



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

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020

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

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT.....	1
FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position.....	3
Consolidated Statements of Activities	4
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements.....	8



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, 2020 and 2019, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the 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, 2020 and 2019, 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

Blacksburg, Virginia
November 20, 2020

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2020 and 2019**

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 1,440,168	\$ 2,332,831
Notes receivable – net	470,295	488,592
Other receivables	391,729	149,895
Contributions receivable – net	6,248,032	6,157,939
Prepaid expenses	72,678	97,424
Investments	65,939,646	65,361,883
Real estate held for sale	551,489	613,372
Cash value of life insurance	38,019	34,704
Property and equipment – net	41,511,822	42,341,961
Funds held in trust by others	864,983	874,606
Collections of art	2,113,291	2,110,432
Total assets	\$ 119,642,152	\$ 120,563,639
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 211,164	\$ 151,989
Accrued expenses and other payables	236,562	633,370
Deferred rental income	210,817	103,452
Notes payable	33,618,237	33,931,602
Annuity and unitrust obligations	419,939	402,028
Total liabilities	34,696,719	35,222,441
NET ASSETS		
Without donor restrictions	15,384,210	15,662,799
With donor restrictions	69,561,223	69,678,399
Total net assets	84,945,433	85,341,198
Total liabilities and net assets	\$ 119,642,152	\$ 120,563,639

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, 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 on sale of real estate held for sale	-	19,219	19,219
Loss on sale of property and equipment	-	-	-
Net return on investments	32,447	(28,016)	4,431
	4,524,321	4,250,786	8,775,107
Net assets released from restrictions and reclassifications	4,367,962	(4,367,962)	-
Total support and revenue	8,892,283	(117,176)	8,775,107
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
Total expenses	9,170,872	-	9,170,872
Change in net assets	(278,589)	(117,176)	(395,765)
NET ASSETS			
Beginning	15,662,799	69,678,399	85,341,198
Ending	\$ 15,384,210	\$ 69,561,223	\$ 84,945,433

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, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support, and other changes			
Contributions	\$ 142,171	\$ 4,525,760	\$ 4,667,931
Contributions held in trust	-	18,200	18,200
Contributions in-kind	1,813,058	36,121	1,849,179
Rental income	3,195,070	373,840	3,568,910
Other income	123,828	256,581	380,409
Gain on sale of real estate held for sale	-	5,626	5,626
Loss on sale of property and equipment	(64,187)	-	(64,187)
Net return on investments	337,507	1,917,911	2,255,418
	5,547,447	7,134,039	12,681,486
 Net assets released from restrictions and reclassifications	 4,143,078	 (4,143,078)	 -
 Total support and revenue	 9,690,525	 2,990,961	 12,681,486
 Expenses			
Program expenses			
Student support	1,693,398	-	1,693,398
University program support	3,531,174	-	3,531,174
University program support in-kind	31,807	-	31,807
Faculty and staff development	83,335	-	83,335
Depreciation	1,167,664	-	1,167,664
Interest	1,189,414	-	1,189,414
General and administrative expenses			
Other	595,097	-	595,097
Fundraising expenses			
Contributed	1,812,473	-	1,812,473
Other	66,200	-	66,200
	10,170,562	-	10,170,562
 Change in net assets	 (480,037)	 2,990,961	 2,510,924
 NET ASSETS			
Beginning	16,142,836	66,687,438	82,830,274
Ending	\$ 15,662,799	\$ 69,678,399	\$ 85,341,198

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, 2020 and 2019**

	2020	2019
OPERATING ACTIVITIES		
Change in net assets	\$ (395,765)	\$ 2,510,924
Adjustments to reconcile to net cash provided by (used in) operating activities:		
Assets received as noncash contributions	(2,859)	(4,900)
Contributions restricted for long-term investment	(1,331,798)	(2,918,048)
Net realized and unrealized (gain) loss on investments	762,541	(1,647,941)
Funds held in trust by others	9,623	(105,194)
Gain on disposal of real estate held for sale	(19,219)	(5,626)
Loss on disposal of property and equipment	-	64,187
Notes receivable discount and forgiveness	766	1,366
Depreciation	1,199,284	1,167,664
Change in:		
Other receivables	(241,834)	107,932
Contributions receivable	(90,093)	1,245,958
Prepaid expenses	24,746	(63,764)
Cash value of life insurance	(3,315)	1,517
Accounts payable	59,175	(24,324)
Accrued expenses and other payables	(396,808)	176,666
Deferred rental income	107,365	(368,995)
Annuity and unitrust obligations	86,253	37,738
Net cash provided by (used in) operating activities	(231,938)	175,160
INVESTING ACTIVITIES		
Purchases of property and equipment	(369,145)	(682,204)
Less debt incurred on purchases	-	210,000
Proceeds from sale of property and equipment	-	273,000
Purchase of real estate held for sale	(3,398)	(6,236)
Proceeds from sale of real estate held for sale	84,500	115,000
Notes receivable – payments received	17,531	21,633
Purchases of investments	(47,938,184)	(14,603,521)
Sales of investments	46,597,880	12,615,073
Net cash used in investing activities	(1,610,816)	(2,057,255)
FINANCING ACTIVITIES		
Contributions restricted for long-term investment	1,331,798	2,918,048
Payments of annuity and unitrust obligations	(68,342)	(66,842)
Proceeds from notes payable	-	210,000
Less debt incurred to finance property and equipment	-	(210,000)
Payments on debt	(313,365)	(128,657)
Net cash provided by financing activities	950,091	2,722,549

(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, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
FINANCING ACTIVITIES (Continued)		
Net change in cash and cash equivalents	\$ (892,663)	\$ 840,454
CASH		
Beginning	<u>2,332,831</u>	<u>1,492,377</u>
Ending	<u>\$ 1,440,168</u>	<u>\$ 2,332,831</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for interest	<u>\$ 1,054,995</u>	<u>\$ 1,182,932</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Assets received as noncash contributions		
Contributions of art included in collections of art	<u>\$ 2,859</u>	<u>\$ 4,900</u>
Contributions of stock included in investments	<u>\$ 777,493</u>	<u>\$ 1,210,729</u>
Long-term debt incurred for property and equipment	<u>\$ -</u>	<u>\$ 210,000</u>

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, 2020**

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 (the “Board”), where most of the members are 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.

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 members 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 in 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, 2020**

Note 2. Summary of Significant Accounting Policies (Continued)

Basis of presentation (Continued)

Net assets with donor restrictions are net assets subject to donor-imposed restrictions. 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

During 2019, the Foundation adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification.

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, INC.
SUBSIDIARIES AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020**

Note 2. Summary of Significant Accounting Policies (Continued)

Investments (Continued)

Gifts of investments are recorded at 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, 2020**

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 16 charitable gift annuities and three charitable remainder trusts. At June 30, 2020 and 2019, the discount rate was based on the rate of return on the original gift date of the annuity. This rate varied between 1.8% and 8.2%. Annuities are payable monthly, quarterly, or annually. At June 30, 2020 and 2019, assets held in these annuities and unitrusts of \$551,400 and \$612,351, respectively, were included in investments. The change in value is reported in other income on the consolidated statements of activities and amounted to \$(71,134) and \$14,568 for 2020 and 2019, 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, INC.
SUBSIDIARIES AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020**

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 when the asset is 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, 2020, the Foundation had \$581,877 in excess of the amount insured by the Federal Deposit Insurance Company (FDIC). These funds were deposited with two different institutions.

Income taxes

The Foundation 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, 2020 and 2019.

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 \$2,551 and \$1,079 for June 30, 2020 and 2019, 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, 2020**

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.

Future accounting pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases (Topic 842)*, which will replace most existing lease guidance in GAAP when it becomes 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 No. 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 No. 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 No. 2016-02, as amended, will have on its consolidated financial statements and disclosures.

(Continued)

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020**

Note 2. Summary of Significant Accounting Policies (Continued)

Future accounting pronouncements (Continued)

In August 2018, the FASB issued ASU No. 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 No. 2018-13 eliminates certain disclosures related to transfers and the valuation process, modifies disclosures for investments that are valued based on net asset value (NAV), clarifies the measurement uncertainty disclosure, and requires additional disclosures for Level 3 fair value measurements. ASU No. 2018-13 is applicable to all entities that are required, under GAAP, to make disclosures about recurring or nonrecurring fair value measurements. The amendments outlined in ASU No. 2018-13 were effective for the Foundation for fiscal years beginning after December 15, 2019. The Foundation is currently assessing the impact that ASU No. 2018-13 will have on its consolidated financial statements and disclosures.

In March 2019, the FASB issued ASU No. 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections*, which modifies 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 No. 2019-03 was effective for fiscal years beginning after December 15, 2019. The Foundation is currently assessing the impact that ASU No. 2019-03 will have on its consolidated financial statements and disclosures.

Subsequent events

In preparing these consolidated financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through November 20, 2020, 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, 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.

(Continued)

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020**

Note 3. Financial Assets and Liquidity Resources (Continued)

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

	2020	2019
Cash and cash equivalents	\$ 1,440,168	\$ 2,332,831
Notes and other receivables due within one year	363,975	116,346
Contributions receivable, net due within one year without donor restrictions on the use of funds	5,490	4,823
Portion of investments without donor restrictions and non-endowed donor-restricted funds	11,079,525	9,530,079
Total financial assets available within one year	12,889,158	11,984,079
Unused and available funds from line of credit	1,500,000	1,500,000
Budgeted custodial fee income from endowment	954,000	900,000
	\$ 15,343,158	\$ 14,384,079

Note 4. Notes Receivable

During 2016, the Foundation loaned \$300,000 to a local nonprofit daycare 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 on this receivable was \$55,810 and \$65,044 on June 30, 2020 and 2019, respectively. The Foundation forgave \$10,000 and \$10,750 of this note in exchange for guaranteed daycare slots for employees of the University during fiscal years 2020 and 2019, respectively. The applicable discount rate at June 30, 2020 and 2019 was 4%. The outstanding balance at June 30, 2020 and 2019 was \$246,000 and \$256,000, respectively.

During 2017, the Foundation sold a real estate property in exchange for cash and a \$306,000 note receivable. The note is interest bearing at a rate equal to the London Inter-bank Offered Rate (LIBOR) index plus 2% with a floor of 3.5% (3.96% and 4.97% at June 30, 2020 and 2019, respectively) 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 is subject to adjustment on that day every 12th month thereafter through maturity. The balance of this note at June 30, 2020 and 2019 was \$267,863 and \$278,624, respectively.

(Continued)

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020**

Note 5. Contributions Receivable

Contributions receivable consisted of the following:

	2020	2019
Contributions expected to be collected in:		
Less than one year	\$ 2,653,459	\$ 2,439,666
One to five years	3,990,337	3,920,652
More than five years	423,870	701,883
	7,067,666	7,062,201
Less – allowance for uncollectible contributions	(258,958)	(245,083)
Less – discount to net present value	(560,676)	(659,179)
	\$ 6,248,032	\$ 6,157,939

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 2020 and 2019 was \$84,628 and \$198,038, 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, 2020 and 2019 was 5.66%.

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

	2020	2019
Without donor restrictions	\$ 5,490	\$ 4,823
With donor restrictions – time and purpose restrictions	3,033,876	2,414,359
With donor restrictions – held in perpetuity	3,208,666	3,738,757
	\$ 6,248,032	\$ 6,157,939

Pledges from four contributors comprised approximately 47% and 54% of total contributions receivable at June 30, 2020 and 2019, respectively.

(Continued)

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020**

Note 6. Investments

Investments were comprised of the following:

	2020	2019
Cash and cash equivalents	\$ 5,343,116	\$ 11,611,511
Equities	1,945,887	1,768,927
Mutual funds with various investment strategies	38,466,723	588,628
Limited partnerships	20,183,920	51,392,817
	\$ 65,939,646	\$ 65,361,883

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

	2020	2019
Investments – beginning	\$ 65,361,883	\$ 61,725,494
Gifts and net transfers to operational accounts	645,968	1,425,351
	66,007,851	63,150,845
Investment activity:		
Dividends and interest	1,267,785	1,146,175
Net realized and unrealized gains (losses)	(762,541)	1,647,941
Service fee expenses	(505,107)	(516,236)
	137	2,277,880
Amounts appropriated for operations:		
Annuity and unitrust obligation payments	(68,342)	(66,842)
Investments – ending	\$ 65,939,646	\$ 65,361,883

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

	2020	2019
Without donor restrictions	\$ 5,818,624	\$ 5,909,573
With donor restrictions – time and purpose restrictions	24,928,244	25,768,385
With donor restrictions – held in perpetuity	35,192,778	30,047,536
	\$ 65,939,646	\$ 61,725,494

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, INC.
SUBSIDIARIES AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020**

Note 6. Investments (Continued)

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 is still to be transferred to BNY Mellon from the Richmond Fund. As part of the liquidation, the Richmond Fund transferred approximately \$16 million of alternative investments to BNY Mellon which have been reported as limited partnerships above. The remainder of the monies transferred to BNY Mellon have been allocated amongst cash, equities, and mutual funds.

Note 7. Property and equipment

Property and equipment consisted of the following:

	2020	2019
Buildings	\$ 41,379,999	\$ 41,051,338
Furniture and equipment	366,194	354,814
Land and improvements	4,434,481	4,430,730
Construction in progress	241,356	216,003
	46,422,030	46,052,885
Less – accumulated depreciation	(4,910,208)	(3,710,924)
	\$ 41,511,822	\$ 42,341,961

Note 8. Real Estate Held for Sale

As of June 30, 2020, the Foundation had a total of 17 real estate holdings held for sale totaling \$551,489. Real estate held for sale as of June 30, 2019 consisted of 19 holdings totaling \$613,372.

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. 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 2019 from Trust B was recorded as contributions held in trust with donor restrictions on the consolidated statements of activities. In 2019 and 2020, the change in the values of these trusts was recorded as other income on the consolidated statements of activities.

(Continued)

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020**

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

Fair values of the trusts' assets as of June 30, 2020 and 2019, classified as funds held in trust by others, consisted of:

	2020	2019
Cash and cash equivalents	\$ 41,641	\$ 29,773
Fixed income securities	5,517	5,430
Equities	817,825	839,403
	\$ 864,983	\$ 874,606

Note 10. Line of Credit

Line of credit consisted of the following:

	2020	2019
Line of credit, originated June 23, 2016 for \$1.5 million, interest payable monthly at LIBOR plus 1.6% (1.77% and 4% at June 30, 2020 and 2019, respectively), outstanding principal due March 31, 2019. Unsecured.	\$ -	\$ -

(Continued)

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020**

Note 11. Notes Payable

Notes payable consisted of the following:

	2020	2019
Note payable in monthly installments of \$5,182.12 through May 2025, with interest payable at LIBOR plus 1.48% (1.65% and 3.88% at June 30, 2020 and 2019, respectively). Unsecured.	\$ 280,837	\$ 333,792
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	43,520
Note payable in monthly installments calculated on a 25-year amortization with a balloon payments of remaining amount in May 2021, with interest payable at LIBOR plus 0.82% (.98% and 3.22% at June 30, 2020 and 2019, 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.	385,539	397,911
Note payable in monthly installments calculated on a 20-year amortization with a balloon payments of remaining amount in May 2023, with interest payable at LIBOR plus 0.82% (1.01% and 3.22% at June 30, 2020 and 2019, 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.	427,625	446,379
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% (0.98% and 3.22% at June 30, 2020 and 2019, 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.	22,354,863	22,500,000
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 4.2%. 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.	9,957,285	10,000,000
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.	199,313	210,000
	\$ 33,618,237	\$ 33,931,602

(Continued)

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020**

Note 11. Notes Payable (Continued)

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

2020		\$ 1,648,015
2021		1,271,838
2022		1,656,079
2023		1,446,507
2024 and thereafter		<u>27,595,798</u>
		<u>\$ 33,618,237</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, 2020.

Note 12. Net Assets Without Donor Restrictions

Net assets without donor restrictions included the following:

	<u>2020</u>	<u>2019</u>
Designated for:		
Financial aid	\$ 1,067,835	\$ 1,094,763
Departmental use	2,113,840	2,161,032
University academic and program support	5,170,830	5,072,790
General operations and investment in land, building, and equipment	<u>7,031,705</u>	<u>7,334,214</u>
	<u>\$ 15,384,210</u>	<u>\$ 15,662,799</u>

(Continued)

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020**

Note 13. Net Assets With Donor Restrictions

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

	2020	2019
Subject to expenditure for specific purposes and time:		
Faculty salaries, research, and development	\$ 2,755,757	\$ 2,998,049
Financial aid	13,117,613	14,309,041
University academic and program support	12,742,036	12,240,685
General operations and investment in land, building, and equipment	1,528,681	2,046,446
	\$ 30,144,087	\$ 31,594,221
Restricted in perpetuity, the income from which is expendable for:		
Faculty salaries, research, and development	\$ 2,332,041	\$ 2,332,041
Financial aid	32,367,819	31,327,386
University academic and program support	4,717,276	4,604,715
	39,417,136	38,264,142
	\$ 69,561,223	\$ 69,678,399

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, 2020**

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 2020 and 2019 were as follows:

	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

(Continued)

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020**

Note 14. Endowment (Continued)

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets – July 1, 2018	\$ -	\$ 56,743,711	\$ 56,743,711
Investment return:			
Net depreciation (realized and unrealized)	-	2,340,137	2,340,137
Contributions	-	3,238,187	3,238,187
Appropriations of endowment assets for expenditure	-	(2,379,238)	(2,379,238)
Other income (loss)	-	148,688	148,688
Other changes – transfer from (to) other funds	-	84,928	84,928
Endowment net assets – July 1, 2019	\$ -	\$ 60,176,413	\$ 60,176,413

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 and 2019, funds with an aggregate fair value of \$337,281 and \$15,796 and an aggregate original ‘gift value’ of \$349,114 and \$33,240 were “underwater” by or had deficiencies totaling \$11,833 and \$17,444, respectively.

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% 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, 2020**

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 September 14, 2016
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, 2019
Custodial fees assessed as % of fund value (Custodial fees are only assessed on matured funds)	2019: 1.85% of 5 year average 2020: 1.85% of 5 year average

(Continued)

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020**

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.

(Continued)

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020**

Note 15. Fair Value Measurements (Continued)

Limited partnerships (**Level 3**): 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.

Notes receivable (**Level 3**): Valued 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**): Valued 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**): 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 2.8%.

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, INC.
SUBSIDIARIES AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020**

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, 2020			Total
	Level 1	Level 2	Level 3	
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>\$ 26,622,141</u>	<u>\$ 67,899,734</u>
Annuity and unitrust obligations	<u>\$ -</u>	<u>\$ 419,939</u>	<u>\$ -</u>	<u>\$ 419,939</u>

(Continued)

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020**

Note 15. Fair Value Measurements (Continued)

	Fair Value as of June 30, 2019			Total
	Level 1	Level 2	Level 3	
Investments:				
Mutual funds				
Growth	\$ 202,146	\$ -	\$ -	\$ 202,146
Bond	190,343	-	-	190,343
Small cap	65,632	-	-	65,632
Mid cap	80,243	-	-	80,243
Large cap	-	-	-	-
International	28,428	-	-	28,428
Emerging markets	-	-	-	-
Other	21,836	-	-	21,836
Total	588,628	-	-	588,628
Domestic stocks	1,768,927	-	-	1,768,927
Limited partnerships (a)	-	-	51,392,817	51,392,817
Total investments	2,357,555	-	51,392,817	53,750,372
Notes receivable	-	-	190,956	190,956
Contributions receivable	-	-	6,157,939	6,157,939
Funds held in trust by others	-	874,606	-	874,606
Total assets at fair value	<u>\$ 2,357,555</u>	<u>\$ 874,606</u>	<u>\$ 57,741,712</u>	<u>\$ 60,973,873</u>
Annuity and unitrust obligations	<u>\$ -</u>	<u>\$ 402,028</u>	<u>\$ -</u>	<u>\$ 402,028</u>

(Continued)

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020**

Note 15. Fair Value Measurements (Continued)

The Foundation had \$5,343,116 and \$11,611,511 of cash balances at June 30, 2020 and 2019, respectively, included in investments, which is not required to be classified into a level as prescribed within the guidance.

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.

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>	<u>Limited Partnerships</u>
Fair value at June 30, 2019	\$ 190,956	\$ 6,157,939	\$ 51,392,817
Interest and dividends	-	-	641,372
Realized gains	-	-	11,344,343
Unrealized losses related to instruments still held at reporting date	-	-	(12,609,498)
Purchases, pledges, and notes received	-	2,654,886	15,861,518
Sales, contribution receipts, and note payments	-	(2,317,722)	(46,125,050)
Investment fees	-	-	(321,582)
Pledges or notes written off	(10,000)	(331,699)	-
Change in fair value and allowance	9,233	84,628	-
Fair value at June 30, 2020	<u>\$ 190,189</u>	<u>\$ 6,248,032</u>	<u>\$ 20,183,920</u>

(Continued)

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020**

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, 2018 to June 30, 2019:

	<u>Notes Receivable</u>	<u>Contributions Receivable</u>	<u>Limited Partnerships</u>
Fair value at June 30, 2018	\$ 192,322	\$ 7,403,897	\$ 59,023,600
Interest and dividends	-	-	1,076,643
Realized gains	-	-	4,338,844
Unrealized losses related to instruments still held at reporting date	-	-	(2,589,295)
Purchases, pledges, and notes received	-	2,533,763	763,388
Sales, contribution receipts, and note payments	-	(3,771,088)	(10,744,312)
Investment fees	-	-	(476,051)
Pledges or notes written off	(10,750)	(169,366)	-
Change in fair value and allowance	9,384	160,733	-
Fair value at June 30, 2019	<u>\$ 190,956</u>	<u>\$ 6,157,939</u>	<u>\$ 51,392,817</u>

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>2020</u>	<u>2019</u>
Amount received from the University:		
Contributed office expenses	\$ 175,305	\$ 373,945
Contributed salaries and benefits	1,581,295	1,438,527
	<u>1,756,600</u>	<u>1,812,472</u>
Amount received from other sources:		
Contributed fundraising expenses	18,007	-
Contributed program expenses	12,947	31,807
	<u>30,954</u>	<u>31,807</u>
Total contributed expenses	1,787,554	1,844,279
Contributed in-kind assets	<u>2,859</u>	<u>4,900</u>
	<u>\$ 1,790,413</u>	<u>\$ 1,849,179</u>

(Continued)

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020**

Note 16. Contributions In-Kind (Continued)

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:

	2020	2019
Program services	\$ 1,484,077	\$ 1,612,848
Student support	1,912,059	1,624,723
General operations and equipment	971,826	905,507
Fundraising	-	-
	\$ 4,367,962	\$ 4,143,078

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 March 2021. 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. 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

Future minimum rental receipts on these leases are as follows:

2021	\$	588,246
2022		146,163
2023		46,291
2024		20,580
2025 and thereafter		73,860
	\$	875,140

(Continued)

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020**

Note 18. Operating Leases (Continued)

Lessor arrangements (Continued)

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

	2020	2019
Cost	\$ 45,261,783	\$ 45,236,710
Less – accumulated depreciation	(4,802,399)	(3,660,078)
	\$ 40,459,384	\$ 41,576,632

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.

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 \$543,532 and \$544,667 in 2020 and 2019, respectively. In 2019, the Board approved funding 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 Board deemed appropriate.

Estimated yearly funding is as follows:

2021	510,000
2022	510,000
2023	510,000
2024	510,000
2025	510,000
2026	510,000
	\$ 3,060,000

(Continued)

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020**

Note 20. Operating Expenses

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

	<u>Program Services</u>					<u>Total</u>	<u>General and</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>Administrative</u>	<u>Fundraising</u>	
Labor and related expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 427,679	\$ -	\$ 427,679
RU 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
RU 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	\$ 1,968,848	\$ 2,560,546	\$ 24,074	\$1,199,284	\$ 1,011,125	\$ 6,763,877	\$ 545,248	\$ 1,861,747	\$ 9,170,872

(Continued)

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020**

Note 20. Operating Expenses (Continued)

The table below presents expenses by both their nature and function for fiscal year 2019:

	<u>Program Services</u>					<u>Total</u>	<u>General and</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>Administrative</u>	<u>Fundraising</u>	
Labor and related expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 480,541	\$ -	\$ 480,541
RU salaries and related expenses	-	270,852	25,000	-	-	295,852	-	-	295,852
Contributions in kind	-	31,807	-	-	-	31,807	-	1,812,472	1,844,279
Scholarships and awards	1,691,731	71,900	40,369	-	-	1,804,000	-	150	1,804,150
Board of visitor funding	-	544,816	-	-	-	544,816	10,750	-	555,566
RU capital projects and transfers	-	472,852	-	-	-	472,852	-	-	472,852
Travel, meetings and events	500	404,129	6,581	-	-	411,210	9,641	35,160	456,011
Interest	-	-	-	-	1,189,414	1,189,414	-	-	1,189,414
Professional services	-	608,934	-	-	-	608,934	2,210	5,636	616,780
Legal	667	15,243	-	-	-	15,910	11,018	562	27,490
Insurance	-	139,883	-	-	-	139,883	30,403	-	170,286
Audit and accounting	500	-	-	-	-	500	26,182	-	26,682
Property expenses	-	738,973	-	-	-	738,973	478	-	739,451
Telephone	-	6,815	-	-	-	6,815	3,289	-	10,104
Equipment and supplies	-	182,137	8,385	-	-	190,522	12,476	59	203,057
Printing and publications	-	10,851	-	-	-	10,851	1,902	-	12,753
Membership dues	-	46,166	3,000	-	-	49,166	2,850	2,582	54,598
Bank and online charges	-	3,878	-	-	-	3,878	2,209	22,052	28,139
Depreciation	-	-	-	1,167,664	-	1,167,664	-	-	1,167,664
Other	-	13,745	-	-	-	13,745	1,148	-	14,893
Total	\$ 1,693,398	\$ 3,562,981	\$ 83,335	\$ 1,167,664	\$ 1,189,414	\$ 7,696,792	\$ 595,097	\$ 1,878,673	\$ 10,170,562