2022 ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2022
AN AGENCY OF THE STATE OF WASHINGTON

WASHINGTON STATE UNIVERSITY

2022 | ANNUAL FINANCIAL REPORT

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

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

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

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

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

or

Visit the WSU home page at wsu.edu.

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

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

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

Patrick Chun, Director of Athletics

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

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

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Phil Weiler, Vice President for Marketing and Communications

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Heather Lopez, Chief Audit Executive

Matthew Skinner, Associate Vice President for Finance

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

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

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Joseph (Jay) Starratt, Dean, Libraries

Michael Trevisan, Dean, College of Education

LEGAL COUNSEL

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

Officer list effective 3/1/23

FINANCIAL REPORT 2022

FINANCIAL SECTION

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

Board of Regents
Washington State University
Pullman, Washington

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities of Washington State University (the University), and the discretely presented component unit of the University, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University, as of June 30, 2022, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the discretely presented component unit Washington State University Foundation as of June 30, 2022. Those statements were audited by other auditors whose report has been furnished to us and in our opinion, insofar as it relates to the amounts included for Washington State University Foundation is based solely on the report of the other auditors.

Basis for Opinions

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

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Emphasis of Matter

As discussed in Note 1, the financial statements of the University, an agency of the state of Washington, are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities of the state of Washington that is attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2022, the changes in its financial position, or its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, the University has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Accordingly, a restatement has been made to the business-type activities as of July 1, 2021, to restate beginning net position. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of WSU contributions, schedule of WSU's proportionate share of net pension liability/(asset), schedule of changes in total pension liability, schedule of changes in net pension liability, and schedule of changes in total OPEB liability (required supplementary information) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Management is responsible for the other information included in the annual report. The other information comprises the regents and administrative officers (other information) but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2023 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.}

Eide Bailly LLP
Boise, Idaho
April 24, 2023

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Management's Discussion and Analysis

Introduction

The following discussion and analysis provides an overview of the financial position and activities of Washington State University (WSU or the University) for the fiscal year ended June 30, 2022, with comparative information for the fiscal year 2021. This overview has been prepared by management and should be read in conjunction with the University's financial statements and accompanying footnote disclosures.

Using the Financial Statements

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

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

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

Financial Highlights for Fiscal Year 2022

The University's overall net financial position as of June 30, 2022, reflects an increase of $58 million (3.3%) over the previous year, resulting in a net position of $1.8 billion. Fiscal year 2021 has been restated to include accounting changes due to the implementation of GASB pronouncements.

Below are financial highlights from fiscal year 2022:

- Assets and deferred outflows increased by $96 million to end the year at $3.3 billion.
- Liabilities and deferred inflows increased by $39 million to end the year at $1.5 billion.
- Accounts receivable decreased $54 million, a 39% decline due to a large accrual of COVID relief grant revenue in fiscal year 2021, collected in fiscal year 2022.
- Current investments showed a 49% increase from $71 million to $107 million. Endowment investments decreased $85 million to $635 million, a 12% decrease.
- Capital assets, net of depreciation decreased $53 million, a 3% change due to the depreciation of assets.
- Due to the implementation of GASB 87, *Leases,* lease assets, net of amortization were restated by $22 million. In fiscal year 2022, Right-to-Use leased assets, net of amortization decreased by $3 million to $19 million.
- Loans receivable decreased from $16 million to $14 million, a 12% decrease, due to payments on loans.
- Pension assets increased $129 million, a significant increase from $2 million to $131 million.
- Deferred outflows of resources total $98 million, an increase of $2 million from the prior year.
- Deposits decreased $1 million, from $5 million to $4 million, a 20% decrease.
- Long-term liabilities decreased $37 million from $642 million to $605 million, a 6% decrease.
- Accrued leave increased from 7% from $36 million.
- Pension and Other Post-employment Benefits (OPEB) liability decreased $12 million, totaling $367 million.

Significant changes to operations were as follows:

- Operating revenues totaled $847 million, increasing $115 million from last year. A decrease in tuition and fees of $18 million was offset by increases in grant revenue of $28 million, sales and services of educational departments of $4 million, other operating revenue of $11 million and a significant increase of $91 million in auxiliary revenue due to the rebounding impacts of the pandemic.
- Operating expenses totalled $1.2 billion for the fiscal year, an increase of $57 million from the previous year. Expenses that showed increases include salaries and wages of $10 million, utilities of $4 million, payments to suppliers totaling $27 million and purchased services of $15 million. These increases were mainly the result of returning to near-normal operations post COVID and the impacts of inflation. Benefits decreased $12 million due to decreased retirement contribution rates and decreased health benefit costs. Scholarships and fellowships increased $5 million to $86 million.

Condensed Financial Information and Analysis

Financial Position - Statement of Net Position

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

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

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

Net position is divided into five categories:

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

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

	June 30, 2022	June 30, 2021 Restated
Assets		
Current assets	$ 577	$ 390
Non-current assets:		
Long term investments	137	213
Endowment and other restricted investments	635	720
Other non-current assets	165	40
Capital and right-to-use leased assets, net	1,663	1,720
Total assets	**3,177**	**3,083**
Deferred outflows of resources	**99**	**97**
Total assets and deferred outflows of resources	**3,276**	**3,180**
Liabilities		
Current liabilities	117	121
Non-current liabilities:		
Accrued leave and deferred compensation	38	36
Unearned revenue	4	3
Long term liabilities	605	642
Asset retirement obligation	20	18
Pension	51	78
OPEB liabilities	315	301
Total liabilities	**1,150**	**1,199**
Deferred inflows of resources	**309**	**222**
Total liabilities and deferred inflows of resources	**1,459**	**1,421**
Net position		
Net investment in capital assets	1,070	1,096
Restricted nonexpendable	581	659
Restricted loans	23	33
Restricted expendable	151	231
Restricted for pension asset, net	29	-
Unrestricted	(37)	(260)
Total net position	**$ 1,817**	**$ 1,759**

Significant Changes in the Statements of Net Position from 2021 to 2022

- Overall, current assets cover current liabilities 4.91 times, a measure of liquidity and the ability to weather short-term demands on working capital. Current assets, including restricted cash and cash equivalents, cover 5.3 months of total operating expenses, excluding depreciation.
- Cash and investments, current portion increased $240 million or 105% from the previous year, off-set to some extent by $76 million, or 36% decrease in long-term investments. Total cash and investments (current and noncurrent) increased by 37%. WSU continued budgetary policies during fiscal year 2022 that restricted the use of department reserves, which contributed to the increase.
- Accounts receivable- showed a marked decrease of $54 million as the result of the timing of receipt of the COVID relief grant funds for lost revenue in fiscal year 2021, which was accrued in fiscal year 2021 and received in fiscal year 2022.
- WSU's endowment assets decreased in value by 12%, to $635 million from $720 million at June 30, 2021. Rising interest rates, persistently high inflation, supply chain interruptions and war in the Ukraine resulted in significant declines in both fixed income and equity market returns leading to an appreciable increase in realized and unrealized losses on Permanent Fund investments. There are two components to the University's endowment assets: 1) endowed funds received prior to the formation of WSU Foundation, managed by WSU Foundation and 2) the legislatively created land grant/permanent funds managed by the state for the benefit of the University. The University contracts with WSU Foundation to manage the pre-WSUF created endowments, which declined in value by 9% during fiscal year 2022, to $70 million from $77 million. The Department of Natural Resources manages the 155,401 acres of timber, agricultural and grazing lands that comprise two land-grants. Income derived from land use is distributed as corpus to the two permanent fund endowments, which are managed by the State Investment Board. Distributions from the permanent funds are used to fund capital projects at the University. The fair market value of the permanent funds declined by 12% from last year, to $564 million from $642 million.
- Current liabilities showed a decrease of $4 million or 3% overall. Decreases of $3 million in accounts payable and other accrued liabilities, and $1 million in deposits were offset by an increase in funds due to the WSU Foundation.
- Non-current liabilities decreased $46 million due to Pensions and Other Post-Employment Benefits (OPEB) declining $12 million due to changes in actuarial assumptions, discount rates and experience. The OPEB liability increased $15 million due to a decrease in the discount rate (2.21% to 2.16%). The Supplemental Retirement Plan (SRP) liability increased due to a decrease in the discount rate (7.40% to 7.00%). The increases were offset by the Department of Retirement System (DRS) pension plans that changed to net pension assets in fiscal year 2022 creating a significant decrease in pension liability. The change was caused by investment gains on plan assets during the measurement period. Long-term liabilities decreased $37 million as principal payments were made on bonds and refunding activity. These were offset in part by an increase to accrued leave of $3 million due to reduced leave usage as a result of COVID travel restrictions and higher salaries.

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

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

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

Unrestricted net position had a significant increase of $223 million from $(260) million to $(37) million. This improvement was driven by an increase in cash, cash equivalent and investments by $164 million. The COVID grant funding for lost revenue was up by $22 million and the changes in pension and OPEB liability and their related deferred inflows/outflows increased by $33 million.

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

	June 30, 2022	June 30, 2021 Restated
Operating revenues (expenses)		
Tuition and fees, net	$ 297	$ 314
Grants and contracts	318	290
Sales and services, net	192	98
Other operating revenues	40	30
Total Operating Revenues	**847**	**732**
Operating expenses	(1,164)	(1,107)
Operating loss	**(317)**	**(375)**
Non-operating revenues (expenses)		
State and federal appropriations	284	286
Federal financial aid	32	33
Interest on debt	(24)	(26)
Federal interest subsidy on debt	1	1
Gifts and contributions	56	44
Investment income, net	(64)	118
COVID relief grant funding	55	43
Other non-operating revenues (expenses)	6	11
Net non-operating revenues (expenses)	**346**	**510**
Income (loss) before other changes	**29**	**135**
Capital additions		
Capital appropriations	14	47
Capital gifts and grants	1	2
Additions to permanent endowments	14	9
Total capital additions	**29**	**58**
Increase (decrease) in net position	**58**	**193**
Net position, beginning of year	1,759	1,517
Change in accounting principle	-	17
Prior period adjustment	-	32
Change in net position	58	193
Net position, end of year	**$ 1,817**	**$ 1,759**

Significant Changes in the Statement of Revenues, Expenses and Changes in Net Position from 2021 to 2022:

- Overall operating revenues total $847 million for fiscal year 2022, an increase of 16% year over year. During fiscal year 2021, WSU operated in a remote learning environment and significantly reduced on-campus activities and operations system-wide as a result of COVID-19 Pandemic. Fiscal year 2022 revenues rebounded as students, operations and activities returned to campuses for the full year.
- Total gross tuition and fees (before scholarship discounts and allowances) decreased from $473 million in fiscal year 21, to $460 million in fiscal year 22, a 2.8% decrease. The allowance for discounts increased by $4M. The result was a $17 million decrease, or a 5.6% decline in net tuition and fees. Enrollment declined from the fiscal year 2021 level, with fall to fall overall enrollment down 7.7%. Tuition lost due to the enrollment was partially offset by 2.5% tuition increase for undergraduate and graduate rates, as well as an increase in the doctor of pharmacy and doctor of veterinary medicine rates.
- Grants and contracts from federal, state, and private sources increased $28 million, a 10% increase. Federal research increased $15 million primarily due to increased awards from Health and Human Services and the Small Business Administration as the result of COVID relief funding. Overall, state grant funds and local grants increased a combined $13 million.
- Sales and services of educational departments increased $4 million.
- WSU auxiliary enterprise revenue rebounded from the impacts of COVID increasing $90 million. On-Campus living resumed for fiscal year 2022, and the return to normal intercollegiate athletics game day operations helped housing and dining and athletic revenue returned to nearly pre-COVID levels, driving a majority of the increase.
- Other operating revenues increased $10 million from $30 million to $40 million, with royalties contributing $6 million to the increase.
- Overall operating expenses showed a 2.9% increase over the previous year totaling a $57 million.
- Salary and wage expense increased by $10 million. Increased salary expenses came primarily from student wages as student-facing activities returned post COVID. Faculty and staff salaries remained relatively flat.
- A decline in employee FTE and employee headcount led to a decrease in pension and health insurance contributions. This reduction in contributions is a $12 million decrease in benefits expense.
- Scholarships and fellowships increased by $5 million.
- Utilities increased $4 million due to the resumption of normal operations post COVID-19.
- Payment to suppliers increased $27 million as the result of higher expenditures in fiscal year 2022 as WSU returned to pre-pandemic operating levels.
- Purchased services increased $15 million, or 18% largely driven by travel expense returning toward pre-pandemic levels.

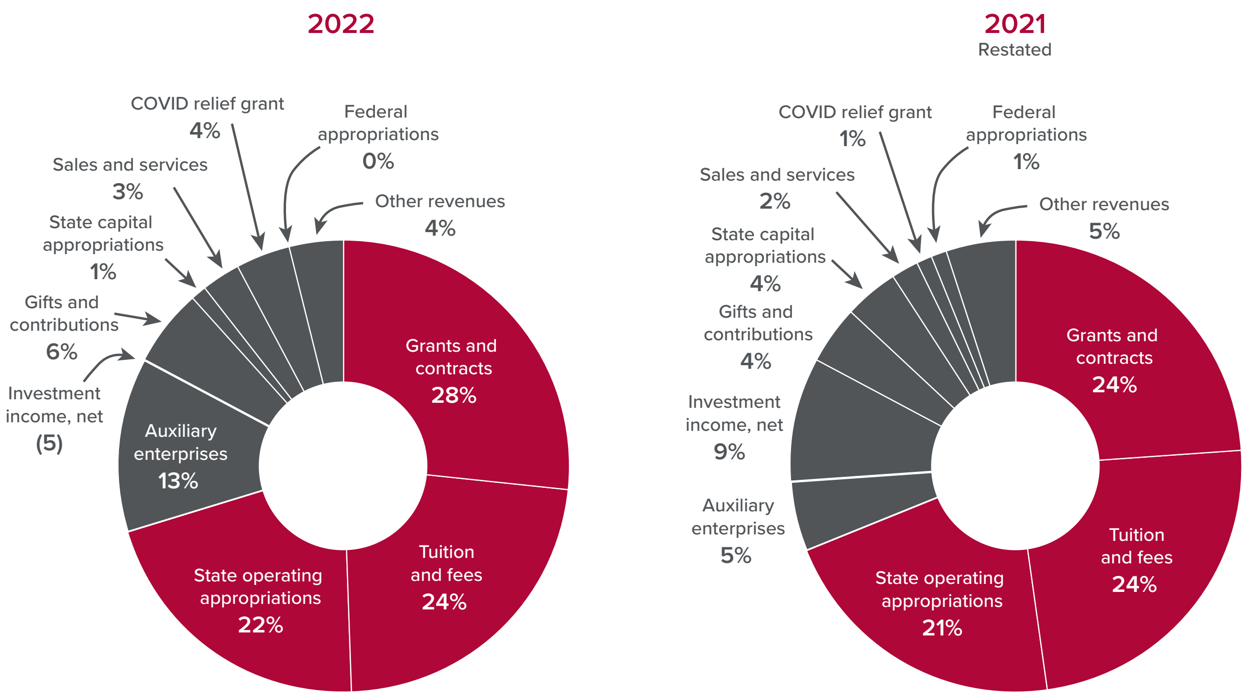
Non-operating revenues (net of expenses) increased $164 million due to the following:

- The state operating appropriation for fiscal year 2022 increased $4 million. The primary reasons for the increase were $1.2 million for the College of Medicine to increase cohort size by 20 students per year, $1.2 million for various bills creating workgroups or requiring the University to do specific projects or research and $1 million for Soil Health Initiative, which is a research and extension initiative. The rest of the increase was to fund benefit and pension changes.
- Pell Grants awarded to students decreased $1 million as the result of fewer eligible students and decreased enrollment.
- Interest on capital assets-related debt decreased $2 million as principal decreased due to payment of debt and the refunding of debt.
- Following the pandemic, gifts and contributions increased $12 million. The largest portion of this increase was $6.5 million in security gifts. Cash gifts also increased by $5.5 million.

- Investment income, net of expense decreased $183 million from a $118 million gain in fiscal year 2021 to a loss of $64 million. This decrease was primarily due to reduced investment income on the land grant permanent endowment controlled by the Washington State Investment Board. The land grant permanent endowment decreased by $154 million due to a primarily unrealized loss in fiscal year 2022. The University's endowment funds managed by the WSU Foundation decreased by $20M from $36 million in fiscal year 2021 to $16 million in fiscal year 2022. The decrease in the WSU Foundation endowment fund was primarily an unrealized loss. These losses were partially offset by investment income of $10 million in fiscal year 2022.
- $55 million in Federal COVID relief funding was received in recognition of lost revenue in fiscal year 2021. This is an increase of $12 million above earlier Higher Education Emergency Relief Funds (HEERF).
- Other nonoperating revenue decreased $5 million or 11% due to the loss on disposal of fixed assets.
- Capital appropriations decreased $32 million as fiscal year 2022 was the first year of the state's biennium. More activity associated with the capital budget will be completed in the second year of fiscal year 2023.
- Additions to permanent endowments increased $4 million as the result of increased contributions.

Revenue from all Sources

For the Years Ended June 30, 2022, and 2021

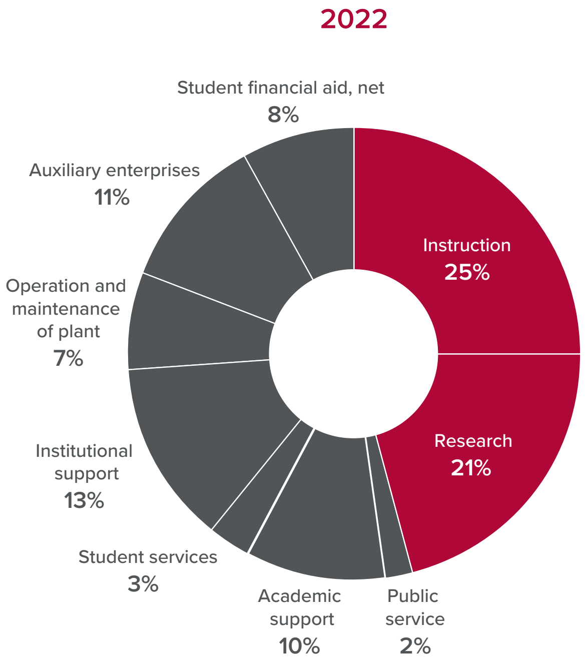


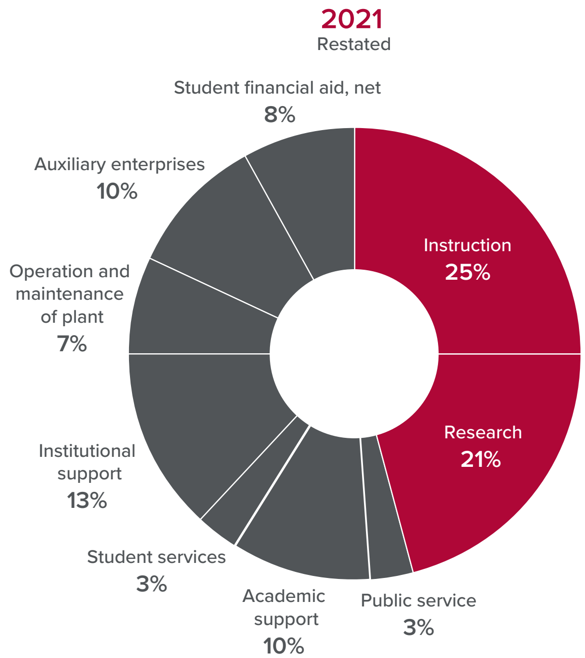
As the above graphs show, the University has a diversified revenue base. COVID negatively impacted auxiliary revenues in fiscal year 2021, dropping that percentage to an unusually low 5% of total revenue. In fiscal year 2022, auxiliary revenue rebounded to 13% of total. With significant unrealized losses in investment income on permanent funds in fiscal year 2022, the University relied more on grants and contracts, tuition and fees, state operating appropriations and auxiliary enterprise revenue. In fiscal year 2022, grants and contracts generated a significant percentage of total revenue, accounting for $318 million or 28% 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 total $297 million as the second largest percentage of 24%. These sources are followed by State appropriations at 22%. Gifts and contributions totaled 6%, state capital appropriations totaled 1%, a slight decrease from previous years. Other revenues saw a decrease from 5% to 4%.

Operating Expenditures by Functional Classification

For the Years Ended June 30, 2022 and 2021

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





Fiscal year 2022 saw a shift in percentages of expenditures between University functions. As anticipated, auxiliary enterprises showed an increase with a return to normal operations post pandemic. Instruction decreased slightly as a reflection of lower student enrollment. Academic support and institutional support remained consistent with prior years.

Capital Assets and Long-Term Liabilities

Capital Assets

In fiscal year 2022, depreciable assets increased $33 million with additions to buildings, other improvements and infrastructure, machinery and equipment and library resources. Non depreciable assets including land and construction in progress increased $14 million, with key projects of the Vancouver Life Sciences Building and the Spokane campus phase one renovation project underway. These increases were offset by accumulated depreciation of $101 million and retirements of $4 million.

See note 8 for more information.

(in millions)	June 30, 2022	June 30, 2021
Land	$ 33	$ 33
Buildings, net	1,326	1,382
Construction in progress	24	10
Equipment, net	37	40
Library, net	64	62
Other improvements and infrastructure, net	160	170
Total capital assets, net	**$ 1,644**	**$ 1,697**

Right-to-Use Leased Assets

In FY 2022, the University implemented GASB 87 *Leases* resulting in the first-time recognition of the long-term portion of lessee's right-to-use leased assets.

See note 8 for more information.

(in millions)	June 30, 2022	June 30, 2021 Restated
Land, net	$ 1	$ 1
Building, net	18	22
Total right-to-use lease assets, net	**$ 19**	**$ 23**

Long Term-Liabilities

In fiscal year 2022, the long-term liabilities of the University totaled $1 billion, a decrease of $50 million. Decreases were due to reductions in pension liabilities, long-term liabilities and lease obligations. Other post-employment benefits and pension liabilities continue to fluctuate year after year to accommodate changes in actuarial assumptions and the discount rates. Revenue and refunding bonds, lease obligations, State of Washington general obligation bonds, and notes payable decreased due to payments on principal. Due to the implementation of the GASB 87 accounting standard regarding financial liabilities related to leases, financial statements for fiscal year 2021 were restated. These decreases were partially offset by other post-employment benefits and asset retirement obligation due to a re-estimation based on the consumer price index.

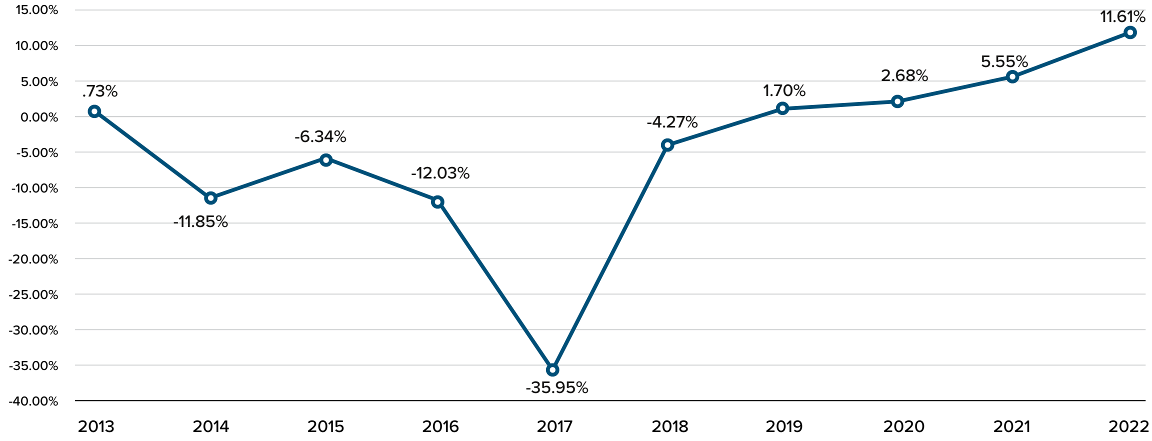
See note 15 for more information.

The table below summarizes outstanding liabilities:

(in millions)	June 30, 2022	June 30, 2021 Restated
Revenue and refundings bonds payable	$ 600	$ 629
Note Payable	2	3
State of Washington general obligation bonds	8	10
Capital leases	6	8
Lease Liability	20	23
Pension obligation liability	50	78
Other post-employment benefits	316	301
Asset retirement obligation	20	18
Total long-term liabilities	**$ 1,022**	**$ 1,071**

Financial Health and Sustainability

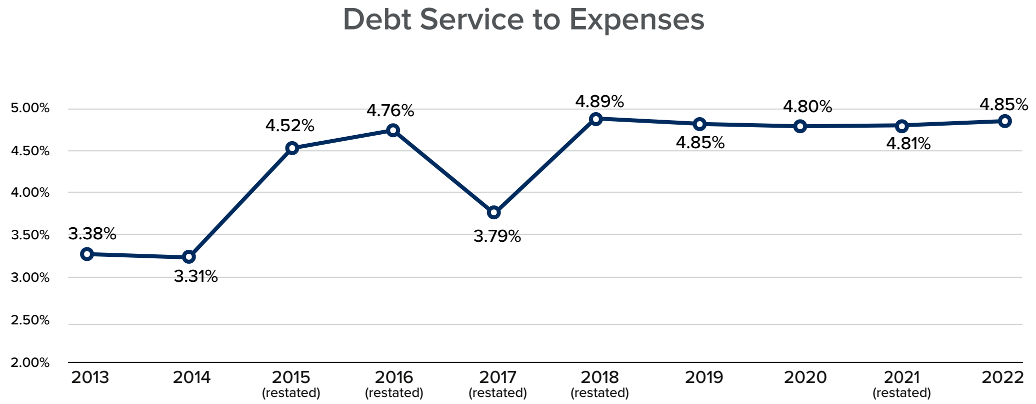
The annual operating margin compares the operating surplus (or deficit) to operating revenues. Moody's Investors Services definition of operating revenues includes several non-operating revenues in determining margin and an estimated spending rate of the University's investments rather than actual investment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



In fiscal years 2014–2017, WSU spent down reserve levels on a number of strategic investments, including the launch of the Elson S. Floyd Medical School. In addition, numerous changes in accounting principles impacted this ratio and others. In fiscal year 2015 GASB 68 (Pensions) was implemented which required a restatements of the fiscal year 2014 Statement of Net Position to record the University's share of the State's net pension obligation resulting in operating expenses increasing by $85 million. In fiscal year 2016, additional pension expense of $14 million increased operating expenses. In fiscal year 2016, the University implemented GASB 73, which required a restatement of pension expense of $48 million. In fiscal years 2017 and 2018, GASB 75 (OPEB) resulted in a restatement of $337 million for fiscal year 2017 and an additional benefit expense of $25 million in fiscal year 2018. Fiscal years 2018–2022 experienced considerable sustained improvement, increasing from -4.27% to 11.61%, driven by a three-year financial recovery plan undertaken by university leadership to bring expenses in alignment with revenues and begin rebuilding reserves. This effort helped the University weather the COVID Pandemic. Improvement continued from fiscal year 2021 to fiscal year 2022 as the University recovered from the impacts of the pandemic, and leadership continued to restrict use of University and departmental reserves.

Debt Ratio

The debt service to operating expense ratio provides an indicator of the University's ability to repay annual principal and interest relative to its overall operating expenses. A lower percentage indicates the greater ability to repay debt service. In fiscal year 2016, the University issued general revenue bonds that increased the amount of principal and interest payments in fiscal year 2017, however, the OPEB restatement increased operating expenses by of $337 million in that same year. As a result, the ratio improved to 3.79 % for fiscal year 2017. For fiscal year 2018, total debt service levels remained flat, and operating expenses declined versus fiscal year 2017, resulting in a ratio of 4.89%. During fiscal years 2019 and 2020, additional debt was issued while continuing to refund and pay down bonds. These slight offsets decreased the ratio to 4.85% and 4.81%, respectively. The ratio continued in the same range for fiscal years 2021 and 2022.

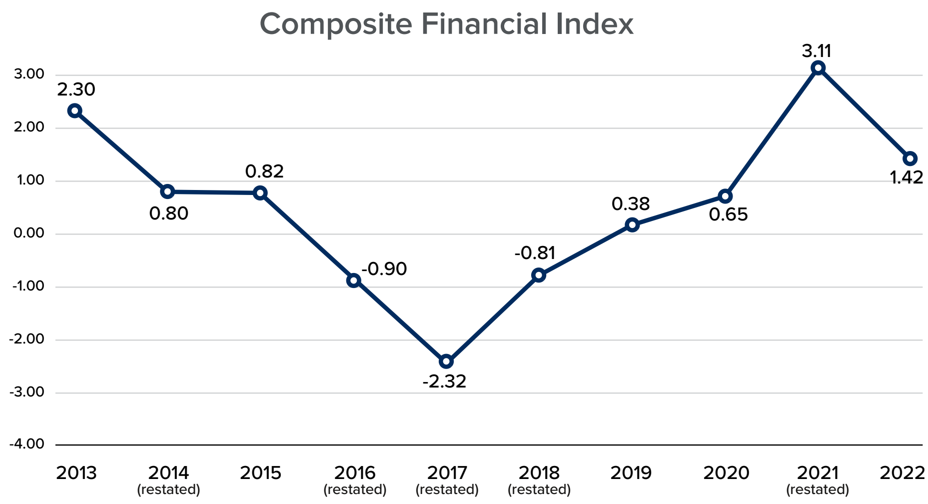


Financial Health and Flexibility

There are many ratios used to gauge financial health and flexibility. Each ratio measures one aspect of performance. The composite financial index (CFI) is a sophisticated tool designed to provide a complete picture of the University's financial strengths and weaknesses by combining four core ratios into a single measure. Two of the four ratios draw on the performance of the University's balance sheet – the Statement of Net Position. The primary reserve ratio measures the University's financial health by comparing accumulated reserves to operating demands. The viability ratio compares these same reserves to facilities-related debt in order to measure the University's ability to repay debt from reserves only. These two ratios have a longer time horizon beyond a year. The other two ratios draw on the performance of the University's income statement – the Statement of Revenues, Expenses, and Changes in Net Position. The return on net assets ratio uses a one-year look to show the extent of overall net asset growth, or decline. The net operating revenue ratio, also focusing on a one-year time horizon, measures an institution's ability to conduct activities while relying only on the current year's operating revenues, and to accumulate additional reserves. These four ratios are weighted and push and pull upon one another to highlight the need to use University funds to cover costs and invest in initiatives that will bolster future net revenues. Blending the four key measures of financial health into a single number provides a more balanced view of the state of the institution's finances. A weakness in one measure may be offset by the strength of another measure.

The four core ratios are the primary reserve ratio, the net operating revenues ratio, the return on net assets ratio and the viability ratio. Each of these ratios is converted to a strength factor using a common scale then multiplied by specific weighting factors and combined to form the composite financial index. The scale is from -4 to 10, with adequate performance equaling 3 and vibrant at 5. The top scale of 10 is considered superb. Yet, higher CFI scores may expose a risk averse institution that manages well within financial resources, but does not focus on competing in a future state. The accumulation of wealth is not a strategic financial goal for higher education. The ability to deploy resources to meet educational, research and service needs is the highest and best use of funds.

The graph below shows Washington State University's Composite Financial Index over the past ten years. The ratio was climbing until the global economic downturn reduced operating budgets and investment returns. The University put proactive measures in place to generate greater diversity of revenues and combined that with strategic spending increases. The rate dropped in fiscal year 2014 as a result of recognizing WSU's share of the State's pension liability (GASB 68), decreasing in fiscal year 2016 due to a spending down of reserves and the restatement of the supplemental retirement plan (GASB 73). In fiscal year 2017, we saw a dramatic decrease due to the OPEB restatement (GASB 75) with a slight recovery in fiscal year 2018 to a level just higher than fiscal year 2016. The index began improving in 2018, driven by a three-year financial recovery plan undertaken by university leadership to bring expenses in alignment with revenues and begin rebuilding reserves. Through its university-wide efforts to improve fiscal health, the receipt of COVID related funds and strong investment and endowment performance, fiscal year 2021 saw a marked improvement. FY 2022 dropped markedly primarily due to the impact of a decrease in the return on net assets ratio as net position increase year over year declined.



Economic Outlook

The Washington State Economic and Revenue Forecast Council's November 2022 estimate of state general fund revenues indicated an increase of $761.5 million for the current 2021-23 biennium and $681.3 million in the 2023-25 biennium. The increased forecast is largely due to higher-than-expected collections for sales and business taxes. Despite these positive revenue trends, threats to economic recovery continue to be monitored. These include slower than expected recovery of the supply chain due to factors such as the Russia-Ukraine conflict and ongoing consumer price inflation, as well as the effect on wage growth and employee expectations.

WSU submitted its 2023-25 operating budget request to the Office of the Governor in September 2023. WSU's highest priority request is $35.2 million for employee retention and compensation, which if funded, will be implemented in fiscal years 2024 and 2025.

Other non-state appropriated operating revenues continue to be impacted by lower enrollment. Undergraduate and graduate tuition rates were increased 2.4% for the 2022-23 academic year, but three consecutive years of enrollment declines are expected to offset any increase in net tuition revenue associated with the rate increase. Other student fees increased 4% or less for the 2022-23 academic year. Federal and non-federal sponsored research continues to experience steady growth. Auxiliary units have returned to normal operations after suspension of activities during the COVID-19 pandemic, although reduced enrollments have decreased revenue collections for services such as housing and dining.

The University has addressed recent economic challenges due to lower enrollment by reducing unit operating budgets for the third consecutive year, proactive expense management, and refocusing efforts to grow enrollment. Additionally, the development of a new all-funds resource-center management budget model and the alignment of the OneWSU system will support increased financial efficiency and the effect use of limited resources.

Washington State University

Statement of Net Position as of June 30, 2022

	2022
Current assets	
Cash and cash equivalents *(Note 2)*	$ 361,528,989
Prepaid expenses	4,592,202
Inventories *(Note 5)*	18,954,977
Accounts receivable, current portion *(Note 6)*	85,561,033
Investments, current portion *(Note 3)*	106,588,562
Subtotal current assets	**577,225,763**
Non-current assets	
Long-term accounts receivable *(Note 6)*	18,530,284
Long-term investments *(Note 3)*	137,100,979
Endowment investment *(Note 3)*	635,250,119
Deposits in escrow	1,043,650
Loans receivable, net *(Note 7)*	14,464,570
Capital assets, net of accumulated depreciation *(Note 8)*	1,643,938,707
Right-to-use leased assets, net of accumulated amortization *(Note 8)*	19,353,006
Pension Assets *(Note 16)*	130,585,945
Subtotal non-current assets	2,600,267,260
Total assets	**3,177,493,023**
Deferred outflows of resources *(Note 15)*	98,284,969
Current liabilities	
Accounts payable and accrued liabilities *(Note 9)*	60,785,010
Due to Washington State University Foundation	9,088,009
Deposits	4,386,252
Unearned revenue, current portion *(Note 10)*	11,635,259
Long-term liabilities, current portion *(Note 14)*	31,575,783
Subtotal current liabilities	**117,470,313**
Non-current liabilities	
Accrued leave *(Note 9)*	38,388,561
Unearned revenue *(Note 10)*	2,540,278
Long-term liabilities *(Note 15)*	604,657,485
Asset retirement obligation	19,736,427
Pension liability *(Note 16)*	50,978,299
Other post-employment benefits liability *(Note 17)*	315,792,137
Subtotal non-current liabilities	1,032,093,187
Total liabilities	**1,149,563,500**
Deferred inflows of resources *(Note 10)*	309,047,962
Net investment in capital assets	1,070,381,934
Restricted nonexpendable	580,866,586
Restricted loans	23,150,519
Restricted expendable	150,612,916
Restricted pension asset, net	28,783,375
Unrestricted	(36,628,800)
Total net position	**$ 1,817,166,530**

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

Washington State University Foundation (A Nonprofit Corporation)

Consolidated Statement of Financial Position
June 30, 2022

Assets	**2022**
Cash and cash equivalents	$ 70,076
Due from Washington State University	9,734,540
Bequest and other receivables	1,321,331
Pledges receivable, net	58,245,490
Endowment investment securities	561,278,881
Notes receivable, net	334,640
Furniture, fixtures, and equipment (net of accumulated depreciation of $ 1,559,001	110,567
Land and real estate	530,000
Right-of-use - lease	2,277,439
Assets held in charitable trusts	23,895,763
Contributions receivable from charitable trusts	4,941,200
Beneficial interest in perpetual trusts	36,918,664
Total assets	699,658,591
Liabilities	
Accounts payable and accrued liabilities	2,277,256
Lease liability	2,277,439
Annuities payable	11,877,245
Remainder interest payable	131,528
Total liabilities	16,563,468
Net Assets	
Without donor restrictions	8,777,077
With donor restrictions	674,318,046
Total net assets	683,095,123
Total liabilities and net assets	**$ 699,658,591**

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, 2022

	2022
Revenues	
Operating revenues	
Tuition and fee revenue, net	$ 296,411,533
Federal grants and contracts	173,124,008
State grants and contracts	98,901,902
Local grants and contracts	45,644,806
Sales and services of educational departments	32,596,291
Auxiliary enterprises	159,665,238
Other operating revenues	40,320,113
Total operating revenues	846,663,891
Expense	
Operating expenses	
Salaries and wages	550,371,846
Benefits	114,091,585
Scholarships and fellowships	86,490,538
Utilities	29,171,929
Payments to suppliers	181,813,978
Purchased services	97,595,059
Depreciation/amortization	104,651,357
Total operating expenses	1,164,186,292
Net operating loss	**(317,522,401)**
Non-operating revenues (expenses)	
State appropriations	279,671,490
Federal appropriations	4,112,467
Federal Pell Grants	32,565,267
Interest on capital assets—related debt	(24,081,786)
Federal bond interest subsidy	849,959
Gifts and contributions	56,032,677
Investment income (loss), net of expense	(64,174,711)
COVID relief grant funding	55,352,648
Other non-operating revenues (expenses)	5,904,293
Total non-operating revenues (expenses)	346,232,304
Income before capital additions and additions to permanent endowment	**28,709,903**
Capital additions (deductions)	
Capital appropriations	14,173,885
Capital grants and gifts	1,559,794
Additions to permanent endowments	13,956,851
Total capital additions	29,690,530
Increase (decrease) in net position	**58,400,433**
Net Position	
Net position, beginning of year	1,758,766,097
Increase (decrease) in net position	58,400,433
Net position, end of year	**$ 1,817,166,530**

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

Washington State University Foundation (A Nonprofit Corporation)

Consolidated Statement of Activities
Year Ended June 30, 2022

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

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

Washington State University

Statement of Cash Flows for the Year Ended June 30, 2022

Cash flows from operating activities	2022
Tuition and fees	$ 297,696,916
Grants and contracts	333,676,196
Payments to suppliers	(186,426,360)
Payments for utilities	(29,171,929)
Purchased services	(97,595,059)
Payments to employees	(545,503,495)
Payments for benefits	(168,706,442)
Payments for scholarships and fellowships	(86,490,538)
Loans issued to students	(1,025,995)
Collection of loans to students	2,954,278
Auxiliary enterprise receipts	157,169,104
Sales and service of educational departments	32,596,291
Other receipts	40,688,588
Net cash used by operating activities	**(250,138,445)**
Cash flows from noncapital financing activities	
State appropriations	317,238,052
Federal appropriations	4,112,467
Gifts for other than capital purposes	
Private gifts	56,032,677
Additions to permanent endowment	13,956,851
Proceeds of non-capital debt	19,930,748
Change in deposits	(672,919)
Federal direct loan receipts	148,967,155
Federal direct loan disbursements	(148,847,135)
Federal pell grants	32,565,267
Cash received from property	733,761
COVID relief grants	55,352,648
Other non-operating income (loss)	(759,221)
Net cash provided by noncapital financing activities	**498,610,351**
Cash flows from capital and related financing activities	
Capital appropriations	14,173,885
Capital grants and gifts received	1,148,942
Purchases of capital assets	(48,877,214)
Cash received on lease receivables	2,424,544
Principal paid on capital debt and leases	(50,996,166)
Interest paid on capital debt and leases	(24,169,053)
Net cash used by capital and related financing activities	**(106,295,062)**
Cash flows from investing activities	
Proceeds from sales of investments	755,432,928
Purchases of investments	(630,023,490)
Investment income (loss)	(63,108,665)
Net cash provided by investing activities	**62,300,773**
Net increase/decrease in cash and cash equivalents	204,477,617
Cash and cash equivalents- beginning of year	157,051,372
Cash and cash equivalents - end of year	**$ 361,528,989**

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

Reconciliation of Net Loss to Net Cash Used by Operating Activities

		2022
Operating loss	$	(317,522,401)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization expense		104,651,357
Changes in assets, liabilities, and deferred inflows and outflows of resources		
Changes in assets and deferred outflows of resources		
Inventories		(378,877)
Prepaid expenses		(613,954)
Net accounts receivable		18,016,912
Pension asset		(128,406,402)
Pension and OPEB related deferred outflows of resources		(2,021,357)
Asset Retirement Obligation deferred outflows		(207,884)
Changes in liabilities and deferred inflows of resources		
Accounts payable and accrued liabilities		(2,586,195)
Unearned revenue		(925,405)
Accrued leave		2,341,258
Pollution remediation		(112,448)
Pension Liabilities		(27,417,597)
OPEB Liability		15,033,341
ARO Liability		1,388,553
Pension and OPEB related deferred inflows of resources		88,622,654
Net cash used by operating activities	**$**	**(250,138,445)**
Significant NonCash Transactions		
Loss on disposal of capital assets	$	3,349,953
Unrealized loss on investments	$	14,139,560
Lease receivable recognized on lessor lease transactions	$	1,161,955

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

Washington State University Foundation (A Nonprofit Corporation)

Consolidated Statements of Cash Flows
Year Ended June 30, 2022

Cash flows from operating activities:	2022
Change in net assets	$ (16,071,597)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	14,266
Net realized and unrealized (gains) losses on investments	35,277,244
Noncash activities	(50,000)
Increase in value of split-interest agreements	3,130,161
Contributions and income restricted for investments in endowments and trusts	(23,473,733)
Changes in operating assets and liabilities:	
Due from Washington State University	(1,173,530)
Bequests and other receivables	476,790
Pledges receivable	(20,294,655)
Contribution receivable from charitable trusts	22,495
Accounts payable and accrued liabilities	693,887
Net cash used in operating activities	(21,448,672)
Cash flows from investing activities:	
Purchases of investments	(187,982,233)
Sales of investments	196,178,056
Purchase of equipment	(119,668)
Proceeds of principal payments on notes receivable	89,045
Net cash provided by investing activities	**8,165,200**
Cash flows from financing activities:	
Contributions and income restricted for investments in endowments and trusts	23,473,733
Net cash provided by financing activities	23,473,733
Net increase (decrease) in cash and cash equivalents	10,190,261
Cash and cash equivalents – beginning of year	7,890,950
Cash and cash equivalents – end of year	**$ 18,081,211**

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

Notes to the Financial Statements

June 30, 2022

These notes form an integral part of the financial statements.

1. Summary of Significant Accounting Policies

Financial Reporting Entity

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

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

Discretely Presented Component Unit

The WSU Foundation (the Foundation) is a legally separate, tax-exempt entity, and serves contractual asset management functions in support of the University's mission. Due to its significance, this report presents the Foundation's financial condition and activities as a discretely presented separate component unit in the University's financial statements.

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

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

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

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

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

Blended Component Units

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

The Washington State University Alumni Association (WSUAA) is a 501(c)3 corporation that is presented as a blended component unit of WSU. Condensed financial information can be found in note 19. The WSUAA's full financial statements can be obtained by contacting the Lewis Alumni Centre on the WSU Pullman campus or calling (509) 335-2586.

The Students Book Corporation (SBC) is a legally separate entity, owned by the students of Washington State University which operates bookstores on each of the WSU campuses. This report presents SBC's financial condition and activities as a blended component unit in the University's financial statements. Condensed financial information can be found in note 19. The Students Book Corporation issues separate financial statements which may be obtained by contacting the Business Services/Controller's Office at 220 French Administration Bldg., P. O. Box 641025, Pullman, WA 99164-1025 or calling (509) 335-2022.

Basis of Presentation

The financial statements of the University have been prepared in accordance with the standards set by the Governmental Accounting Standards Board (GASB), which constitute Generally Accepted Accounting Principles (GAAP) for governmental entities. The University is considered a special purpose government engaged in business-type activities. Accordingly, the University presents statement of net position, statement of revenues, expenses and changes in net position, statement of cash flows, and notes to the financial statements. The financial statement presentation provides a comprehensive, entity-wide perspective of the University's assets, deferred outflows, liabilities, deferred inflows, 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. All significant intra-agency transactions have been eliminated.

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

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

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

New Accounting Standards

On July 1, 2021, the University implemented GASB Statement No. 87 Leases. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right-to use an underlying asset. Under this statement a lessee is required to recognize a lease liability and an intangible right-to-use leased asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.. As a result of implementing this standard, the University recognized a right-to-use asset and lease liability of $22 million respectively, as of July 1, 2021. The University also recognized a lease receivable and deferred inflow of resources in the amounts of $22 million as of July 1, 2021. As the result of these adjustments there was no effect on beginning net position. Please see Notes 6, 8, 12 and 15 for additional disclosures.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* which will be effective for the fiscal year ending June 30, 2023. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership (PPP) arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs) defined as agreements in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The University is currently assessing the impact of implementation of this Statement on its financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements,* effective for the fiscal year ending June 30, 2023. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). This Statement defines a SBITA, establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability, provides the capitalization criteria for outlays other than subscription payments (including implementation costs of a SBITA), and requires note disclosures regarding a SBITA. The University has begun initial work to identify contracts and agreements that are within the scope of this Statement and the impact of implementation to the financial statements.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, an Amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.* Some requirements of this statement related to defined contribution post-employment benefit plans and fiduciary defined benefit post-employment benefit plans are effective immediately. Management has concluded that these requirements have no material impact on the University. The remaining requirements are effective for the fiscal year ending June 30, 2022. This statement provides guidance intended to increase consistency and comparability related to reporting of fiduciary component units in situations where a potential component unit does not have a governing board and the primary government performs the duties that a governing board would typically perform. The Statement also intends to mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other post-employment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements. Lastly, the Statement seeks to enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan, and for the benefits provided through those plans. While the University continues to assess the impact of implementation of this Statement, it does not currently expect implementation to have a material impact to the financial statements.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022* which will be effective for the fiscal years ending June 30, 2023 and 2024. Requirements related to leases, PPPs, and SBITAs are effective for fiscal year ending June 30, 2023. Requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective for fiscal year ending June 30, 2024. The University is currently assessing the impact of implementation of this Statement on its financial statements but does not expect it to have any material impact on its financial statements.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections* which will be effective for the fiscal year ending June 30, 2023. This statement is intended to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. It defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period.

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

Use of Estimates

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred outflows/inflows, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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

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

The University's share of pension and other post-employment benefit plan assets, liabilities, deferrals, and expenses, are based on actuarial valuations prepared by an external actuary (see notes 16 and 17). The results of an actuarial valuation are estimates based on historical data, actuarial assumptions, and the demographics of the employee and retiree populations.

Cash, Cash Equivalents, and Investments

Cash balances in excess of current requirements are pooled and invested in Treasury securities, time deposits, deposits with the Washington State Local Government Investment Pool (LGIP), federal agency bills and notes. Cash equivalents are short-term, highly liquid investments convertible to known amounts of cash without change in value or risk of loss. The University considers investments with a maturity of three months or less when purchased to be cash equivalents. Interest income earned on the investment pool is distributed on a quarterly basis based on daily cash balances in various funds. In accordance with GASB *codification section 150: Investments*, cash equivalents and investments are stated at fair value.

Accounts Receivable

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

Lease Receivables

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

Inventories

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

Capital Assets

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

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

In accordance with GASB codification section 1400: Reporting Capital Assets, the University reviews assets for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable. Impaired assets are reported at the lower of cost or fair value. At June 30, 2022 no assets have been written down.

Right-to-use leased assets are recognized at the lease commencement date and represent WSU's right to use an underlying asset for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the asset into service. Right-to-use leased asses are amortized over the lease term using the straight-line method. Amortization periods vary from 1 to 18 years.

Deferred Outflows of Resources

Deferred outflow of resources are a consumption of net position by the University that are applicable to future reporting periods. Similar to assets, they have a positive effect on the University's net position. See note 15.

Unearned Revenues

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

Deferred Inflows of Resources

Deferred inflows of resources are an acquisition of net position that is applicable to future reporting periods. Similar to liabilities, they have a negative effect on net position. See note 10.

Compensated Absences.

The University employees accrue annual leave at rates based on length of service, and for sick leave at the rate of one day per month. Sick leave balances, which are unlimited, can be converted to monetary compensation annually at 25% of the employees' normal compensation rate for any balance that exceeds 480 hours, or for any balance upon retirement or death. Annual leave accrued at June 30, 2022 was $42 million. Sick leave accrued at June 30, 2022 was $9 million. Both are included in accounts payable and accrued liabilities in the University's Statements of Net Position. See note 9.

Cost-Sharing Pension Plans (WSU Retirement Plan)

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

Single Employer Pension Plan (WSU Supplemental Retirement Plan)

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

The total pension liability is determined by discounting projected benefit payments for current participants and retirees, based on the benefit terms and legal agreements existing at the pension plan's fiscal year-end. The discount rate used for the total pension liability as of June 30, 2022, reflects the expected rate of return on investments measured at fair value, to the extent that plan assets are available to pay retiree benefits. The WSUSRP liability as of June 30, 2022, represents the total pension liability less the plan's fiduciary net position. Pension expense is recognized for benefits earned during the period, interest on the unfunded liability and changes in benefit terms. Differences between expected and actual experience, and changes in assumptions about future economic or demographic factors, are reported as deferred inflows of resources or deferred outflows of resources, and are recognized over the average expected remaining service period for employees eligible for pension benefits. Differences between expected and actual investment returns are reported as deferred inflows of resources or deferred outflows of resources, and are recognized over five years. The measurement date for the WSUSRP liability is the same as the Statements of Net Position date. Investments are reported at fair value.

Other Post-Employment Benefits (OPEB)

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

Lease Liabilities

Lease liabilities represent the University's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present values of lease payments are discounted based on a borrowing rate determined by PFM Financial Advisors, LLC.

Tax Exemption

The University is a tax-exempt organization under the provisions of Section 115(a) of the Internal Revenue Code and is exempt from federal income taxes on related income. However, WSU remains subject to income taxes on any income that is derived from a trade or business regularly carried on and not in furtherance of the purpose for which it was granted exemption from income taxes. No income tax is recorded for the year ended June 30, 2022 because there is no significant income from unrelated business.

Net Position

The University's net position is classified as follows.

- *Net Investment in Capital Assets*. This represents the University's total investment in capital assets and right-to-use leased assets net of outstanding debt obligations related to those capital assets and right-to-use leased assets. Unspent bond proceeds incurred for capital assets are excluded from the amount.
- *Restricted—nonexpendable*. This consists of endowment and similar type funds for which donors or other outside sources have stipulated as a condition of the gift instrument that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income which may either be expended or added to the principal.
- *Restricted—loans*. The loan funds are established for the explicit purpose of providing student support as prescribed by statute or granting authority.
- *Restricted—expendable*. These include resources for which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by third parties.
- *Restricted—pension asset*. These are assets bought with the contributions to the DRS pension plan for the exclusive purpose of financing pension plan benefits
- *Unrestricted*. These represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises.

Restricted/Unrestricted Resources

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

Classification of Revenues

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

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

Non-operating Revenues. This includes activities that have the characteristics of non-exchange transactions, such as gifts and contributions, Pell grants, state appropriations and investment income. The State of Washington appropriates funds on an annual and biennial basis. Appropriations are recognized as revenue when the related expenses are incurred.

Capital Additions. The State of Washington appropriates capital funds on a biennial basis. Appropriations are recognized as revenue when the related expenses are incurred.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the published charge for goods and services provided by the University and the amount that is paid by students or third parties making payments on the students' behalf. To the extent that revenues are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and an allowance. Discounts and allowances for the year ending June 30, 2022 were $163,123,359.

2. Cash, Cash Equivalents

Cash

Cash includes cash on hand, petty cash and bank deposits. Cash equivalents include treasury securities that are readily convertible to known amounts of cash and present insignificant risk of value changes due to interest rate changes. As of June 30, 2022 the carrying amount of these University's cash funds, were $361,528,989 as represented in the table below.

Table 1: Cash and Cash Equivalents

	2022
Cash	$273,692,131
Cash equivalents	87,814,253
Deposits with fiscal agents	22,605
Cash and cash equivalents	$361,528,989

Custodial Credit Risks—Deposits

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

3. Investments

(A) University Investments

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

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

University invested assets include operating funds, current use gift funds, and proceeds from bond issues dedicated to specific capital projects. As of June 30, 2022, the University had the following investments, maturities, credit ratings and effective durations:

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

	2022						
University investments	**Fair value**	**Less than 1 year**	**1-5 years**	**6-10 years**	**More than 10 years**	**Effective duration**	**Credit rating**
Cash equivalents							
Commercial paper	$ 28,937,950	$28,937,950				0.12	A1/P1
U.S. Treasury	34,230,309	34,230,309				0.30	AAA
Other- bank short-term investment funds*	136,857	136,857				0.01	NR
Local Government Investment Pool*	24,509,137	24,509,137				0.04	NR
Total cash equivalents	**87,814,253**						
Current investments							
U.S. Treasury	81,692,632	81,692,632				0.50	AAA
Agency bonds	24,405,750	24,405,750				0.90	AAA
Mortgage-backed securities	490,180	490,180				0.32	AAA
Total current investments	**106,588,562**						
Non-Current, long-term investments							
U.S. Treasury	14,035,103		$ 14,035,103			1.20	AAA
Agency bonds	26,065,640		26,065,640			1.28	AAA
Mortgage-backed securities	87,205,163		9,402,890	$21,385,619	$56,416,654	1.73	AAA
Fixed income mutual fund	9,448,883		9,448,883			1.20	na
Subtotal non-current operating funds investments	**136,754,789**						
Non-marketable equity/patronage	346,190						
Total non-current, long-term investments	137,100,979						
Total University investments	**$ 331,503,794**						

**Valued at amortized costs per GASB 79*

Investments in Local government Investment Pool (LGIP)

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

Investments in LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification, and liquidity requirements set forth by the GASB Codification code section I50: Investment Pools (External), for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption rates on participant withdrawals.

Interest Rate Risk—Investments

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

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

Concentration of Credit Risk—Investments

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

Custodial Credit Risk—Investments

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, the University will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At June 30, 2022, $297,062,727 of the University's operating fund investments, held by Principal Custody Solutions in Principal's name as agency for the University, and $449,179 of endowment assets, held in street name by E*TRADE for the account of the University, are exposed to custodial credit risk as follows:

Table 2: Investments exposed to custodial credit risk

University investment type:	**Fair value 2022**
Commercial paper	$ 28,937,950
U.S. Treasury	129,958,044
Agency bonds	50,471,390
Mortgage-backed securities	87,695,343
Subtotal	297,062,727
Marketable global equities	449,179
Total investments exposed to custodial credit risk	**$ 297,511,906**

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, 2022 were $919,601.

(B) University Investments Measured By Fair Value Level

Investments are measured at fair value on a recurring basis. The three-tier hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows.

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

Table 3:Investments by fair value hierarchy

Investments by fair value hierarchy	**2022**	**Level 1**	**Level 2**	**Level 3**
Fixed Income				
U.S. Treasury	$ 129,958,044	$129,958,044	-	-
Agency bonds	50,471,390	-	50,471,390	-
Mortgage-backed securities	87,695,343	-	87,695,343	-
Fixed income mutual fund	9,448,883	9,448,883	-	-
Discount notes	-	-	-	-
Commercial paper	28,937,950	-	28,937,950	-
Total fixed Income investments	**306,511,610**	**139,406,927**	**167,104,683**	**-**
Equity				
Non-Marketable Equities	346,190	-	-	346,190
Total Equity Investments	**346,190**	**-**	**-**	**346,190**
Total fair value by level investments	**306,857,800**			
Cash equivalents at amortized cost	24,645,994			
Total investments	**$ 331,503,794**			

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

(C) Land Grant and Permanent Fund

The University has two land grant endowments and two permanent funds established by legislation. The University's two land grant endowments total 155,401 acres of timber, agricultural and grazing lands managed by the Washington State Department of Natural Resources. The income from this land is distributed to the Agricultural College Permanent Fund, established under RCW 43.79.136, and the Scientific School Permanent Fund, established under RCW 43.79.110. The Washington State Investment Board manages these two permanent funds for the sole benefit of the University. All distributed income is used for capital projects, facility maintenance, or debt service. The fair value of these funds after settlement of all pending transactions, receivables, and payables, is shown in the table below.

Table 4: Permanent fund

University permanent fund investments	**Fair value 2022**	**Effective duration**	**Credit rating**
Cash and cash equivalents	$ 846,593		
Commingled monthly bond fund	341,451,085	5.95	Aa3
Commingled monthly equity fund	222,584,759		
Cash at state treasurer	831,505		
Pending transactions, receivables, and payables	(831,505)		
Total permanent fund investments	**$ 564,882,437**		

(D) University Endowments

Total University endowed investments consist of University-held endowments valued at $70,367,682 as of June 30, 2022 (as detailed below the in table 5), and permanent fund endowment of $564,882,437 (as detailed above in table 4). The total of $635,250,119 as of June 30, 2022 is found on the Statement of Net Position as of June 30, 2022, the University had the following endowment investments, maturities, credit ratings and effective durations:

Table 5: University endowments by classification

		2022 Maturity					
University Endowments	**Fair Value**	**Less than 1 year**	**1-5 years**	**6-10 years**	**More than 10 years**	**Effective Duration**	**Credit Rating**
Fixed income mutual funds	$ 2,423,051			$2,423,051		6.12	A
Marketable global equities	7,551,373						
Marketable liquid real assets	3,596,484						
Non-marketable equities	8,051,250						
Equity funds	7,533,776						
Fixed income funds	3,568,662			3,568,662		6.53	AA-
Hedge funds	13,271,224						
Illiquid real assets	7,382,919						
Private equity funds	14,723,845						
Cash equivalents at amortized cost	2,265,098						
Total endowment investments	**$70,367,682**						

Foreign Currency Risk—Investments

Foreign currency risk is the risk that investments denominated in foreign currencies may lose value due to adverse fluctuations in the value of the U.S. dollar relative to foreign currencies. The Washington State University Foundation (Foundation) invests the University's endowed assets. As such the Foundation's investment policy controls foreign currency exposure by limiting foreign equity and fixed income investments to 24%-36% of the total endowment with a current target of 21%. University endowment exposure to foreign currency risk at June 30, 2022, is described in the table below.

Table 6: University foreign currency risk

Foreign Currency	**Fair Value 2022**
Japan - Yen	$ 2,380,158
Euro	1,809,496
UK - Pound	1,262,732
China - Yuan	968,962
S. Korea - Won	764,025
Swiss Franc	723,912
All other (less than 5%)	3,855,307
Total foreign currency	**$ 11,764,592**

Consolidated Endowment Investment Pool

The University contracts with the Foundation for the management of the consolidated endowment investment pool. University and Foundation endowment assets are pooled and invested with the objectives of long-term capital appreciation and stable but growing income stream. The total amount of the consolidated endowment pool is $631,646,563. See note 4(A) for information on the Foundations endowment investment securities. The fair value of the University's equity in the consolidated endowment pool at June 30, 2022 was $70,367,682. See table below:

Table 7: Consolidated endowment pool

	2022	
University endowments	$ 70,367,682	11.14%
Foundation endowments	561,278,881	88.86%
Total pooled endowments	**$ 631,646,563**	**100.00%**

Net appreciation (depreciation) in the fair value of investments includes both realized and unrealized gains and losses on investments. At June 30, 2022 net appreciation of the University's portion of the consolidated endowment pool of $19,103,619 was available to be spent, all of which is restricted to specific purposes and is included in restricted expendable net position.

(E) University Endowments Measured By Fair Value Level

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

Investments are measured at fair value on a recurring basis. The three-tier hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows.

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

Table 8: Investments by Fair Value Hierarchy

Investments by fair value level	**2022**	**Level 1**	**Level 2**	**Level 3**
Fixed income				
Fixed income mutual funds	$ 2,423,051	$ 2,423,051	-	-
Fixed income funds	1,623,665	1,623,665	-	-
Total fixed income investments	**4,046,716**	**4,046,716**	**-**	**-**
Equity				
Marketable global equities	7,551,373	7,551,373	-	-
Marketable liquid real assets	3,596,484	3,596,484	-	-
Non-marketable equities	8,051,250	-	$8,051,250	-
Total equity investments	**19,199,107**	**11,147,857**	**8,051,250**	**-**
Total fair value by level investments	**23,245,823**			
Investments by NAV				
Equity funds	7,533,776			
Fixed income funds	1,944,997			
Hedge funds	13,271,224			
Illiquid real assets	7,382,919			
Private equity funds	14,723,845			
Total NAV investments	**44,856,761**			
Total investments at fair value	68,102,584			
Cash equivalents at amortized cost	2,265,098			
Total investments	**$ 70,367,682**			

Fixed income and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Equity securities classified in Level 2 are valued using observable inputs including quoted prices for similar securities and interest rates.

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

The valuation method for investments measured using the NAV for June 30, 2022

Table 9: Investments measured using NAV

2022	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Equity funds	$ 7,533,776	-	Daily to semimonthly	5-30 days
Fixed income funds	1,944,997	-	Monthly	30 days
Hedge funds	13,271,224	-	Monthly to biennially	30-90 days
Illiquid real assets and private equity funds	22,106,764	$ 7,654,415	Years: 2020-2034	End of agreement
Total NAV investments	**$ 44,856,761**	**$ 7,654,415**		

- **Equities, fixed income, and hedge funds** - Certain common stock securities, U.S. government securities, and mutual funds for which market prices are not readily available or for which market prices do not represent the value at the time of pricing are fair valued by the investment manager based upon other inputs. These inputs include valuations of services that are comparable in coupon, rating, maturity, and industry. The investments cover a broad range of risk and diversification by industry with the dual objectives of generating income and providing long-term growth.
- **Illiquid real assets and private equities** – Multiple limited partnerships that invest in securities designed for generating current income and/or long-term growth using conservative, moderate and aggressive risk strategies, and real estate. Risk strategies for private equities range from moderate too aggressive with growth of capital being the primary objective.

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

Washington State University Foundation

4. Washington State University Foundation Endowments

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

WSU Foundation
PO Box 641925
Pullman, WA 99164-1925

Endowment Investment Securities

The Foundation's endowment consists of 2,677 individual funds, established for a variety of purposes, which are jointly managed with the University's endowments. Of the total value of the investments managed, the Foundation's endowment funds represent 88.86% of that total at June 30, 2022. The remainder of the pool comprises the University's true endowments and the University's funds functioning as endowments (quasi-endowments), which are not recorded in the Foundation's financial statements. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including quasi-funds that function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Foundation has no board designated endowments.

Interpretation of Relevant Law

The Board of Directors of the Foundation, on the advice of legal counsel and the Foundation's Investment Committee, has interpreted Washington State's Uniform Prudent Management of Institutional Funds Act (WA-UPMIFA) as requiring the prudent management of donor-restricted gifts based on the spending and other investment policies of the organization, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classified the following amounts as net assets with donor restrictions in the accompanying consolidated financial statements:

- The fair value of the gifts donated to the donor-restricted endowment.
- Accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument or statute at the time the accumulation is added to the fund.
- The remaining portion of the donor-restricted endowment funds that is not required to be held in perpetuity consisting of accumulated investment gains and losses, which are included in net assets with donor restrictions until those amounts are appropriated to WSU in a manner consistent with the donors' stipulations.

In accordance with WA-UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- The fund's special relationship or value to the Foundation's and WSU's mission
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that either the donor or WA-UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature are classified in net assets with donor restrictions. Deficiencies of this nature totaled $1,493,803 at June 30, 2022, and are included in the accumulated investment gains (losses) in the tables below.

These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new donor-restricted contributions and continued appropriation for certain programs. These appropriations were made under the terms of the gift use agreement executed between the donor and the Foundation or in accordance with the Board of Director's prudent interpretation of WA-UPMIFA. The Board allows for continued appropriations to sustain programs with a moratorium on distributions if an endowment's market value is 30% or more below contributions to the fund. Continued appropriation by the Board was deemed prudent during the year ended June 30, 2022.

	Year ended June 30, 2022			
	Without donor restrictions	**With donor restrictions**		
		Original gift	**Accumulated gains/(losses)**	**Total**
Donor-restricted funds:				
Underwater funds	-	$ 26,581,862	$ (1,493,803)	$ 25,088,059
Other funds	-	452,120,097	84,070,725	536,190,822
Total endowment funds	-	**$ 478,701,959**	**$ 82,576,922**	**$ 561,278,881**

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity as well as quasi-endowments (funds functioning as endowments). Under this policy, as approved by the Investment Committee of the Foundation, the endowment assets are invested in a manner that is intended to produce a relatively predictable and stable payout stream each year and maintain purchasing power of the assets over the investment horizon.

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation's spending policy allows for the fund to distribute 5.5% per year (4.0% for individual accounts and 1.5% for the endowment administration fees) computed quarterly based on the average market value for the 36 months preceding and including the quarter ended prior to the distribution date, adjusted for new gifts on the first day of the distribution quarter.

In establishing this policy, the Foundation considered the long-term expected return on its endowment. This is consistent with the organization's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return. Distribution to colleges or departments from the University's quasi-endowments (funds functioning as endowments) can be in full or in $50,000 increments upon six months' notice to the Foundation.

Endowment Net Asset Composition, by Type of Fund

	Year ended June 30, 2022		
	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount	-	$ 478,701,959	$ 478,701,959
Accumulated investment gains	-	82,576,922	82,576,922
Total	-	**$ 561,278,881**	**$ 561,278,881**

Changes in Endowment Net Assets

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

Endowments Managed at Fair Value

The Foundation's endowment funds are jointly managed with certain endowments of the University. The University's endowment funds are excluded on the Foundation's financial statements as they are not an agent nor a principal in these endowments. The breakout of the jointly managed funds of the University and the Foundation is as follows:

Jointly managed endowment funds:	**Year Ended June 30, 2022**
Cash and short-term investments	$ 19,658,447
Accrued interest and dividends	1,392,179
Managed investments	610,595,937
Endowment investments at fair value	631,646,563
Less University endowment funds	(70,367,682)
Managed endowment funds recorded by the Foundation	**$ 561,278,881**

Endowments Managed at Cost

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	Year Ended June 30, 2022
Investments at cost	$ 438,879,817
Less University endowment funds, at cost	(48,893,123)
Managed endowment funds recorded by the Foundation, at cost	**$ 389,986,694**

Fair Value Measurements

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

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

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

As required by FASB guidance on fair value, financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the fair value of assets and their placement within the fair value hierarchy levels.

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

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table discloses by level, within the fair value hierarchy, investment assets measured at fair value on a recurring basis as of June 30, 2022:

	Level 1	**Level 2**	**Level 3**	**Total**
Endowment investments:				
Cash and equivalents	$ 18,705,990	-	-	$ 18,705,990
Marketable equities:				
Equities	59,597,675	-	-	59,597,675
Fixed income mutual funds	32,277,867	-	-	32,277,867
Liquid real assets	28,686,665	-	-	28,686,665
Total marketable equities	**120,562,207**	-	-	**120,562,207**
Nonmarketable equities		**$64,219,266**		**64,219,266**
Investments measured at NAV:				
Equity funds	-	-	-	60,091,730
Fixed income funds	-	-	-	15,513,898
Hedge funds	-	-	-	105,855,395
Illiquid real assets	-	-	-	58,888,445
Private equities funds	-	-	-	117,441,950
Total investments measured at NAV	**-**	**-**	**-**	**357,791,418**
Total endowment investments	**-**	**-**	**-**	**561,278,881**

	Level 1	**Level 2**	**Level 3**	**Total**
Assets in charitable trusts:				
Cash and equivalents	662,245	-	-	662,245
Marketable equities:				
Equities	12,898,095	-	-	12,898,095
Fixed income mutual funds	6,725,616	-	-	6,725,616
Liquid real assets	3,609,807	-	-	3,609,807
Total marketable equities	**23,233,518**	-	-	**23,233,518**
Total assets in charitable trusts	**$ 23,895,763**	-	-	**$ 23,895,763**
Other:				
Beneficial interest in perpetual trusts	-	-	$36,918,664	$ 36,918,664

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

Other:	Beneficial interest in perpetual trusts
Balance – July 1, 2021	$ 41,854,963
Change in value, net	(4,936,299)
Balance – June 30, 2022	**$ 36,918,664**

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

Equities, Fixed Income, and Hedge Funds

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

Illiquid Real Assets and Private Equities

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

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

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

	Net Asset Value 2022	Redemption frequency	Redemption notice period
Equity funds	$ 60,091,730	Daily to semimonthly	5-30 days
Fixed income funds	15,513,898	Monthly	30 days
Hedge funds	105,855,395	Monthly to biennially	30-90 days
Illiquid real assets and private equity funds	176,330,395	Years: 2020-2034	End of agreement
Total NAV investments	**$ 357,791,418**		

5. Inventories

Inventories as of June 30, 2022 were as follows:

Location	Method	2022
Athletics	FIFO	$ 2,090,993
Bulletin office	FIFO	139,267
Facilities services	FIFO	1,440,868
Ferdinand's	FIFO	6,568,388
Housing and dining	LIFO	488,694
Telecommunications	FIFO	386,723
University publishing	FIFO	484,830
Veterinary hospital and pharmacy	FIFO	2,213,954
Veterinary microbiology/pathology	FIFO	2,048,075
WAADL	FIFO	771,395
Other inventory	Various	2,321,790
Inventories		**$ 18,954,977**

6. Accounts Receivable

At June 30, 2022, accounts receivable were as follows:

Current accounts receivable	**2022**
Student tuition and fees	$ 37,143,477
Due from the federal government	39,372,860
Due from the office of the state treasurer	5,329,994
Due from other state agencies	14,128,427
Interest and dividends receivable	294,005
Auxiliary enterprises	10,801,810
Due from other governments	8,393,342
Lease receivables (current portion)	2,421,525
Other	12,927
Subtotal	117,898,367
Less allowance for doubtful accounts	(32,337,334)
Accounts receivable, net	**$85,561,033**

7. Loans Receivable

Loans receivable consisted of the following at June 30, 2022:

	2022
Federal programs	$ 14,594,517
Institutional loans	317,406
Subtotal	14,911,923
Less allowance for doubtful accounts	(447,353)
Loans receivable, net	**$ 14,464,570**

8. Capital and Leased Assets

A summary of changes in the capital and leased assets for the year ended June 30, 2022, is presented as follows:

Capital assets, non-depreciable	Beginning Balance (restated)	Additions/ transfers	Retirements	Ending balance
Land	$ 32,812,244	$ 110,000	$ (263,615)	$ 32,658,629
Construction in progress	9,800,294	17,988,538	(3,810,200)	23,978,632
Total capital assets, non-depreciable	**42,612,538**	**18,098,538**	**(4,073,815)**	**56,637,261**
Capital assets, depreciable				
Buildings	2,558,069,234	5,274,749	(3,940)	2,563,340,043
Other improvements and infrastructure	396,427,108	3,023,703	-	399,450,811
Machinery and equipment	358,102,276	18,180,451	(6,647,662)	369,635,065
Library resources	192,861,802	7,848,423	(1,795,381)	198,914,844
Total capital assets, depreciable	**3,505,460,420**	**34,327,326**	**(8,446,983)**	**3,531,340,763**
Less accumulated depreciation				
Buildings	1,176,425,793	61,351,778	-	1,237,777,571
Other improvements and infrastructure	225,493,177	12,567,669	-	238,060,846
Machinery and equipment	318,326,524	21,079,336	(6,509,096)	332,896,764
Library resources	130,858,623	6,240,893	(1,795,380)	135,304,136
Total accumulated depreciation	**1,851,104,117**	**101,239,676**	**(8,304,476)**	**1,944,039,317**
Total capital assets, depreciable, net	**1,654,356,302**	**(66,912,350)**	**(142,507)**	**1,587,301,446**
Capital assets, net	**1,696,968,840**	**(48,813,812)**	**(4,216,322)**	**1,643,938,707**
Right-to-use lease assets, amortized				
Land	$ 747,799	-	-	$ 747,799
Buildings	21,636,182	$ 109,334	-	21,745,516
Equipment	271,353	-	-	271,353
Total right-to-use lease assets, amortized	**22,655,334**	**109,334**		**22,764,668**
Less accumulated amortization				
Land	-	94,368	-	94,368
Buildings	-	3,268,694	-	3,268,694
Equipment	-	48,600	-	48,600
Total accumulated amortization	**-**	**3,411,662**	**-**	**3,411,662**
Total right-to-use lease assets, net	**22,655,334**	**(3,302,328)**	**-**	**19,353,006**
Total capital assets, net	**$ 1,719,624,197**	**$ (52,116,159)**	**$ (4,216,325)**	**$ 1,663,291,713**

Current year depreciation/amortization expense was $104,651,357.

9. Accounts Payable and Accrued Liabilities

At June 30, 2022, accrued liabilities were as follows:

Current Accrued Liabilities	2022
Accounts payable	$ 17,367,339
Contract retainage	1,043,651
Payroll	29,544,200
Accrued leave, current portion	12,829,820
Subtotal	60,785,010
Non-current accrued liabilities	
Accrued annual leave	31,502,889
Accrued sick leave	6,691,075
Accrued compensatory leave	194,597
Subtotal	38,388,561
Total accrued liabilities	**$ 99,173,571**

10. Unearned Revenue and Deferred Inflows of Resources

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

Current unearned revenue	**2022**
Athletics	$ 3,115,613
ALIVE! program	214,560
Pre-paid Tri-Cities BSEL building rent	500,000
Bookie signing bonus	100,000
Housing and dining services	2,135,936
Summer session	5,394,979
Parking	174,171
Subtotal	11,635,259
Non-current unearned revenue	
Pre-paid Tri-Cities BSEL building rent	2,540,278
Subtotal	**2,540,278**
Total unearned revenue	**$ 14,175,537**

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

Deferred inflows of resources	**2022**
General obligation bond refunding's	
R2011A(2002A)	$ 78,999
R2011B(2002A)	10,000
R2017C(R2007A(2001A))	442,606
R2020A(R2010B(2001C))	192,737
R2020C(R2011B(2002A))	79,781
R2021B(R-2011A(2002A))	78,253
Subtotal General Obligation Bonds	882,376
General revenue bond refunding	
GRB 2020A	1,836,071
GRB 2022	1,397,594
Subtotal general revenue bonds	3,233,665
Certificate of participation refunding	
0381-1	32,703
Subtotal certificate of participation	32,703
Pension	
Pension net difference between projected and actual experience	39,240,245
Pension changes in proportion	1,474,206
Pension net difference between projected and actual investment earnings on pension plan investments	124,764,340
Pension changes in assumption	33,898,631
Subtotal Pension	199,377,422
OPEB	
Differences between expected and actual experiment	1,222,456
OPEB changes in assumption	57,254,516
OPEB changes in agency proportion	26,580,248
Subtotal OPEB	85,057,220
Right-to-use leases	20,464,576
Total deferred inflows of resources	**$ 309,047,962**

11. Risk Management

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

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

Fiscal year ending	Claims paid	Cash reserves
June 30, 2022	$ 470,415	$ 3,938,772
June 30, 2021	836,552	4,485,224
June 30, 2020	$ 600,298	$ 4,352,748

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

12. Leases

Lessee Agreements

The University leases land, building space and equipment from external parties for various terms under long- term lease agreements. The leases expire at various dates through 2040. In accordance with GASB 87, the University records right-to-use lease assets and lease liabilities based on the present value of expected payments over the lease term. The expected payments are discounted using the University's incremental borrowing rate as determined by the University's bond council by using Bloomberg's BVAL curve for similar rated AA- and A+ bonds. The University's financial are rated by Moody's Investors Service. The discount rates range from .21% to 3.50% depending on the term of the lease. As of June 30, 2022 the total future annual lease payments are as follows:

Leases Payable

Year	Principal	Interest	Total
2023	$ 2,802,835	$ 412,588	$ 3,215,423
2024	2,450,415	371,649	2,822,064
2025	2,184,316	331,536	2,515,852
2026	1,759,369	293,609	2,052,978
2027	1,486,623	263,590	1,750,213
2028-2032	4,936,829	935,927	5,872,756
2033-2037	2,565,725	442,087	3,007,812
2038-2040	1,510,554	77,583	1,588,137
	$ 19,696,666	**$ 3,128,569**	**$ 22,825,235**

Lessor Agreements

The University leases building and ground space to external parties. The leases expire at various dates through 2108 and provide for renewal options ranging from one year to thirty years. The University records lease receivables and deferred inflows of resources based on the present value of expected receipts over the lease term. The present value of the future lease payments to be received were discounted .38% to 3.5%, which was based on the interest rate the University charges the lessee. The University's financials are rated by Moody's Investors Services.

As of June 30, 2022 future minimum lease payments to be received under lessor agreement are as follows:

Year	Principal	Interest	Total
2023	$ 2,421,524	$ 418,809	$ 2,840,333
2024	2,522,615	385,274	2,907,889
2025	2,275,353	350,972	2,626,325
2026	2,231,810	317,055	2,548,865
2027	1,198,676	288,260	1,486,936
2028-2032	5,057,818	1,123,330	6,181,148
2033-2037	685,647	801,496	1,487,143
2038-2042	(169,899)	807,727	637,828
2043-2047	(235,990)	844,185	608,195
2048-2052	(215,138)	884,153	669,015
2053-2057	(183,858)	919,774	735,916
2058-2062	(139,541)	949,049	809,508
2063-2067	(79,025)	969,483	890,458
2067-2072	1,521	977,984	979,505
2073-2077	106,721	970,734	1,077,455
2078-2082	242,158	943,043	1,185,201
2083-2087	414,555	889,166	1,303,721
2088-2092	632,003	802,090	1,434,093
2093-2098	904,228	673,274	1,577,502
2098-2102	1,242,906	492,346	1,735,252
2103-2107	1,662,046	246,731	1,908,777
2108	375,676	13,149	388,825
	$ 20,951,806	**$ 15,068,084**	**$ 36,019,890**

13. Asset Retirement Obligation

The University has identified several legally enforceable liabilities associated with the retirement of tangible capital assets due to requirements included in state laws and contracts. As of June 30, 2022, the University has recorded an asset retirement obligation of $19,736,427. Following is a list of assets identified as having an asset retirement obligation.

Nuclear radiation center -The Nuclear Regulatory Commission and other oversite agencies such as Department of Health in the State of Washington require a decommissioning report valuing the cost of decommissioning the nuclear radiation center. A license was acquired in 2010, along with the decommissioning report and is good for 20 years. The decommissioning cost estimate was provided by the Nuclear and Advanced Technology Division of the Westinghouse Electric Corp. In 2010, the NRC staff reevaluated the waste disposal cost estimate using methodology described in NUREG-1307 to estimate a more reasonable bracket for decommissioning costs, including an update to the estimated labor costs and the addition of a 25% contingency. The original value of the decommissioning was $14,600,000. Each year the value is reassessed with a current inflation rate based on the consumer price index. For fiscal year 2022, the inflation rate is 7.9% bringing the estimate for decommissioning to $19,031,627. The remaining useful life for the nuclear radiation center is 8 years. This was determined based on the remaining years of the decommissioning report.

Magnetic Resonance Imaging Machine (MRI) – This machine contains heavy metals such as lead, gold, silver or mercury for which state and federal hazardous waste regulations apply. The disposal of these metals is regulated by the Department of Ecology in the State of Washington. The cost of dismantling and disposing of this machine was estimated at $6,300 based on an estimate given at trade in. It has a total useful life of 5 years with 2 years remaining.

Cell Tower Contracts – The University has entered into multiple cell tower contracts that require the removal of equipment once the lease is terminated. The total estimated cost of equipment removal based on the engineer's prior experience is $698,500. The remaining life of these contracts range from 1 to 12 years.

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

	Balance outstanding 6/30/2021	Additions	Reductions	Balances outstanding 6/30/2022
Nuclear radiation center	$ 17,643,074	$ 1,388,553		$ 19,031,627
Magnetic Resonance Imaging Machine (MRI)	6,300			6,300
Cell tower contracts	698,500			698,500
Total	**$ 18,347,874**	**$ 1,388,553**		**$ 19,736,427**

14. Bonds Payable, Notes Payable and Related Debt

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

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

The Housing and Dining System is required to generate net revenue, as defined in the 2010B bond series convents, equal to at least 125% of the annual debt service requirements during each fiscal year. As of June 30, 2022 Housing and Dining complied with the debt service covenant of the 2010B bond series.

Bond Refunding Activity

The scheduled liabilities as of June 30, 2022 do not include revenue bonds that were advance refunded. Government obligations in amounts, maturities and interest rates sufficient to fund retirement of these bonds are held in irrevocable trusts. On January 4, 2022, the University issued $16,050,000 in General Revenue Bonds to defease $19,455,000 in Series 2012B Spokane Bio Medical Building bonds. The refunding resulted in an aggregate debt service decrease of $3,405,000 and an economic gain of $3,456,596.

Related Debt

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

As of June 30, 2022, the University was indebted for bonds and notes payable for the purposes shown in the following table:

Purpose	Series	Interest rate/ ranges	Final maturity date	Principal outstanding	Current portion
Housing and Dining	2010B	7.1% - 7.4%	2041	$ 35,305,000	$ -
Compton Union Building	2006B	5% - 6%	2028	14,340,000	2,490,000
Trust and Building Fee Revenue Bonds	2019	5%	2035	58,785,000	3,345,000
General revenue bonds	2013A & B	3% - 5%	2039	36,385,000	2,305,000
	2014A & B	1.75% - 5%	2039	16,865,000	1,700,000
	2015	3% - 5%	2040	125,495,000	4,635,000
	2016	3% - 5%	2042	74,930,000	3,965,000
	2018	3% - 5%	2040	31,325,000	280,000
	2020A	0.505% - 5.0%	2039	98,580,000	1,930,000
	2020B	0.505% - 5.0%	2024	4,420,000	3,570,000
	2021	2.271% - 2.999%	2041	37,815,000	-
	2022	4% - 5%	2037	16,050,000	750,000
General revenue note	2020	1.78%	2025	2,168,000	710,000
State of Washington General Obligation Bonds	2001A	5% - 5.6%	2026	4,225,000	980,000
	2001C	5% - 5.3%	2026	2,210,000	510,000
	2002A	4% - 6%	2027	1,700,000	305,000
				560,598,000	**27,475,000**
Less: unamortized insurance costs				(36,657)	
Plus: unamortized premiums				49,686,427	
Net bonds payable				**$ 610,247,770**	

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, 2022.

	Total future pledged revenues	Current year revenues, net of expenses	Current year principal and interest
Compton Union Building (2006B)	$ 16,633,272	$ 6,371,248	$ 3,273,730
Trust & Building Fee (2019 Green Bonds)	$ 79,848,875	$ 32,094,344	$6,209,000

Annual Debt Service Requirements

Future debt service requirements at June 30, 2022 are as follows:

	Revenue bond and note obligations			State of Washington General Obligation Bonds		
Fiscal year	**Principal**	**Interest**	**Total**	**Principal**	**Interest**	**Total**
2023	$ 25,680,000	$ 23,933,012	$ 49,613,012	$ 1,795,000	$ 382,250	$ 2,177,250
2024	26,723,000	22,874,134	49,597,134	1,895,000	291,250	2,186,250
2025	27,150,000	21,742,390	48,892,390	1,985,000	195,375	2,180,375
2026	25,680,000	20,660,246	46,340,246	2,085,000	85,750	2,170,750
2027	28,135,000	19,465,724	47,600,724	375,000	9,375	384,375
2028-2032	156,320,000	77,531,418	233,851,418	-	-	-
2033-2037	162,350,000	41,120,672	203,470,672	-	-	
2038-2041	100,425,000	8,476,941	108,901,941	-	-	-
Subtotal	**552,463,000**	**235,804,537**	**788,267,537**	**8,135,000**	**964,000**	**9,099,000**
Less: unamortized costs	(36,657)	-	(36,657)	-	-	-
Plus: unamortized premiums	49,686,427	-	49,686,727	-	-	-
Total	**$ 602,112,770**	**$ 235,804,537**	**$ 837,917,607**	**$ 8,135,000**	**$ 964,000**	**$ 9,099,000**

	Certificates of Participation		
Fiscal year	**Principal**	**Interest**	**Total**
2023	$ 1,345,019	$ 263,398	$ 1,608,417
2024	1,415,823	197,462	1,613,285
2025	1,319,643	128,053	1,447,696
2026	1,355,679	63,865	1,419,544
2027	101,665	2,033	103,698
SubTotal	**5,537,829**	**654,811**	**6,192,640**
Plus: unamortized premiums	751,002	-	751,002
	$ 6,288,831	**$ 654,811**	**$ 6,943,642**

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

Following are the changes in refunding of debt (representing the difference between the reacquisition price and the net carrying amount of the old debt), bonds payable notes payable, and right-to-use leases for the year ending June 30, 2022.

	2022					
Deferred Outflows of Resources	**Total Amount Issued**	**Balances outstanding 6/30/2021**	**Additions**	**Reductions**	**Balance outstanding 6/30/2022**	**Current portion**
Revenue bonds						
Student Recreation Series 2009		$ 803,947		$ (73,729)	$ 730,218	
Student fee 2006A refunding (CUB)		1,536,259		(86,815)	1,449,444	
General revenue bonds Athletics 2 007 refunding		636,258		(58,350)	577,908	
Parking series 2005		19,005		(7,049)	11,956	
General revenue bonds series 2013 refunding		230,716		(61,524)	169,192	
Housing and Dining Services (HDS) series 2005		91,203		(10,488)	80,715	
General Revenue bond 2016 HDS 2008 refunding		1,360,484		(75,987)	1,284,497	
Trust & Building 2019B Refunding FY20		975,393		(74,794)	900,599	
Total revenue bonds		**$ 5,653,265**	**-**	**$ (448,736)**	**$ 5,204,529**	
Schedule of Long-term liabilities		(Restated)				
Revenue and refunding bonds, net	$ 695,520,000	$ 629,325,472	$ 19,821,414	$ (49,202,116)	$ 599,944,770	$24,970,000
Note payable	3,544,000	2,865,000		(697,000)	2,168,000	710,000
State of Washington General Obligation Bonds, net		10,105,000		(1,970,000)	8,135,000	1,795,000
Certificates of Participation		8,115,699		(1,826,868)	6,288,831	1,345,019
Lease liability		22,637,325	109,334	(3,049,993)	19,696,666	2,755,764
Total	**$ 699,064,000**	**$ 673,048,496**	**$ 19,930,748**	**$ (56,745,976)**	**$ 636,233,268**	**$ 31,575,783**

16. Pension Plans

The University offers four contributory pension plans: the Washington State Public Employees Retirement System (PERS) plan, the Washington State Teachers Retirement System (TRS) plan, the Law Enforcement Officers', and Firefighters' Retirement System (LEOFF) plan, and the Washington State University Retirement Plan (WSURP). PERS, TRS, and LEOFF are cost sharing multiple-employer defined benefit pension plans administered by the Washington State Department of Retirement Systems (DRS). WSURP is a defined contribution pension plan with a supplemental defined benefit plan component (WSUSRP) and is administered by the University.

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

As of June 30, 2022, the University's aggregate share of the unfunded liabilities associated with the defined benefit pension plans administered by DRS was $12,942,374. The aggregate share of plan assets as of June 30, 2022 was $130,585,945. The liability associated with WSUSRP was $38,035,925. For the year ended June 30, 2022, total pension expense offset for the University and DRS plans was $(56,640,199).

Plans Administered By DRS

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

The authority to establish and amend benefit provisions resides with the legislature. Effective July 1, 2003, LEOFF Plan 2 Retirement Board was established to provide governance. The Board can adopt contribution rates and recommend policy changes to the legislature. PERS retirement benefit provisions are established in chapters 41.34 and 41.40 RCW, TRS retirement benefit provisions are established in chapters 41.32 and 41.34 RCW and LEOFF retirement benefits provisions are established in chapter 41.26 RCW. DRS issues a publicly available financial report that includes financial statements and required supplementary information for PERS, TRS, and LEOFF. The report is available at https://www.drs.wa.gov/administration/annual-report/.

Plan Descriptions and Benefits Provided

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

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

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

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

Contributions for DRS Plans The University's contribution rates and required contributions for the above retirement plans for the year ending June 30, 2022 are as follows:

	Contribution Rates	
PERS	**University**	**Fiscal Year 2022**
Plan 1	12.97%	$ 5,088,007
Plan 2	12.97%	$ 4,969,398
Plan 3	12.97%	$ 3,593,127
TRS		
Plan 1	15.74%	$ 1,008,387
Plan 2	15.74%	-
Plan 3	15.74%	$ 1,260,368
LEOFF		
Plan 2	8.77%	$ 206,753

Actuarial Assumptions The total State pension liability was determined by an actuarial valuation performed by the Washington State Office of the State Actuary (OSA) as of June 30, 2020 with the results rolled forward to the June 30, 2021 measurement date using the following actuarial assumptions applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of OSA's 2013-2018 Demographic Experience Study and the 2019 Economic Experience Study. Additional assumptions are current for subsequent events and law changes as of the date of the actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the WSIB. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of the measurement date of June 30, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	20.0%	2.2%
Tangible assets	7.0%	5.1%
Real estate	18.0%	5.8%
Global equity	32.0%	6.3%
Private equity	23.0%	9.3%
Total	**100%**	

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

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

	Employers' proportionate share state net pension liability (asset) 2022		
Plan	1% Decrease	Current Discount Rate	1 % Increase
PERS 1	$ 19,761,839	$ 11,600,343	$ 4,482,678
PERS 2/3	(33,983,595)	(119,290,666)	(189,541,077)
TRS 1	2,572,334	1,342,031	268,381
TRS 2/3	952,493	(5,462,237)	(10,695,032)
LEOFF 2	$ (3,678,320)	$ (5,833,042)	$ (7,597,329)

Proportionate Share. The state net pension liability was calculated as of the valuation date of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. The basis for determining the proportionate share was the amount of employer contributions processed by DRS during the fiscal year ended June 30, 2021. The University's proportionate share by plan for the year ended June 30, 2022 is in the following table:

	Plan	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2
2022	Proportionate share	.95%	1.20%	.20%	.20%	.10%
2021	Proportionate share	.92%	1.17%	.19%	.19%	.11%

The following table represents the aggregate pension amounts for each plan subject to the requirements of GASB Statement No. 68 for the University as an employer for the fiscal years ended June 30, 2022.

	2022					
	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2	Total
Pension liability	$11,600,343	-	$ 1,342,031	-	-	$ 12,942,374
Pension asset	-	$ 119,290,666	-	$ 5,462,237	$ 5,833,042	130,585,945
Pension expense	$(5,987,690)	$ (34,184,525)	$(1,065,079)	$ (1,828,417)	$ (1,012,697)	$ (44,078,408)

Deferred Outflows and Deferred Inflows of Resources

The below tables detail the University's deferred outflows and deferred inflows of resources as well as the schedule of future impacts to pension expense from the deferred amounts amortization. The $16,126,040 reported as deferred outflows of resources related to state pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ending June 30, 2023.

Deferred Outflows of Resources 2022

	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF2	Total
Differences between expected and actual experience	-	$ 5,793,775	-	$ 1,696,960	$ 264,564	$ 7,755,299
Changes in assumption	-	174,322	-	339,767	2,521	516,610
Net difference between projected and actual earnings on investments						-
Changes in proportion	-	467,082	-	161,132	163,910	792,124
Contributions paid subsequent to the measurement date	5,088,007	8,562,525	1,008,387	1,260,368	206,753	16,126,040
Total	**$ 5,088,007**	**$ 14,997,704**	**$ 1,008,387**	**$ 3,458,227**	**$ 637,748**	**$ 25,190,073**

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

Deferred Inflows of Resources 2022

	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2	Total
Differences between expected and actual experience	-	$ 1,462,388	-	$ 44,209	$ 30,827	$ 1,537,424
Changes in assumption	-	8,471,612	-	287,044	277,420	9,036,076
Net difference between projected and actual earnings on investments	12,872,499	99,699,015	2,011,965	6,368,292	2,781,236	123,733,007
Changes in proportion	-	1,298,387	-	49,894	125,925	1,474,206
Total	**$ 12,872,499**	**$ 110,931,402**	**$ 2,011,965**	**$ 6,749,439**	**$ 3,215,408**	**$ 135,780,713**

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

	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2	TOTAL
2023	$ (3,409,927)	$ (27,624,317)	$ (533,169)	$ (1,419,508)	$ (742,953)	$ (33,729,874)
2024	(3,124,734)	(25,833,052)	(487,875)	(1,313,043)	(692,366)	(31,451,070)
2025	(2,954,562)	(24,599,583)	(461,723)	(1,225,885)	(654,145)	(29,895,898)
2026	(3,383,276)	(26,328,489)	(529,198)	(1,408,886)	(736,453)	(32,386,302)
2027	-	(247,331)	-	240,295	(11,170)	(18,206)
Thereafter	-	136,549	-	575,447	52,674	764,670
Total	**$ (12,872,499)**	**$ (104,496,223)**	**$ (2,011,965)**	**$ (4,551,580)**	**$ (2,784,413)**	**$ (126,716,680)**

Plans Administered by Washington State University

Washington State University Retirement Plan (WSURP)

Plan Description

WSURP, a single-employer 403(b) defined-contribution plan, is administered by the University. Faculty, librarians, and professional staff are eligible to participate in WSURP. 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.

Funding Policy

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

Washington State University Supplemental Retirement Plan (WSUSRP)

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

The June 30, 2021 measurements have been determined on the same basis as they are reported in the state of Washington's Annual Comprehensive Financial Report (ACFR). The ACFR is available at https://ofm.wa.gov/accounting/financial-audit-reports/annual-comprehensive-financial-report.

In 2011, the plan was amended to eliminate the supplemental benefit provision for all employees hired after June 30, 2011. Members are eligible for a non-reduced supplemental payment after the age of 62 with ten years of full-time service. WSUSRP has a payment component that guarantees a minimum retirement benefit goal based upon a one-time calculation at each employee's retirement date when a member's goal income is greater than their assumed income. Assumed income must be calculated by an independent actuary. The minimum retirement benefit goal is 2% of the average annual salary for each year of full-time service up to a maximum of 25 years. However, if the participant does not elect to make the 10% TIAA-CREF contribution after age 49, the benefit goal is 1.5% for each year of full-time service for those years the lower contribution rate is selected.

Benefit Payments made during the fiscal year ended June 30, 2022 were $3,247,593.

Employer Contributions State legislation which became effective on July 1, 2020 created an employer contribution rate for the WSUSRP. OSA determines the rate in accordance with RCW 41.45 which provides authority to the Pension Funding Council to adopt changes to economic assumptions and contribution rates. For the fiscal year ended June 30, 2022, the WSUSRP contribution rate was 0.30% of covered salaries per RCW 28B.10.423. Contributions made in the fiscal year ended June 30, 2022 were $975,412.

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

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

Actuarial Assumptions Material assumption changes during the measurement period included a decrease in the discount rate from 7.40 percent to 7.00 percent, and CREF stock account returns of (16.99%) were significantly lower than the assumed 6.25%. Both of these changes led to an increase in total pension liability.

The long term expected rate of return on pension plan investments was determined by the WSIB using a building block method in which a best estimate of expected future rates of return are developed for each major asset class. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation for June 30, 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20.0%	2.2%
Tangible Assets	7.0%	5.1%
Real Estate	18.0%	5.8%
Global Equity	32.0%	6.3%
Private Equity	23.0%	9.3%
Total	**100%**	

The following table shows significant assumptions used to measure the net pension liability as of June 30, 2022:

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

The following table presents the net pension liability using a discount rate of 7.00 percent as well as what the pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

Total Pension Liability 2022		
1% Decrease	Current Discount Rate	1% Increase
$43,851,522	$38,035,925	$33,021,268

Net Pension Liability. The net pension liability is based on an actuarial valuation performed as of June 30, 2020 using the entry age normal cost method and projected forward with update procedures by the Office of the State Actuary to the measurement date of June 30, 2022.

As of July 1, 2020, legislation was signed into law creating a trust arrangement for assets dedicated to paying SRP benefits to members. Contributions previously paid to DRS were transferred into the trust. As a result, the University is now applying accounting guidance for single employer plans that have trusted assets and reports the net pension liability net of plan assets as of June 30, 2022.

Schedule of Changes in Net Pension Liability 2022

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Beginning balance	$ 41,101,896	$ 17,645,508	$ 23,456,388
Service cost	604,024	-	604,024
Interest on TPL	2,968,221	-	2,968,221
Differences between expected and actual experience in the measurement of TPL	11,481,121	-	11,481,121
Changes of assumptions	3,771,379	-	3,771,379
Benefit payments	(3,247,593)	-	(3,247,593)
Employment contributions	-	975,412	(975,412)
Investment income	-	22,203	(22,203)
Other			
Ending balance	**$ 56,679,048**	**$ 18,643,123**	**$ 38,035,925**

Pension expense offset for WSUSRP for the year ended June 30, 2022, was $(12,561,792).

Deferred Inflows and Outflows of Resources

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

	2022	
	Deferred outflows	Deferred inflows
Differences between expected and actual experience	$ 12,656,667	$ 37,702,821
Changes in assumption	16,357,169	24,862,555
Differences between projected and actual earnings on plan investments	-	1,031,333
Total	**$ 29,013,836**	**$ 63,596,709**

Amortization of Deferred Inflows and Outflows of Resources

Year	
2023	$ (10,055,703)
2024	(7,354,069)
2025	(6,659,010)
2026	(7,446,542)
2027	(3,793,857)
Thereafter	726,308
Total	**$ (34,582,873)**

17. Other Post-Employment Benefits (OPEB)

Plan Description

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

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

The OPEB plan provides benefits through both explicit and implicit subsidies. The explicit subsidy is a set dollar amount that lowers the monthly premium paid by members over the age of 65 enrolled in Medicare Parts A and B. This set dollar amount is recommended by PEBB and approved by the state Legislature annually and was set at $183 per member per month for fiscal year 2022. The implicit subsidy results from the inclusion of active and non-Medicare eligible retirees in the same pool when determining premiums. There is an implicit subsidy from active employees since the premiums paid by retirees are lower than they would have been if the retirees were insured separately.

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

Employees covered by benefit terms- The table below shows the University's PEBB membership as of June 30, 2022:

	2022
Active employees	6,305
Inactive employees or beneficiaries currently receiving benefits	1,749
Inactive employees entitled to but not yet receiving benefits	293

Funding Status and Actuarial Methods and Assumptions

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

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

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

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

Inflation rate	2.75%
Health care trend rate	2.00-11.00% initial rate, 4.3% ultimate rate in 2075
Projected salary increases	3.50% plus service-based salary increases
Discount rate	2.16%
Source of mortality assumptions	Society of Actuaries' Pub.H-2010 mortality rates, with application of the long-term MP-2017 generational improvement scale and updated based on results of the 2013-2018 demographic experience study report and the 2019 report on financial condition and economic experience study
Date of experience study	2013-2018 experience study report
Source of discount rate	Bond buyer general obligation 20-bond municipal bond index as of June 30, 2021

A material assumption change for the measurement period was updating the discount rate from 2.21 to 2.16.

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

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

Healthcare Cost Trend Rate Sensitivity on OPEB Liability 2022

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability	$254,773,544	$315,792,137	$398,248,844

The following presents the total OPEB liability of the state calculated using the discount rate of 2.16 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

Discount Rate Sensitivity on OPEB Liability 2022

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	$382,604,577	$315,792,137	$263,845,964

Total OPEB Liability (TOL)

The TOL for the state of Washington was determined by an actuarial valuation, conducted by the Office of the State Actuary, using data as of June 30, 2020, with the results rolled forward to the measurement date of June 30, 2021. OPEB implicit and explicit subsidies are funded by required contributions made by participating employers, such as the University. These contributions are made on behalf of all active, healthcare-eligible employees regardless of enrollment status. As such, the allocation method used to determine the University's proportionate share of the statewide TOL is based on the proportionate share of the state's total active health care eligible employee head count.

Changes in the total OPEB liability

The following is a schedule of the changes in the total OPEB liability for fiscal year 2022:

	2022
Total OPEB Liability at 7/1/2021	$300,758,796
Service cost	15,738,611
Interest	6,821,580
Change of assumptions	2,914,545
Benefit payments	(5,197,099)
Changes in proportionate share	(5,289,296)
Total OPEB Liability at 6/30/22	**$ 315,747,137**

OPEB Costs

WSU reported a liability of $315,747,137 for its proportionate share of the state's OPEB liability for the year ended June 30, 2022. For fiscal year 2022 the OPEB values were measured as of June 30, 2021 by an actuarial valuation. WSU's share of the liability was 4.88% as of June 30, 2022 compared to 4.97% as of June 30, 2021. For the year ended June 30, 2022 the University's share of OPEB expense was $7,453,452.

For fiscal year 2022, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 5,401,771	$ 1,222,456
Changes of assumptions	20,111,221	57,254,516
Changes in proportion	-	26,580,248
Payments subsequent to the measurement date	5,213,031	-
Total	**$ 30,726,023**	**$ 85,057,220**

Deferred outflows of resources of $5,213,031 resulting from payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense/(expense offset) as follows:

	Year Ended June 30:
2023	$ (12,805,257)
2024	(12,805,257)
2025	(12,805,257)
2026	(12,805,256)
2027	(7,263,361)
Thereafter	(1,059,840)
Total	**$ (59,544,228)**

18. Operating Expenses by Function

	2022				
	Compensation and benefits	Supplies and services	Scholarships and fellowships	Depreciation	Total
Instruction	$ 234,133,906	$ 29,009,867	-	-	$ 263,143,773
Research	140,799,857	83,543,025	-	-	224,342,882
Public service	17,919,272	4,604,111	-	-	22,523,383
Academic support	76,392,014	27,573,563	-	-	103,965,577
Student services	24,457,820	7,941,419	-	-	32,399,239
Institutional support	67,315,232	65,695,604	-	-	133,010,836
Operation and maintenance of plant	27,913,318	48,964,617	-	-	76,877,935
Auxiliary enterprises	75,532,012	41,248,760	-	-	116,780,772
Student financial aid	-	-	$ 86,490,538	-	86,490,538
Depreciation	-	-	-	$ 104,651,357	104,651,357
Total operating expenses	**$ 664,463,431**	**$ 308,580,966**	**$ 86,490,538**	**$ 104,651,357**	**$ 1,164,186,292**

19. Blended Component Unit

Below are the condensed financial statements for the Alumni Association and for the Students Book Corporation.

Alumni Association

Statement of net position	2022
Assets	
Current assets	
Cash	$ 1,795,693
Receivables	336,660
Prepaid expenses	39,920
Inventory	91,248
Subtotal current assets	2,263,521
Non-current assets	
Pooled endowment investment securities	12,601,023
Subtotal non current assets	12,601,023
Total assets	**14,864,544**
Liabilities	
Current liabilities	
Accounts payable	31,212
Accrued expense	137,158
Subtotal current liabilities	168,370
Non-current liabilities	
Deferred revenue	114,666
Sub total non-current liabilities	114,666
Total liabilities	**283,036**
Net position	
Unrestricted	12,340,720
Restricted expendable	2,240,788
Total net position	**$ 14,581,508**
Statement of Revenues, Expense, and Changes in Net Position	
Revenue	
Operating revenue	
University support	$ 858,692
Fundraising	1,233,114
Grant income	5,319
Special events	189,398
Total operating revenue	2,286,523
Operating Expense	
Program services	1,520,790
Support services	1,854,276
Total operating expense	3,375,066
Net operating loss	**(1,088,543)**
Non operating revenues (expenses)	
Income (loss) from assets held by WSU Foundation	(73,323)
Decrease in net position	**(1,161,866)**
Net Position	
Net position, beginning of year	15,743,374
Decrease in net position	(1,161,866)
Net position, end of year	**$ 14,581,508**

Students Book Corporation

Statement of net position	2022
Assets	
Current Assets	
Cash and cash equivalents	$ 11,987,358
Receivables	204,258
Inventory	568,765
Note receivable, current portion	137,341
Subtotal current assets	12,897,722
Non-current assets	
Note receivable, long term	3,040,843
Lease assets, net of accumulated amortization	12,824,956
Capital assets, net of accumulated depreciation	1,268,751
Subtotal non-current assets	17,134,550
Total assets	**30,032,272**
Liabilities	
Current liabilities	
Accounts payable	246,294
Lease liability, current portion	641,826
Unearned revenue, current portion	100,000
Subtotal current liabilities	988,120
Non-current liabilities	
Lease liability, net of current portion	12,383,703
Unearned revenue	100,000
Subtotal non-current labilities	12,483,703
Total liabilities	**13,471,823**
Net position	
Net investment in capital assets	1,068,178
Unrestricted	15,492,271
Total net position	**$ 16,560,449**
Statement of revenues, expenses, and changes in net position	
Revenue	
Operating revenue	
Contract revenue	$ 1,064,204
Sales and services	3,521,428
Total operating revenue	4,585,632
Operating expense	
General and administrative expense	3,625,247
Depreciation and amortization	888,196
Support	322,810
Scholarships	13,507
Total operating expense	4,849,760
Net operating loss	**(264,128)**
Non-operating revenue (expense)	
Interest income	43,449
Interest expense	(465,865)
Total non-operating expense	(422,416)
Decrease in net position	**(686,544)**
Net position	
Net position, beginning of year	17,246,993
Decrease in net position	(686,544)
Net position end of year	**$ 16,560,449**

20. Commitments and Contingencies

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

On January 20, 2023, the Pac-12 Conference issued a statement regarding the terminated employment of two senior executives from a failure by those two executives to disclose material information to the Pac-12 Board of Directors and external Pac-12 auditors in connection with overpayments by a Pac-12 Networks distribution partner dating back to 2016. According to the statement, in the spring of 2017, the Pac-12 Networks engaged the industry-leading auditor to conduct an audit of certain distribution partner payments. The audit concluded that one of the Pac-12 distribution partners had overpaid the Pac-12 Networks for the year 2016 by a material amount. In October 2022, the distribution partner who was the subject of the 2017 audit claimed that it had been overpaying the Pac-12 each year since prior to 2016. The distribution partner claims that the overpayments total more than $50M. The financial impacts of the overpayment to member institutions are unknown at this time.

The University has commitments of $51,309,431 for various capital improvement projects that include construction and completion of new buildings and renovations of existing buildings.

FINANCIAL REPORT 2022

REQUIRED SUPPLEMENTAL INFORMATION

Schedule of WSU Contributions

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contributions	$ 5,088,007	$ 7,075,580	$ 6,679,211	$ 6,645,224	$ 6,354,037	$ 5,873,872	$ 5,739,650	$ 4,445,539	$ 4,108,597
Contributions in relation to the contractually required contribution	(5,088,00-)	(7,075,580)	(6,679,211)	(6,645,224)	(6,354,037)	(5,873,872)	(5,739,650)	(4,445,539)	(4,108,597)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-
Covered payroll	$ 133,971,289	$ 144,295,033	$ 137,784,157	$ 128,281,013	$ 124,750,748	$ 120,938,855	$ 120,186,698	$ 107,767,738	$ 99,541,744
Contributions as a percentage of covered payroll	3.80%	4.90%	4.85%	5.18%	5.09%	4.86%	4.78%	4.13%	4.13%

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

Schedule of WSU Contributions

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contributions	$ 8,562,525	$ 11,343,628	$ 10,788,830	$ 9,548,591	$ 9,135,929	$ 7,429,172	$ 7,202,615	$ 5,285,672	$ 4,742,786
Contributions in relation to the contractually required contribution	(8,562,525)	(11,343,628)	(10,788,830)	(9,548,591)	(9,135,929)	(7,429,172)	(7,202,615)	(5,285,672)	(4,742,786)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-
Covered payroll	$ 133,201,284	$ 143,228,492	$ 136,667,675	$ 127,047,653	$ 123,376,553	$ 119,248,641	$ 118,023,229	$ 105,292,307	$ 96,729,193
Contributions as a percentage of covered payroll	6.43%	7.92%	7.89%	7.52%	7.40%	6.23%	6.10%	5.02%	4.90%

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

Schedule of WSU Contributions

Teachers' Retirement System (TRS) Plan 1 Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contributions	$ 1,008,387	$ 1,095,510	$ 986,500	$ 925,684	$ 806,421	$ 659,336	$ 402,431	$ 292,813	$ 164,453
Contributions in relation to the contractually required contribution	(1,008,387)	(1,095,510)	(986,500)	(925,684)	(806,421)	(659,336)	(402,431)	(292,813)	(164,453)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-
Covered payroll	$ 15,695,536	$ 14,806,809	$ 13,614,880	$ 12,505,211	$ 11,393,621	$ 10,512,086	$ 8,871,010	$ 6,390,188	$ 3,741,023
Contributions as a percentage of covered payroll	6.42%	7.40%	7.25%	7.40%	7.08%	6.27%	4.54%	4.58%	4.40%

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

Schedule of WSU Contributions

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contributions	$ 1,260,368	$ 1,202,540	$ 1,098,399	$ 974,731	$ 868,149	$ 701,980	$ 712,476	$ 359,625	$ 207,092
Contributions in relation to the contractually required contribution	(1,260,368)	(1,202,540)	(1,098,399)	(974,731)	(868,149)	(701,980)	(712,476)	(359,625)	(207,092)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-
Covered payroll	$ 15,625,070	$ 14,755,937	$ 13,564,384	$ 12,448,690	$ 11,338,800	$ 10,446,117	$ 8,802,686	$ 6,327,223	$ 3,642,005
Contributions as a percentage of covered payroll	8.07%	8.15%	8.10%	7.83%	7.66%	6.72%	8.09%	5.68%	5.69%

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

Schedule of WSU Contributions

Law Enforcement Officers' Retirement System Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contributions	$ 206,753	$ 200,190	$ 209,016	$ 199,047	$ 189,919	$ 143,426	$ 145,308	$ 136,419	$ 122,092
Contributions in relation to the contractually required contribution	(206,753)	(200,190)	(209,016)	(199,047)	(189,919)	(143,426)	(145,308)	(136,419)	(122,092)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-
Covered payroll	$ 2,423,101	$ 2,330,470	$ 2,429,109	$ 2,274,829	$ 2,177,248	$ 1,705,430	$ 1,691,590	$ 1,638,448	$ 1,461,750
Contributions as a percentage of covered payroll	8.53%	8.59%	8.60%	8.75%	8.72%	8.41%	8.59%	8.33%	8.35%

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

Schedule of WSU Contributions

WSURP Supplemental Retirement Plan as of June 30*

	2022	2021	2020	2019	2018	2017
Contractually required contributions	$ 975,412	$ 481,599	$ 25,986,853	$ 25,478,226	$ 25,552,852	$ 25,429,397
Contributions in relation to the contractually required contribution	(975,000)	(919,000)	(25,986,853)	(25,478,226)	(25,552,852)	(25,429,397)
Contribution deficiency (excess)	365	(437,401)	-	-	-	-
Covered payroll	$ 325,121,564	$ 160,533,073	$ 160,533,073	$ 171,012,253	$ 186,365,000	$ 196,596,000
Contributions as a percentage of covered payroll	0.30%	0.57%	16.19%	14.90%	13.71%	12.93%

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

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

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

	2021	2020	2019	2018	2017	2016	2015	2014
PERS 1 employers' proportion of the net pension liability	0.95%	0.92%	0.93%	0.95%	0.98%	1.01%	0.97%	0.93%
PERS 1 employers' proportionate share of the net pension liability	$ 11,600,343	$ 32,537,245	$ 35,637,058	$ 42,454,119	$ 46,335,497	$ 54,355,128	$ 50,597,060	$ 46,759,620
PERS 1 employers' covered payroll	$ 144,295,033	$ 137,784,157	$ 128,281,013	$ 124,750,748	$ 120,938,855	$ 120,186,698	$ 107,767,738	$ 99,541,744
PERS 1 employers' proportionate share of the net pension liability as a percentage of its covered payroll	8.04%	23.61%	27.78%	34.03%	38.31%	45.23%	46.95%	46.97%
Plan fiduciary net position as a percentage of the total pension liability	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%	61.19%

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

Schedule of WSU's Proportionate Share of the Net Pension Liability (Asset)

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

	2021	2020	2019	2018	2017	2016	2015	2014
PERS 2 employers' proportion of the net pension liability (asset)	1.20%	1.17%	1.17%	1.18%	1.22%	1.25%	1.19%	1.12%
PERS 2 employers' proportionate share of the net pension liability (asset)	$ (119,290,666)	$ 14,978,098	$ 11,356,082	$ 20,215,832	$ 42,261,445	$ 62,818,595	$ 42,397,358	$ 22,694,083
PERS 2 employers' covered payroll	$ 143,228,492	$ 136,667,675	$ 127,047,653	$ 123,376,553	$ 119,248,641	$ 118,023,229	$ 105,292,307	$ 96,729,193
PERS 2 employers' proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-83.29%	10.96%	8.94%	16.39%	35.44%	53.23%	40.27%	23.46%
Plan fiduciary net position as a percentage of the total pension liability (asset)	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%	93.29%

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

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

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

	2021	2020	2019	2018	2017	2016	2015	2014
TRS 1 employers' proportion of the net pension liability	0.20%	0.19%	0.19%	0.19%	0.19%	0.18%	0.13%	0.08%
TRS 1 employers' proportionate share of the net pension liability	$ 1,342,031	$ 4,524,929	$ 4,614,748	$ 5,663,057	$ 5,696,321	$ 6,014,486	$ 4,144,932	$ 2,452,825
TRS 1 employers' covered payroll	$ 14,806,809	$ 13,614,880	$ 12,505,211	$ 11,393,621	$ 10,512,086	$ 8,871,010	$ 6,390,188	$ 3,741,023
TRS 1 employers' proportionate share of the net pension liability as a percentage of its covered payroll	9.06%	33.24%	36.90%	49.70%	54.19%	67.80%	64.86%	65.57%
Plan fiduciary net position as a percentage of the total pension liability	91.42%	70.55%	70.37%	66.52%	65.58%	62.07%	65.70%	68.77%

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

Schedule of WSU's Proportionate Share of the Net Pension Liability (Asset)

Teachers' Retirement System (TRS) Plan 2/3
Measurement Date of June 30*

	2021	2020	2019	2018	2017	2016	2015	2014
TRS 3 employers' proportion of the net pension liability (asset)	0.20%	0.19%	0.19%	0.20%	0.19%	0.18%	0.14%	0.08%
TRS 3 employers' proportionate share of the net pension liability (asset)	$ (5,462,237)	$ 2,899,625	$ 1,123,636	$ 878,956	$ 1,758,409	$ 2,438,303	$ 1,141,883	$ 272,606
TRS 3 employers' covered payroll	$ 14,755,937	$ 13,564,384	$ 12,448,690	$ 11,338,800	$ 10,446,117	$ 8,802,686	$ 6,327,223	$ 3,642,005
TRS 3 employers' proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-37.02%	21.38%	9.03%	7.75%	16.83%	27.70%	18.05%	7.49%
Plan fiduciary net position as a percentage of the total pension liability (asset)	113.72%	91.72%	96.36%	96.88%	93.14%	88.72%	92.48%	96.81%

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

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

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

	2021	2020	2019	2018	2017	2016	2015	2014
LEOFF 2 employers' proportion of the net pension asset	0.10%	0.11%	0.11%	0.11%	0.09%	0.09%	0.09%	0.09%
LEOFF 2 employers' proportionate share of the net pension asset	$ 5,833,042	$ 2,179,543	$ 2,501,102	$ 2,223,495	$ 1,259,899	$ 552,438	$ 956,615	$ 1,152,604
LEOFF 2 employers' covered payroll	$ 2,330,470	$ 2,429,109	$ 2,274,829	$ 2,177,248	$ 1,705,430	$ 1,694,590	$ 1,638,448	$ 1,461,750
LEOFF 2 employers' proportionate share of the net pension asset as a percentage of its covered payroll	250.29%	89.73%	109.95%	102.12%	73.88%	32.60%	58.39%	78.85%
Plan fiduciary net position as a percentage of the total pension asset	142.00%	115.83%	119.43%	118.50%	113.36%	106.04%	111.67%	116.75%

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

Schedule of Changes in Total Pension Liability and Related Ratios

WSURP Supplemental Retirement Plan
as of June 30*

	2022	2021
Total Pension Liability - Beginning	$ 41,101,896	$ 118,942,000
Service Costs	604,024	3,114,000
Interest on TPL	2,968,221	2,666,000
Differences between expected and actual experience	11,481,121	(47,565,000)
Changes in assumptions	3,771,379	(33,228,000)
Benefit payments	(3,247,593)	(2,827,000)
Other		(104)
Net change in total pension liability	**15,577,152**	**(77,840,104)**
Total Pension Liability Ending (a)	**56,679,048**	**41,101,896**
Plan Fiduciary Net Position Beginning	**17,645,508**	**12,304,870**
Employer Contributions	975,412	919,024
Net Investment Income	22,203	4,421,531
Other		84
Net Change in Plan Fiduciary Net Position	**997,615**	**5,340,639**
Plan Fiduciary Net Position Ending (b)	**18,643,123**	**17,645,508**
WSURP Net Pension Liability (a) minus (b)	$ 38,035,925	$ 23,456,388
Plan Fiduciary Net Position as Percentage of the TPL	32.89%	42.93%
WSURP Covered Payroll	$ 325,121,564	$ 160,533,000
Net Pension Liability as a Percentage of Covered Payroll	11.70%	14.61%

Schedule of Changes in Total Pension Liability and Related Ratios

WSURP Supplemental Retirement Plan
As of June 30*

	2020	2019	2018	2017
Total Pension Liability				
Service Costs	$ 2,282,208	$ 2,111,920	$ 2,763,000	$ 3,803,000
Interest	3,281,815	3,240,556	3,261,000	3,140,000
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	5,496,235	(1,022,479)	(7,171,000)	(16,390,000)
Changes in assumptions	17,655,000	7,997,446	(3,255,000)	(6,574,000)
Benefit payments	(2,493,145)	(2,438,920)	(2,181,000)	(1,890,000)
Other	-	-	1,268	-
Net Change in Total pension Liability	26,222,113	9,888,523	(6,581,732)	(17,911,000)
Total Pension Liability-Beginning	**92,719,791**	**82,831,268**	**89,414,000**	**107,324,000**
Total Pension Liability-Ending	**118,941,904**	**92,719,791**	**82,832,268**	**89,413,000**
Covered-employee payroll	$160,533,073	$171,012,253	$ 186,365,000	$ 196,596,000
Total Pension Liability as a percentage of covered-employee payroll	74.09%	54.22%	44.45%	45.48%

- indicates data not available.

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

Note: Figures may not total due to rounding

Source: Washington State Office of the State Actuary

Schedule of Changes in Total OPEB Liability

Measurement Date of June 30*

	2022	2021	2020	2019	2018
Total OPEB liability					
Service cost	$ 15,783,611	$ 12,480,593	$ 12,068,578	$ 16,577,178	$ 21,249,263
Interest cost	6,821,580	10,440,211	10,468,799	11,396,717	9,953,285
Differences between expected and actual experience	-	(1,599,865)		10,402,988	-
Changes in assumption	2,914,545	6,767,586	19,495,659	(72,572,455)	(48,552,300)
Changes of benefit terms					-
Benefits payments	(5,197,099)	(4,970,743)	(4,788,847)	(4,813,404)	(5,072,353)
Changes in proportionate share	(5,289,296)	(9,783,783)	(4,328,719)	(9,286,729)	(5,931,607)
Other		(10,634,123)			
Net changes in total OPEB liability	15,033,341	2,699,876	**32,915,470**	**(48,295,705)**	**(28,353,712)**
Total OPEB liability—beginning	300,758,796	**298,058,920**	**265,143,450**	**313,439,155**	**341,792,867**
Total OPEB liability—ending	315,792,137	**300,758,796**	**298,058,920**	**265,143,450**	**313,439,155**
Covered payroll	**$ 550,371,846**	**$ 540,541,810**	**$ 539,452,345**	**$ 523,908,013**	**$ 524,282,994**
Total OPEB liability as a percentage of covered payroll	56%	54%	55%	50%	60%

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

Notes to Required Supplementary Information for the Year ended June 30, 2022

DRS Administered Plans

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

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

University Administered Plans

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

Covered payroll for fiscal year 2022 is based on the payroll of participants in the University's 403(b) defined contribution plan. Whereas the covered payroll for fiscal year 2020 and the preceding years was based on the payroll of the participants of the WSUSUP.

Material assumption changes during fiscal year 2022 include updating the discount rate from 7.4% to 7%. Also, CREF investment experience during fiscal year 2022 was significantly lower than expected. Both of these changes increased the total pension liability.

Health Care Authority Administered OPEB Plan

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

Material assumption changes in fiscal year 2022 include a decrease in the Bond Buyer General Obligation 20-Bond Municipal Bond Index, from 2.21% to 2.16% resulting in an increase to the total OPEB liability.

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

Board of Regents
Washington State University
Pullman, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Washington State University (the University), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated April 24, 2023. Our report includes a reference to other auditors who audited the financial statements of Washington State University Foundation (the Foundation), as described in our report on the University's financial statements. The audit of the financial statements of the Foundation were not performed in accordance with *Government Auditing Standards*, and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance that are reported on separately by those auditors of the Foundation.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2022-001 and 2022-002 that we consider to be material weaknesses.

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Report on Compliance and Other Matters

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

The University's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the University's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The University's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Eide Bailly LLP

Boise, Idaho
April 24, 2023

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Schedule of Findings and Responses

Year Ended June 30, 2022

2022-001 Year-End Closing and Review

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Criteria:

A strong system of internal control and best practices requires management have policies and procedures in place to allow for a timely review over the reconciliations and documentation supporting the final trial balance. In addition, there should be a timely review over the financial statements and the footnotes by the appropriate level of management prior to submitting to the auditors for review.

Condition:

During our audit, we noted instances where the reconciliations or supporting documentation did not tie to the ending trial balance. We also noted misstatements in the preliminary financial statements and footnotes due to no independent review over the financial statements prior to submitting to the auditors for review.

Cause:

Under the current process, there was no independent review of the financial statements by the appropriate level of management prior to being submitted to the auditor for testing. The compilation of the financial statements and recording of the entity-wide entries is a manual process, which can lead to error, particularly if there is no independent review from the preparer. The financial statements, including footnotes, should be reviewed by someone independent of the preparer prior to submitting to the auditor for testing.

During our testing, it was also noted that responsibility for various balance sheet and income statement accounts that are reported on the financial statements are spread across several departments and several individuals. There is currently no review process of the balances as a whole to ensure what is reported is reasonable and accurate.

Effect:

There were reconciliations that were provided to support balances that did not match the supporting documentation or the final trial balance. There were adjustments to the financial statements and footnotes as a result of audit procedures.

Recommendation:

Management should have a process in place where an individual independent of the preparation of the financial statements reviews the underlying trial balance reports from Workday, the entity-wide entries, and the financial statements prior to the audit. This individual should also review the overall balances for reasonableness.

Views of Responsible Officials:

Management agrees with the recommendations that adequate staffing levels, and appropriate policies and procedures should be in place to allow for a timely preparation of and review over the reconciliation and documentation supporting the final trial balance, financial statements, and the footnotes throughout the financial report cycle.

We also concur that these financial reporting procedures should include review and reconciliation of all balance sheet accounts to substantiate ending balance to the underlying support and documents.

Management acknowledges that this the second consecutive year of that this material weakness has persisted. Management commends University Accounting for the progress which has been made in the last year in gaining better knowledge and understanding of a full accrual accounting system, and the nature and content of account balances.

Management will conduct a thorough planning process in preparation for the FY2023 financial statement reporting cycle, including specific identification of the needed timeline to allow to timely preparation and review the financial statements. WSU will assign a specific financial statement preparation project manager to ensure that all items are ready for the audit by the first day of fieldwork, ensuring that all items requested are prepared, reviewed for accuracy, tied to supporting documentation and the applicable trial balance, and uploaded to the portal, before fieldwork begins. Progress may be tempered by budget reductions to the area starting July 1, 2024.

Management will seek an outside accounting firm to perform a holistic review of WSU's financial reporting cycle to identify opportunities to improve the efficiency and effectiveness of daily, monthly and year end processes, tools and procedures. As part of that effort, management expects to examine financial statement preparation processes and tools to better leverage Workday to eliminate or reduce reconciliation between various spreadsheets, tables, and supporting schedules. Management is currently working to mitigate the vacancy created by the departure of the controller and chief university accounting officer.

2022-002 Bank Reconciliations

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Criteria:

A good system of internal control and good business practices requires management to have policies and procedures over the timely and accurate reconciliation of all depository bank accounts. The bank reconciliation procedures should include the identification of outstanding checks and deposits, and verification that these outstanding items appear reasonable and clear the bank in the following months. The bank reconciliation procedures should also be sufficient to identify transactions that cleared the bank in that month, are not yet posted to the general ledger, and then get those transactions posted to the general ledger that same month. Items that clear the bank should not be carried forward as reconciling items but should be posted to the general ledger.

Condition:

While management has made tremendous progress during the year to reconcile cash, as of the end of June 2022, management has still not been able to fully reconcile the cash accounts. As of June 30, 2022, management has $6.8 million in unreconciled and unidentified differences that reduced cash in the trial balance. In addition, the trial balance did not agree to the final bank reconciliation for an additional identified difference of $2.8 million.

With unreconciled and unidentified differences, there is the risk that there are material transactions that are not recorded correctly to the financial statements within the net number.

Cause:

The inability of management to reconcile the bank accounts since January 2021 is the direct result of the conversion to Workday. The setup within Workday did not create an environment conducive to matching transactions clearing the bank with transaction posting to the general ledger. Management has not been able to fully resolve this issue.

Effect:

Management was unable to fully reconcile the bank accounts at June 30, 2022.

Recommendation:

Management should continue to work on reconciling the cash accounts to eliminate the unreconciled and unidentified differences between the bank and the trial balance. Management should continue to monitor reconciling items and unidentified differences noted in months subsequent to June 30, 2022, to ensure that nothing indicates a material transaction that should have been posted in fiscal year 2022, requiring a prior period adjustment. Management should review all the unidentified differences at June 30, 2022, to make sure they are adequately resolved before closing fiscal year 2023.

Management should have procedures in place to ensure the timely identification and recording of transactions that clear the bank. If management is not able to identify and record the transaction in the same month it clears the bank, their procedures should ensure it is resolved within a month or two of clearing the bank. Unidentified deposits at year-end should be posted back into the correct fiscal year and should not be carried into the next fiscal year unless clearly immaterial.

Management should also implement controls over who has the ability to change the cash balance subsequent to year end. Staff should not have the ability to undeposit funds and redeposit the funds within a different month. Currently, staff can undeposit funds within the system and then redeposit the funds to correct a portion of the transaction (i.e. tying the deposit to the correct sponsor). If this correction crosses a month end or a year end, this can lead to additional reconciling issues, as noted with the $2.8 million difference above.

Views of Responsible Officials:

Management concurs with this recommendation and acknowledges that this the second consecutive year of that this material weakness has persisted. Management concurs with the acknowledgement of progress made since May 2022. Management will continue to build out first notice and other rules, and leverage Workday, to ensure that cash accounts are reconciled and to eliminate the unreconciled and unidentified differences between the bank and the trial balance by leveraging a cross functional team for accounting, treasury, and business systems. Management agrees that procedures must be developed and implemented to ensure the timely identification and recording of transactions that clear the bank, in the proper period and expects to see continued progress reconcile cash in all materials respects by 6/30/2023.

Management will seek an outside accounting firm to perform a holistic review of WSU's financial reporting cycle to identify opportunities to improve daily, monthly and year end processes, tools and procedures. This should also address bank reconciliation processes. Management is working to mitigate the vacancy created by the departure of the controller and chief university accounting officer

2022 Annual Financial Report

Fiscal year ended June 30, 2022

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We would like to acknowledge the following staff responsible
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