | <b>7.4</b>    | <b>9.2</b>     | <b>3.5</b>     | <b>5.7</b>    | <b>6.9</b>     | <b>3.1</b>     | <b>8.6</b>     |
| <b>Expenses</b>                               |               |               |               |               |                |                |               |                |                |                |
| <b>Operating expenses</b>                     |               |               |               |               |                |                |               |                |                |                |
| Salaries and wages                            | 6.3           | 5.0           | (0.1)         | 0.9           | (1.7)          | 3.4            | 8.0           | 5.9            | 4.6            | 4.1            |
| Benefits                                      | 5.6           | 2.1           | 1.2           | 7.6           | 9.3            | (4.5)          | 16.7          | 2.2            | 10.7           | 10.8           |
| Scholarships and fellowships                  | 32.5          | (0.2)         | 2.1           | 4.7           | 13.6           | 9.0            | 5.9           | 17.3           | 2.9            | 4.2            |
| Utilities                                     | 1.1           | 2.3           | (8.2)         | 2.7           | (3.4)          | (15.2)         | 13.9          | (5.5)          | 18.8           | 10.5           |
| Payments to suppliers                         | 12.1          | 11.5          | 0.9           | (2.5)         | (4.8)          | (2.4)          | 12.8          | 6.8            | 0.7            | 12.0           |
| Purchased services                            | 2.0           | 19.3          | 5.3           | 28.9          | 4.5            | 1.8            | 5.7           | 12.0           | 0.8            | 0.5            |
| Other operating expenses                      | n/a           | n/a           | n/a           | n/a           | (100.0)        | (20.8)         | (2.0)         | (5.7)          | 10.0           | (2.7)          |
| Depreciation                                  | 2.7           | 9.1           | 4.2           | 1.3           | 7.3            | 6.1            | 27.6          | (10.1)         | 7.4            | (5.2)          |
| <b>Total operating expenses</b>               | <b>7.7</b>    | <b>6.6</b>    | <b>0.9</b>    | <b>3.4</b>    | <b>1.0</b>     | <b>1.0</b>     | <b>11.2</b>   | <b>4.7</b>     | <b>5.2</b>     | <b>5.3</b>     |
| <b>Operating loss</b>                         | <b>24.8</b>   | <b>3.0</b>    | <b>(17.7)</b> | <b>(4.0)</b>  | <b>(11.5)</b>  | <b>(2.6)</b>   | <b>20.0</b>   | <b>1.3</b>     | <b>8.6</b>     | <b>0.3</b>     |
| <b>Non-operating revenues (expenses)</b>      |               |               |               |               |                |                |               |                |                |                |
| State appropriations                          | 16.6          | (1.5)         | (19.0)        | (8.3)         | (16.3)         | 0.5            | 10.9          | 5.5            | 7.1            | 5.2            |
| Federal appropriations                        | 4.6           | (4.7)         | 5.4           | 17.6          | 0.9            | (20.7)         | 17.9          | (5.3)          | 13.8           | (11.3)         |
| Federal Pell Grants                           | 8.4           | 2.2           | 5.0           | 12.4          | 48.3           | n/a            | n/a           | n/a            | n/a            | n/a            |
| Interest on capital assets-related debt       | 48.1          | (1.1)         | 5.2           | 17.4          | (0.1)          | (8.3)          | 29.2          | 6.0            | (1.7)          | 13.4           |
| Federal bond interest subsidy                 | (7.9)         | 0             | 28.9          | 100.0         | n/a            | n/a            | n/a           | n/a            | n/a            | n/a            |
| Gifts and contributions                       | 19.5          | 8.4           | 4.4           | 33.7          | (5.7)          | (21.3)         | 39.0          | 4.8            | 30.1           | 387.4          |
| Investment income, net of expense             | 58.8          | (6.3)         | 7.3           | (18.8)        | 187.4          | (70.5)         | 16.7          | 92.4           | (33.6)         | (11.5)         |
| Other non-operating revenues (expenses)       | 437.9         | (104.6)       | 1,190.8       | (136.2)       | (116.4)        | (217.5)        | (59.3)        | (2,261.4)      | (107.3)        | 163.4          |
| <b>Net non-operating revenues</b>             | <b>(0.8)</b>  | <b>(0.8)</b>  | <b>(11.5)</b> | <b>(5.7)</b>  | <b>3.2</b>     | <b>(13.0)</b>  | <b>11.0</b>   | <b>19.2</b>    | <b>(0.9)</b>   | <b>6.8</b>     |
| <b>Income before other revenues</b>           | <b>(33.5)</b> | <b>(33.5)</b> | <b>159.4</b>  | <b>(37.0)</b> | <b>(152.6)</b> | <b>(729.8)</b> | <b>(82.0)</b> | <b>(244.6)</b> | <b>(446.0)</b> | <b>(152.4)</b> |
| Capital appropriations                        | (100.0)       | 84.0          | (53.4)        | 105.2         | (79.3)         | 57.8           | (17.4)        | 74.7           | (33.0)         | 13.8           |
| Capital grants and gifts                      | (100.0)       | 32.0          | (87.1)        | 947.5         | (52.5)         | (2.0)          | 3,479.8       | (36.7)         | (4.6)          | (50.7)         |
| Additions to permanent endowments             | (100.0)       | (30.8)        | (2.9)         | (51.6)        | 2.4            | 77.6           | (59.8)        | 302.0          | (95.3)         | (72.5)         |
| <b>Increase (decrease) in net position</b>    | <b>16.7</b>   | <b>16.7</b>   | <b>(41.9)</b> | <b>117.2</b>  | <b>(44.6)</b>  | <b>(1.3)</b>   | <b>(28.0)</b> | <b>331.6</b>   | <b>(67.1)</b>  | <b>27.6</b>    |

Some figures may not total due to rounding.

## Schedule of Expenses by Function

Last Ten Fiscal Years

FOR THE FISCAL YEAR (AMOUNTS EXPRESSED IN THOUSANDS)

| Fiscal year ended June 30,                   | 2014              | 2013              | 2012              | 2011              | 2010              | 2009              | 2008              | 2007              | 2006              | 2005              |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Operating expenses by function</b>        | AS RESTATED       |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Instruction                                  | \$ 213,458        | \$ 198,807        | \$ 191,044        | \$ 187,534        | \$ 190,349        | \$ 198,926        | \$ 192,010        | \$ 175,712        | \$ 165,266        | \$ 155,583        |
| Research                                     | 193,520           | 200,773           | 184,354           | 195,357           | 110,202           | 165,829           | 156,425           | 144,594           | 137,265           | 133,799           |
| Public service                               | 39,827            | 36,843            | 35,686            | 36,592            | 103,485           | 41,104            | 42,055            | 37,624            | 34,681            | 33,465            |
| Academic support                             | 72,765            | 66,323            | 65,198            | 63,386            | 59,979            | 59,750            | 60,727            | 54,489            | 50,026            | 47,338            |
| Student services                             | 29,586            | 27,996            | 24,976            | 23,652            | 21,872            | 21,561            | 22,115            | 20,737            | 19,431            | 17,419            |
| Institutional support                        | 71,080            | 68,619            | 58,399            | 60,788            | 55,367            | 46,625            | 47,511            | 40,763            | 39,648            | 35,745            |
| Operation and maintenance of plant           | 72,758            | 61,123            | 59,630            | 60,493            | 54,049            | 41,529            | 50,622            | 46,465            | 45,140            | 41,031            |
| Other operating expenses                     | 0                 | 0                 | 0                 | 0                 | 0                 | 36,817            | 42,352            | 39,825            | 35,784            | 37,167            |
| Auxiliary enterprises                        | 142,166           | 123,420           | 114,125           | 101,871           | 109,408           | 100,837           | 98,092            | 85,671            | 84,487            | 80,157            |
| Scholarships and other student financial aid | 73,030            | 55,097            | 55,204            | 54,094            | 51,651            | 40,186            | 36,791            | 35,062            | 30,893            | 52,396            |
| Depreciation                                 | 86,946            | 84,701            | 77,614            | 74,475            | 73,516            | 68,493            | 64,558            | 50,595            | 56,279            | 30,286            |
| <b>Total expenses by function</b>            | <b>\$ 995,136</b> | <b>\$ 923,702</b> | <b>\$ 866,230</b> | <b>\$ 858,242</b> | <b>\$ 829,878</b> | <b>\$ 821,658</b> | <b>\$ 813,258</b> | <b>\$ 731,536</b> | <b>\$ 698,901</b> | <b>\$ 664,386</b> |

FOR THE FISCAL YEAR (PERCENT OF TOTAL EXPENSE)

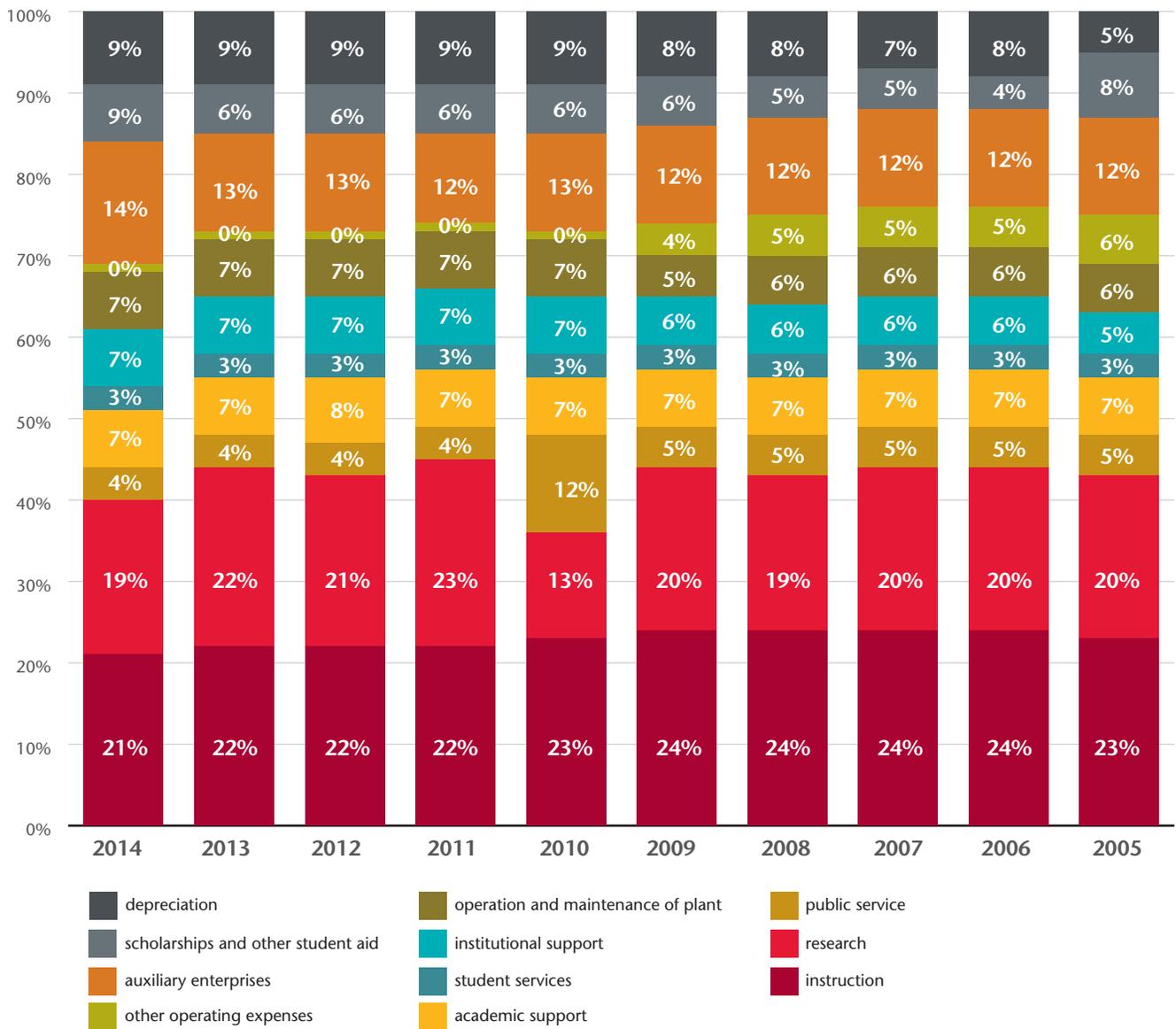
| Fiscal year ended June 30,                   | 2014         | 2013         | 2012         | 2011         | 2010         | 2009         | 2008         | 2007         | 2006         | 2005         |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Operating expenses by function</b>        | %            | %            | %            | %            | %            | %            | %            | %            | %            | %            |
| Instruction                                  | 21.5         | 21.5         | 22.1         | 21.9         | 22.9         | 24.2         | 23.6         | 24.0         | 23.6         | 23.4         |
| Research                                     | 19.4         | 21.7         | 21.3         | 22.8         | 13.3         | 20.2         | 19.2         | 19.8         | 19.6         | 20.1         |
| Public service                               | 4.0          | 4.0          | 4.1          | 4.3          | 12.5         | 5.0          | 5.2          | 5.1          | 5.0          | 5.0          |
| Academic support                             | 7.3          | 7.2          | 7.5          | 7.4          | 7.2          | 7.3          | 7.5          | 7.4          | 7.2          | 7.1          |
| Student services                             | 3.0          | 3.0          | 2.9          | 2.8          | 2.6          | 2.6          | 2.7          | 2.8          | 2.8          | 2.6          |
| Institutional support                        | 7.1          | 7.4          | 6.7          | 7.1          | 6.7          | 5.7          | 5.8          | 5.6          | 5.7          | 5.4          |
| Operation and maintenance of plant           | 7.3          | 6.6          | 6.9          | 7.0          | 6.5          | 5.1          | 6.2          | 6.4          | 6.5          | 6.2          |
| Other operating expenses                     | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 4.5          | 5.2          | 5.4          | 5.1          | 5.6          |
| Auxiliary enterprises                        | 14.3         | 13.4         | 13.2         | 11.9         | 13.2         | 12.3         | 12.1         | 11.7         | 12.1         | 12.1         |
| Scholarships and other student financial aid | 7.3          | 6.0          | 6.4          | 6.3          | 6.2          | 4.9          | 4.5          | 4.8          | 4.4          | 7.9          |
| Depreciation                                 | 8.7          | 9.2          | 9.0          | 8.7          | 8.9          | 8.3          | 7.9          | 6.9          | 8.1          | 4.6          |
| <b>Total expenses by function</b>            | <b>100.0</b> |

FOR THE FISCAL YEAR (PERCENT INCREASE (DECREASE) FROM PRIOR YEAR)

| Fiscal year ended June 30,                   | 2014       | 2013       | 2012       | 2011       | 2010       | 2009       | 2008        | 2007       | 2006       | 2005       |
|--|------------|------------|------------|------------|------------|------------|-------------|------------|------------|------------|
| <b>Operating expenses by function</b>        | %          | %          | %          | %          | %          | %          | %           | %          | %          | %          |
| Instruction                                  | 7.4        | 4.1        | 1.9        | (1.5)      | (4.3)      | 3.6        | 9.3         | 6.3        | 6.2        | 5.9        |
| Research                                     | (3.6)      | 8.9        | (5.6)      | 77.3       | (33.5)     | 6.0        | 8.2         | 5.3        | 2.6        | 0.2        |
| Public service                               | 8.1        | 3.2        | (2.5)      | (64.6)     | 151.8      | (2.3)      | 11.8        | 8.5        | 3.6        | 5.9        |
| Academic support                             | 9.7        | 1.7        | 2.9        | 5.7        | 0.4        | (1.6)      | 11.4        | 8.9        | 5.7        | 3.8        |
| Student services                             | 5.7        | 12.1       | 5.6        | 8.1        | 1.4        | (2.5)      | 6.6         | 6.7        | 11.6       | 6.7        |
| Institutional support                        | 3.6        | 17.5       | (3.9)      | 9.8        | 18.7       | (1.9)      | 16.6        | 2.8        | 10.9       | 12.5       |
| Operation and maintenance of plant           | 19.0       | 2.5        | (1.4)      | 11.9       | 30.1       | (18.0)     | 8.9         | 2.9        | 10.0       | 9.2        |
| Other operating expenses                     | n/a        | 0          | 0          | 0          | 0          | (13.1)     | 6.3         | 11.3       | (3.7)      | 29.8       |
| Auxiliary enterprises                        | 15.2       | 8.1        | 12.0       | (6.9)      | 8.5        | 2.8        | 14.5        | 1.4        | 5.4        | 6.9        |
| Scholarships and other student financial aid | 32.5       | (0.2)      | 2.1        | 4.7        | 28.5       | 9.2        | 4.9         | 13.5       | (41.0)     | 82.2       |
| Depreciation                                 | 2.7        | 9.1        | 4.2        | 1.3        | 7.3        | 6.1        | 27.6        | (10.1)     | 85.8       | (45.2)     |
| <b>Total expenses by function</b>            | <b>7.7</b> | <b>6.6</b> | <b>0.9</b> | <b>3.4</b> | <b>1.0</b> | <b>1.0</b> | <b>11.2</b> | <b>4.7</b> | <b>5.2</b> | <b>5.3</b> |

Some figures may not total due to rounding.

## Expenses by Function to Total Operating Expenses



## Schedule of Operating Expenses by Use

Last Ten Fiscal Years

IN THOUSANDS

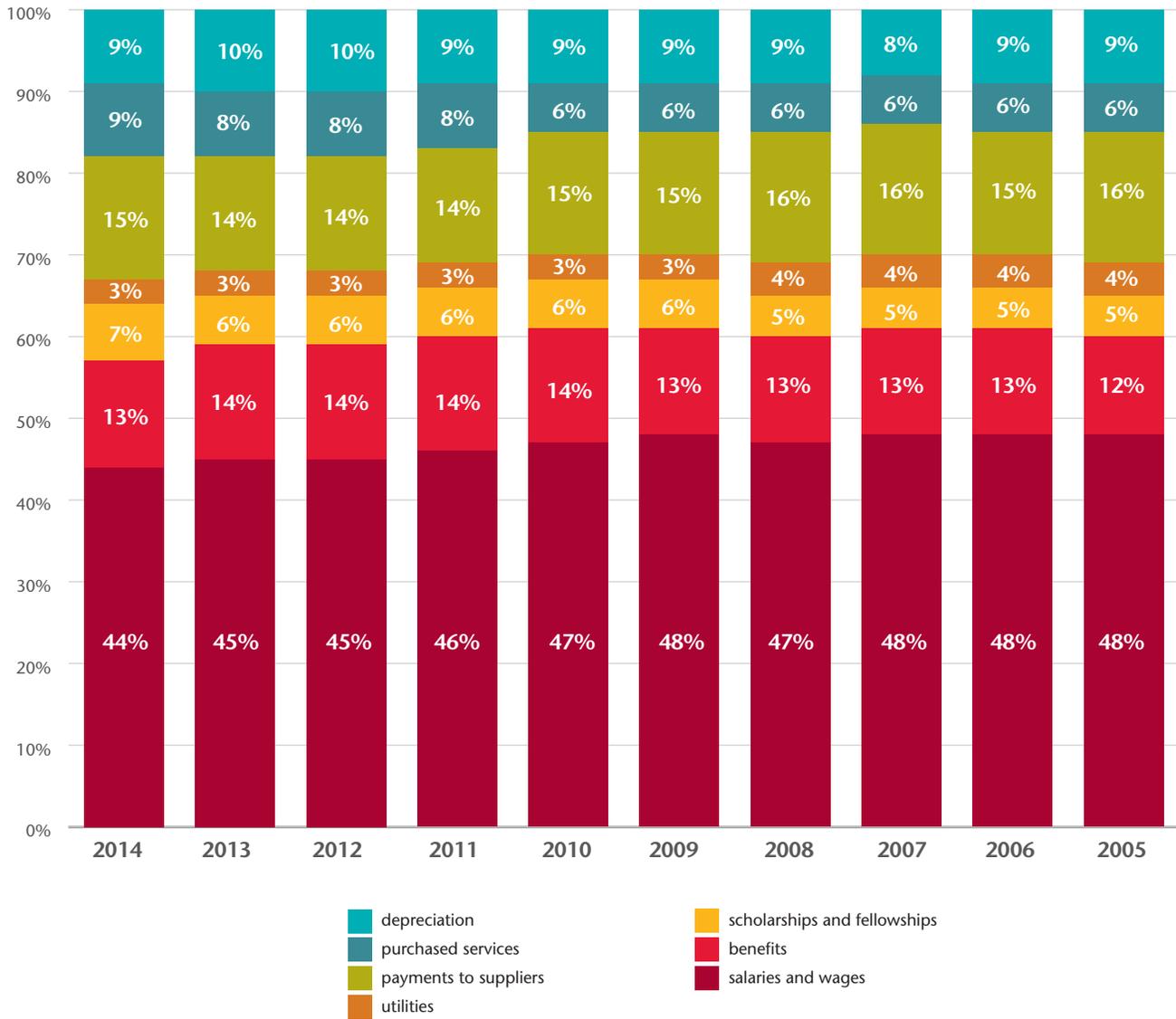
| Fiscal year ended June 30,      | 2014              | 2013              | 2012              | 2011              | 2010              | 2009              | 2008              | 2007              | 2006              | 2005              |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| AS RESTATED                     |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| <b>Expenses</b>                 |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| <b>Operating expenses</b>       |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Salaries and wages              | \$ 438,173        | \$ 412,203        | \$ 392,582        | \$ 392,810        | \$ 389,495        | \$ 396,068        | \$ 382,877        | \$ 354,581        | \$ 334,758        | \$ 319,922        |
| Benefits                        | 134,052           | 126,895           | 124,272           | 122,793           | 114,148           | 104,431           | 109,312           | 93,656            | 91,616            | 82,758            |
| Scholarships and fellowships    | 73,030            | 55,097            | 55,204            | 54,094            | 51,651            | 45,473            | 41,735            | 39,418            | 33,606            | 32,660            |
| Utilities                       | 25,977            | 25,688            | 25,105            | 27,340            | 26,634            | 27,566            | 32,508            | 28,532            | 30,188            | 25,405            |
| Payments to suppliers           | 149,030           | 132,921           | 119,198           | 118,133           | 121,200           | 127,320           | 130,494           | 115,649           | 108,326           | 107,606           |
| Purchased services              | 87,927            | 86,197            | 72,256            | 68,597            | 53,233            | 50,925            | 50,031            | 47,325            | 42,239            | 41,923            |
| Other operating expenses        | 0                 | 0                 | 0                 | 0                 | 0                 | 1,381             | 1,743             | 1,780             | 1,888             | 1,716             |
| Depreciation                    | 86,946            | 84,701            | 77,614            | 74,475            | 73,516            | 68,493            | 64,558            | 50,595            | 56,279            | 52,396            |
| <b>Total operating expenses</b> | <b>\$ 995,136</b> | <b>\$ 923,702</b> | <b>\$ 866,230</b> | <b>\$ 858,242</b> | <b>\$ 829,878</b> | <b>\$ 821,658</b> | <b>\$ 813,258</b> | <b>\$ 731,536</b> | <b>\$ 698,901</b> | <b>\$ 664,386</b> |

FOR THE FISCAL YEAR (PERCENT OF TOTAL EXPENSE)

| Fiscal year ended June 30,      | 2014         | 2013         | 2012         | 2011         | 2010         | 2009         | 2008         | 2007         | 2006         | 2005         |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                                 | %            | %            | %            | %            | %            | %            | %            | %            | %            | %            |
| <b>Expenses</b>                 |              |              |              |              |              |              |              |              |              |              |
| <b>Operating expenses</b>       |              |              |              |              |              |              |              |              |              |              |
| Salaries and wages              | 44.0         | 44.6         | 45.3         | 45.8         | 46.9         | 48.2         | 47.1         | 48.5         | 47.9         | 48.2         |
| Benefits                        | 13.5         | 13.7         | 14.3         | 14.3         | 13.8         | 12.7         | 13.4         | 12.8         | 13.1         | 12.5         |
| Scholarships and fellowships    | 7.3          | 6.0          | 6.4          | 6.3          | 6.2          | 5.5          | 5.1          | 5.4          | 4.8          | 4.9          |
| Utilities                       | 2.6          | 2.8          | 2.9          | 3.2          | 3.2          | 3.4          | 4.0          | 3.9          | 4.3          | 3.8          |
| Payments to suppliers           | 15.0         | 14.4         | 13.8         | 13.8         | 14.6         | 15.5         | 16.0         | 15.8         | 15.5         | 16.2         |
| Purchased services              | 8.8          | 9.3          | 8.3          | 8.0          | 6.4          | 6.2          | 6.2          | 6.5          | 6.0          | 6.3          |
| Other operating expenses        | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.2          | 0.2          | 0.2          | 0.3          | 0.3          |
| Depreciation                    | 8.7          | 9.2          | 9.0          | 8.7          | 8.9          | 8.3          | 7.9          | 6.9          | 8.1          | 7.9          |
| <b>Total operating expenses</b> | <b>100.0</b> |

Some figures may not total due to rounding.

## Operating Expenses by Use Percentage



## Schedule of Revenues by Source

Last Ten Fiscal Years

IN THOUSANDS

| Fiscal year ended June 30,                    | 2014               | 2013              | 2012              | 2011              | 2010              | 2009              | 2008              | 2007              | 2006              | 2005              |
|---|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| AS RESTATED                                   |                    |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| <b>Revenues</b>                               |                    |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| <b>Operating revenues</b>                     |                    |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Tuition and fee revenue, net                  | \$ 290,508         | \$ 277,447        | \$ 252,695        | \$ 219,672        | \$ 194,836        | \$ 173,288        | \$ 155,785        | \$ 143,481        | \$ 133,648        | \$ 124,749        |
| Federal grants and contracts                  | 125,505            | 132,106           | 129,360           | 126,127           | 117,239           | 98,599            | 111,917           | 108,412           | 105,417           | 107,637           |
| State grants and contracts                    | 94,111             | 86,698            | 73,095            | 61,472            | 56,178            | 50,118            | 45,724            | 46,691            | 41,621            | 38,968            |
| Local grants and contracts                    | 29,287             | 31,522            | 32,238            | 38,690            | 31,971            | 34,674            | 32,017            | 30,769            | 25,437            | 27,514            |
| Sales and services of educational departments | 20,199             | 19,220            | 20,660            | 18,981            | 18,635            | 18,909            | 17,782            | 15,564            | 15,007            | 13,824            |
| Auxiliary enterprises                         | 133,891            | 131,852           | 117,422           | 104,438           | 107,875           | 101,126           | 95,146            | 87,824            | 84,106            | 80,023            |
| Other operating revenues                      | 9,306              | 10,698            | 13,337            | 12,383            | 15,148            | 19,600            | 21,011            | 20,652            | 18,998            | 18,823            |
| <b>Total operating revenues</b>               | <b>702,807</b>     | <b>689,543</b>    | <b>638,807</b>    | <b>581,762</b>    | <b>541,883</b>    | <b>496,315</b>    | <b>479,383</b>    | <b>453,393</b>    | <b>424,233</b>    | <b>411,539</b>    |
| State appropriations                          | 176,034            | 151,004           | 153,354           | 189,243           | 206,284           | 246,599           | 245,464           | 221,288           | 209,657           | 195,794           |
| Federal appropriations                        | 10,733             | 10,256            | 10,760            | 10,213            | 8,685             | 8,611             | 10,859            | 9,213             | 9,730             | 8,550             |
| Federal Pell Grants                           | 33,746             | 31,136            | 30,467            | 29,009            | 25,812            | 17,403            | 0                 | 0                 | 0                 | 0                 |
| Federal bond interest subsidy                 | 2,681              | 2,913             | 2,913             | 2,259             | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 |
| Gifts and contributions                       | 35,841             | 29,997            | 27,679            | 26,513            | 19,834            | 21,037            | 26,743            | 19,241            | 18,358            | 14,107            |
| Investment income, net of expense             | 73,309             | 46,150            | 49,256            | 45,919            | 56,556            | 19,675            | 66,786            | 57,233            | 29,754            | 44,797            |
| Other non-operating revenues                  | 896                | 167               | 0                 | 0                 | 775               | 0                 | 4,016             | 9,878             | 0                 | 6,232             |
| <b>Net non-operating revenues</b>             | <b>333,240</b>     | <b>271,624</b>    | <b>274,429</b>    | <b>303,156</b>    | <b>317,947</b>    | <b>313,326</b>    | <b>353,868</b>    | <b>316,852</b>    | <b>267,499</b>    | <b>269,480</b>    |
| <b>Total revenues</b>                         | <b>\$1,036,047</b> | <b>\$ 961,617</b> | <b>\$ 913,236</b> | <b>\$ 884,919</b> | <b>\$ 859,829</b> | <b>\$ 809,641</b> | <b>\$ 833,250</b> | <b>\$ 770,246</b> | <b>\$ 691,732</b> | <b>\$ 681,019</b> |

FOR THE FISCAL YEAR (PERCENT OF TOTAL INCOME)

| Fiscal year ended June 30,                    | 2014         | 2013         | 2012         | 2011         | 2010         | 2009         | 2008         | 2007         | 2006         | 2005         |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|   | %            | %            | %            | %            | %            | %            | %            | %            | %            | %            |
| <b>Revenues</b>                               |              |              |              |              |              |              |              |              |              |              |
| <b>Operating revenues</b>                     |              |              |              |              |              |              |              |              |              |              |
| Tuition and fee revenue, net                  | 28.0         | 28.9         | 27.7         | 24.8         | 22.7         | 21.4         | 18.7         | 18.6         | 19.3         | 18.3         |
| Federal grants and contracts                  | 12.1         | 13.7         | 14.2         | 14.3         | 13.6         | 12.2         | 13.4         | 14.1         | 15.2         | 15.8         |
| State grants and contracts                    | 9.1          | 9.0          | 8.0          | 6.9          | 6.5          | 6.2          | 5.5          | 6.1          | 6.0          | 5.7          |
| Local grants and contracts                    | 2.8          | 3.3          | 3.5          | 4.4          | 3.7          | 4.3          | 3.8          | 4.0          | 3.7          | 4.0          |
| Sales and services of educational departments | 1.9          | 2.0          | 2.3          | 2.1          | 2.2          | 2.3          | 2.1          | 2.0          | 2.2          | 2.0          |
| Auxiliary enterprises                         | 12.9         | 13.7         | 12.9         | 11.8         | 12.5         | 12.5         | 11.4         | 11.4         | 12.2         | 11.8         |
| Other operating revenues                      | 0.9          | 1.1          | 1.5          | 1.4          | 1.8          | 2.4          | 2.5          | 2.7          | 2.7          | 2.8          |
| <b>Total operating revenues</b>               | <b>67.8</b>  | <b>71.8</b>  | <b>69.9</b>  | <b>65.7</b>  | <b>63.0</b>  | <b>61.3</b>  | <b>57.5</b>  | <b>58.9</b>  | <b>61.3</b>  | <b>60.4</b>  |
| State appropriations                          | 17.0         | 15.7         | 16.8         | 21.4         | 24.0         | 30.5         | 29.5         | 28.7         | 30.3         | 28.8         |
| Federal appropriations                        | 1.0          | 1.1          | 1.2          | 1.2          | 1.0          | 1.1          | 1.3          | 1.2          | 1.4          | 1.3          |
| Federal Pell Grants                           | 3.3          | 3.2          | 3.3          | 3.3          | 3.0          | 2.1          | 0.0          | 0.0          | 0.0          | 0.0          |
| Federal bond interest subsidy                 | 0.3          | 0.3          | 0.3          | 0.3          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Gifts and contributions                       | 3.5          | 3.1          | 3.0          | 3.0          | 2.3          | 2.6          | 3.2          | 2.5          | 2.7          | 2.1          |
| Investment income, net of expense             | 7.1          | 4.8          | 5.4          | 5.2          | 6.6          | 2.4          | 8.0          | 7.4          | 4.3          | 6.6          |
| Other non-operating revenues                  | 0.1          | 0.0          | 0.0          | 0.0          | 0.1          | 0.0          | 0.5          | 1.3          | 0.0          | 0.9          |
| <b>Net non-operating revenues</b>             | <b>32.2</b>  | <b>28.2</b>  | <b>30.1</b>  | <b>34.3</b>  | <b>37.0</b>  | <b>38.7</b>  | <b>42.5</b>  | <b>41.1</b>  | <b>38.7</b>  | <b>39.6</b>  |
| <b>Total revenues</b>                         | <b>100.0</b> |

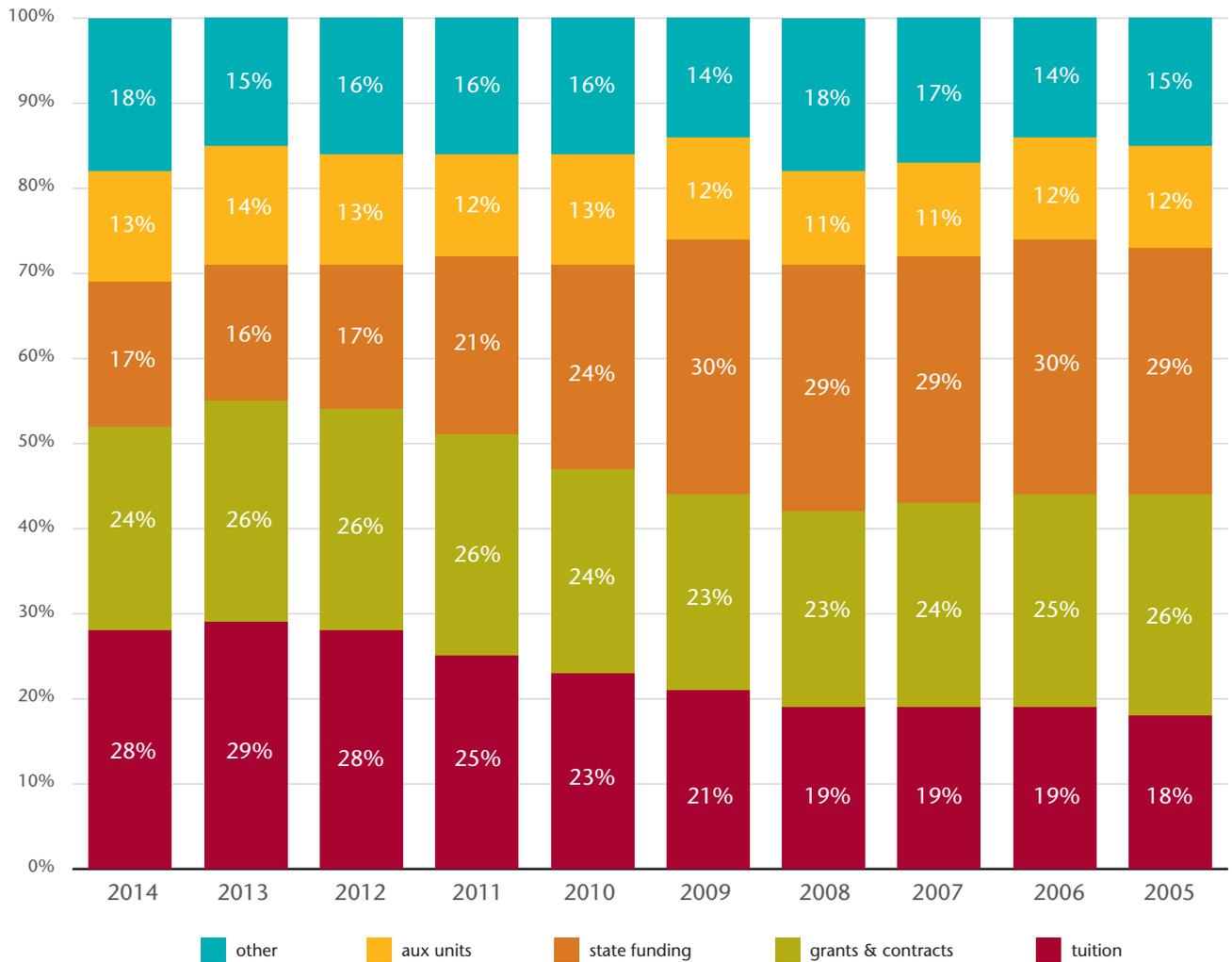
Some figures may not total due to rounding.

## Revenue from All Sources

(in millions)



## Revenues by Source



## Principal Revenue Payers

Last Ten Fiscal Years

IN THOUSANDS

| Fiscal year ended June 30,                         | 2014              | 2013              | 2012              | 2011              | 2010              | 2009              | 2008              | 2007              | 2006              | 2005              |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| AS RESTATED  |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| State and local grants and contracts               | \$ 123,398        | \$ 118,220        | \$ 105,333        | \$ 100,162        | \$ 88,149         | \$ 84,792         | \$ 77,741         | \$ 77,460         | \$ 67,058         | \$ 66,483         |
| State appropriations                               | 176,034           | 151,005           | 153,354           | 189,243           | 206,284           | 246,599           | 245,464           | 221,288           | 209,657           | 195,794           |
| Capital appropriations                             | 8,725             | 34,357            | 18,674            | 40,099            | 19,542            | 94,290            | 59,763            | 72,324            | 41,402            | 61,782            |
| Capital grants                                     | 13,370            | 5,987             | 4,535             | 35,133            | 3,354             | 7,059             | 7,203             | 201               | 318               | 333               |
| <b>WA State Government</b>                         | <b>\$ 321,527</b> | <b>\$ 309,569</b> | <b>\$ 281,896</b> | <b>\$ 364,636</b> | <b>\$ 317,330</b> | <b>\$ 432,741</b> | <b>\$ 390,171</b> | <b>\$ 371,273</b> | <b>\$ 318,435</b> | <b>\$ 324,392</b> |
| <b>Percent increase (decrease) from prior year</b> | <b>3.9%</b>       | <b>9.8%</b>       | <b>(22.7%)</b>    | <b>14.9%</b>      | <b>(26.7%)</b>    | <b>10.9%</b>      | <b>5.1%</b>       | <b>16.6%</b>      | <b>(1.9%)</b>     | <b>9.8%</b>       |
| Federal grants and contracts                       | \$ 159,251        | \$ 163,242        | \$ 159,827        | \$ 155,136        | \$ 143,051        | \$ 116,002        | \$ 111,917        | \$ 108,412        | \$ 105,417        | \$ 107,637        |
| Federal appropriations                             | 10,733            | 10,257            | 10,760            | 10,213            | 8,685             | 8,611             | 10,859            | 9,213             | 9,730             | 8,550             |
| <b>Federal Government</b>                          | <b>\$ 169,985</b> | <b>\$ 173,498</b> | <b>\$ 170,588</b> | <b>\$ 165,349</b> | <b>\$ 151,736</b> | <b>\$ 124,614</b> | <b>\$ 122,776</b> | <b>\$ 117,624</b> | <b>\$ 115,147</b> | <b>\$ 116,186</b> |
| <b>Percent increase (decrease) from prior year</b> | <b>(2.0%)</b>     | <b>1.7%</b>       | <b>3.2%</b>       | <b>9.0%</b>       | <b>21.8%</b>      | <b>1.5%</b>       | <b>4.4%</b>       | <b>2.2%</b>       | <b>(0.9%)</b>     | <b>2.7%</b>       |

## Tuition and Fees

Last Ten Fiscal Years

Undergraduate

TOTAL DOLLARS

| Academic year  | 2013-2014 | 2012-13 | 2011-12 | 2010-11 | 2009-10 | 2008-09 | 2007-08 | 2006-07 | 2005-06 | 2004-05 |
|----------------|-----------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Resident       | 11,396    | 11,386  | 9,886   | 8,592   | 7,600   | 6,720   | 6,290   | 5,887   | 5,506   | 5,154   |
| Non-resident   | 24,478    | 24,468  | 21,164  | 19,634  | 18,676  | 17,756  | 16,604  | 15,527  | 14,514  | 13,572  |
| Room and board | 10,868    | 9,994   | 9,662   | 9,644   | 8,886   | 8,054   | 7,316   | 6,590   | 6,280   | 6,034   |

PERCENTAGE INCREASE (DECREASE) FROM PRIOR YEAR

| Academic year  | 2013-2014 | 2012-13 | 2011-12 | 2010-11 | 2009-10 | 2008-09 | 2007-08 | 2006-07 | 2005-06 | 2004-05 |
|----------------|-----------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Resident       | 0.00%     | 15.2%   | 15.1%   | 13.1%   | 13.1%   | 6.8%    | 6.8%    | 6.9%    | 6.8%    | 6.6%    |
| Non-resident   | 0.00%     | 15.6%   | 7.8%    | 5.1%    | 5.2%    | 6.9%    | 6.9%    | 7.0%    | 6.9%    | 4.9%    |
| Room and board | 8.70%     | 3.4%    | 0.2%    | 8.5%    | 10.3%   | 10.1%   | 11.0%   | 4.9%    | 4.1%    | 4.8%    |

Some figures may not total due to rounding.

# Long-Term Debt

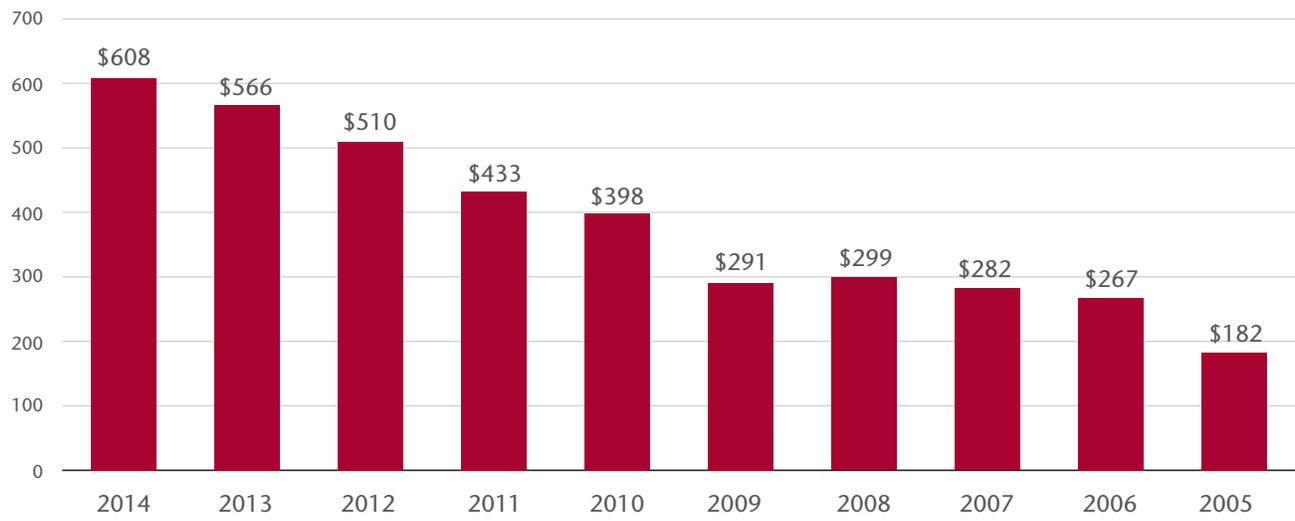
## Last Ten Fiscal Years

IN THOUSANDS

| Fiscal year ended June 30,                 | 2014   | 2013              | 2012              | 2011              | 2010              | 2009              | 2008              | 2007              | 2006              | 2005              |
|--|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|  | AS RESTATED  |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| General obligation bond debt               | \$ 31,625  | \$ 34,715         | \$ 37,350         | \$ 40,430         | \$ 43,778         | \$ 47,125         | \$ 51,468         | \$ 56,803         | \$ 62,207         | \$ 67,176         |
| Unamortized gain on refunding              | 0  | 0                 | 0                 | 406               | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 |
| <b>General obligation bond debt, net</b>   | <b>31,625</b>  | <b>34,715</b>     | <b>37,350</b>     | <b>40,836</b>     | <b>43,778</b>     | <b>47,125</b>     | <b>51,468</b>     | <b>56,803</b>     | <b>62,207</b>     | <b>67,176</b>     |
| Revenue bonds                              | 327,165  | 336,885           | 357,160           | 363,890           | 339,400           | 236,270           | 240,010           | 217,225           | 196,055           | 108,785           |
| Unamortized discount/premium/refunding     | 3,538  | 3,564             | 3,750             | (2,240)           | (1,947)           | (5,222)           | (5,549)           | (5,635)           | (5,499)           | (6,026)           |
|  | *  | *                 | *                 |                   |                   |                   |                   |                   |                   |                   |
|  | *Gain or loss on refunding reclassified to deferred inflows/outflows as of June 30, 2012 |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| <b>Revenue bonds, net</b>                  | <b>330,703</b>   | <b>340,449</b>    | <b>360,910</b>    | <b>361,650</b>    | <b>337,453</b>    | <b>231,048</b>    | <b>234,461</b>    | <b>211,590</b>    | <b>190,556</b>    | <b>102,759</b>    |
| General revenue bonds                      | 203,675  | 151,735           | 73,835            | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 |
| Unamortized discount/premium               | 23,660   | 18,625            | 10,178            | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 |
| <b>General revenue bonds, net</b>          | <b>227,335</b>   | <b>170,360</b>    | <b>84,013</b>     | <b>0</b>          |
| <b>Total bonds payable</b>                 | <b>\$ 589,663</b>  | <b>\$ 545,523</b> | <b>\$ 482,273</b> | <b>\$ 402,486</b> | <b>\$ 381,231</b> | <b>\$ 278,173</b> | <b>\$ 285,929</b> | <b>\$ 268,392</b> | <b>\$ 252,763</b> | <b>\$ 169,935</b> |
| Capital leases payable                     | \$ 17,865  | \$ 20,790         | \$ 28,058         | \$ 30,118         | \$ 16,673         | \$ 12,400         | \$ 13,436         | \$ 14,026         | \$ 13,970         | \$ 12,256         |
| <b>Total long-term debt</b>                | <b>\$ 607,527</b>  | <b>\$ 566,313</b> | <b>\$ 510,331</b> | <b>\$ 432,605</b> | <b>\$ 397,904</b> | <b>\$ 290,573</b> | <b>\$ 299,365</b> | <b>\$ 282,418</b> | <b>\$ 266,733</b> | <b>\$ 182,191</b> |
| <b>Total long-term debt</b>                | <b>\$ 607,527</b>  | <b>\$ 566,313</b> | <b>\$ 510,331</b> | <b>\$ 432,605</b> | <b>\$ 397,904</b> | <b>\$ 290,573</b> | <b>\$ 299,365</b> | <b>\$ 282,418</b> | <b>\$ 266,733</b> | <b>\$ 182,191</b> |
| Total long-term debt (whole dollars)       |  |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| per student FTE                            | \$ 23,314  | \$ 21,617         | \$ 19,669         | \$ 17,329         | \$ 16,070         | \$ 12,058         | \$ 13,025         | \$ 12,816         | \$ 12,132         | \$ 8,364          |
| per dollar of total grants and contracts   | 2.15   | 2.01              | 1.92              | 1.69              | 1.72              | 1.45              | 1.58              | 1.52              | 1.55              | 1.05              |
| per dollar of State appropriations         | 3.45   | 3.75              | 3.33              | 2.29              | 1.93              | 1.18              | 1.22              | 1.28              | 1.27              | 0.93              |
| <b>Total general revenue debt</b>          | <b>227,335</b>   | <b>170,360</b>    | <b>84,013</b>     | <b>0</b>          |
| General revenue debt (whole dollars)       |  |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| per student FTE                            | \$ 8.72  | \$ 6.50           | \$ 3.24           | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              |
| per dollar of total grants and contracts   | \$ 0.80  | \$ 0.61           | \$ 0.32           | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              |
| per dollar of State appropriations         | \$ 1.29  | \$ 1.13           | \$ 0.55           | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              |
| <b>Data used in the above calculations</b> |  |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Total student FTE                          | 26,059   | 26,198            | 25,946            | 24,964            | 24,760            | 24,097            | 22,984            | 22,037            | 21,985            | 21,784            |
| State appropriations                       | \$ 176,034   | \$ 151,005        | \$ 153,354        | \$ 189,243        | \$ 206,284        | \$ 246,599        | \$ 245,464        | \$ 221,288        | \$ 209,657        | \$ 195,794        |
| Federal grants and contracts               | \$ 125,505   | \$ 132,106        | \$ 129,360        | \$ 126,127        | \$ 117,239        | \$ 98,599         | \$ 111,917        | \$ 108,412        | \$ 105,417        | \$ 107,637        |
| State grants and contracts                 | 94,111   | 86,698            | 73,095            | 61,472            | 56,178            | 50,118            | 45,724            | 46,691            | 41,621            | 38,968            |
| Local grants and contracts                 | 29,287   | 31,522            | 32,238            | 38,690            | 31,971            | 34,674            | 32,017            | 30,769            | 25,437            | 27,514            |
| Federal Pell grants                        | 33,746   | 31,136            | 30,467            | 29,009            | 25,812            | 17,403            | 0                 | 0                 | 0                 | 0                 |
| <b>Total grants and contracts</b>          | <b>\$ 282,650</b>  | <b>\$ 281,462</b> | <b>\$ 265,160</b> | <b>\$ 255,298</b> | <b>\$ 231,200</b> | <b>\$ 200,795</b> | <b>\$ 189,658</b> | <b>\$ 185,872</b> | <b>\$ 172,475</b> | <b>\$ 174,119</b> |

Some figures may not total due to rounding.

### Long-Term Debt (in millions)



## Summary of Ratios

### Last Ten Fiscal Years

| Fiscal year ended June 30,                      | 2014         | 2013         | 2012         | 2011         | 2010         | 2009          | 2008         | 2007          | 2006          | 2005         |
|---|--------------|--------------|--------------|--------------|--------------|---------------|--------------|---------------|---------------|--------------|
| AS RESTATED                                     |              |              |              |              |              |               |              |               |               |              |
| <b>Composite Financial Index</b>                |              |              |              |              |              |               |              |               |               |              |
| <b>+Primary Reserve Ratio</b>                   | <b>0.41x</b> | <b>0.42x</b> | <b>0.36x</b> | <b>0.34x</b> | <b>0.23x</b> | <b>0.21x</b>  | <b>0.30x</b> | <b>0.34x</b>  | <b>0.22x</b>  | <b>0.18x</b> |
| /Strength Factor                                | 0.133        | 0.133        | 0.133        | 0.133        | 0.133        | 0.133         | 0.133        | 0.133         | 0.133         | 0.133        |
| =Ratio/Strength Factor                          | 3.10         | 3.19         | 2.74         | 2.54         | 1.74         | 1.60          | 2.28         | 2.55          | 1.65          | 1.38         |
| *Weighting Factor                               | 35%          | 35%          | 35%          | 35%          | 35%          | 35%           | 35%          | 35%           | 35%           | 35%          |
| =Ratio Subtotal                                 | 1.08         | 1.12         | 0.96         | 0.89         | 0.61         | 0.56          | 0.80         | 0.89          | 0.58          | 0.48         |
| =Ratio 10.0 Cap Subtotal                        | 0.96         | 0.96         | 0.96         | 0.89         | 0.61         | 0.56          | 0.80         | 0.89          | 0.58          | 0.54         |
| <b>+Return on Net Assets Ratio</b>              | <b>4.75%</b> | <b>4.38%</b> | <b>3.93%</b> | <b>7.36%</b> | <b>3.13%</b> | <b>0.92%</b>  | <b>4.50%</b> | <b>10.47%</b> | <b>3.98%</b>  | <b>6.77%</b> |
| /Strength Factor                                | 2.00%        | 2.00%        | 2.00%        | 2.00%        | 2.00%        | 2.00%         | 2.00%        | 2.00%         | 2.00%         | 2.00%        |
| =Ratio / Strength Factor                        | 2.38         | 2.19         | 1.97         | 3.68         | 1.57         | 0.46          | 2.25         | 5.24          | 1.99          | 3.38         |
| *Weighting Factor                               | 20%          | 20%          | 20%          | 20%          | 20%          | 20%           | 20%          | 20%           | 20%           | 20%          |
| =Ratio Subtotal                                 | 0.48         | 0.44         | 0.39         | 0.74         | 0.31         | 0.09          | 0.45         | 1.05          | 0.40          | 0.68         |
| =Ratio 10.00 Cap Subtotal                       | 0.25         | 0.25         | 0.25         | 0.47         | 0.32         | 0.09          | 0.45         | 1.05          | 0.40          | 0.68         |
| <b>+Net Operating Revenues Ratio</b>            | <b>2.16%</b> | <b>2.23%</b> | <b>3.25%</b> | <b>1.20%</b> | <b>1.88%</b> | <b>-3.66%</b> | <b>0.34%</b> | <b>3.48%</b>  | <b>-2.69%</b> | <b>1.57%</b> |
| /Strength Factor                                | 1.30%        | 1.30%        | 1.30%        | 1.30%        | 1.30%        | 1.30%         | 1.30%        | 1.30%         | 1.30%         | 1.30%        |
| =Ratio / Strength Factor                        | 1.66         | 1.72         | 2.50         | 0.92         | 1.45         | (2.81)        | 0.26         | 2.68          | (2.07)        | 1.21         |
| *Weighting Factor                               | 10%          | 10%          | 10%          | 10%          | 10%          | 10%           | 10%          | 10%           | 10%           | 10%          |
| =Ratio Subtotal                                 | 0.17         | 0.17         | 0.25         | 0.09         | 0.14         | (0.28)        | 0.03         | 0.27          | (0.21)        | 0.12         |
| =Ratio 10.00 Cap Subtotal                       | 0.22         | 0.22         | 0.22         | 0.09         | 0.14         | (0.29)        | 0.05         | 0.27          | (0.21)        | 0.06         |
| <b>+Viability Ratio</b>                         | <b>0.73x</b> | <b>0.74x</b> | <b>0.67x</b> | <b>0.71x</b> | <b>0.51x</b> | <b>0.64x</b>  | <b>0.89x</b> | <b>0.94x</b>  | <b>0.61x</b>  | <b>0.71x</b> |
| /Strength Factor                                | 0.417        | 0.417        | 0.417        | 0.417        | 0.417        | 0.417         | 0.417        | 0.417         | 0.417         | 0.417        |
| =Ratio / Strength Factor                        | 1.75         | 1.77         | 1.61         | 1.71         | 1.23         | 1.54          | 2.12         | 2.24          | 1.47          | 1.71         |
| *Weighting Factor                               | 35%          | 35%          | 35%          | 35%          | 35%          | 35%           | 35%          | 35%           | 35%           | 35%          |
| =Ratio Subtotal                                 | 0.61         | 0.62         | 0.56         | 0.60         | 0.43         | 0.54          | 0.74         | 0.79          | 0.51          | 0.60         |
| =Ratio 10.00 Cap Subtotal                       | 0.56         | 0.56         | 0.56         | 0.60         | 0.43         | 0.54          | 0.74         | 0.79          | 0.51          | 0.67         |
| <b>Composite Financial Index</b>                | <b>2.34</b>  | <b>2.35</b>  | <b>2.15</b>  | <b>2.32</b>  | <b>1.51</b>  | <b>0.91</b>   | <b>2.02</b>  | <b>2.99</b>   | <b>1.28</b>   | <b>1.88</b>  |
| <b>Composite Financial Index with 10.00 Cap</b> | <b>1.99</b>  | <b>1.99</b>  | <b>1.99</b>  | <b>2.04</b>  | <b>1.50</b>  | <b>0.90</b>   | <b>2.04</b>  | <b>3.00</b>   | <b>1.28</b>   | <b>1.95</b>  |

The Composite Financial Index (CFI) provides a methodology for a single overall financial measurement of the institution's health based on the four core ratios. The CFI uses a reasonable weighting plan and allows a weakness or strength in a specific ratio to be offset by another ratio result, which provides a more balanced measure. The CFI provides a more holistic approach to understanding the financial health of the institution. The CFI scores are not intended to be precise measures; they are indicators of ranges of financial health that can be indicators of overall institutional well-being when combined with non-financial indicators. Ratio/Strength are capped at a maximum of 10 before the weighting factors are applied so that a higher CFI does not unduly mask a weakness in a component ratio.

## Summary of Ratios

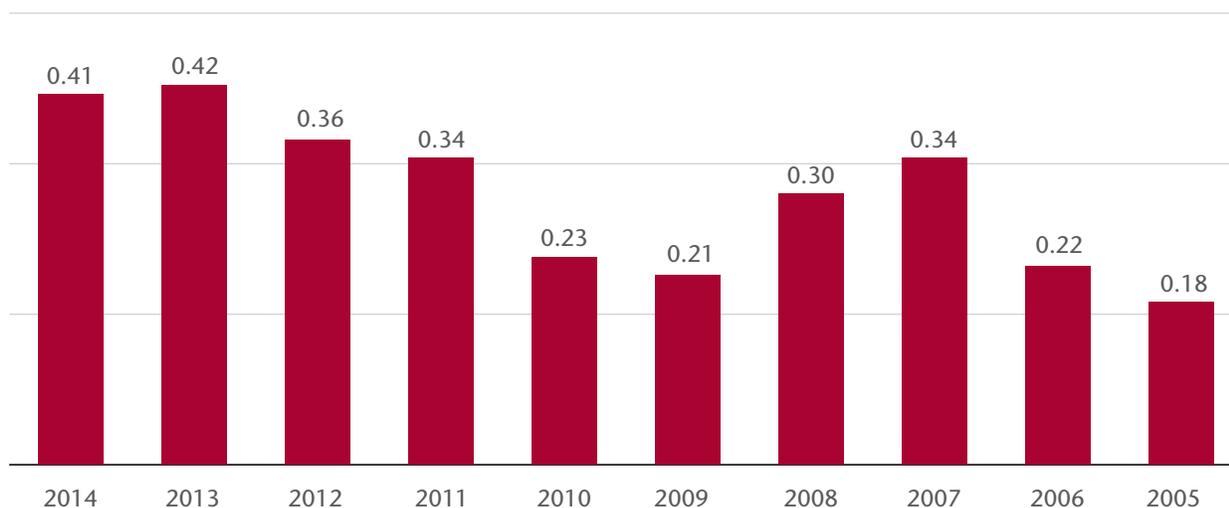
Last Ten Fiscal Years

IN THOUSANDS

| Fiscal year ended June 30,     | 2014                | 2013              | 2012              | 2011              | 2010              | 2009              | 2008              | 2007              | 2006              | 2005              |
|--------------------------------|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| AS RESTATED                    |                     |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| <b>Primary Reserve Ratio</b>   |                     |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Expendable loans               | \$ 27,527           | \$ 26,913         | \$ 28,211         | \$ 27,493         | \$ 28,050         | \$ 26,936         | \$ 25,743         | \$ 25,043         | \$ 25,009         | \$ 24,430         |
| Restricted expendable          | 315,880             | 264,647           | 207,496           | 188,589           | 91,813            | 86,039            | 169,514           | 169,900           | 74,579            | 50,389            |
| Unrestricted                   | 98,844              | 126,610           | 103,370           | 93,682            | 83,437            | 73,813            | 69,842            | 69,299            | 64,022            | 54,904            |
| <b>Expendable net position</b> | <b>\$ 442,251</b>   | <b>\$ 418,170</b> | <b>\$ 339,077</b> | <b>\$ 309,765</b> | <b>\$ 203,300</b> | <b>\$ 186,788</b> | <b>\$ 265,100</b> | <b>\$ 264,242</b> | <b>\$ 163,610</b> | <b>\$ 129,723</b> |
| Operating expenses             | \$ 995,136          | \$ 923,702        | \$ 866,230        | \$ 858,242        | \$ 829,878        | \$ 821,658        | \$ 813,258        | \$ 731,536        | \$ 698,901        | \$ 664,386        |
| Interest expense               | 22,390              | 14,012            | 14,196            | 14,007            | 13,860            | 13,870            | 15,132            | 11,711            | 11,044            | 11,237            |
| Other expenses                 | 0                   | 2,894             | 3,622             | 281               | 0                 | 4,721             | 0                 | 0                 | 457               | 0                 |
| Support to WSU                 | 43,681              | 37,396            | 36,458            | 35,396            | 25,364            | 28,427            | 36,848            | 28,460            | 30,704            | 26,157            |
| Fund raising                   | 6,349               | 6,570             | 5,943             | 6,530             | 7,264             | 7,474             | 6,174             | 6,049             | 3,985             | 3,909             |
| G&A expenses                   | 5,113               | 2,565             | 3,400             | 2,624             | 2,716             | 3,030             | 3,615             | 2,045             | 1,477             | 1,238             |
| <b>Total expenses</b>          | <b>\$ 1,072,669</b> | <b>\$ 987,139</b> | <b>\$ 929,849</b> | <b>\$ 917,079</b> | <b>\$ 879,082</b> | <b>\$ 879,180</b> | <b>\$ 875,028</b> | <b>\$ 779,801</b> | <b>\$ 746,567</b> | <b>\$ 706,928</b> |
| <b>Ratio</b>                   | <b>0.41</b>         | <b>0.42</b>       | <b>0.36</b>       | <b>0.34</b>       | <b>0.23</b>       | <b>0.21</b>       | <b>0.30</b>       | <b>0.34</b>       | <b>0.22</b>       | <b>0.18</b>       |

Measures the financial strength of the institution by indicating how long the institution could function using its expendable reserves to cover operations should additional net assets not be available. A positive ratio and an increasing amount over time denotes strength.

### Primary Reserve Ratio



## Summary of Ratios

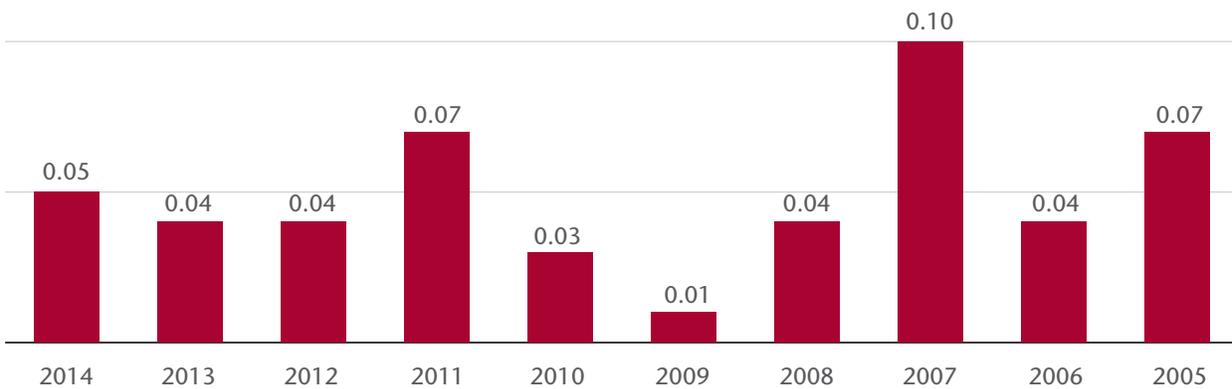
### Last Ten Fiscal Years

IN THOUSANDS

| Fiscal year ended June 30,             | 2014         | 2013         | 2012         | 2011         | 2010         | 2009         | 2008         | 2007         | 2006         | 2005         |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Return On Net Position Ratio</b>    |              |              |              |              |              |              |              |              |              |              |
| Change in net position                 | \$ 100,769   | \$ 88,858    | \$ 76,964    | \$ 134,097   | \$ 55,339    | \$ 16,194    | \$ 75,318    | \$ 158,852   | \$ 58,025    | \$ 92,443    |
| Total net position (beginning of year) | \$ 2,119,278 | \$ 2,030,420 | \$ 1,956,516 | \$ 1,822,419 | \$ 1,767,062 | \$ 1,750,868 | \$ 1,675,551 | \$ 1,516,699 | \$ 1,458,674 | \$ 1,366,231 |
| <b>Ratio</b>                           | <b>0.05</b>  | <b>0.04</b>  | <b>0.04</b>  | <b>0.07</b>  | <b>0.03</b>  | <b>0.01</b>  | <b>0.04</b>  | <b>0.10</b>  | <b>0.04</b>  | <b>0.07</b>  |

Measures total economic return. While an increasing trend reflects strength, a decline may be appropriate and even warranted if it represents a strategy on the part of the institution to fulfill its mission.

### Return On Net Position Ratio



## Summary of Ratios

Last Ten Fiscal Years

IN THOUSANDS

| Fiscal year ended June 30,                             | 2014               | 2013              | 2012              | 2011              | 2010              | 2009               | 2008              | 2007              | 2006               | 2005              |
|--|--------------------|-------------------|-------------------|-------------------|-------------------|--------------------|-------------------|-------------------|--------------------|-------------------|
| AS RESTATED  |                    |                   |                   |                   |                   |                    |                   |                   |                    |                   |
| <b>Net Operating Revenues Ratio</b>                    |                    |                   |                   |                   |                   |                    |                   |                   |                    |                   |
| Operating loss, net                                    | \$ (292,329)       | \$ (234,160)      | \$ (227,423)      | \$ (276,480)      | \$ (288,006)      | \$ (325,343)       | \$ (333,875)      | \$ (278,142)      | \$ (274,668)       | \$ (252,847)      |
| Nonoperating revenues, net                             | 308,169            | 254,698           | 253,699           | 286,610           | 304,079           | 294,735            | 338,735           | 305,142           | 255,998            | 262,139           |
| Change in unrestricted net position—<br>component unit | 5,851              | 592               | 2,807             | 302               | (135)             | 1,624              | (2,114)           | (519)             | 270                | 1,306             |
| <b>Net operating income</b>                            | <b>\$ 21,691</b>   | <b>\$ 21,131</b>  | <b>\$ 29,082</b>  | <b>\$ 10,432</b>  | <b>\$ 15,938</b>  | <b>\$ (28,984)</b> | <b>\$ 2,746</b>   | <b>\$ 26,480</b>  | <b>\$ (18,399)</b> | <b>\$ 10,597</b>  |
| Total operating revenues                               | 702,807            | \$ 689,543        | \$ 638,807        | \$ 581,762        | \$ 541,845        | \$ 496,315         | \$ 479,383        | \$ 453,393        | \$ 424,233         | \$ 411,539        |
| Total nonoperating revenues                            | 308,169            | 254,698           | 253,699           | 286,610           | 304,079           | 294,735            | 338,735           | 305,142           | 255,998            | 262,139           |
| Total unrestricted net position—<br>component unit     | 1,518              | 2,807             | 2,215             | 1,948             | 1,646             | 1,780              | 156               | 2,270             | 2,790              | 2,519             |
| <b>Total operating revenues</b>                        | <b>\$1,012,494</b> | <b>\$ 947,048</b> | <b>\$ 894,720</b> | <b>\$ 870,320</b> | <b>\$ 847,570</b> | <b>\$ 792,831</b>  | <b>\$ 818,275</b> | <b>\$ 760,805</b> | <b>\$ 683,021</b>  | <b>\$ 676,197</b> |
| Net operating income (divided by)                      | 21,691             | 21,131            | 29,082            | 10,432            | 15,938            | (28,984)           | 2,746             | 26,480            | (18,399)           | 10,597            |
| Total operating revenues                               | 1,012,494          | 947,048           | 894,720           | 870,320           | 847,570           | 792,831            | 818,275           | 760,805           | 683,021            | 676,197           |
| <b>Ratio</b>   | <b>0.02</b>        | <b>0.02</b>       | <b>0.03</b>       | <b>0.01</b>       | <b>0.02</b>       | <b>(0.04)</b>      | <b>0.00</b>       | <b>0.03</b>       | <b>(0.03)</b>      | <b>0.02</b>       |

Measures whether the institution is living within available resources. A positive ratio and an increasing amount over time generally reflect strength.

### Net Operating Revenues Ratio



## Summary of Ratios

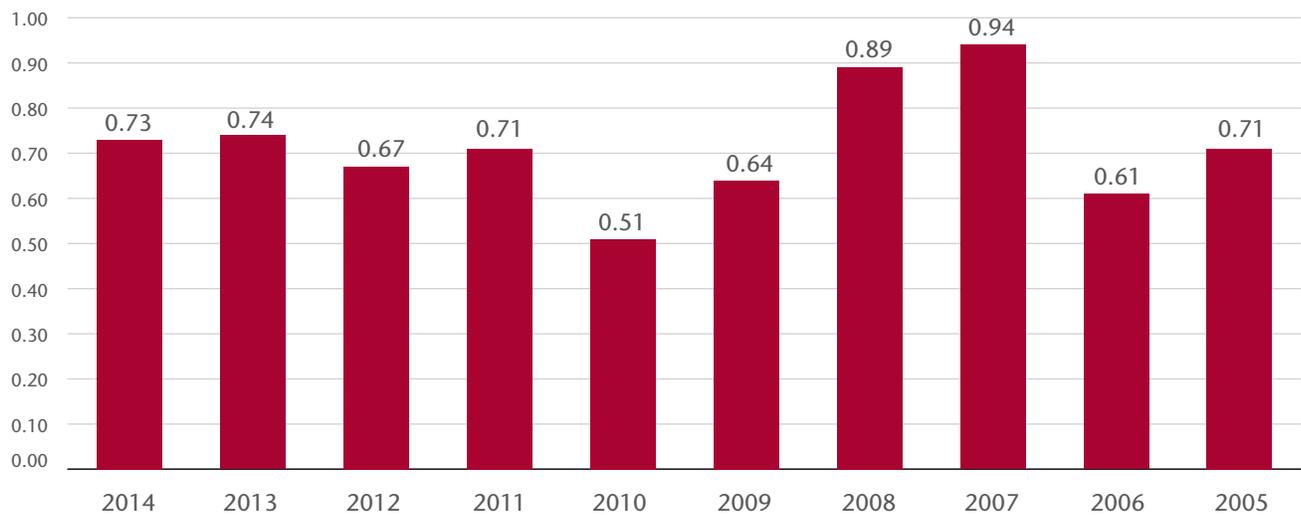
### Last Ten Fiscal Years

IN THOUSANDS

| Fiscal year ended June 30, | 2014        | 2013        | 2012        | 2011        | 2010        | 2009        | 2008        | 2007        | 2006        | 2005        |
|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| AS RESTATED                |             |             |             |             |             |             |             |             |             |             |
| <b>Viability Ratio</b>     |             |             |             |             |             |             |             |             |             |             |
| Expendable loans           | \$ 27,527   | \$ 26,913   | \$ 28,211   | \$ 27,493   | \$ 28,050   | \$ 26,936   | \$ 25,743   | \$ 25,043   | \$ 25,009   | \$ 24,430   |
| Restricted expendable      | 315,880     | 264,647     | 207,496     | 188,589     | 91,813      | 86,039      | 169,514     | 169,900     | 74,579      | 50,389      |
| Unrestricted               | 98,844      | 126,610     | 103,370     | 93,682      | 83,437      | 73,813      | 69,842      | 69,299      | 64,022      | 54,904      |
| Expendable net position    | \$ 442,251  | \$ 418,170  | \$ 339,077  | \$ 309,765  | \$ 203,300  | \$ 186,788  | \$ 265,100  | \$ 264,242  | \$ 163,610  | \$ 129,723  |
| Total long-term debt       | \$ 607,527  | \$ 566,313  | \$ 504,432  | \$ 434,845  | \$ 397,904  | \$ 290,573  | \$ 299,365  | \$ 282,418  | \$ 266,733  | \$ 182,191  |
| <b>Ratio</b>               | <b>0.73</b> | <b>0.74</b> | <b>0.67</b> | <b>0.71</b> | <b>0.51</b> | <b>0.64</b> | <b>0.89</b> | <b>0.94</b> | <b>0.61</b> | <b>0.71</b> |

Measures the ability of the institution to cover its debt as of the balance sheet date, should the institution need to do so. A positive ratio of greater than 1:1 generally denotes strength.

### Viability Ratio



## Summary of Ratios

Last Ten Fiscal Years

IN THOUSANDS

| Fiscal year ended June 30,  | 2014          | 2013          | 2012        | 2011          | 2010        | 2009          | 2008          | 2007        | 2006          | 2005          |
|---|---------------|---------------|-------------|---------------|-------------|---------------|---------------|-------------|---------------|---------------|
| <b>Operating Margin Excluding Gifts</b>                                 |               |               |             |               |             |               |               |             |               |               |
| Income (loss) before other revenues, expenses, gains, or losses         | \$ 16,060     | \$ 20,539     | \$ 26,275   | \$ 10,130     | \$ 16,092   | \$ (30,608)   | \$ 4,860      | \$ 26,999   | \$ (18,669)   | \$ 5,396      |
| Less: non-capital gifts   | (36,060)      | (29,997)      | (27,679)    | (26,513)      | (19,834)    | (21,037)      | (26,743)      | (19,241)    | (18,358)      | (14,107)      |
| Adjusted income (loss) before other revenues, expenses, gains or losses | (20,000)      | (9,458)       | (1,404)     | (16,384)      | (3,743)     | (51,645)      | (21,882)      | 7,758       | (37,027)      | (8,712)       |
| Total operating revenues  | 702,807       | 689,543       | 638,807     | 581,762       | 541,883     | 496,315       | 479,383       | 453,393     | 424,233       | 411,539       |
| State appropriations  | 176,034       | 151,005       | 153,354     | 189,243       | 206,284     | 246,599       | 245,464       | 221,288     | 209,657       | 195,794       |
| Federal appropriations  | 10,733        | 10,257        | 10,760      | 10,213        | 8,685       | 8,611         | 10,859        | 9,213       | 9,730         | 8,550         |
| Federal bond interest subsidy   | 2,681         | 2,913         | 2,913       | 2,259         | -           | -             | -             | -           | -             | -             |
| Investment income   | 73,309        | 46,150        | 49,256      | 45,919        | 56,556      | 19,675        | 66,786        | 57,233      | 29,754        | 44,797        |
| Adjusted operating revenues less gifts                                  | 965,564       | 899,867       | 855,089     | 829,396       | 813,408     | 771,200       | 802,492       | 741,127     | 673,375       | 660,680       |
| Adjusted income (loss) before other revenues, expenses, gains or losses | (20,000)      | (12,519)      | (1,404)     | (16,384)      | (3,743)     | (51,645)      | (21,882)      | 7,758       | (37,027)      | (8,712)       |
| Adjusted operating revenues less gifts                                  | 965,564       | 899,867       | 855,089     | 829,396       | 813,408     | 771,200       | 802,492       | 741,127     | 673,375       | 660,680       |
| <b>Ratio</b>  | <b>(0.02)</b> | <b>(0.01)</b> | <b>0.00</b> | <b>(0.02)</b> | <b>0.00</b> | <b>(0.07)</b> | <b>(0.03)</b> | <b>0.01</b> | <b>(0.05)</b> | <b>(0.01)</b> |

A more restrictive measure of whether the institution is living within available resources. A positive ratio and an increasing amount over time generally reflect strength.

| Fiscal year ended June 30,                        | 2014              | 2013              | 2012              | 2011              | 2010              | 2009              | 2008              | 2007              | 2006              | 2005              |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Expendable Resources to Debt</b>               |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Unrestricted net position                         | \$ 97,325         | \$ 123,803        | \$ 101,155        | \$ 91,734         | \$ 81,791         | \$ 72,032         | \$ 69,686         | \$ 67,029         | \$ 61,232         | \$ 52,385         |
| Unrestricted net position-component unit          | 1,518             | 2,807             | 2,215             | 1,948             | 1,646             | 1,780             | 156               | 2,270             | 2,790             | 2,519             |
| Expendable restricted net position                | 236,173           | 227,027           | 181,044           | 152,762           | 84,230            | 72,704            | 97,040            | 87,044            | 69,361            | 25,443            |
| Expendable restricted net position-component unit | 79,707            | 37,620            | 26,452            | 35,827            | 7,583             | 5,804             | 72,474            | 82,855            | 44,563            | 27,465            |
| <b>Expendable net position</b>                    | <b>\$ 414,723</b> | <b>\$ 391,257</b> | <b>\$ 310,866</b> | <b>\$ 282,272</b> | <b>\$ 175,249</b> | <b>\$ 152,321</b> | <b>\$ 239,357</b> | <b>\$ 239,199</b> | <b>\$ 177,945</b> | <b>\$ 107,812</b> |
| Expendable net position (divided by)              | \$ 414,723        | \$ 391,257        | \$ 310,866        | \$ 282,272        | \$ 175,249        | \$ 152,321        | \$ 239,357        | \$ 239,199        | \$ 177,945        | \$ 107,812        |
| Total Adjusted University Debt                    | 607,527           | 566,313           | 504,432           | 434,845           | 397,904           | 290,573           | 299,365           | 282,418           | 266,733           | 182,191           |
| <b>Ratio</b>                                      | <b>0.68</b>       | <b>0.69</b>       | <b>0.62</b>       | <b>0.65</b>       | <b>0.44</b>       | <b>0.52</b>       | <b>0.80</b>       | <b>0.85</b>       | <b>0.67</b>       | <b>0.59</b>       |

A broader measure of the ability of the institution to cover its debt as of the balance sheet date.

## Summary of Ratios

### Last Ten Fiscal Years

IN THOUSANDS

| Fiscal year ended June 30,                            | 2014                | 2013                | 2012                | 2011              | 2010              | 2009              | 2008              | 2007              | 2006              | 2005              |
|---|---------------------|---------------------|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Total Financial Resources to Direct Debt</b>       |                     |                     |                     |                   |                   |                   |                   |                   |                   |                   |
| Unrestricted net position                             | \$ 97,325           | \$ 123,803          | \$ 101,155          | \$ 91,734         | \$ 81,791         | \$ 72,032         | \$ 69,686         | \$ 67,029         | \$ 61,232         | \$ 52,385         |
| Unrestricted net position-component unit              | 1,518               | 2,807               | 2,215               | 1,948             | 1,646             | 1,780             | 156               | 2,270             | 2,790             | 2,519             |
| Expendable restricted net position                    | 236,173             | 227,027             | 181,044             | 152,762           | 84,230            | 72,704            | 97,040            | 87,044            | 69,361            | 25,443            |
| Expendable restricted net position-component unit     | 79,707              | 37,620              | 26,452              | 35,827            | 7,583             | 5,804             | 72,474            | 82,855            | 44,563            | 27,465            |
| Non-expendable restricted net position                | 471,364             | 443,585             | 434,224             | 418,321           | 415,394           | 384,439           | 371,530           | 348,845           | 333,974           | 372,287           |
| Non-expendable restricted net position-component unit | 358,011             | 336,066             | 319,981             | 283,580           | 263,582           | 249,255           | 239,145           | 223,377           | 205,156           | 187,415           |
| <b>Total financial resources</b>                      | <b>\$ 1,244,099</b> | <b>\$ 1,170,909</b> | <b>\$ 1,065,071</b> | <b>\$ 984,173</b> | <b>\$ 854,226</b> | <b>\$ 786,014</b> | <b>\$ 850,031</b> | <b>\$ 811,421</b> | <b>\$ 717,076</b> | <b>\$ 667,515</b> |
| Total financial resources (divided by)                | 1,244,099           | 1,170,909           | 1,065,071           | 984,173           | 854,226           | 786,014           | 850,031           | 811,421           | 717,076           | 667,515           |
| Total notes, bonds, capital leases                    | 607,527             | 566,313             | 504,432             | 434,845           | 397,904           | 290,573           | 299,365           | 282,418           | 266,733           | 182,191           |
| <b>Ratio</b>  | <b>2.05</b>         | <b>2.07</b>         | <b>2.11</b>         | <b>2.26</b>       | <b>2.15</b>       | <b>2.71</b>       | <b>2.84</b>       | <b>2.87</b>       | <b>2.69</b>       | <b>3.66</b>       |

A broader measure of the ability of the institution to cover its debt as of balance sheet date.

IN THOUSANDS

| Fiscal year ended June 30,                      | 2014         | 2013         | 2012         | 2011         | 2010         | 2009         | 2008         | 2007         | 2006         | 2005         |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Direct Debt to Adjusted Cash Flow</b>        |              |              |              |              |              |              |              |              |              |              |
| Net cash used by operating activities           | \$ (191,107) | \$ (155,945) | \$ (111,528) | \$ (170,805) | \$ (194,195) | \$ (235,315) | \$ (254,821) | \$ (228,255) | \$ (215,683) | \$ (199,151) |
| State appropriations                            | 176,034      | 151,005      | 153,354      | 189,243      | 206,284      | 246,599      | 245,464      | 221,288      | 209,657      | 195,794      |
| Federal appropriations                          | 10,733       | 10,257       | 10,760       | 10,213       | 8,685        | 8,611        | 10,859       | 9,213        | 9,730        | 8,550        |
| Federal Pell Grants                             | 33,746       | 31,136       | 30,467       | 29,009       | 25,812       | 17,403       | -            | -            | -            | -            |
| Gifts and contributions                         | 35,841       | 29,997       | 27,679       | 26,513       | 19,834       | 21,037       | 26,743       | 19,241       | 18,358       | 14,107       |
| Adjusted cash flow from operations              | \$ 65,248    | \$ 66,449    | \$ 110,733   | \$ 84,173    | \$ 66,421    | \$ 58,335    | \$ 28,244    | \$ 21,487    | \$ 22,062    | \$ 19,300    |
| Total notes, bonds, capital leases (divided by) | 607,527      | 566,313      | 504,432      | 434,845      | 397,904      | 290,773      | 299,365      | 282,418      | 266,733      | 182,191      |
| Adjusted cash flow from operations              | 65,248       | 66,449       | 110,733      | 84,173       | 66,421       | 58,335       | 28,244       | 21,487       | 22,062       | 19,300       |
| <b>Ratio</b>                                    | <b>9.31</b>  | <b>8.52</b>  | <b>4.56</b>  | <b>5.17</b>  | <b>5.99</b>  | <b>4.98</b>  | <b>10.60</b> | <b>13.14</b> | <b>12.09</b> | <b>9.44</b>  |

Measures the financial strength of the institution by indicating how long the institution would take to repay the debt using the cash provided by its operations. A decreasing ratio over time denotes strength.

## Summary of Ratios

Last Ten Fiscal Years

IN THOUSANDS

| Fiscal year ended June 30,                | 2014              | 2013              | 2012              | 2011              | 2010              | 2009              | 2008              | 2007              | 2006              | 2005              |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Debt Burden Ratio</b>                  |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Interest and fees paid on debt and leases | \$ 22,390         | \$ 14,012         | \$ 14,196         | \$ 14,007         | \$ 13,860         | \$ 13,870         | \$ 15,132         | \$ 11,711         | \$ 11,044         | \$ 9,511          |
| Principal paid on debt and leases         | 15,051            | 15,790            | 14,724            | 13,737            | 10,566            | 9,853             | 10,797            | 13,264            | 10,790            | 8,223             |
| <b>Debt service</b>                       | <b>\$ 37,441</b>  | <b>\$ 29,802</b>  | <b>\$ 28,919</b>  | <b>\$ 27,744</b>  | <b>\$ 24,426</b>  | <b>\$ 23,723</b>  | <b>\$ 25,929</b>  | <b>\$ 24,974</b>  | <b>\$ 21,833</b>  | <b>\$ 17,734</b>  |
| Operating expenses                        | \$ 995,136        | \$ 923,702        | \$ 866,230        | \$ 858,242        | \$ 829,878        | \$ 821,658        | \$ 813,258        | \$ 731,536        | \$ 698,901        | \$ 664,386        |
| Interest on capital assets-related debt   | -                 | 14,012            | 14,196            | 14,007            | 13,860            | 13,870            | 15,132            | 11,711            | 11,044            | 9,511             |
| Less: depreciation expense                | (86,946)          | (84,701)          | (77,614)          | (74,475)          | (73,516)          | (68,493)          | (64,558)          | (50,595)          | (56,279)          | (52,396)          |
| Plus: principal paid on debt and leases   | 15,051            | 15,790            | 14,724            | 13,737            | 10,566            | 9,853             | 10,797            | 13,264            | 10,790            | 8,223             |
| <b>Total expenditures</b>                 | <b>\$ 923,240</b> | <b>\$ 868,803</b> | <b>\$ 817,535</b> | <b>\$ 811,511</b> | <b>\$ 780,788</b> | <b>\$ 776,888</b> | <b>\$ 774,629</b> | <b>\$ 705,915</b> | <b>\$ 664,455</b> | <b>\$ 629,725</b> |
| Debt service (divided by)                 | 37,441            | 29,802            | 28,919            | 27,744            | 24,426            | 23,723            | 25,929            | 24,974            | 21,833            | 17,734            |
| Total expenditures                        | 923,240           | 868,803           | 817,535           | 811,511           | 780,788           | 776,888           | 774,629           | 705,915           | 664,455           | 629,725           |
| <b>Ratio</b>                              | <b>4.1%</b>       | <b>3.4%</b>       | <b>3.5%</b>       | <b>3.4%</b>       | <b>3.1%</b>       | <b>3.1%</b>       | <b>3.3%</b>       | <b>3.5%</b>       | <b>3.3%</b>       | <b>2.8%</b>       |

Measures the institution's dependence on borrowed funds as a source of financing its mission and the relative cost of borrowing to overall expenditures.

| Fiscal year ended June 30,                | 2014             | 2013             | 2012             | 2011             | 2010             | 2009             | 2008             | 2007             | 2006             | 2005             |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Debt Service to Operations</b>         |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Interest and fees paid on debt and leases | \$ 22,390        | \$ 14,012        | \$ 14,196        | \$ 14,007        | \$ 13,860        | \$ 13,870        | \$ 15,132        | \$ 11,711        | \$ 11,044        | \$ 9,511         |
| Principal paid on debt and leases         | 15,051           | 15,790           | 14,724           | 13,737           | 10,566           | 9,853            | 10,797           | 13,264           | 10,790           | 8,223            |
| <b>Debt service</b>                       | <b>\$ 37,441</b> | <b>\$ 29,802</b> | <b>\$ 28,919</b> | <b>\$ 27,744</b> | <b>\$ 24,426</b> | <b>\$ 23,723</b> | <b>\$ 25,929</b> | <b>\$ 24,974</b> | <b>\$ 21,833</b> | <b>\$ 17,734</b> |
| Debt service (divided by)                 | \$ 37,441        | \$ 29,802        | \$ 28,919        | \$ 27,744        | \$ 24,426        | \$ 23,723        | \$ 25,929        | \$ 24,974        | \$ 21,833        | \$ 17,734        |
| Operating expenses                        | \$ 995,136       | \$ 923,702       | \$ 866,230       | \$ 858,242       | \$ 829,878       | \$ 821,658       | \$ 813,258       | \$ 731,536       | \$ 698,901       | \$ 664,386       |
| <b>Ratio</b>                              | <b>3.8%</b>      | <b>3.2%</b>      | <b>3.4%</b>      | <b>3.8%</b>      | <b>3.1%</b>      | <b>3.0%</b>      | <b>3.0%</b>      | <b>3.1%</b>      | <b>2.6%</b>      | <b>2.7%</b>      |

Measures the financial strength of the institution.

## Summary of Ratios

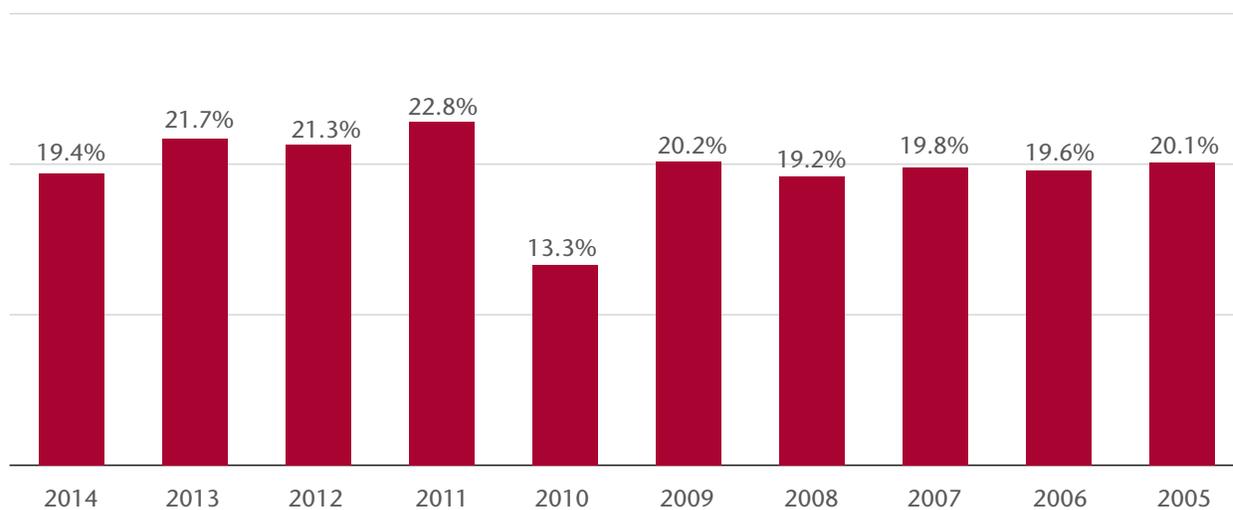
Last Ten Fiscal Years

IN THOUSANDS

| Fiscal year ended June 30,                           | 2014         | 2013         | 2012         | 2011         | 2010         | 2009         | 2008         | 2007         | 2006         | 2005         |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Research Expenses to Total Operating Expenses</b> |              |              |              |              |              |              |              |              |              |              |
| Operating expenses                                   | \$ 995,136   | \$ 923,702   | \$ 866,230   | \$ 858,242   | \$ 829,878   | \$ 821,658   | \$ 813,258   | \$ 731,536   | \$ 698,901   | \$ 664,386   |
| Research expenses                                    | 193,520      | 200,773      | 184,354      | 195,357      | 110,202      | 165,829      | 156,425      | 144,594      | 137,265      | 133,799      |
| <b>Ratio</b>   | <b>19.4%</b> | <b>21.7%</b> | <b>21.3%</b> | <b>22.8%</b> | <b>13.3%</b> | <b>20.2%</b> | <b>19.2%</b> | <b>19.8%</b> | <b>19.6%</b> | <b>20.1%</b> |

Measures the institution's research expenses to the total operating expenses.

### Research Expenses to Total Operating Expenses



## Summary of Ratios

### Last Ten Fiscal Years

IN THOUSANDS

| Fiscal year ended June 30,                   | 2014       | 2013       | 2012       | 2011       | 2010       | 2009       | 2008       | 2007       | 2006       | 2005       |
|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| <b>Net Tuition Per Student</b>               |            |            |            |            |            |            |            |            |            |            |
| Student tuition and fees, net                | \$ 290,508 | \$ 277,447 | \$ 252,695 | \$ 219,672 | \$ 194,836 | \$ 173,288 | \$ 155,785 | \$ 143,481 | \$ 133,648 | \$ 124,749 |
| Less: scholarships and fellowships           | (73,030)   | (55,097)   | (55,204)   | (54,094)   | (51,651)   | (45,473)   | (41,735)   | (39,418)   | (33,606)   | (32,660)   |
| Net tuition and fees                         | \$ 217,478 | \$ 222,350 | \$ 197,491 | \$ 165,578 | \$ 143,185 | \$ 127,815 | \$ 114,050 | \$ 104,063 | \$ 100,042 | \$ 92,089  |
| Net tuition and fees (divided by)            | \$ 217,478 | \$ 222,350 | \$ 197,491 | \$ 165,578 | \$ 143,185 | \$ 127,815 | \$ 114,050 | \$ 104,063 | \$ 100,042 | \$ 92,089  |
| Undergraduate, graduate and professional FTE | 26,059     | 26,198     | 25,946     | 24,964     | 24,760     | 24,097     | 22,984     | 22,037     | 21,985     | 21,784     |
| Net tuition per student                      | \$ 8,346   | \$ 8,487   | \$ 7,612   | \$ 6,633   | \$ 5,783   | \$ 5,304   | \$ 4,962   | \$ 4,722   | \$ 4,550   | \$ 4,227   |

Measures the institution's net student tuition and fees received per student.

IN THOUSANDS

| Fiscal year ended June 30,                   | 2014       | 2013       | 2012       | 2011       | 2010       | 2009       | 2008       | 2007       | 2006       | 2005       |
|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| <b>State Appropriations Per Student</b>      |            |            |            |            |            |            |            |            |            |            |
| State appropriations (divided by)            | \$ 176,034 | \$ 151,005 | \$ 153,354 | \$ 189,243 | \$ 206,284 | \$ 246,599 | \$ 245,464 | \$ 221,288 | \$ 209,657 | \$ 195,794 |
| Undergraduate, graduate and professional FTE | 26,059     | 26,198     | 25,946     | 24,964     | 24,760     | 24,097     | 22,984     | 22,037     | 21,985     | 21,784     |
| State appropriation per student              | \$ 6,755   | \$ 5,764   | \$ 5,911   | \$ 7,581   | \$ 8,331   | \$ 10,234  | \$ 10,680  | \$ 10,042  | \$ 9,536   | \$ 8,988   |

Measures the institution's dependency on State appropriations.

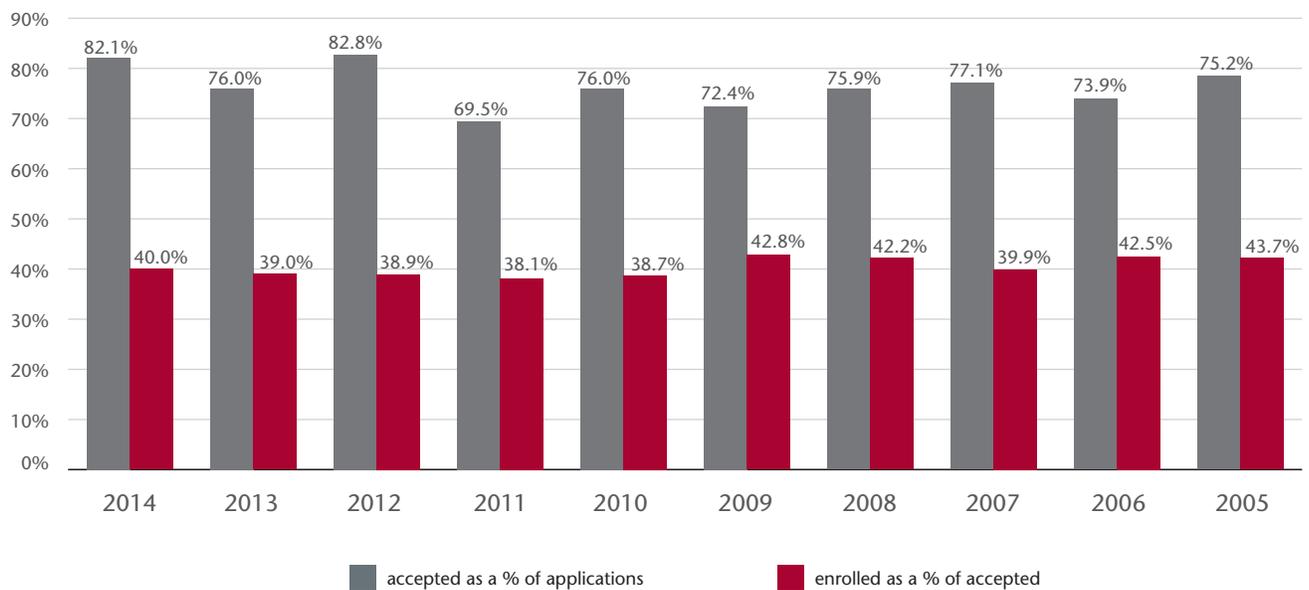
# Admissions, Enrollment, and Degrees Earned

Last Ten Fiscal Years (Fall Enrollment)

|  | 2013-14 | 2012-13 | 2011-12 | 2010-11 | 2009-10 | 2008-09 | 2007-08 | 2006-07 | 2005-06 | 2004-05 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| <b>Admissions—Freshmen</b>               |         |         |         |         |         |         |         |         |         |         |
| Applications                             | 14,887  | 14,825  | 13,886  | 12,427  | 12,478  | 11,983  | 10,853  | 9,314   | 9,193   | 9,508   |
| Accepted                                 | 12,219  | 11,268  | 11,493  | 8,634   | 9,489   | 8,677   | 8,240   | 7,177   | 6,793   | 7,148   |
| Enrolled                                 | 4,163   | 4,389   | 4,473   | 3,288   | 3,668   | 3,710   | 3,477   | 2,856   | 2,885   | 3,108   |
| Accepted as a percentage of applications | 82.1%   | 76.0%   | 82.8%   | 69.5%   | 76.0%   | 72.4%   | 75.9%   | 77.1%   | 73.9%   | 75.2%   |
| Enrolled as a percentage of accepted     | 34.1%   | 39.0%   | 38.9%   | 38.1%   | 38.7%   | 42.8%   | 42.2%   | 39.8%   | 42.5%   | 43.5%   |

Source: Washington State University Office of Institutional Research

## Percent of Accepted and Enrolled



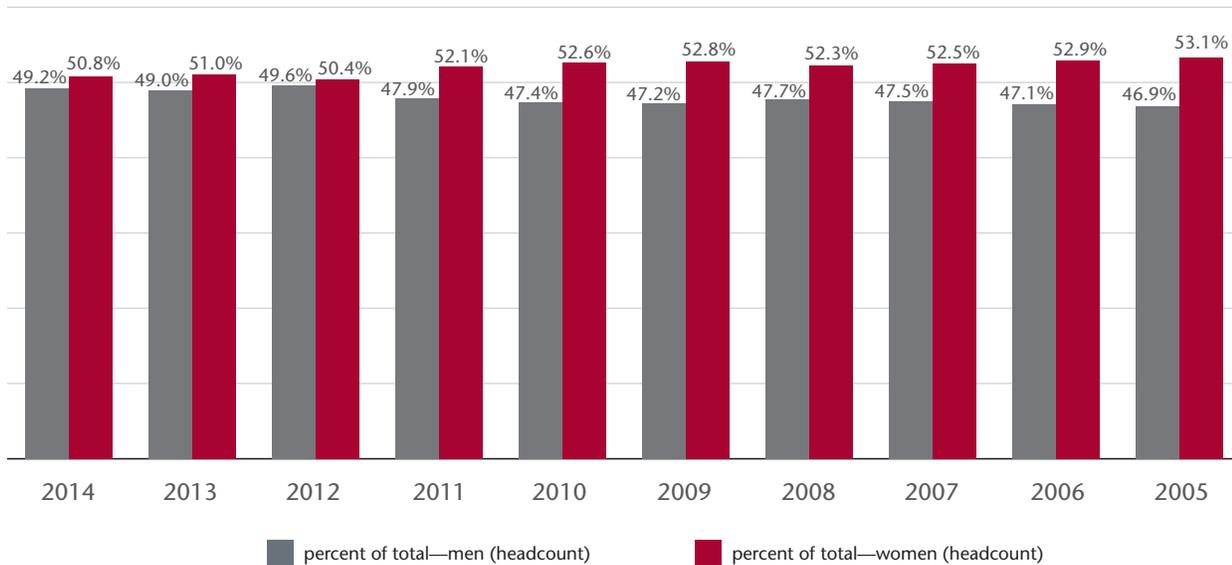
## Admissions, Enrollment, and Degrees Earned

Last Ten Fiscal Years (Fall Enrollment)

|  | 2013-14 | 2012-13 | 2011-12 | 2010-11 | 2009-10 | 2008-09 | 2007-08 | 2006-07 | 2005-06 | 2004-05 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| <b>Enrollment</b>                                  |         |         |         |         |         |         |         |         |         |         |
| Undergraduate, graduate and professional headcount | 27,642  | 27,679  | 27,329  | 26,308  | 26,101  | 25,352  | 24,396  | 23,655  | 23,544  | 23,241  |
| Men (headcount)                                    | 13,607  | 13,564  | 13,564  | 12,597  | 12,360  | 11,970  | 11,635  | 11,228  | 11,096  | 10,890  |
| Percentage of total                                | 49.2%   | 49.0%   | 49.6%   | 47.9%   | 47.4%   | 47.2%   | 47.7%   | 47.5%   | 47.1%   | 46.9%   |
| Women (headcount)                                  | 14,035  | 14,115  | 13,765  | 13,711  | 13,741  | 13,382  | 12,761  | 12,427  | 12,448  | 12,351  |
| Percentage of total                                | 50.8%   | 51.0%   | 50.4%   | 52.1%   | 52.6%   | 52.8%   | 52.3%   | 52.5%   | 52.9%   | 53.1%   |

Source: Washington State University Office of Institutional Research

### Percent of Men and Women—Headcount



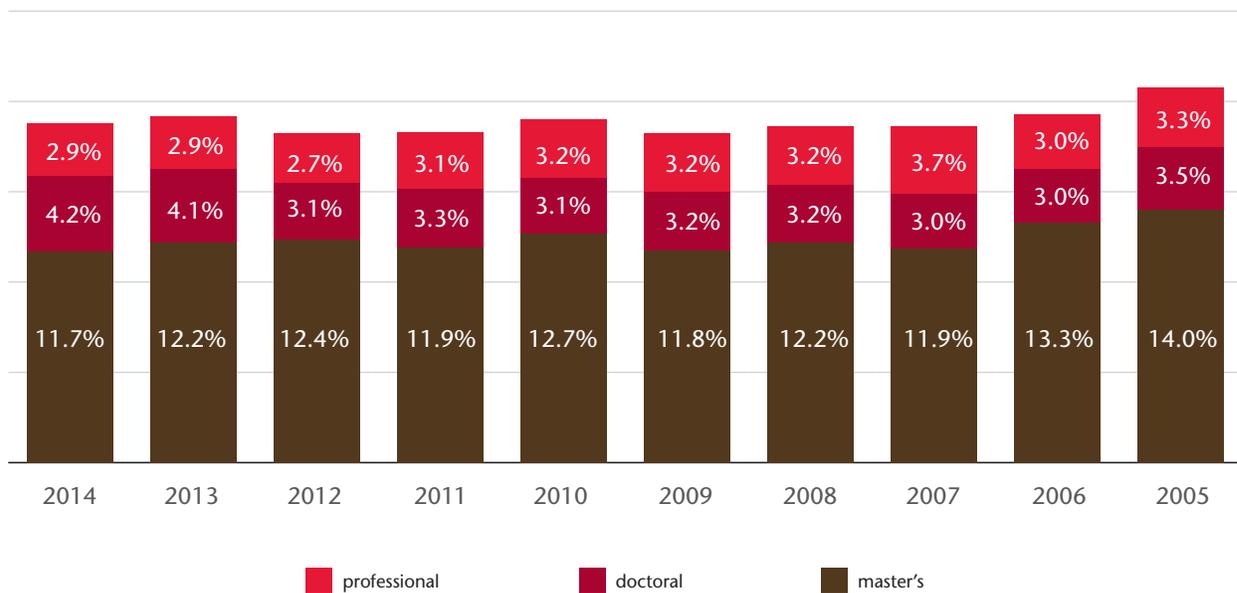
# Admissions, Enrollment, and Degrees Earned

Last Ten Fiscal Years (Fall Enrollment)

|                       | 2013-14      | 2012-13      | 2011-12      | 2010-11      | 2009-10      | 2008-09      | 2007-08      | 2006-07      | 2005-06      | 2004-05      |
|-----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Degrees Earned</b> |              |              |              |              |              |              |              |              |              |              |
| Baccalaureate         | 5,054        | 5,276        | 5,297        | 5,221        | 4,779        | 4,907        | 4,818        | 4,797        | 4,508        | 4,133        |
| Master's              | 731          | 800          | 802          | 763          | 748          | 711          | 724          | 702          | 741          | 730          |
| Doctoral              | 260          | 268          | 203          | 211          | 185          | 195          | 189          | 175          | 170          | 180          |
| Professional          | 178          | 189          | 177          | 196          | 188          | 191          | 188          | 219          | 169          | 174          |
| <b>Total earned</b>   | <b>6,223</b> | <b>6,533</b> | <b>6,479</b> | <b>6,391</b> | <b>5,900</b> | <b>6,004</b> | <b>5,919</b> | <b>5,893</b> | <b>5,588</b> | <b>5,217</b> |

Source: Washington State University Office of Institutional Research

## Percent of Upper Degrees to Total Earned



## Faculty and Staff

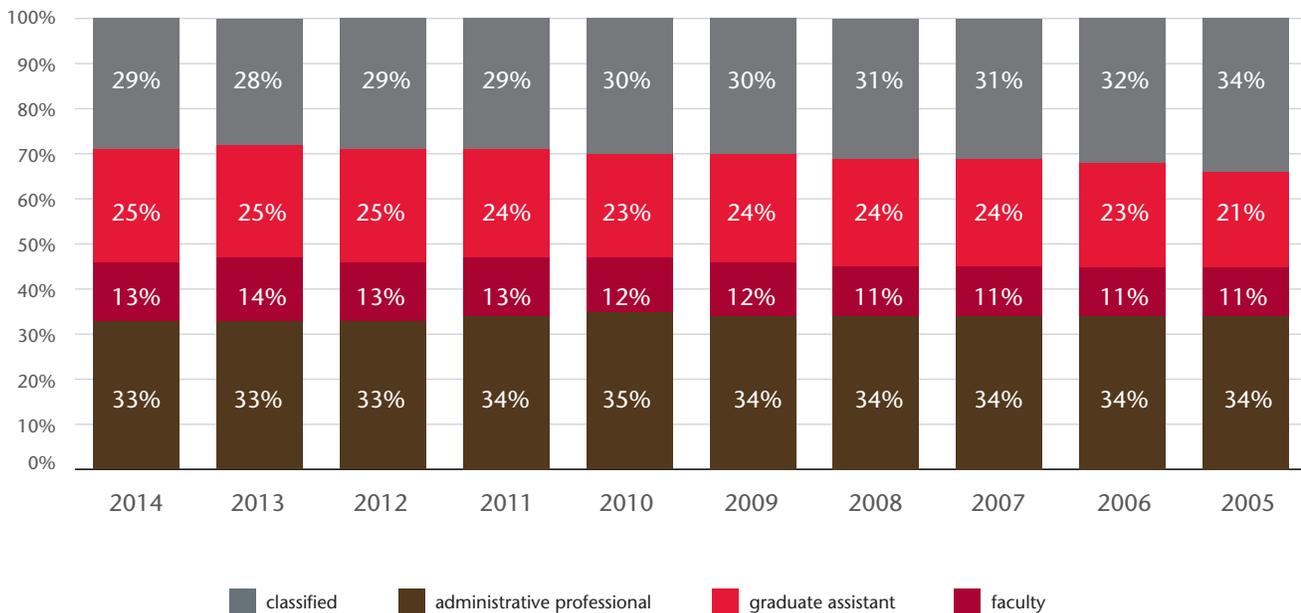
Last Ten Fiscal Years

FULL-TIME EQUIVALENT

| Fall employment of fiscal year—FTE | 2013-14      | 2012-13      | 2011-12      | 2010-11      | 2009-10      | 2008-09      | 2007-08      | 2006-07      | 2005-06      | 2004-05      |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Faculty                            | 2,196        | 2,127        | 2,126        | 2,195        | 2,229        | 2,279        | 2,245        | 2,144        | 2,136        | 2,097        |
| Graduate assistant                 | 887          | 881          | 842          | 821          | 792          | 776          | 744          | 710          | 681          | 692          |
| Administrative professional        | 1,693        | 1,641        | 1,571        | 1,523        | 1,500        | 1,581        | 1,583        | 1,489        | 1,420        | 1,300        |
| Classified staff                   | 1,897        | 1,834        | 1,811        | 1,905        | 1,939        | 2,036        | 1,964        | 1,970        | 1,984        | 2,008        |
| <b>Total faculty and staff</b>     | <b>6,673</b> | <b>6,483</b> | <b>6,350</b> | <b>6,444</b> | <b>6,460</b> | <b>6,672</b> | <b>6,536</b> | <b>6,313</b> | <b>6,221</b> | <b>6,097</b> |

Source: Washington State University Office of Institutional Research

## Faculty and Staff



## Demographic Data

Last Ten Fiscal Years

|                               | 2013      | 2012      | 2011      | 2010      | 2009      | 2008      | 2007      | 2006      | 2005      | 2004      |
|-------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Washington population         | 6,971,406 | 6,897,000 | 6,767,900 | 6,724,500 | 6,672,200 | 6,608,200 | 6,525,100 | 6,420,300 | 6,298,800 | 6,208,500 |
| Personal income (in billions) | N/A       | \$ 313.2  | \$ 299.7  | \$ 283.4  | \$ 276.7  | \$ 289.4  | \$ 272.6  | \$ 252.1  | \$ 230.1  | \$ 222.4  |
| Per capita personal income    | \$ 47,031 | \$ 45,413 | \$ 43,878 | \$ 42,024 | \$ 41,504 | \$ 44,106 | \$ 42,192 | \$ 37,570 | \$ 36,766 | \$ 35,998 |
| Washington unemployment rate  | 7.0%      | 8.2%      | 9.2%      | 9.9%      | 9.4%      | 5.4%      | 4.6%      | 4.9%      | 5.5%      | 6.2%      |

We would like to acknowledge the following staff responsible for the content of this report:

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Stadium Way serves as the main thoroughfare for the Pullman campus. The University is in the midst of implementing a plan to create a more pedestrian-focused campus.



2014 Comprehensive Annual Financial Report  
Fiscal year ended June 30, 2014  
Pullman, Washington

