WICHITA STATE UNIVERSITY FOUNDATION AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2016

Independent Auditors' Report

The Board of Directors
Wichita State University Foundation and Affiliate
Wichita, Kansas

We have audited the accompanying consolidated financial statements of Wichita State University Foundation and Affiliate (collectively referred to as the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Report on the Financial Statements

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wichita State University Foundation and Affiliate as of June 30, 2016, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Prior Period Financial Statements

The financial statements of the Organization as of and for the year ended June 30, 2015, were audited by other auditors whose report dated October 5, 2015 expressed an unmodified opinion on those financial statements. The summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Swindoll, Janzen, Hawk & Loyd, L.L.C.

October 19, 2016
Wichita, Kansas

WICHITA STATE UNIVERSITY FOUNDATION AND AFFILIATE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2016
(With Summarized Financial Information at June 30, 2015)

	2016	2015
ASSETS		
Cash and cash equivalents	$ 13,607,651	$ 7,572,530
Pledges receivable, less allowance for uncollectible pledges (2016, $633,247; 2015, $653,194)	23,571,586	23,702,942
Investments	214,601,236	226,354,993
Investment at equity	3,145,000	-
Mortgage receivable	38,644	41,297
Real estate	597,175	597,175
Buildings, equipment, furniture and software, at cost, less accumulated depreciation	379,296	199,690
Cash surrender value of life insurance	4,405,440	4,314,517
Collections	16,022,930	15,966,615
Other assets	737,329	881,412
TOTAL ASSETS	$ 277,106,287	$ 279,631,171
LIABILITIES		
Accounts payable and accrued expenses	$ 536,869	$ 449,709
Annuities payable	918,365	847,978
Due to WSU Alumni Association	1,517,567	1,560,935
Due to WSU Board of Trustees	5,968,813	6,676,830
Due to WSU Departments	754,305	1,126,848
Due to WSU Intercollegiate Athletic Association, Inc.	9,443,422	8,014,515
TOTAL LIABILITIES	19,139,341	18,676,815
NET ASSETS		
Unrestricted		
Undesignated	6,382,098	5,314,650
Designated by the Board for endowment purposes	819,337	450,000
Total unrestricted	7,201,435	5,764,650
Temporarily restricted	75,163,768	83,717,522
Permanently restricted	175,601,743	171,472,184
TOTAL NET ASSETS	257,966,946	260,954,356
TOTAL LIABILITIES AND NET ASSETS	$ 277,106,287	$ 279,631,171

See Notes to Consolidated Financial Statements

WICHITA STATE UNIVERSITY FOUNDATION AND AFFILIATE

CONSOLIDATED STATEMENTS OF ACTIVITIES

Year Ended June 30, 2016
(With Summarized Financial Information for the Year Ended June 30, 2015)

	2016				2015
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	TOTAL
REVENUE, GAINS, AND OTHER SUPPORT					
Contributions	$ 899,783	$ 10,962,840	$ 4,129,559	$ 15,992,182	$ 28,325,909
Net investment return	2,602,852	(5,863,780)	-	(3,260,928)	(118,381)
Loss on property	(80,500)	-	-	(80,500)	(3,900)
Other income	3,459,359	-	-	3,459,359	3,068,169
Net assets released from restriction	13,652,814	(13,652,814)	-	-	-
TOTAL REVENUE, GAINS, AND OTHER SUPPORT	20,534,308	(8,553,754)	4,129,559	16,110,113	31,271,797
EXPENSES					
Program Services:					
Scholarships	5,779,181	-	-	5,779,181	5,668,900
University support	7,873,633	-	-	7,873,633	8,221,371
Supporting activities:					
Management and general	2,970,607	-	-	2,970,607	2,849,673
Fund raising	2,474,102	-	-	2,474,102	2,087,839
TOTAL EXPENSES	19,097,523	-	-	19,097,523	18,827,783
CHANGE IN NET ASSETS	1,436,785	(8,553,754)	4,129,559	(2,987,410)	12,444,014
NET ASSETS, BEGINNING OF YEAR	5,764,650	83,717,522	171,472,184	260,954,356	248,510,342
NET ASSETS, END OF YEAR	$ 7,201,435	$ 75,163,768	$ 175,601,743	$ 257,966,946	$ 260,954,356

See Notes to Consolidated Financial Statements

WICHITA STATE UNIVERSITY FOUNDATION
AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended June 30, 2016
(With Summarized Financial Information for the Year Ended June 30, 2015)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (2,987,410)	$ 12,444,014
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	26,301	9,399
Loss on collection item	80,500	3,900
Contributions received for permanent endowment	(6,762,502)	(5,657,202)
Net realized and unrealized loss on investments	8,546,820	5,317,064
Fair value of donated collection items	(136,815)	(103,327)
Fair value of donated investments and real estate	5,886,672	2,376,257
Donated facilities recorded as contributions	259,890	162,000
Donated facilities recorded as rent	(259,890)	(162,000)
Decrease (increase) in operating assets:		
Pledges receivable	131,356	(17,579,761)
Other assets	144,083	123,203
Increase in operating liabilities:		
Accounts payable and accrued expenses	87,160	15,761
Annuities payable	70,387	16,573
NET CASH FLOWS FROM OPERATING ACTIVITIES	5,086,552	(3,034,119)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of furniture	(205,907)	(39,712)
Net purchases of investments	(5,824,735)	(6,415,046)
Principal payments received on mortgage receivable	2,653	2,455
Increase in cash surrender value of life insurance	(90,923)	(330,310)
NET CASH FLOWS FROM INVESTING ACTIVITIES	(6,118,912)	(6,782,613)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions received for permanent endowment	6,762,502	5,657,202
Increase in due to affiliated entities	304,979	1,524,491
NET CASH FLOWS FROM FINANCING ACTIVITIES	7,067,481	7,181,693
NET CHANGE IN CASH AND CASH EQUIVALENTS	6,035,121	(2,635,039)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	7,572,530	10,207,569
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 13,607,651	$ 7,572,530

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of significant accounting policies

Nature of operations - Wichita State University Foundation (the "Foundation") provides support for the educational undertakings of Wichita State University and all related beneficial activities. It derives most of its revenue from contributions and earnings on investments. WSUF Real Estate Holdings, LLC (the "LLC") is a wholly-owned subsidiary of the Foundation formed during the year ended June 30, 2016. It derives its revenue from donated real estate. All activity from the LLC has been included within the consolidated financial statements. These entities are collectively referred to as the "Organization". Significant inter-company accounts and transactions have been eliminated.

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

Financial statement presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Temporarily restricted net assets are those which have been limited by donors to a specified time period or purpose. Permanently restricted net assets are restricted by donors to be maintained in perpetuity by the Organization.

Basis of accounting - The Organization's policy is to prepare the consolidated financial statements on the accrual basis of accounting; consequently, the consolidated financial statements reflect all significant receivables, payables, and other liabilities.

Income taxes - The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The LLC does not incur income taxes; instead, its earnings are included in the Foundation's income tax return and taxed depending on the Foundation's tax situation. The consolidated financial statements, therefore, do not include a provision for income taxes.

The Organization's present accounting policy for the evaluation of uncertain tax positions is to review those positions on an annual basis. A liability would be recorded in the financial statements during the period which, based on all available evidence, management believes it is more likely than not that the tax position would not be sustained upon examination by taxing authorities and the liability would be incurred by the Foundation. The Organization did not have any material uncertain tax positions as of June 30, 2016.

(1) Summary of significant accounting policies (continued)

Prior year comparative totals - The consolidated financial statements include certain prior year summarized financial information in total, but not by net asset class. Such information does not constitute a complete presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's 2015 financial statements from which the summarized information was derived.

Contributions - Contributions of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Contributions received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets, depending on the nature of the restriction. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions having donor stipulations that are satisfied in the period the contribution is received are reported as unrestricted revenue and net assets.

Donated property and equipment - Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Donated facilities and services – Donated facilities are valued at their fair rental value. Donated services are recognized as contributions if the services (a) create or enhance non-financial assets; or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Donated assets - Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

Promises to give - Unconditional promises to give (pledges) expected to be collected within one year are reported at their estimated net realizable value. Pledges expected to be collected in future years are reported at the present value of estimated future cash flows based upon a risk adjusted five year T-bill rate (3% at June 30, 2016). The resulting discount is amortized and reported as contribution revenue. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. A pledge is written off when it reaches over 180 days past due or is determined to be uncollectible.

(1) **Summary of significant accounting policies (continued)**

Cash equivalents - The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2016, cash equivalents consisted primarily of money market accounts.

Collections - All collections of works of art and similar assets are capitalized. Items added to the collections are capitalized at cost, if purchased, or at estimated fair value at the date of acquisition, if donated. Contributions of art are temporarily restricted and may be disposed of with the proceeds received being restricted as to use.

Depreciation – Depreciation is computed by the straight line method over the following estimated useful lives:

Assets	Useful Lives
Buildings, equipment, furniture and software	3 – 39 years

Buildings, equipment, furniture and software – Buildings, equipment, furniture and software are carried at cost, if purchased or the approximate fair value at the date of donation, if donated. The Foundation capitalizes all expenditures for buildings, equipment and software in excess of $5,000.

Expense allocation - The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

Investments and investment return - The Organization carries investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Investment income and gains/losses are included in unrestricted net assets, unless the income or gain/loss is restricted by donor stipulation or law. Investment income and gains/losses restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Investment securities are exposed to various risks, such as interest rate, market fluctuation and credit risk. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in risks in the near term would materially affect investments and the amounts reported in the statements of financial position.

The Organization's management is responsible for the fair value measurement of investments reported in the financial statements and believes that the reported values are reasonable.

The Organization uses the equity method in accounting for its investment in a closely held corporation since it controls between 20%-50%.

(2) Investment return

Investment returns for the year ended June 30, 2016 are summarized below.

Interest and dividend income	$ 3,555,198
Realized gains	1,730,694
Unrealized losses	(8,546,820)
	$ (3,260,928)

(3) Pledges receivable

Pledges receivable consists of unconditional promises to give as summarized below at June 30, 2016:

Due in less than one year	$ 9,790,465
Due in one to five years	13,664,417
Due in more than five years	1,900,573
	25,355,455
Less:	
Allowance for uncollectible pledges	633,247
Unamortized discount (at effective rate of 3%)	1,150,622
	1,783,869
	$ 23,571,586

Permanently restricted pledges receivable total $4,545,894 at June 30, 2016 and are included in pledges receivable above.

(4) Buildings, equipment, furniture and software

Buildings, equipment, furniture and software are carried at cost, if purchased, or fair market value, if donated.

Buildings, equipment, furniture and software	$ 1,641,982
Less accumulated depreciation	(665,511)
Net buildings, equipment, furniture and software	$ 976,471

The Foundation's policy is to depreciate buildings, equipment and software over their remaining useful lives. The Foundation periodically evaluates the remaining useful life and recoverability of such buildings, software and equipment in light of current circumstances, and believes it will recover the carrying amount in future operations.

(5) Annuities and trust payable

The Foundation has entered into agreements with individuals whereby the individuals have deposited a sum of money with the Foundation. In exchange, the individuals are to receive, during the term of their life, an annuity or annual sum of money based on the provisions of each specific agreement. The difference between the original annuity amount invested and the discounted liability for future payments, determined on an actuarial basis, is recognized as contribution income at the date of gift. The actuarial liability is revalued annually and any surplus or deficiency is recognized as a change in value and is included in "Other income" on the statements of activities.

(6) Collections

Accessions and deaccessions for collections during the year ended June 30, 2016 are summarized as follows:

Collections, beginning of year	$ 15,966,615
Accessions	136,815
Deaccessions	(80,500)
Collections, end of year	$ 16,022,930

(7) Retirement plan

The Foundation has a retirement plan covering substantially all salaried employees. The Foundation's contributions to the plan are 8.5% of total compensation paid to participants during the plan year. Participants are immediately fully vested in their plan interests. Contributions to the plan for the year ended June 30, 2016 totaled $196,999.

(8) Net assets

Temporarily restricted net assets are available for the following purposes at June 30, 2016:

Scholarships	$ 7,505,796
Educational support	9,849,003
Athletics	460,601
Buildings and grounds	15,657,838
Museum support	264,813
Library support	19,930,414
Other	21,495,303
	$ 75,163,768

(8) Net assets (continued)

Permanently restricted net assets are held in perpetuity. Summarized below is the amount of permanently restricted net assets and the related purpose for which investment revenue from these net assets can be expended, as of June 30, 2016:

Scholarships	$ 92,828,340
Educational support	53,047,829
Athletics	170,009
Buildings and grounds	1,897,877
Museum support	3,779,313
Library support	2,295,912
Other	21,582,463
	$ 175,601,743

(9) Endowment funds

The Organization's endowment consists of several individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

(9) Endowment funds (continued)

Investment Return Objectives, Risk Parameters and Strategies. The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 4.25%, while growing the funds if possible. Therefore, the Organization expects its endowment assets, to achieve a total return, net of fees, equal to or greater than spending, administrative fees and inflation. The primary objective for the portfolio is for total return to be greater than the Consumer Price Index plus spending policy plus administrative fees. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy. The Foundation has a policy of appropriating for distribution each year a payout based on the following criteria:

All Endowed Funds:

- If corpus value drops down to 75%, the board will review and decide whether to continue payouts and at what rate.
- A payout of 4% calculated on a twenty quarter rolling market value average.

In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, most of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 19,890,807	$ 157,533,350	$ 177,424,157
Board-designated endowment funds	819,337	-	-	819,337
Total funds	$ 819,337	$ 19,890,807	$ 157,533,350	$ 178,243,494

(9) Endowment funds (continued)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 507,771	$ 33,977,262	$ 155,221,125	$ 189,706,158
Investment return:				
Investment income	10,093	2,423,038	-	2,433,131
Net depreciation (realized and unrealized)	(32,477)	(6,816,568)	-	(6,849,045)
Total investment return	(22,384)	(4,393,530)	-	(4,415,914)
Contributions	367,846	215,971	2,312,225	2,896,042
Appropriation of endowment assets for expenditure	(33,896)	(9,908,896)	-	(9,942,792)
Endowment net assets, end of year	$ 819,337	$ 19,890,807	$ 157,533,350	$ 178,243,494

The Foundation's permanently restricted net assets include various endowment funds established by donors. Fair value of the assets of some of these funds was approximately $4,191,287 less than the level required by donor stipulation or law at June 30, 2016.

(10) Concentrations

Three donors accounted for 56% of undiscounted pledges receivable at June 30, 2016.

A significant amount of contributions are provided by a few major contributors. It is always reasonably possible that benefactors, grantors, or contributors might be lost in the near term.

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

(11) Investments

Investments stated at fair value

The Organization reports required types of financial instruments in accordance with fair value accounting standards. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. In addition, the Foundation reports certain investments using the net asset value per share as determined by investment managers under the so called "practical expedient". The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met. Fair value measurement standards also require the Organization to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for Level 2 or Level 3 reporting depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments which are generally included in this category include listed equity and debt securities publicly traded on an exchange.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation. Level 3 also includes practical expedient investments.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The Organization recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

Market price is affected by a number of factors, including the type of instrument and characteristics specific to the instrument, as well as the effects of market, interest and credit risk. Instruments with readily available active quoted prices, or for which fair value can be measured from actively quoted prices, generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

(11) Investments (continued)

It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in the Organization's financial statements.

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of deposit	$ -	$ -	$ -	$ -
Common & preferred stocks	38,928,888	38,928,888	-	-
Foreign stocks	24,821,905	24,821,905	-	-
Corporate bonds	29,868,264	-	29,868,264	-
Exchange-traded funds	9,081,716	9,081,716	-	-
Mortgage-backed securities	9,128,617	-	9,128,617	-
U.S. Government securities	14,224,760	14,224,760	-	-
Foreign bonds	1,560,089	-	1,560,089	-
Savings bonds	49,200	-	49,200	-
Zero coupon bonds	494,867	-	494,867	-
Commodity	212,138	212,138	-	-
Real estate	1,073,905	1,073,905	-	-
Hedge funds	49,891,568	-	-	49,891,568
Venture Capital / Private equity	35,265,319	-	-	35,265,319
	$ 214,601,236	$ 88,343,312	$ 41,101,037	$ 85,156,887

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Hedge Funds	Venture Capital/Private Equity	Total
July 1, 2015	$ 59,780,436	$ 24,958,274	$ 84,738,710
Total gains or losses included in investment income (realized and unrealized)	(3,448,401)	1,282,840	(2,165,561)
Purchases, sales and settlements:			
Purchases	11,723,053	11,806,229	23,529,282
Sales	(18,163,520)	(2,782,024)	(20,945,544)
Transfers in and/or out of Level 3	-	-	-
June 30, 2016	$ 49,891,568	$ 35,265,319	$ 85,156,887

Level 2 valuation techniques

Fair value for certificates of deposits is measured by using the income approach and calculating the present value of contractual cash flows to be received using market rates for certificates of deposits with a similar remaining duration.

Fair value of bonds is based on yields currently available on comparable securities of issuers with similar credit ratings.

(11) Investments (continued)

Fair value of mortgage-backed securities is based on an inferred market pricing which utilizes assets that are matrix priced based on observable data for similar securities such as collateralized mortgage obligations.

Level 3 valuation techniques
Fair value of hedge funds and venture capital/private equity is determined through consideration of the net asset values provided by the fund manager and other market factors. Other factors include, but are not limited to, estimates of liquidation value, prices of recent transactions in the same or similar funds, current performance, future expectations of the particular investment, and changes in market outlook and the financing environment.

A summary of Level 3 investments utilizing the net asset value practical expedient and their attributes are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Northgate III (a)	$ 1,285,467	$ 67,200	n/a	n/a
Northgate IV (b)	2,502,909	262,500	n/a	n/a
Siguler Guff (c)	981,879	90,000	n/a	n/a
Varde Fund (d)	2,112,422	-	n/a	n/a
Venture Investment Assoc. I (e)	774,253	120,000	n/a	n/a
Venture Investment Assoc. II (e)	855,720	840,000	n/a	n/a
Venture Investment Assoc. III (e)	1,209,211	2,720,000	n/a	n/a
WCP Real Estate Fund III, LLC (f)	1,150,607	-	n/a	n/a
Archstone Offshore Fund, Ltd. (g)	11,401,356	-	n/a	n/a
AQR Group EL Offshore Fund (h)	11,924,570	-	n/a	n/a
HBK Offshore, Ltd. (CITCO) (i)	7,558,983	-	n/a	n/a
OZ Overseas Fund II, Series D (i)	7,240,309	-	n/a	n/a
OZ Overseas Fund II, Share Class H (i)	621,072	-	n/a	n/a
GSO Special Situations Cusip 86483480 (j)	19,978	-	n/a	n/a
Palo Alto Offshore II, Ltd. (k)	2,949,177	-	n/a	n/a
Graham Global Investment Fund II, Ltd. (l)	4,567,156	-	n/a	n/a
Falcon Strategic Partners IV, L.P. (m)	2,652,571	-	n/a	n/a
Falcon Strategic Partners V, L.P. (m)	55,703	3,944,297	n/a	n/a
MKP Opportunity Offshore, LTD (n)	3,311,078	-	n/a	n/a
Claren Road Credit Fund (o)	813,249	-	n/a	n/a
Rimrock High Income Plus (p)	4,051,796	-	n/a	n/a
FEG POF II - Series B (q)	3,400,000	6,600,000	n/a	n/a
FEG POF II - Series C (q)	4,700,000	5,300,000	n/a	n/a
Harvest MLP (r)	8,570,801	-	n/a	n/a
NGP Natural Resources (s)	446,620	1,551,825	n/a	n/a
Total	$ 85,156,887	$ 21,495,822		

(11) Investments (continued)

(a) Venture capital fund is made up of approximately 28 partners with an emphasis of various types of opportunities. Capital of $1,080,678 has been distributed since the Organization's investment, and otherwise liquidation is expected to occur after 8 to 10 years once a purchaser is found for the various partnerships.

(b) Investment is made up of a combination of venture capital and private equity. There are approximately 17 partners. Capital of $1,287,916 has been distributed since the Organization's initial investment and liquidation will occur in 8 to 10 years.

(c) Private equity fund that specializes in distressed opportunities' companies. Capital of $3,353,597 has been distributed but it will take 8 to 10 years for all capital to be distributed.

(d) Fund that invests in distressed opportunities with 20% in mortgage backed securities. The investments are both in public (60%) and private (40%) companies. Liquidation is expected to occur within 10 years from the initial investment. Capital of $1,119,789 has been distributed.

(e) Private equity fund specializing in natural resources with an emphasis in energy. Capital of $939,931 has been distributed and the investments will liquidate in 8 to 10 years from initial investment.

(f) Private equity fund with a focus on distressed and opportunistic investments in real estate. There has already been a capital distribution of $924,271 and the investment will liquidate in 8 to 10 years from the initial investment.

(g) Hedge fund of funds with investments in directional and non-directional equities. There are 11 directional managers which make up 60% of the portfolio and 6 absolute return managers which make up the remaining 40% of the portfolio. The one year lock up period for this investment has expired and withdrawals can be made annually with a 90 day notice. This fund makes up 22.8% of the hedge funds.

(h) Risk parity manager designed to reduce risk with exposure to equity, interest rate and inflation. It will not have the big upswings in earnings or downswings in losses and provides a steady return. There is no lock-up period for the investment and withdrawals can be requested on a Tuesday and should be redeemed within 5 business days. This fund makes up 24% of the hedge funds.

(i) Hedge funds which utilize a multi strategy in an attempt to diversify risks and reduce volatility. Investments could be made in securities, financial assets or other strategies. All lockup periods have expired for HBK and OZ. Otherwise, withdrawals can be made quarterly with 65 days notice for HBK and 30 days notice for OZ. These two funds make up 26.8% of hedge funds.

(11) Investments (continued)

(j) Hedge fund which is a multi-strategy fund that invests in a broad array of securities, other assets and opportunities within the corporate credit market. They seek to minimize downside risk and protect principal by maintaining a diversified portfolio. The investment has been liquidated and this balance will be paid upon completion of their annual audit.

(k) Long/short hedge fund that specializes in healthcare companies. Redemptions may be made with a 30 day notice on March 31 or September 30, limited to 50% of shares.

(l) This hedge fund is a global macro fund that is part of the diversifying strategies allocation. There is no lock up period and withdrawals can be made monthly with prior notification of three business days.

(m) This fund focuses on privately placed mezzanine investments consisting primarily of subordinated debt. Distributions of $1,095,392 have been made from the fund and the fund should liquidate within 10 to 12 years of the initial investment.

(n) This hedge fund is a discretionary global macro manager with a focus on fixed income and interest rates. There is no lock up period and redemptions can be monthly with a 60 day notice.

(o) This is a long/short credit manager hedge fund with fundamental evaluations of internally generated credit analysis. There is a one year lock up period and then quarterly redemptions with a 45 day notice.

(p) This is a fixed income hedge manager. There is a one year lock up period then quarterly redemptions with a 45 day notice.

(q) A commitment has been made to invest $10 million in FEG Private Opportunities Fund II, $3.9 million was contributed in the current year. This is a private capital fund of funds with lower cost and less administration for separate private capital managers. The investments will include global private equity, real assets and special situations.

(r) This is an investment firm focused on managing portfolios of publicly-traded midstream energy securities (master limited partnership). Redemptions can be made monthly.

(s) A commitment of $2 million has been made to this fund. The fund should liquidate in about 6 years from the initial investment.

(11) Investments (continued)

Investment at equity

The Organization uses the equity method to account for its financial interest in the following company:

Maize Avenue, Inc.	$ 3,145,000

The Organization owns 49.75% of the shares of Maize Avenue, Inc. Summarized financial information for the entity accounted for under the equity method, as of June 30, 2016, consists of the following:

Total assets	$ 4,593,267
Total liabilities	136,034
Equity	4,457,233
Income	743,867
Expenses before depreciation	462,216
Net operating income	281,651
Depreciation	-
Net income	281,651

(12) Fair value of financial instruments

Fair values of financial instruments for which the Organization did not elect the fair value option includes cash and cash equivalents, accounts payable and accrued expenses. The fair value of such instruments was determined to approximate carrying value given the short term nature of these instruments using level 2 fair value methods. Net realizable values could be materially different from estimates at June 30, 2016. In addition these estimates are only indicative of the value of the individual financial instruments and should not be considered an indication of the fair value of the Organization.

The fair value of the Organization's pledges receivable is estimated by discounting the future cash flows using the risk adjusted rates currently offered for deposits of similar remaining maturities which is a level 2 fair value method

The fair value of the Organization's cash surrender value of life insurance is based on the Organization's share of the cash surrender value of the respective life insurance policy as represented by the life insurance company which is a level 2 fair value method.

The fair value of annuities payable is estimated by discounting the future cash flows using the risk adjusted rates at which similar agreements would be written for the same remaining maturities which is a level 2 fair value method.

(13) Agency transactions

The liability accounts "Due to WSU Alumni Association, WSU Board of Trustees, WSU Departments and WSU Intercollegiate Athletic Association, Inc." represent the fair market value of the net cumulative transfers of these entities to the Organization, as well as earnings thereon.

(14) Subsequent events

An evaluation of subsequent events was completed by management through October 19, 2016, which represents the date the financial statements were available to be issued. No significant items were noted during this evaluation that would require disclosure in the financial statements or accompanying footnotes.