Radford University Foundation, Inc., Subsidiaries and Affiliate

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</tbody>
</table>
Independent Auditors’ Report

Board of Directors

Radford University Foundation, Inc., Subsidiaries and Affiliate

We have audited the accompanying consolidated financial statements of Radford University Foundation, Inc., Subsidiaries and Affiliate (nonprofit corporations), which comprise the consolidated statements of financial position as of June 30, 2014 and 2013, 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 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 audit. We conducted our audit 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 from 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 consolidated financial position of Radford University Foundation, Inc., Subsidiaries and Affiliate as of June 30, 2014 and 2013, and the changes in their consolidated net assets and their consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Dixon Hughes Goodman LLP
Roanoke, Virginia
December 5, 2014
## Consolidated Statements of Financial Position

<table>
<thead>
<tr>
<th>Assets</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$753,693</td>
<td>$1,515,854</td>
</tr>
<tr>
<td>Other receivables</td>
<td>93,201</td>
<td>97,937</td>
</tr>
<tr>
<td>Contributions receivable - net</td>
<td>1,862,705</td>
<td>1,532,858</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>8,785</td>
<td>8,833</td>
</tr>
<tr>
<td>Investments</td>
<td>56,868,548</td>
<td>48,306,964</td>
</tr>
<tr>
<td>Real estate held for sale</td>
<td>5,599,985</td>
<td>238,213</td>
</tr>
<tr>
<td>Cash value of life insurance</td>
<td>92,422</td>
<td>93,071</td>
</tr>
<tr>
<td>Property and equipment - net</td>
<td>6,421,132</td>
<td>13,338,069</td>
</tr>
<tr>
<td>Collections of art</td>
<td>2,068,982</td>
<td>2,064,982</td>
</tr>
<tr>
<td></td>
<td><strong>$73,769,453</strong></td>
<td><strong>$67,196,781</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and Net Assets</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>$143,463</td>
<td>$139,338</td>
</tr>
<tr>
<td>Accrued expenses and other payables</td>
<td>69,928</td>
<td>61,927</td>
</tr>
<tr>
<td>Line of credit</td>
<td>500,000</td>
<td>1,057,956</td>
</tr>
<tr>
<td>Deferred rental income</td>
<td>293,349</td>
<td>362,049</td>
</tr>
<tr>
<td>Notes payable</td>
<td>2,160,719</td>
<td>1,505,372</td>
</tr>
<tr>
<td>Annuity and unitrust obligations</td>
<td>637,808</td>
<td>667,376</td>
</tr>
</tbody>
</table>

  **Total liabilities**                       | 3,805,267 | 3,794,018 |

<table>
<thead>
<tr>
<th>Net assets</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td>15,472,434</td>
<td>16,432,038</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>29,275,622</td>
<td>22,538,647</td>
</tr>
<tr>
<td>Permanently restricted</td>
<td>25,216,130</td>
<td>24,432,078</td>
</tr>
</tbody>
</table>

  **Total net assets**                        | 69,964,186| 63,402,763|

  **$73,769,453**                             | **$67,196,781**

The accompanying notes are an integral part of these consolidated financial statements.
### Radford University Foundation, Inc., Subsidiaries and Affiliate

#### Consolidated Statements of Activities

**Year Ended June 30, 2014**

<table>
<thead>
<tr>
<th>Revenue, support and other changes</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions</td>
<td>$ 105,737</td>
<td>$ 1,840,361</td>
<td>$ 736,728</td>
<td>$ 2,682,826</td>
</tr>
<tr>
<td>Contributions in-kind</td>
<td>1,111,813</td>
<td>244,922</td>
<td>-</td>
<td>1,356,735</td>
</tr>
<tr>
<td>Rental income</td>
<td>453,950</td>
<td>232,159</td>
<td>-</td>
<td>686,109</td>
</tr>
<tr>
<td>Other income (expenses)</td>
<td>(12,766)</td>
<td>35,198</td>
<td>47,824</td>
<td>70,256</td>
</tr>
<tr>
<td>Impairment loss on property held for sale</td>
<td>(2,240,717)</td>
<td>-</td>
<td>-</td>
<td>(2,240,717)</td>
</tr>
<tr>
<td>Net return on long-term investments</td>
<td>1,518,322</td>
<td>7,553,205</td>
<td>-</td>
<td>9,071,527</td>
</tr>
<tr>
<td></td>
<td>936,339</td>
<td>9,905,845</td>
<td>784,552</td>
<td>11,626,736</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>3,169,370</td>
<td>(3,168,870)</td>
<td>(500)</td>
<td>-</td>
</tr>
<tr>
<td>Total support and revenue</td>
<td>4,105,709</td>
<td>6,736,975</td>
<td>784,052</td>
<td>11,626,736</td>
</tr>
</tbody>
</table>

**Expenses**

<table>
<thead>
<tr>
<th>Program expenses:</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Student support</td>
<td>1,264,110</td>
<td>-</td>
<td>-</td>
<td>1,264,110</td>
</tr>
<tr>
<td>Student support in-kind</td>
<td>7,755</td>
<td>-</td>
<td>-</td>
<td>7,755</td>
</tr>
<tr>
<td>University program support</td>
<td>1,495,193</td>
<td>-</td>
<td>-</td>
<td>1,495,193</td>
</tr>
<tr>
<td>University program support in-kind</td>
<td>13,042</td>
<td>-</td>
<td>-</td>
<td>13,042</td>
</tr>
<tr>
<td>Faculty and staff development</td>
<td>32,066</td>
<td>-</td>
<td>-</td>
<td>32,066</td>
</tr>
<tr>
<td>Depreciation</td>
<td>421,634</td>
<td>-</td>
<td>-</td>
<td>421,634</td>
</tr>
<tr>
<td>Interest</td>
<td>65,008</td>
<td>-</td>
<td>-</td>
<td>65,008</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>493,021</td>
<td>-</td>
<td>-</td>
<td>493,021</td>
</tr>
<tr>
<td>Fundraising expenses:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributed</td>
<td>1,113,438</td>
<td>-</td>
<td>-</td>
<td>1,113,438</td>
</tr>
<tr>
<td>Other</td>
<td>160,046</td>
<td>-</td>
<td>-</td>
<td>160,046</td>
</tr>
<tr>
<td>Total expenses</td>
<td>5,065,313</td>
<td>-</td>
<td>-</td>
<td>5,065,313</td>
</tr>
</tbody>
</table>

**Change in net assets**

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(959,604)</td>
<td>6,736,975</td>
<td>784,052</td>
<td>6,561,423</td>
</tr>
</tbody>
</table>

**Net assets - beginning of year**

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>16,432,038</td>
<td>22,538,647</td>
<td>24,432,078</td>
<td>63,402,763</td>
</tr>
</tbody>
</table>

**Net assets - end of year**

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 15,472,434</td>
<td>$ 29,275,622</td>
<td>$ 25,216,130</td>
<td>$ 69,964,186</td>
</tr>
</tbody>
</table>

*The accompanying notes are an integral part of these consolidated financial statements.*
**Radford University Foundation, Inc., Subsidiaries and Affiliate**

**Consolidated Statements of Activities**

**Year Ended June 30, 2013**

<table>
<thead>
<tr>
<th>Revenue, support and other changes</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions</td>
<td>$ 242,437</td>
<td>$ 1,799,019</td>
<td>$ 622,594</td>
<td>$ 2,664,050</td>
</tr>
<tr>
<td>Contributions in-kind</td>
<td>1,464,288</td>
<td>40,715</td>
<td>-</td>
<td>1,505,003</td>
</tr>
<tr>
<td>Rental income</td>
<td>398,086</td>
<td>214,459</td>
<td>-</td>
<td>612,545</td>
</tr>
<tr>
<td>Other income</td>
<td>36,201</td>
<td>50,655</td>
<td>55,662</td>
<td>142,518</td>
</tr>
<tr>
<td>Loss on sale of real estate</td>
<td>(428,866)</td>
<td>(43,029)</td>
<td>-</td>
<td>(471,895)</td>
</tr>
<tr>
<td>Net return on long-term investments</td>
<td>754,915</td>
<td>4,266,012</td>
<td>-</td>
<td>5,020,927</td>
</tr>
<tr>
<td></td>
<td>2,467,061</td>
<td>6,327,831</td>
<td>678,256</td>
<td>9,473,148</td>
</tr>
</tbody>
</table>

| Net assets released from restrictions | 2,841,192 | (2,781,289) | (59,903) | - |

| Total support and revenue | 5,308,253 | 3,546,542 | 618,353 | 9,473,148 |

**Expenses**

**Program expenses:**
- Student support: 1,138,674
- Student support in-kind: 6,623
- University program support: 1,911,154
- University program support in-kind: 31,404
- Faculty and staff development: 23,950
- Depreciation: 407,523
- Interest: 86,292

**General and administrative expenses:**
- Other: 472,688

**Fundraising expenses:**
- Contributed: 1,335,976
- Other: 105,802

| Total expenses | 5,520,086 | - | - | 5,520,086 |

| Change in net assets | (211,833) | 3,546,542 | 618,353 | 3,953,062 |

| Net assets - beginning of year | 16,643,871 | 18,992,105 | 23,813,725 | 59,449,701 |

| Net assets - end of year | $ 16,432,038 | $ 22,538,647 | $ 24,432,078 | $ 63,402,763 |

*The accompanying notes are an integral part of these consolidated financial statements.*
### Consolidated Statements of Cash Flows

<table>
<thead>
<tr>
<th>Years Ended June 30,</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in net assets</td>
<td>$ 6,561,423</td>
<td>$ 3,953,062</td>
</tr>
<tr>
<td>Adjustments to reconcile to net cash from operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assets received as noncash contributions</td>
<td>(222,500)</td>
<td>(82,000)</td>
</tr>
<tr>
<td>Contributions restricted for long-term investment</td>
<td>(736,728)</td>
<td>(622,594)</td>
</tr>
<tr>
<td>Gain on long-term investments</td>
<td>(9,254,380)</td>
<td>(4,894,008)</td>
</tr>
<tr>
<td>Loss on disposal of real estate held for sale</td>
<td>-</td>
<td>471,895</td>
</tr>
<tr>
<td>Loss on disposal of property and equipment</td>
<td>94,408</td>
<td>118,360</td>
</tr>
<tr>
<td>Impairment recognized on property held for sale</td>
<td>2,240,717</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation</td>
<td>421,634</td>
<td>407,523</td>
</tr>
<tr>
<td>Change in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other receivables</td>
<td>4,736</td>
<td>541,537</td>
</tr>
<tr>
<td>Contributions receivable</td>
<td>(329,847)</td>
<td>(67,929)</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>48</td>
<td>573</td>
</tr>
<tr>
<td>Cash value of life insurance</td>
<td>649</td>
<td>(555)</td>
</tr>
<tr>
<td>Collections of art</td>
<td>(4,000)</td>
<td>22,888</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>4,125</td>
<td>85,715</td>
</tr>
<tr>
<td>Accrued expenses and other payables</td>
<td>8,001</td>
<td>(12,201)</td>
</tr>
<tr>
<td>Deferred rental income</td>
<td>(68,700)</td>
<td>356,327</td>
</tr>
<tr>
<td>Annuity and unitrust obligations</td>
<td>29,701</td>
<td>448</td>
</tr>
<tr>
<td><strong>Net cash provided (used) by operating activities</strong></td>
<td>$(1,250,713)</td>
<td>279,041</td>
</tr>
</tbody>
</table>

| **Cash flows from investing activities** |            |            |
| Investment in real estate held for sale | (7,941) | (43,629) |
| Purchases of property and equipment | (971,153) | (1,185,698) |
| Proceeds from sale of real estate held for sale | - | 3,115,671 |
| Purchases of investments | (180,837) | (719,809) |
| Sales of investments | 873,633 | 230,168 |
| **Net cash provided (used) by investing activities** | $(286,298) | 1,396,703 |

| **Cash flows from financing activities** |            |            |
| Contributions restricted for long-term investment | 736,728 | 622,594 |
| Payments of annuity and unitrust obligations | (59,269) | (110,869) |
| Proceeds from line of credit | 500,000 | - |
| Payments on line of credit | (1,057,956) | (3,071,550) |
| Proceeds from notes payable | 1,000,000 | 886,941 |
| Payments on debt | (344,653) | (108,649) |
| **Net cash provided (used) by financing activities** | 774,850 | (1,781,533) |

The accompanying notes are an integral part of these consolidated financial statements.
Radford University Foundation, Inc. and Subsidiaries and Affiliate

Consolidated Statements of Cash Flows (continued)

<table>
<thead>
<tr>
<th>Years Ended June 30,</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net change in cash and cash equivalents</td>
<td>$ (762,161)</td>
<td>$ (105,789)</td>
</tr>
<tr>
<td>Cash and cash equivalents - beginning of year</td>
<td>1,515,854</td>
<td>1,621,643</td>
</tr>
<tr>
<td>Cash and cash equivalents - end of year</td>
<td>$ 753,693</td>
<td>$ 1,515,854</td>
</tr>
</tbody>
</table>

Supplemental disclosure of cash flow information

Cash payments for interest | $ 67,030 | $ 87,905 |

Supplemental schedule of noncash investing and financing activities

Assets received as noncash contributions

Collections of art | $ - | $ 82,000 |
Real estate held for sale | $ 222,500 | $ - |

Contributions of stock included in amount restricted for long-term investments | $ 60,245 | $ 137,362 |

The accompanying notes are an integral part of these consolidated financial statements.
Radford University Foundation, Inc., Subsidiaries and Affiliate

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

1. Organization and Nature of Activities

Radford University Foundation, Inc. and Subsidiaries and its affiliate, Radford University Real Estate Foundation, Inc., (collectively, Foundation) are incorporated as nonprofit corporations 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 accept, administer, apply and use financial resources and property acquired by gift, grant, devise, or bequest to further those purposes.

Radford University Foundation, Inc. is managed by a Board of Directors where most of the board is independently elected. Additionally, four employees of Radford University are ex-officio members with full voting rights. The Radford University Board of Visitors appoints one member to the Foundation Board, and that board member also has full voting rights. The Radford University Real Estate Foundation, Inc. is managed by a Board of Directors which is appointed by the Board of the Radford University Foundation, Inc. All contributions are generally for the benefit of the University and are administered by the Foundation.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Radford University Foundation, Inc., its affiliate, Radford University Real Estate Foundation, Inc., and various limited liability corporations (LLC’s) in which the Foundation is the sole member. The limited liability companies were formed to hold real estate owned by the Foundation. 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 according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. The three classes are differentiated based on the existence or absence of donor-imposed restrictions, as described below:

**Unrestricted** net assets are free of donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties. Expenses, revenues, gains and losses that are not temporarily or permanently restricted by donors are included in this classification.

**Temporarily restricted** net assets are limited in use by donor-imposed stipulations that expire either by the passage of time or that can be fulfilled by action of the Foundation pursuant to those stipulations.

**Permanently restricted** net assets are amounts required by donors to be held in perpetuity; however, the income on these assets is available to meet various restricted and other operating needs. These net assets primarily include permanent endowment funds.
Cash and Cash Equivalents

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

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.

Gifts of investments are recorded at their fair value (based upon quotations or appraisals) at the date of 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 other funds functioning as endowments, permanently restricted, temporarily restricted, and unrestricted funds.

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 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:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>10 – 40 years</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td>5 – 10 years</td>
</tr>
<tr>
<td>Vehicles</td>
<td>5 years</td>
</tr>
<tr>
<td>Land improvements</td>
<td>10 – 40 years</td>
</tr>
</tbody>
</table>

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.

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 fifteen charitable gift annuities and two charitable remainder trusts. The discount rate is 2.20% and 1.40% at June 30, 2014 and 2013, respectively, and are payable monthly, quarterly, or annually. Total annuity and trust payments for 2014 and 2013 were $59,269 and $110,869, respectively. At June 30, 2014 and 2013, assets held in these annuities and unitrusts of $649,680 and $619,510, respectively, are included in investments. The change in value is reported in other income on the consolidated statements of activities and amounted to $16,619 and $74,558 for 2014 and 2013, respectively.

**Contributions**

Contributions, including unconditional promises to give or contributions receivable, are recognized as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions, when the donor’s commitment is received. Unconditional promises to give are recognized as temporarily restricted revenues 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 fund-raising 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.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the temporarily restricted net asset class, and a reclassification to unrestricted net assets 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 as revenues of the unrestricted net asset 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 the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

**Credit Risk**

Financial instruments that potentially subject the Foundation to concentration of credit risk consist of interest-bearing transaction accounts and receivables. The Foundation places its interest-bearing transaction accounts with high credit quality financial institutions. The balances in these accounts may, at times, exceed federally insured limits; however, the Foundation does not believe it is subject to any significant credit risk as a result of these deposits. On June 30, 2014, the Foundation had on deposit $752,952 in excess of the amount insured by the Federal Deposit Insurance Company (FDIC).
Income Taxes

Radford University Foundation, Inc. and Radford University Real Estate Foundation, Inc. are 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, 2014 and 2013. Fiscal years ending on or after June 30, 2011 remain subject to examination by federal and state authorities.

The LLCs are disregarded entities for tax purposes and are included in the Foundation filings; accordingly, the accompanying consolidated financial statements do not reflect a provision or liability for federal and state income taxes.

Deferred Revenue

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

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 U.S. generally accepted accounting principles. The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles 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.

Reclassifications

Certain reclassifications have been made to the 2014 financial statement presentation to correspond to the current year’s format. Net assets and changes in net assets are unchanged due to these reclassifications.

Subsequent Events

In preparing these consolidated financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through December 5, 2014, the date the consolidated financial statements were available to be issued.
3. Contributions Receivable

Contributions receivable consist of the following:

<table>
<thead>
<tr>
<th>Contributions expected to be collected in:</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than one year</td>
<td>$1,097,908</td>
<td>$816,487</td>
</tr>
<tr>
<td>One to five years</td>
<td>868,164</td>
<td>809,633</td>
</tr>
<tr>
<td>More than five years</td>
<td>20,255</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>$1,986,327</td>
<td>1,626,120</td>
</tr>
<tr>
<td>Less - allowance for uncollectible contributions</td>
<td>(37,997)</td>
<td>(460)</td>
</tr>
<tr>
<td>Less - discount to net present value</td>
<td>(85,625)</td>
<td>(92,802)</td>
</tr>
<tr>
<td></td>
<td>$1,862,705</td>
<td>$1,532,858</td>
</tr>
</tbody>
</table>

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 2014 and 2013 was $7,177 and $31,718, respectively, and is included in contribution income in the consolidated statements of activities. No changes in the fair value measurement were attributable to instrument specific credit risk.

Contributions receivable with due dates extending beyond one year are discounted to net present value. The applicable rate at June 30, 2014 and 2013 was 5.66%.

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

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td>$10,665</td>
<td>$56,925</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>1,523,855</td>
<td>1,222,806</td>
</tr>
<tr>
<td>Permanently restricted</td>
<td>328,185</td>
<td>253,127</td>
</tr>
<tr>
<td></td>
<td>$1,862,705</td>
<td>$1,532,858</td>
</tr>
</tbody>
</table>

Pledges from four contributors comprise approximately 42% and 48% of total contributions receivable at June 30, 2014 and 2013, respectively.

4. Investments

Investments are comprised of the following:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$369,918</td>
<td>$864,473</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>-</td>
<td>300,000</td>
</tr>
<tr>
<td>Equities</td>
<td>1,158,594</td>
<td>936,908</td>
</tr>
<tr>
<td>Mutual funds with various investment strategies</td>
<td>619,095</td>
<td>595,422</td>
</tr>
<tr>
<td>Limited partnerships</td>
<td>54,720,941</td>
<td>45,610,161</td>
</tr>
<tr>
<td></td>
<td>$56,868,548</td>
<td>$48,306,964</td>
</tr>
</tbody>
</table>
Investment activity for the year ended June 30 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments – beginning</td>
<td>$48,306,964</td>
<td>$42,923,316</td>
</tr>
<tr>
<td>Gifts and net transfers (to) from operational accounts</td>
<td>(540,112)</td>
<td>415,468</td>
</tr>
<tr>
<td>Investment activity:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends and interest</td>
<td>549,360</td>
<td>678,439</td>
</tr>
<tr>
<td>Net realized and unrealized gains</td>
<td>9,254,380</td>
<td>4,894,008</td>
</tr>
<tr>
<td>Service fee expenses</td>
<td>(642,775)</td>
<td>(493,398)</td>
</tr>
<tr>
<td>Investments - ending</td>
<td>$56,868,548</td>
<td>$48,306,964</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td>$5,658,610</td>
<td>$4,065,848</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>16,903,343</td>
<td>19,630,017</td>
</tr>
<tr>
<td>Permanently restricted</td>
<td>34,306,595</td>
<td>24,611,099</td>
</tr>
<tr>
<td></td>
<td>$56,868,548</td>
<td>$48,306,964</td>
</tr>
</tbody>
</table>

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.

At June 30, 2014 and 2013, the Foundation has approximately $48,500,000 and $41,900,000, respectively, invested in the Richmond Fund, LP (Richmond Fund) which is a limited partnership formed in November 2007 to purchase, hold, dispose of, or otherwise deal in investments in securities and investment funds. The fund is managed by Spider Management Company, LLC, a wholly controlled affiliate of the University of Richmond. The Richmond Fund is a limited partnership that provides a vehicle for 501(c) organizations unaffiliated with the University of Richmond to achieve investment returns that mirror the investment returns achieved by the University of Richmond’s endowment through a blended rate of return agreement.

5. Property and Equipment

Property and equipment consists of the following:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>$5,587,414</td>
<td>$13,857,018</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td>297,414</td>
<td>545,544</td>
</tr>
<tr>
<td>Vehicles</td>
<td>42,760</td>
<td>44,982</td>
</tr>
<tr>
<td>Land and improvements</td>
<td>1,564,909</td>
<td>2,425,904</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>1,034,451</td>
<td>374,816</td>
</tr>
<tr>
<td></td>
<td>8,526,948</td>
<td>17,248,264</td>
</tr>
<tr>
<td>Less - accumulated depreciation</td>
<td>(2,105,816)</td>
<td>(3,910,195)</td>
</tr>
<tr>
<td></td>
<td>$6,421,132</td>
<td>$13,338,069</td>
</tr>
</tbody>
</table>
6. **Real Estate Held for Sale**

During 2014, the Foundation decided to sell the Radford University Corporate Park and the 309 East Main Street properties. Assets that are to be disposed of by sale are required to be reported at the lower of the carrying amount or fair value less cost to sell. An independent appraisal of the Radford University Corporate Park indicated that the property’s net realizable value was less than its carrying amount of $6,640,717. Accordingly, the Foundation recognized an impairment loss of $2,240,717, which is included in revenue, support, and other changes in the Foundation’s 2014 consolidated statement of activities. An impairment loss was not deemed necessary for 309 East Main Street property. As of June 30, 2014, the Foundation has a total of six real estate holdings held for sale totaling $5,599,985. Real estate held for sale as of June 30, 2013 consisted of three holdings totaling $238,213.

7. **Line of Credit**

Line of credit consists of the following:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Line of credit</td>
<td>$ 500,000</td>
<td>$ 1,057,956</td>
</tr>
</tbody>
</table>

8. **Notes Payable**

Notes payable consists of the following:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Note payable in monthly installments</td>
<td>$ 824,369</td>
<td>$ -</td>
</tr>
<tr>
<td>of $17,532 through July 2018, with</td>
<td></td>
<td></td>
</tr>
<tr>
<td>interest payable of 2.01%, unsecured.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Note payable in semi-annual</td>
<td>560,000</td>
<td>640,000</td>
</tr>
<tr>
<td>installments of $40,000 through</td>
<td></td>
<td></td>
</tr>
<tr>
<td>April 2016, with interest payable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>quarterly at LIBOR plus 2.25% with</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a minimum rate of 3%, (3.00 % at</td>
<td></td>
<td></td>
</tr>
<tr>
<td>June 30, 2014) outstanding principal</td>
<td></td>
<td></td>
</tr>
<tr>
<td>due upon maturity, collateralized by</td>
<td></td>
<td></td>
</tr>
<tr>
<td>substantially all assets held by</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Radford University Foundation, Inc.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>with the bank.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Note payable in monthly installments</td>
<td>776,350</td>
<td>865,372</td>
</tr>
<tr>
<td>of $9,804 through March 2018, with</td>
<td></td>
<td></td>
</tr>
<tr>
<td>interest payable at 3.41%, outstanding</td>
<td></td>
<td></td>
</tr>
<tr>
<td>principal due upon maturity,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>collateralized by real property.</td>
<td>2,160,719</td>
<td>1,505,372</td>
</tr>
<tr>
<td>Less – current portion</td>
<td>(368,546)</td>
<td>(169,997)</td>
</tr>
<tr>
<td></td>
<td>$ 1,792,173</td>
<td>$ 1,335,375</td>
</tr>
</tbody>
</table>
Estimated principal payments on notes payable for future years ending June 30 are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$368,546</td>
</tr>
<tr>
<td>2016</td>
<td>$775,599</td>
</tr>
<tr>
<td>2017</td>
<td>$303,055</td>
</tr>
<tr>
<td>2018</td>
<td>$695,216</td>
</tr>
<tr>
<td>2019</td>
<td>$18,303</td>
</tr>
<tr>
<td></td>
<td>$2,160,719</td>
</tr>
</tbody>
</table>

The first note payable is subject to certain affirmative and negative covenants. The Foundation was in compliance with all covenants as of June 30, 2014.

9. Unrestricted Net Assets

Unrestricted net assets include the following:

<table>
<thead>
<tr>
<th>Designated for:</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial aid</td>
<td>$969,766</td>
<td>$624,115</td>
</tr>
<tr>
<td>Departmental use</td>
<td>1,934,397</td>
<td>1,324,851</td>
</tr>
<tr>
<td>University academic and program support</td>
<td>4,302,112</td>
<td>3,868,067</td>
</tr>
<tr>
<td>General operations and investment in land, buildings, and equipment</td>
<td>8,266,159</td>
<td>10,615,005</td>
</tr>
<tr>
<td></td>
<td>$15,472,434</td>
<td>$16,432,038</td>
</tr>
</tbody>
</table>

10. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

<table>
<thead>
<tr>
<th>Purpose</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Faculty salaries, research and development</td>
<td>$2,569,060</td>
<td>$1,889,621</td>
</tr>
<tr>
<td>Financial aid</td>
<td>14,718,735</td>
<td>10,596,823</td>
</tr>
<tr>
<td>University academic and program support</td>
<td>9,677,412</td>
<td>7,921,440</td>
</tr>
<tr>
<td>General operations and investment in land, buildings and equipment</td>
<td>2,310,415</td>
<td>2,130,763</td>
</tr>
<tr>
<td></td>
<td>$29,275,622</td>
<td>$22,538,647</td>
</tr>
</tbody>
</table>
11. Permanently Restricted Net Assets

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Faculty salaries, research and development</td>
<td>$2,172,087</td>
<td>$2,122,062</td>
</tr>
<tr>
<td>Financial aid</td>
<td>$19,309,667</td>
<td>$18,664,760</td>
</tr>
<tr>
<td>University academic and program support</td>
<td>$3,734,376</td>
<td>$3,645,256</td>
</tr>
</tbody>
</table>

$25,216,130 $24,432,078

12. Endowments

The Foundation’s endowment consists of approximately 400 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 generally accepted accounting principles, 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 permanently restricted net assets (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 that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

(1) The duration and preservation of the fund
(2) The purposes of the Foundation and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Foundation
(7) The investment policies of the Foundation
Changes in endowment net assets for the years 2014 and 2013 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2014</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Endowment net assets - July 1, 2013</td>
<td>$</td>
<td>- $ 16,186,969</td>
<td>$ 24,432,078</td>
<td>$ 40,619,047</td>
</tr>
<tr>
<td>Investment return:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net appreciation (realized and unrealized)</td>
<td>-</td>
<td>7,552,919</td>
<td>-</td>
<td>7,552,919</td>
</tr>
<tr>
<td>Total investment return</td>
<td>-</td>
<td>7,552,919</td>
<td>-</td>
<td>7,552,919</td>
</tr>
<tr>
<td>Contributions</td>
<td>-</td>
<td>110,137</td>
<td>736,728</td>
<td>846,865</td>
</tr>
<tr>
<td>Appropriation of endowment assets for expenditure</td>
<td>-</td>
<td>(1,850,566)</td>
<td>(500)</td>
<td>(1,851,066)</td>
</tr>
<tr>
<td>Other income</td>
<td>-</td>
<td>6,122</td>
<td>47,824</td>
<td>53,946</td>
</tr>
<tr>
<td>Other changes – transfer from (to) other funds</td>
<td>-</td>
<td>15,800</td>
<td>-</td>
<td>15,800</td>
</tr>
<tr>
<td>Endowment net assets - June 30, 2014</td>
<td>$</td>
<td>- $ 22,021,381</td>
<td>$ 25,216,130</td>
<td>$ 47,237,511</td>
</tr>
<tr>
<td><strong>2013</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Endowment net assets - July 1, 2012</td>
<td>$</td>
<td>(886)</td>
<td>$ 13,318,223</td>
<td>$ 23,813,725</td>
</tr>
<tr>
<td>Investment return:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>-</td>
<td>(122)</td>
<td>-</td>
<td>(122)</td>
</tr>
<tr>
<td>Net appreciation (realized and unrealized)</td>
<td>4,690</td>
<td>4,260,708</td>
<td>-</td>
<td>4,265,398</td>
</tr>
<tr>
<td>Total investment return</td>
<td>4,690</td>
<td>4,260,586</td>
<td>-</td>
<td>4,265,276</td>
</tr>
<tr>
<td>Contributions</td>
<td>-</td>
<td>90,682</td>
<td>622,594</td>
<td>713,276</td>
</tr>
<tr>
<td>Appropriation of endowment assets for expenditure</td>
<td>-</td>
<td>(1,511,289)</td>
<td>(500)</td>
<td>(1,511,789)</td>
</tr>
<tr>
<td>Other income (loss)</td>
<td>-</td>
<td>7,657</td>
<td>55,662</td>
<td>63,319</td>
</tr>
<tr>
<td>Other changes – transfer from (to) other funds</td>
<td>(3,804)</td>
<td>21,110</td>
<td>(59,403)</td>
<td>(42,097)</td>
</tr>
<tr>
<td>Endowment net assets - June 30, 2013</td>
<td>$</td>
<td>- $ 16,186,969</td>
<td>$ 24,432,078</td>
<td>$ 40,619,047</td>
</tr>
</tbody>
</table>
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 generally accepted accounting principles, deficiencies of this nature are to be reported in unrestricted net assets. These deficiencies result from unfavorable market fluctuations that occur shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that are deemed prudent by the Board of Directors. There were no funds with deficiencies as of June 30, 2014 or 2013.

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.

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 Objective Relate to Spending Policy

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

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

- Date policy approved: December 2011
- Policy effective as of: July 1, 2012
- Maturity calculation date: June 30, 2014
- 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, 2014
- Custodial fees assessed as % of fund value: 2013: 1.85%, 2014: 1.75%

(Custodial fees are only assessed on matured funds)
13. Fair Value Measurements

Fair value as defined under generally accepted accounting principles 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. Generally accepted accounting principles establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

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

Level 2 Inputs to the valuation methodology include:
- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

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

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value.

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

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

*Limited partnerships (Level 3):* The Foundation uses the net asset value (NAV) or capital balances of its interest in the limited partnerships as a practical expedient to determine the fair value of its interest in the net assets of these entities. The fair value of certain investments in the underlying entities, which may include private placements and other securities for which values are not readily available, are determined in good faith by the investment advisors of the respective entities and may not reflect amounts that could be realized upon immediate sale, nor amounts that may be ultimately realized. The fair values of these investments are estimated using the NAV provided by the general partner as a practical expedient. These fair values may differ significantly from the values that would have been used had a ready market existed for these investments, and these differences could be material. Net asset valuations are provided quarterly by these entities. Appreciation of investments in these entities is net of all fee allocations to the investment advisors.

*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.

*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 2.4%.
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.

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

<table>
<thead>
<tr>
<th>Fair Value as of June 30, 2014</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mutual funds:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Growth</td>
<td>$158,321</td>
<td>-</td>
<td>-</td>
<td>$158,321</td>
</tr>
<tr>
<td>Bond</td>
<td>186,862</td>
<td>-</td>
<td>-</td>
<td>186,862</td>
</tr>
<tr>
<td>Small cap</td>
<td>58,566</td>
<td>-</td>
<td>-</td>
<td>58,566</td>
</tr>
<tr>
<td>Mid cap</td>
<td>70,124</td>
<td>-</td>
<td>-</td>
<td>70,124</td>
</tr>
<tr>
<td>International</td>
<td>72,066</td>
<td>-</td>
<td>-</td>
<td>72,066</td>
</tr>
<tr>
<td>Other</td>
<td>73,156</td>
<td>-</td>
<td>-</td>
<td>73,156</td>
</tr>
<tr>
<td>Total</td>
<td>619,095</td>
<td>-</td>
<td>-</td>
<td>619,095</td>
</tr>
<tr>
<td>Domestic stocks</td>
<td>1,158,594</td>
<td>-</td>
<td>-</td>
<td>1,158,594</td>
</tr>
<tr>
<td>Limited partnerships (a)</td>
<td>-</td>
<td>-</td>
<td>54,720,941</td>
<td>54,720,941</td>
</tr>
<tr>
<td>Total investments</td>
<td>1,777,689</td>
<td>-</td>
<td>54,720,941</td>
<td>56,498,630</td>
</tr>
<tr>
<td>Contributions receivable</td>
<td>-</td>
<td>-</td>
<td>1,862,705</td>
<td>1,862,705</td>
</tr>
<tr>
<td>Total assets at fair value</td>
<td>$1,777,689</td>
<td>-</td>
<td>56,583,646</td>
<td>58,361,335</td>
</tr>
<tr>
<td>Annuity and Unitrust obligations</td>
<td>-</td>
<td>$ (637,808)</td>
<td>-</td>
<td>$ (637,808)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fair Value as of June 30, 2013</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mutual funds:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Growth</td>
<td>$161,267</td>
<td>-</td>
<td>-</td>
<td>$161,267</td>
</tr>
<tr>
<td>Bond</td>
<td>175,595</td>
<td>-</td>
<td>-</td>
<td>175,595</td>
</tr>
<tr>
<td>Small cap</td>
<td>54,418</td>
<td>-</td>
<td>-</td>
<td>54,418</td>
</tr>
<tr>
<td>Mid cap</td>
<td>67,571</td>
<td>-</td>
<td>-</td>
<td>67,571</td>
</tr>
<tr>
<td>International</td>
<td>55,860</td>
<td>-</td>
<td>-</td>
<td>55,860</td>
</tr>
<tr>
<td>Other</td>
<td>80,711</td>
<td>-</td>
<td>-</td>
<td>80,711</td>
</tr>
<tr>
<td>Total</td>
<td>595,422</td>
<td>-</td>
<td>-</td>
<td>595,422</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>-</td>
<td>300,000</td>
<td>-</td>
<td>300,000</td>
</tr>
<tr>
<td>Domestic stocks</td>
<td>936,908</td>
<td>-</td>
<td>-</td>
<td>936,908</td>
</tr>
<tr>
<td>Limited partnerships (a)</td>
<td>-</td>
<td>-</td>
<td>45,610,161</td>
<td>45,610,161</td>
</tr>
<tr>
<td>Total investments</td>
<td>1,532,330</td>
<td>300,000</td>
<td>45,610,161</td>
<td>47,442,491</td>
</tr>
<tr>
<td>Contributions receivable</td>
<td>-</td>
<td>-</td>
<td>1,532,858</td>
<td>1,532,858</td>
</tr>
<tr>
<td>Total assets at fair value</td>
<td>$1,532,330</td>
<td>300,000</td>
<td>47,143,019</td>
<td>48,975,349</td>
</tr>
<tr>
<td>Annuity and Unitrust obligations</td>
<td>-</td>
<td>$ (667,376)</td>
<td>-</td>
<td>$ (667,376)</td>
</tr>
</tbody>
</table>
The Foundation has $369,918 and $864,473 of cash balances at June 30, 2014 and 2013, 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. For the year ended June 30, 2013 management transferred corporate bonds from Level 1 to Level 2 as a result of obtaining a better understanding of the nature of the Level 2 underlying assets.

The following table illustrates the activity of level 3 assets measured at fair value on a recurring basis from June 30, 2013 to June 30, 2014:

<table>
<thead>
<tr>
<th>Contributions receivable</th>
<th>Limited partnerships</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value at June 30, 2013</td>
<td>$1,532,858</td>
</tr>
<tr>
<td>Interest and dividends</td>
<td>-</td>
</tr>
<tr>
<td>Realized gains</td>
<td>-</td>
</tr>
<tr>
<td>Unrealized gains relating to instruments still held at the reporting date</td>
<td>-</td>
</tr>
<tr>
<td>Purchases</td>
<td>-</td>
</tr>
<tr>
<td>Sales</td>
<td>-</td>
</tr>
<tr>
<td>Investment fees</td>
<td>-</td>
</tr>
<tr>
<td>Pledges received</td>
<td>1,701,825</td>
</tr>
<tr>
<td>Contribution receipts</td>
<td>(1,248,704)</td>
</tr>
<tr>
<td>Pledges written off</td>
<td>(92,914)</td>
</tr>
<tr>
<td>Change in fair value and allowance</td>
<td>(30,360)</td>
</tr>
<tr>
<td>Fair value at June 30, 2014</td>
<td>$1,862,705</td>
</tr>
</tbody>
</table>

The following table illustrates the activity of level 3 assets measured at fair value on a recurring basis from June 30, 2012 to June 30, 2013:

<table>
<thead>
<tr>
<th>Contributions receivable</th>
<th>Limited partnerships</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value at June 30, 2012</td>
<td>$1,464,929</td>
</tr>
<tr>
<td>Interest and dividends</td>
<td>-</td>
</tr>
<tr>
<td>Realized gains</td>
<td>-</td>
</tr>
<tr>
<td>Unrealized gains relating to instruments still held at the reporting date</td>
<td>-</td>
</tr>
<tr>
<td>Purchases</td>
<td>-</td>
</tr>
<tr>
<td>Sales</td>
<td>-</td>
</tr>
<tr>
<td>Investment fees</td>
<td>-</td>
</tr>
<tr>
<td>Pledges received</td>
<td>1,654,073</td>
</tr>
<tr>
<td>Contribution receipts</td>
<td>(1,534,371)</td>
</tr>
<tr>
<td>Pledges written off</td>
<td>(83,585)</td>
</tr>
<tr>
<td>Change in fair value and allowance</td>
<td>31,812</td>
</tr>
<tr>
<td>Fair value at June 30, 2013</td>
<td>$1,532,858</td>
</tr>
</tbody>
</table>
14. 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.

Total contributions-in-kind from the University and other sources is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Amount received from the University:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributed office expenses</td>
<td>$183,494</td>
<td>$211,749</td>
</tr>
<tr>
<td>Contributed salaries and benefits</td>
<td>926,506</td>
<td>1,113,251</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,110,000</td>
<td>$1,325,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Amount received from other sources:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributed office expenses</td>
<td>3,438</td>
<td>10,976</td>
</tr>
<tr>
<td>Contributed student support expenses</td>
<td>7,755</td>
<td>6,623</td>
</tr>
<tr>
<td>Contributed program expenses</td>
<td>13,042</td>
<td>31,404</td>
</tr>
<tr>
<td><strong>Total contributed expenses</strong></td>
<td>24,235</td>
<td>49,003</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributed in-kind assets</td>
<td>222,500</td>
<td>131,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,356,735</td>
<td>$1,505,003</td>
</tr>
</tbody>
</table>

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.

15. Net Assets Released from Restrictions

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:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program services</td>
<td>$1,107,030</td>
<td>$993,701</td>
</tr>
<tr>
<td>Student support</td>
<td>1,298,067</td>
<td>1,213,073</td>
</tr>
<tr>
<td>General operations and equipment</td>
<td>729,357</td>
<td>600,467</td>
</tr>
<tr>
<td>Fundraising</td>
<td>34,916</td>
<td>33,951</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$3,169,370</td>
<td>$2,841,192</td>
</tr>
</tbody>
</table>

16. Operating Leases

**Lessor arrangements**

The Foundation currently leases the Selu Conservancy, office space, storage space, apartment buildings and parking lots to the University under separate operating leases that expire in varying periods through April 2018. The Foundation also leases office space to other parties under separate operating leases including subleases that expire in varying periods through July 2015. Rental income for 2014 and 2013 was $673,509 and $600,811, respectively.
Future minimum rental receipts on these leases are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$598,540</td>
</tr>
<tr>
<td>2016</td>
<td>357,556</td>
</tr>
<tr>
<td>2017</td>
<td>354,288</td>
</tr>
<tr>
<td>2018</td>
<td>268,265</td>
</tr>
</tbody>
</table>

$1,578,649

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Cost</th>
<th>Less - accumulated depreciation</th>
<th>Cost</th>
<th>Less - accumulated depreciation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$11,920,378</td>
<td>(2,065,605)</td>
<td>$9,854,773</td>
<td>(3,831,556)</td>
</tr>
<tr>
<td>2013</td>
<td>$16,165,773</td>
<td>(3,831,556)</td>
<td>$12,334,217</td>
<td>(3,831,556)</td>
</tr>
</tbody>
</table>

17. Related Party Transactions

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

Rental Activity

The Foundation leases property to the University as more fully described in Note 16.

Other

The University provides funding to the Foundation as more fully described in Note 14.

In 2009, The Foundation’s Board approved funding to the University to supplement compensation expenses of the University or other expenses as the Board of Visitors of the University deems appropriate. During fiscal year 2013, funding was $497,617. Funding is now approved on an annual basis and totaled $286,009 in fiscal 2014.

Other Related Parties

The spouse of a University employee/board member is a partner with the Foundation’s principal law firm. The spouse does not participate in Foundation legal work, and the law firm was retained by the Foundation prior to the University hiring this employee.

During fiscal 2013, the Foundation received a $400,000 donation from a former Board member which was used to renovate a property that was donated the prior year. Additionally, a current Board member donated $255,000 during fiscal 2013 and another $194,000 in fiscal 2014. These donations are being used to renovate the donated property. The two donors selected the general contractor for this project, and the general contractor is owned by the current board member. In May of 2014, the Radford University Board of Visitors voted to accept the property as the home of the Radford University President. The current Radford University President moved in during the summer of 2014.
To date, all costs related to the work overseen by the general contractor have been paid for by these donations. Most payments to subcontractors have been made directly by the Foundation to the subcontractors. For the years ended June 30, 2014 and 2013, payments made to the general contractor totaled approximately $140,000 and $128,000 respectively.

18. Subsequent Event

The line of credit with Suntrust Bank was paid off on July 3, 2014. The balance on the line was $500,000 as of June 30, 2014.

On October 20, 2014, the Foundation sold the property located at 309 East Main Street in Radford to Radford University. The property had been held by an LLC which was controlled by the Foundation. The sales price was $753,754. The proceeds were used to pay off the related loan with Union First Market Bank which had a remaining balance due of $757,180, including interest, as of the sale date.

* * * * *
Independent Auditors’ Report on Consolidating Information

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

We have audited the consolidated financial statements of Radford University Foundation, Inc., Subsidiaries and Affiliate as of and for the year ended June 30, 2014, and our report thereon dated December 5, 2014, which expressed an unmodified opinion on those consolidated financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2014 consolidating statements of financial position and the consolidating statements of activities are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual organizations, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Dixon Hughes Goodman LLP

Roanoke, Virginia
December 5, 2014
## Radford University Foundation, Inc., Subsidiaries and Affiliate

### Consolidating Statement of Financial Position

**June 30, 2014**

<table>
<thead>
<tr>
<th>Assets</th>
<th>Radford University Foundation</th>
<th>Radford University Real Estate Foundation</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$327,333</td>
<td>$426,360</td>
<td>$-</td>
<td>$753,693</td>
</tr>
<tr>
<td>Other receivables</td>
<td>73,395</td>
<td>24,206</td>
<td>(4,400)</td>
<td>93,201</td>
</tr>
<tr>
<td>Contributions receivable - net</td>
<td>1,862,705</td>
<td>-</td>
<td>-</td>
<td>1,862,705</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>8,137</td>
<td>648</td>
<td>-</td>
<td>8,785</td>
</tr>
<tr>
<td>Investments</td>
<td>56,548,362</td>
<td>320,186</td>
<td>-</td>
<td>56,868,548</td>
</tr>
<tr>
<td>Real estate held for sale</td>
<td>1,199,985</td>
<td>4,400,000</td>
<td>-</td>
<td>5,599,985</td>
</tr>
<tr>
<td>Cash value of life insurance</td>
<td>92,422</td>
<td>-</td>
<td>-</td>
<td>92,422</td>
</tr>
<tr>
<td>Property and equipment - net</td>
<td>6,421,132</td>
<td>-</td>
<td>-</td>
<td>6,421,132</td>
</tr>
<tr>
<td>Collections of art</td>
<td>2,068,982</td>
<td>-</td>
<td>-</td>
<td>2,068,982</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$68,602,453</td>
<td>$5,171,400</td>
<td>$- (4,400)</td>
<td>$73,769,453</td>
</tr>
</tbody>
</table>

### Liabilities and Net Assets

<table>
<thead>
<tr>
<th>Liabilities and Net Assets</th>
<th>Radford University Foundation</th>
<th>Radford University Real Estate Foundation</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>$125,857</td>
<td>$17,606</td>
<td>-</td>
<td>$143,463</td>
</tr>
<tr>
<td>Accrued expenses and other payables</td>
<td>59,582</td>
<td>14,746</td>
<td>(4,400)</td>
<td>69,928</td>
</tr>
<tr>
<td>Line of credit</td>
<td>500,000</td>
<td>-</td>
<td>-</td>
<td>500,000</td>
</tr>
<tr>
<td>Deferred rental income</td>
<td>181,253</td>
<td>112,096</td>
<td>-</td>
<td>293,349</td>
</tr>
<tr>
<td>Notes payable</td>
<td>2,160,719</td>
<td>-</td>
<td>-</td>
<td>2,160,719</td>
</tr>
<tr>
<td>Annuity and unitrust obligations</td>
<td>637,808</td>
<td>-</td>
<td>-</td>
<td>637,808</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>3,665,219</td>
<td>144,448</td>
<td>(4,400)</td>
<td>3,805,267</td>
</tr>
</tbody>
</table>

### Net assets

<table>
<thead>
<tr>
<th>Net assets</th>
<th>Radford University Foundation</th>
<th>Radford University Real Estate Foundation</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td>11,048,928</td>
<td>4,423,506</td>
<td>-</td>
<td>15,472,434</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>28,672,176</td>
<td>603,446</td>
<td>-</td>
<td>29,275,622</td>
</tr>
<tr>
<td>Permanently restricted</td>
<td>25,216,130</td>
<td>-</td>
<td>-</td>
<td>25,216,130</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td>64,937,234</td>
<td>5,026,952</td>
<td>-</td>
<td>69,964,186</td>
</tr>
</tbody>
</table>

| **Total**                      | $68,602,453                  | $5,171,400                                | (4,400)      | $73,769,453|

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*See independent auditors' report on consolidating information.*

25
**Radford University Foundation, Inc., Subsidiaries and Affiliate**

**Consolidating Statement of Activities**

**Year Ended June 30, 2014**

<table>
<thead>
<tr>
<th></th>
<th>Radford University Foundation</th>
<th>Radford University Real Estate Foundation</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue, support and other changes</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td>$2,682,776</td>
<td>$50</td>
<td>-</td>
<td>$2,682,826</td>
</tr>
<tr>
<td>Contributions in-kind</td>
<td>1,356,735</td>
<td>-</td>
<td>-</td>
<td>1,356,735</td>
</tr>
<tr>
<td>Rental income</td>
<td>489,021</td>
<td>227,088</td>
<td>(30,000)</td>
<td>686,109</td>
</tr>
<tr>
<td>Other income</td>
<td>112,745</td>
<td>111</td>
<td>-</td>
<td>13,042</td>
</tr>
<tr>
<td>Impairment loss on property held for sale</td>
<td>-</td>
<td>(2,240,717)</td>
<td>-</td>
<td>(2,240,717)</td>
</tr>
<tr>
<td>Net return on long-term investments</td>
<td>9,071,241</td>
<td>286</td>
<td>-</td>
<td>9,071,527</td>
</tr>
<tr>
<td><strong>Total support and revenue</strong></td>
<td>13,712,518</td>
<td>(2,013,182)</td>
<td>(72,600)</td>
<td>11,626,736</td>
</tr>
</tbody>
</table>

**Expenses**

- **Program expenses:**
  - Student support 1,264,110
  - Student support in-kind 7,755
  - University program support 1,230,942
  - University program support in-kind 13,042
  - Faculty and staff development 32,066
  - Depreciation 168,021
  - Interest 65,008
- **General and administrative expenses - Other** 476,712
- **Fundraising expenses:**
  - Contributed 1,113,438
  - Other 160,046

**Total expenses**

4,531,140

9,181,378

26,619,955

6,561,423

8,764,907

63,402,763

$69,964,186

See independent auditors' report on consolidating information.