



**RADFORD UNIVERSITY FOUNDATION, INC.
SUBSIDIARIES AND AFFILIATE**

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Radford University Foundation, Inc., Subsidiaries and Affiliate
Radford, Virginia

Opinion

We have audited the accompanying financial statements of Radford University Foundation, Inc., Subsidiaries and Affiliate (the "Foundation"), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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 consolidated 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 the Foundation'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation'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.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Christiansburg, Virginia
December 2, 2022

RADFORD UNIVERSITY FOUNDATION, INC. SUBSIDIARIES AND AFFILIATE**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 2,411,076	\$ 1,437,257
Notes receivable – net	135,374	179,852
Other receivables	245,492	352,754
Contributions receivable – net	3,253,923	5,223,765
Prepaid expenses	122,753	133,156
Investments	76,411,981	83,540,317
Real estate held for sale	445,263	494,763
Cash value of life insurance	43,349	41,739
Property and equipment – net	15,035,325	22,655,871
Prepaid lease incentive – net	5,132,679	5,161,787
Funds held in trust by others	938,848	1,027,396
Collections of art	2,131,291	2,127,091
	<u> </u>	<u> </u>
Total assets	<u>\$ 106,307,354</u>	<u>\$ 122,375,748</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 57,697	\$ 78,499
Accrued expenses and other payables	181,206	88,811
Deferred rental income	50,956	127,577
Notes payable	14,756,095	19,654,514
Annuity and unitrust obligations	271,441	395,092
	<u> </u>	<u> </u>
Total liabilities	<u>15,317,395</u>	<u>20,344,493</u>
NET ASSETS		
Without donor restrictions	15,780,115	17,832,265
With donor restrictions	75,209,844	84,198,990
	<u> </u>	<u> </u>
Total net assets	<u>90,989,959</u>	<u>102,031,255</u>
	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 106,307,354</u>	<u>\$ 122,375,748</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

RADFORD UNIVERSITY FOUNDATION, INC. SUBSIDIARIES AND AFFILIATE

CONSOLIDATED STATEMENTS OF ACTIVITIES

June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support, and other changes			
Contributions	\$ 202,619	\$ 3,063,258	\$ 3,265,877
Contributions held in trust	-	55,450	55,450
Contributions in-kind	1,700,973	22,128	1,723,101
Rental income	1,319,332	2	1,319,334
Other income (loss)	151,642	(47,140)	104,502
Gain on sale of real estate held for sale	-	6,985	6,985
Loss on sale of fixed assets	(259,324)	-	(259,324)
Net return on investments	(1,665,648)	(6,925,590)	(8,591,238)
	<u>1,449,594</u>	<u>(3,824,907)</u>	<u>(2,375,313)</u>
Net assets released from restrictions and reclassifications	<u>5,164,239</u>	<u>(5,164,239)</u>	<u>-</u>
Total support and revenue	<u>6,613,833</u>	<u>(8,989,146)</u>	<u>(2,375,313)</u>
Expenses			
Program expenses			
Student support	2,360,519	-	2,360,519
University program support	2,699,572	-	2,699,572
University program support in-kind	17,928	-	17,928
Faculty and staff development	77,704	-	77,704
Depreciation	558,256	-	558,256
Interest	537,669	-	537,669
General and administrative expenses			
Other	660,742	-	660,742
Fundraising expenses			
Contributed	1,700,973	-	1,700,973
Other	52,620	-	52,620
	<u>8,665,983</u>	<u>-</u>	<u>8,665,983</u>
Change in net assets	(2,052,150)	(8,989,146)	(11,041,296)
NET ASSETS – Beginning of year	<u>17,832,265</u>	<u>84,198,990</u>	<u>102,031,255</u>
NET ASSETS – End of year	<u>\$ 15,780,115</u>	<u>\$ 75,209,844</u>	<u>\$ 90,989,959</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

RADFORD UNIVERSITY FOUNDATION, INC. SUBSIDIARIES AND AFFILIATE

CONSOLIDATED STATEMENTS OF ACTIVITIES

June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support, and other changes			
Contributions	\$ 240,865	\$ 5,023,953	\$ 5,264,818
Contributions held in trust	-	54,600	54,600
Contributions in-kind	1,472,362	44,914	1,517,276
Rental income	2,684,524	26,305	2,710,829
Other income	80,543	322,042	402,585
Loss on sale of real estate held for sale	-	(756)	(756)
Gain on sale of fixed assets	465,789	-	465,789
Write off of fixed assets no longer in service	(1,242,180)	-	(1,242,180)
Net return on investments	3,247,547	14,411,566	17,659,113
	<u>6,949,450</u>	<u>19,882,624</u>	<u>26,832,074</u>
Net assets released from restrictions and reclassifications	<u>5,244,857</u>	<u>(5,244,857)</u>	<u>-</u>
Total support and revenue	<u>12,194,307</u>	<u>14,637,767</u>	<u>26,832,074</u>
Expenses			
Program expenses			
Student support	2,361,136	-	2,361,136
University program support	3,439,713	-	3,439,713
University program support in-kind	31,564	-	31,564
Faculty and staff development	88,524	-	88,524
Depreciation	1,083,589	-	1,083,589
Interest	615,499	-	615,499
General and administrative expenses			
Other	576,594	-	576,594
Fundraising expenses			
Contributed	1,472,362	-	1,472,362
Other	77,271	-	77,271
	<u>9,746,252</u>	<u>-</u>	<u>9,746,252</u>
Change in net assets	2,448,055	14,637,767	17,085,822
NET ASSETS – Beginning of year	<u>15,384,210</u>	<u>69,561,223</u>	<u>84,945,433</u>
NET ASSETS – End of year	<u>\$ 17,832,265</u>	<u>\$ 84,198,990</u>	<u>\$ 102,031,255</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

RADFORD UNIVERSITY FOUNDATION, INC. SUBSIDIARIES AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
OPERATING ACTIVITIES		
Change in net assets	\$ (11,041,296)	\$ 17,085,822
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Assets received as noncash contributions	(4,200)	(13,350)
Contributions restricted for long-term investment	(1,408,582)	(1,424,939)
Net realized and unrealized (gain) loss on investments	9,604,572	(17,047,074)
Funds held in trust by others	88,548	(162,413)
(Gain) loss on disposal of real estate held for sale	(6,985)	756
(Gain) loss on disposal of property and equipment	259,324	(465,789)
Write off of assets removed from service	-	1,242,180
Notes receivable discount and forgiveness	(7,603)	1,418
Depreciation	558,256	1,083,589
Amortization of incentives for leasing	86,390	21,598
Change in:		
Other receivables	107,262	38,975
Contributions receivable	1,969,842	1,024,267
Prepaid expenses	10,403	(60,478)
Cash value of life insurance	(1,610)	(3,720)
Collections of art	-	(450)
Accounts payable	(20,802)	(132,665)
Accrued expenses and other payables	92,395	(147,751)
Deferred rental income	(76,621)	(83,240)
Annuity and unitrust obligations	87,051	37,590
Net cash provided operating activities	<u>296,344</u>	<u>994,326</u>
INVESTING ACTIVITIES		
Purchases of property and equipment	(39,421)	(14,055)
Proceeds from sale of property and equipment	6,842,387	16,785,970
Purchase of real estate held for sale	(2,515)	(4,030)
Proceeds from sale of real estate held for sale	59,000	60,000
Purchase of incentives for leasing	(57,282)	(4,959,329)
Less debt incurred to finance incentives for leasing	-	4,000,000
Notes receivable – payments received	52,081	289,025
Purchases of investments	(7,124,540)	(11,351,447)
Sales of investments	4,648,304	10,797,850
Net cash provided by investing activities	<u>4,378,014</u>	<u>15,603,984</u>
FINANCING ACTIVITIES		
Contributions restricted for long-term investment	1,408,582	1,424,939
Payments of annuity and unitrust obligations	(210,702)	(62,437)
Proceeds from line of credit	-	500,000
Payments on line of credit	-	(500,000)
Proceeds from notes payable	-	4,411,194
Less debt incurred to finance incentives for leasing	-	(4,000,000)
Payments on debt	(4,898,419)	(18,374,917)
Net cash used in financing activities	<u>(3,700,539)</u>	<u>(16,601,221)</u>

(Continued)

The Notes to Consolidated Financial Statements are an integral part of these statements.

RADFORD UNIVERSITY FOUNDATION, INC. SUBSIDIARIES AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
FINANCING ACTIVITIES (Continued)		
Net change in cash and cash equivalents	\$ 973,819	\$ (2,911)
CASH, Beginning	<u>1,437,257</u>	<u>1,440,168</u>
CASH, Ending	<u><u>\$ 2,411,076</u></u>	<u><u>\$ 1,437,257</u></u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for interest	<u><u>\$ 540,193</u></u>	<u><u>\$ 631,279</u></u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Assets received as noncash contributions		
Contributions of art included in collections of art	<u><u>\$ 4,200</u></u>	<u><u>\$ 13,350</u></u>
Contributions of stock included in investments	<u><u>\$ 873,517</u></u>	<u><u>\$ 1,166,587</u></u>
Long-term debt incurred for incentives for leasing	<u><u>\$ -</u></u>	<u><u>\$ 4,000,000</u></u>
Transfer of property and equipment to incentives for leasing	<u><u>\$ -</u></u>	<u><u>\$ 224,056</u></u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

RADFORD UNIVERSITY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022

Note 1. Organization and Nature of Activities

Radford University Foundation, Inc. (“Foundation”) is incorporated as a nonprofit corporation under the laws of the Commonwealth of Virginia. The purpose of the Foundation is to promote the advancement and further the aims and purposes of Radford University (“University”) and to accept, administer, apply and use financial resources and property acquired by gift, grant, devise, or bequest to further those purposes. The Foundation is managed by a Board of Directors where most of the board is independently elected. Additionally, four employees of Radford University are ex-officio members with full voting rights. The Radford University Board of Visitors and Radford University Real Estate Management LLC can both appoint one member to the Foundation Board, and those board members also have full voting rights.

The Foundation has acquired numerous real estate properties, all of which are organized into LLCs, primarily located around Radford, Virginia. On June 29, 2015, the Radford University Real Estate Management LLC (RUREM) was formed to oversee and manage all the property LLCs owned by the Foundation. RUREM is listed as the single member of all the property LLCs with the Foundation being listed as the single member of the RUREM LLC. RUREM is managed by a Board of Directors which is appointed by the Board of the Radford University Foundation, Inc.

The Radford University Athletic Foundation, Inc. (RUAF) is incorporated as a nonprofit corporation under the laws of the Commonwealth of Virginia. The purpose of RUAF is to support Athletics at the University. RUAF is managed by a Board of Directors where most of the Board is independently elected. Additionally, two employees of the University are ex-officio members with full voting rights. The assets of RUAF are managed by the Foundation and are included in its statements of financial position.

Note 2. Summary of Significant Accounting Policies

Principles of consolidation

The consolidated financial statements include the accounts of Radford University Foundation, Inc., Radford University Athletic Foundation, Inc., and Radford University Real Estate Management LLC. All significant intercompany balances and transactions have been eliminated in consolidation.

Basis of presentation

The accompanying consolidated financial statements present information regarding the Foundation’s financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported in two classes as follows:

Net assets without donor restrictions are net assets available for use in general operations and not subject to donor restrictions. These net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties. Revenues, gains, and losses that are not net assets with donor restrictions are included in this classification. Expenses are reported as decreases in this classification.

(Continued)

RADFORD UNIVERSITY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022

Note 2. Summary of Significant Accounting Policies (Continued)

Basis of presentation (Continued)

Net assets with donor restrictions are net assets subject to donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or that can be fulfilled by action of the Foundation pursuant to those stipulations. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity. All donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions.

Recent Accounting Pronouncement

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires that lessees recognize all leases (other than leases with a term of 12 months or fewer) in the statements of financial position as lease liabilities, based upon the present value of the lease payments, with corresponding right of use assets. ASU 2016-02 also makes targeted changes to other aspects of current guidance, including identifying a lease and lease classification criteria as well as the lessor accounting model, including guidance on separating components of a contract and consideration in the contract. The amendments in ASU 2016-02 will be effective for the Foundation on July 1, 2022, and will require modified retrospective application as of the beginning of the earliest period presented in the financial statements. The Foundation is currently evaluating the impact this guidance will have on its financial statements and disclosures.

Cash and cash equivalents

The Foundation considers all highly liquid investments with a maturity of three months or fewer to be cash and cash equivalents. Cash and cash equivalents designated for investment purposes are reported with investments.

Notes receivable

Notes receivable represent amounts due to the Foundation and are discounted to their net present value less an allowance for note losses, if considered necessary.

Investments

Investments in securities are carried at fair value. The fair value of interests in limited partnerships are determined in good faith by external investment managers or other independent sources and reviewed by management. Because these alternative investments are not readily marketable, their estimated value is subject to additional uncertainty and therefore, value realized upon disposition may vary significantly from currently reported values.

(Continued)

RADFORD UNIVERSITY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022

Note 2. Summary of Significant Accounting Policies (Continued)

Investments (Continued)

Gifts of investments are recorded at their fair value (based upon quotations or appraisals) at the date of the gift. Purchases and sales of investments are recorded on the trade date.

Investment securities are exposed to several risks, such as interest rate, currency, 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 values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the Foundation's consolidated financial statements.

The Foundation manages an investment pool. Pooled investments and allocation of pooled investment income are accounted for using the unit market value method. The pool consists of endowment funds as well as funds functioning as endowments, in addition to other funds with and without donor restrictions.

Property and equipment

Property and equipment and real estate held for sale are stated at cost, or if donated, recorded at the appraised value at the date of the gift. Maintenance and repairs and minor renewals are expensed in the period incurred. Expenditures for new construction, major renewals, and replacements of equipment typically over \$5,000 are capitalized. The cost and related accumulated depreciation on property and equipment sold or otherwise disposed of are removed from the account and any gain or loss is reported in the current year's operations. Depreciation is provided for using the straight-line method over the estimated useful lives as follows for the major classes of assets:

Buildings	10 – 40 years
Furniture and equipment	5 – 10 years
Vehicles	5 years
Land improvements	10 – 40 years

Collections

All contributions of works of art, historical treasures, and similar assets, whether held as part of a collection (for education, research, or public exhibition) or for sale or other purposes, have been recognized at their estimated fair value at the date of receipt based upon appraisals or similar valuations. All such items, whether contributed or purchased, have been capitalized.

(Continued)

RADFORD UNIVERSITY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022

Note 2. Summary of Significant Accounting Policies (Continued)

Annuity obligations

The Foundation has beneficial interests in various split-interest agreements. The contribution portion of an agreement is recognized as revenue when the Foundation has the unconditional right to receive benefits under the agreement and is measured at the expected future payments to be received. Any assets received under a trust agreement are recorded at fair value. Any liabilities to third-party beneficiaries are recorded at the present value of the expected payments. All present value calculations are made using estimated discount rates and life expectancy tables. During the term of the agreement, any changes in actuarial assumptions are recognized as “change in value of split-interest agreements” in the consolidated statements of activities.

The Foundation is the remainder beneficiary and trustee of seven charitable gift annuities and three charitable remainder trusts. At June 30, 2022 and 2021, the discount rate was based on the rate of return on the original gift date of the annuity. This rate varied between 1.20% and 8.20%. Annuities are payable monthly, quarterly, or annually. At June 30, 2022 and 2021, assets held in these annuities and unitrusts of \$350,158 and \$613,990, respectively, were included in investments. The change in value is reported in other income on the consolidated statements of activities and amounted to \$20,866 and \$87,936 for 2022 and 2021, respectively.

Contributions

Contributions, including unconditional promises to give or contributions receivable, are recognized as contributions without donor restrictions or contributions with donor restrictions depending on the existence and/or nature of any donor restrictions when the donor’s commitment is received. Unconditional promises to give without donor restrictions are recognized as revenues with donor restrictions unless the donor explicitly stipulates its use to support current period activities.

Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value as of the date of the gift. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management’s judgment including such factors as prior collection history, type of contributions, and nature of the fundraising activity.

The Foundation receives significant donated services in the form of development and administrative costs from the University free of charge. These amounts have been reported as both in-kind revenue and in-kind expense on the consolidated statements of activities. The Foundation recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. Other contributions of goods or services that meet the requirements for recognition are recorded at their estimated fair value on the date of donation.

(Continued)

RADFORD UNIVERSITY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022

Note 2. Summary of Significant Accounting Policies (Continued)

Contributions (Continued)

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues in the net assets with donor restrictions class, and a reclassification to net assets without donor restrictions is made to reflect the expiration of such restrictions as net assets released from restrictions.

Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported in the revenues of net assets without donor restrictions class. Contributions of cash or other assets to be used to acquire land, buildings, and equipment, with such donor stipulations are reported as revenues of net assets with donor restrictions; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Credit risk

Financial instruments that potentially subject the Foundation to concentration of credit risk consist of interest-bearing transaction accounts and receivables. The Foundation places its interest-bearing transaction accounts with high credit quality financial institutions. The balances in these accounts may, at times, exceed federally insured limits; however, the Foundation does not believe it is subject to any significant credit risk as a result of these deposits. On June 30, 2022, the Foundation had \$453,953 in excess of the amount insured by the Federal Deposit Insurance Company (FDIC). These funds were deposited with two different institutions.

Income taxes

Radford University Foundation, Inc. is exempt from federal and state income tax under the provisions of Section 501(c)(3) of the *Internal Revenue Code* (IRC) and the tax statutes of the Commonwealth of Virginia. However, when applicable, any income from certain activities not directly related to the Foundation's tax-exempt purpose would be subject to taxation as unrelated business income. The Foundation has determined that they do not have any material unrecognized tax benefits or obligations as of June 30, 2022 and 2021.

The LLCs are disregarded entities for tax purposes and are included in the Foundation filings. The foundation has recorded unrelated business income tax expense of \$869 and \$4,500 for June 30, 2022 and 2021, respectively.

Deferred revenue

Deferred revenue includes rental income prepaid by tenants of the buildings operated by the Foundation.

(Continued)

RADFORD UNIVERSITY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022

Note 2. Summary of Significant Accounting Policies (Continued)

Expense allocation

Expenses that can be directly identifiable to a program are charged to program services. Joint expenses, which relate to more than one program, are charged to program services on the basis of periodic time and expense studies. General and administrative expenses represent those expenses that are not directly identifiable to any specific program but provide for the overall support and direction of the Foundation.

Estimates

The consolidated financial statements of the Foundation were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Liquidity

Assets are presented according to their nearness to cash and liabilities are presented according to their nearness of payment or use of cash.

Subsequent events

In preparing these consolidated financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through December 2, 2022, the date the consolidated financial statements were available to be issued.

Note 3. Financial Assets and Liquidity Resources

As part of the Foundation's liquidity management, it invests cash in excess of amounts required for operations in money markets, mutual funds, bonds, and equity securities in accordance with the Foundation's investment policy. To help manage the liquidity needs, the Foundation has a quasi-endowment. Although the Foundation does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditure as part of its annual budget and appropriation, amounts from its quasi endowment could be made available by action of the Board of Directors, if necessary. Accordingly, the quasi-endowed portion of the Foundation's investments is included within the portion of investments without donor restrictions in the schedule below to arrive at the total financial assets available to meet cash needs for general expenditures within one year of the balance sheet.

(Continued)

RADFORD UNIVERSITY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022

Note 3. Financial Assets and Liquidity Resources (Continued)

As of June 30, 2022 and 2021, financial assets available within one year of the balance sheet date for general expenditure were as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 2,411,076	\$ 1,437,257
Notes and other receivables due within one year	231,616	326,456
Contributions receivable, net due within one year without donor restrictions on the use of funds	6,299	7,284
Portions of investments without donor restrictions and non-endowed donor-restricted funds	<u>13,471,026</u>	<u>13,451,995</u>
Total financial assets available for one year	16,120,017	15,222,992
Unused and available funds from line of credit	1,500,000	1,500,000
Budgeted custodial fee income from endowment	<u>1,118,000</u>	<u>1,020,000</u>
	<u>\$ 18,738,017</u>	<u>\$ 17,742,992</u>

Note 4. Notes Receivable

During fiscal year 2016, the Foundation loaned \$300,000 to a local not-for-profit daycare agency in exchange for a note receivable that is for the benefit of employees of the University. The note is non-interest bearing with deferred payments for the first five years, with annual payments of \$25,000 for years 6 through 17. The Foundation has elected to record this receivable at fair value. Accordingly, the unearned discount on this receivable was \$28,876 and \$46,729 on June 30, 2022 and 2021, respectively. The Foundation forgave \$10,250 and \$10,500 of this note in exchange for guaranteed daycare slots for employees of the University during fiscal years 2022 and 2021, respectively. The applicable discount rate at June 30, 2022 and 2021 was 4%.

Note 5. Contributions Receivable

Contributions receivable consisted of the following:

	<u>2022</u>	<u>2021</u>
Contributions expected to be collected in:		
Less than one year	\$ 2,198,085	\$ 2,815,860
One to five years	1,190,145	2,766,400
More than five years	<u>200,000</u>	<u>300,000</u>
	3,588,230	5,882,260
Less – allowance for uncollectible contributions	(185,339)	(293,165)
Less – discount to net present value	<u>(148,968)</u>	<u>(365,330)</u>
	<u>\$ 3,253,923</u>	<u>\$ 5,223,765</u>

(Continued)

RADFORD UNIVERSITY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022

Note 5. Contributions Receivable (Continued)

In order to simplify their accounting process for contributions receivable, the Foundation has elected to record all contributions receivable at fair value. The fair value adjustment for 2022 and 2021 was \$324,188 and \$161,139, respectively, and is included in contribution income in the consolidated statements of activities. No changes in the fair value measurement were attributable to instrument specific credit risk. Contributions receivable with due dates extending beyond one year are discounted to net present value. The applicable rate at June 30, 2022 and 2021 was 5.66%.

Contributions receivable for each class of net assets is as follows:

	<u>2022</u>	<u>2021</u>
Without donor restrictions	\$ 6,299	\$ 7,284
With donor restrictions – time and purpose restrictions	2,106,442	3,252,247
With donor restrictions – held in perpetuity	<u>1,141,182</u>	<u>1,964,234</u>
	<u>\$ 3,253,923</u>	<u>\$ 5,223,765</u>

Pledges from four contributors comprised approximately 52% and 39% of total contributions receivable at June 30, 2022 and 2021, respectively.

Note 6. Investments

Investments were comprised of the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,829,213	\$ 1,112,468
Equities	726,832	4,605,508
Mutual funds with various investment strategies	59,033,050	63,443,505
Limited partnerships	<u>14,822,886</u>	<u>14,378,836</u>
	<u>\$ 76,411,981</u>	<u>\$ 83,540,317</u>

(Continued)

RADFORD UNIVERSITY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022

Note 6. Investments (Continued)

Investment activity for the year ended June 30 was as follows:

	<u>2022</u>	<u>2021</u>
Investments – beginning	\$ 83,540,317	\$ 65,939,646
Gifts and net transfers to operational accounts	<u>1,726,733</u>	<u>(121,031)</u>
	<u>85,267,050</u>	<u>65,818,615</u>
Investment activity:		
Dividends and interest	1,372,212	1,113,987
Net realized and unrealized gains	(9,604,572)	17,047,074
Service fee expenses	<u>(412,007)</u>	<u>(376,922)</u>
	<u>(8,644,367)</u>	<u>17,784,139</u>
Amounts appropriated for operations:		
Annuity and unitrust obligation payments	<u>(210,702)</u>	<u>(62,437)</u>
Investments – ending	<u>\$ 76,411,981</u>	<u>\$ 83,540,317</u>

Investment for each class of net assets as of June 30 is as follows:

	<u>2022</u>	<u>2021</u>
Without donor restrictions	\$ 9,017,276	\$ 7,908,186
With donor restrictions – time and purpose restrictions	27,155,528	37,756,733
With donor restrictions – held in perpetuity	<u>40,239,177</u>	<u>37,875,398</u>
	<u>\$ 76,411,981</u>	<u>\$ 83,540,317</u>

Realized gains or losses from sales of securities are calculated on an adjusted cost basis. Dividend and interest income is accrued when earned. Investment expenses are netted against investment income on the consolidated statements of activities.

(Continued)

RADFORD UNIVERSITY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022

Note 7. Property and equipment

Property and equipment consisted of the following:

	<u>2022</u>	<u>2021</u>
Buildings	\$ 15,274,630	\$ 22,622,139
Furniture and equipment	227,658	287,707
Land and improvements	2,547,753	3,345,737
Construction in progress	<u>18,025</u>	<u>16,705</u>
	18,068,066	26,272,288
Less – accumulated depreciation	<u>(3,032,741)</u>	<u>(3,616,417)</u>
	<u>\$ 15,035,325</u>	<u>\$ 22,655,871</u>

In August 2021, the Foundation sold two properties with a net book value of approximately \$3.273 million to Radford University. In consultation with the Bank holding the note payable on the respective properties, a sales price of approximately \$3.353 million was determined. The proceeds received from the University on this sale were applied directly to the note payable securing the properties.

In March 2022, the Foundation sold a property with a net book value of approximately \$3.800 million to a private party and received proceeds of approximately \$3.489 million

Note 8. Real Estate Held for Sale

As of June 30, 2022, the Foundation had a total of 15 real estate holdings held for sale totaling \$445,263. Real estate held for sale as of June 30, 2021 consisted of 16 real estate holdings totaling \$494,763.

Note 9. Funds Held in Trust by Others

Funds held in trust by others consists of the assets of a trust established under the will of a donor. The trust is administered by a Financial Services firm with an outside Foundation serving as the trustee. In the trust, the Foundation is the sole beneficiary and is subject to receive up to 5% of the trust value annually to award as a scholarship. This trust will continue to exist in perpetuity or until such time that all funds have been awarded. The distribution received in fiscal year 2022 was recorded as contributions held in trust with donor restrictions on the statement of activities. In fiscal year 2022 and 2021, the change in the values of these trusts was recorded as other income on the consolidated statements of activities.

(Continued)

RADFORD UNIVERSITY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022

Note 9. Funds Held in Trust by Others (Continued)

Fair values of the trusts' assets as of June 30, 2022 and 2021, classified as funds held in trust by others, consisted of:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 543,051	\$ 260,564
Fixed income	191,932	-
Equities	<u>203,865</u>	<u>766,832</u>
	<u>\$ 938,848</u>	<u>\$ 1,027,396</u>

Note 10. Line of Credit

Line of credit consisted of the following:

	<u>2022</u>	<u>2021</u>
Line of credit, originated June 24, 2022 for \$1.5 million, interest payable monthly at 1-Month CME Term SOFR plus 1.60% (3.10% and 1.69% at June 30, 2022 and 2021, respectively), outstanding principal due on demand. Unsecured.	<u>\$ -</u>	<u>\$ -</u>

Note 11. Notes Payable

Notes payable consisted of the following:

	<u>2022</u>	<u>2021</u>
Note payable in monthly installments of \$5,182 through May 2025, with interest payable at LIBOR plus 1.48% (2.60% and 1.57% at June 30, 2022 and 2021, respectively), unsecured.	\$ 163,956	\$ 222,840
Note payable in monthly installments calculated on a 25-year amortization with a balloon payment of remaining amount in May 2028, with interest payable at LIBOR plus 0.82%, with a floor of 1.57% beginning May 2021 (2.44% and 1.57% at June 30, 2022 and 2021, respectively). Secured by real estate and deposit accounts maintained by and investment property held with the institution. Additionally secured by an assignment of leases and rents.	342,295	355,899

(Continued)

RADFORD UNIVERSITY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022

Note 11. Notes Payable (Continued)

Notes payable consisted of the following: (Continued)

	<u>2022</u>	<u>2021</u>
Note payable in monthly interest only payments through April 2020, then monthly installments calculated on a 23-year amortization with a balloon payment of remaining amount in April 2025. Interest payable at LIBOR plus 0.82% (1.88% and 0.91% at June 30, 2022 and 2021, respectively). Secured by real estate and deposit accounts maintained by an investment property held with the institution. Additionally secured by an assignment of leases and rents.	\$ 1,323,527	\$ 4,782,901
Note payable in monthly interest only payments through April 2020, then monthly installments calculated on a 23-year amortization with a balloon payment of remaining amount in April 2025. Interest payable at 4.20%. Secured by real estate and deposit accounts maintained by an investment property held with the institution. Additionally secured by an assignment of leases and rents.	9,418,047	9,693,396
Note payable in monthly installments calculated on a 15-year amortization with a balloon payment of remaining amount in June 2024, with interest payable of 3.72%. Secured by real estate and deposit accounts maintained by an investment property held with the institution. Additionally secured by an assignment of leases and rents.	176,832	188,284
Note payable in monthly interest only payments through December 2021, then monthly installments calculated on a twenty-five year amortization with a balloon payment of remaining amount in May 2026. Interest payable at 2.39%. Secured by real estate, an assignment of rents and a pledge on securities.	2,941,461	4,000,000
Note payable in monthly installments calculated on a 17-year amortization with a balloon payment of remaining amount in June 2028, with interest payable at LIBOR plus 0.82%, with a floor of 1.57% (1.94% and 1.57% at June 30, 2022 and 2021, respectively). Secured by real estate and deposit accounts maintained by an investment property held with the institution. Additionally secured by an assignment of leases and rents.	<u>389,977</u>	<u>411,194</u>
	<u>\$ 14,756,095</u>	<u>\$ 19,654,514</u>

(Continued)

RADFORD UNIVERSITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022

Note 11. Notes Payable (Continued)

Estimated principal payments on notes payable for future years ending June 30 were as follows:

2023	\$ 516,610
2024	686,710
2025	10,242,415
2026	2,697,842
2027 and thereafter	612,518
	<u>\$ 14,756,095</u>

Notes payable are subject to certain affirmative and/or negative covenants. Management believes the Foundation has complied with all covenants as of June 30, 2022, except for particular debt service coverage ratios for which the Foundation has obtained waivers.

Note 12. Net Assets without Donor Restrictions

Net assets without donor restrictions included the following:

	<u>2022</u>	<u>2021</u>
Designated for:		
Financial aid	\$ 1,803,455	\$ 1,581,637
Departmental use	3,603,998	3,145,081
University academic and program support	6,117,215	5,765,315
General operations and investment in land, building, and equipment	4,255,447	7,340,232
	<u>\$ 15,780,115</u>	<u>\$ 17,832,265</u>

Note 13. Net Assets with Donor Restrictions

Net assets with donor restrictions were available for the following purposes:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specific purposes and time:		
Faculty salaries, research, and development	\$ 3,262,068	\$ 3,899,214
Financial aid	14,100,181	21,480,960
University academic and program support	13,894,108	16,152,360
General operations and investment in land, building, and equipment	1,510,834	1,538,620
	32,767,191	43,071,154
Restricted in perpetuity, the income from which is expendable for:		
Faculty salaries, research, and development	2,332,041	2,332,041
Financial aid	34,982,810	33,913,233
University academic and program support	5,127,802	4,882,562
	<u>42,442,653</u>	<u>41,127,836</u>
	<u>\$ 75,209,844</u>	<u>\$ 84,198,990</u>

(Continued)

RADFORD UNIVERSITY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022

Note 14. Endowment

The Foundation's endowment consists of approximately 520 individual funds established for a variety of purposes supporting current and future programs of the University. The endowment includes donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds, including funds designated by the Foundation to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Changes in endowment net assets for the years 2022 and 2021 were as follows:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets – July 1, 2021	\$ -	\$ 72,833,373	\$ 72,833,373
Investment return:			
Net depreciation (realized and unrealized)	-	(6,925,589)	(6,925,589)
Contributions	-	1,673,957	1,673,957
Appropriations of endowment assets for expenditure	-	(2,657,397)	(2,657,397)
Other income (loss)	-	(55,664)	(55,664)
Other changes – transfer from (to) other funds	-	31,806	31,806
Endowment net assets – June 30, 2022	\$ -	\$ 64,900,486	\$ 64,900,486

(Continued)

RADFORD UNIVERSITY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2022

Note 14. Endowment (Continued)

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets – July 1, 2020	\$ -	\$ 58,651,450	\$ 58,651,450
Investment return:			
Net depreciation (realized and unrealized)	-	14,411,565	14,411,565
Contributions	-	1,724,153	1,724,153
Appropriations of endowment assets for expenditure	-	(2,230,180)	(2,230,180)
Other income (loss)	-	213,078	213,078
Other changes – transfer from (to) other funds	-	63,307	63,307
Endowment net assets – June 30, 2021	<u>\$ -</u>	<u>\$ 72,833,373</u>	<u>\$ 72,833,373</u>

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are to be reported in net assets with donor restrictions. These deficiencies result from unfavorable market fluctuations that occur shortly after the investment of new endowment contributions and continued appropriation for certain programs that are deemed prudent by the Board of Directors or the donor. As of June 30, 2022, funds with an aggregate fair value of \$5,209,172 and an aggregate original ‘gift value’ of \$5,327,451 were “underwater” by or had deficiencies totaling \$118,279. There were no underwater funds at June 30, 2021.

Return objectives and risk parameters

The Foundation has adopted investment and spending policies for endowment assets that seek to maintain the purchasing power of the endowment’s assets in perpetuity and achieve investment returns sufficient to sustain the level of spending necessary to support ongoing Foundation operations. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as any board-designated funds. Under this policy, as approved by the applicable committees, the endowment assets are invested in a manner that is intended to produce at least a 5.5% annual return. Actual returns in any given year may vary from this amount.

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RADFORD UNIVERSITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022

Note 14. Endowment (Continued)

Strategies employed for achieving objectives

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

Spending policy and how the investment objectives relate to spending policy

The Foundation has a committee in place to govern the investment and spending policies of the endowment assets. The Foundation considers the long-term expected return on its endowment when developing spending policies with the objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Unless the donor specifies otherwise, the spending policies set by the Foundation board are as follows:

Date policy approved	December 2011
Policy effective as of	July 1, 2012 amended November 2021
Maturity calculation date	June 30
Mature fund defined as % of principal value	105%
Fund's approved spending based on	5 year average market value
Spending awarded as % of each endowed fund's share of endowed investments	4%
Custodial fees calculation date	June 30, 2021
Custodial fees assessed as % of fund value (Custodial fees are only assessed on matured funds)	2021: 1.92% of 5 year average 2022: 1.92% of 5 year average

(Continued)

RADFORD UNIVERSITY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022

Note 15. Fair Value Measurements

Fair value as defined under GAAP is an exit price representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value.

These tiers include:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2: Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the **Level 2** input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Domestic stocks and mutual funds (**Level 1**): Valued at the closing price reported on the active market on which the individual securities are traded.

Corporate bonds (**Level 2**): Valued at quoted market prices of similar investments in active markets or quoted prices for identical or similar instruments in inactive markets.

Limited partnerships (**NAV**): The Foundation uses the net asset value (NAV) or capital balances of its interest in the limited partnerships as a practical expedient to determine the fair value of its interest in the net assets of these entities. The fair value of certain investments in the underlying entities, which may include private placements and other securities for which values are not readily available, are determined in good faith by the investment advisors of the respective entities and may not reflect amounts that could be realized upon immediate sale, nor amounts that may be ultimately realized. The fair values of these investments are estimated using the NAV provided by the general partner as a practical expedient. These fair values may differ significantly from the values that would have been used had a ready market existed for these investments, and these differences could be material. Net asset valuations are provided quarterly by these entities. Appreciation of investments in these entities is net of all fee allocations to the investment advisors.

(Continued)

RADFORD UNIVERSITY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022

Note 15. Fair Value Measurements (Continued)

Notes receivable (**Level 3**): Note receivables are reported at net realizable value if at the time the promise is made payment is expected to be received in one year or less. Notes receivable that are expected to be collected in more than one year are reported at fair value, which is calculated as the present value of the expected cash flows to be received using a discount rate commensurate with the risks involved.

Contributions receivable (**Level 3**): Contributions receivables are reported at net realizable value if at the time the promise is made payment is expected to be received in one year or less. Contributions receivable that are expected to be collected in more than one year are reported at fair value, which is calculated as the present value of the expected cash flows to be received using a discount rate commensurate with the risks involved.

Funds held in trust by others (**Level 2**): Funds held in trust by others are managed in trusts that invest in domestic stocks and mutual funds. These funds are valued at the closing price reported on the active market on which the individual securities are traded.

Annuity and Unitrust obligations (**Level 2**): Valued at the net present value of future cash flows expected to be paid under each obligation based on life expectancies of the donees and a discount rate of 1.2%.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

(Continued)

RADFORD UNIVERSITY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022

Note 15. Fair Value Measurements (Continued)

The following tables set forth by level, within the fair value hierarchy, the Foundation's assets and liabilities at fair value:

	Fair Value as of June 30, 2022				
	Level 1	Level 2	Level 3	NAV	Total
Investments:					
Mutual funds:					
Growth	\$ 82,502	\$ -	\$ -	\$ -	\$ 82,502
Bond	16,948,689	-	-	-	16,948,689
Small cap	3,444,943	-	-	-	3,444,943
Mid cap	4,668,859	-	-	-	4,668,859
Large cap	22,640,269	-	-	-	22,640,269
International	6,782,103	-	-	-	6,782,103
Emerging markets	3,630,426	-	-	-	3,630,426
Other	835,259	-	-	-	835,259
Total	59,033,050	-	-	-	59,033,050
Domestic stocks	726,832	-	-	-	726,832
Limited partnerships (a)	-	-	-	14,822,886	14,822,886
Total investments	59,759,882	-	-	14,822,886	74,582,768
Notes receivable	-	-	135,374	-	135,374
Contributions receivable	-	-	3,253,923	-	3,253,923
Funds held in trust by others	-	938,848	-	-	938,848
Total assets at fair value	<u>\$ 59,759,882</u>	<u>\$ 938,848</u>	<u>\$ 3,389,297</u>	<u>\$ 14,822,886</u>	<u>\$ 78,910,913</u>
Annuity and Unitrust obligations	<u>\$ -</u>	<u>\$ 271,441</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 271,441</u>

(Continued)

RADFORD UNIVERSITY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022

Note 15. Fair Value Measurements (Continued)

Fair Value as of June 30, 2021					
	Level 1	Level 2	Level 3	NAV	Total
Investments:					
Mutual funds:					
Growth	\$ 55,264	\$ -	\$ -	\$ -	\$ 55,264
Bond	17,681,970	-	-	-	17,681,970
Small cap	1,390,576	-	-	-	1,390,576
Mid cap	5,025,019	-	-	-	5,025,019
Large cap	25,323,644	-	-	-	25,323,644
International	5,629,612	-	-	-	5,629,612
Emerging markets	7,267,393	-	-	-	7,267,393
Other	1,070,027	-	-	-	1,070,027
Total	63,443,505	-	-	-	63,443,505
Domestic stocks	4,605,508	-	-	-	4,605,508
Limited partnerships (a)	-	-	-	14,378,836	14,378,836
Total investments	68,049,013	-	-	14,378,836	82,427,849
Notes receivable	-	-	173,711	-	173,711
Contributions receivable	-	-	5,223,765	-	5,223,765
Funds held in trust by others	-	1,027,396	-	-	1,027,396
Total assets at fair value	<u>\$ 68,049,013</u>	<u>\$ 1,027,396</u>	<u>\$ 5,397,476</u>	<u>\$ 14,378,836</u>	<u>\$ 88,852,721</u>
Annuity and Unitrust obligations	<u>\$ -</u>	<u>\$ 395,092</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 395,092</u>

The Foundation has \$1,829,213 and \$1,112,468 of cash balances at June 30, 2022 and 2021, respectively, included in investments which is not required to be classified into a Level as prescribed within the guidance.

- (a) This class includes limited partnerships whose investment objectives seek to produce absolute and consistent risk-adjusted returns. For certain limited partnership investments, partners have the right to withdraw amounts subject to certain restrictions as of the last business day of each fiscal quarter.

(Continued)

RADFORD UNIVERSITY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022

Note 15. Fair Value Measurements (Continued)

The Foundation recognizes transfers into and out of levels at the end of the reporting period.

The following table illustrates the activity of **Level 3** assets measured at fair value on a recurring basis from June 30, 2021 to June 30, 2022:

	<u>Notes Receivable</u>	<u>Contributions Receivable</u>
Fair value at June 30, 2021	\$ 173,711	\$ 5,223,765
Pledges and notes received	-	1,250,728
Contribution receipts and note payments	(46,000)	(3,014,470)
Pledges or notes written off	(10,250)	(530,288)
Change in fair value and allowance	<u>17,913</u>	<u>324,188</u>
Fair value at June 30, 2022	<u>\$ 135,374</u>	<u>\$ 3,253,923</u>

The following table illustrates the activity of **Level 3** assets measured at fair value on a recurring basis from June 30, 2020 to June 30, 2021:

	<u>Notes Receivable</u>	<u>Contributions Receivable</u>
Fair value at June 30, 2020	\$ 190,189	\$ 6,248,032
Pledges and notes received	-	2,853,252
Contribution receipts and note payments	(15,000)	(3,702,008)
Pledges or notes written off	(10,500)	(336,650)
Change in fair value and allowance	<u>9,022</u>	<u>161,139</u>
Fair value at June 30, 2021	<u>\$ 173,711</u>	<u>\$ 5,223,765</u>

(Continued)

RADFORD UNIVERSITY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022

Note 16. Contributions In-Kind

Some development and administration of the Foundation is performed by employees of the University. The value of this contributed time is based on wages paid to these individuals plus an estimate of fringe benefits, payroll taxes, and related office expenses. These contributed expenses are reflected in the accompanying consolidated statements of activities as support and expenses.

	<u>2022</u>	<u>2021</u>
Amount received from the University:		
Contributed office expenses	\$ 225,943	\$ 150,030
Contributed salaries and benefits	<u>1,475,030</u>	<u>1,304,332</u>
	<u>1,700,973</u>	<u>1,454,362</u>
Amount received from other sources:		
Contributed student support expenses	-	-
Contributed fundraising expenses	-	18,000
Contributed program expenses	<u>17,928</u>	<u>31,564</u>
	<u>17,928</u>	<u>49,564</u>
Total contributed expenses	1,718,901	1,503,926
Contributed in-kind assets	<u>4,200</u>	<u>13,350</u>
	<u>\$ 1,723,101</u>	<u>\$ 1,517,276</u>

The value of donated volunteer services is not reflected in the accompanying consolidated financial statements as these services do not meet the requirements for recognition. However, a substantial number of volunteers have donated significant amounts of their time in the Foundation's fundraising campaigns.

Note 17. Net Assets Released from Restrictions and Reclassifications

Net assets are released from donor restrictions when expenses are incurred to satisfy the restricted purposes or by occurrence of other events as specified by donors. Restrictions were satisfied as follows:

	<u>2022</u>	<u>2021</u>
Program services	\$ 1,699,361	\$ 1,967,626
Student support	2,330,209	2,298,652
General operations and equipment	<u>1,134,669</u>	<u>978,579</u>
	<u>\$ 5,164,239</u>	<u>\$ 5,244,857</u>

(Continued)

RADFORD UNIVERSITY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022

Note 18. Operating Leases

Lessor arrangements

The Foundation currently leases the Selu Conservancy, residential housing, office space, storage space, apartment buildings, and parking lots to the University under separate operating leases that expire in varying periods through April 2025. One leasing arrangement with the University requires that the Foundation receive rental revenue equal to the operating expenditures, capital expenditures and debt servicing on the properties. Based on the variability of the amounts to be received, rental revenue under this arrangement is not included in the future minimum rental receipts below. The Foundation also leases office space and residential housing to other parties under separate operating leases including subleases that expire in varying periods through May 2030. Rental income for 2022 and 2021 was \$1,319,344 and \$2,710,829, respectively.

Additionally, in April 2021, the Foundation entered into an agreement to lease land to an outside party who plans to construct an approximate \$30 million hotel on the premises. Through June 30, 2022, the Foundation has incurred approximately \$700,000 in due diligence and site preparedness costs, in addition to making a \$4.5 million investment into the construction of the hotel. This approximate \$5.2 million has been capitalized to the balance sheet as a prepaid lease incentive and will be amortized over the life of the lease, currently expected to be sixty years. A one-time payment of \$100,000 was received at lease origination. Additionally, once the hotel is operational, the Foundation has the right to receive a \$3 per room fee for each nightly reservation. The Foundation has not included an estimate of future rental receipts for this project in the below totals.

Future minimum rental receipts on these leases are as follows:

2023	\$ 143,795
2024	28,186
2025	14,860
2026	12,000
2027 and thereafter	<u>47,000</u>
	<u>\$ 245,841</u>

The cost and accumulated depreciation related to the leased assets is included in property and equipment and is summarized as follows:

	<u>2022</u>	<u>2021</u>
Cost	\$ 17,627,112	\$ 26,151,372
Less – accumulated depreciation	<u>(2,931,769)</u>	<u>(3,575,711)</u>
	<u>\$ 14,695,343</u>	<u>\$ 22,575,661</u>

(Continued)

RADFORD UNIVERSITY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022

Note 19. Related Party Transactions

The Foundation provides financial support to the University. The University is a separate entity and exempt from income taxes under the *Internal Revenue Code* and the tax statutes of the Commonwealth of Virginia. The consolidated financial statements of the Foundation do not reflect any assets or liabilities of the University.

Rental activity

The Foundation leases property to the University as more fully described in Note 18.

Other

The University provides funding to the Foundation as more fully described in Note 16.

In recent years, the Foundation's Board has annually approved funding to the University to supplement compensation expenses of the University and other expenses that the Board of Visitors of the University and the Foundation's Board has deemed appropriate. This funding totaled \$407,830 and \$630,624 in 2022 and 2021, respectively. In 2022, the Foundation's Board approved a five-year funding request to the University to supplement compensation expenses of the University, potential bonuses and other expenses that the Board of Visitors of the University and the Foundation's Board deemed appropriate.

Estimated yearly funding as follows:

2023	\$ 450,000
2024	450,000
2025	450,000
2026	450,000
2027	<u>450,000</u>
	<u>\$ 2,250,000</u>

(Continued)

RADFORD UNIVERSITY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2022

Note 20. Operating Expenses

The table below presents expenses by both their nature and function for fiscal year 2022:

	Program Services					General and		Fundraising	Total
	Student Support	University Program Support	Faculty and Staff Development	Depreciation	Interest	Total	Administrative		
Labor and related expenses	\$ -	\$ 62,241	\$ -	\$ -	\$ -	\$ 62,241	\$ 500,734	\$ -	\$ 562,975
RU Salaries and related expenses	2,664	95,502	13,351	-	-	111,517	-	-	111,517
Contributions in kind	-	17,928	-	-	-	17,928	-	1,700,973	1,718,901
Scholarships and awards	2,270,971	21,611	48,732	-	-	2,341,314	75	449	2,341,838
Board of visitor funding	-	394,501	(650)	-	-	393,851	10,250	-	404,101
RU capital projects and transfers	76,549	631,989	4,000	-	-	712,538	-	-	712,538
Travel, meetings and events	9,860	342,792	315	-	-	352,967	13,953	21,440	388,360
Interest	-	-	-	-	537,669	537,669	-	-	537,669
Professional services	-	137,590	3,800	-	-	141,390	2,835	7,984	152,209
Legal	-	27,376	-	-	-	27,376	16,972	-	44,348
Insurance	-	135,195	-	-	-	135,195	46,452	-	181,647
Audit and accounting	-	-	-	-	-	-	24,396	-	24,396
Property expenses	475	322,330	-	-	-	322,805	7,000	-	329,805
Telephone	-	9,309	-	-	-	9,309	2,656	-	11,965
Equipment and supplies	-	264,131	5,156	-	-	269,287	15,770	-	285,057
Printing and publications	-	20,205	-	-	-	20,205	250	-	20,455
Membership dues	-	99,064	3,000	-	-	102,064	14,724	285	117,073
Bank and online charges	-	3,435	-	-	-	3,435	3,756	22,462	29,653
Depreciation	-	-	-	558,256	-	558,256	-	-	558,256
Amortization of lease incentive	-	86,390	-	-	-	86,390	-	-	86,390
Other	-	45,911	-	-	-	45,911	919	-	46,830
Total	\$ 2,360,519	\$ 2,717,500	\$ 77,704	\$ 558,256	\$ 537,669	\$ 6,251,648	\$ 660,742	\$ 1,753,593	\$ 8,665,983

(Continued)

RADFORD UNIVERSITY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022

Note 20. Operating Expenses (Continued)

The table below presents expenses by both their nature and function for fiscal year 2021:

	Program Services						General and		Total
	Student Support	University Program Support	Faculty and Staff Development	Depreciation	Interest	Total	Administrative	Fundraising	
Labor and related expenses	\$ -	\$ 42,864	\$ -	\$ -	\$ -	\$ 42,864	\$ 436,836	\$ -	\$ 479,700
RU Salaries and related expenses	-	132,802	9,107	-	-	141,909	-	-	141,909
Contributions in kind	-	31,564	-	-	-	31,564	-	1,472,362	1,503,926
Scholarships and awards	2,351,200	60,601	61,982	-	-	2,473,783	1,000	2,000	2,476,783
Board of visitor funding	-	655,624	650	-	-	656,274	10,500	-	666,774
RU capital projects and transfers	4,500	1,333,633	-	-	-	1,338,133	-	-	1,338,133
Travel, meetings and events	3,280	108,803	3,375	-	-	115,458	2,339	46,159	163,956
Interest	-	-	-	-	615,499	615,499	-	-	615,499
Professional services	-	273,308	-	-	-	273,308	2,735	5,405	281,448
Legal	-	52,922	-	-	-	52,922	20,555	-	73,477
Insurance	-	163,425	-	-	-	163,425	34,506	-	197,931
Audit and accounting	500	-	-	-	-	500	23,200	-	23,700
Property expenses	-	454,890	-	-	-	454,890	216	-	455,106
Telephone	-	13,958	-	-	-	13,958	2,967	-	16,925
Equipment and supplies	-	68,137	10,410	-	-	78,547	15,095	373	94,015
Printing and publications	-	3,148	-	-	-	3,148	7,840	-	10,988
Membership dues	699	49,900	3,000	-	-	53,599	11,214	2,741	67,554
Bank and online charges	957	2,776	-	-	-	3,733	3,093	20,593	27,419
Depreciation	-	-	-	1,083,589	-	1,083,589	-	-	1,083,589
Amortization of lease incentive	-	21,597	-	-	-	21,597	-	-	21,597
Other	-	1,325	-	-	-	1,325	4,498	-	5,823
Total	<u>\$ 2,361,136</u>	<u>\$ 3,471,277</u>	<u>\$ 88,524</u>	<u>\$ 1,083,589</u>	<u>\$ 615,499</u>	<u>\$ 7,620,025</u>	<u>\$ 576,594</u>	<u>\$ 1,549,633</u>	<u>\$ 9,746,252</u>