WEST LIBERTY UNIVERSITY FOUNDATION, INC.

WEST LIBERTY, WEST VIRGINIA

AUDIT REPORT

JUNE 30, 2023

WEST LIBERTY UNIVERSITY FOUNDATION, INC.
JUNE 30, 2023

SNODGRASS
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
West Liberty University Foundation, Inc.

Opinion

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, 2023; the related statements of activities and cash flows for the year then ended; and the related notes to the financial statements.

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, 2023, and the changes in its net assets and its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matters

As discussed in Note 2 to the financial statements, on July 1, 2022, West Liberty University Foundation, Inc. adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-02 – *Leases* (Topic 842) and the subsequent amendments thereto, using a modified retrospective approach. Accordingly, the impact of this new standard is reflected in the statement of financial position as of June 30, 2023, and in the related statements of activities and cash flows for the year then ended. Our opinion is not modified with respect to this matter.

Prior Period Financial Statements

The financial statements as of June 30, 2022, were audited by Zeno, Pockl, Lilly & Copeland, A.C., who merged with S.R. Snodgrass, P.C. as of January 1, 2023, and whose report dated September 22, 2022, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

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

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S.R. Snodgrass, P.C. d/b/a S.R. Snodgrass, A.C. in West Virginia

Responsibilities of Management for the Financial Statements (Continued)

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of West Liberty University Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about West Liberty University Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

DRAFT

Wheeling, West Virginia
DRAFT, 2023

WEST LIBERTY UNIVERSITY FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	2023	2022
Cash and cash equivalents	$ 155,351	$ 121,583
Unconditional promises to give, net	217,305	417,502
Accrued interest and dividends	7,553	7,553
Investments	22,143,601	20,312,268
Beneficial interest in perpetual trust	2,364,761	2,295,852
Right-of-use asset – operating leases	49,987	-
Other assets	55,920	55,920
TOTAL ASSETS	$ 24,994,478	$ 23,210,678

	2023	2022
LIABILITIES		
Liability for charitable gift annuities	$ 6,925	$ 13,240
Lease liability – operating leases	49,987	-
Total liabilities	56,912	13,240
NET ASSETS		
Without donor restriction	1,694,408	1,654,987
With donor restriction	23,243,158	21,542,451
Total net assets	24,937,566	23,197,438
TOTAL LIABILITIES AND NET ASSETS	$ 24,994,478	$ 23,210,678

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

WEST LIBERTY UNIVERSITY FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	Without Donor Restriction	With Donor Restriction	Total
SUPPORT AND REVENUES			
Contributions	$ 236,103	$ 1,310,142	$ 1,546,245
In-kind contributions	-	17,795	17,795
Investment income, net	134,079	1,834,049	1,968,128
Change in value of split-interest agreements	-	68,909	68,909
Other income	137,307		137,307
Net assets released from restriction and other	1,530,188	(1,530,188)	-
Total support and revenues	2,037,677	1,700,707	3,738,384
EXPENSES			
West Liberty University Program Services:			
Scholarships	759,608	-	759,608
Athletic programs	309,152	-	309,152
Academic programs	303,692	-	303,692
Capital improvements	145,223	-	145,223
Other programs	73,710	-	73,710
Supporting Services:			
General and administrative	359,532	-	359,532
Fundraising	4,378	-	4,378
Costs of direct benefits to donors	42,961	-	42,961
Total expenses	1,998,256	-	1,998,256
Changes in net assets	39,421	1,700,707	1,740,128
NET ASSETS AT BEGINNING OF YEAR	1,654,987	21,542,451	23,197,438
NET ASSETS AT END OF YEAR	$ 1,694,408	$ 23,243,158	$ 24,937,566

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

WEST LIBERTY UNIVERSITY FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	Without Donor Restriction	With Donor Restriction	Total
SUPPORT AND REVENUES			
Contributions	$ 376,543	$ 1,673,758	$ 2,050,301
In-kind contributions	-	201,533	201,533
Investment income, net	(24,627)	(2,477,833)	(2,502,460)
Change in value of split-interest agreements	-	(503,324)	(503,324)
Other income	117,561	-	117,561
Net assets released from restriction and other	1,457,396	(1,457,396)	-
Total support and revenues	1,926,873	(2,563,262)	(636,389)
EXPENSES			
West Liberty University Program Services:			
Scholarships	514,248	-	514,248
Athletic programs	255,478	-	255,478
Academic programs	285,418	-	285,418
Capital improvements	546,647	-	546,647
Other programs	13,406	-	13,406
Supporting Services:			
General and administrative	331,184	-	331,184
Fundraising	4,407	-	4,407
Costs of direct benefits to donors	12,581	-	12,581
Total expenses	1,963,369	-	1,963,369
Changes in net assets	(36,496)	(2,563,262)	(2,599,758)
NET ASSETS AT BEGINNING OF YEAR	1,691,483	24,105,713	25,797,196
NET ASSETS AT END OF YEAR	$ 1,654,987	$ 21,542,451	$ 23,197,438

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

WEST LIBERTY UNIVERSITY FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2023

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,740,128	$ (2,599,758)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Non cash contributions of stock	(3,593)	(58,188)
Loss (gain) on investments	(1,452,999)	2,921,719
Net change in value of split-interest agreements	(68,909)	503,324
Change in operating assets and liabilities:		
Unconditional promises to give	200,197	(102,888)
Liability for charitable gift annuities	(6,315)	124
Cash provided by operating activities	408,509	664,333
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Purchase of investments	(7,272,267)	(4,761,272)
Proceeds from sales and maturities of investments	6,897,526	4,167,518
Cash used in investment activities	(374,741)	(593,754)
Change in cash and cash equivalents	33,768	70,579
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	121,583	51,004
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 155,351	$ 121,583

SUPPLEMENTAL DISCLOSURES		
Non cash contributions of stock	$ 3,593	$ 58,188
Non cash contributions of good and services	$ 17,795	$ 201,533
Right-of-use assets obtained in exchange for lease liabilities	$ 73,931	$ -

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

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"). The 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 the 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 that are 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 that is held by a bank trustee.

When a donor's restriction is satisfied, either by using the resources in the manner that is 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 that are 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

West Liberty University 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, 2023. The Foundation's tax returns through 2020 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

The contributions that are 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 that are 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 non financial 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

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

The Foundation operates a pooled investment portfolio for all funds. New funds or additions to the 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 that is 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, 2023 and 2022.

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.

Unconditional Promises to Give

Unconditional promises to give are recognized as contributions when the promise is received. Unconditional promises to give that are expected to be collected in less than one year are reported at the net realizable value. Unconditional promises to give 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 promises to give 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. Other in-kind supplies and assets of approximately $17,795 and $201,533 for the fiscal years ended June 30, 2023 and 2022, respectively, are charged to various program services benefitting from the donated supplies and assets.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense Recognition and Allocation (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 being 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 this does occur, such as when the annual report or donor acknowledgements contain requests for contributions, the 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.

	2023	2022
Program Services:		
Scholarships	$ 759,608	$ 514,248
Athletic programs	309,152	255,478
Academic programs	303,692	285,418
Capital improvements	145,223	546,647
Other programs	73,710	13,406
Total program services	1,591,385	1,615,197
Supporting Services:		
General & Administrative:		
Salaries & benefits	266,185	237,030
Outside services	22,261	22,878
Occupancy	25,810	24,012
Supplies & other expenses	21,315	23,479
Travel & conferences	2,943	1,473
Hospitality	3,153	5,405
Insurance	6,034	6,053
Service charges	8,679	8,120
Dues & registrations	1,616	1,044
Other administrative	1,536	1,690
Total general & administrative	359,532	331,184
Fundraising	4,378	4,407
Costs of Direct Benefits to Donors:		
Recognition banquet	18,810	8,769
Golf scramble	24,151	3,812
Total costs of direct benefits to donors	42,961	12,581
Total functional expenses	$ 1,998,256	$ 1,963,369

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Standards

Leases

On July 1, 2022, the Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Board (ASU) No. 2016-02 – *Leases* (Topic 842) and the subsequent amendments thereto, which require the Foundation to recognize most of its leases on its Statement of Financial Position. The Foundation considers the increased recognition of leases under the new standard to be preferable to the requirements of the previous lease standard. The Foundation used a modified retrospective approach in adopting the new standard, with no cumulative-effect adjustment to retained earnings as of July 1, 2022, and no significant impact to the change in net assets for the year ended June 30, 2023.

In accordance with the provisions of FASB ASU No. 2016-02, leases are classified by lessees as operating or finance leases at the lease commencement date, with corresponding right-of-use (ROU) assets and lease liabilities recognized on the Statement of Financial Position. An ROU asset represents the Foundation's right to use the underlying asset for the lease term, and the lease liability represents the Foundation's obligation to make lease payments arising from the respective lease. Operating leases result in lease expense, which is recognized on a straight-line basis over the respective lease terms. Finance leases result in lease expense, segregated between the amortization of the ROU assets and interest on the lease liabilities. Further disclosures regarding the Foundation's leases are presented in Note 7.

In adopting FASB ASU No. 2016-02, the Foundation has elected to apply several of the available practical expedients. Short-term leases with an initial term of 12 months or less will not be recognized in the Statement of Financial Position; instead, short-term lease expense will be recognized in the Statement of Activities on a straight-line basis over the term of the lease. In addition, the Foundation has elected to adopt the package of transition practical expedients, which means that the Foundation does not need to reassess its prior conclusions under the previous accounting standard, FASB ASC 840, as to (a) whether a preexisting contract is or contains a lease, (b) whether a preexisting lease should be classified as an operating or finance lease, or (c) whether the initial direct costs that are capitalized for a preexisting lease under FASB ASC 840 qualify for capitalization. The Foundation has adopted a $5,000 capitalization threshold, similar to the one that is used for property and equipment. Accordingly, leases that have a present value of future lease payments under $5,000 will not be recognized in the Statement of Financial Position; instead, lease expense will be recognized in the Statement of Activities on a straight-line basis over the term of the lease.

NOTE 3 – LIQUIDITY AND AVAILABILITY

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

	2023	2022
Financial assets:		
Cash and cash equivalents	$ 155,351	$ 121,583
Unconditional promises to give, net	217,305	417,502
Investments	22,143,601	20,312,268
Beneficial interest in perpetual trust	2,364,761	2,295,852
Other assets and accrued interest and dividends	63,473	63,473
Total financial assets	24,944,491	23,210,678
Financial assets held to meet donor-imposed restrictions:		
Purpose-restricted net assets (Note 8)	(1,669,068)	(1,624,372)
Donor-restricted endowment funds (Note 11)	(19,209,329)	(17,622,227)
Beneficial interest in perpetual trust	(2,364,761)	(2,295,852)
Financial assets not available within one year:		
Unconditional promises to give, net	(98,819)	(269,016)
Board-designated endowment funds (Note 11)	(556,448)	(481,096)
Amount available for general expenditures within one year	$ 1,046,066	$ 918,115

The above table reflects the donor-restricted and Board-designated endowment funds as unavailable due to 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 $556,448. 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, 2023 and 2022, are as follows:

	2023	2022
Receivable in one year	$ 118,486	$ 148,486
Receivable in two to five years	112,044	292,543
Total unconditional promises to give	230,530	441,029
Discounts to net present value	(13,225)	(23,527)
Unconditional promises to give, net	$ 217,305	$ 417,502

The discount rate that was used for long-term pledges was 8.25 percent for the fiscal year ended June 30, 2023.

An allowance for uncollectible promises to give is provided based upon management's evaluation of the potential uncollectible promises that are receivable at fiscal year end. As of June 30, 2023 and 2022, 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, 2023 and 2022, are as follows:

	2023		2022	
	Fair Value	Cost	Fair Value	Cost
Money market funds	$ 722,341	$ 722,341	$ 613,133	$ 613,133
Corporate bonds and notes	3,064,241	3,373,397	2,716,767	2,997,048
United States Treasury obligations	-	-	99,594	99,432
Mortgage-backed securities	-	-	118,689	122,837
Equity securities	13,144,629	10,034,861	10,758,348	9,018,511
Mutual funds	4,156,699	4,877,276	4,817,967	5,451,964
Alternative investment funds	1,055,691	913,840	1,187,770	1,043,519
Total	$ 22,143,601	$ 19,921,715	$ 20,312,268	$ 19,346,444

NOTE 5 – INVESTMENTS (Continued)

The following schedules summarize the investment income and its classification in the Statements of Activities for the fiscal years ended June 30, 2023 and 2022:

	June 30, 2023		
	Without Donor Restriction	With Donor Restriction	Total
Interest and dividends	$ 84,231	$ 495,937	$ 580,168
Realized gains (losses)	11,005	209,089	220,094
Unrealized gains (losses)	61,607	1,171,298	1,232,905
Investment fees	(22,764)	(42,275)	(65,039)
Total	$ 134,079	$ 1,834,049	$ 1,968,128

	June 30, 2022		
	Without Donor Restriction	With Donor Restriction	Total
Interest and dividends	$ 114,117	$ 372,599	$ 486,716
Realized gains (losses)	56,526	1,356,619	1,413,145
Unrealized gains (losses)	(171,660)	(4,163,204)	(4,334,864)
Investment fees	(23,610)	(43,847)	(67,457)
Total	$ (24,627)	$ (2,477,833)	$ (2,502,460)

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

	2023	2022
Fair value	$ 152,974	$ 152,245
Cost	$ 111,425	$ 111,456

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.

NOTE 6 – SPLIT-INTEREST AGREEMENTS (Continued)

The following table summarizes the transactions that are affecting the beneficial interest in the perpetual trust for the fiscal years ended June 30, 2023 and 2022:

	2023	2022
Distributions received from the trust recorded as donor-restricted investment income	$ 124,182	$ 123,614
Change in value of split-interest agreements	$ 68,909	$ (503,324)

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 that is calculated as the net present value of the estimated future payments to the beneficiaries, based on their respective life expectancies. In estimating the net present value of the liability, the Foundation uses the life expectancy information that is prepared by the American Council on Gift Annuities. The discount rate for each charitable gift annuity is established at the beginning of the agreement.

NOTE 7 – RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

As discussed in Note 2, on July 1, 2022, the Foundation adopted FASB ASU No. 2016-02. In accordance with the provisions of FASB ASU No. 2016-02, leases are classified by lessees as operating or finance leases at the lease commencement date, with corresponding right-of-use (ROU) assets and lease liabilities recognized on the Statement of Financial Position. Operating leases result in lease expense, which is recognized on a straight-line basis over the respective lease terms. Finance leases result in lease expense, segregated between the amortization of the ROU assets and interest on the lease liabilities. The Foundation did not have any finance leases as of July 1, 2022, or during the year ended June 30, 2023.

The Foundation leases office space in Wheeling, West Virginia, under an operating lease agreement. The initial lease agreement was signed July 11, 2016, and expired on June 30, 2021. A new lease agreement was signed on July 1, 2021, originally expiring July 31, 2023, but was since extended to July 31, 2025. As discussed in Note 2, short-term leases with an initial term of 12 months or less, and leases that do not meet the minimum capitalization threshold of $5,000, are not recognized in the Statement of Financial Position; instead, short-term lease expense and operating lease expense are recognized on a straight-line basis over the respective lease terms. As of July 1, 2022, and during the year ended June 30, 2023, the Foundation had only one office building lease that met the recognition criteria and, therefore, was included in the Statement of Financial Position. The lease did not include a renewal option. The Foundation used its incremental borrowing rate of 5.25 percent to calculate the initial ROU assets and lease liabilities as of July 1, 2022.

NOTE 7 – RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

Operating lease expense	$ 24,756
Short-term lease expense	1,054
Total lease expense	$ 25,810

	Operating Leases
Year ending June 30, 2024	$ 25,488
Year ending June 30, 2025	25,488
Total future minimum lease payments	50,976
Imputed interest	(989)
Total lease liabilities as of June 30, 2023	$ 49,987

	Operating Leases
Supplemental cash flow information:	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows	$ 25,488
Non cash activity:	
Right-of-use assets obtained in exchange for lease liabilities	$ 73,931
Weighted Average Remaining Lease Term	2.1 years
Weighted Average Discount Rate	5.25%

NOTE 8 – NET ASSETS WITH DONOR RESTRICTION

As of June 30, 2023 and 2022, net assets with donor restriction are available for the following purposes or periods:

	2023	2022
Purpose restrictions, available for spending:		
Scholarships	$ 282,816	$ 259,241
Capital projects	622,929	618,337
Other	763,323	746,794
Total purpose-restricted net assets	1,669,068	1,624,372
Donor-restricted endowment funds, which must be appropriated by the Board of Directors before use:		
Scholarships	15,763,881	14,472,996
Faculty travel and professional development	500,812	423,270
Library	508,083	470,848
Speakers and lectures	393,125	376,841
Maintenance	304,838	283,101
Academic programs	887,625	762,682
Athletic programs	389,439	366,834
Other	461,526	465,655
Total donor-restricted endowment funds managed by the Foundation	19,209,329	17,622,227
Beneficial interest in trust for scholarships	2,364,761	2,295,852
Total net assets with donor restriction	$ 23,243,158	$ 21,542,451

NOTE 9 – CONCENTRATIONS OF CREDIT RISK

Financial instruments, that 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 (FDIC), up to $250,000. As of June 30, 2023, the Foundation had balances on deposit that did not exceed the amount that is covered by the FDIC. Management believes that the Foundation is not exposed to any significant credit risk related to its bank deposits.

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 I 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 II inputs utilize inputs, other than quoted prices that are included in Level I, that are observable for the asset or liability, either directly or indirectly. Level II inputs include quoted prices for similar assets or liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability. Level III 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.

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 I 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 II 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.

NOTE 10 – FAIR VALUE MEASUREMENTS (Continued)

The Foundation's fair value of assets and liabilities that are reported on the Statements of Financial Position at their fair value as of June 30, 2023 and 2022, are summarized below, by level:

	2023			
	Level I	Level II	Level III	Total
Valued on a recurring basis:				
Assets:				
Cash and money market funds	$ 877,692	$ -	$ -	$ 877,692
Equity securities	13,144,629	-	-	13,144,629
Debt securities	-	3,064,241	-	3,064,241
Beneficial interest in perpetual trust	-	-	2,364,761	2,364,761
Mutual funds	4,156,699	-	-	4,156,699
Alternative investment funds	1,055,691	-	-	1,055,691

	2022			
	Level I	Level II	Level III	Total
Valued on a recurring basis:				
Assets:				
Cash and money market funds	$ 734,716	$ -	$ -	$ 734,716
Equity securities	10,758,348	-	-	10,758,348
Debt securities	-	2,935,050	-	2,935,050
Beneficial interest in perpetual trust	-	-	2,295,852	2,295,852
Mutual funds	4,817,967	-	-	4,817,967
Alternative investment funds	1,187,770	-	-	1,187,770

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, 2023. The Foundation considers the measurement of its beneficial interest in the perpetual trust to be a Level III 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 III) in accordance with the authoritative guidance on fair value measurements. The changes to the beneficial interest in the perpetual trust during the fiscal year ended June 30, 2023, are as follows:

NOTE 10 – FAIR VALUE MEASUREMENTS (Continued)

Beginning balance	$ 2,295,852
Investment income for beneficial interest in the perpetual trust	124,182
Distribution from beneficial interest in the perpetual trust	(124,182)
Net valuation gain	68,909
Total	$ 2,364,761

NOTE 11 – ENDOWMENT FUNDS

Endowment Investments
The Foundation's endowment consists of approximately 130 individual funds that have been established for a variety of purposes. The endowment includes both donor-restricted funds and funds that have been 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 have been 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 8 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.

Investment Return Objectives, Risk Parameters, and Strategies
The Foundation has adopted investment and spending policies, which have been approved by the Board of Directors, for the endowment assets that 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.

NOTE 11 – ENDOWMENT FUNDS (Continued)

Spending Policy
The Foundation has a policy for appropriating distribution, up to four percent of the value of the endowment assets. This amount will be calculated by using a rolling three-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, 2023		
	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	$ -	$ 19,209,329	$ 19,209,329
Board-designated endowment funds	556,448	-	556,448
Total	$ 556,448	$ 19,209,329	$ 19,765,777

	June 30, 2022		
	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	$ -	$ 17,622,227	$ 17,622,227
Board-designated endowment funds	481,096	-	481,096
Total	$ 481,096	$ 17,622,227	$ 18,103,323

NOTE 11 – ENDOWMENT FUNDS (Continued)

The changes in the endowment net assets are as follows:

	June 30, 2023		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	$ 481,096	$ 17,622,227	$ 18,103,323
Contributions	-	454,613	454,613
Investment income	84,231	1,678,028	1,762,259
Program revenue	-	124,182	124,182
Amounts appropriated for expenditure	(8,879)	(669,721)	(678,600)
Endowment net assets, end of year	$ 556,448	$ 19,209,329	$ 19,765,777

	June 30, 2022		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	$ 441,695	$ 19,872,698	$ 20,314,393
Contributions	199,000	481,317	680,317
Investment income	(114,118)	(2,158,386)	(2,272,504)
Program revenue	-	125,121	125,121
Amounts appropriated for expenditure	(45,481)	(698,523)	(744,004)
Endowment net assets, end of year	$ 481,096	$ 17,622,227	$ 18,103,323

NOTE 12 – SUBSEQUENT EVENTS

The Foundation has assessed events occurring subsequent to June 30, 2023, through DRAFT, 2023, 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 DRAFT, 2023.