



**AUDITED
FINANCIAL
STATEMENTS
& SUPPLEMENTAL
INFORMATION**

**YEARS ENDED JUNE 30, 2021 AND 2020
WITH REPORTS OF INDEPENDENT AUDITORS**



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Independent Auditors' Report

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

We have audited the accompanying financial statements of West Virginia University Foundation, Inc., which comprise the statements of financial position as of June 30, 2021 and 2020, 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, 2021 and 2020, 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, WV
October 8, 2021

West Virginia University Foundation, Inc.
 Statements of Financial Position
 June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 61,828,508	\$ 72,922,749
Contributions receivable, net - Note 3	59,448,558	49,549,363
Other receivables, net - Note 3	3,646,759	3,852,135
Investments carried at fair value - Note 4	2,356,275,809	1,761,028,071
Land, building, and equipment, net - Note 7	14,362,348	15,715,207
Beneficial interests in external trusts at fair value	46,646,435	42,945,675
Other assets - Note 8	6,885,745	6,151,591
	<u>\$ 2,549,094,162</u>	<u>\$ 1,952,164,791</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Notes payable - Note 12	15,012,442	16,137,849
Accounts payable and accrued expenses	5,345,816	7,478,226
Accrued retirement benefits and deferred compensation - Note 13	1,415,778	1,588,152
Annuities payable and unitrusts	15,344,985	14,565,133
Funds held in custody for others - Note 15	1,302,839,870	959,779,078
	<u>1,339,958,891</u>	999,548,438
Net assets:		
Without donor restrictions - Note 10	68,641,167	52,075,555
With donor restrictions - Note 10		
Non-endowed	254,719,260	201,164,527
Endowed	885,774,844	699,376,271
Total with donor restrictions	<u>1,140,494,104</u>	<u>900,540,798</u>
	<u>1,209,135,271</u>	952,616,353
	<u>\$ 2,549,094,162</u>	<u>\$ 1,952,164,791</u>

West Virginia University Foundation, Inc.
 Statements of Activities
 Years Ended June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and gains:						
Contributions	\$ 722,396	\$ 112,266,205	\$ 112,988,601	\$ 1,209,909	\$ 101,754,945	\$ 102,964,854
Investment earnings:						
Net interest and dividends	11,862,007	(4,426,094)	7,435,913	11,367,002	(422,204)	10,944,798
Net realized gains	6,852,501	42,411,835	49,264,336	2,961,045	19,456,531	22,417,576
Net unrealized gains	12,804,450	153,274,022	166,078,472	7,591,027	13,718,236	21,309,263
Investment earnings	31,518,958	191,259,763	222,778,721	21,919,074	32,752,563	54,671,637
Lease revenue	1,975,000	-	1,975,000	1,975,000	-	1,975,000
Other revenue	4,377,920	4,996,964	9,374,884	3,880,109	12,053,036	15,933,145
Advancement fees	1,594,258	(1,256,504)	337,754	-	-	-
Net assets released from restrictions	72,723,968	(72,723,968)	-	72,843,623	(72,843,623)	-
Total revenues and gains	112,912,500	234,542,460	347,454,960	101,827,715	73,716,921	175,544,636
Expenses and support:						
University support:						
Scholarships	14,468,411	-	14,468,411	14,797,177	-	14,797,177
Salaries and benefits	23,434,236	-	23,434,236	26,079,826	-	26,079,826
Travel	273,457	-	273,457	1,691,126	-	1,691,126
Meetings and events	1,081,882	-	1,081,882	3,175,129	-	3,175,129
Professional services	3,273,821	-	3,273,821	3,885,080	-	3,885,080
Capital projects and equipment	28,627,701	-	28,627,701	16,034,912	-	16,034,912
Supplies and materials	3,921,382	-	3,921,382	4,392,718	-	4,392,718
Other support	985,742	-	985,742	4,672,571	-	4,672,571
Total University support	76,066,632	-	76,066,632	74,728,539	-	74,728,539
Foundation support:						
Fundraising	12,403,469	-	12,403,469	11,490,257	-	11,490,257
Fiduciary	6,057,583	-	6,057,583	5,501,929	-	5,501,929
Total Foundation support	18,461,052	-	18,461,052	16,992,186	-	16,992,186
Total University and Foundation support	94,527,684	-	94,527,684	91,720,725	-	91,720,725
Interest, depreciation and other	1,819,204	-	1,819,204	2,180,013	-	2,180,013
Total expenses before provision and revaluation	96,346,888	-	96,346,888	93,900,738	-	93,900,738
Provision for uncollectible receivables	-	(316,102)	(316,102)	-	11,232,927	11,232,927
Net (gain) on revaluation of external trusts	-	(3,700,760)	(3,700,760)	-	(2,708,848)	(2,708,848)
Net (gain) loss on revaluation of annuities payable and unitrusts	-	(1,891,614)	(1,891,614)	-	192,128	192,128
Total expenses and support, before reclassification	96,346,888	(5,908,476)	90,438,412	93,900,738	8,716,207	102,616,945
Research trust funds transferred to agency account	-	497,630	497,630	-	41,803,296	41,803,296
Total expenses, support and transfers	96,346,888	(5,410,846)	90,936,042	93,900,738	50,519,503	144,420,241
Change in net assets	16,565,612	239,953,306	256,518,918	7,926,977	23,197,418	31,124,395
Net assets at beginning of year	52,075,555	900,540,798	952,616,353	44,148,578	877,343,380	921,491,958
Net assets at end of year	\$ 68,641,167	\$ 1,140,494,104	\$ 1,209,135,271	\$ 52,075,555	\$ 900,540,798	\$ 952,616,353

See accompanying notes.

West Virginia University Foundation, Inc.
Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Reconciliation of change in net assets to net cash (used in) provided by operating activities:		
Change in net assets	\$ 256,518,918	\$ 31,124,395
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Actuarial loss on annuities payable	(1,891,614)	192,128
Provision for uncollectible receivables	(316,102)	11,232,927
Contributions restricted for long-term purposes	(17,994,894)	(21,825,915)
Depreciation expense	1,367,419	1,350,646
Net realized gains on investments	(49,264,336)	(22,417,576)
Net unrealized gains on investments	(166,078,472)	(21,309,263)
Revaluation of beneficial interest in external trusts	(3,700,760)	(2,708,848)
Other non-cash revenue	(100)	(5,000,000)
Changes in:		
Contributions receivable	(9,583,093)	(9,559,842)
Investments held in custody	(363,708,076)	(56,884,904)
Termination of beneficial interest in external trusts	-	106,181
Accounts payable and accrued expenses	(2,132,410)	509,964
Funds held in custody for others	343,060,792	101,651,474
Other assets and liabilities	1,970,414	(326,398)
Net cash (used in) provided by operating activities	<u>(11,752,314)</u>	6,134,969
Cash flows from investing activities:		
Purchase of land, building, and equipment	(14,560)	(283,433)
Purchase of investments	(423,683,129)	(519,422,931)
Proceeds from sales and liquidations of investments	407,486,275	502,449,086
Net cash used in investing activities	<u>(16,211,414)</u>	(17,257,278)
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term purposes	17,994,894	21,825,915
Payments of notes payable	(1,125,407)	(1,089,141)
Net cash provided by financing activities	<u>16,869,487</u>	20,736,774
Change in cash and cash equivalents	<u>(11,094,241)</u>	9,614,465
Cash and cash equivalents at beginning of year	<u>72,922,749</u>	<u>63,308,284</u>
Cash and cash equivalents at end of year	<u>\$ 61,828,508</u>	<u>\$ 72,922,749</u>
Supplementary information:		
Interest paid	<u>\$ 512,503</u>	<u>\$ 550,145</u>

See accompanying notes.

West Virginia University Foundation, Inc.
 Statements of Functional Expense
 Years Ended June 30, 2021 and 2020

	2021								
	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	\$ 5,907,223	\$ 1,920,319	\$ 1,898,926	\$ 4,741,943	\$ 14,468,411	\$ -	\$ -	\$ -	\$ 14,468,411
Salaries and benefits	6,168,294	13,421,213	1,036,722	2,808,007	23,434,236	8,311,854	4,075,765	12,387,619	35,821,855
Travel	155,224	64,205	17,727	36,301	273,457	11,948	5,787	17,735	291,192
Meetings and events	380,075	467,166	140,005	94,636	1,081,882	233,783	113,230	347,013	1,428,895
Professional services	1,103,947	1,516,324	61,150	592,400	3,273,821	1,970,275	954,283	2,924,558	6,198,379
Capital projects and equipment	15,145,477	2,484,557	10,632,908	364,759	28,627,701	497,059	240,745	737,804	29,365,505
Supplies and materials	1,667,618	2,073,943	11,186	168,635	3,921,382	126,505	61,272	187,777	4,109,159
Other expenses	400,802	288,153	181,163	115,624	985,742	1,252,045	606,501	1,858,546	2,844,288
Total support	\$ 30,928,660	\$ 22,235,880	\$ 13,979,787	\$ 8,922,305	\$ 76,066,632	\$ 12,403,469	\$ 6,057,583	\$ 18,461,052	\$ 94,527,684

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 \$72,723,968; of that \$57,969,108 was released from non-endowed funds and \$14,754,860 from endowed funds.

	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.

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.

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, 2021, the WVU Foundation has not experienced a material negative financial or operational impact due to the pandemic.

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 ("GAAP").

Use of Estimates

The preparation of financial statements in conformity with 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.

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 3.29% to 5.64% at June 30, 2021 and 2.75% to 6.57% at June 30, 2020. Split interest agreements are valued at the expected rate of return on the life income portfolio, which ranged from 3.29% to 4.27% at June 30, 2021 and 3.71% to 4.90% at June 30, 2020. Individual contributions receivable are valued at unsecured consumer lending rates ranging from 3.62% to 3.97% at June 30, 2021 and 3.23% to 3.31% at June 30, 2020, based on the anticipated collection date of the receivable. Corporate contributions receivable are valued at the current yield on corporate debt ranging from 0.24% to 1.12% and 0.38% to 0.85% at June 30, 2021 and 2020, respectively, based on the anticipated collection date of the receivable.

Concentration of credit risk

Investment securities are exposed to several risks, such as changes in interest rates, market fluctuations, and credit risks. Due to the risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the Foundation's financial statements.

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.

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 and will be fully allowed for or written off.

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.

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, 2021 and 2020, the Foundation recognized noncash contributions of \$100 and \$5,000,000, 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, 2021 and June 30, 2020.

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 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 salaries and benefits, contractors, and professional 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 is 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 continues to be managed as a perpetual endowment and is a participating member of the University combined investment portfolio held by the Foundation. This pool is treated as an agency fund and carried as a liability under funds held in custody for others. 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 \$50,660,376 and \$42,003,959 as of June 30, 2021 and 2020, respectively, and is included in 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 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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 61,828,508	\$ 72,922,749
Short term receivables	1,446,624	1,288,874
Short term investments	<u>194,480,624</u>	<u>165,750,868</u>
Total financial assets available	<u>257,755,756</u>	239,962,491
Less restricted and designated financial assets:		
<u>University and affiliated organizations</u>		
Restricted by donor to the University	(190,643,577)	(161,205,007)
Funds held in custody for others	(12,557,294)	(36,522,272)
Designated by Board to the University and other	<u>(3,041,158)</u>	<u>(5,017,582)</u>
Available to the University and affiliated organizations	<u>(206,242,029)</u>	(202,744,861)
<u>Foundation</u>		
Operating reserve	(18,777,520)	(17,148,800)
Designated by the Board to the Foundation	<u>(5,263,950)</u>	<u>(747,768)</u>
Available to the Foundation	<u>(24,041,470)</u>	<u>(17,896,568)</u>
Financial assets available for general use by the Foundation or University	<u>\$ 27,472,257</u>	<u>\$ 19,321,062</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, 2021 and 2020, the operating reserves totaled \$21,446,775 and \$20,966,875 and the 12-month budget target was \$18,777,520 and \$17,148,800, respectively. The operating reserve is invested and managed under a separate Reserve Policy and is held in interest bearing cash or cash-equivalent accounts.

As of June 30, 2021 and 2020 the Foundation held assets of \$5,263,950 and \$747,768, respectively, appropriated from operating reserves by the Board and designated to the Foundation for specific projects.

West Virginia University Foundation, Inc.
Notes to Financial Statements

Liquidity management

The foundation receives significant contributions with donor 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>2021</u>	<u>2020</u>
Contributions receivable:		
Amounts to be received within one year	\$ 24,662,367	\$ 19,312,862
Amounts to be received within two to five years	34,201,133	29,300,325
Amounts to be received after five years	<u>32,279,231</u>	<u>28,671,649</u>
Contributions receivable before allowance and unamortized discount	91,142,731	77,284,836
Allowance for uncollectible contributions	(20,249,728)	(20,881,332)
Unamortized discount	<u>(11,444,445)</u>	<u>(6,854,141)</u>
Contributions receivable, net	<u>\$ 59,448,558</u>	<u>\$ 49,549,363</u>
Other receivables, net:		
Student loans, net of allowance of \$1,045,000 and \$907,000, respectively	\$ 2,099,991	\$ 2,454,399
Notes, advances, and other	<u>1,546,768</u>	<u>1,397,736</u>
Other receivables, net	<u>\$ 3,646,759</u>	<u>\$ 3,852,135</u>

West Virginia University Foundation, Inc.
Notes to Financial Statements

4. Investments

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

	<u>2021</u>	<u>2020</u>
Money market funds	\$ 46,877,596	\$ 94,883,606
Separate accounts:		
Domestic equity	35,084,913	39,731,278
Diversifying strategies	9,729,731	-
Domestic fixed income	<u>2,814,938</u>	<u>2,158,080</u>
	47,629,582	41,889,358
Exchange traded funds:		
Domestic equity	568,110,415	375,579,844
Domestic fixed income	108,372,857	142,548,425
International equity	<u>26,594,087</u>	<u>-</u>
	703,077,359	518,128,269
Mutual funds:		
International equity	304,237,317	243,960,223
Domestic fixed income	71,165,529	122,130,299
Domestic equity	71,037,160	-
International fixed income	59,926,724	-
Real estate	21,041,668	11,478,884
Natural resources	<u>27,220,182</u>	<u>16,542,563</u>
	554,628,580	394,111,969
Other commingled funds:		
Domestic equity	-	11,396,739
International equity	101,831,953	36,810,563
Domestic fixed income	93,785,645	141,280,122
Marketable opportunistic fixed income	17,015,674	-
Global fixed income	<u>-</u>	<u>15,900,432</u>
	212,633,272	205,387,856
Hedge funds:		
Hedge funds	-	96,822,850
Diversifying strategies	119,457,075	-
Marketable opportunistic fixed income	29,614,104	-
International equity	<u>18,591,294</u>	<u>9,896,492</u>
	167,662,473	106,719,342
Private investments:		
Private equity	138,685,897	78,632,521
Venture capital	340,520,643	185,903,870
Distressed debt/mezzanine	35,900,624	40,084,622
Natural resources	68,491,516	60,701,945
Real estate	<u>40,168,267</u>	<u>34,584,713</u>
	623,766,947	399,907,671
Total investments	<u>\$2,356,275,809</u>	<u>\$1,761,028,071</u>

Interest and dividends on non-agency investments are reported in the statements of activities net of custodial management and investment fees of approximately \$3,758,000 and \$2,830,000 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020.

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 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.

West Virginia University Foundation, Inc.
Notes to Financial Statements

Real Estate

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

Unfunded commitments

The following table summarizes the estimated fair value of the Foundation's non-marketable alternatives that have associated unfunded commitments at June 30, 2021:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>
Private Equity	\$ 76,343,631	\$ 52,254,323
Natural Resources	39,684,150	24,536,925
Real Estate	23,997,127	32,886,196
Distressed Debt/Mezzanine	18,877,297	27,261,768
Venture Capital	<u>182,402,311</u>	<u>68,111,053</u>
Total	<u>\$ 341,304,516</u>	<u>\$ 205,050,265</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 provide much of 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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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, 2021			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Investments:				
Money market funds	\$ 46,877,596	\$ -	\$ -	\$ 46,877,596
Separate accounts:				
Domestic equity	35,084,913	-	-	35,084,913
Diversifying strategies	9,729,731	-	-	9,729,731
Domestic fixed income	<u>2,814,938</u>	<u>-</u>	<u>-</u>	<u>2,814,938</u>
	47,629,582	-	-	47,629,582
Exchange traded funds:				
Domestic equity	568,110,415	-	-	568,110,415
Domestic fixed income	108,372,857	-	-	108,372,857
International equity	<u>26,594,087</u>	<u>-</u>	<u>-</u>	<u>26,594,087</u>
	703,077,359	-	-	703,077,359
Mutual funds:				
International equity	304,237,317	-	-	304,237,317
Domestic fixed income	71,165,529	-	-	71,165,529
Domestic equity	71,037,160	-	-	71,037,160
International fixed income	59,926,724	-	-	59,926,724
Real estate	21,041,668	-	-	21,041,668
Natural resources	<u>27,220,182</u>	<u>-</u>	<u>-</u>	<u>27,220,182</u>
	554,628,580	-	-	554,628,580
Other commingled funds:				
International equity	-	101,831,953	-	101,831,953
Domestic fixed income	-	93,785,645	-	93,785,645
Marketable opportunistic fixed income	<u>-</u>	<u>17,015,674</u>	<u>-</u>	<u>17,015,674</u>
	-	212,633,272	-	212,633,272
*Hedge funds:				
Diversifying strategies	-	-	-	119,457,075
Marketable opportunistic fixed income	-	-	-	29,614,104
International equity	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,591,294</u>
	-	-	-	167,662,473
*Private investments:				
Private equity	-	-	-	138,685,897
Venture capital	-	-	-	340,520,643
Distressed debt/mezzanine	-	-	-	35,900,624
Natural resources	-	-	-	68,491,516
Real estate	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,168,267</u>
	-	-	-	623,766,947
Total investments	1,352,213,117	212,633,272	-	2,356,275,809
Beneficial interests in external trusts	<u>-</u>	<u>-</u>	46,646,435	46,646,435
Total assets	<u>\$1,352,213,117</u>	<u>\$ 212,633,272</u>	<u>\$ 46,646,435</u>	<u>\$2,402,922,244</u>
Liabilities:				
Annuities payable and unitrusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (15,344,985)</u>	<u>\$ (15,344,985)</u>
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (15,344,985)</u>	<u>\$ (15,344,985)</u>

West Virginia University Foundation, Inc.
Notes to Financial Statements

*Investments measured using net asset value per share are not classified in the fair value hierarchy. The amounts presented in this table are intended to permit reconciliation of the hierarchy to the statement of financial position.

	Fair Value as of June 30, 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	<u>2,158,080</u>	-	-	<u>2,158,080</u>
	41,889,358	-	-	41,889,358
Exchange traded funds:				
Domestic equity	375,579,844	-	-	375,579,844
Domestic fixed income	<u>142,548,425</u>	-	-	<u>142,548,425</u>
	518,128,269	-	-	518,128,269
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	<u>16,542,563</u>	-	-	<u>16,542,563</u>
	394,111,969	-	-	394,111,969
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	-	<u>15,900,432</u>	-	<u>15,900,432</u>
	-	205,387,856	-	205,387,856
*Hedge funds:				
Hedge funds	-	-	-	96,822,850
International equity	-	-	-	<u>9,896,492</u>
	-	-	-	106,719,342
*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	-	-	-	<u>34,584,713</u>
	-	-	-	<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	<u>42,945,675</u>
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	\$ -	\$ -	\$ (14,565,133)	\$ (14,565,133)

*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, 2021:

	Beneficial Interests in External Trusts	Annuities Payable and Unitrusts
Balance, July 1, 2020	\$ 42,945,675	\$ 14,565,133
Investment gains	3,700,760	-
Annuity losses	-	(1,891,614)
Income	-	4,923,057
New annuities	-	171,438
Distributions	-	(2,423,029)
Balance, June 30, 2021	<u>\$ 46,646,435</u>	<u>\$ 15,344,985</u>

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

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

There were no transfers among Level 1, Level 2, or Level 3 assets during the years ended June 30, 2021 and 2020. 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:

- (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 3.79% in 2021 and 4.07% in 2020.

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.

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Notes to Financial Statements

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>2021</u>	<u>2020</u>
Fair value	\$ -	\$ 4,590,036
Original gift value	<u>-</u>	<u>(4,616,516)</u>
Deficiency	<u>\$ -</u>	<u>\$ (26,480)</u>

The following presents endowment net asset composition by fund type as of June 30, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		
		<u>Quasi Endowment</u>	<u>Endowment</u>	<u>Total</u>
Board designated endowment funds	\$ 14,007,417	\$ -	\$ -	\$ 14,007,417
Original donor restricted gift amounts	-	14,593,067	499,660,887	514,253,954
Accumulated investment gains	<u>-</u>	<u>8,578,730</u>	<u>269,068,014</u>	<u>277,646,744</u>
Invested endowment assets managed internally	14,007,417	23,171,797	768,728,901	805,908,115
Invested assets managed externally	-	-	9,622,658	9,622,658
External trusts at fair value	<u>-</u>	<u>-</u>	<u>46,646,435</u>	<u>46,646,435</u>
Total invested endowment assets	14,007,417	23,171,797	824,997,994	862,177,208
Non-invested endowed assets	-	-	60,817,815	60,817,815
Endowment liabilities	<u>-</u>	<u>-</u>	<u>(40,965)</u>	<u>(40,965)</u>
Endowment net assets	<u>\$ 14,007,417</u>	<u>\$ 23,171,797</u>	<u>\$ 885,774,844</u>	<u>\$ 922,954,058</u>

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The following presents changes in endowment net assets for the year ended June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions		
		Quasi Endowment	Endowment	Total
Invested endowment assets, beginning of year	\$ 11,493,354	\$ 17,328,003	\$ 635,274,828	\$ 664,096,185
Investment return, net	2,930,681	5,979,140	184,858,285	193,768,106
Contributions	-	-	24,512,055	24,512,055
Appropriation for expenditure	(416,618)	(135,346)	(19,647,174)	(20,199,138)
Invested endowment assets, end of year	14,007,417	23,171,797	824,997,994	862,177,208
Non-invested endowed assets	-	-	60,817,815	60,817,815
Endowment liabilities	-	-	(40,965)	(40,965)
Endowment net assets	\$ 14,007,417	\$ 23,171,797	\$ 885,774,844	\$ 922,954,058

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

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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	<u>\$ 11,493,354</u>	<u>\$ 17,328,003</u>	<u>\$ 699,376,271</u>	<u>\$ 728,197,628</u>

7. Land, Building, and Equipment

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

	<u>2021</u>	<u>2020</u>
Land	\$ 2,610,860	\$ 2,610,860
Building	31,162,920	31,162,920
Equipment	<u>4,714,111</u>	<u>4,699,551</u>
	38,487,891	38,473,331
Accumulated depreciation	<u>(24,125,543)</u>	<u>(22,758,124)</u>
Land, building and equipment, net	<u>\$ 14,362,348</u>	<u>\$ 15,715,207</u>

Depreciation expense for the years ended June 30, 2021 and 2020 was \$1,367,419 and \$1,350,646, 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 \$7,722,534 and \$8,583,084 as of June 30, 2021 and 2020, respectively. During 2021 and 2020, 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>2021</u>	<u>2020</u>
Cash surrender value of life insurance	\$ 4,177,584	\$ 3,648,138
Real estate and other assets	<u>2,708,161</u>	<u>2,503,453</u>
	<u>\$ 6,885,745</u>	<u>\$ 6,151,591</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, 2021 and at June 30, 2020, respectively.

The Foundation received contributions of \$442,658 and \$554,506 to establish new split-interest agreements for the years ended June 30, 2021 and 2020, respectively. Total assets resulting from split-interest agreements were \$34,699,066 and \$30,882,551 at June 30, 2021 and 2020, respectively. These assets are included in investments carried at fair value on the statements of financial position.

10. Net Assets

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

	<u>2021</u>	<u>2020</u>
Board designated endowment funds	\$ 14,007,417	\$ 11,493,354
Board designated Foundation reserves	24,041,470	17,896,569
Financial assets available for general use	27,472,257	19,321,062
Land, building, and equipment, net of depreciation	14,362,348	15,715,207
Receivables and other	3,770,117	3,787,212
Notes payable	<u>(15,012,442)</u>	<u>(16,137,849)</u>
	<u>\$ 68,641,167</u>	<u>\$ 52,075,555</u>

West Virginia University Foundation, Inc.
Notes to Financial Statements

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

	<u>2021</u>	<u>2020</u>
Student aid	\$ 395,762,502	\$ 318,845,474
Academics	285,372,899	196,818,527
Faculty and staff	213,373,178	180,395,574
Research	77,914,390	49,411,607
Buildings and equipment	44,804,199	52,486,597
Departmental discretion	69,375,050	53,359,524
Public service	31,206,058	28,385,554
Pending donor designation	16,049,993	13,556,027
Other	<u>6,635,835</u>	<u>7,281,914</u>
	<u>\$1,140,494,104</u>	<u>\$ 900,540,798</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, 2021 and 2020, 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 0.375% 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

The 2012 promissory note to the Big Twelve Conference was fully repaid and forgiven as of June 30, 2020.

Mortgage note

In May 2012, the Foundation borrowed \$24,000,000 from 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, 2021 and 2020 was \$15,012,442 and \$16,137,849, respectively. Interest expense for the years ended June 30, 2021 and 2020 was \$512,503 and \$548,769, respectively.

West Virginia University Foundation, Inc.
Notes to Financial Statements

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>
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
2026	1,325,674	312,236	1,637,910
Thereafter	<u>8,797,720</u>	<u>893,245</u>	<u>9,690,965</u>
	<u>\$ 15,012,442</u>	<u>\$ 2,868,073</u>	<u>\$ 17,880,515</u>

The carrying amount of the Foundation's note payable approximates the fair value at June 30, 2021 and 2020.

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 \$1,174,447 and \$1,078,663 in 2021 and 2020, 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 \$1,415,778 and \$1,588,152 as of June 30, 2021 and 2020, 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 \$56,600 and \$57,469 in 2021 and 2020, respectively.

14. University Support

University directed fund raising costs of approximately \$2,700,000 and \$3,800,000 in 2021 and 2020, 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, 2021 and 2020 follows:

	<u>2021</u>	<u>2020</u>
West Virginia United Health System, Inc.	\$ 1,091,073,403	\$ 792,074,474
West Virginia University	154,159,359	120,984,801
West Virginia University research trust funds	51,158,003	42,003,961
WVU Alumni Association, Inc.	4,542,573	3,928,079
Other	<u>1,906,532</u>	<u>787,763</u>
	<u>\$ 1,302,839,870</u>	<u>\$ 959,779,078</u>

16. Subsequent Events

Foundation management evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through October 8, 2021, 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, WV

We have audited the financial statements of West Virginia University Foundation, Inc. (the "Foundation") as of and for the years ended June 30, 2021 and 2020, and our report thereon dated October 8, 2021, 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, 2021 and 2020 is presented on page 29 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, WV
October 8, 2021

West Virginia University Foundation, Inc.
Reconciliation of Contributions
Years Ended June 30, 2021 and 2020

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 Activities.

	Years Ended June 30,	
	2021	2020
	<hr/>	<hr/>
Contributions:		
Foundation fundraising totals	\$ 270,143,439	\$ 197,855,143
Bequest expectancies	(24,719,002)	(25,581,068)
Changes in contributions receivable, net of discount	(13,854,525)	(16,880,338)
Noncash contributions received directly by the University	(102,521,300)	(32,670,447)
Amounts recorded as agency liability	(9,676,619)	(11,124,238)
Contributions from perpetual trusts reclassified to interest income	(2,038,393)	(2,638,235)
Changes in life income gifts/valuations	448,733	701,599
Conference transition note forgiveness	-	5,000,000
Amounts reported as other revenue	(4,793,732)	(11,697,562)
	<hr/>	<hr/>
Contributions per Statements of Activities	<u>\$ 112,988,601</u>	<u>\$ 102,964,854</u>



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