

WEST LIBERTY UNIVERSITY FOUNDATION, INC.

WEST LIBERTY, WEST VIRGINIA

AUDIT REPORT

JUNE 30, 2020

WEST LIBERTY UNIVERSITY FOUNDATION, INC.
JUNE 30, 2020

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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, 2020 and 2019, 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, 2020 and 2019, 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 3 to the financial statements, in 2020, West Liberty University Foundation, Inc. adopted Financial Accounting Standards Update ("ASU") No. 2017-09- Revenue from Contracts with Customers (Topic 606) and ASU No. 2018-08- Not-for-Profit Entities: Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 958). Our opinion is not modified with respect to this matter.

Zena, Powell, Lilly + Co., P.C.

Wheeling, West Virginia
September 17, 2020

WEST LIBERTY UNIVERSITY FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 158,136	\$ 171,799
Pledges receivable, net	181,923	837,319
Accrued interest and dividends	7,555	7,555
Investments	18,205,544	16,751,476
Beneficial interest in perpetual trust	2,265,516	2,285,806
Other assets	<u>53,826</u>	<u>47,668</u>
TOTAL ASSETS	<u><u>\$ 20,872,500</u></u>	<u><u>\$ 20,101,623</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ -	\$ 8,880
Liability for charitable gift annuities	13,640	15,555
Paycheck Protection Program loan	<u>39,300</u>	<u>-</u>
Total liabilities	<u>52,940</u>	<u>24,435</u>
NET ASSETS		
Without donor restrictions	1,535,806	1,527,445
With donor restrictions	<u>19,283,754</u>	<u>18,549,743</u>
Total net assets	<u>20,819,560</u>	<u>20,077,188</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 20,872,500</u></u>	<u><u>\$ 20,101,623</u></u>

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

WEST LIBERTY UNIVERSITY FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Contributions	\$ 162,947	\$ 1,358,661	\$ 1,521,608
Investment income	59,390	1,130,442	1,189,832
Change in value of split-interest agreements	-	(20,290)	(20,290)
Other income	123,451	-	123,451
Net assets released from restrictions and other	1,734,802	(1,734,802)	-
Total support and revenues	<u>2,080,590</u>	<u>734,011</u>	<u>2,814,601</u>
EXPENSES			
West Liberty University support:			
Scholarships	399,499	-	399,499
Athletic programs	140,338	-	140,338
Academic programs	333,562	-	333,562
Capital improvements	889,959	-	889,959
Other programs	35,194	-	35,194
General and administrative	267,869	-	267,869
Fundraising	4,531	-	4,531
Costs of direct benefits to donors	1,277	-	1,277
Total expenses	<u>2,072,229</u>	<u>-</u>	<u>2,072,229</u>
Changes in net assets	8,361	734,011	742,372
NET ASSETS, BEGINNING OF YEAR	<u>1,527,445</u>	<u>18,549,743</u>	<u>20,077,188</u>
NET ASSETS, END OF YEAR	<u>\$ 1,535,806</u>	<u>\$ 19,283,754</u>	<u>\$ 20,819,560</u>

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

WEST LIBERTY UNIVERSITY FOUNDATION, INC.
STATEMENTS OF ACTIVITIES (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Contributions	\$ 207,274	\$ 1,801,516	\$ 2,008,790
Investment income	63,955	1,120,934	1,184,889
Change in value of split-interest agreements	-	33,990	33,990
Special events	94,480	-	94,480
Other income	91,585	-	91,585
Net assets released from restrictions and other	1,500,237	(1,500,237)	-
Total support and revenues	<u>1,957,531</u>	<u>1,456,203</u>	<u>3,413,734</u>
EXPENSES			
West Liberty University support:			
Scholarships	426,773	-	426,773
Athletic programs	192,024	-	192,024
Academic programs	392,623	-	392,623
Capital improvements	623,885	-	623,885
Other programs	31,614	-	31,614
General and administrative	261,349	-	261,349
Fundraising	5,745	-	5,745
Costs of direct benefits to donors	58,222	-	58,222
Total expenses	<u>1,992,235</u>	<u>-</u>	<u>1,992,235</u>
Changes in net assets	(34,704)	1,456,203	1,421,499
NET ASSETS, BEGINNING OF YEAR	<u>1,562,149</u>	<u>17,093,540</u>	<u>18,655,689</u>
NET ASSETS, END OF YEAR	<u>\$ 1,527,445</u>	<u>\$ 18,549,743</u>	<u>\$ 20,077,188</u>

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

WEST LIBERTY UNIVERSITY FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 742,372	\$ 1,421,499
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Non-cash contributions of stock	(142,184)	-
Gain on investments	(772,987)	(825,931)
Net change in value of split-interest agreements	20,290	(33,990)
Change in operating assets and liabilities:		
Pledges receivable	78,689	(580,971)
Other assets	(6,158)	29,338
Accounts payable and other liabilities	(10,795)	(106,217)
Cash used in operating activities	<u>(90,773)</u>	<u>(96,272)</u>
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Purchase of investments	(4,971,082)	(6,354,963)
Proceeds from sales and maturities of investments	5,008,892	6,462,550
Cash provided by investment activities	<u>37,810</u>	<u>107,587</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	39,300	-
Cash provided by financing activities	<u>39,300</u>	<u>-</u>
Increase (decrease) in cash and cash equivalents	(13,663)	11,315
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>171,799</u>	<u>160,484</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 158,136</u></u>	<u><u>\$ 171,799</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, 2020 AND 2019

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 (“U.S. GAAP”).

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 from 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 restrictions are temporary in nature, and the restrictions 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 passing 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, 2020 AND 2019

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 statements of financial position or statements of activities. Accordingly, the Foundation has not recorded any reserves, or related accruals, for interest and penalties for uncertain tax positions as of June 30, 2020. The Foundation's tax returns through 2017 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, 2020 AND 2019**

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 statements 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.

Pledges Receivable – Pledges receivable are unconditional promises to give that are recognized as contributions when the promise is received. Pledges receivable that are expected to be collected in less than one year are reported at net realizable value. Pledges 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.

Expense Recognition and Allocation – The cost of providing the Foundation's programs and other activities is summarized below. Expenses that can be identified with a specific program or support service are charged directly to that program or support service.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but that provide for the overall support and direction of the Foundation.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Foundation generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and general and administrative expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

	2020	2019
Program services:		
Scholarships	\$ 399,499	\$ 426,773
Athletic programs	140,338	192,024
Academic programs	333,562	392,623
Capital improvements	889,959	623,885
Other programs	35,194	31,614
	<u>1,798,552</u>	<u>1,666,919</u>
Total program services		

WEST LIBERTY UNIVERSITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

	<u>2020</u>	<u>2019</u>
Supporting services:		
Salaries and benefits	190,252	178,886
Outside services	18,891	20,141
Occupancy	23,327	23,635
Supplies and other expenses	19,255	18,476
Travel and conferences	2,450	6,775
Hospitality	2,790	2,672
Insurance	4,793	4,793
Service charges	3,834	3,342
Dues and registrations	1,250	1,858
Other administrative	1,027	771
Total general and administrative	<u>267,869</u>	<u>261,349</u>
 Fundraising	 <u>4,531</u>	 <u>5,745</u>
 Great Gala	 -	 44,159
Golf Scramble	<u>1,277</u>	<u>14,063</u>
Total costs of direct benefits to donors	<u>1,277</u>	<u>58,222</u>
 Total functional expenses	 <u>\$ 2,072,229</u>	 <u>\$ 1,992,235</u>

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES

West Liberty University Foundation, Inc. implemented Accounting Standards Update (“ASU”) No. 2017-09 – *Revenue from Contracts with Customers (Topic 606)*, as amended and ASU 2018-08 – *Not-for-Profit Entities: Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. Management believes the standards improve the usefulness and understandability of West Liberty University Foundation’s financial reporting.

Analysis of various provisions of the standard resulted in no significant changes in the way West Liberty University Foundation, Inc. recognizes revenue, and, therefore, no changes to the previously issued audited financial statements were required on a retrospective basis.

WEST LIBERTY UNIVERSITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 4 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure that are without donor restrictions or other restrictions limiting their use, within one year of June 30, 2020 and 2019, are as follows:

Financial assets:	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 158,136	\$ 171,799
Pledges receivable, net	181,923	837,319
Investments	18,205,544	16,751,476
Beneficial interest in trust	2,265,516	2,285,806
Other assets	<u>61,381</u>	<u>55,223</u>
Total financial assets	<u>20,872,500</u>	<u>20,101,623</u>
Less financial assets held to meet donor-imposed restrictions:		
Purpose-restricted net assets (Note 8)	(869,295)	(1,363,927)
Donor-restricted endowment funds (Note 12)	(16,148,943)	(14,900,010)
Beneficial interest in trust	(2,265,516)	(2,285,806)
Less financial assets not available within one year:		
Pledges receivable	(84,423)	(71,876)
Less Board-designated endowment fund (Note 12)	<u>(285,161)</u>	<u>(256,581)</u>
Amount available for general expenditures within one year	<u>\$ 1,219,162</u>	<u>\$ 1,223,423</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 in the amount of \$285,161. Note 11 provides more information about those funds and about the spending policies for all endowment funds.

NOTE 5 – PLEDGES RECEIVABLE

Unconditional promises to give as of June 30, 2020 and 2019, are as follows:

	<u>2020</u>	<u>2019</u>
Receivable in one year	\$ 97,500	\$ 765,443
Receivable in two to five years	<u>90,000</u>	<u>80,000</u>
Total unconditional promises to give	187,500	845,443
Discounts to net present value	<u>(5,577)</u>	<u>(8,124)</u>
Net unconditional promises to give	<u>\$ 181,923</u>	<u>\$ 837,319</u>

The discount rate used on long-term pledges was 3.25 percent for the period ended June 30, 2020.

WEST LIBERTY UNIVERSITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 5 – PLEDGES RECEIVABLE (CONTINUED)

An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at year end. As of June 30, 2020 and 2019, management determined that all outstanding promises to give are fully collectible.

NOTE 6 – INVESTMENTS

The cost and estimated fair values of investments as of June 30, 2020 and 2019, are as follows:

	2020		2019	
	Fair Value	Cost	Fair Value	Cost
Money market funds	\$ 338,239	\$ 338,239	\$ 929,575	\$ 929,575
Corporate bonds and notes	791,618	757,039	407,335	399,002
United States Treasury obligations	104,772	99,432	100,945	99,432
Mortgage backed securities	257,703	261,118	-	-
Equity securities	10,080,560	7,851,503	9,320,409	7,400,642
Mutual funds	5,575,465	5,271,449	5,005,504	4,883,341
Alternative investment funds	1,057,187	954,616	987,708	836,184
Total	<u>\$ 18,205,544</u>	<u>\$ 15,533,396</u>	<u>\$ 16,751,476</u>	<u>\$ 14,548,176</u>

The following schedule summarizes the investment income and its classification in the statements of activities for the years ended June 30, 2020 and 2019:

	June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 43,344	\$ 425,194	\$ 468,538
Realized gains	14,399	271,268	285,667
Unrealized gains	19,740	467,580	487,320
Investment fees	(18,093)	(33,600)	(51,693)
Total	<u>\$ 59,390</u>	<u>\$ 1,130,442</u>	<u>\$ 1,189,832</u>

	June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 44,393	\$ 363,568	\$ 407,961
Realized gains	30,511	657,988	688,499
Unrealized gains	6,202	131,230	137,432
Investment fees	(17,151)	(31,852)	(49,003)
Total	<u>\$ 63,955</u>	<u>\$ 1,120,934</u>	<u>\$ 1,184,889</u>

WEST LIBERTY UNIVERSITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 6 – INVESTMENTS (CONTINUED)

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

	<u>2020</u>	<u>2019</u>
Fair value	<u>\$ 149,541</u>	<u>\$ 150,709</u>
Cost	<u>\$ 93,841</u>	<u>\$ 99,227</u>

NOTE 7 – 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 statements 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 as of June 30, 2020 and 2019, is 0.10 percent.

The following summarizes the transactions affecting the beneficial interest in perpetual trust for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Distributions received from the trust recorded as a donor-restricted investment	<u>\$ 126,540</u>	<u>\$ 104,645</u>
Change in value of split-interest agreements	<u>\$ (20,290)</u>	<u>\$ 33,990</u>

WEST LIBERTY UNIVERSITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2020 and 2019, net assets with donor restrictions are available for the following purposes or periods:

	<u>2020</u>	<u>2019</u>
Purpose restrictions, available for spending:		
Scholarships	\$ 380,069	\$ 291,319
Capital projects	114,180	917,341
Other	<u>375,046</u>	<u>155,267</u>
Total purpose-restricted net assets	<u>869,295</u>	<u>1,363,927</u>
Donor-restricted endowment funds, which must be appropriated by the Board of Directors before use:		
Scholarships	13,378,226	12,437,316
Faculty travel and professional development	411,430	318,547
Library	462,783	456,525
Speakers and lectures	361,242	343,488
Maintenance	256,874	244,095
Academic programs	563,525	469,140
Athletic programs	266,490	190,459
Other	<u>448,373</u>	<u>440,440</u>
Total endowment funds managed by the Foundation	<u>16,148,943</u>	<u>14,900,010</u>
Beneficial interest in trust for scholarships	<u>2,265,516</u>	<u>2,285,806</u>
Total net assets with donor restrictions	<u>\$ 19,283,754</u>	<u>\$ 18,549,743</u>

NOTE 9 – 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 and cash equivalents. 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 reasonably 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 up to \$250,000. As of June 30, 2020, 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, 2020 AND 2019

NOTE 10 – SUPPLEMENTAL CASH FLOW INFORMATION

The Foundation had the following noncash transactions during the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Noncash contributions received:		
Other goods and services	<u>\$ 23,600</u>	<u>\$ 30,211</u>

NOTE 11 – FAIR VALUE MEASUREMENTS

As required by U.S. GAAP, each financial asset and liability must be identified as having been valued according to a 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 of 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 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, 2020 AND 2019

NOTE 11 – FAIR VALUE MEASUREMENTS (CONTINUED)

The Foundation's fair value of assets and liabilities reported on the statements of financial position at their fair value as of June 30, 2020 and 2019, are summarized below, by level.

June 30, 2020

Valued on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Equity securities	\$10,080,560	\$ -	\$ -	\$10,080,560
Debt securities	-	1,154,091	-	1,154,091
Mutual funds	5,575,465	-	-	5,575,465
Beneficial interest in perpetual trust	-	-	2,265,516	2,265,516
Alternative investment funds	1,057,187	-	-	1,057,187
Cash and money market funds	496,374	-	-	496,374

June 30, 2019

Valued on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Equity securities	\$ 9,320,409	\$ -	\$ -	\$ 9,320,409
Debt securities	-	508,280	-	508,280
Mutual funds	5,005,504	-	-	5,005,504
Beneficial interest in perpetual trust	-	-	2,285,806	2,285,806
Alternative investment funds	987,708	-	-	987,708
Cash and money market funds	1,101,374	-	-	1,101,374

Fair value of the contribution from 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, 2020. The Foundation considers the measurement of its beneficial interest in the trust 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 2020 are as follows:

Beginning balance	\$ 2,285,806
Investment income for beneficial interest in perpetual trust	126,540
Distribution from beneficial interest in perpetual trust	(126,540)
Net valuation loss	<u>(20,290)</u>
Total	<u>\$ 2,265,516</u>

WEST LIBERTY UNIVERSITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 12 – 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.

WEST LIBERTY UNIVERSITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 12 – ENDOWMENT FUNDS (CONTINUED)

Spending Policy – The Foundation has a policy for appropriating 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.

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

	June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 16,148,943	\$ 16,148,943
Board-designated endowment funds	<u>285,161</u>	<u>-</u>	<u>285,161</u>
Total	<u>\$ 285,161</u>	<u>\$ 16,148,943</u>	<u>\$ 16,434,104</u>

	June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 14,900,010	\$ 14,900,010
Board-designated endowment funds	<u>256,581</u>	<u>-</u>	<u>256,581</u>
Total	<u>\$ 256,581</u>	<u>\$ 14,900,010</u>	<u>\$ 15,156,591</u>

WEST LIBERTY UNIVERSITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 12 – ENDOWMENT FUNDS (CONTINUED)

Changes in endowment net assets are as follows:

	June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 256,581	\$ 14,900,010	\$ 15,156,591
Contributions	-	624,918	624,918
Investment income	43,344	996,442	1,039,786
Program revenue	-	127,043	127,043
Amounts appropriated for expenditure	<u>(14,764)</u>	<u>(499,470)</u>	<u>(514,234)</u>
Endowment net assets, end of year	<u>\$ 285,161</u>	<u>\$ 16,148,943</u>	<u>\$ 16,434,104</u>

	June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 231,126	\$ 13,849,585	\$ 14,080,711
Contributions	-	515,094	515,094
Investment income	44,392	1,003,484	1,047,876
Program revenue	-	106,769	106,769
Amounts appropriated for expenditure	<u>(18,937)</u>	<u>(574,922)</u>	<u>(593,859)</u>
Endowment net assets end of year	<u>\$ 256,581</u>	<u>\$ 14,900,010</u>	<u>\$ 15,156,591</u>

NOTE 13 – 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 funded a loan to the University. The loan was secured by a deed of trust on real estate that is to be used for student housing. The University repaid the loan in full in June 2019.

WEST LIBERTY UNIVERSITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 14 – 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 monthly.

As defined by the lease agreement, payments from July 1, 2017, through June 30, 2021, are \$1,800 multiplied by the annual CPI increase (monthly). Occupancy expenses were approximately \$23,300 and \$23,650 for the years ended June 30, 2020 and 2019, respectively.

NOTE 15 – PAYCHECK PROTECTION PROGRAM LOAN

On April 16, 2020, the Foundation received loan proceeds in the amount of \$39,300 under the Paycheck Protection Program (“PPP”). The loan contains an interest rate of 1 percent and has a maturity date of April 16, 2022. The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), provides loans to qualifying businesses. In June 2020, conditions related to the forgiveness criteria for these loans were amended from the original CARES Act provisions. Borrowers now have the option to extend the 8-week use period to a 24-week use period for payroll costs to retain and rehire employees. In addition, the 75 percent required to be used on payroll expenses was reduced to 60 percent of the total loan amount. The cap for forgivable non-payroll expenses has been increased from 25 percent to 40 percent. As long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels, the loan may be forgiven. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries/FTE’s during the 24-week period. Management believes that the proceeds will all be spent for eligible purposes, and that the loan will be forgiven.

NOTE 16 – SUBSEQUENT EVENTS

The Foundation assessed events occurring subsequent to June 30, 2020, through September 17, 2020, 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 17, 2020.

Prior to year end, the World Health Organization declared the spread of Coronavirus (“COVID-19”) as a worldwide pandemic. COVID-19 is having a significant effect on global markets, supply chains, businesses, and communities. Specific to the Foundation, COVID-19 may impact promises to give, future contributions, and investment performance. Management believes that the Foundation is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of September 17, 2020.