



**Radford University Foundation, Inc.
Subsidiaries and Affiliate
Consolidated Financial Statements**

JUNE 30, 2021

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

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Radford University Foundation, Inc., Subsidiaries and Affiliate (the "Foundation"), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2021 and 2020, and the changes in its net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

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

CERTIFIED PUBLIC ACCOUNTANTS

Christiansburg, Virginia
December 9, 2021

RADFORD UNIVERSITY FOUNDATION, INC. SUBSIDIARIES AND AFFILIATE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 1,437,257	\$ 1,440,168
Notes receivable – net	179,852	470,295
Other receivables	352,754	391,729
Contributions receivable – net	5,223,765	6,248,032
Prepaid expenses	133,156	72,678
Investments	83,540,317	65,939,646
Real estate held for sale	494,763	551,489
Cash value of life insurance	41,739	38,019
Property and equipment – net	22,655,871	41,511,822
Prepaid lease incentive – net	5,161,787	-
Funds held in trust by others	1,027,396	864,983
Collections of art	2,127,091	2,113,291
	<u>\$ 122,375,748</u>	<u>\$ 119,642,152</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 78,499	\$ 211,164
Accrued expenses and other payables	88,811	236,562
Deferred rental income	127,577	210,817
Notes payable	19,654,514	33,618,237
Annuity and unitrust obligations	395,092	419,939
	<u>20,344,493</u>	<u>34,696,719</u>
NET ASSETS		
Without donor restrictions	17,832,265	15,384,210
With donor restrictions	84,198,990	69,561,223
	<u>102,031,255</u>	<u>84,945,433</u>
	<u>\$ 122,375,748</u>	<u>\$ 119,642,152</u>

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

RADFORD UNIVERSITY FOUNDATION, INC. SUBSIDIARIES AND AFFILIATE

CONSOLIDATED STATEMENT 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
Gain (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>
Total expenses	<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	<u>15,384,210</u>	<u>69,561,223</u>	<u>84,945,433</u>
Ending	<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 STATEMENT OF ACTIVITIES

June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND OTHER CHANGES			
Contributions	\$ 250,717	\$ 4,093,892	\$ 4,344,609
Contributions held in trust	-	-	-
Contributions in-kind	1,783,745	6,668	1,790,413
Rental income	2,385,515	35,072	2,420,587
Other income	71,897	123,951	195,848
Gain (loss) on sale of real estate held for sale	-	19,219	19,219
Gain on sale of fixed assets	-	-	-
Write-off of fixed assets no longer in service	-	-	-
Net return on investments	32,447	(28,016)	4,431
	<u>4,524,321</u>	<u>4,250,786</u>	<u>8,775,107</u>
Net assets released from restrictions and reclassifications	<u>4,367,962</u>	<u>(4,367,962)</u>	<u>-</u>
Total support and revenue	<u>8,892,283</u>	<u>(117,176)</u>	<u>8,775,107</u>
EXPENSES			
Program expenses			
Student support	1,968,848	-	1,968,848
University program support	2,547,599	-	2,547,599
University program support in-kind	12,947	-	12,947
Faculty and staff development	24,074	-	24,074
Depreciation	1,199,284	-	1,199,284
Interest	1,011,125	-	1,011,125
General and administrative expenses			
Other	545,248	-	545,248
Fundraising expenses			
Contributed	1,774,606	-	1,774,606
Other	87,141	-	87,141
	<u>9,170,872</u>	<u>-</u>	<u>9,170,872</u>
Change in net assets	(278,589)	(117,176)	(395,765)
NET ASSETS			
Beginning	<u>15,662,799</u>	<u>69,678,399</u>	<u>85,341,198</u>
Ending	<u>\$ 15,384,210</u>	<u>\$ 69,561,223</u>	<u>\$ 84,945,433</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, 2021 and 2020

	2021	2020
OPERATING ACTIVITIES		
Change in net assets	\$ 17,085,822	\$ (395,765)
Adjustments to reconcile to net cash provided by (used in) operating activities:		
Assets received as noncash contributions	(13,350)	(2,859)
Contributions restricted for long-term investment	(1,424,939)	(1,331,798)
Net realized and unrealized (gain) loss on investments	(17,047,074)	762,541
Funds held in trust by others	(162,413)	9,623
(Gain) loss on disposal of real estate held for sale	756	(19,219)
Gain on disposal of property and equipment	(465,789)	-
Write off of assets removed from service	1,242,180	-
Notes receivable discount and forgiveness	1,418	766
Depreciation	1,083,589	1,199,284
Amortization of prepaid lease incentive	21,598	-
Change in:		
Other receivables	38,975	(241,834)
Contributions receivable	1,024,267	(90,093)
Prepaid expenses	(60,478)	24,746
Cash value of life insurance	(3,720)	(3,315)
Collections of art	(450)	-
Accounts payable	(132,665)	59,175
Accrued expenses and other payables	(147,751)	(396,808)
Deferred rental income	(83,240)	107,365
Annuity and unitrust obligations	37,590	86,253
Net cash provided by (used in) operating activities	994,326	(231,938)
INVESTING ACTIVITIES		
Purchases of property and equipment	(14,055)	(369,145)
Proceeds from sale of property and equipment	16,785,970	-
Purchase of real estate held for sale	(4,030)	(3,398)
Proceeds from sale of real estate held for sale	60,000	84,500
Purchase of incentives for leasing	(4,959,329)	-
Less debt incurred to finance incentives for leasing	4,000,000	-
Notes receivable – payments received	289,025	17,531
Purchases of investments	(11,351,447)	(47,938,184)
Sales of investments	10,797,850	46,597,880
Net cash provided by (used in) investing activities	15,603,984	(1,610,816)
FINANCING ACTIVITIES		
Contributions restricted for long-term investment	1,424,939	1,331,798
Payments of annuity and unitrust obligations	(62,437)	(68,342)
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	(18,374,917)	(313,365)
Net cash provided by (used in) financing activities	(16,601,221)	950,091

(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, 2021 and 2020

	2021	2020
FINANCING ACTIVITIES (CONTINUED)		
Net change in cash and cash equivalents	\$ (2,911)	\$ (892,663)
CASH		
Beginning	1,440,168	2,332,831
Ending	\$ 1,437,257	\$ 1,440,168
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for interest	\$ 631,279	\$ 1,054,995
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Assets received as noncash contributions		
Contributions of art included in collections of art	\$ 13,350	\$ 2,859
Contributions of stock included in investments	\$ 1,166,587	\$ 777,493
Long-term debt incurred for incentives for leasing	\$ 4,000,000	\$ -
Transfer of property and equipment to incentives for leasing	\$ 224,056	\$ -

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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021**

Note 1. Organization and Nature of Activities

Radford University Foundation, Inc. (the “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 (the “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 (the “Board”) 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 (RUREM) can both appoint one member to the Board, and those 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, 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 RUREM. RUREM is managed by a Board of Directors which is appointed by the Foundation Board.

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 of Directors are 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 on its consolidated statements of financial position.

Note 2. Summary of Significant Accounting Policies

Principles of consolidation

The consolidated financial statements include the accounts of the Foundation, RUAF, and RUREM. 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 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, INC.
SUBSIDIARIES AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021

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 on the consolidated statements of activities as net assets released from restrictions.

Recent accounting pronouncements

In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the existing disclosure requirements relating to fair value measurements. ASU 2018-13 eliminates certain disclosures related to transfers and the valuations process, modifies disclosures for investments that are valued based on net asset value, clarifies the measurement uncertainty disclosure, and requires additional disclosures for Level 3 fair value measurements. ASU 2018-13 is applicable to all entities that are required, under accounting principles generally accepted in the United States of America (GAAP), to make disclosures about recurring or nonrecurring fair value measurements. The amendments outlined in ASU 2018-13 were effective for the Foundation for fiscal years beginning after December 15, 2019. The Foundation is currently assessing the impact that ASU 2018-13 will have on its consolidated financial statements and disclosures.

In March 2019, the FASB issued ASU 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections*, which amends the definition of the term “collections” by aligning it with the definition used in the Code of Ethics for Museums of the American Alliance of Museums and requires enhanced disclosures for collections. ASU 2019-03 was effective for fiscal years beginning after December 15, 2019. The Foundation is currently assessing the impact that ASU 2019-03 will have on its consolidated 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 represents amounts due to the Foundation and are discounted to their net present value less an allowance for note losses, if considered necessary.

(Continued)

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021**

Note 2. Summary of Significant Accounting Policies (Continued)

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 are reviewed by management. Because these alternative investments are not readily marketable, their estimated value is subject to additional uncertainty and, therefore, the value realized upon disposition may vary significantly from currently reported values.

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, INC.
SUBSIDIARIES AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021**

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” on the consolidated statements of activities.

The Foundation is the remainder beneficiary and trustee of 16 charitable gift annuities and three charitable remainder trusts. At June 30, 2021 and 2020, 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, 2021 and 2020, assets held in these annuities and unitrusts of \$613,990 and \$551,400, respectively, were included in investments. The change in value is reported in other income on the consolidated statements of activities and amounted to \$87,936 and \$71,134 for 2021 and 2020, 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; i.e., 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 the donation.

(Continued)

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021**

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 in net assets with donor restrictions; the restrictions are considered to be released at the time such long-lived assets are placed in service.

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, 2021, the Foundation had \$547,311 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 did not have any material unrecognized tax benefits or obligations as of June 30, 2021 and 2020.

The LLCs are disregarded entities for tax purposes and are included in the Foundation's filings. The Foundation has recorded unrelated business income tax expense of \$4,500 and \$2,551 for June 30, 2021 and 2020, respectively.

Deferred revenue

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

(Continued)

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021**

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 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.

Future accounting pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which replaced most existing lease guidance in GAAP when it became effective. In July 2018, the FASB issued the new transition method and practical expedient to simplify the application of the new leasing standard. Under the new transition method, comparative periods presented in the consolidated financial statements in the period of adoption will not need to be restated. Instead, an entity would initially apply the new lease requirements at the effective date, and recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. The entity would continue to report comparative periods presented in the consolidated financial statements in the period of adoption under current GAAP and provide the applicable required disclosures for such periods. The new practical expedient allows lessors to avoid separating lease and associated non-lease components within a contract if certain criteria are met. If elected, lessors will be able to aggregate non-lease components that otherwise would be accounted for under ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, with the associated lease component if the following conditions are met: (1) the timing and pattern of transfer for the non-lease component and the associated lease component are the same and (2) the stand-alone lease component would be classified as an operating lease if accounted for separately. ASU 2016-02, as amended, is effective for the Foundation for annual reporting periods beginning after December 15, 2021, with early adoption permitted. The Foundation is currently assessing the impact that ASU 2016-02, as amended, will have on its consolidated financial statements and disclosures.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021**

Note 2. Summary of Significant Accounting Policies (Continued)

Subsequent events

In preparing these consolidated financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through December 9, 2021, 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 these 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, 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 consolidated statements of financial position date.

As of June 30, 2021 and 2020, financial assets available within one year of the consolidated statements of financial position date for general expenditure were as follows:

	2021	2020
Cash and cash equivalents	\$ 1,437,257	\$ 1,440,168
Notes and other receivables due within one year	326,456	363,975
Contributions receivable, net due within one year without donor restrictions on the use of funds	7,284	5,490
Portion of investments without donor restrictions and non-endowed donor-restricted funds	13,451,995	11,079,525
Total financial assets available in one year	15,222,992	12,889,158
Unused and available funds from line of credit	1,500,000	1,500,000
Budgeted custodial fee income from endowment	1,020,000	954,000
	\$ 17,742,992	\$ 15,343,158

(Continued)

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021**

Note 4. Notes Receivable

During 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 six through 17. The Foundation has elected to record this receivable at fair value. Accordingly, the unearned discount, calculated at 4.0%, on this receivable was \$46,729 and \$55,810 on June 30, 2021 and 2020, respectively. The Foundation received the first payment of \$15,000 in the fall of 2020. In addition, the Foundation forgave \$10,500 and \$10,000 of this note in exchange for guaranteed daycare slots for employees of the University during 2021 and 2020, respectively.

During fiscal year 2017, the Foundation sold a real estate property in exchange for cash and a \$306,000 note receivable. The note was interest bearing at a rate equal to the London inter-bank offered rate (LIBOR) index plus 2.00% with a floor of 3.50% (3.96% at June 30, 2020) with an amortization of 20 years and a balloon payment due five years after the date of the note. The interest rate was subject to adjustment on December 1, 2017 and was subject to adjustment on that day every 12th month thereafter through maturity. This note was paid off in December 2020. The balance of this note at June 30, 2020 was \$267,863

Note 5. Contributions Receivable

Contributions receivable consisted of the following:

	2021	2020
Contributions expected to be collected in:		
Less than one year	\$ 2,815,860	\$ 2,653,459
One to five years	2,766,400	3,990,337
More than five years	300,000	423,870
	5,882,260	7,067,666
Less – allowance for uncollectible contributions	(293,165)	(258,958)
Less – discount to net present value	(365,330)	(560,676)
	\$ 5,223,765	\$ 6,248,032

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 2021 and 2020 was \$161,139 and \$84,628, respectively, and is included in contribution income on 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, 2021 and 2020 was 5.66%.

(Continued)

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021**

Note 5. Contributions Receivable (Continued)

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

	2021	2020
Without donor restrictions	\$ 7,284	\$ 5,490
With donor restrictions – time and purpose restrictions	3,252,247	3,033,876
With donor restrictions – held in perpetuity	1,964,234	3,208,666
	\$ 5,223,765	\$ 6,248,032

Pledges from four contributors comprised approximately 39% and 47% of total contributions receivable at June 30, 2021 and 2020, respectively.

Note 6. Investments

Investments were comprised of the following:

	2021	2020
Cash and cash equivalents	\$ 1,112,468	\$ 5,343,116
Equities	4,605,508	1,945,887
Mutual funds with various investment strategies	63,443,505	38,466,723
Limited partnerships	14,378,836	20,183,920
	\$ 83,540,317	\$ 65,939,646

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

	2021	2020
Investments – beginning	\$ 65,939,646	\$ 65,361,883
Gifts and net transfers to operational accounts	(121,031)	645,968
	65,818,615	66,007,851
Investment activity:		
Dividends and interest	1,113,987	1,267,785
Net realized and unrealized gains (losses)	17,047,074	(762,541)
Service fees	(376,922)	(505,107)
	17,784,139	137
Amounts appropriated for operations:		
Annuity and unitrust obligation payments	(62,437)	(68,342)
Investments – ending	\$ 83,540,317	\$ 65,939,646

(Continued)

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021**

Note 6. Investments (Continued)

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

	2021	2020
Without donor restrictions	\$ 7,908,186	\$ 5,818,624
With donor restrictions – time and purpose restrictions	37,756,733	24,928,244
With donor restrictions – held in perpetuity	37,875,398	35,192,778
	\$ 83,540,317	\$ 65,939,646

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.

In March 2019, the Board approved the liquidating of its investment in the Partnership with the Richmond Fund, which had an approximate value of \$59 million at that time. During the liquidation, monies were transferred into an account managed with BNY Mellon. At June 30, 2020, approximately \$3.7 million was still to be transferred to BNY Mellon from the Richmond Fund. Also, as part of the liquidation, the Richmond Fund transferred 10 alternative investments to BNY Mellon with a value of approximately \$16 million at June 30, 2020 which were reported as limited partnerships above. The remainder of the monies transferred to BNY Mellon were allocated amongst cash, equities, and mutual funds. The Foundation's investment with the Richmond Fund was completely liquidated as of June 30, 2021.

Note 7. Property and Equipment

Property and equipment consisted of the following:

	2021	2020
Buildings	\$ 22,622,139	\$ 41,379,999
Furniture and equipment	287,707	366,194
Land and improvements	3,345,737	4,434,481
Construction in progress	16,705	241,356
	26,272,288	46,422,030
Less – accumulated depreciation	(3,616,417)	(4,910,208)
	\$ 22,655,871	\$ 41,511,822

(Continued)

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021**

Note 7. Property and Equipment (Continued)

In March 2021, the Foundation sold 19 properties with a net book value of approximately \$16.3 million to the University. In consultation with the bank holding the note payable on the respective properties, a sale price of approximately \$16.8 million was determined. The proceeds received from the University on this sale were applied directly to the note payable securing the properties.

Note 8. Real Estate Held for Sale

As of June 30, 2021, the Foundation had a total of 16 real estate holdings held for sale totaling \$494,763. Real estate held for sale as of June 30, 2020 consisted of 17 real estate holdings totaling \$551,489.

Note 9. Funds Held in Trust by Others

Funds held in trust by others consists of the assets of two trusts established under the wills of separate donors. One trust (Trust A) is administered by a financial institution that also serves as the trustee. The second trust (Trust B) is administered by a financial services firm with an outside foundation serving as the trustee. In Trust A, the Foundation is one of multiple beneficiaries and is subject to receive 4% of the trust value as it distributes over a five-year period at which time the trust will terminate. This trust was fully distributed as of June 30, 2021. In Trust B, the Foundation is the sole beneficiary and is subject to receive up to 5% of the trust value annually to award as a scholarship. Trust B will continue to exist in perpetuity or until such time that all funds have been awarded from the Trust. The distribution received in fiscal year 2021 from Trust B was recorded as contributions held in trust with donor restrictions on the consolidated statements of activities. In fiscal year 2021 and 2020, the change in the values of these trusts was recorded as other income on the consolidated statements of activities.

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

	2021	2020
Cash and cash equivalents	\$ 260,564	\$ 41,641
Fixed income securities	-	5,517
Equities	766,832	817,825
	\$ 1,027,396	\$ 864,983

(Continued)

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021**

Note 10. Line of Credit

The line of credit consisted of the following:

	2021	2020
Line of credit, originated June 23, 2016 for \$1.5 million, interest payable monthly at LIBOR plus 1.60% (1.69% and 1.77% at June 30, 2021 and 2020, respectively), outstanding principal due September 30 2021. Unsecured.	\$ -	\$ -
	<u>-</u>	<u>-</u>

Note 11. Notes Payable

Notes payable consisted of the following:

	2021	2020
Note payable in monthly installments of \$5,182 through May 2025, with interest payable at LIBOR plus 1.48% (1.57% and 1.65% at June 30, 2021 and 2020, respectively). Unsecured.	\$ 222,840	\$ 280,837
Note payable in monthly installments of \$2,601 through November 2020, with interest payable of 1.54%. Secured by deposit accounts maintained by and investment property held with the institution.	-	12,775
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 (1.57% and 1.01% at June 30, 2021 and 2020, 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.	355,899	385,539
Note payable in monthly installments calculated on a 20-year amortization with a balloon payment of remaining amount in May 2023, with interest payable at LIBOR plus 0.82% (1.01% at June 30, 2020). 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.	-	427,625

(Continued)

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021**

Note 11. Notes Payable (Continued)

Notes payable consisted of the following: (Continued)

<p>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% (0.91% and 0.98% at June 30, 2021 and 2020, 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.</p>	4,782,901	22,354,863
<p>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 and investment property held with the institution. Additionally secured by an assignment of leases and rents.</p>	9,693,396	9,957,285
<p>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 and investment property held with the institution. Additionally secured by an assignment of leases and rents.</p>	188,284	199,313
<p>Note payable with monthly interest only payments through December 2021, then monthly installments calculated on a 25-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.</p>	4,000,000	-
<p>Note payable in monthly installments calculated on a seventeen-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% (1.57% at June 30, 2021). 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.</p>	411,194	-
	\$ 19,654,514	\$ 33,618,237

(Continued)

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021**

Note 11. Notes Payable (Continued)

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

2022		\$ 647,290
2023		714,019
2024		884,505
2025		13,218,172
2026 and thereafter		<u>4,190,528</u>
		<u>\$ 19,654,514</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, 2021.

Note 12. Net Assets Without Donor Restrictions

Net assets without donor restrictions included the following:

	<u>2021</u>	<u>2020</u>
Designated for:		
Financial aid	\$ 1,581,637	\$ 1,067,835
Departmental use	3,145,081	2,113,840
University academic and program support	5,765,315	5,170,830
General operations and investment in land, building, and equipment	<u>7,340,232</u>	<u>7,031,705</u>
	<u>\$ 17,832,265</u>	<u>\$ 15,384,210</u>

(Continued)

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021**

Note 13. Net Assets With Donor Restrictions

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

	2021	2020
Subject to expenditure for specific purposes and time:		
Faculty salaries, research, and development	\$ 3,899,214	\$ 2,755,757
Financial aid	21,480,960	13,117,613
University academic and program support	16,152,360	12,742,036
General operations and investment in land, building, and equipment	1,538,620	1,528,681
	43,071,154	30,144,087
Restricted in perpetuity, the income from which is expendable for:		
Faculty salaries, research, and development	2,332,041	2,332,041
Financial aid	33,913,233	32,367,819
University academic and program support	4,882,562	4,717,276
	41,127,836	39,417,136
	\$ 84,198,990	\$ 69,561,223

Note 14. Endowment

The Foundation's endowment consists of approximately 500 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.

(Continued)

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021**

Note 14. Endowment (Continued)

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 2021 and 2020 were as follows:

	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 – July 1, 2021	\$ -	\$ 72,833,373	\$ 72,833,373

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021**

Note 14. Endowment (Continued)

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets – July 1, 2019	\$ -	\$ 60,176,413	\$ 60,176,413
Investment return:			
Net depreciation (realized and unrealized)	-	(28,018)	(28,018)
Contributions	-	1,456,948	1,456,948
Appropriations of endowment assets for expenditure	-	(2,843,224)	(2,843,224)
Other income (loss)	-	(15,329)	(15,329)
Other changes – transfer from (to) other funds	-	(95,340)	(95,340)
Endowment net assets – July 1, 2020	\$ -	\$ 58,651,450	\$ 58,651,450

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. As of June 30, 2020, funds with an aggregate fair value of \$337,281 and an aggregate original ‘gift value’ of \$349,114 were “underwater” by or had deficiencies totaling \$11,833. 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.

(Continued)

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021**

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 Board are as follows:

Date policy approved	December 2011
Policy effective as of	July 1, 2012 amended March 22, 2019
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, 2020
Custodial fees assessed as % of fund value (custodial fees are only assessed on matured funds)	2020: 1.85% of 5-year average 2021: 1.92% of 5-year average

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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021

Note 15. Fair Value Measurements (Continued)

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; or
- 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 (**Net Asset Value "NAV"**): The Foundation uses the 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, INC.
SUBSIDIARIES AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021

Note 15. Fair Value Measurements (Continued)

Notes receivable (**Level 3**): Notes receivable 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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021**

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, 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	-	-	173,771	-	173,771
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>\$ 5,397,536</u>	<u>\$ 14,378,836</u>	<u>\$ 88,852,781</u>
Annuity and unitrust obligations	<u>\$ -</u>	<u>\$ 1,027,396</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 395,092</u>

(Continued)

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021**

Note 15. Fair Value Measurements (Continued)

Fair Value as of June 30, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>	<u>Total</u>
Investments:					
Mutual funds					
Growth	\$ 1,457,516	\$ -	\$ -	\$ -	\$ 1,457,516
Bond	8,552,210	-	-	-	8,552,210
Small cap	178,850	-	-	-	178,850
Mid cap	3,963,333	-	-	-	3,963,333
Large cap	17,331,504	-	-	-	17,331,504
International	4,260,657	-	-	-	4,260,657
Emerging markets	2,162,182	-	-	-	2,162,182
Other	560,471	-	-	-	560,471
Total	38,466,723	-	-	-	38,466,723
Domestic stocks	1,945,887	-	-	-	1,945,887
Limited partnerships (a)	-	-	-	20,183,920	20,183,920
Total investments	40,412,610	-	-	20,183,920	60,596,530
Notes receivable	-	-	190,189	-	190,189
Contributions receivable	-	-	6,248,032	-	6,248,032
Funds held in trust by others	-	864,983	-	-	864,983
Total assets at fair value	<u>\$ 40,412,610</u>	<u>\$ 864,983</u>	<u>\$ 6,438,221</u>	<u>\$ 20,183,920</u>	<u>\$ 67,899,734</u>
Annuity and unitrust obligations	<u>\$ -</u>	<u>\$ 419,939</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 419,939</u>

The Foundation had \$1,112,468 and \$5,343,116 of cash balances at June 30, 2021 and 2020, 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.

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

(Continued)

**RADFORD UNIVERSITY FOUNDATION, INC.
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Note 15. Fair Value Measurements (Continued)

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
Interest and dividends	-	-
Realized gains	-	-
Unrealized losses related to instruments still held at reporting date	-	-
Purchases, pledges, and notes received	-	2,853,252
Sales, contribution receipts, and note payments	(15,000)	(3,702,008)
Investment fees	-	-
Pledges or notes written off	(10,500)	(336,650)
Change in fair value and allowance	<u>9,082</u>	<u>161,139</u>
Fair value at June 30, 2021	<u>\$ 173,771</u>	<u>\$ 5,223,765</u>

The following table illustrates the activity of **Level 3** assets measured at fair value on a recurring basis from June 30, 2019 to June 30, 2020:

	<u>Notes Receivable</u>	<u>Contributions Receivable</u>
Fair value at June 30, 2019	\$ 190,956	\$ 6,157,939
Interest and dividends	-	-
Realized gains	-	-
Unrealized losses related to instruments still held at reporting date	-	-
Purchases, pledges, and notes received	-	2,654,886
Sales, contribution receipts, and note payments	-	(2,317,722)
Investment fees	-	-
Pledges or notes written off	(10,000)	(331,699)
Change in fair value and allowance	<u>9,233</u>	<u>84,628</u>
Fair value at June 30, 2020	<u>\$ 190,189</u>	<u>\$ 6,248,032</u>

(Continued)

**RADFORD UNIVERSITY FOUNDATION, INC.
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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 on the accompanying consolidated statements of activities as support and expenses.

	2021	2020
Amount received from the University:		
Contributed office expenses	\$ 150,030	\$ 175,305
Contributed salaries and benefits	1,304,332	1,581,295
	1,454,362	1,756,600
Amount received from other sources:		
Contributed fundraising expenses	18,000	18,007
Contributed program expenses	31,564	12,947
	49,564	30,954
Total contributed expenses	1,503,926	1,787,554
Contributed in-kind assets	13,350	2,859
	\$ 1,517,276	\$ 1,790,413

The value of donated volunteer services is not reflected on 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:

	2021	2020
Program services	\$ 1,967,626	\$ 1,484,077
Student support	2,298,652	1,912,059
General operations and equipment	978,579	971,826
	\$ 5,244,857	\$ 4,367,962

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**RADFORD UNIVERSITY FOUNDATION, INC.
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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 2021 and 2020 was \$2,710,829 and \$2,420,587, respectively.

Additionally, in April 2021, the Foundation entered into an agreement to lease land to an outside party who plans to construct an approximately \$30 million hotel on the premises. The Foundation 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 approximately \$5.2 million has been capitalized to the consolidated statements of financial position as a prepaid lease incentive and will be amortized over the life of the lease, currently expected to be 60 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 totals below.

Future minimum rental receipts on these leases are as follows:

2022	\$ 415,236
2023	56,051
2024	20,580
2025	14,860
2026 and thereafter	<u>59,000</u>
	<u>\$ 565,727</u>

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

	<u>2021</u>	<u>2020</u>
Cost	\$ 26,151,372	\$ 45,261,783
Less – accumulated depreciation	<u>(3,575,711)</u>	<u>(4,802,399)</u>
	<u>\$ 22,575,661</u>	<u>\$ 40,459,384</u>

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RADFORD UNIVERSITY FOUNDATION, INC.
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June 30, 2021

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 *IRC* 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. Additionally, the Foundation entered into an agreement to lease a property to the future interim provost of the University in May 2021. The lease agreement called for rental payments of \$900 monthly for May and June 2021, with the amount increasing to \$1,200 monthly beginning in July 2021. The future interim provost became a Board member of the Foundation on July 1, 2021.

Other

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

In recent years, the 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 Board has deemed appropriate. This funding totaled \$630,624 and \$543,532 in 2021 and 2020, respectively. In 2021, the Board approved a one-year funding request to the University to supplement compensation expenses of the University and other expenses that the Board of Visitors of the University and the Board deemed appropriate. This request was for \$331,950 to be payable during fiscal year 2022.

Note 20. Subsequent Events

On August 6, 2021 the Foundation renewed its line of credit that was set to mature on September 30, 2021. The line of credit remains unsecured with \$1.5 million available and interest payable monthly at LIBOR plus 1.60%. Outstanding principal is due on demand.

On August 30, 2021 the Foundation sold two properties with a net book value of approximately \$3.27 million to the University. In consultation with the bank holding the note payable on the respective properties, a sales price of approximately \$3.35 million was determined. The proceeds received from the University on this sale were applied directly to the note payable securing the properties.

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**RADFORD UNIVERSITY FOUNDATION, INC.
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021**

Note 21. Operating Expenses

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

	<u>Program Services</u>						<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
	<u>Student Support</u>	<u>University Program Support</u>	<u>Faculty and Staff Development</u>	<u>Depreciation</u>	<u>Interest</u>	<u>Total</u>			
Labor and related expenses	\$ -	\$ 42,864	\$ -	\$ -	\$ -	\$ 42,864	\$ 436,836	\$ -	\$ 479,700
University 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
University 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	-	21,598	-	-	-	21,598	-	-	21,598
Other	-	1,324	-	-	-	1,324	4,498	-	5,822
Total	\$ 2,361,136	\$ 3,471,277	\$ 88,524	\$ 1,083,589	\$ 615,499	\$ 7,620,025	\$ 576,594	\$ 1,549,633	\$ 9,746,252

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021**

Note 21. Operating Expenses (Continued)

The table below presents expenses by both their nature and function for 2020:

	Program Services						General and Administrative	Fundraising	Total
	Student Support	University Program Support	Faculty and Staff Development	Depreciation	Interest	Total			
Labor and related expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 427,679	\$ -	\$ 427,679
University salaries and related expenses	-	259,932	9,150	-	-	269,082	-	-	269,082
Contributions in-kind	-	12,947	-	-	-	12,947	-	1,774,606	1,787,553
Scholarships and awards	1,921,003	52,776	7,231	-	-	1,981,010	75	85	1,981,170
Board of visitor funding	-	552,984	-	-	-	552,984	10,000	-	562,984
University capital projects and transfers	-	307,862	-	-	-	307,862	-	-	307,862
Travel, meetings and events	46,697	195,779	7,468	-	-	249,944	9,433	61,197	320,574
Interest	-	-	-	-	1,011,125	1,011,125	-	-	1,011,125
Professional services	-	236,680	-	-	-	236,680	2,735	5,588	245,003
Legal	-	9,399	-	-	-	9,399	8,860	1,791	20,050
Insurance	-	167,188	-	-	-	167,188	29,836	-	197,024
Audit and accounting	500	-	-	-	-	500	27,078	-	27,578
Property expenses	-	600,982	-	-	-	600,982	-	-	600,982
Telephone	-	11,683	-	-	-	11,683	2,660	-	14,343
Equipment and supplies	-	72,070	-	-	-	72,070	10,386	34	82,490
Printing and publications	-	15,747	225	-	-	15,972	4,812	-	20,784
Membership dues	-	48,378	-	-	-	48,378	6,301	2,199	56,878
Bank and online charges	-	2,108	-	-	-	2,108	3,052	16,247	21,407
Depreciation	-	-	-	1,199,284	-	1,199,284	-	-	1,199,284
Other	648	14,031	-	-	-	14,679	2,341	-	17,020
Total	<u>\$ 1,968,848</u>	<u>\$ 2,560,546</u>	<u>\$ 24,074</u>	<u>\$ 1,199,284</u>	<u>\$ 1,011,125</u>	<u>\$ 6,763,877</u>	<u>\$ 545,248</u>	<u>\$ 1,861,747</u>	<u>\$ 9,170,872</u>

Note 22. COVID-19 Outbreak

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The COVID-19 outbreak in the United States has caused business disruptions through mandated and voluntary closing of non-essential businesses. While the closings were temporary, there has been a change in the environment in how businesses and organizations operate along with the implementation of various safety protocols.

The Foundation is not able to estimate the effects of the COVID-19 outbreak on its financial condition, liquidity, or results of operations for fiscal year 2022 given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread.