



# **AUDITED FINANCIAL STATEMENTS & SUPPLEMENTAL INFORMATION**

**YEARS ENDED JUNE 30, 2022 AND 2021  
WITH REPORTS OF INDEPENDENT AUDITORS**

# Table of Contents

<b>Independent Auditor’s Report</b> .....	1
<b>Audited Financial Statements:</b>	
Statements of Financial Position .....	3
Statements of Activities .....	4
Statements of Cash Flows.....	5
Statements of Functional Expense.....	6
Notes to Financial Statements.....	7
<b>Supplementary Information:</b>	
<b>Independent Auditor’s Report on Supplementary Information</b> .....	28
Reconciliation of Contributions .....	29

## Independent Auditor's Report

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

### **Opinion**

We have audited the financial statements of West Virginia University Foundation, Inc., which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, cash flows and functional expense for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of West Virginia University Foundation, Inc. as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of West Virginia University Foundation, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about West Virginia University Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 West Virginia University Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about West Virginia University Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**FORVIS, LLP**  
Charleston, WV  
September 28, 2022



West Virginia University Foundation, Inc.  
Statements of Activities  
Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and gains:						
Contributions	\$ 205,688	\$ 113,602,065	\$ 113,807,753	\$ 722,396	\$ 112,266,205	\$ 112,988,601
Investment earnings:						
Net interest and dividends	14,564,049	(4,995,513)	9,568,536	11,862,007	(4,426,094)	7,435,913
Net realized gains	9,493,224	68,251,637	77,744,861	6,852,501	42,411,835	49,264,336
Net unrealized (losses) gains	(23,656,060)	(46,918,651)	(70,574,711)	12,804,450	153,274,022	166,078,472
Investment earnings	401,213	16,337,473	16,738,686	31,518,958	191,259,763	222,778,721
Lease revenue	1,975,000	-	1,975,000	1,975,000	-	1,975,000
Other revenue	4,871,220	10,214,572	15,085,792	4,377,920	4,996,964	9,374,884
Advancement fees	2,468,127	(2,060,704)	407,423	1,594,258	(1,256,504)	337,754
Net assets released from restrictions	77,741,189	(77,741,189)	-	72,723,968	(72,723,968)	-
Total revenues and gains	87,662,437	60,352,217	148,014,654	112,912,500	234,542,460	347,454,960
Expenses and support:						
University support:						
Scholarships	14,448,635	-	14,448,635	14,468,411	-	14,468,411
Salaries and benefits	25,309,590	-	25,309,590	23,434,236	-	23,434,236
Travel	1,254,841	-	1,254,841	273,457	-	273,457
Meetings and events	3,011,305	-	3,011,305	1,081,882	-	1,081,882
Professional services	4,007,930	-	4,007,930	3,273,821	-	3,273,821
Capital projects and equipment	21,594,634	-	21,594,634	28,627,701	-	28,627,701
Supplies and materials	4,916,698	-	4,916,698	3,921,382	-	3,921,382
Other support	3,626,550	-	3,626,550	985,742	-	985,742
Total University support	78,170,183	-	78,170,183	76,066,632	-	76,066,632
Foundation support:						
Fundraising	12,897,955	-	12,897,955	12,403,469	-	12,403,469
Fiduciary	6,574,007	-	6,574,007	6,057,583	-	6,057,583
Total Foundation support	19,471,962	-	19,471,962	18,461,052	-	18,461,052
Total University and Foundation support	97,642,145	-	97,642,145	94,527,684	-	94,527,684
Interest, depreciation and other	1,870,484	-	1,870,484	1,819,204	-	1,819,204
Total expenses before provision and revaluation	99,512,629	-	99,512,629	96,346,888	-	96,346,888
Provision for (recovery of) uncollectible receivables	-	2,267,830	2,267,830	-	(316,102)	(316,102)
Net loss (gain) on revaluation of external trusts	-	8,671,253	8,671,253	-	(3,700,760)	(3,700,760)
Net loss (gain) on revaluation of annuities payable and unitrusts	-	2,091,601	2,091,601	-	(1,891,614)	(1,891,614)
Total expenses and support, before reclassification	99,512,629	13,030,684	112,543,313	96,346,888	(5,908,476)	90,438,412
Research trust funds transferred to agency account	-	-	-	-	497,630	497,630
Total expenses, support and transfers	99,512,629	13,030,684	112,543,313	96,346,888	(5,410,846)	90,936,042
Change in net assets	(11,850,192)	47,321,533	35,471,341	16,565,612	239,953,306	256,518,918
Net assets at beginning of year	68,641,167	1,140,494,104	1,209,135,271	52,075,555	900,540,798	952,616,353
Net assets at end of year	\$ 56,790,975	\$ 1,187,815,637	\$ 1,244,606,612	\$ 68,641,167	\$ 1,140,494,104	\$ 1,209,135,271

See accompanying notes.

**West Virginia University Foundation, Inc.**  
**Statements of Cash Flows**  
**Years Ended June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Reconciliation of change in net assets to net cash provided by (used in) operating activities:		
Change in net assets	\$ 35,471,341	\$ 256,518,918
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net loss (gain) on revaluation of annuities payable and unitrusts	2,091,601	(1,891,614)
Provision for (recovery of) uncollectible receivables	2,267,830	(316,102)
Contributions restricted for long-term purposes	(27,666,573)	(17,994,894)
Depreciation expense	1,339,286	1,367,419
Net realized gains on investments	(77,744,861)	(49,264,336)
Net unrealized losses (gains) on investments	70,574,711	(166,078,472)
Net loss (gain) on revaluation of external trusts	8,671,253	(3,700,760)
Other non-cash revenue	(626,133)	(100)
Changes in:		
Contributions receivable	(12,541,879)	(9,583,093)
Investments held in custody	(82,375,690)	(363,708,076)
Beneficial interest in external trusts - termination	1,095,798	-
Accounts payable and accrued expenses	2,156,244	(2,132,410)
Funds held in custody for others	84,916,710	343,060,792
Other assets and liabilities	(5,557,484)	1,970,414
Net cash provided by (used in) operating activities	<u>2,072,154</u>	<u>(11,752,314)</u>
Cash flows from investing activities:		
Purchase of land, building, and equipment	(108,605)	(14,560)
Purchase of investments	(431,713,082)	(423,683,129)
Proceeds from sales and liquidations of investments	459,014,588	407,486,275
Net cash provided by (used in) investing activities	<u>27,192,901</u>	<u>(16,211,414)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term purposes	27,666,573	17,994,894
Payments of notes payable	(1,169,246)	(1,125,407)
Net cash provided by financing activities	<u>26,497,327</u>	<u>16,869,487</u>
Change in cash and cash equivalents	<u>55,762,382</u>	<u>(11,094,241)</u>
Cash and cash equivalents at beginning of year	<u>61,828,508</u>	<u>72,922,749</u>
Cash and cash equivalents at end of year	<u>\$ 117,590,890</u>	<u>\$ 61,828,508</u>
Supplementary information:		
Interest paid	<u>\$ 468,664</u>	<u>\$ 512,503</u>

West Virginia University Foundation, Inc.  
Statements of Functional Expense  
Years Ended June 30, 2022 and 2021

	2022								Total University & Foundation Support
	University Support				Foundation Support				
	University Campus	Health Sciences Campus	Intercollegiate Athletics	General University Support	University Support Total	Fundraising & Development	Administrative & General		
Scholarships	\$ 5,896,628	\$ 1,587,975	\$ 1,845,772	\$ 5,118,260	\$ 14,448,635	\$ -	\$ -	\$ -	\$ 14,448,635
Salaries and benefits	7,120,768	14,114,156	1,273,482	2,801,184	25,309,590	9,215,814	4,707,306	13,923,120	39,232,710
Travel	691,175	368,482	108,423	86,761	1,254,841	111,474	56,535	168,009	1,422,850
Meetings and events	1,092,512	833,166	557,648	527,979	3,011,305	403,503	204,641	608,144	3,619,449
Professional services	1,300,695	1,582,302	369,912	755,021	4,007,930	1,489,334	755,329	2,244,663	6,252,593
Capital projects and equipment	7,021,786	1,327,055	11,470,231	1,775,562	21,594,634	519,392	263,414	782,806	22,377,440
Supplies and materials	1,853,763	2,786,971	26,105	249,859	4,916,698	122,760	62,259	185,019	5,101,717
Other expenses	1,295,042	1,588,189	450,369	292,950	3,626,550	1,035,678	524,523	1,560,201	5,186,751
Total support	<u>\$ 26,272,369</u>	<u>\$ 24,188,296</u>	<u>\$ 16,101,942</u>	<u>\$ 11,607,576</u>	<u>\$ 78,170,183</u>	<u>\$ 12,897,955</u>	<u>\$ 6,574,007</u>	<u>\$ 19,471,962</u>	<u>\$ 97,642,145</u>

General University Support includes scholarships not designated to a specific campus and other support for academic and research initiatives.  
Net assets released from restrictions totaled \$77,741,189; of that \$60,254,995 was released from non-endowed funds and \$17,486,194 from endowed funds.

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

General University Support includes scholarships not designated to a specific campus and other support for academic and research initiatives.  
Net assets released from restrictions totaled \$72,723,968; of that \$57,969,108 was released from non-endowed funds and \$14,754,860 from endowed funds.

## Notes to Financial Statements

### 1. Organization Policy, 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 on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP").

#### ***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### ***Fair value estimates***

Fair value estimates are based on an assessment of the present status and expected future benefits and obligations associated with the respective financial asset or liability. External trusts are valued at the expected rate of return for similarly invested assets, which ranged from 5.25% to 6.79% at June 30, 2022 and 3.29% to 5.64% at June 30, 2021. Split interest agreements are valued at the expected rate of return on the life income portfolio, which ranged from 4.94% to 5.71% at June 30, 2022 and 3.29% to 4.27% at June 30, 2021. Individual contributions receivable are valued at unsecured consumer lending rates ranging from 6.08% to 6.19% at June 30, 2022 and 3.62% to 3.97% at June 30, 2021, based on the anticipated collection date of the receivable. Corporate contributions receivable are valued at the current yield on corporate debt ranging from 2.90% to 3.82% and 0.24% to 1.12% at June 30, 2022 and 2021, respectively, based on the anticipated collection date of the receivable.

#### ***Concentration of credit risk***

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

#### ***Cash and cash equivalents***

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

***Contributions and contributions receivable***

Contributions are recorded at estimated fair value and are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions that increases that net asset class. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is met), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction.

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

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

***Student loans***

The Foundation provides funding for unsecured loans to University students at interest rates determined by the terms of the respective donor gift agreement. These loans require payment of principal and interest once the student has graduated. Balances due to the Foundation are reflected as other receivables on the statements of financial position, net of allowances for doubtful accounts. Allowances are determined based primarily on historical student loan repayment rates. If an account becomes two years past due, it is deemed to be fully uncollectible and will be fully allowed for or written off.

***Investments***

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

***Land, building, and equipment***

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

***Beneficial interests in external trusts***

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

***Annuities and unitrusts payable***

Under the terms of the Foundation annuity and trust agreements, the donors or their designees receive either a predetermined distribution amount or fixed rate return based upon the estimated fair value of the trust. The Foundation records the related assets held in trust at estimated fair value and the liability is recorded at estimated fair value of the present value of future payments.

***Funds held in custody for others***

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

***Net assets***

The Foundation has classified its net assets and revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions (see Note 10). Below is a summary of those classifications:

*Without Donor Restrictions:*

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

*With Donor Restrictions:*

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

***Noncash contributions***

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

The Foundation recognizes noncash contributions used or held at estimated fair value based upon market price assumptions, donor cost, replacement cost, price listings, similar sales or services, published catalogs, vendor invoices, independent appraisals, expert opinions, estimates, averages, approximations, or other relevant information. During the years ended June 30, 2022 and 2021, the Foundation recognized noncash contributions of \$626,133 and \$100, respectively, in contribution revenue.

***Tax status***

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). Accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The Foundation follows the Financial Accounting Standards Board's (FASB) authoritative guidance on accounting for uncertainty in income taxes. Tax positions must meet a recognition threshold of more-likely-than-not for the benefit or obligation of those tax positions to be recognized in the financial statements. The Foundation has determined that it does not have any material unrecognized tax benefits or obligations at June 30, 2022 and June 30, 2021.

***Functional allocation of expense***

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

***Recent accounting pronouncements***

The following is a summary of recent authoritative pronouncements that could impact the accounting, reporting, and/or disclosure of financial information by the Foundation.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The amendments in this ASU revise the accounting related to lessee accounting. Under the new guidance, lessees will be required to recognize a lease liability and a right-of-use asset for all leases. The amendments in this ASU are effective for the Foundation for fiscal years beginning after December 15, 2021, with early adoption permitted, and should be applied through a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. Early adoption is permitted. Management does not expect the adoption of this standard to have a material effect on financial statements.

**2. Liquidity and Availability of Financial Assets**

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

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 117,590,890	\$ 61,828,508
Short term receivables	1,626,727	1,446,624
Short term investments	<u>163,163,724</u>	<u>194,480,624</u>
Total financial assets available	<u>282,381,341</u>	<u>257,755,756</u>
Less restricted and designated financial assets:		
<u>University and affiliated organizations</u>		
Restricted by donor to the University	(231,923,399)	(190,643,577)
Funds held in custody for others	(9,570,162)	(12,557,294)
Designated by Board to the University and other	<u>(4,564,065)</u>	<u>(3,041,158)</u>
Available to the University and affiliated organizations	<u>(246,057,626)</u>	<u>(206,242,029)</u>
<u>Foundation</u>		
Operating reserve	(20,156,000)	(18,777,520)
Designated by the Board to the Foundation	<u>(4,158,747)</u>	<u>(5,263,950)</u>
Available to the Foundation	<u>(24,314,747)</u>	<u>(24,041,470)</u>
Financial assets available for general use by the Foundation or University	<u>\$ 12,008,968</u>	<u>\$ 27,472,257</u>

**West Virginia University Foundation, Inc.**  
**Notes to Financial Statements**

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Unrestricted funds

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

Operating reserve

These funds constitute a board-designated reserve with the objective of setting funds aside to be drawn in the event of financial distress or an immediate liquidity need outside the typical operating cycle. The target for this reserve is the amount needed to fund 12 months of the Foundation operating budget and therefore this amount is not available for general use. The amount set aside for the operating reserve requires the use of estimates which could vary significantly from amounts budgeted. Reserve amounts above the minimum target range of 12 months can be made available to the Foundation or the University at the discretion of the Board and are considered available for general use. As of June 30, 2022 and 2021, the operating reserves totaled \$23,648,321 and \$21,446,775 and the 12-month budget target was \$20,156,000 and \$18,777,520, respectively. The operating reserve is invested and managed under a separate Reserve Policy and is held in interest bearing cash or cash-equivalent accounts.

As of June 30, 2022 and 2021 the Foundation held assets of \$4,158,747 and \$5,263,950, respectively, appropriated from operating reserves by the Board and designated to the Foundation for specific projects.

Liquidity management

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

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

**West Virginia University Foundation, Inc.**  
**Notes to Financial Statements**

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**3. Receivables**

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

	<u>2022</u>	<u>2021</u>
Contributions receivable:		
Amounts to be received within one year	\$ 28,238,622	\$ 24,662,367
Amounts to be received within two to five years	36,924,759	34,201,133
Amounts to be received after five years	<u>41,226,734</u>	<u>32,279,231</u>
 Contributions receivable before allowance and unamortized discount	 <b>106,390,115</b>	 91,142,731
 Allowance for uncollectible contributions	 <b>(20,829,442)</b>	 (20,249,728)
Unamortized discount	<u><b>(15,838,066)</b></u>	<u>(11,444,445)</u>
 Contributions receivable, net	 <u><b>\$ 69,722,607</b></u>	 <u>\$ 59,448,558</u>
 Other receivables, net:		
Student loans, net of allowance of \$1,076,000 and \$1,045,000, respectively	\$ 2,040,466	\$ 2,099,991
Notes, advances, and other	<u>1,665,376</u>	<u>1,546,768</u>
 Other receivables, net	 <u><b>\$ 3,705,842</b></u>	 <u>\$ 3,646,759</u>

**West Virginia University Foundation, Inc.**  
**Notes to Financial Statements**

**4. Investments**

The estimated fair values of total investment assets under management at June 30 are as follows:

	<u>2022</u>	<u>2021</u>
Money market funds	\$ 76,641,829	\$ 46,877,596
Separate accounts:		
U.S. equities	32,673,644	35,084,913
Diversifying strategies	8,875,635	9,729,731
Public fixed income	<u>2,425,043</u>	<u>2,814,938</u>
	43,974,322	47,629,582
Exchange traded funds:		
U.S. equities	430,855,688	568,110,415
Public fixed income	105,045,762	108,372,857
International equities	<u>6,299,854</u>	<u>26,594,087</u>
	542,201,304	703,077,359
Mutual funds:		
International equities	225,118,714	295,999,163
Public fixed income	121,485,706	131,092,253
U.S. equities	67,640,775	71,037,160
Real estate - public	38,182,048	29,279,822
Natural resources - public	<u>29,607,102</u>	<u>27,220,182</u>
	482,034,345	554,628,580
Other commingled funds:		
International equities	55,547,394	101,831,953
Public fixed income	92,881,597	93,785,645
Marketable opportunistic fixed income	<u>15,795,550</u>	<u>17,015,674</u>
	164,224,541	212,633,272
Hedge funds:		
Diversifying strategies	170,105,259	119,457,075
Marketable opportunistic fixed income	29,985,880	29,614,104
International equities	<u>15,074,168</u>	<u>18,591,294</u>
	215,165,307	167,662,473
Private investments:		
Venture capital	476,229,847	327,315,803
Buyouts	202,664,915	138,685,897
Private opportunistic fixed income	46,290,250	35,900,624
Natural resources - private	82,577,287	64,788,492
Real estate - private	57,614,820	40,168,267
Co-investments	19,937,202	13,204,840
Infrastructure	<u>8,964,174</u>	<u>3,703,024</u>
	894,278,495	623,766,947
Total investments	<u>\$2,418,520,143</u>	<u>\$2,356,275,809</u>

Interest and dividends on non-agency investments are reported in the statements of activities net of custodial management and investment fees of approximately \$5,300,000 and \$3,758,000 for the years ended June 30, 2022 and 2021, respectively.

Total investment assets under management include assets of the Foundation and West Virginia University and its affiliated organizations. To achieve its investment objectives, management has controls in place related to initial due diligence, ongoing monitoring and financial reporting of alternative investments. Specific efforts employed by management include ongoing interaction with fund managers, including on-site visits and interviews, telephonic and virtual meetings, and ongoing monitoring of portfolio holdings, activities, and performance. Monitoring also includes obtaining and reviewing audited financial statements noting the basis of accounting, disclosures pertaining to the valuation of alternative investments and comparison of audited valuation with the fund's valuation. Management also reviews interim financial information, including details of investment holdings, to obtain an understanding of the underlying investments. Management believes the basis and assumptions for determining the estimated fair values of the Foundation's alternative investments are reasonable at June 30, 2022 and 2021.

## **5. Fair Value of Financial Assets and Liabilities**

Financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis are valued at the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities, which are recorded at fair value, the Foundation considers the principal or most advantageous market in which the Foundation would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as inherent risk, transfer restrictions, and credit risk.

The Foundation applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

- Level 1 Observable inputs such as quoted prices in active markets.
- Level 2 Observable similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data.
- Level 3 Inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability.

### ***Level 1 investment categories***

The Foundation invests in equity securities, fixed income obligations and cash equivalents that are publicly traded and readily available in the active markets in which the securities are traded. The Foundation either invests directly in these securities or the investment accounts held by the Foundation, which include these securities and have daily quoted active market prices accessible by the Foundation.

### ***Level 2 investment categories***

The Foundation invests in certain commingled funds that are not publicly traded in active markets. While the Foundation has access to a detailed listing of the underlying assets of the fund, the majority of which are publicly traded and readily available in active markets, shares of the funds themselves do not have daily quoted active market prices. Investments in these funds are valued per share based on the market prices of the underlying assets. Additionally, the Foundation has the ability to redeem its investment at the value per share within thirty days of the measurement date.

### ***Level 3 investment categories***

These funds do not have a readily determinable fair value and either have the attributes of an investment company or prepare their financial statements consistent with the measurement principles of an investment company. Because of the inherent uncertainty of valuations of Level 3 investments, their estimated values may differ significantly from the values that would have been used had a ready market for these investments existed, and the difference could be material.

The Foundation uses the net asset value (NAV) as a practical expedient to determine the fair value of certain investment funds, which are not classified in the fair value hierarchy. Similar to Level 3 investments, estimated investment values using a NAV may differ significantly from the values that would have been used had a ready market for these investments existed, and the difference could be material. Additional information about these investments is provided in the following paragraphs.

#### **Hedge Funds**

The Foundation invests in certain equity and fixed income strategies which, due to lockups, are classified as hedge funds. These investments are estimated using the NAV provided by the hedge fund managers as a practical expedient due to varying levels of determinable fair values and potential inability for redemption. Certain hedge funds may permit partial liquidity upon redemption with the remaining illiquid assets possessing no definite schedule for distribution.

The investments in these strategies are in assets located both in and outside the United States. Investments in this category, for which there are no readily determinable fair values, are estimated using the NAV provided by the general partner due to the inability for redemption and the lack of market prices.

#### **Buyouts and Venture Capital**

The Foundation invests in buyout and venture capital funds that are limited partnerships and not publicly traded. These funds have investments in private companies located both in and outside the United States. Investments in this category, for which there are no readily determinable fair values, are estimated using the NAV provided by the general partner due to the inability for redemption and the lack of market prices. Distributions are made from the funds as the fund matures. Redemptions are not permitted during the life of the partnerships. Partnership lives are generally 10 years with an option to extend an additional 2 to 3 years. When assets are sold, the proceeds, less any incentives due to the partnership's general partner, are to be distributed to investors.

#### **Co-Investments**

The Foundation invests in co-investments that are limited partnerships and not publicly traded. These vehicles are unique from other private market funds as they are an additional investment in a single private company that is also held within one of the Foundation's larger total fund investments, and can be located both in and outside the United States. Investments in this category, for which there are no readily determinable fair values, are estimated using the NAV provided by the general partner due to the inability for redemption and the lack of market prices. Distributions are made from the co-investment vehicle whenever the investment is realized or distributes dividends. Redemptions are not permitted during the life of the partnerships. Partnership lives are generally 10 years with an option to extend additional years. When assets are sold, the proceeds, less any incentives due to the partnership's general partner, are to be distributed to investors.

*Private Opportunistic Fixed Income*

The Foundation invests in private opportunistic fixed income funds (distressed debt, mezzanine, and private credit) that are limited partnerships and not publicly traded. These funds have investments in private companies located both in and outside the United States. Investments in this category, for which there are no readily determinable fair values, are estimated using the NAV provided by the general partner due to the inability for redemption and the lack of market prices. Distributions are made from the funds as the fund matures. Redemptions are not permitted during the life of the partnerships. Partnership lives are generally 6 to 10 years with an option to extend an additional 2 to 3 years. When assets are sold, the proceeds, less any incentives due to the partnership's general partner, are to be distributed to investors.

*Natural Resources – Private*

The Foundation invests in energy, timber, infrastructure, and farmland funds that are limited partnerships and not publicly traded. These funds have investments in private natural resource assets located both in and outside the United States. Investments in this category, for which there are no readily determinable fair values, are estimated using the NAV provided by the general partner due to the inability for redemption and the lack of market prices. Distributions are made from the funds as the funds mature. Redemptions are not permitted during the life of the partnerships. Partnership lives range from 10 to 15 years with an option to extend an additional 2 to 3 years. When assets are sold, the proceeds, less any incentives due to the partnership's general partner, are to be distributed to investors.

*Infrastructure*

The Foundation invests in private infrastructure funds that are limited partnerships and not publicly traded. These funds have investments in private infrastructure assets located both in and outside the United States. Investments in this category, for which there are no readily determinable fair values, are estimated using the NAV provided by the general partner due to the inability for redemption and the lack of market prices. Distributions are made from the funds as the funds mature. Redemptions are not permitted during the life of the partnerships. Partnership lives range from 10 to 15 years with an option to extend an additional 2 to 3 years. When assets are sold, the proceeds, less any incentives due to the partnership's general partner, are to be distributed to investors.

*Real Estate – Private*

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

**West Virginia University Foundation, Inc.**  
**Notes to Financial Statements**

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***Unfunded commitments***

The following table summarizes the estimated fair value of the Foundation's non-marketable alternatives, held in the Foundation's long-term investment pool, that have associated unfunded commitments at June 30, 2022:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>
Venture capital	\$ 240,096,981	\$ 68,834,568
Buyouts	98,674,723	39,836,075
Private opportunistic fixed income	22,967,454	26,581,016
Natural resources - private	46,714,727	14,028,310
Real estate - private	32,174,120	27,917,218
Co-investments	8,645,003	804,527
Infrastructure	<u>4,575,867</u>	<u>5,025,960</u>
Total	<u>\$ 453,848,875</u>	<u>\$ 183,027,674</u>

Unfunded commitments are drawn down throughout the life of the investment based on the cash needs of each individual limited partnership. Limited partnerships with unfunded commitments have remaining lives of 4 to 14 years. Management anticipates that distributions from existing non-marketable alternatives will provide much of the liquidity necessary to satisfy remaining unfunded commitments.

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

**West Virginia University Foundation, Inc.**  
**Notes to Financial Statements**

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

	<b>Fair Value as of June 30, 2022</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Assets:</b>				
Investments:				
Money market funds	\$ 76,641,829	\$ -	\$ -	\$ 76,641,829
Separate accounts:				
U.S. equities	32,673,644	-	-	32,673,644
Diversifying strategies	8,875,635	-	-	8,875,635
Public fixed income	<u>2,425,043</u>	<u>-</u>	<u>-</u>	<u>2,425,043</u>
	43,974,322	-	-	43,974,322
Exchange traded funds:				
U.S. equities	430,855,688	-	-	430,855,688
Public fixed income	105,045,762	-	-	105,045,762
International equities	<u>6,299,854</u>	<u>-</u>	<u>-</u>	<u>6,299,854</u>
	542,201,304	-	-	542,201,304
Mutual funds:				
International equities	225,118,714	-	-	225,118,714
Public fixed income	121,485,706	-	-	121,485,706
U.S. equities	67,640,775	-	-	67,640,775
Real estate - public	38,182,048	-	-	38,182,048
Natural resources - public	<u>29,607,102</u>	<u>-</u>	<u>-</u>	<u>29,607,102</u>
	482,034,345	-	-	482,034,345
Other commingled funds:				
International equities	-	55,547,394	-	55,547,394
Public fixed income	-	92,881,597	-	92,881,597
Marketable opportunistic fixed income	<u>-</u>	<u>15,795,550</u>	<u>-</u>	<u>15,795,550</u>
	-	164,224,541	-	164,224,541
*Hedge funds:				
Diversifying strategies	-	-	-	170,105,259
Marketable opportunistic fixed income	-	-	-	29,985,880
International equities	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,074,168</u>
	-	-	-	215,165,307
*Private investments:				
Venture capital	-	-	-	476,229,847
Buyouts	-	-	-	202,664,915
Private opportunistic fixed income	-	-	-	46,290,250
Natural resources - private	-	-	-	82,577,287
Real estate - private	-	-	-	57,614,820
Co-investments	-	-	-	19,937,202
Infrastructure	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,964,174</u>
	-	-	-	894,278,495
Total investments	1,144,851,800	164,224,541	-	2,418,520,143
Beneficial interests in external trusts	<u>-</u>	<u>-</u>	<u>36,879,384</u>	<u>36,879,384</u>
Total assets	<u>\$ 1,144,851,800</u>	<u>\$ 164,224,541</u>	<u>\$ 36,879,384</u>	<u>\$ 2,455,399,527</u>
<b>Liabilities:</b>				
Annuities payable and unitrusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (11,871,384)</u>	<u>\$ (11,871,384)</u>
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (11,871,384)</u>	<u>\$ (11,871,384)</u>

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

**West Virginia University Foundation, Inc.**  
**Notes to Financial Statements**

	Fair Value as of June 30, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Money market funds	\$ 46,877,596	\$ -	\$ -	\$ 46,877,596
Separate accounts:				
U.S. equities	35,084,913	-	-	35,084,913
Diversifying strategies	9,729,731	-	-	9,729,731
Public fixed income	<u>2,814,938</u>	-	-	<u>2,814,938</u>
	47,629,582	-	-	47,629,582
Exchange traded funds:				
U.S. equities	568,110,415	-	-	568,110,415
Public fixed income	108,372,857	-	-	108,372,857
International equities	<u>26,594,087</u>	-	-	<u>26,594,087</u>
	703,077,359	-	-	703,077,359
Mutual funds:				
International equities	295,999,163	-	-	295,999,163
Public fixed income	131,092,253	-	-	131,092,253
U.S. equities	71,037,160	-	-	71,037,160
Real estate - public	29,279,822	-	-	29,279,822
Natural resources - public	<u>27,220,182</u>	-	-	<u>27,220,182</u>
	554,628,580	-	-	554,628,580
Other commingled funds:				
International equities	-	101,831,953	-	101,831,953
Public fixed income	-	93,785,645	-	93,785,645
Marketable opportunistic fixed income	<u>-</u>	<u>17,015,674</u>	-	<u>17,015,674</u>
	-	212,633,272	-	212,633,272
*Hedge funds:				
Diversifying strategies	-	-	-	119,457,075
Marketable opportunistic	-	-	-	29,614,104
International equities	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,591,294</u>
	-	-	-	167,662,473
*Private investments:				
Venture capital	-	-	-	327,315,803
Buyouts	-	-	-	138,685,897
Private opportunistic fixed income	-	-	-	35,900,624
Natural resources - private	-	-	-	64,788,492
Real estate - private	-	-	-	40,168,267
Co-investments	-	-	-	13,204,840
Infrastructure	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,703,024</u>
	-	-	-	623,766,947
Total investments	1,352,213,117	212,633,272	-	2,356,275,809
Beneficial interests in external trusts	<u>-</u>	<u>-</u>	<u>46,646,435</u>	<u>46,646,435</u>
Total assets	<u>\$1,352,213,117</u>	<u>\$ 212,633,272</u>	<u>\$ 46,646,435</u>	<u>\$2,402,922,244</u>
Liabilities:				
Annuities payable and unitrusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (15,344,985)</u>	<u>\$ (15,344,985)</u>
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (15,344,985)</u>	<u>\$ (15,344,985)</u>

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

**West Virginia University Foundation, Inc.**  
**Notes to Financial Statements**

The following table illustrates the activity of Level 3 assets and liabilities for the year ended June 30, 2022:

	<b>Beneficial Interests in External Trusts</b>	<b>Annuities Payable and Unitrusts</b>
	<u>                    </u>	<u>                    </u>
Balance, July 1, 2021	\$ 46,646,435	\$ 15,344,985
Investment losses	(8,671,253)	-
Annuity gains	-	2,091,601
Loss	-	(3,439,301)
New annuities	-	54,546
Distributions	<u>(1,095,798)</u>	<u>(2,180,447)</u>
Balance, June 30, 2022	<u>\$ 36,879,384</u>	<u>\$ 11,871,384</u>

The following table illustrates the activity of Level 3 assets and liabilities for the year ended June 30, 2021:

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

There were no transfers among Level 1, Level 2, or Level 3 assets during the years ended June 30, 2022 and 2021. When transfers occur, they are recognized at the end of the reporting period.

## **6. Endowment**

The Foundation's endowment consists of over 3,000 individual endowment funds established for a variety of purposes. The endowment includes donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

### ***Interpretation of relevant law***

The Board of Directors of the Foundation, based upon the advice of counsel, has interpreted the Uniform Prudent Management of Institutional Funds Act (the "Act" or "UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. In accordance with the Act, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

### ***Return objectives and risk parameters***

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

### ***Strategies employed for achieving objectives***

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

### ***Spending policy and related investment objectives***

The Foundation utilizes a "banded inflation" spend policy for the private endowment, which considers the prior year's dollar amount adjusted for inflation (CPI). The overall calculated spend dollar amount must be between 3% and 4% of market value at June 30. This policy was established in accordance with UPMIFA, which in certain circumstances allows for a reduced appropriation from an endowment fund when the current fair value may occasionally fall below original gift value. The Foundation also considers the six factors previously listed. Over the long term, the Foundation expects the spend policy to allow its endowment to grow at a rate that meets the needs of inflation, spending and fees. The Foundation's effective spend rate was 3.77% in 2022 and 3.79% in 2021.

**West Virginia University Foundation, Inc.**  
**Notes to Financial Statements**

**Funds with deficiencies**

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

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

	<u>2022</u>	<u>2021</u>
Fair value	\$ 4,008,232	\$ -
Original gift value	<u>(4,080,099)</u>	<u>-</u>
Deficiency	<u>\$ (71,867)</u>	<u>\$ -</u>

The following presents endowment net asset composition by fund type as of June 30, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		<u>Total</u>
		<u>Invested Non-endowed</u>	<u>Endowment</u>	
Board designated endowment funds	\$ 14,893,874	\$ -	\$ -	\$ 14,893,874
Original donor restricted gift amounts	-	13,570,395	527,799,819	541,370,214
Accumulated investment gains	<u>-</u>	<u>9,677,355</u>	<u>262,654,037</u>	<u>272,331,392</u>
Invested endowment assets managed internally	14,893,874	23,247,750	790,453,856	828,595,480
Invested assets managed externally	-	-	8,128,161	8,128,161
External trusts at fair value	<u>-</u>	<u>-</u>	<u>36,879,384</u>	<u>36,879,384</u>
Total invested endowment assets	14,893,874	23,247,750	835,461,401	873,603,025
Non-invested endowed assets	-	-	67,131,645	67,131,645
Endowment liabilities	<u>-</u>	<u>-</u>	<u>(74,526)</u>	<u>(74,526)</u>
Endowment net assets	<u>\$ 14,893,874</u>	<u>\$ 23,247,750</u>	<u>\$ 902,518,520</u>	<u>\$ 940,660,144</u>

**West Virginia University Foundation, Inc.**  
**Notes to Financial Statements**

The following presents changes in endowment net assets for the year ended June 30, 2022:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>		<b>Total</b>
		<b>Invested Non-endowed</b>	<b>Endowment</b>	
Invested endowment assets, beginning of year	\$ 14,007,417	\$ 23,171,797	\$ 824,997,994	\$ 862,177,208
Investment return, net	1,318,447	350,230	4,083,490	5,752,167
Contributions	-	-	28,138,931	28,138,931
Appropriation for expenditure	<u>(431,990)</u>	<u>(274,277)</u>	<u>(21,759,014)</u>	<u>(22,465,281)</u>
Invested endowment assets, end of year	<b>14,893,874</b>	<b>23,247,750</b>	<b>835,461,401</b>	<b>873,603,025</b>
Non-invested endowed assets	-	-	67,131,645	67,131,645
Endowment liabilities	<u>-</u>	<u>-</u>	<u>(74,526)</u>	<u>(74,526)</u>
Endowment net assets	<b><u>\$ 14,893,874</u></b>	<b><u>\$ 23,247,750</u></b>	<b><u>\$ 902,518,520</u></b>	<b><u>\$ 940,660,144</u></b>

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

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

**West Virginia University Foundation, Inc.**  
**Notes to Financial Statements**

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

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

**7. Land, Building, and Equipment**

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

	<u>2022</u>	<u>2021</u>
Land	\$ 2,610,860	\$ 2,610,860
Building	31,222,161	31,162,920
Equipment	<u>4,763,475</u>	<u>4,714,111</u>
	<b>38,596,496</b>	38,487,891
Accumulated depreciation	<u>(25,464,829)</u>	<u>(24,125,543)</u>
Land, building and equipment, net	<u>\$ 13,131,667</u>	<u>\$ 14,362,348</u>

Depreciation expense for the years ended June 30, 2022 and 2021 was \$1,339,286 and \$1,367,419, respectively.

The Foundation owns a seven-floor office building located at One Waterfront Place. The Foundation occupies one floor of the building and leases the remainder of the building to the University through an operating lease with the West Virginia University Board of Governors on behalf of the University. The lease runs through May 31, 2031; however, it is cancelable upon 30-days' written notice. The net book value of the property leased was \$6,861,985 and \$7,722,534 as of June 30, 2022 and 2021, respectively. During 2022 and 2021, 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.

**West Virginia University Foundation, Inc.**  
**Notes to Financial Statements**

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**8. Other Assets**

Other assets consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
Cash surrender value of life insurance	\$ 4,112,825	\$ 4,177,584
Real estate and other assets	<u>3,279,589</u>	<u>2,708,161</u>
	<u>\$ 7,392,414</u>	<u>\$ 6,885,745</u>

**9. Split-Interest Agreements**

The Foundation occasionally enters into split-interest agreements with donors, which consist primarily of charitable gift annuities, charitable remainder unitrusts, and charitable remainder annuity trusts. These agreements provide either fixed annual payments or fixed annual returns to the original donor or a designated beneficiary. Payment streams are valued at the present value of the expected future obligations after considering the applicable discount rate and actuarial mortality assumptions. Fixed payout percentages range from 4.2% to 18.0% at June 30, 2022 and at June 30, 2021, respectively.

The Foundation received contributions of \$115,407 and \$442,658 to establish new split-interest agreements for the years ended June 30, 2022 and 2021, respectively. Total assets resulting from split-interest agreements were \$27,315,006 and \$34,699,066 at June 30, 2022 and 2021, respectively. These assets are included in investments carried at fair value on the statements of financial position.

**10. Net Assets**

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

	<u>2022</u>	<u>2021</u>
Board designated endowment funds	\$ 14,893,874	\$ 14,007,417
Board designated Foundation reserves	24,314,747	24,041,470
Financial assets available for general use	12,008,968	27,472,257
Land, building, and equipment, net of depreciation	13,131,667	14,362,348
Receivables and other	6,284,915	3,770,117
Notes payable	<u>(13,843,196)</u>	<u>(15,012,442)</u>
	<u>\$ 56,790,975</u>	<u>\$ 68,641,167</u>

**West Virginia University Foundation, Inc.**  
**Notes to Financial Statements**

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

	<u>2022</u>	<u>2021</u>
Student aid	\$ 418,870,782	\$ 395,762,502
Academics	314,906,283	285,372,899
Faculty and staff	213,493,968	213,373,178
Research	82,277,473	77,914,390
Buildings and equipment	30,759,553	44,804,199
Departmental discretion	73,248,271	69,375,050
Public service	32,025,128	31,206,058
Pending donor designation	12,318,126	16,049,993
Other	<u>9,916,053</u>	<u>6,635,835</u>
	<u>\$1,187,815,637</u>	<u>\$1,140,494,104</u>

**11. Line of Credit**

The Foundation has an unsecured line of credit with a financial institution with maximum borrowing capacity of \$10,000,000, with no fixed maturity date. The agreement will be reviewed annually by the financial institution and the Foundation. As of June 30, 2022 and 2021, there was no amount outstanding on the line. This line of credit bears interest at a variable rate based on the New York Prime rate plus 0.375% with a minimum interest rate of 3.625% and a maximum interest rate of 10%, which is payable on demand. This line of credit renews on an annual basis subject to the financial institution's review of the Foundation's financial statements and is expected to be renewed on similar terms.

**12. Mortgage Payable**

In May 2012, the Foundation borrowed \$24,000,000 from a West Virginia bank. The loan proceeds were used to fund the pay-off of the 2002 Series B bonds used to finance floors 1 - 6 of One Waterfront Place. The loan is payable in monthly installments of \$136,492 through May 1, 2032. The payments include principal and interest at the fixed rate of 3.28%. The loan is secured by a credit line deed of trust on One Waterfront Place, an assignment of leases on One Waterfront Place, and a security agreement encumbering the net unrestricted assets of the Foundation. The loan balance as of June 30, 2022 and 2021 was \$13,843,196 and \$15,012,442, respectively. Interest expense for the years ended June 30, 2022 and 2021 was \$468,664 and \$512,503, respectively.

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

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
2023	\$ 1,201,602	\$ 436,308	\$ 1,637,910
2024	1,241,612	396,298	1,637,910
2025	1,282,954	354,956	1,637,910
2026	1,325,674	312,236	1,637,910
2027	1,369,816	268,094	1,637,910
Thereafter	<u>7,421,538</u>	<u>625,153</u>	<u>8,046,691</u>
	<u>\$ 13,843,196</u>	<u>\$ 2,393,045</u>	<u>\$ 16,236,241</u>

The carrying amount of the Foundation's note payable approximates the fair value at June 30, 2022 and 2021.

### **13. Retirement Benefits and Deferred Compensation**

The Foundation has a contributory retirement plan covering all full time and part time employees. Employer contributions are based on a percentage of salary applied as premiums on regular retirement annuity contracts owned by each employee. Employees are immediately vested. Retirement expense was \$1,312,647 and \$1,174,447 for the years ended June 30, 2022 and 2021, respectively.

The Foundation has several supplemental retirement or deferred compensation plans covering certain employees of the University or Foundation that provide for payments upon retirement, death, or disability. The liability associated with these plans was \$1,363,115 and \$1,415,778 as of June 30, 2022 and 2021, respectively. The liability is recorded at the present value of the estimated future payments. These plans are funded through gifts, life insurance proceeds and other designated funds. Deferred compensation expense was \$54,654 and \$56,600 for the years ended June 30, 2022 and 2021, respectively.

### **14. University Support**

University directed fund raising costs of approximately \$2,800,000 and \$2,700,000 in 2022 and 2021, respectively, are included in University support in the statements of activities.

### **15. Funds Held in Custody for Others**

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

A summary of the liability for agency investments as of June 30 follows:

	<u>2022</u>	<u>2021</u>
West Virginia United Health System, Inc.	<b>\$1,204,677,579</b>	\$1,091,073,403
West Virginia University	<b>131,659,456</b>	154,159,359
West Virginia University research trust funds	<b>42,566,708</b>	51,158,003
WVU Alumni Association, Inc.	<b>5,114,188</b>	4,542,573
Other	<b><u>3,738,649</u></b>	<u>1,906,532</u>
	<b><u>\$1,387,756,580</u></b>	<b><u>\$1,302,839,870</u></b>

### **16. Subsequent Events**

Foundation management evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through September 28, 2022, the date the financial statements were available to be issued.

***Supplementary Information***



## Independent Auditor's Report on Supplementary Information

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

We have audited the financial statements of West Virginia University Foundation, Inc. (the "Foundation") as of and for the years ended June 30, 2022 and 2021, and our report thereon dated September 28, 2022 which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The reconciliation of contributions information for the years ended June 30, 2022 and 2021 is presented on page 30 for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management, 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.

**FORVIS, LLP**  
Charleston, WV  
September 28, 2022

**West Virginia University Foundation, Inc.**  
**Reconciliation of Contributions**  
**Years Ended June 30, 2022 and 2021**

The schedule below reconciles Foundation fundraising totals as reported in the Foundation's annual report (not presented herein) with contribution revenue determined in accordance with U.S. GAAP as reported in the accompanying Statements of Activities.

	<b>Years Ended June 30,</b>	
	<b>2022</b>	<b>2021</b>
	<hr/>	<hr/>
Contributions:		
Foundation fundraising totals	<b>\$ 213,833,713</b>	\$ 270,143,439
Bequest expectancies	<b>(11,461,157)</b>	(24,719,002)
Changes in contributions receivable, net of discount	<b>(12,067,530)</b>	(13,854,525)
Noncash contributions received directly by the University	<b>(47,831,140)</b>	(102,521,300)
Amounts recorded as agency liability	<b>(16,842,344)</b>	(9,676,619)
Contributions from perpetual trusts reclassified to interest income	<b>(2,268,591)</b>	(2,038,393)
Changes in life income gifts/valuations	<b>368,009</b>	448,733
Amounts reported as other revenue	<b>(9,923,207)</b>	(4,793,732)
	<hr/>	<hr/>
Contributions per Statements of Activities	<b><u>\$ 113,807,753</u></b>	<b><u>\$ 112,988,601</u></b>



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