AUDITED FINANCIAL STATEMENTS AND
OTHER FINANCIAL INFORMATION

West Virginia University Foundation, Incorporated
Years Ended June 30, 2011 and 2010
With Reports of Independent Auditors

WEST VIRGINIA UNIVERSITY FOUNDATION, INCORPORATED

Audited Financial Statements and
Other Financial Information

Years Ended June 30, 2011 and 2010

Contents

DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

Report of Independent Auditors

The Board of Directors
West Virginia University Foundation, Incorporated

We have audited the accompanying statements of financial position of West Virginia University Foundation, Incorporated ("Foundation") as of June 30, 2011 and 2010, and the related statements of activity and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of West Virginia University Foundation, Incorporated at June 30, 2011 and 2010, and the results of its activities 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

Charleston, West Virginia
November 4, 2011

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West Virginia University Foundation, Incorporated

Statements of Financial Position

	June 30, 2011	June 30, 2010
Assets		
Cash and cash equivalents	**$ 11,401,864**	$ 8,848,059
Contributions receivable, net - Note 2	**41,552,584**	38,908,101
Other receivables, net - Note 2	**4,046,838**	4,616,932
Investments carried at fair value - Note 3	**969,991,314**	762,782,401
Equity investment in limited partnership - Note 6	**3,693,215**	3,923,254
Land, building, and equipment, net - Note 7	**21,076,044**	22,149,875
Beneficial interests in external trusts at fair value	**24,273,504**	26,232,203
Other assets - Note 8	**9,777,871**	13,431,564
Total assets	**$ 1,085,813,234**	$ 880,892,389
Liabilities and Net Assets		
Liabilities		
Bonds payable, net - Note 13	**$ 27,512,125**	$ 28,176,384
Accounts payable and accrued expenses	**3,874,197**	3,870,007
Deferred revenue	**3,148,468**	1,311,628
Accrued retirement benefits and deferred compensation - Note 14	**4,568,142**	5,066,985
Annuities payable	**13,169,005**	11,611,884
Funds held in custody for others - Note 16	**450,972,945**	337,606,678
Total liabilities	**503,244,882**	387,643,566
Net assets		
Unrestricted	**22,008,596**	14,038,589
Net unrealized losses on donor restricted endowment assets below historical dollar value	**(6,302,503)**	(23,665,248)
Total unrestricted net asset (deficiency)	**15,706,093**	(9,626,659)
Temporarily restricted	**216,643,974**	183,971,863
Permanently restricted	**350,218,285**	318,903,619
Total net assets	**582,568,352**	493,248,823
Total liabilities and net assets	**$ 1,085,813,234**	$ 880,892,389

See notes to the financial statements.

West Virginia University Foundation, Incorporated

Statements of Activity

	Year Ended June 30, 2011				Year Ended June 30, 2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and gains (losses)								
Contributions	$ 1,184,352	$ 40,030,511	$ 34,829,961	$ 76,044,824	$ 586,435	$ 38,628,094	$ 27,708,810	$ 66,923,339
Investment earnings (losses)								
Net interest and dividends	7,772,030	489,668	-	8,261,698	6,509,939	(85,513)	-	6,424,426
Net realized gains (losses)	1,983,833	19,274,047	-	21,257,880	754,963	(10,977,717)	-	(10,222,754)
Net unrealized gains	5,406,996	39,855,797	-	45,262,793	4,300,732	38,291,748	-	42,592,480
Net recoveries on donor restricted endowment assets below historical dollar value	17,362,745	(17,362,745)	-	-	15,693,077	(15,693,077)	-	-
Investment earnings	32,525,604	42,256,767	-	74,782,371	27,258,711	11,535,441	-	38,794,152
Lease revenue	1,810,417		-	1,810,417	2,139,583	-	-	2,139,583
Other revenue	2,242,855	596,984	-	2,839,839	1,798,043	791,344	-	2,589,387
Net assets released from restrictions	49,152,839	(49,152,839)	-	-	40,511,465	(40,511,465)	-	-
Total revenues and gains	86,916,067	33,731,423	34,829,961	155,477,451	72,294,237	10,443,414	27,708,810	110,446,461
Expenses and support								
University support								
Scholarships	12,424,205	-	-	12,424,205	12,356,065	-	-	12,356,065
Salaries and benefits	9,364,583	-	-	9,364,583	11,787,753	-	-	11,787,753
Travel	1,142,364	-	-	1,142,364	1,028,102	-	-	1,028,102
Meetings and events	3,234,425	-	-	3,234,425	2,806,719	-	-	2,806,719
Professional services	2,772,953	-	-	2,772,953	1,975,651	-	-	1,975,651
Capital projects and equipment	16,372,428	-	-	16,372,428	7,287,865	-	-	7,287,865
Other support	5,295,405	-	-	5,295,405	3,674,260	-	-	3,674,260
Total University support	50,606,363	-	-	50,606,363	40,916,415	-	-	40,916,415
Foundation support								
Fundraising	4,628,467	-	-	4,628,467	4,285,465	-	-	4,285,465
Fiduciary	3,973,535	-	-	3,973,535	3,724,791	-	-	3,724,791
Total Foundation support	8,602,002	-	-	8,602,002	8,010,256	-	-	8,010,256
Interest and depreciation								
Occupied asset	107,880	-	-	107,880	105,823	-	-	105,823
Leased asset	2,267,070	-	-	2,267,070	2,294,101	-	-	2,294,101
Total interest and depreciation	2,374,950	-	-	2,374,950	2,399,924	-	-	2,399,924
Total expenses before provision and revaluaton	61,583,315	-	-	61,583,315	51,326,595	-	-	51,326,595
Provision for uncollectible contributions	-	473,760	93,264	567,024	-	182,500	134,760	317,260
Revaluation of beneficial interests in external trusts	-	-	3,422,031	3,422,031	-	-	(715,206)	(715,206)
Net loss (gain) on revaluation of annuities payable	-	585,552	-	585,552	-	(5,224)	2,184	(3,040)
Total expenses and support	61,583,315	1,059,312	3,515,295	66,157,922	51,326,595	177,276	(578,262)	50,925,609
Change in net assets	25,332,752	32,672,111	31,314,666	89,319,529	20,967,642	10,266,138	28,287,072	59,520,852
Net (deficit) assets at beginning of year	(9,626,659)	183,971,863	318,903,619	493,248,823	(30,594,301)	173,705,725	290,616,547	433,727,971
Net assets (deficiency) at end of year	$ 15,706,093	$ 216,643,974	$ 350,218,285	$ 582,568,352	$ (9,626,659)	$ 183,971,863	$ 318,903,619	$ 493,248,823

See notes to the financial statements.

West Virginia University Foundation, Incorporated

Statements of Cash Flows

	Years Ended June 30, 2011	2010
Reconciliation of change in net assets to net cash used in operating activities		
Change in net assets	**$ 89,319,529**	$ 59,520,852
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Actuarial loss (gain) on annuities payable	**585,552**	(3,040)
Revaluation of deferred compensation	**(364,050)**	433,000
Amortization of discount on bonds payable	**36,000**	34,000
Provision for uncollectible contributions	**567,024**	317,260
Contributions restricted for long-term investments	**(34,829,961)**	(27,708,810)
Depreciation expense	**1,182,835**	1,199,666
Decrease in equity method investment	**230,039**	166,061
Net realized (gains) losses on investments	**(21,257,880)**	10,222,754
Net unrealized gains on investments	**(45,262,793)**	(42,592,480)
Non-cash expenses	**4,500,000**	-
Revaluation of beneficial interest in external trusts	**3,422,031**	(715,206)
Changes in:		
Increase in contributions receivable	**(3,211,507)**	(4,820,516)
Investments held in custody	**(112,859,776)**	(66,319,266)
Change in beneficial interest in external trusts	**(1,463,332)**	(8,872,806)
Change in accounts payable and accrued expenses	**4,190**	248,884
Funds held in custody for others	**113,366,267**	65,149,452
Changes in operating assets and liabilities	**2,397,403**	2,116,577
Net cash used in operating activities	**(3,638,429)**	(11,623,618)
Cash flows from investing activities		
Purchase of land, building, and equipment	**(109,004)**	(12,883)
Purchases of investments	**(291,175,421)**	(127,740,592)
Proceeds from sales and maturities of investments	**263,346,698**	102,873,946
Net cash used in investing activities	**(27,937,727)**	(24,879,529)
Cash flows from financing activities		
Proceeds from contributions restricted for long-term investment	**34,829,961**	27,708,810
Payments on bonds payable	**(700,000)**	(675,000)
Net cash provided by financing activities	**34,129,961**	27,033,810
Increase (decrease) in cash and cash equivalents	**2,553,805**	(9,469,337)
Cash and cash equivalents at beginning of year	**8,848,059**	18,317,396
Cash and cash equivalents at end of year	**$ 11,401,864**	$ 8,848,059
Supplemental Information		
Non-cash donation of scoreboards	**$ 4,500,000**	$ -
Interest paid	**1,264,490**	1,290,453

See notes to the financial statements.

1. Significant Accounting Policies and Other Matters

The West Virginia University Foundation, Incorporated (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 on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The preparation of those statements require management to make estimates and develop assumptions that affect the amounts reported in the financial statements and related footnotes. Actual results may differ from management's estimates.

Fair Value Option – The Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 825, *The Fair Value Option for Financial Assets and Financial Liabilities* ("FASB ASC 825") permits entities to choose to measure many financial instruments and certain other items at fair value. The Foundation has elected the fair value option with respect to annuities payable.

Fair Value Estimates – The 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. For the year ended June 30, 2011, the Foundation changed certain present value estimation assumptions for valuing contributions receivable, beneficial interests in external trusts, annuities payable, and deferred compensation payable. External trusts and split interest agreements are valued at the expected rate of return on the life income portfolio, which was 5.9% at June 30, 2011. Individual contributions receivable are valued at unsecured consumer lending rates ranging from 3.98% to 5.45%, depending on the length of the receivable. Corporate contributions receivable are valued based on the current yield on corporate debt ranging from .93% to 3.2%, based on the length of the receivable.

In the prior year, the Foundation's present value estimation technique utilized the Applicable Federal Rates ("AFR") corresponding with the respective instrument maturity, plus a general allowance provision on contributions receivable, which provided for a risk premium in the discounting process. The AFR rates as of June 30, 2010 were as follows:

Instrument Maturity	AFR Rate
Less than 3 years	.74%
3 years to less than 9 years	2.72%
9 years and greater	4.30%

The estimated impact of the change in present value estimation technique on net assets for the year ended June 30, 2011 was immaterial.

1. Significant Accounting Policies and Other Matters (Continued)

Cash and Cash Equivalents – The Foundation considers unrestricted 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 may be in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance limit.

Contributions and Contributions Receivable – Contributions are recorded at 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 accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities 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. Amortization of discounts is included in the contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

The Foundation uses the allowance method to determine the uncollectible portion of unconditional promises to give. The allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as overall economic conditions, current and historical loss experience, and recent contribution activity.

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, which are determined based primarily on national student loan repayment rates. When a student loan is deemed uncollectible, it is written off through a charge to the allowance for doubtful accounts.

Investments – Investments in fixed income, equity, marketable alternative investments, and non-marketable alternative investments are reported at fair value as defined in Note 4. Additional information on investments and valuation methods is discussed further in Notes 3 through 5.

1. Significant Accounting Policies and Other Matters (Continued)

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 for departments of the University is recognized as University support and transferred to the University.

Beneficial Interests in External Trusts – The Foundation maintains the irrevocable right to receive the income earned on certain trust assets held in perpetuity 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 Payable – Under the terms of the Foundation's annuity and trust agreements, the donors or their designees receive either a predetermined distribution or a fixed rate return based upon the fair value of the trust. The Foundation records the related assets held in trust at fair value and the liability is recorded at fair value based on the estimated present value of the payments.

Funds Held in Custody for Others – The Foundation invests funds for the University, West Virginia University Research Corporation, West Virginia University Hospital, the West Virginia Board of Risk and Insurance Management, and Blanchette Rockefeller Neurosciences Institute under an agency agreement. The investments and other funds are reported as assets, while an offsetting 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 10). 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.

1. Significant Accounting Policies and Other Matters (Continued)

Permanently Restricted: Assets and contributions for which the donor stipulates that resources be maintained permanently are permanently restricted. These assets are placed in endowment investment accounts, and all or a part of the income derived from the original assets is available for use based on any 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).

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. The guidance clarifies the accounting for the recognition and measurement of the benefits of individual tax positions in the financial statements. Tax positions must meet a recognition threshold of more-likely-than-not in order for the benefit 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, 2011 and June 30, 2010. Fiscal years ending on or after June 30, 2007 remain subject to examination by federal and state tax authorities.

Reclassifications – Certain reclassifications have been made to the June 30, 2010 financial statements to conform to the June 30, 2011 presentation. Such reclassifications were not material and did not impact changes in net assets.

Subsequent Events – Foundation management evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through November 4, 2011, the day the financial statements were approved and available to be issued.

Recently Issued Accounting Standards – The FASB has issued amendments to ASC 820, *Fair Value Measurements,* which are effective for fiscal years beginning after December 15, 2011. The objective of the amendments under subtopic 2011-04 is to achieve common fair value measurement and disclosure requirements in U.S. Generally Accepted Accounting Principles ("GAAP") and International Financial Reporting Standards ("IFRS"). The amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. Additionally, some of the amendments clarify the application of existing fair value measurement requirements, while others change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. Upon adoption, the Foundation will be required to provide revised disclosures regarding fair value measurements and will need to re-assess its fair value measurements to ensure compliance with the provisions of the amendments. The impact, if any, of this amendment on the Foundation's financial statements has not been determined.

2. Receivables

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

	2011	2010
Contributions receivable, net		
Amounts to be received within one year	$ 15,921,662	$14,430,138
Amounts to be received within two to five years	17,668,928	16,018,978
Amounts to be received after five years	14,962,399	17,477,000
Contributions before allowances and unamortized discount	48,552,989	47,926,116
Allowance for uncollectible contributions	(1,250,405)	(2,318,015)
Unamortized discount	(5,750,000)	(6,700,000)
Contributions receivable, net	$ 41,552,584	$ 38,908,101

	2011	2010
Other receivables, net		
Student loans, net	$ 2,706,530	$ 2,642,200
Notes, advances, and other	1,340,308	1,974,732
Other receivables, net	$ 4,046,838	$ 4,616,932

3. Investments

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

	2011	2010
Separate Accounts		
Domestic Equity	$ 11,444,009	$ 19,053,632
Domestic Fixed Income	29,258,726	37,724,288
Annuity Contract	704,455	710,223
	41,407,190	57,488,143
Exchange Traded Funds		
Domestic Equity	117,422,034	17,117,991
International Equity	98,067,338	10,797,328
Domestic Fixed Income	3,989,826	-
Natural Resources	3,426,005	3,159,786
	222,905,203	31,075,105
Mutual Funds		
Domestic Equity	29,418,277	10,052,292
International Equity	7,727,644	6,222,836
Global Equity	37,397,089	28,925,637
Domestic Fixed Income	66,748,518	55,926,941
International Fixed Income	1,047,363	979,818
Equity/Fixed Income Blend	7,147,310	4,027,726
	149,486,201	106,135,250
Other Commingled Funds		
Domestic Equity	49,058,886	44,638,000
Global Equity	23,819,013	21,898,249
Domestic Fixed Income	20,143,759	15,091,961
International Fixed Income	12,279,047	10,716,318
Global Fixed Income	38,854,329	57,011,897
	144,155,034	149,356,425
Hedge Funds		
Direct	15,542,544	13,590,400
Hedge Fund of Funds	63,941,480	109,983,931
	79,484,024	123,574,331
Private Investments		
Private Equity	106,274,951	84,531,450
Venture	35,404,144	24,401,093
Direct	1,505,939	1,776,915
Distressed Debt/Mezzanine	46,329,222	42,749,240
Natural Resources	61,026,079	55,115,142
Real Estate	43,404,605	31,362,611
Other	9,872,322	7,371,031
	303,817,262	247,307,482
Money Market Funds	28,736,400	47,845,665
Total Investments	$ 969,991,314	$762,782,401

Interest and dividends on investments are reported on the Statements of Activity net of custodial management and investment fees of approximately $1,922,000 and $2,015,000 for the years ended June 30, 2011 and 2010, respectively.

3. Investments (Continued)

To achieve its investment objections, 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 the fund manager including on-site visits and interviews, and ongoing monitoring of portfolio holdings, activities, and performance. Monitoring also includes obtaining and reviewing audited financial statements noting the type of opinion, basis of accounting, procedures 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 fair values of the Foundation's alternative investments are reasonably stated at June 30, 2011 and 2010.

Prior year presentation has been changed to conform to the current year presentation by disclosing investments by investment class.

4. Fair Value of Financial Assets and Liabilities

The Foundation applies fair value accounting for all financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. The Foundation defines fair value as 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 required to be 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 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

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.

4. Fair Value of Financial Assets and Liabilities (Continued)

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 have daily quoted active market prices accessible by the Foundation.

Level 2 Investment Categories

The Foundation invests in certain comingled funds that are not publically 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 publically traded and readily available in active markets, shares of the funds themselves do not have daily quoted active market prices. Additionally, certain of these funds contain restrictions regarding liquidation. Investments in these funds are valued per share based on the market prices of the underlying assets.

Level 3 Investment Categories

Domestic Fixed Income

The Level 3 assets in this category include bank loans, non-investment grade bonds, debt and equity investments in privately held entities, and derivative instruments, including certain credit default swap contracts. The fair values of the Level 3 investments in this category are derived by the manager, as follows: Investments in bank loans and non-investment grade bonds are valued at the mid-point of two or more bid and ask indicative quotations obtained from unaffiliated market makers and other financial institutions that regularly trade such securities and from relevant pricing services where the mid-point of the bid-ask spread or range is most representative of fair value in the circumstances. Redemptions are permitted on a quarterly basis.

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 U.S. Investments in this category, for which there are no readily determinable fair values, are classified as Level 3 because the valuations are based on significant unobservable inputs. The fair values of these investments are provided by the general partners based on valuation policies generally provided in partnership agreements. 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, will be distributed to investors.

4. Fair Value of Financial Assets and Liabilities (Continued)

Natural Resources

The Foundation invests in energy and timber funds that are limited partnerships not publicly traded. These funds have investments in private natural resource assets located both in and outside the U.S. Investments in this category, for which there are no readily determinable fair values, are classified as Level 3 because the valuations are based on significant unobservable inputs. The fair values of these investments are provided by the general partners based on valuation policies generally provided in partnership agreements. Distributions are made from the funds as the fund matures. Redemptions are not permitted during the life of the partnerships. Partnership lives range from 10 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, will be distributed to investors.

Real Estate

The Foundation invests in real estate funds that are limited partnerships not publicly traded. These funds have investments in properties located both in and outside the U.S. Investments in this category, for which there are no readily determinable fair values, are classified as Level 3 because the valuations are based on significant unobservable inputs. The fair values of these investments are provided by the general partners based on valuation policies generally provided in partnership agreements. Distributions are made from the funds as the fund matures. Redemptions are not permitted during the life of the partnerships. Partnership lives range from 9 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, will be distributed to investors.

Limited Partnerships

The Foundation invests in mezzanine, distressed, and infrastructure funds that are limited partnerships, and directly in three private companies co-investing alongside the Foundation's limited partnership investments, that are not publicly traded. These funds have investments in assets located both within and outside the U.S. Investments in this category, for which there are no readily determinable fair values, are classified as Level 3 because the valuation is based on significant unobservable inputs. The fair values of these investments are provided by the general partners based on valuation policies generally provided in partnership agreements. Distributions are made from the funds as the fund matures. Redemptions are not permitted during the life of the partnerships. Partnership lives range from 7 to 10 years with an option to extend an additional 2 years. When assets are sold, the proceeds, less any incentives due to the partnership's general partner, will be distributed to investors.

4. Fair Value of Financial Assets and Liabilities (Continued)

Hedge Funds

The Foundation invests in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. These funds have investments in assets located both in and outside the U.S. Investments in this category, for which there are no readily determinable fair values, are classified as Level 3 because the valuations are based on significant unobservable inputs. The fair values of these investments have been estimated using the net asset value per share of the investments as provided by the hedge fund managers. Redemptions are generally permitted after some period of time after initial investment, either on a quarterly, semi-annual, or annual basis, subject to certain restrictions, which include a redemption period of 65-100 days.

Unfunded Commitments

The following table summarizes the Foundation's fair value of non-marketable alternatives that have associated unfunded commitments at June 30, 2011:

	Fair Value	Unfunded Commitments
Private Capital	$ 71,227,745	$ 26,626,329
Natural Resources	37,391,295	6,691,782
Real Estate	23,956,632	6,198,367
Distressed Debt/Mezzanine	28,623,585	9,121,521
Venture	28,740,304	7,702,082
Other	5,136,693	62,888
Total	$ 195,076,254	$ 56,402,969

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 approximately 5 to 7 years. Management anticipates that distributions from existing non-marketable alternatives to provide the liquidity necessary to cover 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.

Prior year presentation has been changed to conform to the current year presentation by disclosing investments by investment class.

West Virginia University Foundation, Incorporated
Notes to Financial Statements (Continued)
Years Ended June 30, 2011 and 2010

4. Fair Value of Financial Assets and Liabilities (Continued)

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

	Fair Value as of June 30, 2011			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Separate Accounts				
Domestic Equity	$ 11,444,009	$ -	$ -	$ 11,444,009
Domestic Fixed Income	-	29,258,726	-	29,258,726
Annuity Contract	-	704,455	-	704,455
	11,444,009	29,963,181	-	41,407,190
Exchange Traded Funds				
Domestic Equity	117,422,034	-	-	117,422,034
International Equity	98,067,338	-	-	98,067,338
Domestic Fixed Income	3,989,826	-	-	3,989,826
Natural Resources	3,426,005	-	-	3,426,005
	222,905,203	-	-	222,905,203
Mutual Funds				
Domestic Equity	29,418,277	-	-	29,418,277
International Equity	6,260,848	1,466,796	-	7,727,644
Global Equity	37,397,089	-	-	37,397,089
Domestic Fixed Income	66,748,518	-	-	66,748,518
International Fixed Income	1,047,363	-	-	1,047,363
Equity/Fixed Income Blend	7,147,310	-	-	7,147,310
	148,019,405	1,466,796	-	149,486,201
Other Commingled Funds				
Domestic Equity	-	49,058,886	-	49,058,886
Global Equity	-	23,819,013	-	23,819,013
Domestic Fixed Income	-	3,896,709	16,247,050	20,143,759
International Fixed Income	-	12,279,047	-	12,279,047
Global Fixed Income	-	38,854,329	-	38,854,329
	-	127,907,984	16,247,050	144,155,034
Hedge Funds				
Direct	-	-	15,542,544	15,542,544
Hedge Fund of Funds	-	-	63,941,480	63,941,480
	-	-	79,484,024	79,484,024
Private Investments				
Private Equity	-	-	106,274,951	106,274,951
Venture	-	-	35,404,144	35,404,144
Direct	-	-	1,505,939	1,505,939
Distressed Debt/Mezz	-	-	46,329,222	46,329,222
Natural Resources	-	-	61,026,079	61,026,079
Real Estate	-	-	43,404,605	43,404,605
Other	-	-	9,872,322	9,872,322
	-	-	303,817,262	303,817,262
Total Investments	382,368,617	159,337,961	399,548,336	941,254,914
Beneficial Interests in External Trusts	-	-	24,273,504	24,273,504
Total Assets	$ 382,368,617	$ 159,337,961	$ 423,821,840	$ 965,528,418
Liabilities:				
Annuities Payable	-	-	(13,169,005)	(13,169,005)
Total Liabilities	$ -	$ -	$ (13,169,005)	$ (13,169,005)

4. Fair Value of Financial Assets and Liabilities (Continued)

	Fair Value as of June 30, 2010			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Separate Accounts				
Domestic Equity	$ 19,053,632	$ -	$ -	$ 19,053,632
Domestic Fixed Income	-	37,724,288	-	37,724,288
Annuity Contract	-	710,223	-	710,223
Subtotal	19,053,632	38,434,511	-	57,488,143
ETFs				
Domestic Equity	17,117,991	-	-	17,117,991
International Equity	10,797,328	-	-	10,797,328
Natural Resources	3,159,786	-	-	3,159,786
Subtotal	31,075,105	-	-	31,075,105
Mutual Funds				
Domestic Equity	10,052,292	-	-	10,052,292
International Equity	5,189,130	1,033,706	-	6,222,836
Global Equity	28,925,637	-	-	28,925,637
Domestic Fixed Income	55,926,941	-	-	55,926,941
International Fixed Income	979,818	-	-	979,818
Equity/Fixed Income Blend	4,027,726	-	-	4,027,726
Subtotal	105,101,544	1,033,706	-	106,135,250
Other Commingled Funds				
Domestic Equity	-	44,638,000	-	44,638,000
Global Equity	-	21,898,249	-	21,898,249
Domestic Fixed Income	-	2,665,832	12,426,129	15,091,961
International Fixed Income	-	10,716,318	-	10,716,318
Global Fixed Income	-	57,011,897	-	57,011,897
Subtotal	-	136,930,296	12,426,129	149,356,425
Hedge Funds				
Direct	-	13,590,400	-	13,590,400
Hedge Fund of Funds	-	-	109,983,931	109,983,931
Subtotal	-	13,590,400	109,983,931	123,574,331
Private Investments				
Private Equity	-	-	84,531,450	84,531,450
Venture	-	-	24,401,093	24,401,093
Direct	-	-	1,776,915	1,776,915
Distressed Debt/Mezz	-	-	42,749,240	42,749,240
Natural Resources	-	-	55,115,142	55,115,142
Real Estate	-	-	31,362,611	31,362,611
Other	-	-	7,371,031	7,371,031
	-	-	247,307,482	247,307,482
Total Investments	155,230,281	189,988,913	369,717,542	714,936,736
Beneficial Interests in External Trusts	-	-	26,232,203	26,232,203
Total Assets	$ 155,230,281	$ 189,988,913	$ 395,949,745	$ 741,168,939
Liabilities:				
Annuities Payable	-	-	(11,611,884)	(11,611,884)
Total Liabilities	$ -	$ -	$ (11,611,884)	$ (11,611,884)

4. Fair Value of Financial Assets and Liabilities (Continued)

During the year ended June 30, 2011, the Foundation transferred direct hedge funds of approximately $13,590,400 from Level 2 to Level 3 due to the particular fund's liquidity characteristics.

The following table illustrates the activity of Level 3 assets from June 30, 2010 to June 30, 2011:

	Balance at July 1, 2010	Net income/ (expense)	Net realized/ unrealized gains/ (losses)	Net contributions (distributions)	Transfers in/out of level 3	Balance at June 30, 2011
Level 3 assets:						
Investments	$ 369,717,542	$ 22,642,945	$ 44,134,684	$ (50,537,235)	$ 13,590,400	$ 399,548,336
Beneficial interest in external trusts	26,232,203	-	(3,422,031)	1,463,332	-	24,273,504
Total level 3 assets	$ 395,949,745	$ 22,642,945	$ 40,712,653	$ (49,073,903)	$ 13,590,400	$ 423,821,840
Level 3 liabilities:						
Annuities payable	$ 11,611,884	$ 2,465,855	$ 585,552	$ (1,494,286)	$ -	$ 13,169,005

The following table illustrates the activity of Level 3 assets from June 30, 2009 to June 30, 2010:

	Balance at July 1, 2009	Net income/ (expense)	Net realized/ unrealized gains/ (losses)	Net contributions (distributions)	Transfers in/out of level 3	Balance at June 30, 2010
Level 3 assets:						
Investments	$ 345,384,465	$ -	$ 50,705,202	$ (26,372,125)	$ -	$ 369,717,542
Beneficial interest in external trusts	16,644,191	-	715,206	8,872,806	-	26,232,203
Total level 3 assets	$ 362,028,656	$ -	$ 51,420,408	$ (17,499,319)	$ -	$ 395,949,745
Level 3 liabilities:						
Annuities payable	$ 10,387,302	$ 1,612,786	$ (3,040)	$ (385,164)	$ -	$ 11,611,884

The Foundation has money market funds of approximately $28,736,400 and $47,845,665 on deposit with various investment managers as of June 30, 2011 and 2010, respectively. Due to their liquid nature, they are not included in this table.

5. Endowment

The Foundation's endowment consists of over 2,000 individual endowment funds established for a variety of purposes. The endowment includes both 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") 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.

5. Endowment (Continued)

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, which considers the prior year spend dollar amount adjusted for inflation (CPI). This calculated spend dollar amount must be between 4% and 5.5% of market value at December 31 of the fiscal year. This policy was established in accordance with UPMIFA and considers the six factors defined earlier within this note. Over the long term, the Foundation expects the spend policy to allow its endowment to grow at a rate in excess of inflation, spending, and fees.

During fiscal year June 30, 2011, the Foundation amended its spend policy, in certain circumstances, to allow appropriation from an endowment fund when the current fair value may occasionally fall below original gift value. In determining whether amounts will be appropriated, the Board considers current market conditions, current needs of the University, and future appreciation of the investments, which would continue the perpetual nature of the endowment over time and ensure its preservation. Prior to fiscal year June 30, 2011, the Foundation spend policy adhered to the predecessor Uniform Management of Institutional Funds Act (UMIFA) which restricted appropriation from funds whose current fair value was below original gift value.

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 approximately $6,303,000 and $23,665,000 as of June 30, 2011 and 2010, respectively. These deficiencies resulted from unfavorable market performance.

The following presents endowment net asset composition by fund type as of June 30, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ -	$ 58,508,097	$ 300,425,717	$ 358,933,814
Fair value of donor restricted endowments below historical dollar value	(6,302,503)	-	-	(6,302,503)
Board-designated endowment funds	11,428,772	-	-	11,428,772
Total funds	$ 5,126,269	$ 58,508,097	$ 300,425,717	$ 364,060,083

5. Endowment (Continued)

The following presents changes in endowment net assets for the year ended June 30, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (14,274,598)	$ 37,691,013	$ 280,922,700	$ 304,339,115
Investment return:				
Investment income	184,835	5,692,895	-	5,877,730
Net appreciation	1,739,176	53,675,105	-	55,414,281
Fair value recoveries of donor restricted endowments below historical dollar value	17,362,745	(17,362,745)	-	-
Manager fees and expenses	(57,724)	(1,779,632)	-	(1,837,356)
Total investment return	19,229,032	40,225,623	-	59,454,655
Foundation service charges	(166,543)	(5,091,694)	-	(5,258,237)
Contributions and other revenue	338,378	1,952,339	19,503,017	21,793,734
Appropriation of endowment assets for expenditures	-	(16,269,184)	-	(16,269,184)
Endowment net assets, end of year	$ 5,126,269	$ 58,508,097	$ 300,425,717	$ 364,060,083

The amounts reflected above include only those funds actually received and invested in the Foundation's endowment as of June 30, 2011.

5. Endowment (Continued)

The following information presents endowment net asset composition by type of fund as of June 30, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ -	$ 37,691,013	$ 280,922,700	$ 318,613,713
Fair value of donor restricted endowments below historical dollar value	(23,665,248)	-	-	(23,665,248)
Board-designated endowment funds	9,390,650	-	-	9,390,650
Total funds	$ (14,274,598)	$ 37,691,013	$ 280,922,700	$ 304,339,115

The following information presents changes in endowment net assets for the year ended June 30, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (30,321,887)	$ 36,506,394	$ 268,326,610	$ 274,511,117
Investment return:				
Investment income	154,040	4,793,222	-	4,947,262
Net appreciation	845,624	25,297,569	-	26,143,193
Fair value of donor restricted endowments below historical dollar value	15,693,077	(15,693,077)	-	-
Manager fees and expenses	(68,412)	(1,946,471)	-	(2,014,883)
Total investment return	16,624,329	12,451,243	-	29,075,572
Foundation service charges	(141,344)	(4,355,757)	-	(4,497,101)
Contributions and other revenue	-	688,769	12,596,090	13,284,859
Appropriation of endowment assets for expenditures	(435,696)	(7,599,636)	-	(8,035,332)
Endowment net assets, end of year	$ (14,274,598)	$ 37,691,013	$ 280,922,700	$ 304,339,115

The amounts reflected above include only those funds actually received and invested in the Foundation’s endowment as of June 30, 2010.

6. Equity Investment in Limited Partnership

The Foundation owns a 39% interest in the Waterfront Place Parking Garage, LLC. The investment is accounted for under the equity method of accounting, whereby the initial investment of $4,854,966 is adjusted for profit or loss.

7. Land, Building, and Equipment

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

	2011	2010
Land	$ 1,610,860	$ 1,610,860
Building	28,804,442	28,804,442
Equipment	3,275,426	3,166,422
	33,690,728	33,581,724
Accumulated Depreciation	(12,614,684)	(11,431,849)
	$ 21,076,044	$ 22,149,875

Depreciation expense for the years ended June 30, 2011 and 2010 was approximately $1,182,835 and $1,199,667, 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 is approximately $17,211,000 and $18,072,000 as of June 30, 2011 and 2010, respectively. During 2011 and 2010, the Foundation recorded approximately $1,810,000 and $2,140,000, respectively, of lease revenue related to this lease.

8. Other Assets

Other assets consisted of the following at June 30:

	2011	2010
Works of art	$ 5,519,447	$ 5,279,972
Scoreboards	-	4,500,000
Cash surrender value of life insurance	2,934,943	2,899,647
Other	1,323,481	751,945
	$ 9,777,871	$ 13,431,564

8. Other Assets (Continued)

The Foundation transferred ownership of two scoreboards with a value of approximately $9,500,000 to the University during the year ended June 30, 2011. This donation is included in capital projects and equipment within university support on the Statements of Activity.

Subsequent to year end, the Foundation transferred the ownership of all works of art included in other assets above to the University. The Foundation recorded the donation as university support in October 2011.

9. Split-Interest Agreements

From time to time, the Foundation enters into split-interest agreements with donors, which consists 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 factoring in the applicable discount rate and actuarial mortality tables. Fixed payout percentages range from 5% to 10%.

The Foundation received contributions of approximately $988,000 and $1,928,000 to establish new split-interest agreements for the years ended June 30, 2011 and 2010 respectively. Total assets resulting from split-interest agreements were approximately $25,431,000 and $22,765,000 at June 30, 2011 and 2010, respectively. These assets are included in investments carried at fair value on the Statements of Financial Position.

10. Net Assets

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

	2011	2010
Student aid	$ 45,827,346	$ 30,128,034
Faculty and staff	36,258,930	25,030,700
Academics	35,882,797	30,535,283
Pending donor designation	26,151,970	28,518,993
Research	25,221,172	25,147,041
Buildings and equipment	20,932,120	17,357,449
Departmental discretion	16,672,091	19,785,222
Public service	5,122,030	4,627,915
Other	4,575,518	2,841,226
	$ 216,643,974	$ 183,971,863

10. Net Assets (Continued)

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

	2011	2010
Student aid	$ 149,147,297	$ 134,760,090
Faculty and staff	90,401,142	81,686,495
Academics	61,133,062	59,828,303
Research	25,159,242	19,147,093
Departmental discretion	12,818,556	13,256,224
Buildings and equipment	2,538,374	2,631,342
Public service	5,293,402	3,990,295
Other	3,727,210	3,603,777
	$ 350,218,285	$ 318,903,619

11. Lines of Credit

The Foundation has agreements with two different financial institutions for two unsecured lines of credit with maximum borrowings of $10,000,000 each, for a total of $20,000,000. As of June 30, 2011, there were no outstanding balances on either line. The first line of credit bears interest at a variable rate based on the one month LIBOR plus 150 basis points adjusted monthly with a minimum interest rate of 2.914% and a maximum interest rate of 5.66%. That line matures in December 2011. The second 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%. Any balance on that line is payable on demand. Both lines are subject to annual renewal.

12. Fair Value of Financial Instruments

The carrying amounts of the Foundation's financial instruments, excluding long-term obligations, approximate their fair values. The Foundation's long-term obligations are recorded at amortized cost. They have inseparable third-party credit enhancements. The fair value below, which has been estimated using pricing models that utilize available market information, excludes the effect of the inseparable third-party credit enhancement.

	June 30, 2011	
	Fair Value	Carrying Value
Long-term obligations	$ 27,479,105	$ 27,512,125

13. Long Term Debt

On March 14, 2002, the West Virginia Economic Development Authority (the "Authority") issued $3,000,000 of Series A 2002 Bonds and $30,310,000 of Series B 2002 Bonds on behalf of the Foundation to finance the cost of the acquisition, construction, equipping, and furnishing of One Waterfront Place. Lease payments received approximate the annual debt service on the Series B Bonds.

The Series A Bonds are secured by a promissory note from the Foundation to the Authority and, as such, are an obligation of the Foundation. The Foundation has entered into a Standby Bond Purchase Agreement ("Agreement") with PNC Bank to provide a liquidity facility. The Agreement has been extended through March 2, 2012. The Series A Bonds are rated A+/A1 by Standard & Poor's and As3/VMIG-1 by Moody's Investors Service.

The Series A Bonds were issued as variable-rate bonds. The interest rate is determined by the Remarketing Agent (PNC Bank) weekly. From July 1, 2010 through June 30, 2011, the actual interest rate ranged from .20% to .40% per annum with an average interest rate of .31%. The Series A Bonds will mature on July 1, 2017.

The Series B Bonds are secured by a promissory note from the Foundation to the Authority. The sole source of revenues available to the Foundation to meet its obligations is lease payments received from the State on behalf of the University. Neither general funds nor future contributions to be received by the Foundation were pledged to the payment of the Series B Bonds. The Series B Bonds were priced so that the annual debt service for principal and interest approximates the annual lease payments to be received from the State. The Series B Bonds are further secured through a financial guaranty insurance policy issued by Ambac Assurance. The Series B Bonds are rated AAA by Standard & Poor's and Aaa by Moody's Investors Services. The Series B Bonds are recorded net of discounts totaling $1,100,000 at issuance that are being amortized over the life of the Series B Bonds using the effective-interest method. The unamortized discount approximated $798,000 and $834,000 at June 30, 2011 and 2010, respectively.

13. Long Term Debt (Continued)

The Series A and B 2002 Bonds were issued by the Authority on behalf of the Foundation with maturities as detailed below:

Maturing in July	Coupon	Principal
Series B serial bonds		
2012	4.15%	$ 730,000
2013	4.25%	760,000
2014	4.40%	790,000
2015	4.50%	825,000
2016	4.60%	865,000
		$ 3,970,000
Series B term bonds		
2019	5.00%	$ 3,885,000
2022	5.00%	3,455,000
2031	5.00%	14,000,000
Total term bonds		21,340,000
Total series B bonds		25,310,000
Series A bonds maturing 2017		3,000,000
Total bonds outstanding		28,310,000
Unamortized discount		798,000
Net		$ 27,512,000

Debt service for the Series A 2002 and Series B 2002 bonds for the fiscal years ending June 30 follows:

Fiscal Year Ending	Principal	Interest	Total Principal and Interest
2012	$ 730,000	$ 1,241,000	$ 1,971,000
2013	760,000	1,211,000	1,971,000
2014	790,000	1,179,000	1,969,000
2015	825,000	1,144,000	1,969,000
2016	865,000	1,107,000	1,972,000
Thereafter	24,340,000	10,166,000	34,506,000
	$28,310,000	$16,048,000	$ 44,358,000

As of June 30, 2011, approximately $1,194,000 was held by the Trustee for scheduled principal and interest payments on the outstanding bonds. This amount is included in the cash and cash equivalents on the Statements of Financial Position.

13. Long Term Debt (Continued)

Interest costs for the years ended June 30, 2011 and 2010 were approximately $1,286,000 and $1,311,000, respectively, and are included within total interest and depreciation on the Statements of Activity.

14. Retirement Benefits and Deferred Compensation

The Foundation has a contributory retirement plan covering its full-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 fully vested after two years. Retirement expense approximated $476,000 and $442,000 in 2011 and 2010, respectively.

The Foundation has six supplemental retirement or deferred compensation plans covering certain current and former employees of the University or Foundation that provide for payments upon retirement, death, or disability. The liability associated with these plans was approximately $4,568,000 and $5,067,000 as of June 30, 2011 and 2010, respectively. The liability is recorded at the present value of the estimated future payments. These plans are funded through gifts, life insurance proceeds, and Foundation operations. As of June 30, 2011, all participants of the program had vested and are included in the deferred compensation liability amounts on the Statements of Financial Position.

15. University Support

University directed fund raising costs of approximately $2,649,180 and $2,331,861 in 2011 and 2010, respectively, are included in University support in the Statements of Activity.

16. Agency Transactions

The Foundation invests funds for West Virginia University and certain organizations affiliated with the University. These investments are held in an agency relationship; therefore, assets and liabilities are always equal and no net assets are reported. A summary of the outstanding investments as of June 30, 2011 and 2010 follows:

	2011	2010
West Virginia University Hospitals, Inc.	$ 382,099,500	$268,049,826
West Virginia University	60,631,529	60,962,582
WVU Alumni Association, Inc.	4,055,676	3,621,447
Blanchette Rockefeller Neurosciences Institute, Inc.	4,061,220	4,968,823
Other	125,020	4,000
	$ 450,972,945	$337,606,678

OTHER FINANCIAL INFORMATION

DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

Independent Auditors' Report on Other Financial Information

The Board of Directors
West Virginia University Foundation, Incorporated

We have audited the financial statements of the West Virginia University Foundation, Incorporated ("Foundation") as of and for the years ended June 30, 2011 and 2010, and our report thereon dated November 4, 2011, which expressed an unqualified opinion on those financial statements, appears on page 1. Our audit was performed 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, 2011 and 2010 is presented on page 30 for 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.

Dixon Hughes Goodman LLP

Charleston, West Virginia
November 4, 2011

West Virginia University Foundation, Incorporated

Reconciliation of Contributions

The schedule below reconciles contributions as reported from Foundation fundraising activities with contribution revenue determined in accordance with GAAP as reported in the accompanying Statements of Activity.

	Years Ended June 30	
	2011	2010
Contributions		
Contributions recognized as gifts by the Foundation	**$ 96,292,912**	$ 80,001,000
In-kind gifts received directly by the University	**(15,224,135)**	(14,299,000)
Amounts reported as other (revenue) expense	**(1,556,030)**	1,656,000
Net impact of adjustments to contributions receivable	**2,644,484**	5,271,000
Life income gifts reclassified to annuities payable	**(558,695)**	(1,927,000)
Contributions from perpetual trusts reclassified to interest income	**(1,525,033)**	(1,061,000)
Life income gifts released from annuities payable due to termination of trust	**114,430**	558,000
Contributions recorded as agency liability	**(4,143,109)**	(3,275,661)
Contributions per statements of activity	**$ 76,044,824**	$ 66,923,339