

WEST LIBERTY UNIVERSITY FOUNDATION, INC.

WEST LIBERTY, WEST VIRGINIA

AUDIT REPORT

JUNE 30, 2018

WEST LIBERTY UNIVERSITY FOUNDATION, INC.
JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
West Liberty University Foundation, Inc.
West Liberty, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of West Liberty University Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities 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.

Auditor's 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 auditor's 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 Liberty University Foundation, Inc. as of June 30, 2018 and 2017, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2018, the Foundation adopted new accounting guidance related to the Presentation of Financial Statements of Not-for-Profit Entities in accordance with Accounting Standards Update 2016-14. Our opinion is not modified with respect to this matter.

Zeno, Proehl, Lilly & Cogswell, A. C.

Wheeling, West Virginia
September 27, 2018

WEST LIBERTY UNIVERSITY FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 160,484	\$ 117,646
Pledges receivable, net	256,348	1,103,234
Accrued interest and dividends	7,555	7,555
Investments	16,033,130	14,638,884
Beneficial interest in perpetual trust	2,251,816	2,175,746
Other assets	<u>77,006</u>	<u>67,707</u>
TOTAL ASSETS	<u>\$ 18,786,339</u>	<u>\$ 18,110,772</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 112,446	\$ 8,880
Liability for charitable gift annuities	<u>18,204</u>	<u>21,477</u>
Total liabilities	<u>130,650</u>	<u>30,357</u>
NET ASSETS		
Without Donor Restrictions	1,562,149	1,561,783
With Donor Restrictions	<u>17,093,540</u>	<u>16,518,632</u>
Total net assets	<u>18,655,689</u>	<u>18,080,415</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 18,786,339</u>	<u>\$ 18,110,772</u>

The accompanying notes are an integral part of the financial statements.

WEST LIBERTY UNIVERSITY FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Contributions	\$ 206,496	\$ 1,125,076	\$ 1,331,572
Investment income	56,095	1,232,382	1,288,477
Change in value of split- interest agreements	-	76,070	76,070
Special events	84,069	-	84,069
Other income	93,753	-	93,753
Net assets released from restrictions and other	1,858,620	(1,858,620)	-
Total support and revenues	<u>2,299,033</u>	<u>574,908</u>	<u>2,873,941</u>
EXPENSES			
West Liberty University support:			
Scholarships	396,644	-	396,644
Athletic programs	187,672	-	187,672
Academic programs	446,541	-	446,541
Capital improvements	306,096	-	306,096
Other programs	658,937	-	658,937
General and administrative	240,991	-	240,991
Costs of direct benefits to donors	45,989	-	45,989
Fundraising	15,797	-	15,797
Total expenses	<u>2,298,667</u>	<u>-</u>	<u>2,298,667</u>
Changes in net assets	366	574,908	575,274
NET ASSETS AT BEGINNING OF YEAR	<u>1,561,783</u>	<u>16,518,632</u>	<u>18,080,415</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,562,149</u>	<u>\$ 17,093,540</u>	<u>\$ 18,655,689</u>

The accompanying notes are an integral part of the financial statements.

WEST LIBERTY UNIVERSITY FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Contributions	\$ 190,229	\$ 2,531,602	\$ 2,721,831
Investment income	257,861	1,430,938	1,688,799
Change in value of split- interest agreements	-	119,399	119,399
Special events	87,231	-	87,231
Other income	97,218	-	97,218
Net assets released from restrictions and other	1,154,686	(1,154,686)	-
Total support and revenues	<u>1,787,225</u>	<u>2,927,253</u>	<u>4,714,478</u>
EXPENSES			
West Liberty University support:			
Scholarships	470,949	-	470,949
Athletic programs	125,854	-	125,854
Academic programs	288,597	-	288,597
Capital improvements	111,690	-	111,690
Other programs	252,814	-	252,814
General and administrative	218,221	-	218,221
Costs of direct benefits to donors	37,480	-	37,480
Fundraising	2,075	-	2,075
Total expenses	<u>1,507,680</u>	<u>-</u>	<u>1,507,680</u>
Changes in net assets	279,545	2,927,253	3,206,798
NET ASSETS AT BEGINNING OF YEAR	<u>1,282,238</u>	<u>13,591,379</u>	<u>14,873,617</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,561,783</u>	<u>\$ 16,518,632</u>	<u>\$ 18,080,415</u>

The accompanying notes are an integral part of the financial statements.

WEST LIBERTY UNIVERSITY FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 575,274	\$ 3,206,798
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Loss (gain) on investments	(974,835)	(1,398,337)
Net change in value of split-interest agreements	(76,070)	(119,399)
Change in operating assets and liabilities:		
Pledges receivable	846,886	(861,008)
Accrued interest and dividends	-	4,504
Other assets	(9,299)	-
Accounts payable and other liabilities	100,295	(5,419)
Cash provided by operating activities	<u>462,251</u>	<u>827,139</u>
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Purchase of investments	(5,854,140)	(7,396,747)
Proceeds from sales and maturities of investments	<u>5,434,727</u>	<u>6,617,410</u>
Cash used in investment activities	<u>(419,413)</u>	<u>(779,337)</u>
Increase in cash and cash equivalents	42,838	47,802
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>117,646</u>	<u>69,844</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 160,484</u></u>	<u><u>\$ 117,646</u></u>

The accompanying notes are an integral part of the financial statements.

WEST LIBERTY UNIVERSITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 1 – NATURE OF ACTIVITIES

West Liberty University Foundation, Inc. (the Foundation) was formed to receive and administer funds for scientific, educational, athletic, and charitable purposes for the support and benefit of West Liberty University (the University). Oversight of the Foundation is the responsibility of an independently elected Board of Directors not otherwise affiliated with the University. The President of the University is a non-voting member of the Board of Directors. While contributions are generally for the benefit and support of the University, the Foundation exercises discretion over the distribution of assets.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Net Assets – The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions – Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net Assets with Donor Restrictions – Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Foundation must continue to use the resources in accordance with the donor's instructions.

The Foundation's unspent contributions are included in this class if the donor limited their use, as are its donor-restricted endowment funds and its beneficial interest in a perpetual charitable trust held by a bank trustee.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Foundation, unless the donor provides more specific directions about the period of its use.

WEST LIBERTY UNIVERSITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes – West Liberty Foundation, Inc. is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Foundation has analyzed tax positions taken for filing with the Internal Revenue Service and all state and local jurisdictions where it operates. The Foundation believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Foundation's statement of financial position or statement of activities. Accordingly, the Foundation has not recorded any reserves, or related accruals, for interest and penalties for uncertain tax positions at June 30, 2018. The Foundation's tax returns through 2014 have been closed for purposes of examination by taxing authorities.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period, as well as disclosures. Accordingly, actual results could differ from those estimates.

Contributions – Contributions received are recorded as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due and, therefore, are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets, or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Unconditional promises to give that are expected to be collected within one year are recorded at estimated net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates for United States Government securities. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not recorded as support until the conditions are substantially met.

Investments – Investments in equity securities and all debt securities are reported at their fair value based upon quoted market prices.

The Foundation operates a pooled investment portfolio for all funds. New funds or additions to existing funds are assigned a share in the investment pool based upon the amount of cash or estimated fair value of securities deposited. Income, including unrealized appreciation or depreciation and realized capital gains and losses, is allocated on a monthly basis.

WEST LIBERTY UNIVERSITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income from Investments – All investment income in the form of interest and dividends is credited to unrestricted net assets unless otherwise designated by the donor. All capital appreciation/depreciation earned on all investments is credited to net assets without donor restrictions unless otherwise restricted by the donor.

Cash Surrender Value of Insurance Policies – The Foundation records as an asset the cash surrender value of life insurance policies for which it is the owner and beneficiary.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of 3 months or less to be cash equivalents. Money market funds included in non-current investments are not considered cash equivalents.

Contributions Receivable – Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectability of individual promises. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed. See Note 4.

Change in Accounting Principles – The Foundation implemented FASB ASU No. 2016-14 in the current year, applying the changes retrospectively. The new standards change the following aspects of the financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a disclosure about liquidity and availability of resources (Note 3)

WEST LIBERTY UNIVERSITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 3 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2018 are:

Financial assets:

Cash and cash equivalents	\$ 160,484
Pledges receivable, net	256,348
Investments	16,033,130
Beneficial interest in trust	2,251,816
Other assets	<u>84,561</u>
Total financial assets	18,786,339
Less financial assets held to meet donor-imposed restrictions:	
Purpose-restricted net assets (Note 7)	(992,139)
Donor-restricted endowment funds (Note 11)	(13,849,585)
Beneficial interest in trust	(2,251,816)
Less financial assets not available within one year:	
Pledges receivable	(153,643)
Less board-designated endowment fund (Note 11)	<u>(231,126)</u>
Amount available for general expenditures within one year	<u>\$ 1,308,030</u>

The above table reflects donor-restricted and board-designated endowment funds as unavailable because it is the Foundation's intention to invest those resources for the long-term support of the Foundation. However, in the case of need, the Board of Directors could appropriate resources from its designated endowment fund \$231,126. Note 11 provides more information about those funds and about the spending policies for all endowment funds.

NOTE 4 – PLEDGES RECEIVABLE

Unconditional promises to give at June 30, 2018 and 2017, are as follows:

	<u>2018</u>	<u>2017</u>
Receivable in one year	\$ 102,705	\$ 1,060,450
Receivable in two to five years	<u>175,000</u>	<u>45,831</u>
Total unconditional promises to give	277,705	1,106,281
Less discounts to net present value	<u>21,357</u>	<u>3,047</u>
Net unconditional promises to give	<u>\$ 256,348</u>	<u>\$ 1,103,234</u>

WEST LIBERTY UNIVERSITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 4 – PLEDGES RECEIVABLE (CONTINUED)

The discount rate used on long-term pledges was 4.5 percent for the period ended June 30, 2018.

An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at year end. At June 30, 2018 and 2017, management determined that all outstanding promises to give are fully collectible.

NOTE 5 – INVESTMENTS

The cost and estimated fair values of investments at June 30, 2018 and 2017, are as follows:

	2018		2017	
	Fair Value	Cost	Fair Value	Cost
Money market funds	\$ 825,325	\$ 825,325	\$ 275,253	\$ 275,253
Corporate bonds and notes	198,732	199,904	355,688	349,800
United States Treasury obligations	96,880	99,432	100,046	99,431
Equity securities	9,838,478	7,867,194	9,231,536	7,713,400
Mutual funds	4,030,156	4,071,466	3,656,919	3,591,961
Alternative investment funds	934,455	804,618	898,742	773,381
Mortgage loan	109,104	109,104	120,700	120,700
Total	<u>\$ 16,033,130</u>	<u>\$ 13,977,043</u>	<u>\$ 14,638,884</u>	<u>\$ 12,923,926</u>

The following schedule summarizes the investment income and its classification in the statement of activities for the years ended June 30, 2018 and 2017.

	June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 40,840	\$ 322,177	\$ 363,017
Realized gains	22,241	620,084	642,325
Unrealized gains	10,296	322,215	332,511
Investment fees	(17,282)	(32,094)	(49,376)
Total	<u>\$ 56,095</u>	<u>\$ 1,232,382</u>	<u>\$ 1,288,477</u>

	June 30, 2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 131,076	\$ 203,643	\$ 334,719
Realized gains	30,426	244,124	274,550
Unrealized gains	111,849	1,011,938	1,123,787
Investment fees	(15,490)	(28,767)	(44,257)
Total	<u>\$ 257,861</u>	<u>\$ 1,430,938</u>	<u>\$ 1,688,799</u>

**WEST LIBERTY UNIVERSITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

NOTE 5 – INVESTMENTS (CONTINUED)

Investments include securities held to satisfy charitable gift annuity agreements as follows:

	<u>2018</u>	<u>2017</u>
Fair value	<u>\$ 158,335</u>	<u>\$ 179,212</u>
Cost	<u>\$ 98,549</u>	<u>\$ 117,074</u>

NOTE 6 - SPLIT-INTEREST AGREEMENTS

Split-interest agreements consist of beneficial interests in perpetual trusts and charitable gift annuities. The Foundation was bequeathed a beneficial interest in a perpetual trust in accordance with a decedent's will. Under the terms of this split-interest agreement, the Foundation is to receive distributions of 10 percent of the income from the trust in perpetuity. These distributions are to be used to establish an endowment, the income from which will be used to provide scholarships. The Foundation's beneficial interest is valued in the statement of financial position at 10 percent of the fair market value of the trust assets. Adjustments due to changes in the market value of the trust assets are recorded as changes in value of split-interest agreements. Distributions received from the trust are permanently restricted for endowed scholarships and are recorded as permanently restricted investment income.

The Foundation participates in charitable gift annuity agreements with certain donors. Under these agreements, temporarily restricted contribution revenue is recorded when donors transfer assets to the Foundation. The amount of revenue recognized is the difference between the fair value of the assets received and the liability calculated at the net present value of the estimated future payments to the beneficiaries over their life expectancies. In estimating the net present value of the liability, the Foundation uses life expectancy information prepared by the American Council on Gift Annuities. The discount rate for each charitable gift annuity is established at the beginning of the agreement. The discount rate applied to gift annuities held at June 30, 2018 and 2017, is 0.10 percent.

The following summarizes the transactions affecting the beneficial interest in perpetual trust for the years ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Distributions received from the trust recorded as a donor restricted investment	<u>\$ 98,465</u>	<u>\$ 94,870</u>
Change in value of split-interest agreements	<u>\$ 76,070</u>	<u>\$ 119,399</u>

**WEST LIBERTY UNIVERSITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2018, net assets with donor restrictions are available for the following purposes or periods:

Purpose restrictions, available for spending:

Scholarships	\$ 300,231
Capital projects	540,140
Other	<u>151,768</u>
Total purpose-restricted net assets	<u>992,139</u>

Donor restricted Endowment Funds, which must be appropriated by the Board of Directors before use:

Scholarships	11,898,683
Faculty travel and professional development	296,940
Library	444,694
Speakers and lectures	344,527
Maintenance	229,276
Academic programs	111,232
Athletic programs	97,785
Other	<u>426,448</u>
Total Endowment Funds managed by the Foundation	<u>13,849,585</u>

Beneficial interest in trust for scholarships	<u>2,251,816</u>
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Total net assets with donor restrictions	<u>\$ 17,093,540</u>
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NOTE 8 - CONCENTRATIONS OF CREDIT RISK

Financial instruments, which potentially subject the Foundation to a concentration of credit risk, consist principally of contributions receivable, investment securities, and cash. Exposure to losses on contributions receivable is principally dependent on each donor's financial condition. The Foundation monitors the exposure for credit losses and maintains allowances for anticipated losses as necessary.

Investments are recorded at fair value. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the Foundation's statements of financial position and activities.

Cash balances in banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2018, the Foundation had no uninsured cash balances.

WEST LIBERTY UNIVERSITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 9 - SUPPLEMENTAL CASH FLOW INFORMATION

The Foundation had the following noncash transactions during the years ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Noncash contributions received:		
Other goods and services	\$ 39,018	\$ 16,477
Investment securities	<u>-</u>	<u>-</u>
Total	<u>\$ 39,018</u>	<u>\$ 16,477</u>

NOTE 10 - FAIR VALUE MEASUREMENTS

As required by U. S. GAAP, each financial asset and liability must be identified as having been valued according to specified level of input. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date. Fair values determined by Level 2 inputs utilize inputs other than quoted prices included in Level 1 that are observable for the asset, either directly or indirectly. Level 2 inputs include quoted prices for similar assets in active markets, and inputs other than quoted prices that are observable for the asset or liability. Level 3 inputs are unobservable inputs for the asset and include situations where there is little, if any, market activity for the asset or liability. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy, within which the fair value measurement in its entirety falls, has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is 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 in its entirety requires judgment and considers factors specific to the investment. The Foundation classified investments in equity securities and mutual funds as Level 1 instruments because they comprise assets traded on public exchanges with readily determinable fair values and observable market-based inputs. Debt securities are classified as Level 2 securities and are valued using a matrix pricing or other market approaches. The fair value of the mortgage loan is estimated to be its amortized cost.

WEST LIBERTY UNIVERSITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 10 - FAIR VALUE MEASUREMENTS (CONTINUED)

The Foundation's fair value of assets and liabilities reported on the statement of financial position at their fair value as of June 30, 2018 and 2017, are summarized below, by level.

June 30, 2018

Valued on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Equity securities	\$ 9,838,478	\$ -	\$ -	\$ 9,838,478
Debt securities	-	295,612	-	295,612
Mutual funds	4,030,156	-	-	4,030,156
Beneficial interest in perpetual trust	-	-	2,251,816	2,251,816
Alternative investment funds	934,455	-	-	934,455
Cash and money market funds	985,809	-	-	985,809
Mortgage loan	-	109,104	-	109,104

June 30, 2017

Valued on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Equity securities	\$ 9,231,536	\$ -	\$ -	\$ 9,231,536
Debt securities	-	455,734	-	455,734
Mutual funds	3,656,919	-	-	3,656,919
Beneficial interest in perpetual trust	-	-	2,175,746	2,175,746
Alternative investment funds	898,742	-	-	898,742
Cash and money market funds	392,899	-	-	392,899
Mortgage loan	-	120,700	-	120,700

Fair value of the contribution from the beneficial interest in the perpetual trust is measured using the fair value of the assets held in the trusts as reported by the trustee as of June 30, 2018. The Foundation considers the measurement of its beneficial interest in the trusts to be a Level 3 measurement within the fair value hierarchy because, even though that measurement is based on the adjusted fair values of the trusts' assets reported by the trustee, the Foundation will never receive those assets or have the ability to direct the trustee to redeem them.

The beneficial interest in perpetual trust (split interest agreement) is valued using unobservable inputs (Level 3) in accordance with the authoritative guidance on fair value measurements. Changes to the beneficial interest in perpetual trust in fiscal year 2018 are as follows:

Beginning balance	\$ 2,175,746
Investment income for beneficial interest in perpetual trust	98,465
Distribution from beneficial interest in perpetual trust	(98,465)
Net valuation gain	<u>76,070</u>
Total	<u>\$ 2,251,816</u>

WEST LIBERTY UNIVERSITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 11 – ENDOWMENT FUNDS

Endowment Investments

The Foundation's endowment consists of approximately 100 individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, 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.

The Board of Directors of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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. Donor-restricted endowment funds are subject to a time restriction imposed by SPMIFA until amounts are appropriated for expenditure by the Foundation. In addition, most donor restricted endowment funds are subject to restrictions on the use of the appropriated amounts. Note 7 describes the purposes for which donor-restricted endowment funds may be used. As a result, donor-restricted endowment funds are classified as net assets with donor restrictions.

In accordance with SPMIFA, 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 various funds, (2) the purposes of the donor-restricted endowment funds, (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) other resources of the Foundation, and (7) the Foundation's investment policies.

Investment Return Objectives, Risk Parameters, and Strategies – The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets which create the framework for a well-diversified asset mix that can be expected to generate long-term returns at a level of risk suitable to West Liberty University Foundation, Inc.

Accordingly, the Foundation takes a total return approach regarding endowment assets. The assets are to be invested for the long-term, and a higher short-term volatility in these assets is to be expected and accepted. The total return approach is designed to give the Foundation financial flexibility with regard to ongoing capital structure decisions. The Foundation has a tolerance to accept short-term volatility in the value of the funds in line with the market fluctuations to seek long-term capital growth. Domestic equities of both large and small capitalization, fixed-income, and cash equivalents have been determined to be acceptable vehicles for plan assets. Additional asset classes and style strategies may be incorporated into the investment philosophy in the future.

Spending Policy – The Foundation has a policy for appropriating for distribution up to 4 percent of the value of the endowment assets. This amount will be calculated using a rolling 3-year moving average of the market value of the funds at fiscal year-end.

WEST LIBERTY UNIVERSITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 11 – ENDOWMENT FUNDS (CONTINUED)

Endowment net asset composition by type of fund is set forth below:

	June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 13,849,585	\$ 13,849,585
Board-designated endowment funds	231,126	-	231,126
Total	<u>\$ 231,126</u>	<u>\$ 13,849,585</u>	<u>\$ 14,080,711</u>

	June 30, 2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 12,454,560	\$ 12,454,560
Board-designated endowment funds	196,301	-	196,301
Total	<u>\$ 196,301</u>	<u>\$ 12,454,560</u>	<u>\$ 12,650,861</u>

Changes in endowment net assets are as follows:

	June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 196,301	\$ 12,454,560	\$ 12,650,861
Contributions	-	175,051	175,051
Investment income	40,839	1,176,069	1,216,908
Program revenue	-	102,172	102,172
Amounts appropriated for expenditure	(6,014)	(58,267)	(64,281)
Endowment net assets, end of year	<u>\$ 231,126</u>	<u>\$ 13,849,585</u>	<u>\$ 14,080,711</u>

WEST LIBERTY UNIVERSITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 11 - ENDOWMENT FUNDS (CONTINUED)

	June 30, 2017		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 178,492	\$ 10,265,204	\$ 10,443,696
Contributions	5,000	975,853	980,853
Investment income	23,328	1,526,877	1,550,205
Amounts appropriated for expenditure	<u>(10,519)</u>	<u>(313,374)</u>	<u>(323,893)</u>
Endowment net assets, end of year	<u>\$ 196,301</u>	<u>\$ 12,454,560</u>	<u>\$ 12,650,861</u>

NOTE 12 - RELATED-PARTY TRANSACTIONS

In addition to the amounts expended in support of West Liberty University programs as reported on the statements of activities, the Foundation funds a loan to the University. The loan is secured by a deed of trust on real estate that is to be used for student housing.

NOTE 13 - LEASE

The Foundation leases office space in Wheeling, West Virginia under a lease agreement signed July 11, 2016, with a term beginning August 1, 2016, and expiring June 30, 2021. As defined by the lease agreement, payments from August 1, 2016, through June 30, 2017, were \$1,800.00 (monthly).

As defined by the lease agreement, payments from July 1, 2017, through June 30, 2021, are \$1,800.00 x annual CPI increase (monthly). As of June 30, 2018, occupancy expense was approximately \$23,500.

NOTE 14 - CREDIT FACILITY

On March 1, 2018, the Foundation obtained a line-of-credit from a bank for the purpose of providing advance funding for capital projects if necessary. The credit line has a limit of \$1,500,000 and a maturity date of March 1, 2028. The interest rate is fixed for the term of 3.49 percent. As of June 30, 2018, no advances have been made and there is no outstanding balance.

NOTE 15 - SUBSEQUENT EVENTS

The Foundation assessed events occurring subsequent to June 30, 2018, through September 27, 2018, for potential recognition and disclosure in the financial statements. No events have occurred that would require adjustment to, or disclosure in, the financial statements which were available to be issued on September 27, 2018.