West Virginia University Foundation, Incorporated

AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

Years Ended June 30, 2014 and 2013
With Reports of Independent Auditors

WEST VIRGINIA UNIVERSITY FOUNDATION, INCORPORATED

Audited Financial Statements and Other Financial Information

Years Ended June 30, 2014 and 2013

C O N T E N T S

DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
West Virginia University Foundation, Incorporated
Morgantown, West Virginia

We have audited the accompanying financial statements of West Virginia University Foundation, Incorporated, which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of West Virginia University Foundation, Incorporated as of June 30, 2014 and 2013, and results of its activities and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Dixon Hughes Goodman LLP

Morgantown, West Virginia
October 17, 2014

West Virginia University Foundation, Incorporated

Statements of Financial Position

	June 30, 2014	June 30, 2013
Assets		
Cash and cash equivalents	$ 23,757,032	$ 22,444,818
Contributions receivable, net - Note 2	48,670,719	48,070,475
Other receivables, net - Note 2	3,872,880	3,709,011
Investments carried at fair value - Note 3	1,303,039,219	1,114,893,389
Land, building, and equipment, net - Note 6	18,698,717	19,790,292
Beneficial interests in external trusts at fair value	32,020,656	28,692,707
Other assets - Note 7	7,296,186	7,864,119
Total assets	$ 1,437,355,409	$ 1,245,464,811
Liabilities and Net Assets		
Liabilities		
Bonds and notes payable, net - Note 11	$ 35,168,320	$ 36,063,130
Accounts payable and accrued expenses	4,567,038	4,110,537
Deferred revenue	2,254,889	5,577,221
Accrued retirement benefits and deferred compensation - Note 12	4,097,994	3,989,885
Annuities payable and unitrusts	11,707,467	12,216,938
Funds held in custody for others - Note 14	606,904,279	510,839,749
Total liabilities	664,699,987	572,797,460
Net assets		
Unrestricted	36,807,588	27,379,183
Net unrealized losses on donor restricted endowment assets below historical dollar value	(244,430)	(5,863,907)
Total unrestricted	36,563,158	21,515,276
Temporarily restricted	304,591,782	243,991,507
Permanently restricted	431,500,482	407,160,568
Total net assets	772,655,422	672,667,351
Total liabilities and net assets	$ 1,437,355,409	$ 1,245,464,811

See notes to the financial statements.

West Virginia University Foundation, Incorporated

Statements of Activity

	Year Ended June 30, 2014				Year Ended June 30, 2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and gains								
Contributions	$ 608,773	$ 49,535,031	$ 22,595,859	$ 72,739,663	$ 882,782	$ 53,630,335	$ 19,947,301	$ 74,460,418
Investment earnings								
Net interest and dividends	10,000,740	8,269,250	-	18,269,990	9,020,900	4,399,521	-	13,420,421
Net realized gains	3,575,050	23,537,079	-	27,112,129	3,972,611	18,454,978	-	22,427,589
Net unrealized gains	7,670,387	43,173,137	-	50,843,524	3,503,380	17,700,234	-	21,203,614
Net change in donor restricted endowment assets below historical dollar value	5,619,477	(5,619,477)	-	-	7,828,906	(7,828,906)	-	-
Investment earnings	26,865,654	69,359,989	-	96,225,643	24,325,797	32,725,827	-	57,051,624
Lease revenue	1,975,000	84,745	-	2,059,745	1,984,974	-	-	1,984,974
Other revenue	2,283,477	826,899	-	3,110,376	2,740,105	1,032,422	-	3,772,527
Net assets released from restrictions	57,596,364	(57,596,364)	-	-	47,350,418	(47,350,418)	-	-
Total revenues and gains	89,329,268	62,210,300	22,595,859	174,135,427	77,284,076	40,038,166	19,947,301	137,269,543
Expenses and support								
University support								
Scholarships	17,132,990	-	-	17,132,990	15,502,848	-	-	15,502,848
Salaries and benefits	10,624,240	-	-	10,624,240	12,698,285	-	-	12,698,285
Travel	1,637,030	-	-	1,637,030	1,705,991	-	-	1,705,991
Meetings and events	3,153,010	-	-	3,153,010	3,211,975	-	-	3,211,975
Professional services	1,797,653	-	-	1,797,653	2,189,281	-	-	2,189,281
Capital projects and equipment	18,460,869	-	-	18,460,869	9,130,494	-	-	9,130,494
Supplies and materials	2,039,245	-	-	2,039,245	2,417,885	-	-	2,417,885
Other support	3,867,342	-	-	3,867,342	3,203,948	-	-	3,203,948
Total University support	58,712,379	-	-	58,712,379	50,060,707	-	-	50,060,707
Foundation support								
Fundraising	6,680,574	-	-	6,680,574	5,894,168	-	-	5,894,168
Fiduciary	5,005,032	-	-	5,005,032	4,738,382	-	-	4,738,382
Total Foundation support	11,685,606	-	-	11,685,606	10,632,550	-	-	10,632,550
Interest and depreciation								
Occupied asset	101,699	-	-	101,699	103,204	-	-	103,204
Leased asset	1,603,648	-	-	1,603,648	1,632,483	-	-	1,632,483
Total interest and depreciation	1,705,347	-	-	1,705,347	1,735,687	-	-	1,735,687
Total expenses before provision and revaluation	72,103,332	-	-	72,103,332	62,428,944	-	-	62,428,944
Provision for uncollectible receivables	-	1,821,864	192,780	2,014,644	12,500	1,209,667	51,191	1,273,358
Loss on revaluation of real estate investment	2,178,054	-	-	2,178,054	-	-	-	-
Net gain on revaluation of external trusts	-	-	(1,936,835)	(1,936,835)	-	-	(2,721,011)	(2,721,011)
Net (gain) loss on revaluation of annuities payable and unitrusts	-	(211,839)	-	(211,839)	-	422,861	-	422,861
Total expenses and support	74,281,386	1,610,025	(1,744,055)	74,147,356	62,441,444	1,632,528	(2,669,820)	61,404,152
Change in net assets	15,047,882	60,600,275	24,339,914	99,988,071	14,842,632	38,405,638	22,617,121	75,865,391
Net assets at beginning of year	21,515,276	243,991,507	407,160,568	672,667,351	6,672,644	205,585,869	384,543,447	596,801,960
Net assets at end of year	$ 36,563,158	$ 304,591,782	$ 431,500,482	$ 772,655,422	$ 21,515,276	$ 243,991,507	$ 407,160,568	$ 672,667,351

See notes to the financial statements.

West Virginia University Foundation, Incorporated

Statements of Cash Flows

	Years Ended June 30, 2014	2013
Reconciliation of change in net assets to net cash (used in) provided by operating activities		
Change in net assets	$ 99,988,071	$ 75,865,391
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Actuarial (gain) loss on annuities payable	(211,839)	422,861
Provision for uncollectible receivables	2,014,644	1,273,358
Contributions restricted for long-term purposes	(22,595,859)	(19,947,301)
Depreciation expense	1,144,009	1,085,434
Net realized gains on investments	(27,112,129)	(22,427,589)
Net unrealized gains on investments	(50,843,524)	(21,203,614)
Loss on revaluation of real estate investment	2,178,054	-
Decrease in equity method investment	122,867	207,474
Noncash contributions	-	(377,733)
Revaluation of beneficial interest in external trusts	(1,936,835)	(2,721,011)
Changes in:		
Contributions receivable	(2,614,888)	1,193,057
Investments held in custody	(94,450,669)	(66,806,334)
Beneficial interest in external trusts	(1,391,114)	-
Accounts payable and accrued expenses	456,501	(1,483,986)
Deferred revenue	(3,322,332)	(5,197,447)
Funds held in custody for others	96,064,530	67,362,841
Operating assets and liabilities	(2,086,380)	(2,012,071)
Net cash (used in) provided by operating activities	(4,596,893)	5,233,330
Cash flows from investing activities		
Purchase of land, building, and equipment	(52,434)	(477,614)
Purchase of investments	(151,000,339)	(243,947,073)
Proceeds from sales and liquidations of investments	135,260,831	226,101,467
Net cash used in investing activities	(15,791,942)	(18,323,220)
Cash flows from financing activities		
Proceeds from contributions restricted for long-term purposes	22,595,859	19,947,301
Payments on bonds and notes payable	(894,810)	(865,978)
Net cash provided by financing activities	21,701,049	19,081,323
Increase in cash and cash equivalents	1,312,214	5,991,433
Cash and cash equivalents at beginning of year	22,444,818	16,453,385
Cash and cash equivalents at end of year	$ 23,757,032	$ 22,444,818
Supplemental Information		
Interest paid	$ 747,727	$ 776,562

See notes to the financial statements.

1. Significant Accounting Policies and Other Matters

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

Basis of Accounting – The financial statements presented herein have been prepared 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 2.81% to 6.71% at June 30, 2014 and 3.08% to 5.97% at June 30, 2013. Split interest agreements are valued at the expected rate of return on the life income portfolio, which ranged from 4.37% to 5.35% at June 30, 2014, and 4.44% to 5.29% at June 30, 2013. Individual contributions receivable are valued at unsecured consumer lending rates ranging from 4.03% to 5.50% at June 30, 2014 and 3.78% to 4.99% at June 30, 2013, based on the anticipated collection date of the receivable. Corporate contributions receivable are valued at the current yield on corporate debt ranging from 0.41% to 2.57% and 0.42% to 2.87% at June 30, 2014 and 2013, respectively, based on the anticipated collection date of the receivable.

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

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

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

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

Unconditional promises to give from one donor accounted for approximately 51% of the Foundation's net contributions receivable at June 30, 2014 and 2013. The Foundation has determined that this contribution receivable is fully collectible as of June 30, 2014.

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 fully reserved and written off through a charge to the allowance for doubtful accounts, if deemed uncollectible.

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

Land, Building, and Equipment – Land, building, and equipment are recorded at cost when purchased, or fair value if acquired by gift. The Foundation's capitalization policy requires purchases of property and equipment in excess of $5,000 to be recorded as a capital asset. Depreciation is calculated over the estimated useful lives of the building and equipment using the straight-line method. Maintenance and repairs of existing facilities are charged to operating expense as incurred. Equipment purchased for departments of the University is recognized in expense as University support and transferred to the University.

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

Annuities Payable and Unitrusts – Under the terms of the Foundation's annuity and trust agreements, the donors or their designees receive either a predetermined distribution or a fixed rate return based upon the 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 based on the estimated present value of the payments.

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

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

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

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

Permanently Restricted: Assets and contributions for which the donor stipulates that resources be maintained permanently are permanently restricted. These assets are placed in endowment investment accounts, and all or a part of the earnings derived from the original assets are available for use based on restrictions stipulated by the donor. Spending of the related investment income is governed by the Foundation's spend policy as approved annually by the Board of Directors (see Note 5).

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

The Foundation recognizes noncash contributions 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, 2014 and 2013, respectively, the Foundation recognized noncash gifts of $24,368 and $377,733 in contribution revenue.

Tax Status – The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). Accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The Foundation follows the Financial Accounting Standards Board's (FASB) authoritative guidance on accounting for uncertainty in income taxes. Tax positions must meet a recognition threshold of more-likely-than-not in order for the benefit or obligation of those tax positions to be recognized in the financial statements. The Foundation has determined that it does not have any material unrecognized tax benefits or obligations at June 30, 2014 and June 30, 2013. Fiscal years ending on or after June 30, 2010 remain subject to examination by federal and state tax authorities.

Reclassifications – Certain reclassifications have been made to the June 30, 2013 financial statements to conform to the June 30, 2014 presentation. Such reclassifications did not impact the prior year change in net assets.

Subsequent Events – Foundation management evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through October 17, 2014, the day the financial statements were approved and issued.

2. Receivables

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

	2014	2013
Contributions receivable, net		
Amounts to be received within one year	$ 15,205,785	$ 11,609,989
Amounts to be received within two to five years	25,490,762	27,436,900
Amounts to be received after five years	18,887,039	18,516,434
Contributions receivable before allowances and unamortized discount	59,583,586	57,563,323
Allowance for uncollectible contributions	(3,312,867)	(1,492,848)
Unamortized discount	(7,600,000)	(8,000,000)
Contributions receivable, net	$ 48,670,719	$ 48,070,475
Other receivables, net		
Student loans, net of allowance of $521,000 and $390,000, respectively	$ 2,743,015	$ 2,621,782
Notes, advances, and other	1,129,865	1,087,229
Other receivables, net	$ 3,872,880	$ 3,709,011

3. Investments

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

	2014	2013
Money Market Funds	$ 23,554,614	$ 18,195,451
Certificates of Deposit	11,039,172	9,003,911
Separate Accounts		
Domestic Equity	9,395,126	13,134,081
Domestic Fixed Income	31,077,098	23,508,169
	40,472,224	36,642,250
Closed End Funds		
Domestic Fixed Income	17,303,795	-
Exchange Traded Funds		
Domestic Equity	396,015,318	319,001,444
International Equity	1,258,970	143,273
Domestic Fixed Income	38,514,666	46,437,476
	435,788,954	365,582,193
Mutual Funds		
Domestic Equity	11,686,112	13,857,466
International Equity	183,183,032	151,223,147
Global Equity	35,021,922	19,756,509
Domestic Fixed Income	98,738,642	78,564,278
Natural Resources	15,011,141	11,643,588
Equity/Fixed Income Blend	3,230,089	3,118,311
	346,870,938	278,163,299
Other Commingled Funds		
Domestic Equity	36,324,808	27,786,351
Domestic Fixed Income	11,919,144	5,064,762
International Fixed Income	19,593,580	18,371,479
Global Fixed Income	62,747,427	50,340,675
	130,584,959	101,563,267
Hedge Fund of Funds	3,310,186	5,976,107
Private Investments		
Private Equity	112,795,731	113,534,138
Venture	42,443,540	33,753,688
Direct	535,471	572,392
Distressed Debt/Mezzanine	28,465,393	34,271,052
Natural Resources	63,152,962	62,423,327
Real Estate	38,175,314	43,820,536
Other	8,545,966	11,391,778
	294,114,377	299,766,911
Total Investments	$ 1,303,039,219	$ 1,114,893,389

Interest and dividends on investments are reported on the Statements of Activity net of custodial management and investment fees of approximately $1,621,000 and $1,753,000 for the years ended June 30, 2014 and 2013, respectively.

To achieve its investment objectives, management has procedures in place related to initial due diligence, ongoing monitoring, and financial reporting of alternative investments. Specific efforts employed by management include ongoing interaction with fund managers, including on-site visits and interviews, telephonic meetings, and ongoing monitoring of portfolio holdings, activities, and performance. Monitoring also includes obtaining and reviewing audited financial statements noting the basis of accounting, disclosures pertaining to the valuation of alternative investments, and comparison of audited valuation with the fund's valuation. Management also reviews interim financial information, including details of investment holdings to obtain an understanding of the underlying investments. Management believes the basis and assumptions for determining the estimated fair values of the Foundation's alternative investments are reasonable at June 30, 2014 and 2013.

On July 1, 2014, the Foundation transferred its investment holdings from State Street Bank to Bank of New York Mellon (BNY).

4. Fair Value of Financial Assets and Liabilities

All 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 – Quoted prices in active markets for identical assets or liabilities.

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

Level 3 – Inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability.

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 publically traded in active markets. While the Foundation has access to a detailed listing of the underlying assets of the fund, the majority of which are publically traded and readily available in active markets, shares of the funds themselves do not have daily quoted active market prices. Investments in these funds are valued per share based on the market prices of the underlying assets. The Foundation also holds certificates of deposit. The fair value of the certificates of deposit is determined using third-party quotations.

Level 3 Investment Categories

The Foundation uses the net asset value (NAV) or capital balances of its interest in Level 3 investments as a practical expedient to determine the fair value of Level 3 investment funds. 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 the Level 3 investments existed, and the difference could be material. Additional information about the major categories of Level 3 investments is presented below.

Distressed Debt / Mezzanine

The Foundation invests in distressed debt and mezzanine funds that are limited partnerships and not publicly traded. These funds have investments in private companies located both in and outside the United States. Investments in this category, for which there are no readily determinable fair values, are classified as Level 3 due to the inability for redemption and the lack of market prices. The fair values of these investments are estimated using the NAV provided by the general partner as a practical expedient. 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.

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 classified as Level 3 due to the inability for redemption and the lack of market prices. The fair values of these investments are estimated using the NAV provided by the general partner as a practical expedient. 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.

<u>Natural Resources</u>

The Foundation invests in energy, timber, 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 classified as Level 3 due to the inability for redemption and the lack of market prices. The fair values of these investments are estimated using the NAV provided by the general partner as a practical expedient. 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.

<u>Real Estate</u>

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 classified as Level 3 due to the inability for redemption and the lack of market prices. The fair values of these investments are estimated using the NAV provided by the general partner as a practical expedient. 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.

<u>Other</u>

The Foundation invests in an infrastructure fund that is a limited partnership and directly in three private entities co-investing alongside the Foundation's limited partnership investments that are not publicly traded. These funds have investments in assets located both in and outside the United States. Investments in this category, for which there are no readily determinable fair values, are classified as Level 3 due to the inability for redemption and the lack of market prices. The fair values of these investments are estimated using the NAV provided by the general partner as a practical expedient. Distributions are made from the investments as the fund matures or investment is sold. Redemptions are not permitted during the life of the partnerships. Partnership lives range from 7 to 10 years with an option to extend an additional 2 years. When assets are sold, the proceeds, less any incentives due to the partnership's general partner, are to be distributed to investors.

<u>Hedge Funds</u>

The Foundation invested in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. These funds have been redeemed or are now in liquidation. Remaining assets are illiquid with no definite schedule for distribution. These funds have investments in assets located both in and outside the United States. Investments in this category, for which there are no readily determinable fair values, are classified as Level 3 due to the inability for redemption and the lack of market prices. The fair values of these investments are estimated using the NAV provided by the hedge fund managers as a practical expedient.

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, 2014:

	Fair Value	Unfunded Commitments
Private Equity	$ 72,007,432	$ 18,510,635
Natural Resources	22,505,740	16,316,085
Real Estate	11,115,712	4,150,572
Distressed Debt/Mezzanine	17,175,513	6,093,692
Venture	25,926,170	6,263,567
Total	$ 148,730,567	$ 51,334,551

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 10 years. Management anticipates that distributions from existing non-marketable alternatives will provide the liquidity necessary to satisfy remaining unfunded commitments.

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

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

	Fair Value as of June 30, 2014			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Money Market Funds	$ 23,554,614	$ -	$ -	$ 23,554,614
Certificates of Deposit	-	11,039,172	-	11,039,172
Separate Accounts				
Domestic Equity	9,395,126	-	-	9,395,126
Domestic Fixed Income	1,559,168	29,517,930	-	31,077,098
	10,954,294	29,517,930	-	40,472,224
Closed End Funds				
Domestic Fixed Income	17,303,795	-	-	17,303,795
Exchange Traded Funds				
Domestic Equity	396,015,318	-	-	396,015,318
International Equity	1,258,970	-	-	1,258,970
Domestic Fixed Income	38,514,666	-	-	38,514,666
	435,788,954	-	-	435,788,954
Mutual Funds				
Domestic Equity	11,686,112	-	-	11,686,112
International Equity	183,183,032	-	-	183,183,032
Global Equity	35,021,922	-	-	35,021,922
Domestic Fixed Income	98,738,642	-	-	98,738,642
Natural Resources	15,011,141	-	-	15,011,141
Equity/Fixed Income Blend	3,230,089	-	-	3,230,089
	346,870,938	-	-	346,870,938
Other Commingled Funds				
Domestic Equity	-	36,324,808	-	36,324,808
Domestic Fixed Income	-	11,919,144	-	11,919,144
International Fixed Income	-	19,593,580	-	19,593,580
Global Fixed Income	-	62,747,427	-	62,747,427
	-	130,584,959	-	130,584,959
Hedge Funds				
Hedge Fund of Funds	-	-	3,310,186	3,310,186
Private Investments				
Private Equity	-	-	112,795,731	112,795,731
Venture	-	-	42,443,540	42,443,540
Direct	-	-	535,471	535,471
Distressed Debt/Mezzanine	-	-	28,465,393	28,465,393
Natural Resources	-	-	63,152,962	63,152,962
Real Estate	-	-	38,175,314	38,175,314
Other	-	-	8,545,966	8,545,966
	-	-	294,114,377	294,114,377
Total Investments	834,472,595	171,142,061	297,424,563	1,303,039,219
Beneficial Interests in External Trusts	-	-	32,020,656	32,020,656
Total Assets	$ 834,472,595	$ 171,142,061	$ 329,445,219	$ 1,335,059,875
Liabilities:				
Annuities Payable and Unitrusts	-	-	(11,707,467)	(11,707,467)
Total Liabilities	$	$	$ (11,707,467)	$ (11,707,467)

Notes to Financial Statements *(Continued)*
Years Ended June 30, 2014 and 2013

	Fair Value as of June 30, 2013			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Money Market Funds	$ 18,195,451	$ -	$ -	$ 18,195,451
Certificates of Deposit	-	9,003,911	-	9,003,911
Separate Accounts				
Domestic Equity	13,134,081	-	-	13,134,081
Domestic Fixed Income	1,147,919	22,360,250	-	23,508,169
	14,282,000	22,360,250	-	36,642,250
Exchange Traded Funds				
Domestic Equity	319,001,444	-	-	319,001,444
International Equity	143,273	-	-	143,273
Domestic Fixed Income	46,437,476	-	-	46,437,476
	365,582,193	-	-	365,582,193
Mutual Funds				
Domestic Equity	13,857,466	-	-	13,857,466
International Equity	151,223,147	-	-	151,223,147
Global Equity	19,756,509	-	-	19,756,509
Domestic Fixed Income	78,564,278	-	-	78,564,278
Natural Resources	11,643,588	-	-	11,643,588
Equity/Fixed Income Blend	3,118,311	-	-	3,118,311
	278,163,299	-	-	278,163,299
Other Commingled Funds				
Domestic Equity	-	27,786,351	-	27,786,351
Domestic Fixed Income	-	5,064,762	-	5,064,762
International Fixed Income	-	18,371,479	-	18,371,479
Global Fixed Income	-	50,340,675	-	50,340,675
	-	101,563,267	-	101,563,267
Hedge Funds				
Hedge Fund of Funds	-	-	5,976,107	5,976,107
Private Investments				
Private Equity	-	-	113,534,138	113,534,138
Venture	-	-	33,753,688	33,753,688
Direct	-	-	572,392	572,392
Distressed Debt/Mezzanine	-	-	34,271,052	34,271,052
Natural Resources	-	-	62,423,327	62,423,327
Real Estate	-	-	43,820,536	43,820,536
Other	-	-	11,391,778	11,391,778
	-	-	299,766,911	299,766,911
Total Investments	676,222,943	132,927,428	305,743,018	1,114,893,389
Beneficial Interests in External Trusts	-	-	28,692,707	28,692,707
Total Assets	$ 676,222,943	$ 132,927,428	$ 334,435,725	$ 1,143,586,096
Liabilities:				
Annuities Payable and Unitrusts	-	-	(12,216,938)	(12,216,938)
Total Liabilities	$	$	$ (12,216,938)	$ (12,216,938)

The following table illustrates the activity of Level 3 assets and liabilities for the year ended June 30, 2014:

	Investments	Beneficial Interest in External Trusts	Total Assets	Annuities Payable and Unitrusts
Balance, July 1, 2013	$ 305,743,018	$ 28,692,707	$ 334,435,725	$ 12,216,938
Investment gains (losses)	37,284,912	1,936,835	39,221,747	-
Annuities and unitrusts (gains) losses	-	-	-	(211,839)
Income	11,611,506	-	11,611,506	1,765,228
Capital calls/contributions	22,588,179	1,391,114	23,979,293	458,246
Distributions	(76,878,081)	-	(76,878,081)	(2,521,106)
Subscriptions/redemptions	(2,924,971)	-	(2,924,971)	-
Balance, June 30, 2014	$ 297,424,563	$ 32,020,656	$ 329,445,219	$ 11,707,467

Gains and losses for Level 3 investments for the year ended June 30, 2014 are as follows:

Recognized in the change in temporarily restricted net assets in the statements of activity:	
Net unrealized losses	$ (90,530)
Net realized gains	18,279,932
	18,189,402
Agency-related net gains excluded from the change in net assets in the statements of activity	19,095,510
	$ 37,284,912

The following table illustrates the activity of Level 3 assets and liabilities for the year ended June 30, 2013:

	Investments	Beneficial Interest in External Trusts	Total Assets	Annuities Payable and Unitrusts
Balance, July 1, 2012	$ 373,293,816	$ 25,971,696	$ 399,265,512	$ 12,668,912
Investment (losses) gains	(3,727,174)	2,721,011	(1,006,163)	-
Annuities and unitrusts (gains) losses	-	-	-	422,861
Income	6,127,348	-	6,127,348	1,378,315
Capital calls/contributions	30,454,399	-	30,454,399	509,396
Distributions	(38,157,873)	-	(38,157,873)	(2,762,546)
Subscriptions/redemptions	(62,247,498)	-	(62,247,498)	-
Balance, June 30, 2013	$ 305,743,018	$ 28,692,707	$ 334,435,725	$ 12,216,938

Gains and losses for Level 3 investments for the year ended June 30, 2013 are as follows:

Recognized in the change in temporarily restricted net assets in the statements of activity:	
Net unrealized losses	$ (21,815,624)
Net realized gains	17,511,007
	(4,304,617)
Agency-related net gains excluded from the change in net assets in the statements of activity	577,443
	$ (3,727,174)

There were no transfers among Level 1, Level 2, or Level 3 during the years ended June 30, 2014 and 2013. When transfers occur, they are recognized at the end of the reporting period.

5. Endowment

The Foundation's endowment consists of over 2,500 individual endowment funds established for a variety of purposes. The endowment includes donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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

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

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

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

Spending Policy and Related Investment Objectives – The Foundation utilizes a "banded inflation" spend policy for the private endowment, which considers the prior year spend dollar amount adjusted for inflation (CPI). This calculated spend dollar amount must be between 3.5% and 4.5% of market value at December 31 of the fiscal year. This policy was established in accordance with UPMIFA, which in certain circumstances allows appropriation from an endowment fund when the current fair value may occasionally fall below original gift value. The Foundation also considers the six factors defined earlier within this note. Over the long term, the Foundation expects the spend policy to allow its endowment to grow at a rate in excess of inflation, spending, and fees.

Included in the Endowment totals are research trust funds from the state of West Virginia totaling $39,308,997 and $38,523,005 at June 30, 2014 and 2013, respectively. The spend policy for these funds is based upon distribution of earnings as defined in West Virginia Code for Directed Research Endowments.

Funds with Deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the original gift. Deficiencies of this nature reported in unrestricted net assets were $244,430 and $5,863,907 as of June 30, 2014 and 2013, respectively. These deficiencies resulted from unfavorable market performance and payout for current expenditures.

The following presents endowment net asset composition by fund type as of June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ -	$ 122,480,700	$ 384,418,634	$ 506,899,334
Fair value of donor restricted endowments below historical dollar value	(244,430)	-	-	(244,430)
Board-designated endowment funds	8,313,709	-	-	8,313,709
Endowment net assets, end of year	$ 8,069,279	$ 122,480,700	$ 384,418,634	$ 514,968,613

The following presents changes in endowment net assets for the year ended June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 1,536,553	$ 85,986,043	$ 365,188,070	$ 452,710,666
Investment return:				
Investment income	247,839	14,345,208	-	14,593,047
Net appreciation	976,283	62,592,868	-	63,569,151
Fair value gains of donor restricted endowments below historical dollar value	5,619,477	(5,619,477)	-	-
Manager and administrative fees	(146,956)	(8,658,054)	-	(8,805,010)
Total investment return	6,696,643	62,660,545	-	69,357,188
Contributions and other changes	169,104	224,918	19,230,564	19,624,586
Appropriation of endowment assets for expenditures	(333,021)	(26,390,806)	-	(26,723,827)
Endowment net assets, end of year	$ 8,069,279	$ 122,480,700	$ 384,418,634	$ 514,968,613

The amounts reflected above include only those funds actually received and invested in the Foundation’s endowment as of June 30, 2014.

The following presents endowment net asset composition by type of fund as of June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ -	$ 85,986,043	$ 365,188,070	$ 451,174,113
Fair value of donor restricted endowments below historical dollar value	(5,863,907)	-	-	(5,863,907)
Board-designated endowment funds	7,400,460	-	-	7,400,460
Endowment net assets, end of year	$ 1,536,553	$ 85,986,043	$ 365,188,070	$ 452,710,666

The following presents changes in endowment net assets for the year ended June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (6,601,485)	$ 66,685,956	$ 343,495,375	$ 403,579,846
Investment return:				
Investment income	180,247	10,149,481	-	10,329,728
Net appreciation	592,617	38,130,217	-	38,722,834
Fair value gains of donor restricted endowments below historical dollar value	7,828,906	(7,828,906)	-	-
Manager and administrative fees	(140,457)	(7,852,203)	-	(7,992,660)
Total investment return	8,461,313	32,598,589	-	41,059,902
Contributions and other changes	-	4,299,384	21,692,695	25,992,079
Appropriation of endowment assets for expenditures	(323,275)	(17,597,886)	-	(17,921,161)
Endowment net assets, end of year	$ 1,536,553	$ 85,986,043	$ 365,188,070	$ 452,710,666

The amounts reflected above include only those funds actually received and invested in the Foundation's endowment as of June 30, 2013.

6. Land, Building, and Equipment

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

	2014	2013
Land	$ 1,610,860	$ 1,610,860
Building	28,841,358	28,841,358
Equipment	3,316,262	3,263,828
	33,768,480	33,716,046
Accumulated Depreciation	(15,069,763)	(13,925,754)
	$ 18,698,717	$ 19,790,292

Depreciation expense for the years ended June 30, 2014 and 2013 was $1,144,009 and $1,085,434, respectively.

The Foundation owns a seven-floor office building located at One Waterfront Place. The Foundation occupies one floor of the building and leases the remainder of the building to the University through an operating lease with the West Virginia University Board of Governors on behalf of the University. The lease runs through May 31, 2031; however, it is cancelable upon 30-days' written notice. The book value of the property leased was $14,636,381 and $15,496,931 as of June 30, 2014 and 2013, respectively. During 2014 and 2013, the Foundation recorded approximately $2,000,000 of lease revenue related to this lease.

7. Other Assets

Other assets consisted of the following at June 30:

	2014	2013
Cash surrender value of life insurance	$ 4,394,116	$ 3,474,684
Real estate and other assets	2,902,070	4,389,435
	$ 7,296,186	$ 7,864,119

The Foundation owns a 39% interest in the Waterfront Place Parking Garage, LLC. The investment is accounted for under the equity method of accounting, whereby the carrying value of the investment is adjusted for profit or loss, distributions, and other revaluations. The recorded value of this investment was $1,150,500 and $3,451,421 at June 30, 2014 and 2013, respectively. Revaluation for the year ended June 30, 2014, resulted in a $2,178,000 loss.

8. Split-Interest Agreements

The Foundation occasionally enters into split-interest agreements with donors, which consist primarily of charitable gift annuities, charitable remainder unitrusts, and charitable remainder annuity trusts. These agreements provide either fixed annual payments or fixed annual returns to the original donor or a designated beneficiary. Payment streams are valued at the present value of the expected future obligations factoring in the applicable discount rate and actuarial mortality assumptions. Fixed payout percentages range from 2.8% to 18% at June 30, 2014, and 2.3% to 18% at June 30, 2013.

The Foundation received contributions of $993,110 and $1,073,855 to establish new split-interest agreements for the years ended June 30, 2014 and 2013, respectively. Total assets resulting from split-interest agreements were $22,235,336 and $21,742,821 at June 30, 2014 and 2013, respectively. These assets are included in investments carried at fair value on the Statements of Financial Position.

9. Net Assets

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

	2014	2013
Student aid	$ 66,400,601	$ 46,401,421
Faculty and staff	52,777,399	40,691,567
Academics	71,618,119	55,756,877
Pending donor designation	24,878,649	22,217,704
Research	35,000,634	26,675,418
Buildings and equipment	33,379,399	36,184,518
Departmental discretion	14,058,387	10,515,528
Public service	6,478,594	5,548,474
	$ 304,591,782	$ 243,991,507

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

	2014	2013
Student aid	$ 180,481,412	$ 167,152,014
Faculty and staff	100,286,287	96,634,498
Academics	69,332,728	67,175,950
Research	54,109,247	50,561,545
Departmental discretion	2,895,110	2,757,422
Buildings and equipment	15,314,544	14,027,256
Public service	5,919,876	5,629,459
Other	3,161,278	3,222,424
	$ 431,500,482	$ 407,160,568

10. Lines of Credit

The Foundation has an unsecured line of credit with a financial institution with maximum borrowing capacity of $10,000,000. As of June 30, 2014, there was no amount outstanding on the line. This line of credit bears interest at a variable rate based on the New York Prime rate plus 3.375% with a minimum interest rate of 4.48% and a maximum interest rate of 10%, which is payable on demand.

11. Bonds and Notes Payable

Bonds Payable – On March 14, 2002, the West Virginia Economic Development Authority (the “Authority”) issued $3,000,000 of Series A 2002 Bonds on behalf of the Foundation to finance the cost of the acquisition, construction, equipping, and furnishing of the seventh floor at One Waterfront Place, the Foundation’s headquarters.

The Series A Bonds are secured by a promissory note from the Foundation to the Authority and, as such, are an obligation of the Foundation. The Foundation has entered into a Standby Bond Purchase Agreement (“Agreement”) with PNC Bank to provide a liquidity facility. The Agreement has been extended through March 1, 2015. The Series A Bonds are rated A+/A1 by Standard & Poor’s and As3/VMIG-1 by Moody’s Investors Service.

The Series A Bonds were issued as variable-rate bonds. The interest rate is determined by the Remarketing Agent (PNC Bank) weekly. From July 1, 2013 through June 30, 2014, the actual interest rate ranged from 0.07% to 0.16% per annum with an average interest rate of 0.12%. From July 1, 2012 through June 30, 2013, the actual interest rate ranged from 0.09% to 0.28% per annum with an average interest rate of 0.17%. The Series A Bonds will mature on July 1, 2017.

Interest costs on the Series A bonds for the years ended June 30, 2014 and 2013 were $3,124 and $4,629, respectively, and are included within total interest and depreciation on the Statements of Activity.

Promissory Note – In February 2012, the Foundation entered into a promissory note in the amount of $10,000,000. Beginning on June 30, 2016, $5,000,000 of the note (the Payable Amount) is to be 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. The remaining $5,000,000 (the Forgivable Amount) is to be forgiven on June 30, 2020, if all the scheduled payments have been made on the Payable Amount, or on such earlier dates as the Payable Amount is paid in full. However, if there is an event of default under the terms of the note, the Foundation shall become obligated to pay the Forgivable Amount, together with accrued interest thereon from the date of the note. Interest is due on the Payable Amount of $5,000,000 at the Applicable Federal Rate (AFR) in effect each June 30. The Foundation made the required interest payment of $47,500 (0.95% AFR) for June 30, 2014. Interest on the Forgivable Amount is deferred and is payable only upon event of default.

Mortgage Note – In May 2012, the Foundation entered into a $24,000,000 loan agreement with a West Virginia bank. The loan proceeds were used to fund the pay-off of the 2002 Series B bonds used to finance floors 1-6 of One Waterfront Place. The loan is payable in monthly installments of $136,492 through May 1, 2032. The payments include principal and interest at the fixed rate of 3.28%. The loan is secured by a credit line deed of trust on One Waterfront Place, an assignment of leases on One Waterfront Place, and a security agreement encumbering the net unrestricted assets of the Foundation. The loan balance as of June 30, 2014 and 2013 was $22,168,320 and $23,063,130, respectively. Interest expense for the years ended June 30, 2014 and 2013 was $743,098 and $771,933, respectively.

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

Fiscal Year Ending	Principal	Interest	Total Principal and Interest
2015	$ 924,607	$ 713,303	$ 1,637,910
2016	955,394	682,516	1,637,910
2017	987,206	650,704	1,637,910
2018	1,020,078	617,832	1,637,910
2019	1,054,044	583,866	1,637,910
Thereafter	17,226,991	3,929,344	21,156,335
	$ 22,168,320	$ 7,177,565	$ 29,345,885

Bonds and notes payable as of June 30, 2014 and 2013 are summarized as follows:

	2014	2013
Bonds Payable	$ 3,000,000	$ 3,000,000
Promissory Note	10,000,000	10,000,000
Mortgage Note Payable	22,168,320	23,063,130
Total Bonds and Notes Payable	$ 35,168,320	$ 36,063,130

The carrying amounts of the Foundation's bonds and notes payable approximate their fair value at June 30, 2014 and 2013.

12. Retirement Benefits and Deferred Compensation

The Foundation has a contributory retirement plan covering its full-time employees. Employer contributions are based on a percentage of salary applied as premiums on regular retirement annuity contracts owned by each employee. Employees are fully vested after two years. Retirement expense was $683,197 and $611,961 in 2014 and 2013, respectively.

The Foundation has six supplemental retirement or deferred compensation plans covering certain former employees of the University or Foundation that provide for payments upon retirement, death, or disability. The liability associated with these plans was $4,097,994 and $3,989,885 as of June 30, 2014 and 2013, respectively. The liability is recorded at the present value of the estimated future payments. These plans are funded through gifts, life insurance proceeds, and Foundation operations. As of June 30, 2014, all participants of the program had vested and are included in the deferred compensation liability amounts on the Statements of Financial Position.

13. University Support

University directed fund raising costs of approximately $2,508,855 and $1,589,000 in 2014 and 2013, respectively, are included in University support in the Statements of Activity.

14. Funds Held in Custody for Others

The Foundation invests funds for West Virginia University and certain organizations affiliated with the University. These investments are held in an agency relationship; and are not net assets of the Foundation. A summary of the liability for agency investments as of June 30, 2014 and 2013 follows:

	2014	2013
West Virginia University Hospitals, Inc.	$ 504,681,632	$ 421,733,877
West Virginia University	93,894,720	81,054,100
WVU Alumni Association, Inc.	4,733,193	4,558,200
Blanchette Rockefeller Neurosciences Institute, Inc.	3,570,745	3,333,152
Other	23,989	160,420
	$ 606,904,279	$ 510,839,749

15. Contingencies

The Foundation is a defendant in a legal action that is in the early stages of the legal process. At the present time, it is not possible to determine the ultimate outcome of this lawsuit. In the opinion of Management after consultation with counsel, the ultimate outcome is not expected to have a material adverse effect on the Foundation's financial statements.

OTHER FINANCIAL INFORMATION

DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

Independent Auditors' Report on Other Financial Information

The Board of Directors
West Virginia University Foundation, Incorporated

We have audited the financial statements of the West Virginia University Foundation, Incorporated (the "Foundation") as of and for the years ended June 30, 2014 and 2013, and our report thereon dated October 17, 2014, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The reconciliation of contributions information for the years ended June 30, 2014 and 2013 is presented on page 27 for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management, was derived from, and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Dixon Hughes Goodman LLP

Morgantown, West Virginia
October 17, 2014

West Virginia University Foundation, Incorporated

Reconciliation of Contributions

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, 2014	Years Ended June 30, 2013
Contributions		
Foundation fundraising totals	$ 85,715,555	$ 99,556,976
Noncash contributions received directly by the University	(7,903,730)	(22,573,257)
Amounts reported as other revenue	(3,956,337)	(872,856)
Net impact of changes in deferred revenue	3,322,332	5,197,447
Net impact of changes in contributions receivable	2,484,144	(1,191,248)
Life income gifts reclassified to annuities payable	(458,246)	(509,396)
Contributions from perpetual trusts reclassified to interest income	(2,149,740)	(1,752,609)
Life income gifts released from annuities payable due to termination of trust	479,231	962,023
Amounts recorded as agency liability	(4,793,546)	(4,356,662)
Contributions per statements of activity	$ 72,739,663	$ 74,460,418