WVU FOUNDATION

AUDITED FINANCIAL STATEMENTS & SUPPLEMENTAL INFORMATION

Years Ended June 30, 2017 and 2016
With Reports of Independent Auditors

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DHG
DIXON HUGHES GOODMAN LLP

Independent Auditors' Report

Board of Directors
West Virginia University Foundation, Inc.
Morgantown, West Virginia

We have audited the accompanying financial statements of West Virginia University Foundation, Inc., which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activity and cash flows 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.

Auditors' 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 auditors' 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 West Virginia University Foundation, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Dixon Hughes Goodman LLP

Morgantown, West Virginia
September 26, 2017

West Virginia University Foundation, Inc.
Statements of Financial Position
June 30, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents	**$ 46,053,434**	$ 43,025,501
Contributions receivable, net - Note 2	**49,003,102**	36,553,038
Other receivables, net - Note 2	**4,486,951**	4,544,173
Investments carried at fair value - Note 3	**1,525,875,077**	1,296,210,575
Land, building, and equipment, net - Note 6	**18,610,188**	19,523,098
Beneficial interests in external trusts at fair value	**39,631,174**	40,602,367
Other assets - Note 7	**7,285,797**	6,738,258
Total assets	**$ 1,690,945,723**	$ 1,447,197,010
LIABILITIES AND NET ASSETS		
Liabilities:		
Notes payable, net - Note 11	**$ 27,301,112**	$ 29,288,319
Accounts payable and accrued expenses	**10,503,415**	11,914,007
Accrued retirement benefits and deferred compensation - Note 12	**1,772,770**	3,119,551
Annuities payable and unitrusts	**15,964,148**	15,890,670
Funds held in custody for others - Note 14	**780,467,343**	612,147,300
Total liabilities	**836,008,788**	672,359,847
Net assets:		
Unrestricted	**39,692,310**	38,723,987
Net unrealized losses on donor restricted endowment assets below historical dollar value	**(92,494)**	(6,004,930)
Total unrestricted	**39,599,816**	32,719,057
Temporarily restricted	**316,977,809**	260,083,542
Permanently restricted	**498,359,310**	482,034,564
Total net assets	**854,936,935**	774,837,163
Total liabilities and net assets	**$ 1,690,945,723**	$ 1,447,197,010

See accompanying notes.

West Virginia University Foundation, Inc.
Statements of Activity
Years Ended June 30, 2017 and 2016

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and gains:								
Contributions	**$ 941,227**	**$ 81,285,078**	**$ 17,340,939**	**$ 99,567,244**	$ 4,230,670	$ 32,416,803	$ 19,664,795	$ 56,312,268
Investment earnings:								
Net interest and dividends	**9,906,022**	**4,136,181**	**-**	**14,042,203**	9,502,836	1,305,073	-	10,807,909
Net realized gains	**2,821,337**	**21,233,688**	**-**	**24,055,025**	3,533,633	27,091,439	-	30,625,072
Net unrealized gains (losses)	**1,706,264**	**35,997,623**	**-**	**37,703,887**	(2,629,216)	(36,014,381)	-	(38,643,597)
Net change in donor restricted endowment assets below historical dollar value	**5,912,436**	**(5,912,436)**	**-**	**-**	(4,941,705)	4,941,705	-	-
Investment earnings	**20,346,059**	**55,455,056**	**-**	**75,801,115**	5,465,548	(2,676,164)	-	2,789,384
Lease revenue	**1,975,000**	**-**	**-**	**1,975,000**	1,975,000	-	-	1,975,000
Other revenue	**3,564,022**	**2,430,115**	**-**	**5,994,137**	4,069,042	1,315,336	-	5,384,378
Net assets released from restrictions	**82,431,691**	**(82,431,691)**	**-**	**-**	74,902,178	(74,902,178)	-	-
Total revenues and gains	**109,257,999**	**56,738,558**	**17,340,939**	**183,337,496**	90,642,438	(43,846,203)	19,664,795	66,461,030
Expenses and support:								
University support:								
Scholarships	**19,194,581**	**-**	**-**	**19,194,581**	20,827,987	-	-	20,827,987
Salaries and benefits	**21,871,876**	**-**	**-**	**21,871,876**	19,111,752	-	-	19,111,752
Travel	**2,519,509**	**-**	**-**	**2,519,509**	1,865,480	-	-	1,865,480
Meetings and events	**3,873,164**	**-**	**-**	**3,873,164**	3,918,638	-	-	3,918,638
Professional services	**3,097,637**	**-**	**-**	**3,097,637**	2,263,281	-	-	2,263,281
Capital projects and equipment	**23,069,365**	**-**	**-**	**23,069,365**	16,844,682	-	-	16,844,682
Supplies and materials	**4,750,914**	**-**	**-**	**4,750,914**	3,720,729	-	-	3,720,729
Other support	**7,430,675**	**-**	**-**	**7,430,675**	8,056,515	-	-	8,056,515
Total University support	**85,807,721**	**-**	**-**	**85,807,721**	76,609,064	-	-	76,609,064
Foundation support:								
Fundraising	**8,117,982**	**-**	**-**	**8,117,982**	7,632,609	-	-	7,632,609
Fiduciary	**6,255,023**	**-**	**-**	**6,255,023**	5,696,162	-	-	5,696,162
Total Foundation support	**14,373,005**	**-**	**-**	**14,373,005**	13,328,771	-	-	13,328,771
Interest, depreciation, & other:								
Occupied asset	**98,575**	**-**	**-**	**98,575**	98,575	-	-	98,575
Leased asset	**2,097,939**	**-**	**-**	**2,097,939**	2,217,893	-	-	2,217,893
Total interest and depreciation, & other	**2,196,514**	**-**	**-**	**2,196,514**	2,316,468	-	-	2,316,468
Total expenses before provision and revaluation	**102,377,240**	**-**	**-**	**102,377,240**	92,254,303	-	-	92,254,303
Provision for uncollectible receivables	**-**	**339,045**	**45,000**	**384,045**	-	449,612	102,300	551,912
Net loss on revaluation of external trusts	**-**	**-**	**971,193**	**971,193**	-	-	1,515,997	1,515,997
Net (gain) loss on revaluation of annuities payable and unitrusts	**-**	**(494,754)**	**-**	**(494,754)**	-	963,500	-	963,500
Total expenses and support	**102,377,240**	**(155,709)**	**1,016,193**	**103,237,724**	92,254,303	1,413,112	1,618,297	95,285,712
Change in net assets	**6,880,759**	**56,894,267**	**16,324,746**	**80,099,772**	(1,611,865)	(45,259,315)	18,046,498	(28,824,682)
Net assets at beginning of year	**32,719,057**	**260,083,542**	**482,034,564**	**774,837,163**	34,330,922	305,342,857	463,988,066	803,661,845
Net assets at end of year	**$ 39,599,816**	**$ 316,977,809**	**$ 498,359,310**	**$ 854,936,935**	$ 32,719,057	$ 260,083,542	$ 482,034,564	$ 774,837,163

See accompanying notes.

West Virginia University Foundation, Inc.
Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Reconciliation of change in net assets to net cash used in operating activities:		
Change in net assets	**$ 80,099,772**	$ (28,824,682)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Actuarial (gain) loss on annuities payable	**(494,754)**	963,500
Provision for uncollectible receivables	**384,045**	551,912
Contributions restricted for long-term purposes	**(17,340,939)**	(19,664,795)
Depreciation expense	**1,297,695**	1,284,605
Net realized gains on investments	**(24,055,025)**	(30,625,072)
Net unrealized (gain) loss on investments	**(37,703,887)**	38,643,597
Revaluation of beneficial interest in external trusts	**971,193**	1,515,997
Other non-cash revenue	**(1,000,000)**	(1,000,000)
Changes in:		
Contributions receivable	**(12,834,109)**	5,704,260
Investments held in custody	**(166,327,237)**	5,898,284
Beneficial interest in external trusts	**-**	(1,060,234)
Accounts payable and accrued expenses	**(1,410,592)**	3,030,092
Funds held in custody for others	**168,320,043**	(5,632,618)
Operating assets and liabilities	**(1,268,866)**	(3,816,470)
Net cash used in operating activities	**(11,362,661)**	(33,031,624)
Cash flows from investing activities:		
Purchase of land, building, and equipment	**(384,785)**	(127,144)
Purchase of investments	**(329,404,719)**	(305,673,846)
Proceeds from sales and liquidations of investments	**327,826,366**	319,446,276
Net cash (used in) provided by investing activities	**(1,963,138)**	13,645,286
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term purposes	**17,340,939**	19,664,795
Payments notes payable	**(987,207)**	(955,394)
Net cash provided by financing activities	**16,353,732**	18,709,401
Change in cash and cash equivalents	**3,027,933**	(676,937)
Cash and cash equivalents at beginning of year	**43,025,501**	43,702,438
Cash and cash equivalents at end of year	**$ 46,053,434**	$ 43,025,501
Supplementary information:		
Interest paid	**$ 650,704**	$ 682,516

See accompanying notes.

Notes to Financial Statements

1. Significant Accounting Policies and Other Matters

The West Virginia University Foundation, Inc. (the "Foundation") is a public 501(c)(3) tax-exempt organization incorporated in 1954. The Foundation's primary purpose is to enrich the lives of those touched by West Virginia University (the "University") by maximizing private charitable support and providing services to the University and its affiliated organizations. The Foundation is governed by an independently elected Board of Directors not otherwise affiliated with the University. In carrying out its responsibilities, the Board of Directors of the Foundation employs management, forms policy and maintains fiscal accountability over funds administered by the Foundation.

Basis of accounting

The financial statements presented herein have been prepared in conformity with accounting principles generally accepted in the United States of America. The preparation of these statements requires management to make estimates and develop assumptions that affect the amounts reported in the financial statements and related footnotes. Actual results may differ significantly from management's estimates.

Fair value estimates

Fair value estimates are based on an assessment of the present status and expected future benefits and obligations associated with the respective financial asset or liability. External trusts are valued at the expected rate of return for similarly invested assets, which ranged from 4.08% to 6.1% at June 30, 2017 and 4.88% to 6.47% at June 30, 2016. Split interest agreements are valued at the expected rate of return on the life income portfolio, which ranged from 4.37% to 5.09% at June 30, 2017 and 4.55% to 5.36% at June 30, 2016. Individual contributions receivable are valued at unsecured consumer lending rates ranging from 4.62% to 5.17% at June 30, 2017 and 3.62% to 4.39% at June 30, 2016, based on the anticipated collection date of the receivable. Corporate contributions receivable are valued at the current yield on corporate debt ranging from 1.46% to 2.75% and 0.80% to 2.11% at June 30, 2017 and 2016, respectively, based on the anticipated collection date of the receivable.

Cash and cash equivalents

The Foundation considers highly liquid investments with an original maturity of three months or less, when purchased, to be cash equivalents. From time to time, the balance in certain Foundation deposit accounts at financial institutions may exceed the Federal Deposit Insurance Corporation (FDIC) insurance coverage limit.

Contributions and contributions receivable

Contributions are recorded at estimated fair value and are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is met), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activity as net assets released from restriction.

Unconditional promises to give that are expected to be received within one year are recorded at estimated net realizable value. Unconditional promises to give that are expected to be received in future years are recorded at the present value of their estimated future cash flows. Accretion of discounts is included in the contribution revenue. Conditional promises to give are not included as revenue until the conditions are substantially met.

The Foundation provides an allowance for the potential uncollectible portion of unconditional promises to give. The allowance for uncollectible contributions receivable is based upon management's judgment, including such factors as overall economic conditions, current and historical loss experience, a review of the status of specific pledges and recent collection activity.

Unconditional promises to give from one donor accounted for approximately 24% of the Foundation's net contributions receivable at June 30, 2017 and 34% at June 30, 2016. Management believes that this contribution receivable is fully collectible.

Student loans

The Foundation provides funding for unsecured loans to University students at interest rates determined by the terms of the respective donor gift agreement. These loans require payment of principal and interest once the student has graduated. Balances due to the Foundation are reflected as other receivables on the statements of financial position, net of allowances for doubtful accounts. Allowances are determined based primarily on historical student loan repayment rates. If an account becomes two years past due, it is deemed to be fully uncollectible.

Investments

Investments in fixed income, equity, marketable alternative investments and non-marketable alternative investments are reported at estimated fair value as defined in Note 4. Additional information on investments and valuation methods is included in Notes 3 and 4.

Land, building, and equipment

Land, building and equipment are recorded at cost when purchased, or fair value if acquired by gift. The Foundation's capitalization policy requires purchases of property and equipment in excess of $5,000 to be recorded as a capital asset. Depreciation is calculated over the estimated useful lives of the building and equipment using the straight-line method. Maintenance and repairs of existing facilities are charged to operating expense as incurred. Equipment purchased by departments of the University utilizing Foundation funds is recognized in expense as University support and not included in the Foundation's statements of financial position.

Beneficial interests in external trusts

The Foundation maintains the irrevocable right to receive the income earned on certain trust assets held by third parties. The Foundation records its beneficial interest in a trust at the lesser of the fair value of the underlying investments or the present value of the estimated future receipts from the trust.

Annuities and unitrusts payable

Under the terms of the Foundation annuity and trust agreements, the donors or their designees receive either a predetermined distribution amount or fixed rate return based upon the estimated fair value of the trust. The Foundation records the related assets held in trust at estimated fair value and the liability is recorded at estimated fair value of the present value of future payments.

Funds held in custody for others

The Foundation holds and invests funds for the University and its affiliates under agency agreements. The investments and other funds are reported as assets, while the corresponding liability is reported in funds held in custody for others.

Net assets

The Foundation has classified its net assets and revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions (see Note 9). Below is a summary of those classifications:

> Unrestricted:
>
> Assets and contributions that are not restricted by donors or for which restrictions have expired are unrestricted. Unrestricted net assets also include assets that have been designated by the Foundation's Board of Directors for specific purposes as well as losses on donor-restricted endowments below historical dollar value.

Temporarily Restricted:

Assets and contributions for which the donor has imposed restrictions that permit the Foundation to use or expend the donated assets for specified purposes are temporarily restricted. The restrictions are satisfied either by the passage of time or by actions of the Foundation.

Permanently Restricted:

Assets and contributions for which the donor stipulates that resources be maintained permanently are permanently restricted and these assets are placed in endowment investment accounts. The earnings derived from the original assets are reflected in the statements of activity as unrestricted or temporarily restricted and available for use based on restrictions stipulated by the donor. Spending of the related investment income is governed by the Foundation's spend policy as approved annually by the Board of Directors (see Note 5).

Noncash contributions

The Foundation receives noncash contributions including gifts-in-kind of equipment, property, supplies, materials, collection items, software, real property and contributed services. Gifts that are used, held or sold by the Foundation are recognized for financial reporting purposes as contribution revenue. Gifts that are not used, held or sold by the Foundation are considered an intermediary transaction and not recognized for financial reporting purposes.

The Foundation recognizes noncash contributions used or held at estimated fair value based upon market price assumptions, donor cost, replacement cost, price listings, similar sales or services, published catalogs, vendor invoices, independent appraisals, expert opinions, estimates, averages, approximations or other relevant information. During the years ended June 30, 2017 and 2016, the Foundation recognized noncash contributions of $869,500 and $571,047, respectively, in contribution revenue.

Tax status

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). Accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The Foundation follows the Financial Accounting Standards Board's (FASB) authoritative guidance on accounting for uncertainty in income taxes. Tax positions must meet a recognition threshold of more-likely-than-not in order for the benefit or obligation of those tax positions to be recognized in the financial statements. The Foundation has determined that it does not have any material unrecognized tax benefits or obligations at June 30, 2017 and June 30, 2016.

Recent accounting pronouncements

The following is a summary of recent authoritative pronouncements that could impact the accounting, reporting, and/or disclosure of financial information by the Foundation.

Reclassifications

Certain reclassifications have been made to the June 30, 2016 financial statements to conform to the June 30, 2017 presentation. Such reclassifications did not impact the prior year change in net assets.

Subsequent events

Foundation management evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through September 26, 2017, the day the financial statements were approved for issuance.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-9, *Revenue from Contracts with Customers*, which provides a principles–based standard for recognizing revenue through a five-step process. This standard is effective for the Foundation, for fiscal years ending June 30, 2019 Management is currently evaluating the effects the adoption of this standard will have on the Foundation's financial statements and disclosures. Accordingly, the impact upon adoption of this standard is unknown.

In November 2015, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 23): Restricted Cash*. The ASU requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash and restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flow. The ASU is effective for fiscal years beginning after December 15, 2017. The ASU should be applied retrospectively to all periods presented. The impact upon adoption of this standard is unknown.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments (Topic 825): Recognition and Measurement of Financial Assets and Financial Liabilities*. The ASU is intended to enhance the reporting model for financial instruments to provide users of financial statements with more decision-useful information. The ASU is effective for fiscal years beginning after December 15, 2018, with early adoption permitted as of the beginning of the fiscal year of adoption. Management is currently evaluating the impact the adoption of this ASU will have on the Foundation's financial statements. Upon adoption by the Foundation, management anticipates that the primary impact will be the elimination of certain disclosures related to fair value of financial instruments not measured at fair value on the statement of financial position, which were previously required because the Foundation had more than $100 million in assets.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The amendments in this ASU revise the accounting related to lessee accounting. Under the new guidance, lessees will be required to recognize a lease liability and a right-of-use asset for all leases. The amendments in this ASU are effective for the Foundation beginning on January 1, 2019, with early adoption permitted, and should be applied through a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. Early adoption is permitted. Management has not yet determined what the effects of adopting this ASU will be on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The ASU is intended to simplify and improve how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. The ASU is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. The ASU should be applied retrospectively to all periods presented upon adoption. Upon adoption net assets will be reduced to two classes; with and without donor restriction. Management is currently evaluating the remaining impact the adoption of this ASU will have on the Foundation's financial statements. Accordingly, the overall impact of adoption of the financial statements is unknown at the present time.

2. Receivables

The following table summarizes contributions and other receivables and the related allowances as of June 30:

	2017	2016
Contributions receivable, net:		
Amounts to be received within one year	**$ 19,596,996**	$ 15,650,729
Amounts to be received within two to five years	**30,399,931**	18,341,256
Amounts to be received after five years	**16,816,992**	17,478,668
Contributions receivable before allowances and unamortized discount	**66,813,919**	51,470,653
Specific allowance for uncollectible contributions	**(2,630,314)**	(3,192,305)
General allowance for uncollectible contributions	**(5,668,758)**	(4,613,470)
Unamortized discount	**(9,511,745)**	(7,111,840)
Contributions receivable, net	**$ 49,003,102**	$ 36,553,038
Other receivables, net:		
Student loans, net of allowance of $592,000 and $637,000, respectively	**$ 3,011,046**	$ 3,181,151
Notes, advances, and other	**1,475,905**	1,363,022
Other receivables, net	**$ 4,486,951**	$ 4,544,173

3. Investments

The estimated fair values of investments at June 30 are as follows:

	2017	2016
Money market funds	**$ 30,422,762**	$ 22,640,374
Certificates of deposit	**-**	6,063,517
Separate accounts:		
Domestic equity	**18,301,975**	15,783,707
Domestic fixed income	**1,569,186**	1,274,013
	19,871,161	17,057,720
Exchange traded funds:		
Domestic equity	**482,668,772**	378,505,079
Natural resources	**7,860,978**	7,803,797
Domestic fixed income	**84,854,746**	68,942,917
	575,384,496	455,251,793
Mutual funds:		
Domestic equity	**18,941,615**	9,779,624
International equity	**174,446,250**	159,967,163
Global equity	**53,738,982**	17,904,566
Domestic fixed income closed end	**3,406,497**	7,206,228
Domestic fixed income	**117,088,380**	68,087,263
Natural resources	**31,448,669**	28,246,815
	399,070,393	291,191,659
Other commingled funds:		
Domestic equity	**13,959,564**	11,625,591
International equity	**51,840,532**	55,237,098
Domestic fixed income	**86,167,570**	78,417,753
International fixed income	**5,976,694**	10,858,794
Global fixed income	**22,919,086**	68,019,892
	180,863,446	224,159,128
Hedge funds:		
Hedge fund of funds	**239,213**	1,729,619
International equity	**12,216,200**	10,482,654
	12,455,413	12,212,273
Private investments:		
Private equity	**92,098,750**	91,392,566
Venture capital	**68,670,337**	52,037,027
Distressed debt/mezzanine	**34,237,768**	20,780,200
Natural resources	**77,903,519**	69,808,149
Real estate	**34,897,032**	33,616,169
	307,807,406	267,634,111
Total investments	**$ 1,525,875,077**	$ 1,296,210,575

Interest and dividends on non-agency investments are reported on the statements of activity net of custodial management and investment fees of approximately $2,222,000 and $2,132,000 for the years ended June 30, 2017 and 2016, respectively.

To achieve its investment objectives, management has procedures in place related to initial due diligence, ongoing monitoring and financial reporting of alternative investments. Specific efforts employed by management include ongoing interaction with fund managers, including on-site visits and interviews, telephonic meetings, and ongoing monitoring of portfolio holdings, activities and performance. Monitoring also includes obtaining and reviewing audited financial statements noting the basis of accounting, disclosures pertaining to the valuation of alternative investments and comparison of audited valuation with the fund's valuation. Management also reviews interim financial information, including details of investment holdings, to obtain an understanding of the underlying investments. Management believes the basis and assumptions for determining the estimated fair values of the Foundation's alternative investments are reasonable at June 30, 2017 and 2016.

4. Fair Value of Financial Assets and Liabilities

In May 2015, FASB issued Accounting Standards Update ('ASU") 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*. The ASU removes the requirement to categorize within the fair value hierarchy investments for which fair value is measured using the net asset value per share practical expedient provided by Topic 820, *Fair Value Measurement*, and expanded certain disclosures related to these investments to help users understand the nature and risk of such investments. The ASU is effective for fiscal years beginning after December 15, 2016, with early adoption permitted. Effective with Fiscal Year 2017 and applied retrospectively to Fiscal Year 2016, Foundation management elected to adopt the update early and Note 4 is revised accordingly.

Financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis are valued at the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities, which are recorded at fair value, the Foundation considers the principal or most advantageous market in which the Foundation would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as inherent risk, transfer restrictions, and credit risk.

The Foundation applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

> Level 1 – Observable inputs such as quoted prices in active markets.
>
> Level 2 – Observable similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data.
>
> Level 3 – Inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability.

Level 1 investment categories

The Foundation invests in equity securities, fixed income obligations and cash equivalents that are publicly traded and readily available in the active markets in which the securities are traded. The Foundation either invests directly in these securities or the investment accounts held by the Foundation, which include these securities and have daily quoted active market prices accessible by the Foundation.

Level 2 investment categories

The Foundation invests in certain commingled funds that are not publicly traded in active markets. While the Foundation has access to a detailed listing of the underlying assets of the fund, the majority of which are publicly traded and readily available in active markets, shares of the funds themselves do not have daily quoted active market prices. Investments in these funds are valued per share based on the market prices of the underlying assets. Additionally, the Foundation has the ability to redeem its investment at the value per share within thirty days of the measurement date. The Foundation also holds certificates of deposit. The fair value of the certificates of deposit is determined using third-party quotations.

Level 3 investment categories

These funds do not have a readily determinable fair value and either have the attributes of an investment company or prepare their financial statements consistent with the measurement principles of an investment company. Because of the inherent uncertainty of valuations of Level 3 investments, their estimated values may differ significantly from the values that would have been used had a ready market for these investments existed, and the difference could be material.

The Foundation uses the net asset value (NAV) as a practical expedient to determine the fair value of certain investment funds, which are not classified in the fair value hierarchy. Similar to Level 3 investments, estimated investment values using a NAV may differ significantly from the values that would have been used had a ready market for these investments existed, and the difference could be material. Additional information about these investments is provided in the following paragraphs.

Hedge Funds

The Foundation invested in hedge fund of funds that pursue multiple strategies to diversify risks and reduce volatility. These fund of funds have been redeemed or are now in liquidation. Remaining assets from these redeemed vehicles are illiquid with no definite schedule for distribution. The investments are in assets located both in and outside the United States. Investments in this category, for which there are no readily determinable fair values, are estimated using the NAV provided by the general partner due to the inability for redemption and the lack of market prices.

The Foundation also invests in certain equity strategies, which due to lock-ups, are classified as hedge funds. These investments are estimated using the NAV provided by the hedge fund managers as a practical expedient due to varying levels of determinable fair values and potential inability for redemption. Certain hedge funds may permit partial liquidity upon redemption with the remaining illiquid assets possessing no definite schedule for distribution.

Private Equity and Venture Capital

The Foundation invests in private equity and venture capital funds that are limited partnerships and not publicly traded. These funds have investments in private companies located both in and outside the United States. Investments in this category, for which there are no readily determinable fair values, are estimated using the NAV provided by the general partner due to the inability for redemption and the lack of market prices. Distributions are made from the funds as the fund matures. Redemptions are not permitted during the life of the partnerships. Partnership lives are generally 10 years with an option to extend an additional 2 to 3 years. When assets are sold, the proceeds, less any incentives due to the partnership's general partner, are to be distributed to investors.

Distressed Debt/Mezzanine

The Foundation invests in distressed debt and mezzanine funds that are limited partnerships and not publicly traded. These funds have investments in private companies located both in and outside the United States. Investments in this category, for which there are no readily determinable fair values, are estimated using the NAV provided by the general partner due to the inability for redemption and the lack of market prices. Distributions are made from the funds as the fund matures. Redemptions are not permitted during the life of the partnerships. Partnership lives are generally 10 years with an option to extend an additional 2 to 3 years. When assets are sold, the proceeds, less any incentives due to the partnership's general partner, are to be distributed to investors.

Natural Resources

The Foundation invests in energy, timber, infrastructure and farmland funds that are limited partnerships and not publicly traded. These funds have investments in private natural resource assets located both in and outside the United States. Investments in this category, for which there are no readily determinable fair values, are estimated using the NAV provided by the general partner due to the inability for redemption and the lack of market prices. Distributions are made from the funds as the funds mature. Redemptions are not permitted during the life of the partnerships. Partnership lives range from 10 to 15 years with an option to extend an additional 2 to 3 years. When assets are sold, the proceeds, less any incentives due to the partnership's general partner, are to be distributed to investors.

Real Estate

The Foundation invests in real estate funds that are limited partnerships and not publicly traded. These funds have investments in properties located both in and outside the United States. Investments in this category, for which there are no readily determinable fair values, are estimated using the NAV provided by the general partner due to the inability for redemption and the lack of market prices. Distributions are made from the funds as the fund matures. Redemptions are not permitted during the life of the partnerships. Partnership lives range from 8 to 12 years with an option to extend an additional 2 to 3 years. When assets are sold, the proceeds, less any incentives due to the partnership's general partner, are to be distributed to investors.

Unfunded commitments

The following table summarizes the estimated fair value of the Foundation's non-marketable alternatives that have associated unfunded commitments at June 30, 2017:

	Fair Value	Unfunded Commitments
Private Equity	$ 53,882,585	$ 28,324,860
Natural Resources	45,038,847	19,634,722
Real Estate	22,090,118	22,260,741
Distressed Debt/Mezzanine	17,568,966	10,860,300
Venture Capital	41,083,744	35,718,517
Total	$ 179,664,260	$ 116,799,140

Unfunded commitments are drawn down throughout the life of the investment based on the cash needs of each individual limited partnership. Limited partnerships with unfunded commitments have remaining lives of 4 to 14 years. Management anticipates that distributions from existing non-marketable alternatives will provide the liquidity necessary to satisfy remaining unfunded commitments.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. There were no changes in valuation techniques during the current year.

The following tables present the financial assets and liabilities carried at fair value on a recurring basis, by caption, on the statements of financial position by the valuation hierarchy defined above:

	Fair Value as of June 30, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Investments:				
Money market funds	$ 30,422,762	$ -	$ -	$ 30,422,762
Certificates of deposit	-	-	-	-
Separate accounts:				
Domestic equity	18,301,975	-	-	18,301,975
Domestic fixed income	1,569,186	-	-	1,569,186
	19,871,161	-	-	19,871,161
Exchange traded funds:				
Domestic equity	482,668,772	-	-	482,668,772
Natural resources	7,860,978	-	-	7,860,978
Domestic fixed income	84,854,746	-	-	84,854,746
	575,384,496	-	-	575,384,496
Mutual funds:				
Domestic equity	18,941,615	-	-	18,941,615
International equity	174,446,250	-	-	174,446,250
Global equity	53,738,982	-	-	53,738,982
Domestic Fixed Income Closed End	3,406,497	-	-	3,406,497
Domestic fixed income	117,088,380	-	-	117,088,380
Natural resources	31,448,669	-	-	31,448,669
	399,070,393	-	-	399,070,393
Other commingled funds:				
Domestic equity	-	13,959,564	-	13,959,564
International equity	-	51,840,532	-	51,840,532
Domestic fixed income	-	86,167,570	-	86,167,570
International fixed income	-	5,976,694	-	5,976,694
Global fixed income	-	22,919,086	-	22,919,086
	-	180,863,446	-	180,863,446
*Hedge funds:				
Hedge fund of funds	-	-	-	239,213
International Equity	-	-	-	12,216,200
	-	-	-	12,455,413
*Private investments:				
Private equity	-	-	-	92,098,750
Venture capital	-	-	-	68,670,337
Distressed debt/mezzanine	-	-	-	34,237,768
Natural resources	-	-	-	77,903,519
Real estate	-	-	-	34,897,032
	-	-	-	307,807,406
Total investments	1,024,748,812	180,863,446	-	1,525,875,077
Beneficial interests in external trusts	-	-	39,631,174	39,631,174
Total assets	$1,024,748,812	$ 180,863,446	$ 39,631,174	$1,565,506,251
Liabilities:				
Annuities payable and unitrusts	$ -	$ -	$ (15,964,148)	$ (15,964,148)
Total liabilities	$ -	$ -	$ (15,964,148)	$ (15,964,148)

*In accordance with ASU 2015-07, investments measured using net asset value per share are not classified in the fair value hierarchy. The amounts presented in this table are intended to permit reconciliation of the hierarchy to the statement of financial position.

	Fair Value as of June 30, 2016			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Money market funds	$ 22,640,374	$ -	$ -	$ 22,640,374
Certificates of deposit	-	6,063,517	-	6,063,517
Separate accounts:				
Domestic equity	15,783,707	-	-	15,783,707
Domestic fixed income	1,274,013	-	-	1,274,013
	17,057,720	-	-	17,057,720
Exchange traded funds:				
Domestic equity	378,505,079	-	-	378,505,079
Natural resources	7,803,797	-	-	7,803,797
Domestic fixed income	68,942,917	-	-	68,942,917
	455,251,793	-	-	455,251,793
Mutual funds:				
Domestic equity	9,779,624	-	-	9,779,624
International equity	159,967,163	-	-	159,967,163
Global equity	17,904,566	-	-	17,904,566
Domestic fixed income closed end	7,206,228	-	-	7,206,228
Domestic fixed income	68,087,263	-	-	68,087,263
Natural resources	28,246,815	-	-	28,246,815
	291,191,659	-	-	291,191,659
Other commingled funds:				
Domestic equity	-	11,625,591	-	11,625,591
International equity	-	55,237,098	-	55,237,098
Domestic fixed income	-	78,417,753	-	78,417,753
International fixed income	-	10,858,794	-	10,858,794
Global fixed income	-	68,019,892	-	68,019,892
	-	224,159,128	-	224,159,128
*Hedge funds:				
Hedge fund of funds	-	-	-	1,729,619
International Equity	-	-	-	10,482,654
	-	-	-	12,212,273
*Private investments:				
Private equity	-	-	-	91,392,566
Venture capital	-	-	-	52,037,027
Distressed debt/mezzanine	-	-	-	20,780,200
Natural resources	-	-	-	69,808,149
Real estate	-	-	-	33,616,169
	-	-	-	267,634,111
Total investments	786,141,546	230,222,645	-	1,296,210,575
Beneficial interests in external trusts	-	-	40,602,367	40,602,367
Total assets	$ 786,141,546	$ 230,222,645	$ 40,602,367	$1,336,812,942
Liabilities:				
Annuities payable and unitrusts	$ -	$ -	$ (15,890,670)	$ (15,890,670)
Total liabilities	$ -	$ -	$ (15,890,670)	$ (15,890,670)

*In accordance with ASU 2015-07, investments measured using net asset value per share are not classified in the fair value hierarchy. The amounts presented in this table are intended to permit reconciliation of the hierarchy to the statement of financial position.

The following table illustrates the activity of Level 3 assets and liabilities for the year ended June 30, 2017:

	Beneficial Interest in External Trusts	Annuities and Unitrusts Payable
Balance, July 1, 2016	**$ 40,602,367**	**$ 15,890,670**
Investment losses	**(971,193)**	**-**
Annuity gains	**-**	**(494,754)**
Income	**-**	**2,443,935**
Capital calls/contributions	**-**	**409,105**
Distributions	**-**	**(1,904,534)**
Subscriptions/redemptions	**-**	**(380,274)**
Balance, June 30, 2017	**$ 39,631,174**	**$ 15,964,148**

The following table illustrates the activity of Level 3 assets and liabilities for the year ended June 30, 2016:

	Beneficial Interest in External Trusts	Annuities and Unitrusts Payable
Balance, July 1, 2015	$ 41,058,130	$ 16,451,309
Investment losses	(1,515,997)	-
Annuity losses	-	963,500
Income	-	10,120
Capital calls/contributions	1,060,234	759,866
Distributions	-	(1,964,359)
Subscriptions/redemptions	-	(329,766)
Balance, June 30, 2016	$ 40,602,367	$ 15,890,670

There were no transfers among Level 1, Level 2, or Level 3 assets during the years ended June 30, 2017 and 2016. When transfers occur, they are recognized at the end of the reporting period.

5. Endowment

The Foundation's endowment consists of over 3,000 individual endowment funds established for a variety of purposes. The endowment includes donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Board of Directors of the Foundation, based upon the advice of counsel, has interpreted the Uniform Prudent Management of Institutional Funds Act (the "Act" or "UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with their direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) The investment policies of the Foundation

Return objectives and risk parameters

The Foundation has adopted investment and spending policies for endowment assets that are intended to provide an ongoing stream of funding to programs supported by the endowment. Endowment assets include assets of donor-restricted funds that the organization must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce a high level of total investment return consistent with a prudent level of portfolio risk. As such, the investment objective of the endowment investment assets is to achieve at least a positive return (greater than zero) after deduction for inflation and spending over rolling five-year periods.

Strategies employed for achieving objectives

To satisfy its long-term return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments, including private equities, to achieve its long-term return objectives within prudent risk constraints.

Spending policy and related investment objectives

The Foundation utilizes a "banded inflation" spend policy for the private endowment, which considers the prior year's dollar amount adjusted for inflation (CPI). This calculated spend dollar amount must be between 3.25% and 4.25% of market value at December 31 of the fiscal year. This policy was established in accordance with UPMIFA, which in certain circumstances allows appropriation from an endowment fund when the current fair value may occasionally fall below original gift value. The Foundation also considers the six factors previously listed. Over the long term, the Foundation expects the spend policy to allow its endowment to grow at a rate that meets the needs of inflation, spending and fees.

Included in the endowment totals are research trust funds from the state of West Virginia totaling $38,376,109 and $37,321,280 at June 30, 2017 and 2016, respectively. The spend policy for these funds is based upon distribution of earnings as defined in West Virginia Code for Directed Research Endowments.

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the original gift. Deficiencies of this nature reported in unrestricted net assets were $92,494 and $6,004,930 as of June 30, 2017 and 2016, respectively. These deficiencies resulted primarily from unfavorable market conditions at the time of the original contribution.

The following presents endowment net asset composition by fund type as of June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	**$ -**	**$119,577,605**	**$444,750,350**	**$ 564,327,955**
Fair value of donor restricted endowments below historical dollar value	**(92,494)**	**-**	**-**	**(92,494)**
Board-designated endowment funds	**10,678,664**	**-**	**-**	**10,678,664**
Endowment net assets, end of year	**$ 10,586,170**	**$119,577,605**	**$444,750,350**	**$ 574,914,125**

The following presents changes in endowment net assets for the year ended June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	**$ 4,050,130**	**$ 87,335,768**	**$426,185,764**	**$ 517,571,662**
Investment return:				
Investment income	**226,667**	**11,417,529**	**-**	**11,644,196**
Net appreciation	**996,704**	**55,606,774**	**-**	**56,603,478**
Fair value losses of donor restricted endowments below historical dollar value	**5,912,436**	**(5,912,436)**	**-**	**-**
Manager and administrative fees	**(194,028)**	**(9,834,490)**	**-**	**(10,028,518)**
Total investment return	**6,941,779**	**51,277,377**	**-**	**58,219,156**
Contributions and other changes	**-**	**12,883,995**	**18,564,586**	**31,448,581**
Appropriation of endowment assets for expenditures	**(405,739)**	**(31,919,535)**	**-**	**(32,325,274)**
Endowment net assets, end of year	**$ 10,586,170**	**$119,577,605**	**$444,750,350**	**$ 574,914,125**

The amounts reflected above include only those funds actually received and invested in the Foundation's endowment as of June 30, 2017.

The following presents endowment net asset composition by fund type as of June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ -	$ 87,335,768	$426,185,764	$ 513,521,532
Fair value of donor restricted endowments below historical dollar value	(6,004,930)	-	-	(6,004,930)
Board-designated endowment funds	10,055,060	-	-	10,055,060
Endowment net assets, end of year	$ 4,050,130	$ 87,335,768	$426,185,764	$ 517,571,662

The following presents changes in endowment net assets for the year ended June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 6,972,774	$114,141,677	$411,494,182	$ 532,608,633
Investment return:				
Investment income	158,967	8,794,526	-	8,953,493
Net depreciation	(98,905)	(8,727,740)	-	(8,826,645)
Fair value losses of donor restricted endowments below historical dollar value	(4,941,705)	4,941,705	-	-
Manager and administrative fees	(174,493)	(9,664,300)	-	(9,838,793)
Total investment return	(5,056,136)	(4,655,809)	-	(9,711,945)
Contributions and other changes	2,482,445	-	14,691,582	17,174,027
Appropriation of endowment assets for expenditures	(348,953)	(22,150,100)	-	(22,499,053)
Endowment net assets, end of year	$ 4,050,130	$ 87,335,768	$426,185,764	$ 517,571,662

The amounts reflected above include only those funds actually received and invested in the Foundation's endowment as of June 30, 2016.

6. Land, Building, and Equipment

A summary of land, building, and equipment and accumulated depreciation at June 30 follows:

	2017	2016
Land	**$ 2,610,860**	$ 2,610,860
Building	**30,989,894**	30,928,033
Equipment	**3,828,851**	3,505,927
	37,429,605	37,044,820
Accumulated depreciation	**(18,819,417)**	(17,521,722)
	$ 18,610,188	$ 19,523,098

Depreciation expense for the years ended June 30, 2017 and 2016 was $1,297,695 and $1,284,605, respectively.

The Foundation owns a seven-floor office building located at One Waterfront Place. The Foundation occupies one floor of the building and leases the remainder of the building to the University through an operating lease with the West Virginia University Board of Governors on behalf of the University. The lease runs through May 31, 2031; however, it is cancelable upon 30-days' written notice. The book value of the property leased was $11,164,732 and $12,025,282 as of June 30, 2017 and 2016, respectively. During 2017 and 2016, the Foundation recorded approximately $2,000,000 of lease revenue related to this lease. Future lease payments for each of the five succeeding fiscal years are approximately $2,000,000 each year.

7. Other Assets

Other assets consisted of the following at June 30:

	2017	2016
Cash surrender value of life insurance	$ 3,458,303	$ 4,316,323
Real estate and other assets	3,827,494	2,421,935
	$ 7,285,797	$ 6,738,258

8. Split-Interest Agreements

The Foundation occasionally enters into split-interest agreements with donors, which consist primarily of charitable gift annuities, charitable remainder unitrusts and charitable remainder annuity trusts. These agreements provide either fixed annual payments or fixed annual returns to the original donor or a designated beneficiary. Payment streams are valued at the present value of the expected future obligations after considering the applicable discount rate and actuarial mortality assumptions. Fixed payout percentages range from 4.2% to 18% at June 30, 2017 and at June 30, 2016, respectively.

The Foundation received contributions of $783,373 and $1,379,527 to establish new split-interest agreements for the years ended June 30, 2017 and 2016, respectively. Total assets resulting from split-interest agreements were $31,621,744 and $30,187,930 at June 30, 2017 and 2016, respectively. These assets are included in investments carried at fair value on the statements of financial position.

9. Net Assets

Temporarily restricted net assets are available for the following purposes as of June 30:

	2017	2016
Student aid	$ 67,627,617	$ 54,975,755
Faculty and staff	50,123,441	43,021,002
Academics	68,281,320	62,898,200
Pending donor designation	27,242,830	18,100,237
Research	25,174,927	25,866,108
Buildings and equipment	55,104,339	33,478,678
Departmental discretion	15,711,627	15,669,514
Public service	7,711,708	6,074,048
	$ 316,977,809	$ 260,083,542

Permanently restricted net assets are restricted for the following purposes as of June 30:

	2017	2016
Student aid	**$ 213,707,606**	$ 204,534,407
Faculty and staff	**114,933,426**	114,332,135
Academics	**80,263,366**	75,397,377
Research	**56,850,763**	56,596,827
Departmental discretion	**16,224,752**	15,307,102
Buildings and equipment	**4,169,314**	4,132,331
Public service	**7,767,781**	7,577,608
Other	**4,442,302**	4,156,777
	$ 498,359,310	$ 482,034,564

10. Line of Credit

The Foundation has an unsecured line of credit with a financial institution with maximum borrowing capacity of $10,000,000. As of June 30, 2017 and 2016, there was no amount outstanding on the line. This line of credit bears interest at a variable rate based on the New York Prime rate plus 3.375% with a minimum interest rate of 4.48% and a maximum interest rate of 10%, which is payable on demand. This line of credit renews on an annual basis subject to the financial institution's review of the Foundation's financial statements.

11. Notes Payable

Promissory note

In February 2012, the Foundation entered into a promissory note with the Big Twelve Conference ("Conference") in the amount of $10,000,000. Beginning on June 30, 2016, $5,000,000 of the note (the Payable Amount) is being repaid through private athletic funds on deposit with the Foundation and/or reductions of $1,000,000 per year for five years in future Big Twelve Conference revenues distributable to West Virginia University. On June 30, 2017, the second $1,000,000 repayment was made to the Conference reducing the current total note balance to $8,000,000 and the Payable Amount to $3,000,000. The remaining $5,000,000 (the Forgivable Amount) is to be forgiven on June 30, 2020, if all scheduled payments have been made on the Payable Amount, or on such earlier dates as the Payable Amount is paid in full. However, if there is an event of default under the terms of the note, the Foundation shall become obligated to pay the Forgivable Amount, together with accrued interest thereon from the date of the note. Interest is due on the Payable Amount of $5,000,000 at the Applicable Federal Rate (AFR) in effect each June 30. The Foundation made the required interest payments of $56,400 (1.41% of AFR) and $80,000 (1.6% AFR) for June 30, 2017 and 2016, respectively. Interest on the Forgivable Amount is deferred and is payable only upon event of default.

Mortgage note

In May 2012, the Foundation entered into a $24,000,000 loan agreement with a West Virginia bank. The loan proceeds were used to fund the pay-off of the 2002 Series B bonds used to finance floors 1 - 6 of One Waterfront Place. The loan is payable in monthly installments of $136,492 through May 1, 2032. The payments include principal and interest at the fixed rate of 3.28%. The loan is secured by a credit line deed of trust on One Waterfront Place, an assignment of leases on One Waterfront Place, and a security agreement encumbering the net unrestricted assets of the Foundation. The loan balance as of June 30, 2017 and 2016 was $19,301,112 and $20,288,319, respectively. Interest expense for the years ended June 30, 2017 and 2016 was $650,704 and $682,516, respectively.

Debt service for the note payable for the fiscal years ending June 30 is as follows:

Fiscal Year Ending	Principal	Interest	Total Principal and Interest
2018	$ 1,020,078	$ 617,832	$ 1,637,910
2019	1,054,044	583,866	1,637,910
2020	1,089,141	548,769	1,637,910
2021	1,125,407	512,503	1,637,910
2022	1,162,880	475,030	1,637,910
Thereafter	13,849,562	2,393,043	16,242,605
	$ 19,301,112	$ 5,131,043	$ 24,432,155

Notes payable as of June 30, 2017 and 2016 are summarized as follows:

	2017	2016
Promissory note	**$ 8,000,000**	$ 9,000,000
Mortgage note	**19,301,112**	20,288,319
Total notes payable	**$ 27,301,112**	$ 29,288,319

The carrying amounts of the Foundation's notes payable approximate their fair value at June 30, 2017 and 2016.

12. Retirement Benefits and Deferred Compensation

The Foundation has a contributory retirement plan covering all full time and part time employees. Employer contributions are based on a percentage of salary applied as premiums on regular retirement annuity contracts owned by each employee. Employees are immediately vested. Retirement expense was $875,767 and $780,492 in 2017 and 2016, respectively.

The Foundation has four supplemental retirement or deferred compensation plans covering certain former employees of the University or Foundation that provide for payments upon retirement, death, or disability. The liability associated with these plans was $1,772,770 and $3,119,551 as of June 30, 2017 and 2016, respectively. The liability is recorded at the present value of the estimated future payments. These plans are funded through gifts, life insurance proceeds and other University designated funds. As of June 30, 2017, all participants of the program are fully vested.

13. University Support

University directed fund raising costs of approximately $3,782,170 and $3,305,958 in 2017 and 2016, respectively, are included in University support in the statements of activity.

14. Funds Held in Custody for Others

The Foundation invests funds for West Virginia University and certain organizations affiliated with the University. These investments are held in agency relationships and are not net assets of the Foundation.

A summary of the liability for agency investments as of June 30, 2017 and 2016 follows:

	2017	2016
West Virginia University Hospitals, Inc.	**$ 673,693,589**	$ 515,674,924
West Virginia University	**101,452,162**	91,363,711
WVU Alumni Association, Inc.	**4,964,887**	4,678,193
Blanchette Rockefeller Neurosciences Institute, Inc.	**349,223**	423,481
Other	**7,482**	6,991
	$ 780,467,343	$ 612,147,300

Supplementary Information

DIXON HUGHES GOODMAN LLP

Independent Auditors' Report on Supplementary Information

Board of Directors
West Virginia University Foundation, Inc.
Morgantown, West Virginia

We have audited the financial statements of West Virginia University Foundation, Inc. (the "Foundation") as of and for the years ended June 30, 2017 and 2016, and our report thereon dated September 26, 2017, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The reconciliation of contributions information for the years ended June 30, 2017 and 2016 is presented on page 25 for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management, 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.

Dixon Hughes Goodman LLP

Morgantown, West Virginia
September 26, 2017

The schedule below reconciles Foundation fundraising totals as reported in the Foundation's annual report (not presented herein) with contribution revenue determined in accordance with U.S. GAAP as reported in the accompanying statements of activity.

	Years Ended June 30, 2017	Years Ended June 30, 2016
Contributions:		
Foundation fundraising totals	**$ 139,846,729**	$ 110,506,926
Bequest expectancies	**(23,799,303)**	(33,139,005)
Changes in contributions receivable/valuations	**6,713,402**	(8,111,577)
Noncash contributions received directly by the University	**(12,009,595)**	(6,130,100)
Amounts recorded as agency liability	**(8,807,294)**	(4,360,662)
Contributions from perpetual trusts reclassified to interest income	**(2,175,214)**	(1,811,569)
Changes in life income gifts/valuations	**(28,831)**	(430,100)
Amounts reported as other revenue	**(172,650)**	(211,645)
Contributions per Statements of Activity	**$ 99,567,244**	$ 56,312,268

DHG