

WEST LIBERTY UNIVERSITY FOUNDATION, INC.

WEST LIBERTY, WEST VIRGINIA

AUDIT REPORT

JUNE 30, 2021

WEST LIBERTY UNIVERSITY FOUNDATION, INC.
JUNE 30, 2021

	<u>Page Number</u>
INDEPENDENT AUDITOR'S REPORT	3 - 4
FINANCIAL STATEMENTS	
Statements of Financial Position	5
Statements of Activities	6 - 7
Statements of Cash Flows	8
NOTES TO THE FINANCIAL STATEMENTS	9 - 22



INDEPENDENT AUDITOR'S REPORT

Board of Directors
West Liberty University Foundation, Inc.

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, 2021 and 2020, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in dark ink, reading "Zeno Rock, Hilary Copeland, CPA". The signature is written in a cursive, flowing style.

Wheeling, West Virginia
September 15, 2021

WEST LIBERTY UNIVERSITY FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 51,004	\$ 158,136
Unconditional promises to give, net	314,614	181,923
Accrued interest and dividends	7,553	7,555
Investments	22,582,045	18,205,544
Beneficial interest in perpetual trust	2,799,176	2,265,516
Other assets	<u>55,920</u>	<u>53,826</u>
TOTAL ASSETS	<u>\$ 25,810,312</u>	<u>\$ 20,872,500</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Liability for charitable gift annuities	\$ 13,116	\$ 13,640
Paycheck Protection Program loan	<u>-</u>	<u>39,300</u>
Total liabilities	<u>13,116</u>	<u>52,940</u>
NET ASSETS		
Without donor restriction	1,691,483	1,535,806
With donor restriction	<u>24,105,713</u>	<u>19,283,754</u>
Total net assets	<u>25,797,196</u>	<u>20,819,560</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 25,810,312</u>	<u>\$ 20,872,500</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, 2021

	Without Donor Restriction	With Donor Restriction	Total
SUPPORT AND REVENUES			
Contributions	\$ 170,389	\$ 1,419,483	\$ 1,589,872
In-kind contributions	-	185,638	185,638
Investment income	294,217	4,208,009	4,502,226
Change in value of split-interest agreements	-	533,660	533,660
Other income	89,020	-	89,020
Paycheck Protection Program loan forgiveness	39,300	-	39,300
Net assets released from restriction and other	1,524,831	(1,524,831)	-
Total support and revenues	<u>2,117,757</u>	<u>4,821,959</u>	<u>6,939,716</u>
EXPENSES			
West Liberty University support:			
Scholarships	650,243	-	650,243
Athletic programs	130,178	-	130,178
Academic programs	376,980	-	376,980
Capital improvements	448,095	-	448,095
Other programs	17,400	-	17,400
General and administrative	317,862	-	317,862
Fundraising	10,434	-	10,434
Costs of direct benefits to donors	10,888	-	10,888
Total expenses	<u>1,962,080</u>	<u>-</u>	<u>1,962,080</u>
Changes in net assets	155,677	4,821,959	4,977,636
NET ASSETS, BEGINNING OF YEAR	<u>1,535,806</u>	<u>19,283,754</u>	<u>20,819,560</u>
NET ASSETS, END OF YEAR	<u>\$ 1,691,483</u>	<u>\$ 24,105,713</u>	<u>\$ 25,797,196</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 Restriction	With Donor Restriction	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 restriction 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 CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,977,636	\$ 742,372
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Non-cash Paycheck Protection Program loan forgiveness	(39,300)	-
Non-cash contributions of stock	(358,480)	(142,184)
Gain on investments	(4,115,849)	(772,987)
Net change in value of split-interest agreements	(533,660)	20,290
Change in operating assets and liabilities:		
Pledges receivable	(132,691)	78,689
Accrued interest and dividends	2	-
Other assets	(2,094)	(6,158)
Liabilities for charitable gifts and annuities	(524)	(10,795)
Cash used in operating activities	<u>(204,960)</u>	<u>(90,773)</u>
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Purchase of investments	(7,845,092)	(4,971,082)
Proceeds from sales and maturities of investments	7,942,920	5,008,892
Cash provided by investment activities	<u>97,828</u>	<u>37,810</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	-	39,300
Cash provided by financing activities	<u>-</u>	<u>39,300</u>
Decrease in cash and cash equivalents	(107,132)	(13,663)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>158,136</u>	<u>171,799</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 51,004</u>	<u>\$ 158,136</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, 2021 AND 2020**

NOTE 1 – NATURE OF ACTIVITIES

West Liberty University Foundation, Inc. (the “Foundation”) was formed with the purpose of receiving and administering 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 who are 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 restriction and net assets with donor restriction.

Net Assets without Donor Restriction

Net assets without donor restriction 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 during the course of its operations.

Net Assets with Donor Restriction

Net assets with donor restriction 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 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 has 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 restriction to net assets without donor restriction. Net assets restricted for the acquisition of buildings or equipment (or, less commonly, the contribution of those assets directly) are reported as net assets with donor restriction 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
FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

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

The Foundation has analyzed the tax positions taken for filing with the Internal Revenue Service and all state and local jurisdictions where it operates. The Foundation believes that the 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, 2021. The Foundation's tax returns through 2018 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 amounts 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 restriction, unless the use of the contributed assets is specifically restricted by the donor. The amounts received that are restricted by the donor for use in future periods, or for specific purposes, are reported as increases in net assets with donor restriction. Unconditional promises to give with payments that are due during future years have an implied restriction to be used during the year in which the payment is due and, therefore, are reported as restricted until the payment is due, unless the contribution is clearly intended to support the activities of the current fiscal year.

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

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

WEST LIBERTY UNIVERSITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 the estimated fair value of the securities that are deposited. Income, including unrealized appreciation or depreciation and realized capital gains and losses, is allocated on a monthly basis.

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 or depreciation earned on all investments is credited to net assets without donor restriction, 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. These balances are reflected in other assets in the statements of financial position as of June 30, 2021 and 2020.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid investments that are available for current use, with an initial maturity of 3 months or less, to be cash equivalents. Money market funds that are included in non-current investments are not considered to be 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 the 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. The fair value is computed by using a present value technique that is applied to anticipated cash flows. The amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible contributions receivable is determined based upon management's evaluation of the collectability of individual promises. The promises that remain uncollected for 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. For the year ended June 30, 2021, a total of \$181,470 of donated testing supplies related to COVID-19 is included in the total academic program expenses in the statements of activities. Other in-kind supplies and other assets of approximately \$4,168 and \$23,600 for the years ended June 30, 2021 and 2020, respectively, are charged to various program services benefitting from the donated assets.

WEST LIBERTY UNIVERSITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 they are incurred, even though they may result in contributions received during 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 the standards for accounting for the costs of the activities that include fundraising. Additionally, advertising costs are expensed as they are incurred.

	2021	2020
Program services:		
Scholarships	\$ 650,243	\$ 399,499
Athletic programs	130,178	140,338
Academic programs	376,980	333,562
Capital improvements	448,095	889,959
Other programs	17,400	35,194
Total program services	<u>1,622,896</u>	<u>1,798,552</u>
Supporting services:		
Salaries and benefits	238,442	190,252
Outside services	19,752	18,891
Occupancy	24,178	23,327
Supplies and other expenses	19,117	19,255
Travel and conferences	2,106	2,450
Hospitality	1,252	2,790
Insurance	4,846	4,793
Service charges	5,998	3,834
Dues and registrations	741	1,250
Other administrative	1,430	1,027
Total general and administrative	<u>317,862</u>	<u>267,869</u>
Fundraising	<u>10,434</u>	<u>4,531</u>
Golf Scramble	<u>10,888</u>	<u>1,277</u>
Total costs of direct benefits to donors	<u>10,888</u>	<u>1,277</u>
Total functional expenses	<u>\$ 1,962,080</u>	<u>\$ 2,072,229</u>

WEST LIBERTY UNIVERSITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 3 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure that are without donor restriction or other restrictions limiting their use, within one year of June 30, 2021 and 2020, are as follows:

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 51,004	\$ 158,136
Pledges receivable, net	314,614	181,923
Investments	22,582,045	18,205,544
Beneficial interest in perpetual trust	2,799,176	2,265,516
Other assets	63,473	61,381
Total financial assets	<u>25,810,312</u>	<u>20,872,500</u>
Financial assets held to meet donor-imposed restrictions:		
Purpose-restricted net assets (Note 7)	(1,433,839)	(869,295)
Donor-restricted endowment funds (Note 11)	(19,872,698)	(16,148,943)
Beneficial interest in perpetual trust	(2,799,176)	(2,265,516)
Financial assets not available within one year:		
Pledges receivable	(96,683)	(84,423)
Board-designated endowment fund (Note 11)	<u>(441,695)</u>	<u>(285,161)</u>
Amount available for general expenditures within one year	<u>\$ 1,166,221</u>	<u>\$ 1,219,162</u>

The above table reflects the donor-restricted and Board-designated endowment funds as unavailable due to 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 \$441,695. Note 11 provides more information about these funds and the spending policies for all endowment funds.

NOTE 4 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give as of June 30, 2021 and 2020, are as follows:

	<u>2021</u>	<u>2020</u>
Receivable in one year	\$ 217,931	\$ 97,500
Receivable in two to five years	103,070	90,000
Total unconditional promises to give	<u>321,001</u>	<u>187,500</u>
Discounts to net present value	<u>(6,387)</u>	<u>(5,577)</u>
Unconditional promises to give, net	<u>\$ 314,614</u>	<u>\$ 181,923</u>

WEST LIBERTY UNIVERSITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 4 – PLEDGES RECEIVABLE (CONTINUED)

The discount rate used for long-term pledges was 3.25 percent for the fiscal year ended June 30, 2021.

An allowance for uncollectible promises to give is provided based upon management's evaluation of the potential uncollectible promises that are receivable at year end. As of June 30, 2021 and 2020, management has determined that all outstanding promises to give are fully collectible.

NOTE 5 – INVESTMENTS

The cost and estimated fair values of investments as of June 30, 2021 and 2020, are as follows:

	2021		2020	
	Fair Value	Cost	Fair Value	Cost
Money market funds	\$ 560,566	\$ 560,566	\$ 338,239	\$ 338,239
Corporate bonds and notes	2,228,580	2,188,197	791,618	757,039
United States Treasury obligations	102,918	99,432	104,772	99,432
Mortgage-backed securities	195,167	195,919	257,703	261,118
Equity securities	12,853,523	7,998,000	10,080,560	7,851,503
Mutual funds	5,319,206	5,165,576	5,575,465	5,271,449
Alternative investment funds	1,322,085	986,122	1,057,187	954,616
Total	<u>\$ 22,582,045</u>	<u>\$ 17,193,812</u>	<u>\$ 18,205,544</u>	<u>\$ 15,533,396</u>

The following schedules summarize the investment income and its classification in the statements of activities for the years ended June 30, 2021 and 2020:

	June 30, 2021		
	Without Donor Restriction	With Donor Restriction	Total
Interest and dividends	\$ 170,232	\$ 276,930	\$ 447,162
Realized gains	61,462	1,475,087	1,536,549
Unrealized gains	102,033	2,477,267	2,579,300
Investment fees	(21,275)	(39,510)	(60,785)
Total	<u>\$ 312,452</u>	<u>\$ 4,189,774</u>	<u>\$ 4,502,226</u>

WEST LIBERTY UNIVERSITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 5 – INVESTMENTS (CONTINUED)

	June 30, 2020		
	Without Donor Restriction	With Donor Restriction	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>

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

	2021	2020
Fair value	<u>\$ 187,868</u>	<u>\$ 149,541</u>
Cost	<u>\$ 103,708</u>	<u>\$ 93,841</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 statements of financial position at 10 percent of the fair market value of the trust assets. The adjustments that are due to changes in the market value of the trust assets are recorded as changes in value of the split-interest agreements. The distributions that are 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, donor-restricted contribution revenue is recorded when donors transfer assets to the Foundation. The amount of revenue that is recognized is the difference between the fair value of the assets that are received and the liability which is calculated at the net present value of the estimated future payments to the beneficiaries over the life expectancies of the assets. In estimating the net present value of the liability, the Foundation uses the 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 that is applied to the gift annuities that are held as of June 30, 2021 and 2020, is 0.10 percent.

WEST LIBERTY UNIVERSITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 6 – SPLIT-INTEREST AGREEMENTS (CONTINUED)

The following table summarizes the transactions affecting the beneficial interest in the perpetual trust for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Distributions received from the trust recorded as donor-restricted investment income	\$ 111,727	\$ 126,540
Change in value of split-interest agreements	\$ 533,660	\$ (20,290)

NOTE 7 – NET ASSETS WITH DONOR RESTRICTION

As of June 30, 2021 and 2020, net assets with donor restriction are available for the following purposes or periods:

	<u>2021</u>	<u>2020</u>
Purpose restrictions, available for spending:		
Scholarships	\$ 287,358	\$ 380,069
Capital projects	157,292	114,180
Other	989,189	375,046
Total purpose-restricted net assets	<u>1,433,839</u>	<u>869,295</u>
Donor-restricted endowment funds, which must be appropriated by the Board of Directors before use:		
Scholarships	16,400,171	13,378,226
Faculty travel and professional development	501,054	411,430
Library	557,622	462,783
Speakers and lectures	441,039	361,242
Maintenance	315,850	256,874
Academic programs	839,896	563,525
Athletic programs	370,967	266,490
Other	446,099	448,373
Total endowment funds managed by the Foundation	<u>19,872,698</u>	<u>16,148,943</u>
Beneficial interest in trust for scholarships	<u>2,799,176</u>	<u>2,265,516</u>
Total net assets with donor restriction	<u>\$ 24,105,713</u>	<u>\$ 19,283,754</u>

WEST LIBERTY UNIVERSITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

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 and cash equivalents. The exposure to losses on contributions receivable is principally dependent upon 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 that is associated with certain investment securities, it is at least reasonably possible that changes in the value of the investment securities will occur in the near term, and that such changes could materially affect the Foundation's statements of financial position and statements of activities.

Cash balances in banks are insured by the Federal Deposit Insurance Corporation, up to \$250,000. As of June 30, 2021, the Foundation had no uninsured cash balances.

NOTE 9 – SUPPLEMENTAL CASH FLOW INFORMATION

The Foundation had the following non-cash transactions during the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Non-cash contributions received:		
Other goods and services	<u>\$ 185,638</u>	<u>\$ 23,600</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 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 that are 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 or liability and include situations where there is little, if any, market activity for the asset or liability. In certain cases, the inputs that are used to measure the 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 that are specific to the asset or liability.

WEST LIBERTY UNIVERSITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 10 – FAIR VALUE MEASUREMENTS (CONTINUED)

In certain cases, the inputs that are used to measure the 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 that are specific to the investment. The Foundation has classified the investments in equity securities and mutual funds as Level 1 instruments since they comprise assets that are 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.

The Foundation's fair value of assets and liabilities reported on the statements of financial position at their fair value as of June 30, 2021 and 2020, are summarized below, by level:

	June 30, 2021			
	Level 1	Level 2	Level 3	Total
Valued on a recurring basis:				
Assets:				
Equity securities	\$ 12,853,523	\$ -	\$ -	\$ 12,853,523
Debt securities	-	2,526,665	-	2,526,665
Mutual funds	5,319,206	-	-	5,319,206
Beneficial interest in perpetual trust	-	-	2,799,176	2,799,176
Alternative investment funds	1,322,085	-	-	1,322,085
Cash and money market funds	611,570	-	-	611,570

	June 30, 2020			
	Level 1	Level 2	Level 3	Total
Valued on a recurring basis:				
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

WEST LIBERTY UNIVERSITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 10 – FAIR VALUE MEASUREMENTS (CONTINUED)

The fair value of the contribution from the beneficial interest in the perpetual trust is measured by using the fair value of the assets that are held in the trusts, as reported by the trustee as of June 30, 2021. The Foundation considers the measurement of its beneficial interest in the trust to be a Level 3 measurement within the fair value hierarchy since, even though this measurement is based on the adjusted fair values of the trusts' assets as 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 the perpetual trust (split-interest agreement) is valued by using unobservable inputs (Level 3) in accordance with the authoritative guidance on fair value measurements. The changes to the beneficial interest in the perpetual trust during fiscal year 2021 are as follows:

Beginning balance	\$ 2,265,516
Investment income for beneficial interest in the perpetual trust	111,727
Distribution from beneficial interest in the perpetual trust	(111,727)
Net valuation gain	<u>533,660</u>
Total	<u>\$ 2,799,176</u>

NOTE 11 – ENDOWMENT FUNDS

Endowment Investments

The Foundation's endowment consists of approximately 100 individual funds that have been established for a variety of purposes. Its endowment includes both donor-restricted funds and funds that are designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, the net assets that are associated with endowment funds, including the funds that are designated by the Board of Directors to function as endowments, are classified and reported based upon 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. The donor-restricted endowment funds are subject to a time restriction that is imposed by SPMIFA until the 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 the donor-restricted endowment funds may be used. As a result, the donor-restricted endowment funds are classified as net assets with donor restriction.

In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate the donor-restricted endowment funds: (i) the duration and preservation of the various funds, (ii) the purposes of the donor-restricted endowment funds, (iii) general economic conditions, (iv) the possible effect of inflation and deflation, (v) the expected total return from income and the appreciation of investments, (vi) other resources of the Foundation, and (vii) the Foundation's investment policies.

WEST LIBERTY UNIVERSITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 11 – ENDOWMENT FUNDS (CONTINUED)

Investment Return Objectives, Risk Parameters, and Strategies

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for the 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 that is 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. The domestic equities of both large and small capitalization, fixed income, and cash equivalents have been determined to be acceptable vehicles for the 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 distribution, up to 4 percent of the value of the endowment assets. This amount will be calculated by using a rolling 3-year moving average of the market value of the funds at fiscal year end.

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

		June 30, 2021		
		Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	\$	-	\$ 19,872,698	\$ 19,872,698
Board-designated endowment funds		441,695	-	441,695
Total	\$	441,695	\$ 19,872,698	\$ 20,314,393

		June 30, 2020		
		Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	\$	-	\$ 16,148,943	\$ 16,148,943
Board-designated endowment funds		285,161	-	285,161
Total	\$	285,161	\$ 16,148,943	\$ 16,434,104

WEST LIBERTY UNIVERSITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 11 – ENDOWMENT FUNDS (CONTINUED)

The changes in the endowment net assets are as follows:

	June 30, 2021		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 285,161	\$ 16,148,943	\$ 16,434,104
Contributions	-	372,703	372,703
Investment income	170,232	3,910,400	4,080,632
Program revenue	-	111,727	111,727
Amounts appropriated for expenditure	(13,698)	(671,075)	(684,773)
Endowment net assets, end of year	<u>\$ 441,695</u>	<u>\$ 19,872,698</u>	<u>\$ 20,314,393</u>
	June 30, 2020		
	Without Donor Restriction	With Donor Restriction	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	(14,764)	(499,470)	(514,234)
Endowment net assets, end of year	<u>\$ 285,161</u>	<u>\$ 16,148,943</u>	<u>\$ 16,434,104</u>

NOTE 12 – LEASE

The Foundation leases office space in Wheeling, West Virginia, under a lease agreement which was signed July 11, 2016, with a term beginning August 1, 2016, and expiring June 30, 2021. As defined by the lease agreement, the payments from July 1, 2017, through June 30, 2021, were \$1,800 monthly. Subsequent to June 30, 2021, the Foundation terminated the lease and relocated to new office space. A new lease agreement was signed, effective August 1, 2021, and expiring July 31, 2023. As defined by the current lease agreement, the payments from August 1, 2021, through July 31, 2022, will be \$1,900 monthly. As defined by the lease agreement, the payments from August 1, 2022, through July 31, 2023, will be \$1,900, multiplied by the annual Consumer Price Index increase (monthly).

Occupancy expenses were approximately \$24,178 and \$23,327 for the years ended June 30, 2021 and 2020, respectively.

WEST LIBERTY UNIVERSITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 13 – 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. During June 2020, the conditions related to the forgiveness criteria for these loans were amended from the original CARES Act provisions. Borrowers had 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. Provided that 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. During March 2021, the Foundation received correspondence from the lender of the PPP loan stating that the requirements for loan forgiveness were met by the Foundation and that all of the PPP loan amount had been forgiven. The loan balance was eliminated during fiscal year 2021, and the contribution revenue was recorded in the statements of activities for the balance of the loan.

NOTE 14 – SUBSEQUENT EVENTS

The Foundation has assessed events occurring subsequent to June 30, 2021, through September 15, 2021, 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 15, 2021.

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a "Public Health Emergency of International Concern", and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economies of many states, including the geographical area in which the Foundation operates. Specific to the Foundation, COVID-19 may impact promises to give, future contributions, and investment performance. Management believes that the Foundation is taking the appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of September 15, 2021.