Dear K-Staters,

Welcome to KSU Foundation’s fiscal year 2016 Annual Report. We are pleased to present you with a summary of a memorable year in the history of KSU Foundation and Kansas State University, and the outstanding results that we have achieved together as K-Staters.

This year had many highlights. Perhaps chief among them was the launch of the $1 billion Innovation and Inspiration Campaign for K-State. Driven by the momentum and excitement of this multi-year fundraising effort, gifts and commitments by alumni, friends, parents, faculty, staff, students and corporate partners of K-State totaled $150.6 million in the fiscal year that ended June 30, 2016.

This level of philanthropic support marks the third most successful year in charitable giving in the more than seven-decade history of the KSU Foundation, and the fifth consecutive year fundraising has topped $100 million.

A closer look at this year’s giving reveals several exciting highlights:

- 55,332 individuals made nearly 80,000 gifts.
- Fifty-one percent of dollars raised came from Kansas State University alumni.
- Twenty-five gifts and commitments were $1 million or more.
- Gift commitments through estate planning, including wills, trusts and annuities, reached an all-time high of $53.9 million.

And that’s just the beginning. In the following pages, you will learn how loyal donors like you made a difference at K-State in FY16 with their philanthropic contributions. From outright gifts to endowed, from supporting students and faculty to facilities and programs, we were proud to partner with you to help leverage your generosity so it could have the greatest impact on campus. This is our impact report back to you, our philanthropic partners.

As always we are grateful and humbled by the generous spirit of every donor who contributes. Your support and investment provides a measure of excellence for K-State to overcome challenges, now and in the future.

We look forward to our continued partnership as we work to advance K-State together.

With K-State Pride,

Rand Berney, Chairman
KSU Foundation Board of Directors

Sharon Evers, Acting Chair
KSU Foundation Board of Trustees

Greg Willems, President and CEO
KSU Foundation
YOUR IMPACT AT A GLANCE

$150.6 million in gifts and commitments in FY16

$72.2 million made available to campus, including $22.8 million from endowment distributions in FY16

$475.6 million market value of the endowment pool, of which $342 million is in permanent endowment as of FY16

$14.5 million in scholarship dollars and other student awards made available to campus in FY16

6,393 donor funds managed as of FY16

$8.5 million in annual gifts (gifts < $10,000) in FY16

$53 million in new planned gifts in FY16 to be realized in the future

$150+ million average fundraising results over the past 5 fiscal years as of FY16

WWW.FOUND.KSU.EDU
Five-year fundraising results

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY12</td>
<td>$110.7M</td>
</tr>
<tr>
<td>FY13</td>
<td>$152M</td>
</tr>
<tr>
<td>FY14</td>
<td>$211M</td>
</tr>
<tr>
<td>FY15</td>
<td>$141.5M</td>
</tr>
<tr>
<td>FY16</td>
<td>$150.6M</td>
</tr>
</tbody>
</table>

How donors designated their gifts

- **Student success**: 29.5%
- **Faculty development**: 3.3%
- **Designation pending**: 0.5%
- **Programmatic support**: 7.6%
- **Facilities enhancement**: 15.3%
- **Excellence funds**: 43.8%

Learn more about excellence funds on page 8.
The KSU Foundation's increasingly diversified portfolio of total assets has led to a $302 million increase in assets over the last five years.

This increase has been driven by a number of factors.

- An investments increase of $130 million from new endowed gifts and market performance of the pool
- Real estate investments growth of $34 million
- Gift pledges growth by $22 million
- A private stock gift donated by a corporation that has grown by $85 million
- Cash gifts growth by $24 million
The KSU Foundation is fortunate to have a large body of trustees who support the university generously and serve as ambassadors in their communities. Trustees elect members of the board of directors, who serve as the foundation’s governing body. Directors meet quarterly to consider strategic and policy issues and also serve on standing committees to provide guidance and oversight to foundation staff.

Janet Ayres
Scottsdale, Arizona

Rand Berney
Round Rock, Texas
Chairman, Board of Directors

Jan Burton
Boulder, Colorado
Secretary, Board of Directors

Charlie Chandler
Wichita, Kansas

David Everitt
Marco Island, Florida

Sharon Evers
St. Joseph, Missouri
Acting Chair, Board of Trustees

Mike Goss
Westport, Connecticut
Treasurer, Board of Directors

Carl Ice
Westlake, Texas

Steve Lacy
Des Moines, Iowa
Vice Chairman, Board of Directors

Charlene Lake
Dallas, Texas

Kelly Lechtenberg
Oakland, Nebraska

Kevin Lockett
Leawood, Kansas

Steve Theede
Houston, Texas

Mary Vanier
Manhattan, Kansas

Dan Yunk
Manhattan, Kansas
Chairman, Board of Directors
K-State Alumni Association

Ex Officio members

John Currie
Director of Athletics
Kansas State University

April Mason
Provost and Senior Vice President
Kansas State University

Gen. Richard Myers (Ret.)
Interim President
Kansas State University

Amy Button Renz
President and CEO
K-State Alumni Association

Greg Willems
President and CEO
KSU Foundation

$475.6 million
market value of the endowment pool,
of which $342 million is in permanent endowment as of June 30, 2016.

3,300
Number of endowed funds
as of June 30, 2016.

Impact for FY16

$11.3M
Scholarships and student support

$7.9M
Research, excellence funds, department support and other

$3.6M
Faculty support

$22.8M TOTAL DISTRIBUTIONS FROM ENDOWMENT

Guiding investment principles

Manage actively: Excess returns can be generated via actively managed portfolios across global public and private asset classes.

Seek value: Allocate capital to assets that are attractively priced and use a long-term investment horizon as a sustainable advantage.

Stay diversified: Appropriate diversification drives long-term risk-adjusted returns and consistent absolute return generation.

Focus on long-term investment horizon: Achieve excess risk-adjusted returns over full-market cycles, not just over quarters and years.
K-State's endowment pool in FY16

By Lois Cox, Vice President of Investments/CIO, KSU Foundation

A diversified, global approach to managing this long term pool of endowed assets is essential to earning the distribution rate, plus inflation, over multiple market cycles. This strategy requires patience in maintaining the strategic asset allocation, management of the downside risk, and manager selection skill in implementation.

While investment returns have been muted over the past couple of years, KSU Foundation continues to outperform a benchmark of passive indices and performed in the top quartile of the endowment universe in fiscal year 2016 as measured by investment consultant, Cambridge Associates. The fiscal year results were driven by strong returns in private investments, offset by weakness in the global equity markets. We anticipate low interest rates and slow global growth to keep investment returns moderately low over the near to medium term.

We continue to carefully consider the impact of spending relative to the ability to sustain and grow the endowment.

For additional information on endowment returns, please visit www.found.ksu.edu/investments.

ENDOWMENT POOL ASSET ALLOCATION

Actual asset allocations as of June 30, 2016

- Growth engine $303M (63.72%)
  - U.S. equities 13%
  - International equities 12%
  - Emerging markets 13%
  - Private capital 17%
  - Long-short equity 7%
  - Distressed debt 1%
- Inflation sensitive $65.2M (13.7%)
- Diversifiers $66.6M (14.01%)
- Deflation hedge $40.7M (8.56%)
- Diversifiers $66.6M (14.01%)

INVESTMENT PERFORMANCE

for period ending June 30, 2016

Annualized returns (%)

- 1-Year: -1.93%
- 3-Year: 5.07%
- 5-Year: 5.03%
- 10-Year: 8.16%
- 5-Year: 4.78%
- 10-Year: 5.44%
Kansas State University Foundation  
Consolidated Statement of Financial Position  
JUNE 30, 2016 AND 2015

<table>
<thead>
<tr>
<th>2016</th>
<th>2015</th>
<th>Net Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$62,138,318</td>
<td>$80,316,007</td>
</tr>
<tr>
<td>Investments</td>
<td>672,381,936</td>
<td>673,967,565</td>
</tr>
<tr>
<td>Pledges receivable — net of allowance and discounts</td>
<td>58,676,189</td>
<td>63,261,091</td>
</tr>
<tr>
<td>Receivables from estates</td>
<td>2,877,582</td>
<td>2,622,338</td>
</tr>
<tr>
<td>Loans receivable</td>
<td>199,843</td>
<td>230,603</td>
</tr>
<tr>
<td>Property and equipment, net of accumulated depreciation; 2016 — $578,850, 2015 — $2,641,915</td>
<td>15,151,853</td>
<td>1,624,345</td>
</tr>
<tr>
<td>Golf Course property and equipment, net of accumulated depreciation; 2016 — $2,863,359, 2015 — $2,317,185</td>
<td>7,683,152</td>
<td>8,043,680</td>
</tr>
<tr>
<td>Cash surrender value of life insurance policies</td>
<td>5,786,009</td>
<td>5,556,658</td>
</tr>
<tr>
<td>Other assets and accrued investment income</td>
<td>9,376,893</td>
<td>8,511,213</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$834,271,775</td>
<td>$844,133,500</td>
<td>$(9,861,725)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2016</th>
<th>2015</th>
<th>Net Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Liabilities and Net Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable, deposits and other liabilities</td>
<td>$4,190,511</td>
<td>$16,097,451</td>
</tr>
<tr>
<td>Accrued liabilities</td>
<td>1,920,231</td>
<td>1,819,800</td>
</tr>
<tr>
<td>Assets held for others</td>
<td>11,515,786</td>
<td>11,383,291</td>
</tr>
<tr>
<td>Unitrust and annuity liabilities</td>
<td>17,860,993</td>
<td>18,459,316</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>19,361,540</td>
<td>19,885,199</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>54,849,061</td>
<td>67,645,057</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2016</th>
<th>2015</th>
<th>Net Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted net assets</td>
<td>68,756,803</td>
<td>85,168,758</td>
</tr>
<tr>
<td>Temporarily restricted net assets</td>
<td>345,784,062</td>
<td>343,751,455</td>
</tr>
<tr>
<td>Permanently restricted net assets</td>
<td>364,881,849</td>
<td>347,568,230</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>779,422,714</td>
<td>776,488,443</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND NET ASSETS</strong></td>
<td>$834,271,775</td>
<td>$844,133,500</td>
</tr>
</tbody>
</table>
Kansas State University Foundation
Consolidated Statement of Activities
For the Year Ended June 30, 2016 and 2015

<table>
<thead>
<tr>
<th>Revenues, Gains and Other Support</th>
<th>2016 Total</th>
<th>2015 Total</th>
<th>Net Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions</td>
<td>$93,310,141</td>
<td>$99,986,355</td>
<td>$(6,676,214)</td>
</tr>
<tr>
<td>Investment Income (losses), net</td>
<td>$(6,218,650)</td>
<td>$(3,737,637)</td>
<td>$(2,481,013)</td>
</tr>
<tr>
<td>Net realized and unrealized gains on investments</td>
<td>22,979,566</td>
<td>2,318,156</td>
<td>20,661,410</td>
</tr>
<tr>
<td><strong>Total revenues, gains and other support</strong></td>
<td>128,297,097</td>
<td>116,505,301</td>
<td>11,791,796</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses and Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct university support</td>
</tr>
<tr>
<td>Scholarships and other student awards</td>
</tr>
<tr>
<td>Academic</td>
</tr>
<tr>
<td>Administrative — faculty and student support</td>
</tr>
<tr>
<td>Capital improvements</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
</tr>
<tr>
<td>Investment — loan interest expense and write-off</td>
</tr>
<tr>
<td>Foundation administration and fundraising expenses</td>
</tr>
<tr>
<td><strong>Total expenses and support</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Change in Net Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Change in Net Assets</strong></td>
</tr>
<tr>
<td><strong>Net Assets, Beginning of Year</strong></td>
</tr>
<tr>
<td><strong>Net Assets, End of Year</strong></td>
</tr>
</tbody>
</table>

The Consolidated Statement of Financial Position and the Consolidated Statement of Activities are excerpted from the Kansas State University Foundation’s 2016 financial statements, which were audited by BKD, LLC. For a complete copy, please view online at [www.found.ksu.edu](http://www.found.ksu.edu) or send a request to the Controller, KSU Foundation, 1800 Kimball Ave. Ste. 200, Manhattan, KS 66502-3373.