



**West Virginia University Foundation, Inc.**

**AUDITED FINANCIAL STATEMENTS  
AND OTHER SUPPLEMENTARY INFORMATION**

Years Ended June 30, 2015 and 2014  
With Reports of Independent Auditors

**WEST VIRGINIA UNIVERSITY FOUNDATION, INC.**

**Audited Financial Statements and  
Other Financial Information**

**Years Ended June 30, 2015 and 2014**

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## Independent Auditors' Report

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

We have audited the accompanying financial statements of West Virginia University Foundation, Inc., which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activity and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of West Virginia University Foundation, Inc. as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Dixon Hughes Goodman LLP*

*Morgantown, West Virginia  
September 25, 2015*

**West Virginia University Foundation, Inc.**

**Statements of Financial Position**

	<b>June 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 43,702,438	\$ 23,757,032
Contributions receivable, net - Note 2	42,809,210	48,670,719
Other receivables, net - Note 2	3,920,331	3,872,880
Investments carried at fair value - Note 3	1,323,899,814	1,303,039,219
Land, building, and equipment, net - Note 6	20,680,559	18,698,717
Beneficial interests in external trusts at fair value	41,058,130	32,020,656
Other assets - Note 7	5,781,060	7,296,186
	<b>\$ 1,481,851,542</b>	<b>\$ 1,437,355,409</b>
 <b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Bonds and notes payable, net - Note 11	\$ 31,243,713	\$ 35,168,320
Accounts payable and accrued expenses	8,883,915	4,567,038
Deferred revenue	-	2,254,889
Accrued retirement benefits and deferred compensation - Note 12	3,830,842	4,097,994
Annuities and unitrusts payable	16,451,309	11,707,467
Funds held in custody for others - Note 14	617,779,918	606,904,279
	<b>678,189,697</b>	<b>664,699,987</b>
 <b>Net assets</b>		
Unrestricted	35,394,147	36,807,588
Net unrealized losses on donor restricted endowment assets below historical dollar value	(1,063,225)	(244,430)
	<b>34,330,922</b>	<b>36,563,158</b>
 Temporarily restricted	 305,342,857	 304,591,782
Permanently restricted	463,988,066	431,500,482
	<b>803,661,845</b>	<b>772,655,422</b>
 Total net assets	 <b>\$ 1,481,851,542</b>	 <b>\$ 1,437,355,409</b>
 Total liabilities and net assets	 <b>\$ 1,481,851,542</b>	 <b>\$ 1,437,355,409</b>

*See notes to the financial statements.*

West Virginia University Foundation, Inc.

Statements of Activity

	Year Ended June 30, 2015				Year Ended June 30, 2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues and gains</b>								
Contributions	\$ 584,417	\$ 55,808,937	\$ 29,589,635	\$ 85,982,989	\$ 608,773	\$ 49,535,031	\$ 22,595,859	\$ 72,739,663
Investment earnings								
Net interest and dividends	9,883,959	5,160,641	-	15,044,600	10,000,740	8,269,250	-	18,269,990
Net realized gains	3,035,312	29,825,858	-	32,861,170	3,575,050	23,537,079	-	27,112,129
Net unrealized (losses) gains	(3,971,049)	(28,178,633)	-	(32,149,682)	7,670,387	43,173,137	-	50,843,524
Net change in donor restricted endowment assets below historical dollar value	(818,795)	818,795	-	-	5,619,477	(5,619,477)	-	-
Investment earnings	8,129,427	7,626,661	-	15,756,088	26,865,654	69,359,989	-	96,225,643
Lease revenue	1,975,000	-	-	1,975,000	1,975,000	84,745	-	2,059,745
Other revenue	3,096,111	386,081	-	3,482,192	2,283,477	826,899	-	3,110,376
Net assets released from restrictions	60,763,749	(60,763,749)	-	-	57,596,364	(57,596,364)	-	-
Total revenues and gains	74,548,704	3,057,930	29,589,635	107,196,269	89,329,268	62,210,300	22,595,859	174,135,427
<b>Expenses and support</b>								
University support								
Scholarships	18,301,322	-	-	18,301,322	17,132,990	-	-	17,132,990
Salaries and benefits	13,723,803	-	-	13,723,803	10,624,240	-	-	10,624,240
Travel	1,728,576	-	-	1,728,576	1,637,030	-	-	1,637,030
Meetings and events	4,020,772	-	-	4,020,772	3,153,010	-	-	3,153,010
Professional services	2,198,206	-	-	2,198,206	1,797,653	-	-	1,797,653
Capital projects and equipment	12,064,069	-	-	12,064,069	18,460,869	-	-	18,460,869
Supplies and materials	1,975,455	-	-	1,975,455	2,039,245	-	-	2,039,245
Other support	8,825,895	-	-	8,825,895	3,867,342	-	-	3,867,342
Total University support	62,838,098	-	-	62,838,098	58,712,379	-	-	58,712,379
Foundation support								
Fundraising	7,123,880	-	-	7,123,880	6,680,574	-	-	6,680,574
Fiduciary	5,145,034	-	-	5,145,034	5,005,032	-	-	5,005,032
Total Foundation support	12,268,914	-	-	12,268,914	11,685,606	-	-	11,685,606
Interest and depreciation								
Occupied asset	100,075	-	-	100,075	101,699	-	-	101,699
Leased asset	1,573,853	-	-	1,573,853	1,603,648	-	-	1,603,648
Total interest and depreciation	1,673,928	-	-	1,673,928	1,705,347	-	-	1,705,347
Total expenses before provision and revaluation	76,780,940	-	-	76,780,940	72,103,332	-	-	72,103,332
Provision for uncollectible receivables	-	1,696,765	146,717	1,843,482	-	1,821,864	192,780	2,014,644
Loss on revaluation of real estate investment	-	-	-	-	2,178,054	-	-	2,178,054
Net gain on revaluation of external trusts	-	-	(3,044,666)	(3,044,666)	-	-	(1,936,835)	(1,936,835)
Net loss (gain) on revaluation of annuities and unitrusts payable	-	610,090	-	610,090	-	(211,839)	-	(211,839)
Total expenses and support	76,780,940	2,306,855	(2,897,949)	76,189,846	74,281,386	1,610,025	(1,744,055)	74,147,356
Change in net assets	(2,232,236)	751,075	32,487,584	31,006,423	15,047,882	60,600,275	24,339,914	99,988,071
Net assets at beginning 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
Net assets at end of year	\$ 34,330,922	\$ 305,342,857	\$ 463,988,066	\$ 803,661,845	\$ 36,563,158	\$304,591,782	\$431,500,482	\$772,655,422

**West Virginia University Foundation, Inc.**

**Statements of Cash Flows**

	<b>Years Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>Reconciliation of change in net assets to net cash provided by (used in) operating activities</b>		
Change in net assets	\$ 31,006,423	\$ 99,988,071
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Loss (gain) on annuities payable	610,090	(211,839)
Provision for uncollectible receivables	1,843,482	2,014,644
Contributions restricted for long-term purposes	(29,589,635)	(22,595,859)
Depreciation expense	1,167,354	1,144,009
Net realized gain on investments	(32,861,170)	(27,112,129)
Net unrealized loss (gain) on investments	32,149,682	(50,843,524)
Loss on revaluation of real estate investment	-	2,178,054
Revaluation of beneficial interest in external trusts	(3,044,666)	(1,936,835)
Changes in:		
Contributions receivable	4,018,027	(2,614,888)
Investments held in custody	(10,276,135)	(94,450,669)
Beneficial interest in external trusts	(5,992,808)	(1,391,114)
Accounts payable and accrued expenses	4,316,877	456,501
Deferred revenue	(2,254,889)	(3,322,332)
Funds held in custody for others	10,875,639	96,064,530
Other operating assets and liabilities	4,183,775	(1,963,513)
<b>Net cash provided by (used in) operating activities</b>	<b>6,152,046</b>	<b>(4,596,893)</b>
<b>Cash flows from investing activities</b>		
Purchase of land, building, and equipment	(1,998,696)	(52,434)
Purchase of investments	(382,311,923)	(151,000,339)
Proceeds from sales and liquidations of investments	372,438,951	135,260,831
<b>Net cash used in investing activities</b>	<b>(11,871,668)</b>	<b>(15,791,942)</b>
<b>Cash flows from financing activities</b>		
Proceeds from contributions restricted for long-term purposes	29,589,635	22,595,859
Payments and redemptions of bonds and notes payable	(3,924,607)	(894,810)
<b>Net cash provided by financing activities</b>	<b>25,665,028</b>	<b>21,701,049</b>
Increase in cash and cash equivalents	19,945,406	1,312,214
Cash and cash equivalents at beginning of year	23,757,032	22,444,818
Cash and cash equivalents at end of year	\$ 43,702,438	\$ 23,757,032
<b>Supplementary information</b>		
Interest paid	\$ 714,803	\$ 747,727

*See notes to the financial statements.*

**West Virginia University Foundation, Incorporated**  
**Notes to Financial Statements**  
**Years Ended June 30, 2015 and 2014**

**1. Significant Accounting Policies and Other Matters**

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

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

**Fair Value Estimates** – Fair value estimates are based on an assessment of the present status and expected future benefits and obligations associated with the respective financial asset or liability. External trusts are valued at the expected rate of return for similarly invested assets, which ranged from 3.30% to 6.22% at June 30, 2015 and 2.81% to 6.71% at June 30, 2014. Split interest agreements are valued at the expected rate of return on the life income portfolio, which ranged from 3.89% to 4.84% at June 30, 2015 and 4.37% to 5.35% at June 30, 2014. Individual contributions receivable are valued at unsecured consumer lending rates ranging from 4.24% to 5.31% at June 30, 2015 and 4.03% to 5.50% at June 30, 2014, based on the anticipated collection date of the receivable. Corporate contributions receivable are valued at the current yield on corporate debt ranging from 0.65% to 2.85% and 0.41% to 2.57% at June 30, 2015 and 2014, 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.

**Notes to Financial Statements (Continued)**  
**Years Ended June 30, 2015 and 2014**

Unconditional promises to give from one donor accounted for approximately 53% of the Foundation's net contributions receivable at June 30, 2015 and 49% at June 30, 2014. Management believes that this contribution receivable is fully collectible as of June 30, 2015.

**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.

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

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

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

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

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

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

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

*Permanently Restricted:* Assets and contributions for which the donor stipulates that resources be maintained permanently are permanently restricted. 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).



**Notes to Financial Statements (Continued)**  
**Years Ended June 30, 2015 and 2014**

**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, 2015 and 2014, respectively, the Foundation recognized noncash contributions of \$0 and \$24,368 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, 2015 and June 30, 2014. Fiscal years ending on or after June 30, 2012 remain subject to examination by federal and state tax authorities.

**Reclassifications** – Certain reclassifications have been made to the June 30, 2014 financial statements to conform to the June 30, 2015 presentation. Such reclassifications did not impact the prior year change in net assets.

**Subsequent Events** – Foundation management evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through September 25, 2015, the day the financial statements were approved for issuance.

**2. Receivables**

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

	<u>2015</u>	<u>2014</u>
Contributions receivable, net		
Amounts to be received within one year	\$ 13,161,481	\$ 15,205,785
Amounts to be received within two to five years	24,788,658	25,490,762
Amounts to be received after five years	<u>15,825,329</u>	<u>18,887,039</u>
Contributions receivable before		
allowances and unamortized discount	53,775,468	59,583,586
Allowance for uncollectible contributions	(4,566,258)	(3,312,867)
Unamortized discount	<u>(6,400,000)</u>	<u>(7,600,000)</u>
Contributions receivable, net	<u>\$ 42,809,210</u>	<u>\$ 48,670,719</u>
Other receivables, net		
Student loans, net of allowance of		
\$652,000 and \$521,000, respectively	\$ 2,927,729	\$ 2,743,015
Notes, advances, and other	<u>992,602</u>	<u>1,129,865</u>
Other receivables, net	<u>\$ 3,920,331</u>	<u>\$ 3,872,880</u>

**Notes to Financial Statements (Continued)**  
**Years Ended June 30, 2015 and 2014**

**3. Investments**

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

	<u>2015</u>	<u>2014</u>
Money Market Funds	\$ 28,021,228	\$ 23,554,614
Certificates of Deposit	10,070,663	11,039,172
Separate Accounts		
Domestic Equity	10,105,555	9,395,126
Domestic Fixed Income	<u>1,341,409</u>	<u>31,077,098</u>
	11,446,964	40,472,224
Closed End Funds		
Domestic Fixed Income	16,166,349	17,303,795
Exchange Traded Funds		
Domestic Equity	356,960,600	396,015,318
Natural Resources	10,438,448	-
International Equity	159,107	1,258,970
Domestic Fixed Income	<u>43,346,687</u>	<u>38,514,666</u>
	410,904,842	435,788,954
Mutual Funds		
Domestic Equity	11,923,501	11,686,112
International Equity	198,819,712	183,183,032
Global Equity	48,086,639	35,021,922
Domestic Fixed Income	80,406,410	98,738,642
Natural Resources	10,468,857	15,011,141
Equity/Fixed Income Blend	<u>-</u>	<u>3,230,089</u>
	349,705,119	346,870,938
Other Commingled Funds		
Domestic Equity	37,187,064	36,324,808
International Equity	50,532,668	-
Domestic Fixed Income	67,488,931	11,919,144
International Fixed Income	10,307,575	19,593,580
Global Fixed Income	<u>66,189,008</u>	<u>62,747,427</u>
	231,705,246	130,584,959
Hedge Fund of Funds	2,772,363	3,310,186
Private Investments		
Private Equity	103,534,559	113,331,202
Venture	42,697,762	42,443,540
Distressed Debt/Mezzanine	20,392,705	28,465,393
Natural Resources	66,865,206	71,698,928
Real Estate	<u>29,616,808</u>	<u>38,175,314</u>
	<u>263,107,040</u>	<u>294,114,377</u>
Total Investments	<u>\$ 1,323,899,814</u>	<u>\$ 1,303,039,219</u>

**Notes to Financial Statements (Continued)**  
**Years Ended June 30, 2015 and 2014**

Interest and dividends on investments are reported on the Statements of Activity net of custodial management and investment fees of approximately \$1,657,000 and \$1,621,000 for the years ended June 30, 2015 and 2014, 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, 2015 and 2014.

#### **4. 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* – 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. Additionally, the Foundation has the ability to redeem its investment at the value per share within thirty days of the measurement date. The Foundation also holds certificates of deposit. The fair value of the certificates of deposit is determined using third-party quotations.

**Notes to Financial Statements (Continued)**  
**Years Ended June 30, 2015 and 2014**

**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.

**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 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.

**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 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.

**Notes to Financial Statements (Continued)**  
**Years Ended June 30, 2015 and 2014**

**Hedge Funds**

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, 2015:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>
Private Equity	\$ 63,815,663	\$ 25,617,564
Natural Resources	37,916,492	22,262,501
Real Estate	17,542,061	19,564,198
Distressed Debt/Mezzanine	11,372,854	5,175,123
Venture	<u>29,168,897</u>	<u>19,258,332</u>
Total	<u>\$ 159,815,967</u>	<u>\$ 91,877,718</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 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.

**Notes to Financial Statements (Continued)**  
**Years Ended June 30, 2015 and 2014**

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, 2015			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
<b>Investments:</b>				
Money Market Funds	\$ 28,021,228	\$ -	\$ -	\$ 28,021,228
Certificates of Deposit	-	10,070,663	-	10,070,663
<b>Separate Accounts</b>				
Domestic Equity	10,105,555	-	-	10,105,555
Domestic Fixed Income	1,341,409	-	-	1,341,409
	<u>11,446,964</u>	<u>-</u>	<u>-</u>	<u>11,446,964</u>
<b>Closed End Funds</b>				
Domestic Fixed Income	16,166,349	-	-	16,166,349
<b>Exchange Traded Funds</b>				
Domestic Equity	356,960,600	-	-	356,960,600
Natural Resources	10,438,448	-	-	10,438,448
International Equity	159,107	-	-	159,107
Domestic Fixed Income	43,346,687	-	-	43,346,687
	<u>410,904,842</u>	<u>-</u>	<u>-</u>	<u>410,904,842</u>
<b>Mutual Funds</b>				
Domestic Equity	11,923,501	-	-	11,923,501
International Equity	198,819,712	-	-	198,819,712
Global Equity	48,086,639	-	-	48,086,639
Domestic Fixed Income	80,406,410	-	-	80,406,410
Natural Resources	10,468,857	-	-	10,468,857
	<u>349,705,119</u>	<u>-</u>	<u>-</u>	<u>349,705,119</u>
<b>Other Commingled Funds</b>				
Domestic Equity	-	37,187,064	-	37,187,064
International Equity	-	50,532,668	-	50,532,668
Domestic Fixed Income	-	67,488,931	-	67,488,931
International Fixed Income	-	10,307,575	-	10,307,575
Global Fixed Income	-	66,189,008	-	66,189,008
	<u>-</u>	<u>231,705,246</u>	<u>-</u>	<u>231,705,246</u>
<b>Hedge Funds</b>				
Hedge Fund of Funds	-	-	2,772,363	2,772,363
<b>Private Investments</b>				
Private Equity	-	-	103,534,559	103,534,559
Venture	-	-	42,697,762	42,697,762
Distressed Debt/Mezzanine	-	-	20,392,705	20,392,705
Natural Resources	-	-	66,865,206	66,865,206
Real Estate	-	-	29,616,808	29,616,808
	<u>-</u>	<u>-</u>	<u>263,107,040</u>	<u>263,107,040</u>
Total Investments	<u>816,244,502</u>	<u>241,775,909</u>	<u>265,879,403</u>	<u>1,323,899,814</u>
<b>Beneficial Interests in External Trusts</b>				
	<u>-</u>	<u>-</u>	<u>41,058,130</u>	<u>41,058,130</u>
Total Assets	<u>\$ 816,244,502</u>	<u>\$ 241,775,909</u>	<u>\$ 306,937,533</u>	<u>\$ 1,364,957,944</u>
<b>Liabilities:</b>				
Annuities and Unitrusts Payable	<u>-</u>	<u>-</u>	<u>(16,451,309)</u>	<u>(16,451,309)</u>
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (16,451,309)</u>	<u>\$ (16,451,309)</u>

**Notes to Financial Statements (Continued)**  
**Years Ended June 30, 2015 and 2014**

	Fair Value as of June 30, 2014			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
<b>Investments:</b>				
Money Market Funds	\$ 23,554,614	\$ -	\$ -	\$ 23,554,614
Certificates of Deposit	-	11,039,172	-	11,039,172
<b>Separate Accounts</b>				
Domestic Equity	9,395,126	-	-	9,395,126
Domestic Fixed Income	<u>1,559,168</u>	<u>29,517,930</u>	-	<u>31,077,098</u>
	10,954,294	29,517,930	-	40,472,224
<b>Closed End Funds</b>				
Domestic Fixed Income	17,303,795	-	-	17,303,795
<b>Exchange Traded Funds</b>				
Domestic Equity	396,015,318	-	-	396,015,318
International Equity	1,258,970	-	-	1,258,970
Domestic Fixed Income	<u>38,514,666</u>	-	-	<u>38,514,666</u>
	435,788,954	-	-	435,788,954
<b>Mutual Funds</b>				
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	<u>3,230,089</u>	-	-	<u>3,230,089</u>
	346,870,938	-	-	346,870,938
<b>Other Commingled Funds</b>				
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	-	<u>62,747,427</u>	-	<u>62,747,427</u>
	-	130,584,959	-	130,584,959
<b>Hedge Funds</b>				
Hedge Fund of Funds	-	-	3,310,186	3,310,186
<b>Private Investments</b>				
Private Equity	-	-	113,331,202	113,331,202
Venture	-	-	42,443,540	42,443,540
Distressed Debt/Mezzanine	-	-	28,465,393	28,465,393
Natural Resources	-	-	71,698,928	71,698,928
Real Estate	-	-	<u>38,175,314</u>	<u>38,175,314</u>
	-	-	294,114,377	294,114,377
Total Investments	<u>834,472,595</u>	<u>171,142,061</u>	<u>297,424,563</u>	<u>1,303,039,219</u>
<b>Beneficial Interests in External Trusts</b>				
	-	-	32,020,656	32,020,656
Total Assets	<u>\$ 834,472,595</u>	<u>\$ 171,142,061</u>	<u>\$ 329,445,219</u>	<u>\$ 1,335,059,875</u>
<b>Liabilities:</b>				
Annuities and Unitrusts Payable	-	-	(11,707,467)	(11,707,467)
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (11,707,467)</u>	<u>\$ (11,707,467)</u>

**Notes to Financial Statements (Continued)**  
**Years Ended June 30, 2015 and 2014**

The following table illustrates the activity of Level 3 assets and liabilities for the year ended June 30, 2015:

	<u>Investments</u>	<u>Beneficial Interest in External Trusts</u>	<u>Total Assets</u>	<u>Annuities and Unitrusts Payable</u>
Balance, July 1, 2014	\$ 297,424,563	\$ 32,020,656	\$ 329,445,219	\$ 11,707,467
Investment gains	12,523,419	3,044,666	15,568,085	-
Annuity losses	-	-	-	610,090
Income	7,709,830	-	7,709,830	125,110
Capital calls/contributions	21,618,842	5,992,808	27,611,650	5,883,691
Distributions	(73,226,345)	-	(73,226,345)	(1,686,747)
Subscriptions/redemptions	<u>(170,906)</u>	<u>-</u>	<u>(170,906)</u>	<u>(188,302)</u>
Balance, June 30, 2015	<u>\$ 265,879,403</u>	<u>\$ 41,058,130</u>	<u>\$ 306,937,533</u>	<u>\$ 16,451,309</u>

Gains and losses for Level 3 investments for the year ended June 30, 2015 are as follows:

Recognized in the change in temporarily restricted net assets in the Statements of Activity:	
Net unrealized losses	\$ (8,082,821)
Net realized gains	<u>14,035,928</u>
	5,953,107
Agency-related net gains excluded from the change in net assets in the Statements of Activity	<u>6,570,312</u>
	<u>\$ 12,523,419</u>

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

	<u>Investments</u>	<u>Beneficial Interest in External Trusts</u>	<u>Total Assets</u>	<u>Annuities and Unitrusts Payable</u>
Balance, July 1, 2013	\$ 305,743,018	\$ 28,692,707	\$ 334,435,725	\$ 12,216,938
Investment gains	37,284,912	1,936,835	39,221,747	-
Annuity (gains)	-	-	-	(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	<u>(2,924,971)</u>	<u>-</u>	<u>(2,924,971)</u>	<u>-</u>
Balance, June 30, 2014	<u>\$ 297,424,563</u>	<u>\$ 32,020,656</u>	<u>\$ 329,445,219</u>	<u>\$ 11,707,467</u>



**Notes to Financial Statements (Continued)**  
**Years Ended June 30, 2015 and 2014**

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	<u>18,279,932</u>
	18,189,402
Agency-related net gains excluded from the change in net assets in the Statements of Activity	<u>19,095,510</u>
	<u>\$ 37,284,912</u>

There were no transfers among Level 1, Level 2, or Level 3 assets during the years ended June 30, 2015 and 2014. 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.

**Notes to Financial Statements (Continued)**  
**Years Ended June 30, 2015 and 2014**

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

**Spending Policy and Related Investment Objectives** – The Foundation utilizes a “banded inflation” spend policy for the private endowment, which considers the prior year’s dollar amount adjusted for inflation (CPI). This calculated spend dollar amount must be between 3.5% 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 above. 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 \$37,530,535 and \$39,308,997 at June 30, 2015 and 2014, 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 \$1,063,225 and \$244,430 as of June 30, 2015 and 2014, respectively. These deficiencies resulted primarily from unfavorable market conditions.

The following presents endowment net asset composition by fund type as of June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ 114,141,677	\$ 411,494,182	\$525,635,859
Fair value of donor restricted endowments below historical dollar value	(1,063,225)	-	-	(1,063,225)
Board-designated endowment funds	<u>8,035,999</u>	<u>-</u>	<u>-</u>	<u>8,035,999</u>
Endowment net assets, end of year	<u>\$ 6,972,774</u>	<u>\$ 114,141,677</u>	<u>\$ 411,494,182</u>	<u>\$532,608,633</u>

**Notes to Financial Statements (Continued)**  
**Years Ended June 30, 2015 and 2014**

The following presents changes in endowment net assets for the year ended June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 8,069,279	\$ 122,480,700	\$ 384,418,634	\$514,968,613
Investment return:				
Investment income	178,783	10,900,562	-	11,079,345
Net appreciation	94,578	10,032,192	-	10,126,770
Fair value losses of donor restricted endowments below historical dollar value	(818,795)	818,795	-	-
Manager and administrative fees	<u>(147,146)</u>	<u>(9,039,261)</u>	<u>-</u>	<u>(9,186,407)</u>
Total investment return	(692,580)	12,712,288	-	12,019,708
Contributions and other changes	-	1,479,682	27,075,548	28,555,230
Appropriation of endowment assets for expenditures	<u>(403,925)</u>	<u>(22,530,993)</u>	<u>-</u>	<u>(22,934,918)</u>
Endowment net assets, end of year	<u>\$ 6,972,774</u>	<u>\$ 114,141,677</u>	<u>\$ 411,494,182</u>	<u>\$532,608,633</u>

The amounts reflected above include only those funds actually received and invested in the Foundation's endowment as of June 30, 2015.

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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	<u>8,313,709</u>	<u>-</u>	<u>-</u>	<u>8,313,709</u>
Endowment net assets, end of year	<u>\$ 8,069,279</u>	<u>\$ 122,480,700</u>	<u>\$ 384,418,634</u>	<u>\$514,968,613</u>

**Notes to Financial Statements (Continued)**  
**Years Ended June 30, 2015 and 2014**

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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	<u>(146,956)</u>	<u>(8,658,054)</u>	<u>-</u>	<u>(8,805,010)</u>
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	<u>(333,021)</u>	<u>(26,390,806)</u>	<u>-</u>	<u>(26,723,827)</u>
Endowment net assets, end of year	<u>\$ 8,069,279</u>	<u>\$ 122,480,700</u>	<u>\$ 384,418,634</u>	<u>\$514,968,613</u>

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

**6. Land, Building, and Equipment**

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

	<u>2015</u>	<u>2014</u>
Land	\$ 2,610,860	\$ 1,610,860
Building	30,928,033	28,841,358
Equipment	<u>3,378,783</u>	<u>3,316,262</u>
	36,917,676	33,768,480
Accumulated Depreciation	<u>(16,237,117)</u>	<u>(15,069,763)</u>
	<u>\$ 20,680,559</u>	<u>\$ 18,698,717</u>

Depreciation expense for the years ended June 30, 2015 and 2014 was \$1,167,354 and \$1,144,009, 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 \$12,885,831 and \$14,636,381 as of June 30, 2015 and 2014, respectively. During 2015 and 2014, 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.

**Notes to Financial Statements (Continued)**  
**Years Ended June 30, 2015 and 2014**

**7. Other Assets**

Other assets consisted of the following at June 30:

	<u>2015</u>	<u>2014</u>
Cash surrender value of life insurance	\$ 4,290,505	\$ 4,394,116
Real estate and other assets	<u>1,490,555</u>	<u>2,902,070</u>
	<u>\$ 5,781,060</u>	<u>\$ 7,296,186</u>

The Foundation owned a 39% interest in the Waterfront Place Parking Garage, LLC at June 30, 2014. The garage was constructed and opened in 2001 and is attached to The Foundation headquarters. For the years ended prior to and including June 30, 2014, the 39% interest in Waterfront Place Parking Garage, LLC was accounted for using the equity method of accounting. The recorded value of \$1,150,500 was included in other assets at June 30, 2014 and an impairment loss of \$2,178,000 was recognized during the year ended June 30, 2014.

On April 30, 2015, The Foundation purchased the remaining 61% interest at its estimated fair value of \$1,830,000. At June 30, 2015, the garage is carried in land and building, at \$3,000,000 and the building component is being depreciated over its estimated remaining useful life of 16 years.

**8. Split-Interest Agreements**

The Foundation occasionally enters into split-interest agreements with donors, which consist primarily of charitable gift annuities, charitable remainder unitrusts, and charitable remainder annuity trusts. These agreements provide either fixed annual payments or fixed annual returns to the original donor or a designated beneficiary. Payment streams are valued at the present value of the expected future obligations after considering the applicable discount rate and actuarial mortality assumptions. Fixed payout percentages range from 2.8% to 18% at June 30, 2015 and June 30, 2014.

The Foundation received contributions of \$11,279,746 and \$993,110 to establish new split-interest agreements for the years ended June 30, 2015 and 2014, respectively. Total assets resulting from split-interest agreements were \$31,593,583 and \$22,235,336 at June 30, 2015 and 2014, 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:

	<u>2015</u>	<u>2014</u>
Student aid	\$ 64,045,975	\$ 66,400,601
Faculty and staff	50,229,587	52,777,399
Academics	73,718,148	71,618,119
Pending donor designation	27,720,264	24,878,649
Research	30,928,310	35,000,634
Buildings and equipment	37,412,046	33,379,399
Departmental discretion	13,728,820	14,058,387
Public service	<u>7,559,707</u>	<u>6,478,594</u>
	<u>\$ 305,342,857</u>	<u>\$ 304,591,782</u>

**Notes to Financial Statements (Continued)**  
**Years Ended June 30, 2015 and 2014**

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

	<u>2015</u>	<u>2014</u>
Student aid	\$ 195,519,828	\$ 180,481,412
Faculty and staff	109,414,026	100,286,287
Academics	73,040,240	69,332,728
Research	56,457,745	54,109,247
Departmental discretion	4,155,403	2,895,110
Buildings and equipment	14,813,991	15,314,544
Public service	6,439,298	5,919,876
Other	<u>4,147,535</u>	<u>3,161,278</u>
	<u>\$ 463,988,066</u>	<u>\$ 431,500,482</u>

**10. Line of Credit**

The Foundation has an unsecured line of credit with a financial institution with maximum borrowing capacity of \$10,000,000. As of June 30, 2015 and 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 variable rate Series A 2002 Bonds on behalf of the Foundation to finance the cost of the seventh floor at One Waterfront Place, the Foundation’s headquarters. During the year ended June 30, 2015, the Foundation elected to exercise its right of early redemption of the Series A Bonds and made an irrevocable unconditional payment of \$3,000,000 to the bond trustee for the bond redemption on November 1, 2014.

In Fiscal Year 2015, the actual rate of interest ranged from 0.11% to 0.13% per annum with an average rate of 0.12%. In Fiscal Year 2014, the actual rate of interest ranged from 0.07% to 0.16% per annum with an average interest rate of 0.12%.

Interest costs on the Series A bonds for the years ended June 30, 2015 and 2014 were \$1,500 and \$3,124, 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 with the Big Twelve Conference 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 \$95,500 (1.91% AFR) and \$47,500 (0.95% AFR) for June 30, 2015 and 2014, respectively. Interest on the Forgivable Amount is deferred and is payable only upon event of default.

**Notes to Financial Statements (Continued)**  
**Years Ended June 30, 2015 and 2014**

**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, 2015 and 2014 was \$21,243,712 and \$22,168,320, respectively. Interest expense for the years ended June 30, 2015 and 2014 was \$713,303 and \$743,098, 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
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
2020	1,089,141	548,769	1,637,910
Thereafter	<u>16,137,850</u>	<u>3,380,575</u>	<u>19,518,425</u>
	<u>\$ 21,243,713</u>	<u>\$ 6,464,262</u>	<u>\$ 27,707,975</u>

Bonds and notes payable as of June 30, 2015 and 2014 are summarized as follows:

	<u>2015</u>	<u>2014</u>
Bonds Payable	\$ -	\$ 3,000,000
Promissory Note	10,000,000	10,000,000
Mortgage Note Payable	<u>21,243,713</u>	<u>22,168,320</u>
Total Bonds and Notes Payable	<u>\$ 31,243,713</u>	<u>\$ 35,168,320</u>

The carrying amounts of the Foundation's bonds and notes payable approximate their fair value at June 30, 2015 and 2014.

## 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 \$694,653 and \$683,197 in 2015 and 2014, 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 \$3,830,842 and \$4,097,994 as of June 30, 2015 and 2014, respectively. The liability is recorded at the present value of the estimated future payments. These plans are funded through gifts, life insurance proceeds, and minimally by Foundation operations. As of June 30, 2015, all participants of the program are fully vested.

**Notes to Financial Statements (Continued)**  
**Years Ended June 30, 2015 and 2014**

**13. University Support**

University directed fund raising costs of approximately \$3,558,061 and \$2,508,855 in 2015 and 2014, respectively, are included in University support in the Statements of Activity.

**14. Funds Held in Custody for Others**

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

A summary of the liability for agency investments as of June 30, 2015 and 2014 follows:

	<u>2015</u>	<u>2014</u>
West Virginia University Hospitals, Inc.	\$ 520,115,769	\$ 504,681,632
West Virginia University	89,737,357	93,894,720
WVU Alumni Association, Inc.	4,484,707	4,733,193
Blanchette Rockefeller Neurosciences Institute, Inc.	3,418,019	3,570,745
Other	<u>24,066</u>	<u>23,989</u>
	<u>\$ 617,779,918</u>	<u>\$ 606,904,279</u>

**15. Contingencies**

In July 2013, the Foundation was named as a defendant in a multi-party civil action filed in the Circuit Court of Monongalia County, West Virginia. The civil action was initiated by a West Virginia University vendor and Foundation donor and involved, in part, allegations concerning the Foundation's acquisition of certain equipment and services for West Virginia University. In February 2015, a second suit involving common factual and legal issues was filed by another corporation related to the vendor, in the Circuit Court of Monongalia County, West Virginia. The two cases were consolidated in April 2015, and subsequently resolved by settlement and dismissed by the Court in June 2015. The settlement had no effect on the Foundation's financial statements. Legal costs related to the litigation incurred by the Foundation were insignificant.

**16. Subsequent Event**

On September 1, 2015, the WVU Tech Foundation was merged into the West Virginia University Foundation. The merger had no impact on the donors of either foundation and was immaterial to the financial statements of the WVU Foundation for all periods presented.



**OTHER SUPPLEMENTARY INFORMATION**



## **Independent Auditors' Report on Supplementary Information**

The Board of Directors  
West Virginia University Foundation, Inc.

We have audited the financial statements of the West Virginia University Foundation, Inc. (the "Foundation") as of and for the years ended June 30, 2015 and 2014, and our report thereon dated September 25, 2015, 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, 2015 and 2014 is presented on page 24 for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management, was derived from, and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Dixon Hughes Goodman LLP*

*Morgantown, West Virginia  
September 25, 2015*

## West Virginia University Foundation, Inc.

### 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,	
	2015	2014
<b>Contributions</b>		
Foundation fundraising totals	\$ 125,384,916	\$ 105,591,506
Noncash contributions received directly by the University	(4,952,744)	(7,903,730)
Amounts reported as other revenue	(496,226)	(2,846,324)
Contribution valuation discounts	(9,147,794)	(1,044,447)
Net impact of changes in pledges receivable	2,401,974	(10,426,096)
Revocable bequest expectancies	(15,966,258)	(7,031,277)
Net impact of changes in deferred revenue	2,254,889	3,322,332
Life income gifts reclassified to annuities payable	(5,883,580)	(458,246)
Contributions from perpetual trusts reclassified to interest income	(2,649,439)	(2,149,740)
Life income gifts released from annuities payable due to termination of trust	188,302	479,231
Amounts recorded as agency liability	(5,151,051)	(4,793,546)
Contributions per Statements of Activity	<u>\$ 85,982,989</u>	<u>\$ 72,739,663</u>

**DHG**