



 UNIVERSITY OF WYOMING FOUNDATION

Financial Statements and Supplementary Information

For the Years Ended June 30, 2016 and 2015

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
University of Wyoming  
Foundation  
Laramie, Wyoming

We have audited the accompanying financial statements of University of Wyoming Foundation (a nonprofit organization), a component unit of the University of Wyoming, which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

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

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

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



## **Opinion**

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

As explained in Note 2, the financial statements include alternative investments whose term ranges from five to ten years valued at \$66,676,271 (10.89 percent of total assets). The fair values for these investments have been provided to management by the fund managers in the absence of readily determinable fair values.

## **Prior Period Financial Statements**

The financial statements as of June 30, 2015 were audited by Mader Tschacher Peterson & Co., LLC, who merged with Anton Collins Mitchell LLP as of January 1, 2016, and whose report dated November 4, 2015, expressed an unmodified opinion on those statements.

*Anton Collins Mitchell LLP*

Laramie, Wyoming  
October 19, 2016

UNIVERSITY OF WYOMING FOUNDATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash	\$ 1,305,629	\$ 863,780
Investments (Note 2)	541,011,239	547,595,694
Funds held by others (Note 3)	139,296	211,164
Pledges receivable, net (Note 4)	36,348,129	32,740,567
Other receivables	373,428	872,868
Marian H. Rochelle Gateway Center, at cost, net of accumulated depreciation (Note 5)	30,805,992	31,681,765
Property and equipment, at cost, net of accumulated depreciation (Note 5)	<u>2,270,016</u>	<u>2,577,156</u>
 Total Assets	 <u>\$ 612,253,729</u>	 <u>\$ 616,542,994</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable (Note 6)	\$ 4,400,304	\$ 4,745,514
Bond interest payable	30,451	31,385
Gateway Loan interest payable	45,152	50,482
Bond payable (Note 7)	3,015,000	3,115,000
Note payable (Note 8)	5,795,000	8,300,000
Due to others (Note 9)	<u>221,754,088</u>	<u>214,646,449</u>
 Total liabilities	 <u>235,039,995</u>	 <u>230,888,830</u>
 <b>NET ASSETS</b>		
Unrestricted (Note 11)	48,222,397	46,812,012
Temporarily restricted	128,313,943	153,964,090
Permanently restricted (Note 12)	<u>200,677,394</u>	<u>184,878,062</u>
 Total net assets	 <u>377,213,734</u>	 <u>385,654,164</u>
 Total Liabilities and Net Assets	 <u>\$ 612,253,729</u>	 <u>\$ 616,542,994</u>

See Accompanying Notes to the Financial Statements.

UNIVERSITY OF WYOMING FOUNDATION

**STATEMENTS OF ACTIVITIES**  
For the Years Ended June 30, 2016 and 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted
<b>SUPPORT AND REVENUE</b>			
Contributions and State Match	\$ 105,908	\$ 48,506,330	\$ 4,665,241
University of Wyoming	1,109,277	140,000	919,175
Donated rent (Note 10)	-	-	-
Interest and dividends	1,046,195	(701,043)	(345,152)
Assessments	5,631,256	(826,056)	(4,805,200)
Net return on investments	-	21,367	(10,144,765)
Market decline in excess of original gifts and endowments, net	(1,138,675)	(930,117)	2,068,792
Change in value of charitable remainder trusts	-	-	(251,236)
Increase (decrease) in cash surrender value of life insurance policies	-	-	(23,198)
Net assets released from/applied to restrictions:			
Satisfaction of program restrictions	50,213,502	(70,153,103)	19,939,601
Permanent program restriction	(16,504)	(3,595,571)	3,612,075
Other revenue	-	1,888,046	163,999
Total support and revenue	<u>56,950,959</u>	<u>(25,650,147)</u>	<u>15,799,332</u>
<b>EXPENSES</b>			
Marian H. Rochelle Gateway Center	51,473	-	-
Program services - distributions to UW	38,521,154	-	-
Program services - gift and investment allocation	7,835,447	-	-
Program services - fundraising	5,595,170	-	-
Supporting services:			
General and administrative	3,537,330	-	-
Total expenses	<u>55,540,574</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	<b>1,410,385</b>	<b>(25,650,147)</b>	<b>15,799,332</b>
<b>NET ASSETS</b>			
Beginning of year	<u>46,812,012</u>	<u>153,964,090</u>	<u>184,878,062</u>
End of year	<u>\$ 48,222,397</u>	<u>\$ 128,313,943</u>	<u>\$ 200,677,394</u>

See Accompanying Notes to the Financial Statements.

2016 Total	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total
\$ 53,277,479	\$ 44,549	\$ 32,128,529	\$ 12,930,246	\$ 45,103,324
2,168,452	890,569	400,000	1,851,430	3,141,999
-	45,702	-	-	45,702
-	931,904	(599,582)	(332,322)	-
-	5,245,416	(733,703)	(4,511,713)	-
(10,123,398)	-	556,830	22,767,891	23,324,721
-	(162,764)	-	162,764	-
(251,236)	-	-	(406,545)	(406,545)
(23,198)	-	-	(10,861)	(10,861)
-	76,947,804	(56,220,903)	(20,726,901)	-
-	(3,600)	(419,445)	423,045	-
2,052,045	41,528	257,033	177,267	475,828
<u>47,100,144</u>	<u>83,981,108</u>	<u>(24,631,241)</u>	<u>12,324,301</u>	<u>71,674,168</u>
51,473	470,327	-	-	470,327
38,521,154	38,558,596	-	-	38,558,596
7,835,447	7,509,603	-	-	7,509,603
5,595,170	5,108,754	-	-	5,108,754
3,537,330	2,795,463	-	-	2,795,463
<u>55,540,574</u>	<u>54,442,743</u>	<u>-</u>	<u>-</u>	<u>54,442,743</u>
(8,440,430)	29,538,365	(24,631,241)	12,324,301	17,231,425
385,654,164	17,273,647	178,595,331	172,553,761	368,422,739
<u>\$ 377,213,734</u>	<u>\$ 46,812,012</u>	<u>\$ 153,964,090</u>	<u>\$ 184,878,062</u>	<u>\$ 385,654,164</u>

UNIVERSITY OF WYOMING FOUNDATION

**STATEMENTS OF CASH FLOWS**

For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (8,440,430)	\$ 17,231,425
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,258,527	983,481
Loss on disposal of property and equipment	-	153,023
Change in value of charitable remainder trusts	251,236	406,545
Net investment return	10,123,398	(23,324,721)
(Increase) decrease in:		
Funds held by others	71,868	(4,623)
Pledges receivable	(3,607,562)	6,842,108
Other receivables	499,440	(429,300)
Increase (decrease) in:		
Accounts payable	(345,210)	(3,749,147)
Accrued interest payable	(6,264)	46,644
Due to others	<u>7,107,639</u>	<u>10,710,943</u>
Net cash from operating activities	<u>6,912,642</u>	<u>8,866,378</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Mariah H. Rochelle Gateway Center construction	-	(5,934,821)
Purchase of property and equipment	(75,614)	(2,690,825)
Purchases of investments	(104,197,279)	(34,692,448)
Proceeds from sales of investments	<u>100,407,100</u>	<u>28,070,988</u>
Net cash from investing activities	<u>(3,865,793)</u>	<u>(15,247,106)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loan	-	6,100,000
Principal payments for bonds and loan	<u>(2,605,000)</u>	<u>(95,000)</u>
Net cash from financing activities	<u>(2,605,000)</u>	<u>6,005,000</u>
<b>NET CHANGE IN CASH</b>	441,849	(375,728)
CASH, beginning of year	<u>863,780</u>	<u>1,239,508</u>
CASH, end of year	<u>\$ 1,305,629</u>	<u>\$ 863,780</u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Cash paid for interest	<u>\$ 401,821</u>	<u>\$ 387,843</u>

See Accompanying Notes to the Financial Statements.

UNIVERSITY OF WYOMING FOUNDATION

**STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended June 30, 2016

	<u>Program Services</u>	<u>Supporting Services</u>	
	<u>Fund Raising</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries	\$ 3,276,585	\$ 775,314	\$ 4,051,899
Employee benefits	1,219,565	341,284	1,560,849
Total salaries and employee benefits	<u>4,496,150</u>	<u>1,116,598</u>	<u>5,612,748</u>
Communications	103,233	29,637	132,870
Contractual services	177,766	97,207	274,973
Director discretionary	74,913	1,538	76,451
Donor functions	49,507	2,621	52,128
Equip and data processing	49,207	47,826	97,033
Printing and duplication	218,933	26,844	245,777
Professional development	108,708	10,151	118,859
Recognition	1,330	4,168	5,498
Supplies	52,273	69,337	121,610
Travel	263,150	10,565	273,715
Directors meeting expenses	-	88,053	88,053
Conference center A/R write-off	-	20,331	20,331
House maintenance	-	41,742	41,742
Insurance	-	31,765	31,765
Interest	-	217,246	217,246
Investment council fees	-	425,000	425,000
Legal fees	-	24,833	24,833
Transformational gift travel	-	13,341	13,341
Subtotal	<u>1,099,020</u>	<u>1,162,205</u>	<u>2,261,225</u>
Total expenses before depreciation	5,595,170	2,278,803	7,873,973
Depreciation	<u>-</u>	<u>1,258,527</u>	<u>1,258,527</u>
Total Expenses	<u>\$ 5,595,170</u>	<u>\$ 3,537,330</u>	<u>\$ 9,132,500</u>

See Accompanying Notes to the Financial Statements.

UNIVERSITY OF WYOMING FOUNDATION

**STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended June 30, 2015

	<u>Program Services</u>	<u>Supporting Services</u>	
	<u>Fund Raising</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries	\$ 3,015,177	\$ 615,546	\$ 3,630,723
Employee benefits	1,054,951	236,305	1,291,256
Total salaries and employee benefits	<u>4,070,128</u>	<u>851,851</u>	<u>4,921,979</u>
Communications	127,853	32,600	160,453
Contractual services	46,860	55,392	102,252
Director discretionary	89,765	2,949	92,714
Donor functions	108,283	732	109,015
Equip and data processing	31,771	121,204	152,975
Printing and duplication	189,796	32,211	222,007
Professional development	181,198	12,714	193,912
Recognition	2,487	820	3,307
Supplies	64,814	41,841	106,655
Travel	195,799	20,209	216,008
Directors meeting expenses	-	137,977	137,977
House maintenance	-	12,521	12,521
Insurance	-	54,824	54,824
Interest	-	196,898	196,898
Investment council fees	-	143,195	143,195
Legal fees	-	4,998	4,998
Rent (Note 10)	-	45,702	45,702
Transformational gift travel	-	43,344	43,344
Subtotal	<u>1,038,626</u>	<u>960,131</u>	<u>1,998,757</u>
Total expenses before depreciation	5,108,754	1,811,982	6,920,736
Depreciation	<u>-</u>	<u>983,481</u>	<u>983,481</u>
Total Expenses	<u>\$ 5,108,754</u>	<u>\$ 2,795,463</u>	<u>\$ 7,904,217</u>

See Accompanying Notes to the Financial Statements.

# UNIVERSITY OF WYOMING FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

### Note 1. Nature of Activities and Significant Accounting Policies

#### Nature of Activities and Organization

The University of Wyoming Foundation is an independent not-for-profit organization established for the purpose of obtaining contributions for the benefit of the University of Wyoming and the management of the related investments in accordance with donor directions. The Foundation and the University of Wyoming Institutional Advancement Office cooperate significantly and utilize common staff in performing the fund raising activities and management of investments. Accordingly, the Foundation's financial statements present the shared budget expenditures and recognize as support the University of Wyoming's contribution to the shared budget.

#### Basis of Accounting

These financial statements, which are presented on the accrual basis of accounting, have been prepared to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net assets and transactions into three classes – permanently restricted, temporarily restricted, or unrestricted as follows:

Permanently restricted net assets – net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donor of these assets permits the Foundation to use all or part of the income earned on related investments for general or specific purposes in support of the University.

Temporarily restricted net assets – net assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation and/or the passage of time.

Unrestricted net assets – net assets which represent resources generated from operations or that are not subject to donor-imposed stipulations. In general, the unrestricted net assets of the Foundation may be used at the discretion of the Foundation's management and board of directors to support the Foundation's purposes, operations and mission.

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise was made. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Income and realized and unrealized gains on investments of permanently restricted net assets are reported as follows:

## NOTES TO FINANCIAL STATEMENTS

- as increases in permanently restricted net assets if the terms of the gift or the Foundation's interpretation of relevant state law require that they be added to the principal of a permanent endowment fund;
- as increases in temporarily restricted net assets if the terms of the gift impose restrictions on their use;
- as increases in unrestricted net assets in all other cases.

### Use of Estimates

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

The Foundation's investments are invested in various types of investment securities and in various companies within various markets. Investment securities are exposed to several risks, such as interest rates, and market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the Foundation's financial statements.

Another estimate that is particularly susceptible to significant change in the near term relates to the allowance for uncollectible pledges.

### Cash

Cash includes depository account balances other than those held temporarily as part of the long-term investment portfolio.

## NOTES TO FINANCIAL STATEMENTS

### Property and Equipment

The Foundation follows the practice of capitalizing all major expenditures from Foundation funds for buildings, office equipment and equipment. Additions are recorded at cost, or if donated, at fair market value at the time of donation. Buildings and equipment are depreciated by the straight-line method using the following estimated service lives:

	<u>Years</u>
Building	39
Office equipment	7-15
Equipment	3-7

### Fair Value Measurements

Financial Accounting Standards Board Statement No. 820, Fair Value Measurements, establishes a fair value hierarchy which prioritizes and ranks the level of market price observability used in measuring investment at fair value. Accounting Standards Update No. 2009-12, “*Investments in Certain Entities that Calculate Net Asset Per Share (or Its Equivalent)*” (ASU 2009-12). ASU 2009-12 amends ASC 820 of the FASB Accounting Standards Codification (ASC) by providing additional guidance on measuring the fair value of certain alternative investments and required disclosures for Level III investment activity. Market price observability is impacted by a number of factors, including the type of investment, the characteristics specific to the investment, and the state of the marketplace (including the existence and transparency of transactions between market participants). Investments with readily-available actively quoted prices or for which fair value can be measured from actively-quoted prices in an orderly market will generally have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

The fair value hierarchy is categorized into three levels based on the transparency of inputs as follows:

Level 1 – Pricing inputs are quoted prices in active markets for identical assets or liabilities. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include actively traded equities, certain U.S. government and sovereign obligations, and certain money market securities.

Level 2 – Pricing inputs are other than quoted prices in active markets for

## NOTES TO FINANCIAL STATEMENTS

identical assets, but the inputs are either directly or indirectly observable. Quoted prices are available but the assets are traded less frequently and thus valuation is accomplished using similar securities, the parameters of which can be directly observed. Also included in Level 2 are investments measured using a net asset value (“NAV”) per share, or its equivalent, that may be redeemed at that NAV at the date of the statement of financial position or in the near term, which is generally considered to be within 90 days.

Investments classified as Level 2 trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These generally include certain U.S. government and sovereign obligations, most government agency securities, investment grade corporate bonds, certain mortgage products, certain bank loans and bridge loans, less liquid listed equities, state, municipal and provincial obligations, most physical commodities and certain loan commitments. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, calculations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Level 3 – Pricing inputs are not observable in the market. Thus valuation is accomplished using management’s best estimate of fair value, with inputs into the determination of fair value that require significant management judgment or estimation. Also included in Level 3 are investments measured using a NAV per share, or its equivalent, that can never be redeemed at the NAV or for which redemption at NAV is uncertain due to lockup periods or other investment restrictions.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 instruments include private equity and real estate investments, certain bank loans and bridge loans, less liquid corporate debt securities (including distressed debt instruments), collateralized debt obligations, and less liquid mortgage securities (backed by either commercial or residential real estate).

### Pledges

All unconditional pledges to give are recorded at their estimated realizable value on a discounted basis.

## NOTES TO FINANCIAL STATEMENTS

### Split Interest Agreements and Perpetual Trusts

The Foundation accepts gifts subject to split interest agreements. These gifts may be in the form of annuities, charitable lead trusts, or charitable remainder trusts. At the time of receipt, a gift is recorded based upon the fair value of assets donated less any applicable liabilities. Liabilities include the present value of projected future distributions to the annuity or trust beneficiary and are determined using appropriate discount rates. For certain split interest agreements where the measurement objective is fair value, the discount rate is adjusted to a current market rate at each reporting date. The gift portion of net assets subject to split interest agreements are classified as temporarily restricted or permanently restricted based upon donor designations.

### Recently Adopted Accounting Standards

The Financial Accounting Standards Board (FASB) recently issued Accounting Standards Update (ASU) 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS*, to substantially converge the guidance in U.S. GAAP and IFRS on fair value measurements and disclosures. The amended guidance changes several aspects of the fair value measurement guidance in *FASB Accounting Standards Codification (ASC) 820, Fair Value Measurement*, including the following provisions; (1) application of the concepts of highest and best use and valuation premise, (2) introduction of an option to measure groups of offsetting assets and liabilities on a net basis, (3) incorporation of certain premiums and discounts in fair value measurements, (4) measurement of the fair value of certain instruments classified in shareholders' equity. In addition, the amended guidance includes several new fair value disclosure requirements, including, among other things, information about valuation techniques and unobservable inputs used in Level 3 fair value measurements.

### Income Taxes

The Foundation is an organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is generally not subject to federal income taxes. Contributions to the Foundation are deductible for tax purposes by the donor, subject to the normal limitations imposed by the taxing authorities. However, the Foundation is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption.

No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the basic financial statements taken as a whole.

## NOTES TO FINANCIAL STATEMENTS

In accordance with ASC (Accounting Standards Codification) 740 Income Taxes (formerly FASB Interpretation 48, Accounting for Uncertainty in Income Taxes) the Foundation currently recognizes the effect of income tax positions only if such positions are probable of being sustained. The Foundation's tax years subject to examination by the U.S. Federal, state and local tax authorities are for the fiscal years ending June 30, 2016, 2015, 2014, and 2013, respectively.

### Liquidity

Assets are presented according to their nearness to cash and liabilities are presented according to their nearness of payment or use of cash.

### Statement of Functional Expenses

The costs of providing various program and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### Subsequent Events

No events have occurred subsequent to the statement of financial position date and through the date of the report, October 19, 2016, that would require adjustment to, or disclosure in, the financial statements.

### Note 2. Investments

The Foundation, the Cowboy Joe Club, ASUW, and the University endowments are participants in a joint venture whereby certain assets are pooled for investment purposes. The Foundation manages the assets of the pool and maintains separate accounts for each participant. Investment income, gains, and losses and expenses of the pool are allocated to each participant based on their share of ownership of the pool. At June 30, 2016 and 2015, approximately 79% and 80%, respectively, of the investments are included in the pool.

## NOTES TO FINANCIAL STATEMENTS

Investments are summarized as follows at June 30, 2016:

Level 1	Carrying Value	Market Value	Unrealized Appreciation/ (Depreciation)
Money market funds	\$ 57,068,509	\$ 57,068,509	\$ -
Corporate bonds	89,634,266	89,885,630	251,364
Fixed income	41,230,763	40,875,507	(355,256)
Government obligations	759,476	732,275	(27,201)
Corporate stocks	91,983,101	98,480,046	6,496,945
	<u>\$ 280,676,115</u>	<u>\$ 287,041,967</u>	<u>\$ 6,365,852</u>
			Unrealized Appreciation/ (Depreciation)
Level 2	Carrying Value	Market Value	Unrealized Appreciation/ (Depreciation)
Event driven hedge funds	\$ 5,000,000	\$ 8,481,190	\$ 3,481,190
Global hedge funds	30,000,000	29,365,010	(634,990)
Insurance	116,625	116,625	-
International equity	6,737,274	10,118,163	3,380,889
Long/short hedge funds	38,505,951	53,876,528	15,370,577
Multi-strategy hedge funds	170,285	1,022,521	852,236
Real estate	3,336,000	3,355,473	19,473
	<u>\$ 83,866,135</u>	<u>\$ 106,335,510</u>	<u>\$ 22,469,375</u>
			Unrealized Appreciation/ (Depreciation)
Level 3	Carrying Value	Market Value	Unrealized Appreciation/ (Depreciation)
Other	\$ 8,803	\$ 8,806	\$ 3
Liquidating	479,741	283,956	(195,785)
Event driven hedge funds	12,485,965	25,962,129	13,476,164
Fixed income hedge funds	17,760,740	21,327,552	3,566,812
Long/short hedge funds	13,714,625	18,402,521	4,687,896
Multi-strategy hedge funds	11,337,721	14,972,527	3,634,806
Private equity funds	46,407,158	66,676,271	20,269,113
	<u>\$ 102,194,753</u>	<u>\$ 147,633,762</u>	<u>\$ 45,439,009</u>
			Unrealized Appreciation/ (Depreciation)
Combined Total	<u>\$ 466,737,003</u>	<u>\$ 541,011,239</u>	<u>\$ 74,274,236</u>

## NOTES TO FINANCIAL STATEMENTS

Investments are summarized as follows at June 30, 2015:

Level 1	Carrying Value	Market Value	Unrealized Appreciation/ (Depreciation)
Money market funds	\$ 37,540,575	\$ 37,540,575	\$ -
Corporate stocks	57,450,115	64,827,399	7,377,284
Corporate bonds notes	106,894,024	103,928,675	(2,965,349)
Government obligations	166,367	166,566	199
Other investments	299,534	317,255	17,721
	<u>\$ 202,350,615</u>	<u>\$ 206,780,470</u>	<u>\$ 4,429,855</u>
Level 2	Carrying Value	Market Value	Unrealized Appreciation/ (Depreciation)
Real estate	\$ 3,336,000	\$ 3,331,778	\$ (4,222)
Y Cross Ranch	4,275,397	12,635,438	8,360,041
International equity	18,596,952	25,166,777	6,569,825
Absolute return hedge funds	17,249,810	29,272,248	12,022,438
Long/short hedge funds	45,997,700	67,689,422	21,691,722
	<u>\$ 89,455,859</u>	<u>\$ 138,095,663</u>	<u>\$ 48,639,804</u>
Level 3	Carrying Value	Market Value	Unrealized Appreciation/ (Depreciation)
Insurance	\$ 148,030	\$ 148,030	\$ -
Other investments	8,802	8,802	-
Liquidating	460,443	105,935	(354,508)
Absolute return hedge funds	59,824,688	102,734,849	42,910,161
Private equity funds	32,978,908	63,606,721	30,627,813
Real estate and energy funds	13,267,072	17,224,826	3,957,754
Long/short hedge funds	13,714,625	18,890,398	5,175,773
	<u>\$ 120,402,568</u>	<u>\$ 202,719,561</u>	<u>\$ 82,316,993</u>
Combined Total	<u>\$ 412,209,042</u>	<u>\$ 547,595,694</u>	<u>\$ 135,386,652</u>

## NOTES TO FINANCIAL STATEMENTS

There was a reclassification of life insurance from Level 3 into Level 2. This better reflects that the life insurance has a cash value that is accessible. Certain investments have been reclassified from Level 3 to Level 1 based on review by the investment manager.

The Foundation has invested in alternative investments defined as hedge funds, private equity, and other investments for which the fair market value is not readily attainable.

The fair market values for these types of investments have been obtained through alternative means. The Foundation has implemented procedures to evaluate and monitor the investment values and the performance of the funds.

The following table summarizes the changes in value of Level 3 investments for the fiscal year ended June 30, 2016:

	Liquidating and Other	Event and Fixed Income Hedge	Long/Short Hedge	Multi-Strategy Hedge	Private Equity and Real Assets	Total
Balance as of June 30, 2015	\$ 748,460	\$ 81,338,793	\$ 17,938,972	\$ 22,347,482	\$ 80,345,854	\$ 202,719,561
Purchases	-	-	-	-	8,200,419	8,200,419
Sales	(111,514)	(19,948,848)	-	(8,424,315)	(19,577,444)	(48,062,121)
Reclassification	(148,030)	(8,380,411)	-	-	-	(8,528,441)
Realized gains and income	(196,793)	12,918,967	-	4,213,934	12,023,897	28,960,005
Unrealized gains (losses)	639	(18,638,820)	463,549	(3,164,574)	(14,316,455)	(35,655,661)
Total Level 3 investments	\$ 292,762	\$ 47,289,681	\$ 18,402,521	\$ 14,972,527	\$ 66,676,271	\$ 147,633,762

## NOTES TO FINANCIAL STATEMENTS

The major categories of Level 2 and Level 3 investments are summarized as follows at June 30, 2016:

Category	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Event Driven Hedge Funds (a)	\$ 34,443,319	\$ -	Quarterly to Annually	65 day notice
Fixed Income Hedge Funds (b)	21,327,552	-	Quarterly to Annually	60 days to 90 days
Global Macro Hedge Funds (c)	29,365,010	-	Quarterly to Annually	30 days to 90 days
International Equity (d)	10,118,163	-	Quarterly to Annually	30 days
Liquidating and Other (e)	292,762	-	N/A	N/A
Long/Short Hedge Funds (f)	72,279,049	-	Monthly to Every 3 Years	30 days to 60 days
Multi-Strategy Hedge Funds (g)	15,995,048	51,576	Quarterly to Annually	45 days to 180 days
Private Equity and Real Assets (h)	70,031,744	35,802,271	N/A	N/A
	<u>\$ 253,852,647</u>	<u>\$ 35,853,847</u>		

(a) This category includes investments in hedge funds that focus on a range of events. These events include Activist; Distressed – Non-Control; Long-Short Credit; Long-Short Equity; and Merger (Risk) Arbitrage. These funds have limited transparency and the valuations have been estimated using the practical expedient provided by the manager. The term for these investments ranges from 60 to 90 days.

(b) Fixed income investments include hedge funds that tend to focus on mispricing within credit instruments. The investments have limited transparency to underlying securities. The investments are valued using significant unobservable inputs. Appropriate due diligence is performed to rely on the manager’s NAV as a practical expedient for fair value. The term for these investments ranges from 60 to 90 days.

## NOTES TO FINANCIAL STATEMENTS

(c) This category includes investments in hedge funds that focus on macroeconomic conditions, speculating on the direct effect of interest rates, currencies, precious metals, commodities, and indices, often utilizing various degrees of leverage. The valuations have been estimated using the practical expedient provided by the manager. The term for these investments ranges from 30 to 90 days.

(d) This category includes investments in funds that focus on long-only international equities. The underlying assets are liquid and the fund's managers provide details of those assets. As of June 30, 2016, all of the investments in the category can be redeemed with no restrictions.

(e) This category consists of three investments that are liquidating the assets remaining in the portfolios. The assets are private equity in nature and are not redeemable. As of June 30, 2016, the fair values of the investments have been estimated using the practical expedient provided by the investment manager. The manager currently has no clarity on a timetable for the conclusion of the funds.

(f) This category includes investments in hedge funds that invest both long and short primarily in U.S. common stocks. Management of the hedge funds has the ability to shift investments from value to growth strategies, from small to large capitalization stakes, and from a net long position to a net short position. The investments contain exposure in the U.S. market, but will also take advantage of investment opportunities in Europe, Asia and emerging markets. The fair values of the investments in this category have been estimated using the net asset value per share of the investments. As of June 30, 2016, all of the lock-up periods have expired for these investments. However, some of the investments have terms that make full liquidity unavailable at the Foundation's report date.

(g) This category includes a multi-strategy investment focused on analyzing the probability-adjusted returns of individual securities and assets and capturing the alpha in mispriced assets/securities across conventional and alternative financial strategies. Management initiates long and short positions targeting solid absolute risk-adjusted returns. The fair values of the investments in this category have been estimated using the net asset value per share of the investments. As of June 30, 2016, all lock-up periods have expired. However, some of the investments have terms that make full liquidity unavailable at the Foundation's report date.

## NOTES TO FINANCIAL STATEMENTS

(h) This category includes several private equity funds that focus on buyout, growth equity and/or distressed debt. These investments are not redeemable. Instead, the nature of the investments in this category is that distributions are received through the liquidation of the underlying assets in the fund. The term for these investments ranges from 5 to 10 years. As of June 30, 2016, the fair values of the investments in this category have been estimated using the practical expedient provided by the investment manager.

The components of investment return for the years ended June 30, 2016 and 2015 follows:

	2016	2015
Dividends and interest	\$ 1,046,195	\$ 931,905
Net realized gains	4,174,327	12,012,173
Net unrealized appreciation	(10,102,031)	16,952,411
Investment management fees	(5,241,889)	(6,571,768)
Total investment return	(10,123,398)	23,324,721
Gross endowment distribution (operating)	(16,672,929)	(15,129,160)
Net investment return (nonoperating)	\$ (26,796,327)	\$ 8,195,561

The Foundation has entered into various split interest agreements, including charitable lead annuity trusts, charitable remainder unitrusts, and charitable gift annuities; whereby the Foundation serves as trustee. The assets held under these split interest agreements are included in investments at June 30, 2016 and 2015 with a fair value of \$11,834,902 and \$13,527,349, respectively.

As of June 30, 2016 and 2015 the ending balance for the Permanently Restricted endowment funds had an estimated fair value that was \$2,068,792 and \$162,764, respectively less than the historic dollar value. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. This was the result of net declines in financial markets since the endowment funds were established. Such endowments are often referred to as “underwater” investments. Though the Foundation is not required to by donor-imposed restriction or law to use its unrestricted recourses to restore the endowment to its historic dollar value, accounting guidance for not-for-profit organizations require that such losses and subsequent gains be reflected as changes to unrestricted net assets until the fair value reaches the historic dollar value.

## NOTES TO FINANCIAL STATEMENTS

### Note 3. Funds Held by Others

The funds held by others consist of University of Wyoming – Division of Student Loans. The amount as of June 30, 2016 and 2015 was \$139,296 and \$211,164, respectively.

Funds were forwarded to the University of Wyoming – Division of Student Loans. Interest earned from student loans and investments is reflected as income in the Foundation’s financial statements.

### Note 4. Pledges Receivable

Pledges receivable represent promises to give which have been made by donors but have not yet been received by the Foundation. Pledges which will not be received in the subsequent year have been discounted using an estimated rate of return which could be earned if such contributions had been made in the current year.

Due to the nature of these pledges, significant increases and decreases in net assets may occur. These significant fluctuations can arise as contributions are recognized as support in the fiscal period in which they are pledged, but the expenses incurred with such contributions occur in a different fiscal period. Total promises to give were as follows at June 30, 2016 and 2015:

	2016	2015
Due within 1 year	\$ 11,798,605	\$ 12,049,774
Due 1 to 5 years	22,892,304	20,035,122
Due 5 years and later	4,226,578	3,557,987
	38,917,487	35,642,883
Less allowance for uncollectible pledges	(1,601,098)	(1,584,662)
Less discount to present value	(968,260)	(1,317,654)
Total Pledges Receivable	\$ 36,348,129	\$ 32,740,567

### Note 5. Building, Property and Equipment

Property and equipment consists of the following as of June 30, 2016 and 2015:

	2016	2015
Marian H. Rochelle Gateway Center	\$ 32,425,868	\$ 32,375,526
Furniture and Equipment	3,207,743	3,182,472
	35,633,611	35,557,998
Less accumulated depreciation	2,557,603	1,299,077
	\$ 33,076,008	\$ 34,258,921

## NOTES TO FINANCIAL STATEMENTS

During the years ended June 30, 2016 and 2015, depreciation expense of \$1,258,527 and \$983,481 was recognized, respectively.

### Note 6. Accounts Payable

The current year accounts payable balance includes amounts owed to various departments and colleges of the University of Wyoming. As part of the efforts to comply with GASB No. 39 reporting in the current year, the University recorded a receivable for these amounts. The Foundation recorded a similar payable entry.

### Note 7. Bonds Payable

The Foundation issued revenue bonds in the aggregate principal amount of \$3,700,000, pursuant to an Indenture of Trust, dated November 2007, by and between the Foundation and Wells Fargo Bank, N.A. The aggregate amount includes \$1,155,000 of serial bonds and \$2,545,000 of term bonds. The proceeds were used by the Foundation to help finance the cost of constructing and equipping the Education and Conference Center located at 22<sup>nd</sup> Street and Grand Avenue in Laramie, Wyoming. The bonds bear interest from the date of issue to maturity or earlier redemption with interest payable semiannually on May 1 and November 1 of each year. The Foundation has purchased a series of bonds that will mature as the bond payments come due. The Foundation has made all required debt payments.

The debt service requirements for the bonds are as follows:

Year	Principal due November 1	Interest	Interest Rate	Annual Debt Service
2016	\$ 110,000	\$ 182,709	5.65%	\$ 292,709
2017	115,000	176,494	5.72%	291,494
2018	120,000	169,916	5.79%	289,916
2019	125,000	162,968	5.84%	287,968
2020	135,000	155,668	5.95%	290,668
2021	140,000	147,635	5.95%	287,635
2022	150,000	139,305	5.95%	289,305
2023	160,000	130,380	6.15%	290,380
2024	170,000	120,540	6.15%	290,540
2025	180,000	110,085	6.15%	290,085
2026	190,000	99,015	6.15%	289,015
2027	1,420,000	87,330	6.15%	1,507,330
	<u>\$ 3,015,000</u>	<u>\$ 1,682,045</u>		<u>\$ 4,697,045</u>

## NOTES TO FINANCIAL STATEMENTS

The bonds maturing on or after November 1, 2018 are redeemable by the Foundation on any date on or after November 1, 2017, in whole or in part, at a redemption price equal to 100% of the principal amount of the bonds being redeemed and accrued interest to the redemption date. The bonds maturing on November 1, 2022 and November 1, 2027 are subject to mandatory sinking fund redemptions at a redemption price equal to 100% of the principal amount thereof and accrued interest to the redemption date.

Since the Foundation no longer had an interest in the Conference Center at year-end, they were required by the Bond Counsel to transfer funds in the amount of \$3.7 million to certain “permitted investments” to satisfy future obligations on the bonds.

### Note 8. Note Payable

On April 17, 2014, the Foundation obtained a construction line of credit for the Marian H. Rochelle Gateway Center with a bank for up to \$10,000,000. The outstanding balance as of June 30, 2016 was \$5,795,000. The stated interest rate is equal to the prime rate less .25%, which was 3.25% as of June 30, 2016. Interest is paid quarterly and the line of credit matures on April 17, 2020. The line of credit is secured by accounts and pledges related to the Marian H. Rochelle Gateway Center capital campaign.

### Note 9. Due to Others

The Foundation acts as an investment manager for certain assets for the University of Wyoming, the Cowboy Joe Club, Associated Students of the University of Wyoming, and as trustee for several remainder trusts. The Foundation administers various charitable remainder trusts. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust’s terms, usually the designated beneficiary’s lifetime. The investments held on the behalf of others and the related liabilities are as follows:

	2016	2015
Cowboy Joe Club	\$ 859,944	\$ 860,813
UW - State Match	136,874,469	124,692,180
UW - Endowments	77,971,315	82,317,288
Polly Downs Education Trust	328,146	317,255
Remainder Trusts	5,720,214	6,458,913
	\$ 221,754,088	\$ 214,646,449

## NOTES TO FINANCIAL STATEMENTS

The portion of the trust attributable to the present value of the future benefits to be received by the Foundation is recorded in the Statement of Activities as permanently and temporarily restricted contributions in the period the trust is established. Additional contributions totaled \$50,000 and \$30,000 in 2016 and 2015, respectively. Assets held in the charitable remainder trusts are reported at fair market value in the Foundation's Statement of Financial Position. On a periodic basis, as prescribed in the agreement, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions.

The present value of the estimated future payments (\$5,720,214 and \$6,458,913 at June 30, 2016 and 2015, respectively) is calculated using discount rates of 1.8% for 2016 and 2.0% for 2015.

### Note 10. Related Party Transactions

The Foundation is a strategic partner of the University of Wyoming and transacts with the University during the ordinary course of business. All transactions between the Foundation and the University during the years ended June 30, 2016 and 2015 were on substantially the same terms as those comparable transactions with unrelated parties.

### Note 11. Net Assets

The Board designates Unrestricted Net Assets for the following purposes:

	2016	2015
Marian H. Rochelle Gateway Center	\$ 26,630,868	\$ 24,075,526
Investment in property and equipment	3,207,742	1,883,395
Investments from which the income will be used to cover Foundation operating expenses or used for special Foundation projects	19,231,584	20,708,472
Other amounts held for special requests	290,878	307,383
	49,361,072	46,974,776
Reserve for market decline in excess of original gifts and endowments	(1,138,675)	(162,764)
Total Unrestricted	\$ 48,222,397	\$ 46,812,012

### Note 12. Spending Policy

Administration of the endowment is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Under the provisions of this state law, the Foundation Board is to appropriate a prudent amount of net investment return, taking into consideration the short and long-term needs of the University of Wyoming, current and future anticipated financial requirements, expected investment returns

## NOTES TO FINANCIAL STATEMENTS

given the current asset allocations, anticipated rates of inflation, and other economic factors. The Foundation Board has adopted a spending policy that makes a distribution based on the weighted average method, and new endowments are restricted from having a payout for one year. For fiscal year 2016, the distribution method uses a calculation with 40% based on a 4.0% spending rate of the December market value, and 60% based on the prior year distribution with an inflation adjustment increase of 2%.

### Note 13. Financial Instruments

The carrying amount reported in the statements of financial position for cash, funds held by others, other receivables, and accounts payable approximate fair value because of the immediate or short-term maturities of these financial instruments. The carrying amount of pledges receivable approximates fair value as they are presented on a discounted basis.

**SUPPLEMENTARY INFORMATION**



## INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

To the Board of Directors  
University of Wyoming  
Foundation  
Laramie, Wyoming

We have audited the financial statements of University of Wyoming Foundation as of and for the year ended June 30, 2016, and have issued our report thereon dated October 19, 2016, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of investments held for the University of Wyoming is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Anton Collins Mitchell LLP*

Laramie, Wyoming  
October 19, 2016

UNIVERSITY OF WYOMING FOUNDATION

**SCHEDULE OF INVESTMENTS HELD  
FOR THE UNIVERSITY OF WYOMING**

For the Year Ended June 30, 2016

	<u>Beginning of Year Balance</u>	<u>Additions (Redemptions)</u>	<u>Transfers to UW</u>	<u>Investment Return</u>	<u>Fees</u>	<u>End of Year Balance</u>
Cowboy Joe Club	\$ 860,813	\$ 36,048	\$ (14,800)	\$ (20,832)	\$ (1,285)	\$ 859,944
UW - State Match	124,692,180	21,755,980	(5,475,871)	(3,955,667)	(142,153)	136,874,469
UW - Endowment	<u>82,317,289</u>	<u>906,088</u>	<u>(2,554,113)</u>	<u>(2,697,931)</u>	<u>(18)</u>	<u>77,971,315</u>
	<u>\$ 207,870,282</u>	<u>\$ 22,698,116</u>	<u>\$ (8,044,784)</u>	<u>\$ (6,674,430)</u>	<u>\$ (143,456)</u>	<u>\$ 215,705,728</u>