



AUDITED FINANCIAL STATEMENTS & SUPPLEMENTAL INFORMATION

**YEARS ENDED JUNE 30, 2020 AND 2019
WITH REPORTS OF INDEPENDENT AUDITORS**

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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, 2020 and 2019, and the related statements of activities, cash flows and functional expense 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, 2020 and 2019, 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

**Charleston, West Virginia
September 30, 2020**

West Virginia University Foundation, Inc.
Statements of Financial Position
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 72,922,749	\$ 63,308,284
Contributions receivable, net - Note 3	49,549,363	51,222,448
Other receivables, net - Note 3	3,852,135	4,391,654
Investments carried at fair value - Note 4	1,761,028,071	1,643,442,484
Land, building, and equipment, net - Note 7	15,715,207	16,782,420
Beneficial interests in external trusts at fair value	42,945,675	40,343,008
Other assets - Note 8	6,151,591	6,268,452
	<u>6,151,591</u>	<u>6,268,452</u>
Total assets	<u>\$ 1,952,164,791</u>	<u>\$ 1,825,758,750</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Notes payable - Note 12	\$ 16,137,849	\$ 22,226,990
Accounts payable and accrued expenses	7,478,226	6,968,262
Accrued retirement benefits and deferred compensation - Note 13	1,588,152	1,966,875
Annuities payable and unitrusts	14,565,133	14,977,061
Funds held in custody for others - Note 15	959,779,078	858,127,604
	<u>959,779,078</u>	<u>858,127,604</u>
Total liabilities	999,548,438	904,266,792
Net assets:		
Without donor restrictions	52,075,555	44,148,578
With donor restrictions		
Non-endowed	201,164,527	172,476,666
Endowed	699,376,271	704,866,714
	<u>699,376,271</u>	<u>704,866,714</u>
Total with donor restrictions	900,540,798	877,343,380
	<u>900,540,798</u>	<u>877,343,380</u>
Total net assets	952,616,353	921,491,958
	<u>952,616,353</u>	<u>921,491,958</u>
Total liabilities and net assets	<u>\$ 1,952,164,791</u>	<u>\$ 1,825,758,750</u>
	<u>\$ 1,952,164,791</u>	<u>\$ 1,825,758,750</u>

West Virginia University Foundation, Inc.
Statements of Activities
Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and gains:						
Contributions	\$ 1,209,909	\$ 101,754,945	\$ 102,964,854	\$ 827,289	\$ 78,463,123	\$ 79,290,412
Investment earnings:						
Net interest and dividends	11,367,002	(422,204)	10,944,798	11,523,932	2,948,234	14,472,166
Net realized gains	2,961,045	19,456,531	22,417,576	1,564,720	23,006,770	24,571,490
Net unrealized gains (losses)	7,591,027	13,718,236	21,309,263	4,261,784	(650,548)	3,611,236
Investment earnings	21,919,074	32,752,563	54,671,637	17,350,436	25,304,456	42,654,892
Lease revenue	1,975,000	-	1,975,000	1,975,000	-	1,975,000
Other revenue	3,880,109	12,053,036	15,933,145	3,776,003	16,841,979	20,617,982
Net assets released from restrictions	72,843,623	(72,843,623)	-	82,034,874	(82,034,874)	-
Total revenues and gains	101,827,715	73,716,921	175,544,636	105,963,602	38,574,684	144,538,286
Expenses and support:						
University support:						
Scholarships	14,797,177	-	14,797,177	17,075,807	-	17,075,807
Salaries and benefits	26,079,826	-	26,079,826	24,584,656	-	24,584,656
Travel	1,691,126	-	1,691,126	2,369,304	-	2,369,304
Meetings and events	3,175,129	-	3,175,129	4,555,877	-	4,555,877
Professional services	3,885,080	-	3,885,080	3,900,077	-	3,900,077
Capital projects and equipment	16,034,912	-	16,034,912	20,754,340	-	20,754,340
Supplies and materials	4,392,718	-	4,392,718	3,453,019	-	3,453,019
Other support	4,672,571	-	4,672,571	8,002,462	-	8,002,462
Total University support	74,728,539	-	74,728,539	84,695,542	-	84,695,542
Foundation support:						
Fundraising	11,490,257	-	11,490,257	10,802,282	-	10,802,282
Fiduciary	5,501,929	-	5,501,929	5,419,792	-	5,419,792
Total Foundation support	16,992,186	-	16,992,186	16,222,074	-	16,222,074
Total University and Foundation Support	91,720,725	-	91,720,725	100,917,616	-	100,917,616
Interest, depreciation, and other	2,180,013	-	2,180,013	2,078,034	-	2,078,034
Total expenses before provision and revaluation	93,900,738	-	93,900,738	102,995,650	-	102,995,650
Provision for uncollectible receivables	-	11,232,927	11,232,927	-	2,931,944	2,931,944
Net gain on revaluation of external trusts	-	(2,708,848)	(2,708,848)	-	(1,701,892)	(1,701,892)
Net loss on revaluation of annuities payable and unitrusts	-	192,128	192,128	-	143,537	143,537
Total expenses and support, before reclassification	93,900,738	8,716,207	102,616,945	102,995,650	1,373,589	104,369,239
Research trust funds transferred to agency account	-	41,803,296	41,803,296	-	-	-
Total expenses, support and transfers	93,900,738	50,519,503	144,420,241	102,995,650	1,373,589	104,369,239
Change in net assets	7,926,977	23,197,418	31,124,395	2,967,952	37,201,095	40,169,047
Net assets at beginning of year	44,148,578	877,343,380	921,491,958	41,180,626	840,142,285	881,322,911
Net assets at end of year	\$ 52,075,555	\$ 900,540,798	\$ 952,616,353	\$ 44,148,578	\$ 877,343,380	\$ 921,491,958

See accompanying notes.

West Virginia University Foundation, Inc.
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 31,124,395	\$ 40,169,047
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Actuarial loss on annuities payable	192,128	143,537
Provision for uncollectible receivables	11,232,927	2,931,944
Contributions restricted for long-term purposes	(21,825,915)	(14,299,420)
Depreciation expense	1,350,646	1,288,782
Net realized gains on investments	(22,417,576)	(24,571,490)
Net unrealized gains on investments	(21,309,263)	(3,611,236)
Revaluation of beneficial interest in external trusts	(2,708,848)	(1,701,892)
Other non-cash revenue	(5,000,000)	(2,000,000)
Changes in:		
Contributions receivable	(9,559,842)	(8,923,821)
Investments held in custody	(56,884,904)	13,333,307
Termination of beneficial interest in external trusts	106,181	-
Accounts payable and accrued expenses	509,964	(931,258)
Funds held in custody for others	101,651,474	6,459,320
Other assets and liabilities	(326,398)	(39,872)
Net cash provided by operating activities	<u>6,134,969</u>	<u>8,246,948</u>
Cash flows from investing activities:		
Purchase of land, building, and equipment	(283,433)	(474,842)
Purchase of investments	(519,422,931)	(364,112,341)
Proceeds from sales and liquidations of investments	<u>502,449,086</u>	<u>358,647,860</u>
Net cash used in investing activities	<u>(17,257,278)</u>	<u>(5,939,323)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term purposes	21,825,915	14,299,420
Payments of notes payable	<u>(1,089,141)</u>	<u>(1,054,044)</u>
Net cash provided by financing activities	<u>20,736,774</u>	<u>13,245,376</u>
Change in cash and cash equivalents	<u>9,614,465</u>	<u>15,553,001</u>
Cash and cash equivalents at beginning of year	<u>63,308,284</u>	<u>47,755,283</u>
Cash and cash equivalents at end of year	<u>\$ 72,922,749</u>	<u>\$ 63,308,284</u>
Supplementary information:		
Interest paid	<u>\$ 550,145</u>	<u>\$ 641,066</u>

See accompanying notes.

West Virginia University Foundation, Inc.
Statements of Functional Expense
Years Ended June 30, 2020 and 2019

	2020								
	University Support					Foundation Support			Total University & Foundation Support
	University Campus	Health Sciences Campus	Intercollegiate Athletics	General University Support	University Support Total	Fundraising	Fiduciary	Foundation Support Total	
Scholarships	\$ 6,547,414	\$ 1,944,950	\$ 1,861,793	\$ 4,443,020	\$ 14,797,177	\$ -	\$ -	\$ -	\$ 14,797,177
Salaries and benefits	7,032,060	16,191,917	1,134,833	1,721,016	26,079,826	8,081,461	3,868,424	11,949,885	38,029,711
Travel	1,065,607	402,022	149,371	74,126	1,691,126	154,988	74,284	229,272	1,920,398
Meetings and events	1,360,587	894,329	535,709	384,504	3,175,129	353,222	169,296	522,518	3,697,647
Professional services	1,067,352	1,837,291	396,941	583,496	3,885,080	1,323,535	634,357	1,957,892	5,842,972
Capital projects and equipment	5,327,844	1,344,525	7,453,282	1,909,261	16,034,912	592,564	284,010	876,574	16,911,486
Supplies and materials	1,538,511	2,598,721	100,367	155,119	4,392,718	122,908	58,908	181,816	4,574,534
Other expenses	1,470,362	1,854,601	664,835	682,773	4,672,571	861,579	412,650	1,274,229	5,946,800
Total support	\$ 25,409,737	\$ 27,068,356	\$ 12,297,131	\$ 9,953,315	\$ 74,728,539	\$ 11,490,257	\$ 5,501,929	\$ 16,992,186	\$ 91,720,725

General University Support includes scholarships not designated to a specific campus and other support for academic and research initiatives.
Net assets released from restrictions totaled \$72,843,623; of that \$57,105,452 was released from non-endowed funds and \$15,738,171 from endowed funds.

	2019								
	University Support					Foundation Support			Total University & Foundation Support
	University Campus	Health Sciences Campus	Intercollegiate Athletics	General University Support	University Support Total	Fundraising	Fiduciary	Foundation Support Total	
Scholarships	\$ 6,224,366	\$ 2,278,839	\$ 3,907,268	\$ 4,665,334	\$ 17,075,807	\$ -	\$ -	\$ -	\$ 17,075,807
Salaries and benefits	6,385,379	15,462,726	1,533,927	1,202,624	24,584,656	7,213,463	3,423,961	10,637,424	35,222,080
Travel	1,401,734	622,212	325,157	20,201	2,369,304	203,405	113,118	316,523	2,685,827
Meetings and events	2,021,963	1,477,055	704,369	352,490	4,555,877	446,263	248,178	694,441	5,250,318
Professional services	1,060,371	2,153,076	294,411	392,219	3,900,077	1,129,183	627,966	1,757,149	5,657,226
Capital projects and equipment	6,503,207	730,851	11,502,622	2,017,660	20,754,340	526,345	292,714	819,059	21,573,399
Supplies and materials	1,365,657	1,832,209	106,254	148,899	3,453,019	150,506	83,700	234,206	3,687,225
Other expenses	3,236,739	2,214,369	1,737,204	814,150	8,002,462	1,133,117	630,155	1,763,272	9,765,734
Total support	\$ 28,199,416	\$ 26,771,337	\$ 20,111,212	\$ 9,613,577	\$ 84,695,542	\$ 10,802,282	\$ 5,419,792	\$ 16,222,074	\$ 100,917,616

General University Support includes scholarships not designated to a specific campus and other support for academic and research initiatives.
Net assets released from restrictions totaled \$82,034,874; of that \$61,645,366 was released from non-endowed funds and \$20,389,508 from endowed funds.

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 2.75% to 6.57% at June 30, 2020 and 3.50% to 6.70% at June 30, 2019. Split interest agreements are valued at the expected rate of return on the life income portfolio, which ranged from 3.71% to 4.90% at June 30, 2020 and 4.30% to 5.30% at June 30, 2019. Individual contributions receivable are valued at unsecured consumer lending rates ranging from 3.23% to 3.31% at June 30, 2020 and 4.60% to 4.61% at June 30, 2019, based on the anticipated collection date of the receivable. Corporate contributions receivable are valued at the current yield on corporate debt ranging from 0.38% to 0.85% and 2.18% to 2.35% at June 30, 2020 and 2019, 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 support with donor restrictions that increases that net asset class. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is met), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements 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. 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.

West Virginia University Foundation, Inc.
Notes to Financial Statements

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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 5. Additional information on investments and valuation methods is included in Notes 4 and 5.

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 or 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 10). Below is a summary of those classifications:

Without Donor Restrictions:

This includes assets and contributions that are not restricted by donors or for which restrictions have expired. Net assets without donor restrictions also include assets that have been designated by the Foundation's Board of Directors for specific purposes.

West Virginia University Foundation, Inc.

Notes to Financial Statements

With Donor Restrictions:

This includes assets and contributions for which the donor stipulates that resources be maintained permanently or for which the donor has imposed restrictions that permit the Foundation to use or expend the donated assets for specified purposes are net assets with donor restrictions.

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, 2020 and 2019, the Foundation recognized noncash contributions of \$5,000,000 and \$133,350, 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 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, 2020 and June 30, 2019.

Functional allocation of expense

The costs of program and supporting services activities have been summarized on the functional basis in the statement of activities. The statements of functional expense present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Some expenses, including supplies and materials, are directly identifiable and are charged to accordingly. Fundraising and fiduciary expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation. Allocations of significant costs, including compensation and related expenses, contractors, and professional and consultant fees, are based on estimates of time and effort and other reasonable methods.

Reclassifications

On July 3, 2019 the Foundation entered into an agreement with West Virginia University under which the Research Trust Funds (State Match) pool will be managed under the University Tax ID number. The Research Trust Funds (State Match) pool was formerly managed under the Foundation tax ID number. This pool will continue to be managed as a perpetual endowment and will become a participating member of the University combined investment portfolio held by the Foundation. Previously the Research Trust Funds (State Match) pool was managed by the Foundation as a stand-alone portfolio.

The Research Trust Funds (State Match) pool totaled \$39,863,977 as of June 30, 2019 and was included in net assets with donor restrictions. Beginning fiscal year June 30, 2020, the Research Trust Funds pool (State Match) will be treated as an agency fund and carried as a liability under funds held in custody for others.

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.

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

West Virginia University Foundation, Inc.
Notes to Financial Statements

liability and a right-of-use asset for all leases. The amendments in this ASU are effective for the Foundation for fiscal years beginning after December 15, 2021, 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 financial statements.

2. Liquidity and Availability of Financial Assets

The following includes financial assets as of June 30, reduced by amounts not available for general use within one year of the statement of financial position date. Amounts available for general use include financial assets without donor restriction or internal designations. Internal designations include amounts set aside by the Board for the Foundation operating costs or other scheduled projects. These designated amounts could be drawn upon with Board approval.

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 72,922,749	\$ 63,308,284
Short term receivables	1,288,874	1,469,066
Short term investments	<u>165,750,868</u>	<u>132,771,573</u>
Total financial assets available	<u>239,962,491</u>	<u>197,548,923</u>
Less restricted and designated financial assets:		
<u>University and affiliated organizations</u>		
Restricted by donor to the University	(161,205,007)	(131,094,002)
Restricted to funds held in custody for others	(36,522,272)	(31,664,896)
Designated by Board to the University and other	<u>(5,017,582)</u>	<u>(4,723,282)</u>
Available to the University and affiliated organizations	<u>(202,744,861)</u>	<u>(167,482,180)</u>
<u>Foundation</u>		
Operating reserve	(17,148,800)	(16,423,000)
Designated by the Board to the Foundation	<u>(747,768)</u>	<u>(1,296,255)</u>
Available to the Foundation	<u>(17,896,568)</u>	<u>(17,719,255)</u>
Financial assets available for general use by the Foundation or University	<u>\$ 19,321,062</u>	<u>\$ 12,347,488</u>

Unrestricted funds

Donations received without donor restriction are governed by the Foundation Discretionary Gifts Protocol. All unrestricted donations are designated by the Foundation Board for University initiatives or other University commitments. Therefore, the Foundation does not hold a portfolio of unrestricted donations available for general use.

Operating reserve

These funds constitute a board-designated reserve with the objective of setting funds aside to be drawn in the event of financial distress or an immediate liquidity need outside the typical operating cycle. The target for this reserve is the amount needed to fund 12 months of the Foundation operating budget and therefore this amount is not available for general use. The amount set aside for the operating reserve requires the use of estimates which could vary significantly from amounts budgeted. Reserve amounts above the minimum target range of 12 months can be made available to the Foundation or the University at the discretion of the Board and are considered available for general use. As of June 30, 2020 and 2019, the operating reserves totaled \$20,966,875 and \$21,446,775 and the 12-month budget target was \$17,148,800 and \$16,423,000, respectively. The operating reserve is invested and managed under a separate Reserve Policy and is held in interest bearing cash or cash-equivalent accounts.

West Virginia University Foundation, Inc.
Notes to Financial Statements

At June 30, 2020 and 2019 the Foundation held assets of \$747,768 and \$1,296,255, respectively, appropriated from operating reserves by the Board and designated to the Foundation for specific projects.

Liquidity management

The foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs. As part of liquidity management, the Foundation has an asset/liability management program to structure its financial assets to be available as its obligations from each financial asset category come due, including Foundation obligations and amounts drawn by the University to support its mission-related initiatives. These amounts are primarily invested in cash and cash equivalents, short-term fixed income funds and some marketable equity funds.

To help manage unanticipated liquidity needs, the Foundation has a committed line of credit in the amount of \$10 million established with a local West Virginia Bank. The Foundation has never drawn upon this line.

3. Receivables

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

	<u>2020</u>	<u>2019</u>
Contributions receivable:		
Amounts to be received within one year	\$ 19,312,862	\$ 17,547,506
Amounts to be received within two to five years	29,300,325	34,565,359
Amounts to be received after five years	<u>28,671,649</u>	<u>18,126,595</u>
Contributions receivable before allowances and unamortized discount	77,284,836	70,239,460
Specific allowance for uncollectible contributions	(14,865,546)	(4,899,338)
General allowance for uncollectible contributions	(6,015,786)	(5,692,992)
Unamortized discount	<u>(6,854,141)</u>	<u>(8,424,682)</u>
Contributions receivable, net	<u>\$ 49,549,363</u>	<u>\$ 51,222,448</u>
Other receivables, net:		
Student loans, net of allowance of \$907,000 and \$730,000, respectively	\$ 2,454,399	\$ 2,804,573
Notes, advances, and other	<u>1,397,736</u>	<u>1,587,081</u>
Other receivables, net	<u>\$ 3,852,135</u>	<u>\$ 4,391,654</u>

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4. Investments

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

	<u>2020</u>	<u>2019</u>
Money market funds	\$ 94,883,606	\$ 86,360,909
Separate accounts:		
Domestic equity	39,731,278	38,698,686
Domestic fixed income	<u>2,158,080</u>	<u>2,187,229</u>
	41,889,358	40,885,915
Exchange traded funds:		
Domestic equity	375,579,844	498,348,198
Domestic fixed income	<u>142,548,425</u>	<u>80,863,896</u>
	518,128,269	579,212,094
Mutual funds:		
International equity	243,960,223	163,953,369
Domestic fixed income	122,130,299	165,266,653
Real estate	11,478,884	12,350,838
Natural resources	<u>16,542,563</u>	<u>9,181,990</u>
	394,111,969	350,752,850
Other commingled funds:		
Domestic equity	11,396,739	15,223,430
International equity	36,810,563	63,742,368
Domestic fixed income	141,280,122	91,402,640
Global fixed income	<u>15,900,432</u>	<u>22,050,129</u>
	205,387,856	192,418,567
Hedge funds:		
Hedge fund of funds	96,822,850	239,213
International equity	<u>9,896,492</u>	<u>14,430,572</u>
	106,719,342	14,669,785
Private investments:		
Private equity	78,632,521	88,287,385
Venture capital	185,903,870	141,549,434
Distressed debt/mezzanine	40,084,622	31,687,501
Natural resources	60,701,945	82,347,039
Real estate	<u>34,584,713</u>	<u>35,271,005</u>
	399,907,671	379,142,364
 Total investments	 <u>\$1,761,028,071</u>	 <u>\$1,643,442,484</u>

Interest and dividends on non-agency investments are reported in the statements of activities net of custodial management and investment fees of approximately \$2,830,000 and \$2,715,000 for the years ended June 30, 2020 and 2019, respectively.

To achieve its investment objectives, management has controls 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 and virtual 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, 2020 and 2019.

5. Fair Value of Financial Assets and Liabilities

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 occasionally 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 invests in certain equity and fixed income strategies which, due to lockups, 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

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Notes to Financial Statements

funds may permit partial liquidity upon redemption with the remaining illiquid assets possessing no definite schedule for distribution.

The investments in these strategies 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.

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, mezzanine, and private credit 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 6 to 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.

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Notes to Financial Statements

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, 2020:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>
Private Equity	\$ 42,461,198	\$ 47,399,727
Natural Resources	34,540,332	101,000,000
Real Estate	20,756,272	26,069,906
Distressed Debt/Mezzanine	20,482,228	64,000,000
Venture Capital	<u>97,130,518</u>	<u>63,778,467</u>
Total	<u>\$ 215,370,548</u>	<u>\$ 302,248,100</u>

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 largely 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 an 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.

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Notes to Financial Statements

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, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Money market funds	\$ 94,883,606	\$ -	\$ -	\$ 94,883,606
Separate accounts:				
Domestic equity	39,731,278	-	-	39,731,278
Domestic fixed income	2,158,080	-	-	2,158,080
	<u>41,889,358</u>	-	-	<u>41,889,358</u>
Exchange traded funds:				
Domestic equity	375,579,844	-	-	375,579,844
Domestic fixed income	142,548,425	-	-	142,548,425
	<u>518,128,269</u>	-	-	<u>518,128,269</u>
Mutual funds:				
International equity	243,960,223	-	-	243,960,223
Domestic fixed income	122,130,299	-	-	122,130,299
Real estate	11,478,884	-	-	11,478,884
Natural resources	16,542,563	-	-	16,542,563
	<u>394,111,969</u>	-	-	<u>394,111,969</u>
Other commingled funds:				
Domestic equity	-	11,396,739	-	11,396,739
International equity	-	36,810,563	-	36,810,563
Domestic fixed income	-	141,280,122	-	141,280,122
Global fixed income	-	15,900,432	-	15,900,432
	-	<u>205,387,856</u>	-	<u>205,387,856</u>
*Hedge funds:				
Hedge fund of funds	-	-	-	96,822,850
International Equity	-	-	-	9,896,492
	-	-	-	<u>106,719,342</u>
*Private investments:				
Private equity	-	-	-	78,632,521
Venture capital	-	-	-	185,903,870
Distressed debt/mezzanine	-	-	-	40,084,622
Natural resources	-	-	-	60,701,945
Real estate	-	-	-	34,584,713
	-	-	-	<u>399,907,671</u>
Total investments	1,049,013,202	205,387,856	-	1,761,028,071
Beneficial interests in external trusts	-	-	42,945,675	42,945,675
Total assets	<u>\$1,049,013,202</u>	<u>\$ 205,387,856</u>	<u>\$ 42,945,675</u>	<u>\$1,803,973,746</u>
Liabilities:				
Annuities payable and unitrusts	\$ -	\$ -	\$ (14,565,133)	\$ (14,565,133)
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,565,133)</u>	<u>\$ (14,565,133)</u>

*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.

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	Fair Value as of June 30, 2019			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Money market funds	\$ 86,360,909	\$ -	\$ -	\$ 86,360,909
Separate accounts:				
Domestic equity	38,698,686	-	-	38,698,686
Domestic fixed income	2,187,229	-	-	2,187,229
	<u>40,885,915</u>	-	-	<u>40,885,915</u>
Exchange traded funds:				
Domestic equity	498,348,198	-	-	498,348,198
Domestic fixed income	80,863,896	-	-	80,863,896
	<u>579,212,094</u>	-	-	<u>579,212,094</u>
Mutual funds:				
International equity	163,953,369	-	-	163,953,369
Domestic fixed income	165,266,653	-	-	165,266,653
Real estate	12,350,838	-	-	12,350,838
Natural resources	9,181,990	-	-	9,181,990
	<u>350,752,850</u>	-	-	<u>350,752,850</u>
Other commingled funds:				
Domestic equity	-	15,223,430	-	15,223,430
International equity	-	63,742,368	-	63,742,368
Domestic fixed income	-	91,402,640	-	91,402,640
Global fixed income	-	22,050,129	-	22,050,129
	-	<u>192,418,567</u>	-	<u>192,418,567</u>
*Hedge funds:				
Hedge fund of funds	-	-	-	239,213
International Equity	-	-	-	14,430,572
	-	-	-	<u>14,669,785</u>
*Private investments:				
Private equity	-	-	-	88,287,385
Venture capital	-	-	-	141,549,434
Distressed debt/mezzanine	-	-	-	31,687,501
Natural resources	-	-	-	82,347,039
Real estate	-	-	-	35,271,005
	-	-	-	<u>379,142,364</u>
Total investments	1,057,211,768	192,418,567	-	1,643,442,484
Beneficial interests in external trusts	-	-	40,343,008	40,343,008
Total assets	<u>\$1,057,211,768</u>	<u>\$ 192,418,567</u>	<u>\$ 40,343,008</u>	<u>\$1,683,785,492</u>
Liabilities:				
Annuities payable and unitrusts	\$ -	\$ -	\$ (14,977,061)	\$ (14,977,061)
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,977,061)</u>	<u>\$ (14,977,061)</u>

*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.

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The following table illustrates the activity of Level 3 assets and liabilities for the year ended June 30, 2020:

	<u>Beneficial Interests in External Trusts</u>	<u>Annuities Payable and Unitrusts</u>
Balance, July 1, 2019	\$ 40,343,008	\$ 14,977,061
Investment gains	2,708,848	-
Annuity losses	-	192,128
Income	-	1,493,938
Contributions	-	341,475
Distributions	<u>(106,181)</u>	<u>(2,439,469)</u>
Balance, June 30, 2020	<u>\$ 42,945,675</u>	<u>\$ 14,565,133</u>

The following table illustrates the activity of Level 3 assets and liabilities for the year ended June 30, 2019:

	<u>Beneficial Interests in External Trusts</u>	<u>Annuities Payable and Unitrusts</u>
Balance, July 1, 2018	\$ 38,641,116	\$ 15,559,749
Investment gains	1,701,892	-
Annuity losses	-	143,537
Income	-	1,256,950
Contributions	-	199,898
Distributions	<u>-</u>	<u>(2,183,073)</u>
Balance, June 30, 2019	<u>\$ 40,343,008</u>	<u>\$ 14,977,061</u>

There were no transfers among Level 1, Level 2, or Level 3 assets during the years ended June 30, 2020 and 2019. When transfers occur, they are recognized at the end of the reporting period.

6. 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. In accordance with the Act, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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- (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 spend 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). The overall calculated spend dollar amount must be between 3% and 4% of market value at June 30. This policy was established in accordance with UPMIFA, which in certain circumstances allows for a reduced 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. The Foundation’s effective spend rate was 4.07% in 2020 and 4.00% in 2019.

During the fiscal year ended June 30, 2020 the Foundation’s spend band was lowered from a band of 3.25% and 4.25% of market value to a band of 3.00% and 4.00% of market value. In addition, the market value calculation date was changed from December 31 to June 30 of the fiscal year. As a result of the market value calculation date change, spend was not withdrawn from endowment during the fiscal year ended June 30, 2020. The appropriation for expenditure was made on July 1, 2020.

Effective July 1, 2020 the Foundation no longer includes research trust funds in the endowment totals. The spend policy for these funds is based upon distribution of earnings as defined in West Virginia Code for Directed Research Endowments. See Note 15 for additional information related to these funds.

Funds with deficiencies

From time to time, due to market fluctuation the fair value of certain endowment funds may fall below the original gift value. These funds are considered “underwater” funds. The Foundation has interpreted UPMIFA to permit spending from underwater endowments with prudent measures required by law.

The following presents endowed funds with deficiencies principally resulting from unfavorable market fluctuations:

	<u>2020</u>	<u>2019</u>
Fair value	\$ 4,590,036	\$ 7,679,354
Original gift value	<u>(4,616,516)</u>	<u>(7,730,444)</u>
Deficiency	<u>\$ (26,480)</u>	<u>\$ (51,090)</u>

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The following presents endowment net asset composition by fund type as of June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions		
		Quasi Endowment	Endowment	Total
Board designated endowment funds	\$ 11,493,354	\$ -	\$ -	\$ 11,493,354
Original donor restricted gift amounts	-	12,515,503	475,148,832	487,664,335
Accumulated investment gains	-	4,812,500	109,214,093	114,026,593
Invested endowment assets managed internally	11,493,354	17,328,003	584,362,925	613,184,282
Invested assets managed externally	-	-	7,966,228	7,966,228
External trusts at fair value	-	-	42,945,675	42,945,675
Total invested endowment assets	11,493,354	17,328,003	635,274,828	664,096,185
Non-invested endowed assets	-	-	64,959,106	64,959,106
Endowment liabilities	-	-	(857,663)	(857,663)
Endowment net assets	\$ 11,493,354	\$ 17,328,003	\$ 699,376,271	\$ 728,197,628

The following presents changes in endowment net assets for the year ended June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions		
		Quasi Endowment	Endowment	Total
Invested endowment assets, beginning of year	\$ 11,003,123	\$ 16,621,136	\$ 647,783,645	\$ 675,407,904
Investment return, net	490,231	706,867	6,847,984	8,045,082
Contributions	-	-	20,507,176	20,507,176
Research trust funds transferred to agency account	-	-	(39,863,977)	(39,863,977)
Invested endowment assets, end of year	11,493,354	17,328,003	635,274,828	664,096,185
Non-invested endowed assets	-	-	64,959,106	64,959,106
Endowment liabilities	-	-	(857,663)	(857,663)
Endowment net assets	\$ 11,493,354	\$ 17,328,003	\$ 699,376,271	\$ 728,197,628

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The following presents endowment net asset composition by fund type as of June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions		
		Quasi Endowment	Endowment	Total
Board designated endowment funds	\$ 11,003,123	\$ -	\$ -	\$ 11,003,123
Original donor restricted gift amounts	-	12,493,833	493,341,657	505,835,490
Accumulated investment gains	-	4,127,303	106,005,129	110,132,432
Invested endowment assets managed internally	11,003,123	16,621,136	599,346,786	626,971,045
Invested assets managed externally	-	-	8,093,851	8,093,851
External trusts at fair value	-	-	40,343,008	40,343,008
Total invested endowment assets	11,003,123	16,621,136	647,783,645	675,407,904
Non-invested endowed assets	-	-	57,715,223	57,715,223
Endowment liabilities	-	-	(632,154)	(632,154)
Endowment net assets	\$ 11,003,123	\$ 16,621,136	\$ 704,866,714	\$ 732,490,973

The following presents changes in endowment net assets for the year ended June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions		
		Quasi Endowment	Endowment	Total
Invested endowment assets, beginning of year	\$ 10,986,785	\$ 30,889,160	\$ 636,029,090	\$ 677,905,035
Investment return, net	436,534	376,688	13,653,932	14,467,154
Contributions	-	-	19,456,853	19,456,853
Appropriation for expenditure	(420,196)	(14,644,712)	(21,356,230)	(36,421,138)
Invested endowment assets, end of year	11,003,123	16,621,136	647,783,645	675,407,904
Non-invested endowed assets	-	-	57,715,223	57,715,223
Endowment liabilities	-	-	(632,154)	(632,154)
Endowment net assets	\$ 11,003,123	\$ 16,621,136	\$ 704,866,714	\$ 732,490,973

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7. Land, Building, and Equipment

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

	<u>2020</u>	<u>2019</u>
Land	\$ 2,610,860	\$ 2,610,860
Building	31,162,920	31,112,100
Equipment	<u>4,699,551</u>	<u>4,466,938</u>
	38,473,331	38,189,898
Accumulated depreciation	<u>(22,758,124)</u>	<u>(21,407,478)</u>
Land, building and equipment, net	<u>\$ 15,715,207</u>	<u>\$ 16,782,420</u>

Depreciation expense for the years ended June 30, 2020 and 2019 was \$1,350,646 and \$1,288,782, 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 net book value of the property leased was \$8,583,084 and \$9,443,633 as of June 30, 2020 and 2019, respectively. During 2020 and 2019, 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.

8. Other Assets

Other assets consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Cash surrender value of life insurance	\$ 3,648,138	\$ 3,596,130
Real estate and other assets	<u>2,503,453</u>	<u>2,672,322</u>
	<u>\$ 6,151,591</u>	<u>\$ 6,268,452</u>

9. 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 18.0% at June 30, 2020 and at June 30, 2019, respectively.

The Foundation received contributions of \$554,506 and \$367,986 to establish new split-interest agreements for the years ended June 30, 2020 and 2019, respectively. Total assets resulting from split-interest agreements were \$30,882,551 and \$31,677,777 at June 30, 2020 and 2019, respectively. These assets are included in investments carried at fair value on the statements of financial position.

West Virginia University Foundation, Inc.
Notes to Financial Statements

10. Net Assets

Net assets without donor restrictions are available for the following purposes as of June 30:

	<u>2020</u>	<u>2019</u>
Board designated endowment funds	\$ 11,493,354	\$ 11,003,123
Board designated Foundation reserves	17,896,569	17,719,255
Financial assets available for general use	19,321,062	12,347,488
Land, building, and equipment, net of depreciation	15,715,207	16,782,420
Receivables and other	3,787,212	3,523,282
Notes payable	<u>(16,137,849)</u>	<u>(17,226,990)</u>
	<u>\$ 52,075,555</u>	<u>\$ 44,148,578</u>

Net assets with donor restrictions are available for the following purposes as of June 30:

	<u>2020</u>	<u>2019</u>
Student aid	\$ 318,845,474	\$ 300,888,499
Academics	196,818,527	183,322,449
Faculty and staff	180,395,574	173,972,520
Research	49,411,607	86,653,935
Buildings and equipment	52,486,597	53,972,004
Departmental discretion	53,359,524	27,527,807
Public service	28,385,554	26,516,345
Pending donor designation	13,556,027	12,829,891
Other	<u>7,281,914</u>	<u>11,659,930</u>
	<u>\$ 900,540,798</u>	<u>\$ 877,343,380</u>

11. Line of Credit

The Foundation has an unsecured line of credit with a financial institution with maximum borrowing capacity of \$10,000,000, which matures on May 31, 2022. As of June 30, 2020 and 2019, 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 3.625% 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 and is expected to be renewed on similar terms.

12. 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) was 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, 2019, a \$2,000,000 repayment was made to the Conference reducing the current total note balance to \$5,000,000. The remaining \$5,000,000 (the Forgivable Amount) was forgiven on June 30, 2020. Interest is due on the Payable Amount at the Applicable Federal Rate (AFR) in effect each June 30. The Foundation made the required interest payment of \$57,200 (2.86% AFR) for the year ended June 30, 2019.

West Virginia University Foundation, Inc.
Notes to Financial Statements

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, 2020 and 2019 was \$16,137,849 and \$17,226,990, respectively. Interest expense for the years ended June 30, 2020 and 2019 was \$548,769 and \$583,866, respectively.

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

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
2021	1,125,407	512,503	1,637,910
2022	1,162,880	475,030	1,637,910
2023	1,201,602	436,308	1,637,910
2024	1,241,612	396,298	1,637,910
2025	1,282,954	354,956	1,637,910
Thereafter	<u>10,123,394</u>	<u>1,205,481</u>	<u>11,328,875</u>
	<u>\$ 16,137,849</u>	<u>\$ 3,380,576</u>	<u>\$ 19,518,425</u>

Notes payable as of June 30, 2020 and 2019 are summarized as follows:

	<u>2020</u>	<u>2019</u>
Promissory note	\$ -	\$ 5,000,000
Mortgage note	<u>16,137,849</u>	<u>17,226,990</u>
Total notes payable	<u>\$ 16,137,849</u>	<u>\$ 22,226,990</u>

The carrying amounts of the Foundation's notes payable approximate their fair value at June 30, 2020 and 2019.

13. 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 \$1,078,663 and \$1,051,445 in 2020 and 2019, respectively.

The Foundation has several supplemental retirement or deferred compensation plans covering certain employees of the University or Foundation that provide for payments upon retirement, death, or disability. The liability associated with these plans was \$1,588,152 and \$1,966,875 as of June 30, 2020 and 2019, 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 designated funds. Deferred compensation expense was \$57,469 and \$660,335 in 2020 and 2019, respectively.

14. University Support

University directed fund raising costs of approximately \$3,800,000 and \$4,300,000 in 2020 and 2019, respectively, are included in University support in the statements of activities.

15. 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, 2020 and 2019 follows:

	<u>2020</u>	<u>2019</u>
West Virginia United Health System, Inc.	\$ 792,074,474	\$ 713,921,026
West Virginia University	120,984,801	139,309,895
West Virginia University research trust funds	42,003,961	-
WVU Alumni Association, Inc.	3,928,079	4,330,371
Other	<u>787,763</u>	<u>566,312</u>
	<u>\$ 959,779,078</u>	<u>\$ 858,127,604</u>

16. Subsequent Events

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19, a novel strain of Coronavirus, a pandemic. As of September 30, 2020, the WVU Foundation has not experienced a material negative financial or operational impact due to the pandemic.

On-going changes to the 2020-21 college football season will have an impact on priority seating revenue received during fiscal year ended June 30, 2020 and going forward. Priority seating revenue for football received during the year ended June 30, 2020 was approximately \$9,000,000. The number of games played as well as the number of fans allowed in the stadium are subject to change as the season progresses.

A portion of priority seating revenues for the 2020-21 football season will be refunded to the donor, designated as a tax-deductible gift, or deferred to a future season. However, we cannot reasonably estimate those amounts at this time. The WVU Athletic Department is discussing multiple options with donors to minimize refunds where possible.

Proceeds for game tickets are accepted by The WVU Athletic Department and are not reflected in these statements.

The economic uncertainty caused by the virus has not been fully determined but could have an impact on the Foundation's financial condition, contribution revenue, results of operations, and cash flows. The financial statements do not reflect any adjustments as a result of the increase in economic uncertainty.

Foundation management evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through September 30, 2020, the day the financial statements were available to be issued.

Supplementary Information

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, 2020 and 2019, and our report thereon dated September 30, 2020, 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, 2020 and 2019 is presented on page 28 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

**Charleston, West Virginia
September 30, 2020**

West Virginia University Foundation, Inc.
Reconciliation of Contributions
Years Ended June 30, 2020 and 2019

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,	
	2020	2019
	<hr/>	<hr/>
Contributions:		
Foundation fundraising totals	\$ 197,855,143	\$ 177,396,953
Bequest expectancies	(25,581,068)	(39,373,300)
Changes in contributions receivable, net	(16,880,338)	(4,203,862)
Noncash contributions received directly by the University	(32,670,447)	(4,852,558)
Amounts recorded as agency liability	(11,124,238)	(33,310,448)
Contributions from perpetual trusts reclassified to interest income	(2,638,235)	(2,363,488)
Changes in life income gifts/valuations	701,599	90,003
Conference transition note forgiveness	5,000,000	-
Amounts reported as other revenue	(11,697,562)	(14,092,888)
	<hr/>	<hr/>
Contributions per Statements of Activity	<u>\$ 102,964,854</u>	<u>\$ 79,290,412</u>