



UNIVERSITY OF WYOMING FOUNDATION

FINANCIAL STATEMENTS

June 30, 2015 and 2014

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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, 2015 and 2014, and the related statements of activities, cash flows and functional expenses for the years 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 audits. We conducted our audits 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, 2015 and 2014, and the changes in its net assets and its cash flows for the years 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 \$80,831,547 (13.11 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.

Madel Tschacher Peterson + Co, LLC

Laramie, Wyoming
November 4, 2015

UNIVERSITY OF WYOMING FOUNDATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash	\$ 863,780	\$ 1,239,508
Investments (Note 2)	547,595,694	518,056,058
Funds held by others (Note 3)	211,164	206,541
Pledges receivable, net (Note 4)	32,740,567	39,582,675
Other receivables	872,868	443,568
Marian H. Rochelle Gateway Construction in Progress	-	26,440,705
Marian H. Rochelle Gateway Center, at cost, net of accumulated depreciation (Note 5)	31,681,765	-
Property and equipment, at cost, net of accumulated depreciation (Note 5)	<u>2,577,156</u>	<u>329,074</u>
Total Assets	<u>\$ 616,542,994</u>	<u>\$ 586,298,129</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable (Note 6)	\$ 4,745,514	\$ 8,494,661
Bond interest payable	31,385	32,264
Gateway Loan interest payable	50,482	2,959
Bond payable (Note 7)	3,115,000	3,210,000
Note payable (Note 8)	8,300,000	2,200,000
Due to others (Note 9)	<u>214,646,449</u>	<u>203,935,506</u>
Total liabilities	<u>230,888,830</u>	<u>217,875,390</u>
NET ASSETS		
Unrestricted (Note 11)	46,812,012	17,273,647
Temporarily restricted	153,964,090	178,595,331
Permanently restricted (Note 12)	<u>184,878,062</u>	<u>172,553,761</u>
Total net assets	<u>385,654,164</u>	<u>368,422,739</u>
Total Liabilities and Net Assets	<u>\$ 616,542,994</u>	<u>\$ 586,298,129</u>

See Accompanying Notes to the Financial Statements.

UNIVERSITY OF WYOMING FOUNDATION

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2015 and 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted
SUPPORT AND REVENUE			
Contributions and State Match	\$ 44,549	\$ 32,128,529	\$ 12,930,246
University of Wyoming	890,569	400,000	1,851,430
Donated rent (Note 10)	45,702	-	-
Interest and dividends	931,904	(599,582)	(332,322)
Assessments	5,245,416	(733,703)	(4,511,713)
Net return on investments	-	556,830	22,767,891
Market decline in excess of original gifts and endowments, net	(162,764)	-	162,764
Change in value of charitable remainder trusts	-	-	(406,545)
Increase (decrease) in cash surrender value of life insurance policies	-	-	(10,861)
Net assets released from/applied to restrictions:			
Satisfaction of program restrictions	76,947,804	(56,220,903)	(20,726,901)
Permanent program restriction	(3,600)	(419,445)	423,045
Other revenue	41,528	257,033	177,267
Total support and revenue	83,981,108	(24,631,241)	12,324,301
EXPENSES			
Marian H. Rochelle Gateway Center	470,327	-	-
Program services	46,068,199	-	-
Program services - fundraising	5,108,754	-	-
Supporting services:			
General and administrative	2,795,463	-	-
Total expenses	54,442,743	-	-
CHANGE IN NET ASSETS	29,538,365	(24,631,241)	12,324,301
NET ASSETS			
Beginning of year	17,273,647	178,595,331	172,553,761
End of year	\$ 46,812,012	\$ 153,964,090	\$ 184,878,062

See Accompanying Notes to the Financial Statements.

2015 Total	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total
\$ 45,103,324	\$ 27,365	\$ 34,427,306	\$ 5,429,704	\$ 39,884,375
3,141,999	890,887	2,000	5,214,761	6,107,648
45,702	182,806	-	-	182,806
-	1,362,233	(1,045,617)	(316,616)	-
-	5,441,348	(634,837)	(4,806,511)	-
23,324,721	-	1,561,623	54,281,900	55,843,523
-	(14,132)	(175,072)	189,204	-
-	-	-	-	-
(406,545)	-	-	(181,505)	(181,505)
(10,861)	-	-	(92,514)	(92,514)
-	44,237,216	12,782,010	(57,019,226)	-
-	-	(1,754,273)	1,754,273	-
475,828	-	756,394	44,082	800,476
<u>71,674,168</u>	<u>52,127,723</u>	<u>45,919,534</u>	<u>4,497,552</u>	<u>102,544,809</u>
470,327	7,728,469	-	-	7,728,469
46,068,199	42,868,755	-	-	42,868,755
5,108,754	4,778,157	-	-	4,778,157
<u>2,795,463</u>	<u>1,429,051</u>	<u>-</u>	<u>-</u>	<u>1,429,051</u>
54,442,743	56,804,432	-	-	56,804,432
17,231,425	(4,676,709)	45,919,534	4,497,552	45,740,377
<u>368,422,739</u>	<u>21,950,356</u>	<u>132,675,797</u>	<u>168,056,209</u>	<u>322,682,362</u>
<u>\$ 385,654,164</u>	<u>\$ 17,273,647</u>	<u>\$ 178,595,331</u>	<u>\$ 172,553,761</u>	<u>\$ 368,422,739</u>

UNIVERSITY OF WYOMING FOUNDATION

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 17,231,425	\$ 45,740,377
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	983,481	101,498
Loss on disposal of property and equipment	153,023	-
Change in value of charitable remainder trusts	406,545	181,505
Net investment return	(23,324,721)	(55,843,523)
(Increase) decrease in:		
Funds held by others	(4,623)	(2,464)
Pledges receivable	6,842,108	(12,017,405)
Other receivables	(429,300)	172,728
Increase (decrease) in:		
Accounts payable	(3,749,147)	1,600,086
Accrued interest payable	46,644	2,142
Due to others	10,710,943	27,531,000
Net cash from operating activities	8,866,378	7,465,944
CASH FLOWS FROM INVESTING ACTIVITIES		
Mariah H. Rochelle Gateway Center construction	(5,934,821)	(23,083,393)
Purchase of property and equipment	(2,690,825)	(55,675)
Purchases of investments	(34,692,448)	(53,332,775)
Proceeds from sales of investments	28,070,988	67,928,870
Net cash from investing activities	(15,247,106)	(8,542,973)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on vehicle financing	-	(4,370)
Proceeds from loan	6,100,000	2,200,000
Principal payments for bonds	(95,000)	(90,000)
Net cash from financing activities	6,005,000	2,105,630
NET CHANGE IN CASH	(375,728)	1,028,601
CASH, beginning of year	1,239,508	210,907
CASH, end of year	\$ 863,780	\$ 1,239,508
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	\$ 387,843	\$ 198,992

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>Total</u>
	<u>Fund Raising</u>	<u>General and Administrative</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	4,070,128	851,851	4,921,979
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

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2014

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Total</u>
	<u>Fund Raising</u>	<u>General and Administrative</u>	
Salaries	\$ 2,835,797	\$ 451,232	\$ 3,287,029
Employee benefits	941,154	155,296	1,096,450
Total salaries and employee benefits	<u>3,776,951</u>	<u>606,528</u>	<u>4,383,479</u>
Communications	104,098	27,531	131,629
Contractual services	79,282	38,856	118,138
Director discretionary	143,283	39	143,322
Donor functions	56,611	402	57,013
Equip and data processing	66,998	42,776	109,774
Printing and duplication	215,583	20,418	236,001
Professional development	69,376	9,529	78,905
Recognition	3,489	-	3,489
Supplies	56,953	22,985	79,938
Travel	204,355	12,866	217,221
Other	1,178	1,946	3,124
Directors meeting expenses	-	69,957	69,957
Gateway loan fee	-	50,015	50,015
House maintenance	-	4,271	4,271
Insurance	-	41,147	41,147
Interest	-	2,959	2,959
Investment council fees	-	150,000	150,000
Legal fees	-	29,799	29,799
Rent (Note 10)	-	182,806	182,806
Transformational gift travel	-	12,723	12,723
Subtotal	<u>1,001,206</u>	<u>721,025</u>	<u>1,722,231</u>
Total expenses before depreciation	4,778,157	1,327,553	6,105,710
Depreciation	<u>-</u>	<u>101,498</u>	<u>101,498</u>
Total Expenses	<u>\$ 4,778,157</u>	<u>\$ 1,429,051</u>	<u>\$ 6,207,208</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.

Property and Equipment

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

	<u>Years</u>
Building	35
Leasehold improvements	15
Office equipment	7
Equipment	3

NOTES TO FINANCIAL STATEMENTS

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 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,

NOTES TO FINANCIAL STATEMENTS

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.

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*

NOTES TO FINANCIAL STATEMENTS

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.

The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2011. The adoption of ASU 2011-04 requires only additional disclosures and will not have an impact on the University of Wyoming Foundation's consolidated net assets.

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.

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, 2015, 2014, 2013, and 2012, 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.

NOTES TO FINANCIAL STATEMENTS

Subsequent Events

No events have occurred subsequent to the statement of financial position date and through the date of the report November 4, 2015 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, 2015 and 2014, approximately 80% and 79%, respectively, of the investments are included in the pool.

NOTES TO FINANCIAL STATEMENTS

Investments are summarized as follows at June 30, 2015:

Level 1

	<u>Carrying Value</u>	<u>Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
	\$ 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

	<u>Carrying Value</u>	<u>Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
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

	<u>Carrying Value</u>	<u>Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
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

Investments are summarized as follows at June 30, 2014:

Level 1

	<u>Carrying Value</u>	<u>Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
	\$ 36,764,219	\$ 36,764,219	\$ -
Corporate stocks	55,953,023	61,524,113	5,571,090
Corporate bonds notes	97,770,994	97,430,149	(340,845)
Government obligations	166,694	166,914	220
Other investments	289,361	314,438	25,077
	<u>\$ 190,944,291</u>	<u>\$ 196,199,833</u>	<u>\$ 5,255,542</u>

Level 2

	<u>Carrying Value</u>	<u>Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Real estate	\$ 3,336,000	\$ 3,355,473	\$ 19,473
Riverbend Ranch	9,120,000	8,208,000	(912,000)
Y Cross Ranch	4,275,397	4,275,397	-
International equity	17,419,796	25,626,889	8,207,093
Absolute return hedge funds	24,132,735	37,857,977	13,725,242
Long/short hedge funds	29,470,990	43,740,636	14,269,646
	<u>\$ 87,754,918</u>	<u>\$ 123,064,372</u>	<u>\$ 35,309,454</u>

Level 3

	<u>Carrying Value</u>	<u>Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Insurance	\$ 158,891	\$ 158,891	\$ -
Other investments	8,803	8,805	2
Liquidating	478,197	125,739	(352,458)
Absolute return hedge funds	45,856,105	85,124,369	39,268,264
Private equity funds	38,787,101	70,306,116	31,519,015
Non-pool real estate and energy funds	231,270	231,270	-
Real estate and energy funds	16,013,145	25,303,119	9,289,974
Long/short hedge funds	13,021,526	17,533,544	4,512,018
	<u>\$ 114,555,038</u>	<u>\$ 198,791,853</u>	<u>\$ 84,236,815</u>

Combined Total	<u>\$ 393,254,247</u>	<u>\$ 518,056,058</u>	<u>\$ 124,801,811</u>
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NOTES TO FINANCIAL STATEMENTS

There was a transfer of an Absolute return hedge fund into Level 3 from Level 2. This was due to a change in terms of the investment. There were changes of two Long/Short funds into Level 2 from Level 3. This was due to the expiration of the soft lock period expiring and that the fee for early redemption had expired.

The Foundation has invested in alternative investments defined as hedge funds, private equity, venture capital 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 fiscal year ended June 30, 2015.

	Pooled Insurance and Other	Pooled Absolute Return Hedge Funds	Pooled Private Equity	Pooled Real Estate and Energy Funds	Pooled Long/Short Hedge Funds	Total
Balance as of June 30, 2014	\$ 293,435	\$ 85,124,368	\$ 70,306,117	\$ 25,534,391	\$ 17,533,544	\$ 198,791,855
Purchases	-	7,000,000	8,295,436	1,056,273	7,000,000	23,351,709
Sales	(17,409)	(912,162)	(19,179,230)	(6,537,336)	-	(26,646,137)
Reclassification	-	9,192,232	-	(231,270)	(6,886,851)	2,074,111
Realized gains and income	(1,333)	880,746	5,075,599	2,734,990	166,240	8,856,242
Unrealized gains (losses)	(11,925)	1,449,666	(891,203)	(5,332,222)	1,077,465	(3,708,219)
Total Level 3 investments	<u>\$ 262,768</u>	<u>\$ 102,734,850</u>	<u>\$ 63,606,719</u>	<u>\$ 17,224,826</u>	<u>\$ 18,890,398</u>	<u>\$ 202,719,561</u>

NOTES TO FINANCIAL STATEMENTS

The major categories of Level 2 and Level 3 investments are summarized as follows at June 30, 2015:

<u>Category</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Long/short hedge funds (a)	86,579,820	-	Quarterly to Annually	30 days to 60 days
Absolute return hedge funds (b)	132,007,097	-	Monthly to Every 3 Years	45 days to 180 days
Private equity funds (c)	63,606,721	5,857,486	n/a	n/a
Real estate and energy funds (d)	17,224,826	2,125,865	n/a	n/a
International equity (e)	25,166,777	-	Semi-monthly to monthly	5 days to 30 days
Liquidating funds (f)	105,935	-	n/a	n/a
	<u>\$ 324,691,177</u>	<u>\$ 7,983,351</u>		

(a) 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 dominate 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, 2015, approximately 10% of the fair values of the investments in this category have an initial one year lock up period which will expire in 2015. The remaining 90% have passed their initial lock up period. However, some of the investments have terms that make full liquidity unavailable at the Foundation's report date.

(b) This category includes a multi-strategy absolute return investments focused on analyzing the probability-adjusted returns of individual securities and assets and capturing the alpha in mispriced assets/securities across conventional and alternative

NOTES TO FINANCIAL STATEMENTS

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. At June 30, 2015, approximately 6% of the fair values of the investments in this category are in an initial lock up period which will expire in 2015. The remaining 94% have passed their initial lock up period. However, some of the investments have terms that make full liquidity unavailable at the Foundation's report date.

(c) 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 are that distributions are received through the liquidation of the underlying assets in the fund. The term for these investments range from 5 to 10 years. As of June 30, 2015, the fair values of the investments in this category have been estimated using the practical expedient provided by the investment manager.

(d) This category includes investment in funds that focus primarily in real estate and energy related infrastructure opportunities. These investments are not redeemable. Instead, the nature of the investments in this category are that distributions are received through the liquidation of the underlying assets in the fund. The term for these investments range from 5 to 10 years. As of June 30, 2015, the fair values of the investments in this category have been estimated using the practical expedient provided by the investment manager.

(e) 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, 2015, all of the investments in the category can be redeemed with no restrictions.

(f) This category consists of two 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, 2015, 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 these funds.

NOTES TO FINANCIAL STATEMENTS

The components of investment return for the years ended June 30, 2015 and 2014 follows:

	2015	2014
Dividends and interest	\$ 931,905	\$ 1,362,233
Net realized gains	12,012,173	15,911,272
Net unrealized appreciation	16,952,411	44,637,790
Investment management fees	(6,571,768)	(6,067,772)
Total investment return	23,324,721	55,843,523
Gross endowment distribution (operating)	(15,129,160)	(13,629,512)
Net investment return (nonoperating)	\$ 8,195,561	\$ 42,214,011

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, 2015 and 2014 with a fair value of \$13,527,349 and \$14,120,202, respectively.

As of June 30, 2015 and 2014 the ending balance for the Permanently Restricted endowment funds had an estimated fair value that was \$162,764 and \$14,132, 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 resources 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.

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, 2015 and 2014 was \$211,164 and \$206,541, 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.

NOTES TO 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, 2015 and 2014:

	2015	2014
Due within 1 year	\$ 12,049,774	\$ 17,496,552
Due 1 to 5 years	20,035,122	23,714,906
Due 5 years and later	3,557,987	1,631,546
	35,642,883	42,843,004
Less allowance for uncollectible pledges	(1,584,662)	(1,904,435)
Less discount to present value	(1,317,654)	(1,355,894)
Total Pledges Receivable	\$ 32,740,567	\$ 39,582,675

Note 5. Building, Property and Equipment

Property and equipment consists of the following as of June 30, 2015 and 2014:

	2015	2014
Marian H. Rochelle Gateway Center	\$ 32,375,526	\$ -
Leasehold Improvements	-	495,152
Furniture and Equipment	3,182,472	904,982
	35,557,998	1,400,134
Less accumulated depreciation	1,299,077	1,071,060
	\$ 34,258,921	\$ 329,074

During the years ended June 30, 2015 and 2014, depreciation expense of \$983,481 and \$101,498 was recognized, respectively.

NOTES TO FINANCIAL STATEMENTS

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 #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 22nd 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
2015	\$ 100,000	\$ 188,309	5.60%	\$ 288,309
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>\$ 3,115,000</u>	<u>\$ 1,870,354</u>		<u>\$ 4,985,354</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 Council 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 line of credit with a bank for up to \$10,000,000. The outstanding balance as of June 30, 2015 was \$8,300,000. The stated interest rate is equal to the prime rate less .25%, which was 3.00% as of June 30, 2015. 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 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:

	2015	2014
Cowboy Joe Club	\$ 860,813	\$ 902,863
UW - State Match	124,692,180	115,069,139
UW - Endowments	82,317,288	80,783,608
Polly Downs Education Trust	317,255	314,438
Remainder Trusts	6,458,913	6,865,458
	\$ 214,646,449	\$ 203,935,506

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 \$30,000 and \$973,909 in 2015 and 2014, 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

NOTES TO FINANCIAL STATEMENTS

assumptions.

The present value of the estimated future payments (\$6,458,913 and \$6,865,458 at June 30, 2015 and 2014, respectively) is calculated using discount rates of 2.0% for 2015 and 2.2% for 2014.

Note 10. Related Party Transactions

The University of Wyoming provides office facilities to the Foundation under \$20 per year lease agreements for the Foundation House and the Annex through 2033 and 2014 respectively. The additional estimated fair rental value, reflected in the financial statements was \$45,702 and \$182,806 for the years ended June 30, 2015 and 2014, respectively. The Foundation has, as of September 30, 2014, moved out of the Foundation House and into the new Marian H. Rochelle Gateway Center.

Note 11. Net Assets

The Board designates Unrestricted Net Assets for the following purposes:

	2015	2014
Marian H. Rochelle Gateway Center	\$ 24,075,526	\$ -
Investment in property and equipment	1,883,395	329,075
Investments from which the income will be used to cover Foundation operating expenses or used for special Foundation projects	20,708,472	16,647,723
Other amounts held for special requests	307,383	310,981
	46,974,776	17,287,779
Reserve for market decline in excess of original gifts and endowments	(162,764)	(14,132)
Total Unrestricted	\$ 46,812,012	\$ 17,273,647

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 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 2015, 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 3%.

NOTES TO FINANCIAL STATEMENTS

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.

Note 14. Marian H. Rochelle Gateway Center

The Marian H. Rochelle Gateway Center completed construction and opened in September 2014. The Marian H. Rochelle Gateway Center is the University of Wyoming's 'front door.' It is a dramatic welcoming center with a state-of-the-art technological infrastructure that was funded entirely through private support. As a result, the Center has emerged as one of the University's most prominent and important capital projects, with significant opportunity to celebrate, welcome, and benefit the internal and external constituents of UW.

As a multi-use location with a state-of-the-art technological infrastructure, small and large meeting rooms, and public and social event spaces, the Marian H. Rochelle Gateway Center will be a place for prospective students and families to enter the University, for gatherings of current students, for alumni to arrive and celebrate the history and traditions of their alma mater, for friends to participate in the University's programs, and for corporations and employers to interview and recruit UW students.

The Center includes museum-quality space to commemorate the history of UW with displays and exhibitions that honor the impact of UW on Wyoming, the renowned alumni and leaders who have supported Wyoming's University, and the noteworthy traditions of the institution.

The Center details include the following:

- The Center is located at the corner of 22nd Street and Grand Avenue and opened in September 2014. The placement of the Center on this site is in keeping with the University's Long Range Development Plan.
- The site location is approximately 2.5 acres and is owned by UW.
- The Center encompasses more than 67,000 square feet.
- Funding is being provided through private gifts, support from the University of Wyoming Foundation's strategic reserve and financing.
- The Center was designed by Cheyenne architects Pappas and Pappas in partnership with the DLR Group, a national architecture firm. The national branding firm Advent

NOTES TO FINANCIAL STATEMENTS

will design the exhibits and museum spaces. The construction manager at risk was Haselden Construction.

- The Center includes office and meeting spaces for the UW Foundation, UW Alumni Association, and portions of the staff from the Center for Advising and Career Services and Admissions.

As of June 30, 2015 the building's final cost was \$32,375,526 plus equipment, furniture and artwork totaling \$2,611,675.

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 years ended June 30, 2015 and 2014, and have issued our report thereon dated November 4, 2015, 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.

Mader Tschacher Peterson + Co, LLC

Laramie, Wyoming
November 4, 2015

UNIVERSITY OF WYOMING FOUNDATION

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

For the Year Ended June 30, 2015

	<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	\$ 902,863	\$ 58,391	\$ (2,111)	\$ (97,315)	\$ (1,015)	\$ 860,813
UW - State Match	115,069,139	16,925,393	(6,116,452)	(1,150,234)	(35,667)	124,692,179
UW - Endowment	<u>80,783,608</u>	<u>4,532,241</u>	<u>(2,172,702)</u>	<u>(825,838)</u>	<u>(20)</u>	<u>82,317,289</u>
	<u>\$ 196,755,610</u>	<u>\$ 21,516,025</u>	<u>\$ (8,291,265)</u>	<u>\$ (2,073,387)</u>	<u>\$ (36,702)</u>	<u>\$ 207,870,281</u>