

BOLDLY ADVANCING K-STATE FAMILY

KANSAS STATE UNIVERSITY FOUNDATION

DAVID MAYES PHOTOGRAPHY

Dear K-State family,

Since its founding in 1944, the KSU Foundation has raised more than \$2 billion in support of the K-State family. It's safe to say that our great university would not be the same without this transformational generosity.

As K-State's strategic partner for philanthropy, the KSU Foundation works every day to inspire and guide your philanthropy toward university priorities to boldly advance K-State. Fiscal year 2017 included many extraordinary outcomes that were made possible thanks to your generosity.

- We achieved and surpassed our audacious \$1 billion goal for the Innovation and Inspiration Campaign a full year ahead of schedule, and we announced a new goal: \$1.4 billion by 2020.
- Our endowment valuation surpassed \$500 million for the first time in K-State history.
- We broke ground on Phase II of the K-State Office Park, which will attract corporate partners to the area to collaborate and innovate with K-State faculty, staff and students.

As we look to the future, we will continue to pursue exceptional outcomes for our donors, our university and our community. We are proud to be a progressive organization, striving to secure K-State's future.

Thank you for all you do to boldly advance the K-State family.

With pride and gratitude,



Rand C. Berney

Rand Berney, Chairman
KSU Foundation Board of Directors



Sharon Evers

Sharon Evers, Chairperson
KSU Foundation Board of Trustees



G. Willems

Greg Willems, President and CEO
KSU Foundation



\$152.6 million
in gifts and commitments in FY17.



\$83.9 million
made available to campus in FY17.



\$506 million
market value of the endowment pool, of which \$366 million is in permanent endowments as of FY17.



\$18 million
in scholarship dollars and other student awards made available to campus in FY17.

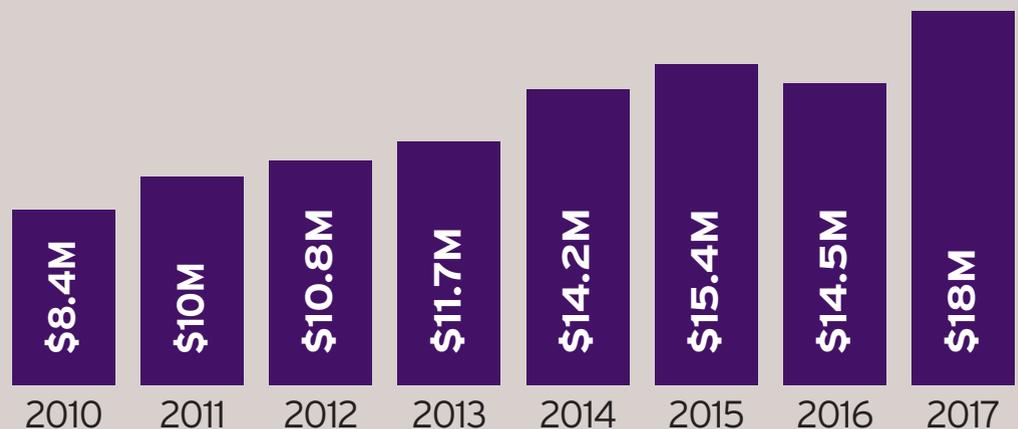


\$57 million
in new planned gifts in FY17 to be realized in the future.

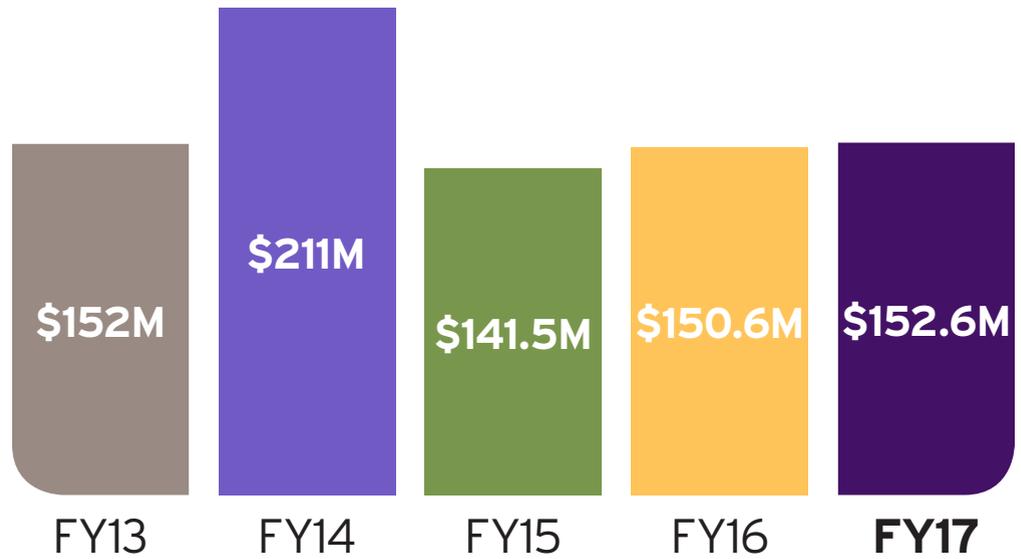
\$2+ billion
has been raised by the KSU Foundation since its founding in 1944.

ADDRESSING AFFORDABILITY

In the last seven years, we have more than doubled the private dollars in scholarship and other student support made available to the university.



Five-year fundraising results



By John Morris, Senior Vice President of Development

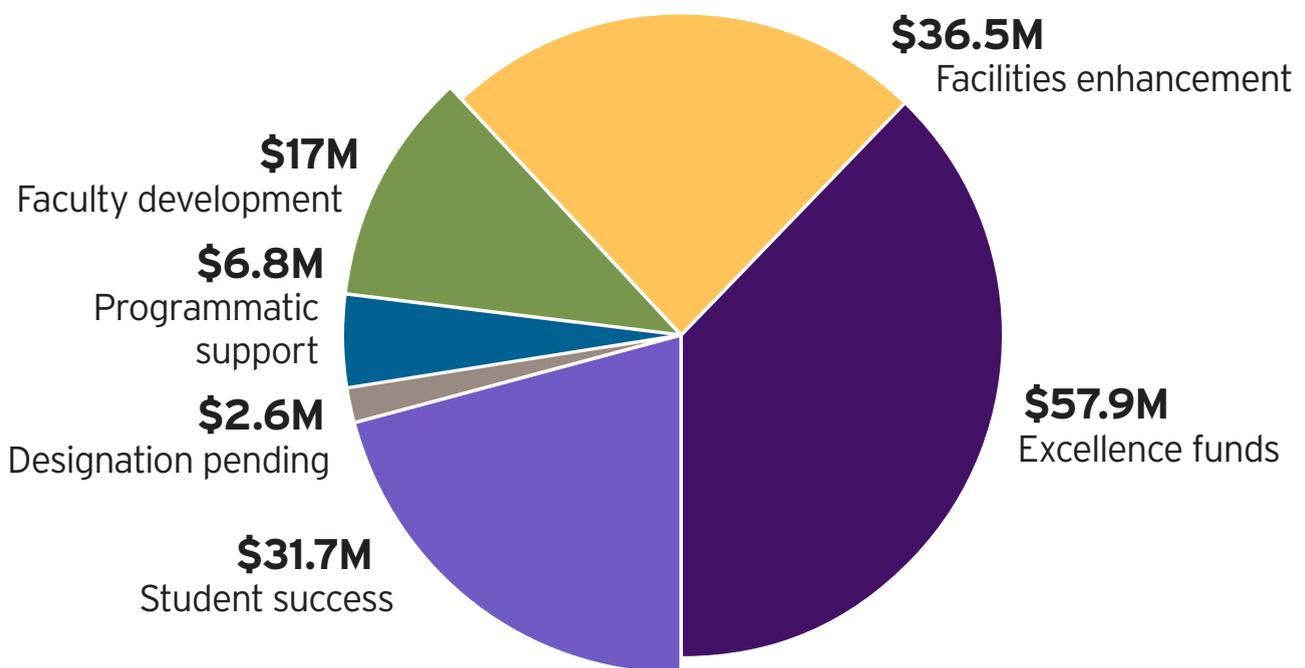
Philanthropic gifts and commitments to K-State given through the KSU Foundation totaled \$152.6 million in fiscal year 2017, making it the second most successful year in K-State history.

Other key philanthropic achievements for the year included:

- Thirty-one gifts and commitments of \$1 million or more, the most \$1-million gifts recorded in one year in KSU Foundation history.

- Gift commitments through estate planning including wills, trusts and annuities, reached an all-time high of \$57 million, up from \$53.9 million in fiscal year 2016.
- \$61.8 million in endowed gifts and commitments, up from \$56.6 million in fiscal year 2016.

How donors designated their gifts in FY17

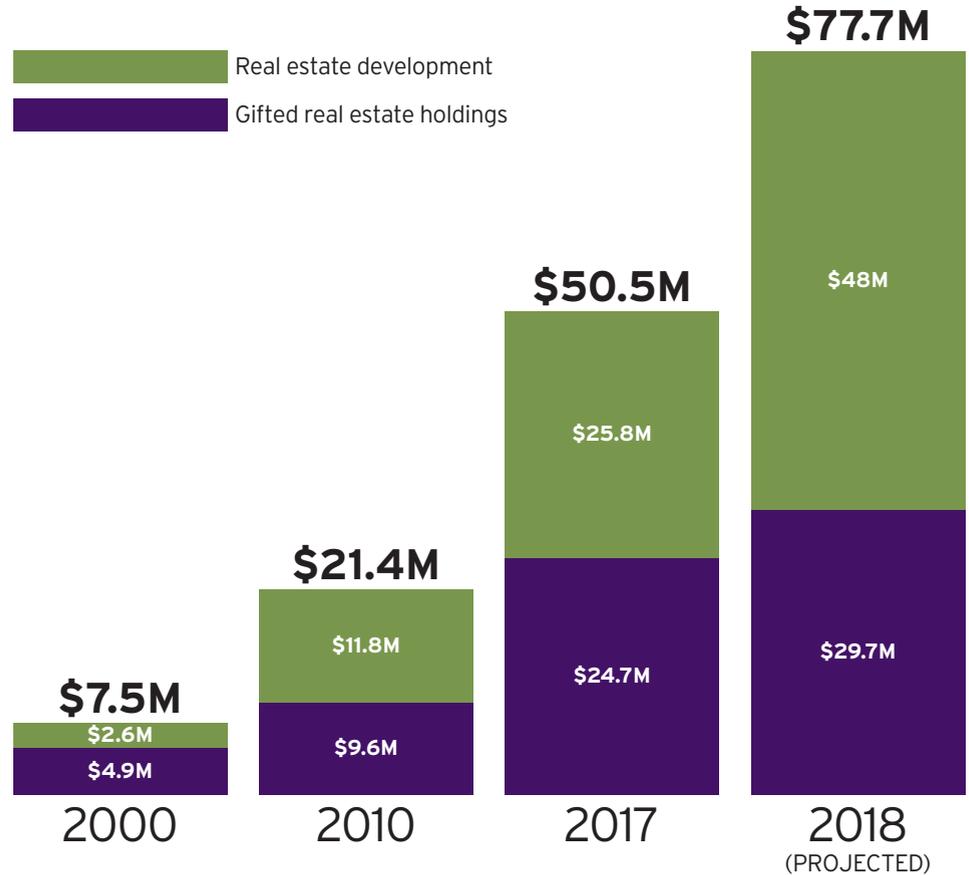


Total real estate holdings strengthening K-State

**By Greg Lohrentz,
Senior Vice President for
Operations and Finance**

In the last 17 years, KSU Foundation has seen growth in total real estate holdings, both in gifted holdings and real estate development projects. This is due to our enhanced focus on the development of real estate projects that strengthen K-State, such as the K-State Research Park and K-State Office Park Phase I, and the modernization of our real estate holding policy, which broadened our ability to hold real estate gifts.

Current and future projects, including the K-State Office Park Phase II, are projected to exceed \$77.7 million by the end of FY18.



KSU FOUNDATION BOARD OF DIRECTORS

As of June 30, 2017

The KSU Foundation is fortunate to have a large body of trustees who generously support the university 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.

Rand Berney
Round Rock, Texas
Chairman, Board of Directors

Jan Burton
Boulder, Colorado
Secretary, Board of Directors

Charlie Chandler
Wichita, Kansas

Dave Everitt
Marco Island, Florida

Sharon Evers
St. Joseph, Missouri
Chairperson, Board of Trustees

Alan Fankhauser
Garden City, Kansas
Chairman, K-State Alumni Association Board of Directors

Mike Goss
Westport, Connecticut
Treasurer, Board of Directors

Damon Hininger
Brentwood, Tennessee

Carl Ice
Westlake, Texas

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

Charlene Lake
Dallas, Texas

Kelly Lechtenberg
Oakland, Nebraska

Tim Taylor
The Woodlands, Texas

Steven Theede
Houston, Texas

Mary Vanier
Manhattan, Kansas

Ex Officio members

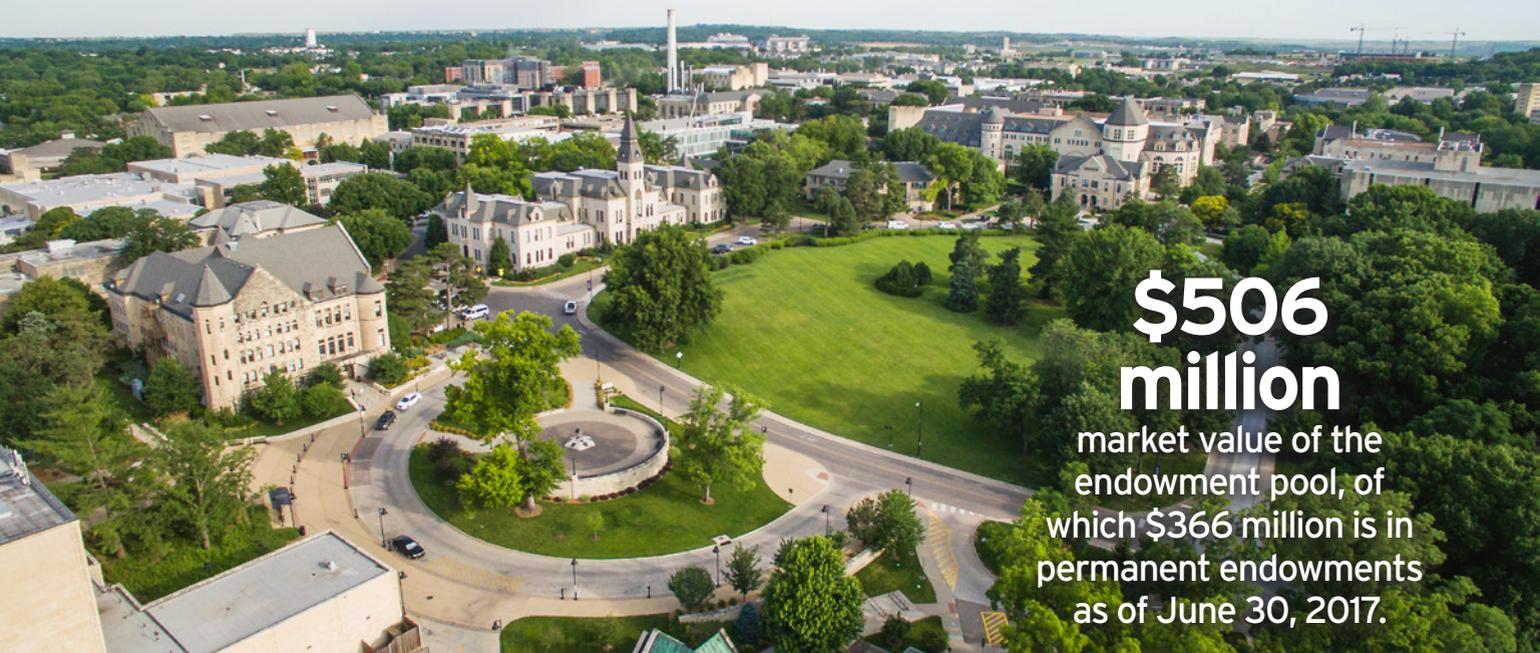
April Mason
Provost and Senior Vice President Kansas State University

Richard B. Myers
President Kansas State University

Amy Button Renz
President and CEO K-State Alumni Association

Gene Taylor
Athletics Director Kansas State University

Greg Willems
President and CEO KSU Foundation

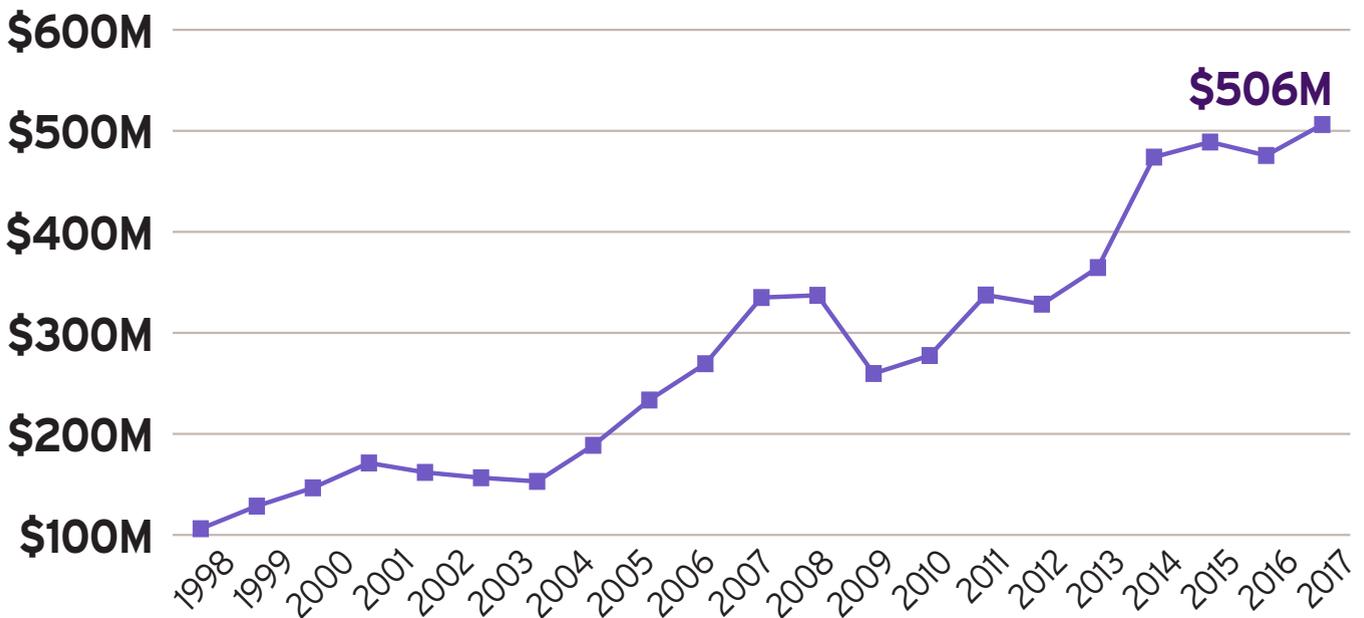


\$506 million

market value of the endowment pool, of which \$366 million is in permanent endowments as of June 30, 2017.

K-STATE DIVISION OF COMMUNICATIONS AND MARKETING

Endowment pool market value



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 time 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 FY17

By Lois Cox, Vice President of Investments/CIO

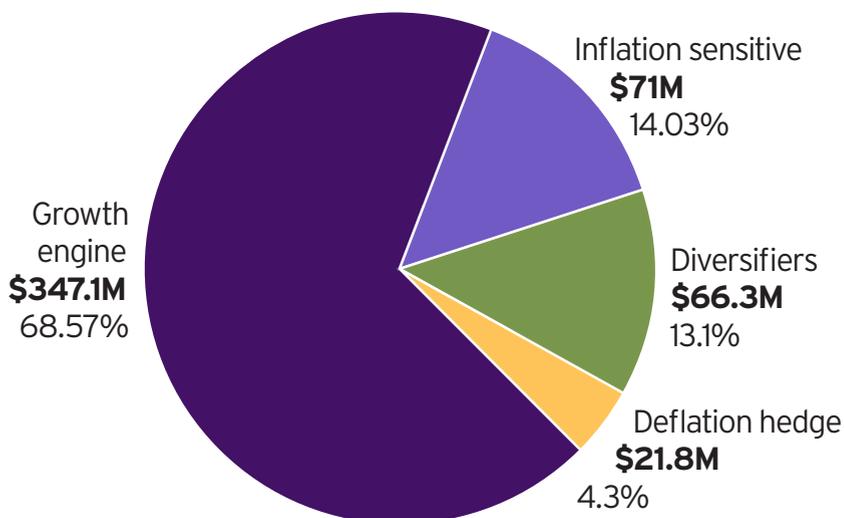
The endowment pool surpassed \$500 million in market value during fiscal year 2017. As a permanent source of income supporting scholarships, endowed faculty chairs and other endowed initiatives, the endowment pool is an important benchmark in measuring progress toward K-State 2025.

The returns produced in fiscal year 2017 were sufficient to cover distributions and expenses and to provide some growth in the pool. Underperformance to the benchmark can be attributed to strategies meant to provide protection in times of market distress. We must continue to be diligent in maintaining a disciplined approach to managing this portfolio in order to meet its long-term objectives.

For quarterly updates on the endowment, please visit ksufoundation.org/investments.

ENDOWMENT POOL ASSET ALLOCATION

for period ending June 30, 2017



The asset allocation employed to achieve the return goal of distributions plus expenses and a factor for growth is reflected in this chart. More than two-thirds of the portfolio is invested in global public and private equities. The remaining strategies provide protection for inflationary environments or have a low correlation to equities and thus provide some protection against a pullback in equities markets. This

mix of strategies will be reviewed in the fall by the Asset Management Committee, a standing committee of the Board of Directors of the KSU Foundation. This tri-annual asset allocation study gives staff and the Asset Management Committee an opportunity to discuss expectations for future market returns and risk on a regular basis. Any shifts in policy as a result of this work will be reported in next year's annual report.

INVESTMENT PERFORMANCE

for period ending June 30, 2017



Kansas State University Foundation Consolidated Statement of Financial Position

JUNE 30, 2017 AND 2016

	2017	2016	Net Change
Assets			
Cash and cash equivalents	\$40,750,425	\$62,138,318	\$(21,387,893)
Investments	736,877,668	672,381,936	64,495,732
Pledges receivable — net of allowance and discounts	52,837,994	58,676,189	(5,838,195)
Receivables from estates	803,500	2,877,582	(2,074,082)
Loans receivable	251,711	199,843	51,868
Property and equipment, net of accumulated depreciation; 2017 — \$1,111,083, 2016 — \$578,850	14,727,869	15,151,853	(423,984)
Golf course property and equipment, net of accumulated depreciation; 2017 — \$3,402,527, 2016 — \$2,863,359	7,950,635	7,683,152	267,483
Cash surrender value of life insurance policies	6,266,590	5,786,009	480,581
Other assets and accrued investment income	7,972,012	9,376,893	(1,404,881)
TOTAL ASSETS	\$868,438,404	\$834,271,775	\$34,166,629
Liabilities and Net Assets			
Liabilities			
Accounts payable, deposits and other liabilities	\$1,847,477	\$4,190,511	\$(2,343,034)
Accrued liabilities	2,622,611	1,920,231	702,380
Assets held for others	12,291,179	11,515,786	775,393
Unitrust and annuity liabilities	19,845,203	17,860,993	1,984,210
Long-term debt	17,904,068	19,361,540	(1,457,472)
TOTAL LIABILITIES	54,510,538	54,849,061	(338,523)
Net Assets			
Unrestricted net assets	78,039,635	68,756,803	9,282,832
Temporarily restricted net assets	354,308,659	345,784,062	8,524,597
Permanently restricted net assets	381,579,572	364,881,849	16,697,723
Total net assets	813,927,866	779,422,714	34,505,152
TOTAL LIABILITIES AND NET ASSETS	\$868,438,404	\$834,271,775	\$34,166,629

Kansas State University Foundation Consolidated Statement of Activities

FOR THE YEAR ENDED JUNE 30, 2017 AND 2016

	2017 Total	2016 Total	Net Change
Revenues, Gains and Other Support			
Contributions	\$82,282,559	\$93,310,141	\$(11,027,582)
Investment income (losses), net	(3,891,544)	(6,218,650)	2,327,106
Net realized and unrealized gains on investments	44,241,901	22,979,566	21,262,335
Other support			
Operational service charges, management fees and other	15,386,603	14,448,080	938,523
Receipts for grants, research, supplies, travel and other university departmental activities and funding allotments, etc.	3,416,462	3,918,067	(501,605)
Actuarial gains (losses) on unitrusts and annuity obligations	54,755	(140,107)	194,862
Total revenues, gains and other support	141,490,736	128,297,097	13,193,639
Expenses and Support			
Direct university support			
Scholarships and other student awards	18,437,592	15,592,757	2,844,835
Academic	13,230,069	25,756,192	(12,526,123)
Administrative — faculty and student support	43,005,731	38,034,648	4,971,083
Capital improvements	13,612,562	27,916,906	(14,304,344)
Subtotal	88,285,954	107,300,503	(19,014,549)
Investment — loan interest expense and write-off	562,458	576,804	(14,346)
Foundation administration and fundraising expenses	18,137,172	17,485,519	651,653
Total expenses and support	106,985,584	125,362,826	(18,377,242)
Change in Net Assets	34,505,152	2,934,271	31,570,881
Net Assets, Beginning of Year	779,422,714	776,488,443	2,934,271
Net Assets, End of Year	\$813,927,866	\$779,422,714	\$34,505,152

The Consolidated Statement of Financial Position and the Consolidated Statement of Activities are excerpted from the Kansas State University Foundation's 2017 financial statements, which were audited by BKD, LLC. For a complete copy, please view online at ksufoundation.org or send a request to the Controller, KSU Foundation, 1800 Kimball Ave. Ste. 200, Manhattan, KS 66502-3373.