

**WEST LIBERTY UNIVERSITY**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

**WEST LIBERTY UNIVERSITY  
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## INDEPENDENT AUDITORS' REPORT

Governing Board  
West Liberty University  
West Liberty, West Virginia

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business type activities and the discretely presented component unit of West Liberty University (the "University") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the West Liberty University Foundation, Inc. (the Foundation), as of and for the year then ended June 30, 2014. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University's preparation and fair presentation of the 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 University'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 financial statements.

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

**Opinions**

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities and the discretely presented component unit of West Liberty University, as of June 30, 2014, and the respective changes in the financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matter**

*Required Supplementary Information*

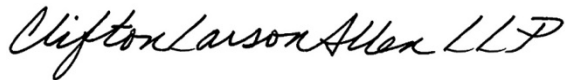
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 to 11 be presented to supplement for basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

The financial statements of West Liberty University as of June 30, 2013 were audited by other auditors whose report dated October 31, 2013 expressed an unmodified opinion on those statements.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2014, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Plymouth Meeting, Pennsylvania  
December 9, 2014



208 University Drive  
CUB 109  
West Liberty, WV 26074-0295

**Management Discussion and  
Analysis  
Fiscal Year 2014 (Unaudited)  
Financial Statements**



[About West Liberty University](#)

West Liberty University (“WLU” or “University”) is a state supported institution founded in 1837 and is West Virginia’s oldest institution of higher education. Founded as West Liberty Academy, it was privately operated until 1870 when it became West Liberty State Normal School. The name was changed to West Liberty State Teachers College in 1931 and West Liberty State College in 1943. It was approved to become a “University” by the Higher Education Policy Commission in November 2008 and approved by the Board of Governors’ in May 2009.

West Liberty University serves approximately 2795 students representing 25 states and the District of Columbia and 26 countries. WLU grants baccalaureate degrees in elementary and secondary education, arts and sciences, business administration, dental hygiene, nursing, clinical laboratory science as well as graduate degrees in Education and Physician Assistant Studies.

West Liberty University is governed by a 10 member Board of Governors that determines, controls, supervises, and manages the financial, business and educational policies and affairs of the University.

[Overview of the Financial Statements and Financial Analysis](#)

The following discussion and analysis of WLU’s financial statements provides an overview of its financial activities for fiscal years 2014 and 2013 with an emphasis on the year ended June 30, 2014 and its required supplementary information prepared in accordance with Governmental Accounting Standards Board (GASB).

The Government Accounting Standards Board (GASB) has revised the financial reporting guidelines for organizations that support government entities, effective for reporting periods beginning after June 15, 2003. Under GASB Statement No. 39, if a private foundation that provides financial support to a public college or university meets specified criteria, the university is required to include the foundation’s financial activities in the university’s financial statements. As a result, the financial statements of the West Liberty University Foundation are discretely presented following the University’s financial statements. The University does not control the resources of the Foundation and, therefore, discussion and analysis of this component unit is not included. The West Liberty University Research Corporation is presented as a component entity of the University.

There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

## Statement of Net Position

The Statement of Net Position presents the Assets (current and non-current) plus deferred outflows of resources, Liabilities (current and non-current) plus deferred inflows of resources, and Net Position (assets plus deferred outflows minus liabilities plus deferred inflows) of WLU as of June 30, 2014 and 2013. Assets denote the resources available to continue the operations of the University. Liabilities indicate how much the University owes vendors, employees and lenders. Deferred outflows and inflows are a consumption or acquisition of net assets applicable to a future reporting period and Net Position measures the equity or the availability of funds of the University for future periods.

Net position is divided into three major categories. The first category, invested in capital assets, net of related debt, provides equity in the property, plant, and equipment owned by WLU. The next category is restricted net position, which is divided into two categories, nonexpendable (permanently restricted) and expendable. Expendable restricted net position is available for expenditure but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The balances that have been restricted by the West Virginia Legislature ("Legislature") are within the expendable net position. These restricted activities are fundamental to the normal ongoing operations of WLU and are subject to change by future actions of the Legislature. The final category is unrestricted net position, which is available for expenditure for any lawful purpose of WLU.

### Condensed Statements of Net Position (In Thousands)

	2014	2013	2012
<b>ASSETS:</b>			
Current assets	\$ 8,228	\$ 11,034	\$ 9,481
Other noncurrent assets	2,921	10,795	2,024
Capital assets — net	75,090	63,154	50,633
Deferred outflow	95	103	-
<b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS</b>	<b>86,334</b>	<b>85,086</b>	<b>62,138</b>
<b>LIABILITIES:</b>			
Current liabilities	\$ 6,034	\$ 8,625	\$ 5,011
Noncurrent liabilities	27,036	28,327	19,931
Deferred inflow	77	50	
<b>TOTAL LIABILITIES &amp; DEFERRED INFLOWS</b>	<b>33,147</b>	<b>37,002</b>	<b>24,942</b>
<b>NET POSITION:</b>			
Invested in capital assets, net of related debt	56,471	50,988	37,587
Restricted expendable	39	383	1,873
Unrestricted	(3,323)	(3,287)	(2,264)
<b>TOTAL NET POSITION</b>	<b>53,187</b>	<b>48,084</b>	<b>37,196</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS &amp; NET POSITION</b>	<b>\$ 86,334</b>	<b>\$ 85,086</b>	<b>\$ 62,138</b>

A review of the individual asset and liabilities categories that contributed to the overall increase in net assets indicates the following:

**2014:**

Noncurrent assets increased by \$4,062,046. There was a decrease of \$7,777,818 in noncurrent cash and cash equivalents due to the 2012 bond funds being spent on the completion of Campbell Hall. The balance of the 2012 bond fund at June 30 was \$2,151,197. Capital assets-net increased by \$11,936,134 primarily due to the completion of Campbell Hall.

Current Liabilities decreased by \$2,590,803 primarily due to a reduction in accrued liabilities of \$2,672,977 resulting from the completion of Campbell Hall and a significant reduction in construction work in progress.

**2013:**

Noncurrent Assets increased by \$21,292,901, primarily due to the progress on the Campbell Hall Health Sciences Building and unspent 2012 Revenue Bonds.

- In 2012, WLU issued \$10,000,000 Revenue Bonds to help fund Campbell Hall. Noncurrent Cash and Cash Equivalents increased by \$8,817,348 due to the non-expensed portion of the 2012 Revenue Bonds. These funds will be spent on the completion of Campbell Hall in FY14. In 2013, WLU refinanced the 2003 revenue bonds and the debt service reserve funds required by the bonds in the amount of \$1,111,667 were applied to the redemption of the bonds during the refinancing.
- Capital Assets increased by over \$13 million due to construction work in progress, primarily, for Campbell Hall.

Noncurrent Liabilities increased by \$8,395,769. The increase is primarily related to the 2012 Revenue Bonds issued to fund Campbell Hall.

- In FY13, the OPEB liability (other post-retirement benefits), increased by \$44,696 compared to an increase of \$1,874,984 in FY12. It is the state's intention to cover this liability in whole, by 2034, by continuing to decrease the policy rate and provide credits beginning in 2017. The Annual Required Contribution (ARC) per policy per month in FY13 was \$79, compared to \$761 in FY12. The total liability of \$6,011,898 significantly impacts our unrestricted net position.

**Statement of Revenues, Expenses, and Changes in Net Position**

Changes in total net position, as presented on the Statement of Net Position, is based on the activities presented in the Statement of Revenues, Expenses, and Changes in Net Position (SRECNP). The purpose of the SRECNP is to present the revenues earned, both operating and non-operating, and the expenses incurred, operating and non-operating, and any other revenues, expenses, gains and losses earned or incurred by WLU.

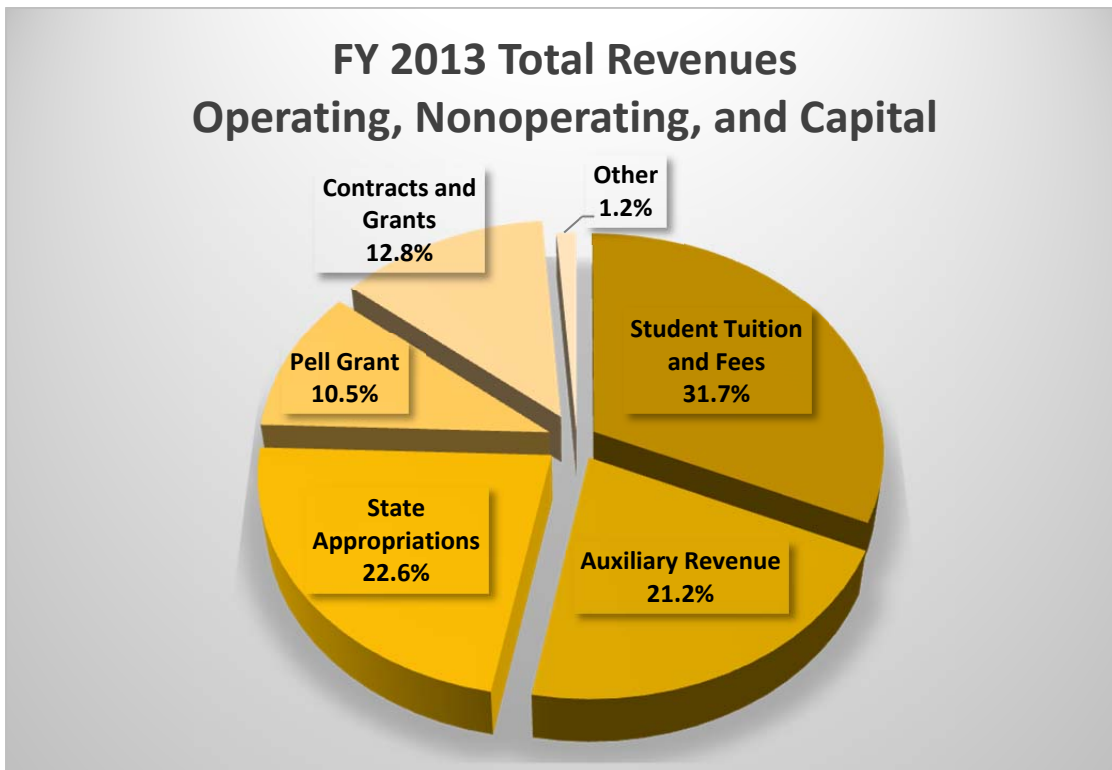
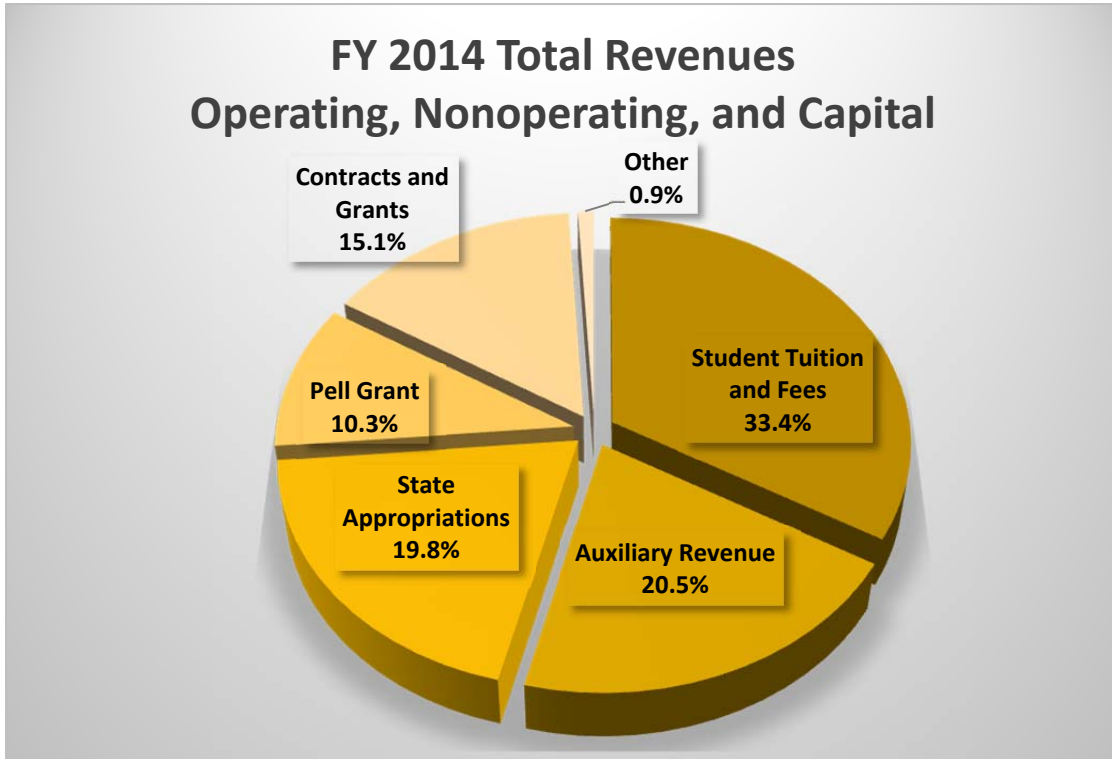
Generally speaking, operating revenues are earned for providing goods and services to the various customers and constituencies of WLU. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the WLU mission. Revenues for which goods and services are not provided are reported as non-operating revenues. For example, state appropriations are non-operating revenues because they are provided by the Legislature to WLU without the Legislature directly receiving commensurate goods and services for those revenues. Likewise, Pell grants are reported as non-operating, because of specific guidance in the AICPA industry audit guide.

**Condensed Statements of Revenues, Expenses and Changes in Net Position  
(In Thousands)**

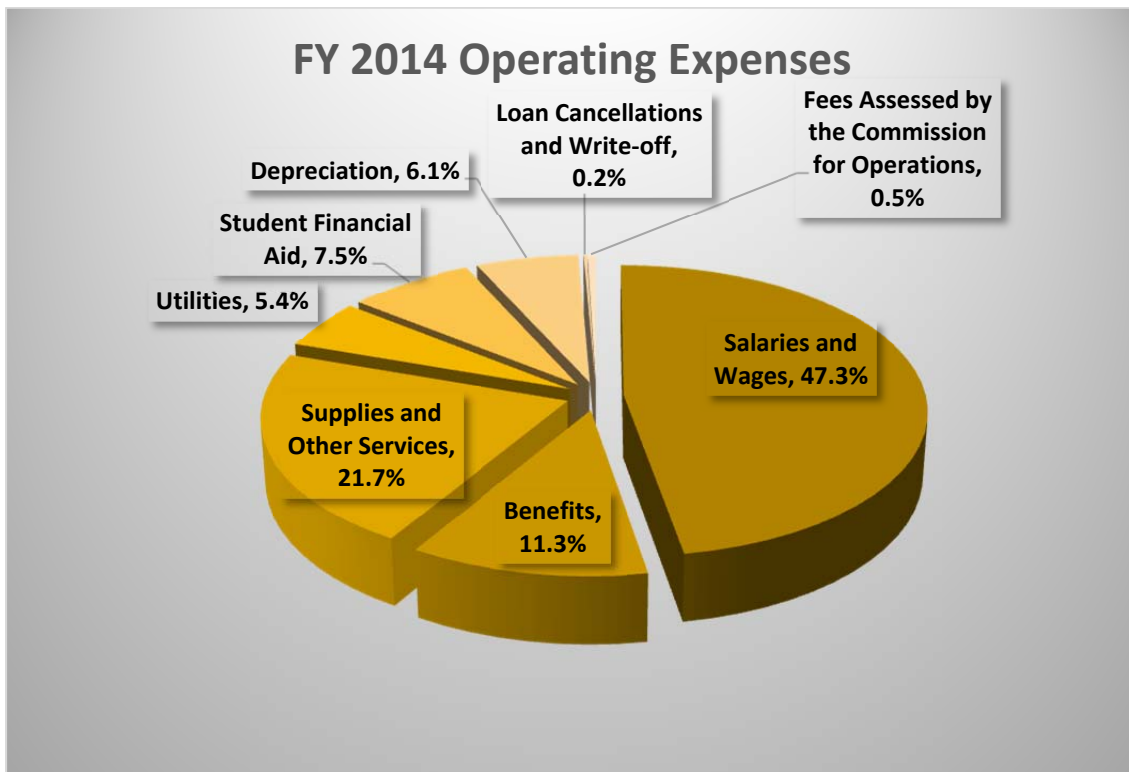
	<b>2014</b>	<b>2013</b>	<b>2012</b>
OPERATING REVENUES	\$29,601	\$28,153	\$26,614
OPERATING EXPENSES	40,251	40,997	41,140
OPERATING LOSS	(10,650)	(12,844)	(14,526)
NON-OPERATING REVENUES (NET OF NON-OPERATING EXPENSES)	12,480	13,442	12,994
(DECREASE) INCREASE IN NET POSITION BEFORE TRANSFER	1,831	598	(1,532)
CAPITAL AND BOND PROCEEDS	3,273	8,640	3,277
CAPITAL STATE APPROPRIATION	-	-	694
CAPITAL GIFTS	-	1,650	-
INCREASE IN NET POSITION	5,103	10,888	2,439
NET POSITION — Beginning of year	48,084	37,196	34,757
NET POSITION — End of year	\$53,187	\$48,084	\$37,196

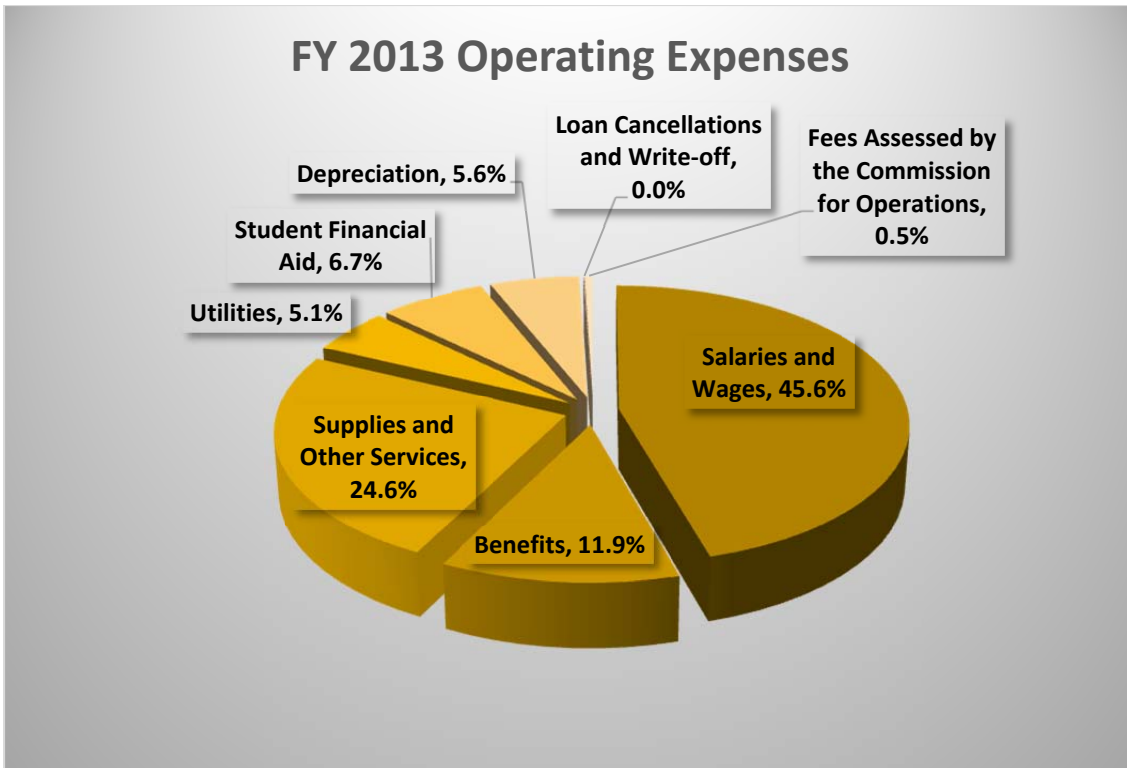


- A review of the individual revenue and expense categories that contributed to the overall increase in net position reveals the following:



- Student tuition and fees (net of scholarship allowance) accounted for 48% of WLU’s operating revenues in FY14 and FY13 and 33% of total revenues in FY14 and 32% of total revenues in FY13.
- Pell decreased from \$4,435,617 in FY13 to \$4,373,177 in FY14.
- The State Appropriation was \$8,396,273 in FY14 and \$9,322,525 in FY13. In FY12, an accounting error resulted in a loss of Appropriation and Tuition & Fees revenue totaling \$494,468. WLU’s administration petitioned the Legislature and the State only returned \$247,233 into Appropriations in FY13. Therefore, Appropriations actually received were \$8,805,057 in FY12 and \$9,569,758 in FY13.
- Investment income decreased to \$12,962 in FY14 contrasted to \$15,961 in FY13. WLU participates in the investment pool managed by the state.





- Salary/wages and employee benefit categories made up 58.6% and 57.5% of the operating expenses of WLU for FY14 and FY13, respectively. The University has fully funded the Mercer Scale for Classified Staff. Salary and wages increased by \$344,599 in FY14. Benefits decreased by \$310,077 in FY14.

#### Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the cash activities of WLU during the year. The statement is divided into five parts. The first section deals with operating cash flows and shows the net cash used in the operating activities of WLU. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for non-operating, non-investing, and noncapital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital assets and related items, and related funding received. The fourth section reflects the cash flows from investing activities and shows interest received from investing activities. The fifth section reconciles the net cash used in operating activities to the operating loss reflected in the SRECNP.

**Condensed Statements of Cash Flows**  
(In Thousands)

	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>Cash Provided by (Used in)</b>			
OPERATING ACTIVITIES	\$ (7,561)	\$ (10,799)	\$ (10,043)
NONCAPITAL FINANCING ACTIVITIES	12,769	14,005	13,658
CAPITAL FINANCING ACTIVITIES	(7,739)	(2,003)	(3,698)
INVESTING ACTIVITIES	13	16	11
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,518)	1,219	(72)
CASH AND CASH EQUIVALENTS — Beginning of year	9,020	7,801	7,873
CASH AND CASH EQUIVALENTS — End of year	\$ 6,502	\$ 9,020	\$ 7,801

**Capital Asset and Debt Administration**

**2014 Capital:**

- Campbell Hall was substantially completed in FY14. Total cost of the building was approximately \$23,246,139.
- Other capital projects completed in FY14 were Tennis Court resurfacing \$68,500, Student Union roof \$155,400, Arnett Roof \$270,000 (\$125,000 provided by HEPC 50/50 match), ADA improvements \$401,000, and Football Field lights \$540,600 (\$500,000 provided by donor).



### **2013 Capital:**

- As of June 30, Campbell Hall was in the middle of completion. The funding for the building consists of \$12.75 million in bond proceeds from the 2010 Lottery Revenue Bonds, \$10 million in private placement bonds, \$1.2 million generated from the sale/lease of natural gas rights and timber and \$339,000 in private restricted funds with the Foundation. The University recognized \$8,477,418 from the 2010 Lottery Revenue Bonds from the Commission in FY13.
- Other capital projects completed during FY13 were the Soccer Field \$389,134, Kelly Hall Flue \$141,114, Shaw Hall Columns \$362,015 (partially funded with a \$100,000 grant from the WV Archives and History Commission), and the Curtis Hall sewer \$43,000.

### **2014 Debt:**

- As of June 30, the University spent \$7,848,803 of the 2012 \$10,000,000 bond issuance for the construction of Campbell Hall. Principal repayment on 2012 Bond and 2013 Refinancing Bond amounted to \$1,300,000.

### **2013 Debt:**

- On May 31, 2013, the University drew down the final balance of the 2012 Bond, \$9,925,000. The University did not expense any of these funds in FY13. The first principal payment on this debt was due in October 2013.
- In FY13, the University refinanced \$9,810,000 from the 2003 A, B, and C bonds. Due to the timing of the refinancing, WLU did not make a principal payment. The next principal payment on this debt was due in May 2014.



### **Economic Outlook**

In FY14, West Liberty University faced its first enrollment decline in eight years. Admissions, up in FY13, represented the seventh consecutive year of enrollment increase. The University remains very competitive with four-year educational institutions in the geographical enrollment area.

The State of West Virginia is facing significant revenue declines which results in further reductions to State Appropriations. The University faced a 10% reduction in FY14 State Appropriation and will see approximately a 2% reduction in FY15. The University has implemented cost efficiency strategies and continues to invest in initiatives that will increase retention and enrollment. The University is revising our strategic plan to ensure that we overcome any future challenges due to enrollment declines and additional reductions of State support.

The Physician Assistant Program graduated its first class in June of 2014. The program receives over 1100 applications for 18 positions and generates over \$1,100,000 a year in revenue. The University's investment in international recruitment of students has also provided revenue and enrollment increases over the past few years.

We are currently in the planning phases of several Master's programs including a Master of Professional Studies (projected start Sept. 2014) and Master of Science in Dental Hygiene (projected start Sept. 2016), Master of Criminology (projected start Jan. 2016) and an International MBA program (projected start Jan. 2016). The University also received approval to offer online programs in FY14, allowing for additional flexibility in course and program offerings.

**WEST LIBERTY UNIVERSITY**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2014 AND 2013**

	2014	2013
<b>ASSETS AND DEFERRED OUTFLOWS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 6,502,194	\$ 9,020,738
Accounts Receivable - Net	1,171,150	1,494,399
Loans to Students - Current Portion	442,635	399,765
Prepaid Expenses	1,491	1,689
Inventories	110,385	116,913
Total Current Assets	8,227,855	11,033,504
 <b>NONCURRENT ASSETS</b>		
Cash and Cash Equivalents	2,151,197	9,929,015
Loans to Students - Net of Allowance of \$851,206 in 2014 and \$774,225 in 2013	770,198	866,468
Capital Assets - Net	75,090,069	63,153,935
Total Noncurrent Assets	78,011,464	73,949,418
Total Assets	86,239,319	84,982,922
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Loss on Refunding of Debt - Net	95,156	102,557
Total Assets and Deferred Outflows	\$ 86,334,475	\$ 85,085,479

*See accompanying Notes to Financial Statements.*

**WEST LIBERTY UNIVERSITY**  
**STATEMENTS OF NET POSITION (CONTINUED)**  
**JUNE 30, 2014 AND 2013**

	2014	2013
<b>LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 848,516	\$ 520,662
Due to Commission	-	3
Accrued Liabilities	2,596,560	5,269,537
Unearned Revenues	118,966	148,661
Compensated Absences	1,159,839	1,256,384
Debt Obligation to Commission - Current Portion	135,357	129,794
Bonds Payable - Current Portion	1,175,000	1,300,000
Total Current Liabilities	6,034,238	8,625,041
<b>NONCURRENT LIABILITIES</b>		
Advances from Federal Sponsors	1,456,218	1,526,340
Other Post Employment Benefits Liability	6,101,764	6,011,898
Debt Obligation to Commission	2,143,463	2,278,820
Bonds Payable	17,335,000	18,510,000
Total Noncurrent Liabilities	27,036,445	28,327,058
 Total Liabilities	 33,070,683	 36,952,099
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Service Concession Arrangement - Net	76,582	49,579
 Total Liabilities and Deferred Inflows	 33,147,265	 37,001,678
<b>NET POSITION</b>		
Net Investment in Capital Assets	56,471,020	50,988,299
Restricted for - Expendable:		
Scholarships	13,175	14,513
Capital Projects	25,662	367,746
Unrestricted (Deficit)	(3,322,647)	(3,286,757)
Total Net Position	53,187,210	48,083,801
 Total Liabilities, Deferred Inflows and Net Position	 \$ 86,334,475	 \$ 85,085,479

See accompanying Notes to Financial Statements.

**WEST LIBERTY UNIVERSITY**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

	2014	2013
<b>OPERATING REVENUES</b>		
Student Tuition and Fees - Net of Scholarship Allowance of \$6,296,721 in 2014 and \$6,026,717 in 2013	\$ 14,172,920	\$ 13,407,500
Contracts and Grants:		
Federal	836,774	875,932
State	4,210,106	3,894,206
Private	1,382,627	632,481
Interest on Student Loans Receivable	32,414	31,171
Auxiliary Enterprise Revenue - Net of Scholarship Allowance of \$3,868,117 in 2014 and \$4,040,962 in 2013	8,703,267	8,986,236
Miscellaneous	263,311	325,891
Total Operating Revenues	29,601,419	28,153,417
 <b>OPERATING EXPENSES</b>		
Salaries and Wages	19,030,783	18,686,184
Benefits	4,562,825	4,872,902
Supplies and Other Services	8,740,197	10,087,067
Utilities	2,190,158	2,104,254
Student Financial Aid - Scholarships and Fellowships	3,002,424	2,739,267
Depreciation and Amortization	2,454,996	2,290,869
Loan Cancellations and Write-Offs	76,981	16,768
Fees Assessed by the Commission for Operations	192,566	199,656
Total Operating Expenses	40,250,930	40,996,967
 <b>OPERATING LOSS</b>	 (10,649,511)	 (12,843,550)
 <b>NONOPERATING REVENUES (EXPENSES)</b>		
State Appropriations	8,396,273	9,569,758
Federal Pell Grants	4,373,177	4,435,617
Investment Income	12,962	15,961
Gain (Loss) on Disposal of Capital Assets	(11,632)	3,798
Interest on Indebtedness	(252,540)	(575,580)
Fees Assessed by the Commission for Debt Service	(134,962)	(140,004)
Other Nonoperating Income	96,874	131,595
Net Nonoperating Income	12,480,152	13,441,145
 <b>INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES</b>	 1,830,641	 597,595
 <b>CAPITAL AND BOND PROCEEDS FROM COMMISSION</b>	 3,272,768	 8,639,918
 <b>CAPITAL GIFTS</b>	 -	 1,650,000
 <b>INCREASE IN NET POSITION</b>	 5,103,409	 10,887,513
 <b>NET POSITION - BEGINNING OF YEAR</b>	 48,083,801	 37,196,288
 <b>NET POSITION - END OF YEAR</b>	 \$ 53,187,210	 \$ 48,083,801

See accompanying Notes to Financial Statements.



**WEST LIBERTY UNIVERSITY**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Student Tuition and Fees	\$ 12,789,584	\$ 13,183,892
Contracts and Grants	5,168,101	5,301,830
Payments to and on Behalf of Employees	(23,299,777)	(23,423,706)
Payments to Suppliers	(8,560,115)	(10,141,610)
Payments to Utilities	(2,253,785)	(2,089,302)
Payments for Scholarships and Fellowships	(2,491,044)	(2,739,267)
Loans Issued to Students	(135,128)	(219,433)
Collection of Loans to Students	206,337	212,375
Auxiliary Enterprise Charges	9,516,870	8,991,641
Fees Assessed by Commission	(192,566)	(199,656)
Other Receipts - Net	<u>1,690,465</u>	<u>324,543</u>
Net Cash Used by Operating Activities	(7,561,058)	(10,798,693)
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State Appropriations	8,396,273	9,569,758
Federal Pell Grants	4,373,177	4,435,617
William D. Ford Direct Lending Receipts	15,764,870	15,397,783
William D. Ford Direct Lending Payments	<u>(15,764,870)</u>	<u>(15,397,783)</u>
Net Cash Provided by Noncapital Financing Activities	12,769,450	14,005,375
 <b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Purchases of Capital Assets	(16,673,820)	(9,884,329)
State Capital Grants (Federal)	3,014,199	-
Capital Project Proceeds from Commission	-	8,288,532
Capital Project Proceeds from Economic Development Authority	-	1,718
Proceeds from Bond Issuance	-	19,735,000
Principal Paid on Long-Term Liabilities	(129,794)	(126,086)
Principal Paid on Bonds	(1,300,000)	(10,545,000)
Interest Paid on Bonds	(388,299)	(654,291)
Other Nonoperating Receipts	95,070	138,781
Additions to Noncurrent Cash and Cash Equivalents	7,777,935	(8,817,348)
Fees Assessed by Commission	<u>(134,962)</u>	<u>(140,004)</u>
Net Cash Used by Capital Financing Activities	(7,739,671)	(2,003,027)
 <b>CASH FLOWS FROM INVESTING ACTIVITY</b>		
Interest on Investments	<u>12,735</u>	<u>16,217</u>
 <b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(2,518,544)	1,219,872
 <b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>9,020,738</u>	<u>7,800,866</u>
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 6,502,194</u></u>	<u><u>\$ 9,020,738</u></u>

See accompanying Notes to Financial Statements.

**WEST LIBERTY UNIVERSITY**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

	2014	2013
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH</b>		
<b>USED BY OPERATING ACTIVITIES:</b>		
Operating Loss	\$ (10,649,511)	\$ (12,843,550)
Adjustments to Reconcile Operating Loss to Net Cash		
Used by Operating Activities:		
Depreciation and Amortization Expense	2,454,996	2,290,869
Changes in Assets and Liabilities:		
Accounts Receivable - Net	144,496	6,970
Loans to Students - Net	53,400	23,277
Prepaid Expenses	199	1,378
Inventories	6,528	(15,315)
Accounts Payable	250,805	(272,159)
Due to Commission	(27,997)	(183,919)
Accrued Liabilities	305,077	755
Compensated Absences	(96,545)	114,358
Other Postemployment Benefits	89,867	44,696
Unearned Revenues	(29,694)	19,958
Advances from Federal Sponsors	(70,122)	951
Other	7,443	13,038
Net Cash Used by Operating Activities	\$ (7,561,058)	\$ (10,798,693)
<b>NONCASH TRANSACTIONS</b>		
Property Additions in Accounts Payable and Accrued Liabilities	\$ 813,940	\$ 3,239,715

See accompanying Notes to Financial Statements.

**WEST LIBERTY UNIVERSITY**  
**WEST LIBERTY UNIVERSITY FOUNDATION, INCORPORATED**  
**A COMPONENT UNIT OF WEST LIBERTY UNIVERSITY**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2014 AND 2013**

<b>ASSETS</b>	<u>2014</u>	<u>2013</u>
Cash and Cash Equivalents	\$ 30,486	\$ 27,490
Unconditional Promises to Give	281,501	172,257
Other Receivables	4,855	8,532
Investments at Estimated Fair Value	15,872,924	11,894,694
Beneficial Interest in Perpetual Trust	2,270,545	2,098,005
Other Assets	<u>61,014</u>	<u>44,036</u>
Total Assets	<u><u>\$ 18,521,325</u></u>	<u><u>\$ 14,245,014</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 34,170	\$ 21,591
Liability for Charitable Gift Annuities	<u>50,963</u>	<u>60,607</u>
Total Liabilities	85,133	82,198
<b>NET ASSETS</b>		
Unrestricted	2,599,987	1,935,952
Temporarily Restricted	6,011,161	2,806,822
Permanently Restricted	<u>9,825,044</u>	<u>9,420,042</u>
Total Net Assets	<u>18,436,192</u>	<u>14,162,816</u>
Total Liabilities and Net Assets	<u><u>\$ 18,521,325</u></u>	<u><u>\$ 14,245,014</u></u>

See accompanying Notes to Financial Statements.

**WEST LIBERTY UNIVERSITY**  
**WEST LIBERTY UNIVERSITY FOUNDATION, INCORPORATED**  
**A COMPONENT UNIT OF WEST LIBERTY UNIVERSITY**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2014**

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>SUPPORT AND REVENUES</b>				
Contributions	\$ 42,259	\$ 4,824,918	\$ 127,770	\$ 4,994,947
Interest and Dividend Income	260,972	-	104,693	365,665
Gain on Investments	1,253,867	-	-	1,253,867
Change in Value of Split Interest Agreements	-	(6,625)	172,539	165,914
Other Income	129,406	-	-	129,406
Net Assets Released from Restrictions and Other	1,613,954	(1,613,954)	-	-
Total Support and Revenues	<u>3,300,458</u>	<u>3,204,339</u>	<u>405,002</u>	<u>6,909,799</u>
<b>EXPENSES AND LOSSES</b>				
West Liberty University Support:				
Scholarships	408,533	-	-	408,533
Athletic Programs	96,587	-	-	96,587
Academic Programs	431,661	-	-	431,661
Capital Improvements	1,014,651	-	-	1,014,651
Other Programs	432,841	-	-	432,841
General and Administrative	252,150	-	-	252,150
Total Expenses and Losses	<u>2,636,423</u>	<u>-</u>	<u>-</u>	<u>2,636,423</u>
<b>CHANGES IN NET ASSETS</b>	664,035	3,204,339	405,002	4,273,376
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>1,935,952</u>	<u>2,806,822</u>	<u>9,420,042</u>	<u>14,162,816</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 2,599,987</u>	<u>\$ 6,011,161</u>	<u>\$ 9,825,044</u>	<u>\$18,436,192</u>

See accompanying Notes to Financial Statements.

**WEST LIBERTY UNIVERSITY**  
**WEST LIBERTY UNIVERSITY FOUNDATION, INCORPORATED**  
**A COMPONENT UNIT OF WEST LIBERTY UNIVERSITY**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2013**

	2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>SUPPORT AND REVENUES</b>				
Contributions	\$ 59,298	\$ 1,611,208	\$ 93,618	\$ 1,764,124
Interest and Dividend Income	47,915	140,486	95,164	283,565
Fundraising	-	20,774	-	20,774
Gain on Investments	767,923	170,704	-	938,627
Change in Value of Split Interest Agreements	-	(6,518)	71,864	65,346
Other Income	23,000	40,680	-	63,680
Net Assets Released from Restrictions and Other	1,492,730	(1,492,730)	-	-
Total Support and Revenues	<u>2,390,866</u>	<u>484,604</u>	<u>260,646</u>	<u>3,136,116</u>
<b>EXPENSES AND LOSSES</b>				
West Liberty University Support:				
Scholarships	563,365	-	-	563,365
Athletic Programs	139,564	-	-	139,564
Academic Programs	986,317	-	-	986,317
Capital Improvements	127,199	-	-	127,199
Other Programs	239,332	-	-	239,332
General and Administrative	237,395	-	-	237,395
Total Expenses and Losses	<u>2,293,172</u>	<u>-</u>	<u>-</u>	<u>2,293,172</u>
<b>CHANGES IN NET ASSETS</b>	97,694	484,604	260,646	842,944
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>1,838,258</u>	<u>2,322,218</u>	<u>9,159,396</u>	<u>13,319,872</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 1,935,952</u>	<u>\$ 2,806,822</u>	<u>\$ 9,420,042</u>	<u>\$14,162,816</u>

See accompanying Notes to Financial Statements.

**WEST LIBERTY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 1 ORGANIZATION**

West Liberty University (the "University") is governed by the West Liberty University Board of Governors (the "Board"). The Board was established by Senate Bill 653 ("S.B. 653").

Powers and duties of the Board include, but are not limited to, the power to determine, control, supervise, and manage the financial, business, and educational policies and affairs of the University under its jurisdiction, the duty to develop a master plan for the institution, the power to prescribe the specific functions and the University's budget request, the duty to review, at least every five years, all academic programs offered at the University, and the power to fix tuition and other fees for the different classes or categories of students enrolled at its institution.

S.B. 653 also created the West Virginia Higher Education Policy Commission (the "Commission"), which is responsible for developing, gaining consensus around, and overseeing the implementation and development of a higher education public policy agenda.

West Liberty University Research Corporation ("WLURC") has been created to foster and support research and academic program development at the University and further to provide services for inventions of the University faculty, staff, and students; and has been designated by the University to fulfill the provisions of the West Virginia Code pertaining to the role of public institutions to work in partnership with business, industry, or government. The University encourages the acceptance of grants, contracts, and equipment and the sharing of facilities, equipment, and skilled personnel to promote and develop joint, applied research and development, technical assistance, and instructional programs in West Virginia. WLURC has an approved Affiliation Agreement with the West Liberty University Board of Governors on behalf of West Liberty University providing for services and activities related to promotion, encouragement, and stimulation of research. This Affiliation Agreement is effective beginning July 1, 2010, and will be renewed automatically from fiscal year to fiscal year unless terminated or revised in writing by the parties as provided hereinafter within ninety (90) days of commencement of each new fiscal year.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the University have been prepared in accordance with generally accepted accounting principles as prescribed by Governmental Accounting Standards Board (GASB) standards. The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, changes in net position, and cash flows.

**WEST LIBERTY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Reporting Entity**

The University is an operating unit of the West Virginia Higher Education Fund and represents separate funds of the State of West Virginia (the "State") that are not included in the State's general fund. The University is a separate entity which, along with all the State institutions of higher education, the Commission (which includes the West Virginia Network for Educational Telecomputing (WVNET), and the West Virginia Council for Community and Technical College Education, form the Higher Education Fund of the State. The Higher Education Fund is considered a component unit of the State, and its financial statements are discretely presented in the State's comprehensive annual financial report.

The accompanying financial statements present all funds under the authority of the University, including its blended component unit, the WLURC, a nonprofit, nonstock corporation. The basic criterion for inclusion in the accompanying financial statements is the exercise of oversight responsibility derived from the University's ability to significantly influence operations and accountability for fiscal matters of the WLURC.

A related organization of the University, the West Liberty University Foundation, Incorporated (the "Foundation") is part of the University reporting entity and is included in the accompanying financial statements, as a discretely presented component unit, as the University has no ability to designate management, cannot significantly influence operations of this entity, and is not accountable for the fiscal matters of the Foundation under GASB. The Foundation is a private nonprofit organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from the GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's audited financial information as it is presented herein (see also Note 17).

**Financial Statement Presentation**

GASB establishes standards for external financial reporting for public colleges and universities and requires that financial statements be presented on a basis to focus on the University as a whole. Net position is classified into four categories according to external donor restrictions or availability of assets for satisfaction of University obligations. The University's net position is classified as follows:

*Net Investment in Capital Assets* - This represents the University's total investment in capital assets, net of depreciation and outstanding debt obligations related to those capital assets. To the extent that debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets, net of related debt.

*Restricted Net Position – Expendable* – This includes resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

**WEST LIBERTY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial Statement Presentation (Continued)**

The West Virginia State Legislature (the "State Legislature"), as a regulatory body outside the reporting entity, has restricted the use of certain funds, by Article 10, *Fees and Other Money Collected at State Institutions of Higher Education* of the West Virginia State Code. House Bill 101 passed in March 2004 simplified the tuition and fee restrictions to auxiliaries and capital items. These activities are fundamental to the normal ongoing operations of the institution. These restrictions are subject to change by future actions of the State Legislature.

*Restricted Net Position – Nonexpendable* – This includes endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The University does not have any restricted nonexpendable net position as of June 30, 2014 and 2013.

*Unrestricted Net Position* – This represents resources derived from student tuition and fees, state appropriations, and sales and services of educational activities. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the Board to meet current expenses for any purpose.

**Basis of Accounting**

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been prepared on the accrual basis of accounting with a flow of economic resources measurement focus. Revenues are reported when earned and expensed when materials or services are received. All intercompany accounts and transactions have been eliminated.

**Cash and Cash Equivalents**

For purposes of the statements of net position, the University considers all highly liquid investments with an original maturity of three months or less to be cash and cash equivalents.

Cash and cash equivalents balances on deposit with the State of West Virginia Treasurer's Office (the "State Treasurer") are pooled by the State Treasurer with other available funds of the State for investment purposes by the West Virginia Board of Treasury Investments (BTI). These funds are transferred to the BTI, and the BTI is directed by the State Treasurer to invest the funds in specific external investment pools in accordance with West Virginia Code, policies set by the BTI, provisions of bond indentures, and the trust agreements, when applicable. Balances in the investment pools are recorded at fair value or amortized cost, which approximates fair value. Fair value is determined by a third-party pricing service based on asset portfolio pricing models and other sources in accordance with GASB. The BTI was established by the State Legislature and is subject to oversight by the State Legislature. Fair value and investment income are allocated to participants in the pools based upon the funds that have been invested. The amounts on deposit are available for immediate withdrawal or on the first day of each month for the WV Short-Term Bond Pool and, accordingly, are presented as cash and cash equivalents in the accompanying financial statements.



**WEST LIBERTY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents (Continued)**

The BTI maintains the Consolidated Fund investment fund, which consists of eight investment pools and participant-directed accounts, three of which the Commission may invest in. These pools have been structured as multi-participant variable net position funds to reduce risk and offer investment liquidity diversification to the Fund participants. Funds not required to meet immediate disbursement needs are invested for longer periods. A more detailed discussion of the BTI's investment operations pool can be found in its annual audited financial report. A copy of that annual report can be obtained from the following address: 1900 Kanawha Boulevard East, Room E-122, Charleston, WV 25305 or <http://www.wvbt.com>.

**Appropriations Due from Primary Government**

For financial reporting purposes, appropriations due from the State are presented separate from cash and cash equivalents, as amounts are not specific deposits with the State Treasurer but are obligations of the State.

**Allowance for Doubtful Accounts**

It is the University's policy to provide for future losses on uncollectible accounts, contracts, grants, and loans receivable based on an evaluation of the underlying account, contract, grant, and loan balances, the historical collectability experienced by the University on such balances, and such other factors which, in the University's judgment, require consideration in estimating doubtful accounts.

**Inventories**

Inventories are stated at the lower of cost or market, cost being determined on the first-in, first-out method.

**Noncurrent Cash, Cash Equivalents, and Investments**

Cash, cash equivalents and investments that are (1) externally restricted to make debt service payments, long-term loans to students, or to maintain sinking or reserve funds, or (2) to purchase capital or other noncurrent assets, are classified as noncurrent assets in the accompanying statements of net position.

**Capital Assets**

Capital assets include property, plant and equipment, books and materials that are part of a catalogued library, and infrastructure assets. Capital assets are stated at cost at the date of acquisition or construction, or fair value at the date of donation in the case of gifts. Interest on related borrowing, net of interest earnings on invested proceeds, capitalized during the period of construction was \$189,550 and \$109,426 for the years ended June 30, 2014 and 2013, respectively. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 20 to 50 years for buildings and infrastructure, 20 years for land improvements, 7 years for library books, and 3 to 12 years for furniture and equipment. The University capitalizes all purchases of library books and uses a capitalization threshold of \$5,000 for other capital assets. The financial statements reflect all adjustments required by GASB.

**WEST LIBERTY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Unearned Revenues**

Revenues for programs or activities to be conducted primarily in the next fiscal year are classified as unearned revenues, including items such as tuition, football ticket sales, orientation fees, room, and board. Financial aid and other deposits are separately classified as deposits.

**Compensated Absences and Other Postemployment Benefits (OPEBs)**

GASB provides standards for the measurement, recognition, and display of OPEB expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. During fiscal year 2006, House Bill No. 4654 was established to create a trust fund for postemployment benefits for the State. Effective July 1, 2007, the University was required to participate in this multiple employer cost-sharing plan, the West Virginia Retiree Health Benefit Trust Fund, sponsored by the State. Details regarding this plan and its stand-alone financial statements can be obtained by contacting West Virginia Public Employees Insurance Agency (PEIA), State Capitol Complex, Building 5, Room 1001, 1900 Kanawha Boulevard East, Charleston, West Virginia 25305-0710 or <http://www.wvpeia.com>.

GASB requires entities to accrue for employees' rights to receive compensation for vacation leave or payments in lieu of accrued vacation or sick leave as such benefits are earned and payment becomes probable. The University's full-time employees earn up to two vacation leave days for each month of service and are entitled to compensation for accumulated, unpaid vacation leave upon termination. Full-time employees also earn 1-1/2 sick-leave days for each month of service and are entitled to extend their health or life insurance coverage upon retirement in lieu of accumulated, unpaid sick leave. Generally, two days of accrued sick leave extend health insurance for one month of single coverage and three days extend health insurance for one month of family coverage. For employees hired after 1988 or who were hired before 1988 but did not choose such coverage until after 1988 but before July 1, 2001, the employee shares in the cost of the extended benefit coverage to the extent of 50% of the premium required for the extended coverage. Employees hired July 1, 2001, or later will no longer receive sick-leave credit toward insurance premiums when they retire. Additionally, all retirees have the option to purchase continued coverage regardless of their eligibility for premium credits. This liability is now provided for under the multiple-employer cost-sharing plan sponsored by the State.

Certain faculty employees (generally those with less than a 12-month contract) earn a similar extended health or life insurance coverage retirement benefit based on years of service. Generally 3-1/3 years of teaching service extend health insurance for one year of single coverage and five years extend health insurance for one year of family coverage. Faculty hired after July 1, 2009, will no longer receive years of service credit toward insurance premiums when they retire. Employees hired after July 1, 2010 receive no health insurance premium subsidy from the University. Two groups of employees hired after July 1, 2010 will not be required to pay the unsubsidized rate: 1) active employees who were originally hired before July 1, 2010, who have a break in service of fewer than two years after July 1, 2010; and 2) retired employees who retired before July 1, 2010, return to active service after July 1, 2010, and then go back into retirement. In those cases, the original hire date will apply.

**WEST LIBERTY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Compensated Absences and Other Postemployment Benefits (OPEBs) (Continued)**

The estimated expense and expense incurred for the vacation leave or OPEB benefits are recorded as a component of benefits expense on the statements of revenues, expenses, and changes in net position.

**Deferred Outflows of Resources**

Consumption of net position by the University that is applicable to a future fiscal year is reported as a deferred outflow of resources on the statement of net position. A deferred outflow on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This deferred outflow is accreted over the shorter of the life of the refunded bond or the refinancing bond issue.

**Deferred Inflows of Resources**

An acquisition of net position by the University that is applicable to a future fiscal year is reported as a deferred inflow of resources on the statement of net position. Renovations made to University facilities by vendors under a service concession arrangement are capitalized and accreted over the period of the contract.

**Risk Management**

The State's Board of Risk and Insurance Management (BRIM) provides general, property and casualty, and liability coverage to the University and its employees. Such coverage is provided to the University by BRIM through self-insurance programs maintained by BRIM or policies underwritten by BRIM that may involve experience-related premiums or adjustments to BRIM.

BRIM engages an independent actuary to assist in the determination of its premiums so as to minimize the likelihood of premium adjustments to the University or other participants in BRIM's insurance programs. As a result, management does not expect significant differences between the premiums the University is currently charged by BRIM and the ultimate cost of that insurance based on the University's actual loss experience. In the event such differences arise between estimated premiums currently charged by BRIM to the University and the University's ultimate actual loss experience, the difference will be recorded as the change in estimate becomes known.

In addition, through its participation in the PEIA and third-party insurers, the University has obtained health, life, prescription drug coverage, and coverage for job-related injuries for its employees. In exchange for payment of premiums to PEIA and the third-party insurers, the University has transferred its risks related to health, life, prescription drug coverage, and job-related injuries.

Settled claims have not exceeded these coverage's for the past three years.

**WEST LIBERTY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Classification of Revenues**

The University has classified its revenues according to the following criteria:

*Operating Revenues* – Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances; (3) most federal, state, local, and nongovernmental grants and contracts; and (4) sales and services of educational activities.

*Nonoperating Revenues* – Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenues that are defined as nonoperating revenues by GASB, such as state appropriations, Federal Pell Grants, investment income, and the sale of capital assets (including natural resources).

*Other Revenues* – Other revenues consist primarily of capital grants and gifts.

**Use of Restricted Net Position**

The University has not adopted a formal policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Generally, the University attempts to utilize restricted net position first when practicable. The University did not have any designated net position funds as of June 30, 2014 or 2013.

**Federal Financial Assistance Programs**

The University makes loans to students under the Federal Direct Student Loan Program. Under this program, the U.S. Department of Education makes interest subsidized and nonsubsidized loans directly to students, through entities like the University. Direct student loan receivables are not included in the University's statements of net position, as the loans are repayable directly to the U.S. Department of Education. In 2014 and 2013, the University received and disbursed \$15,764,870 and \$15,397,783, respectively, under the Federal Direct Student Loan Program on behalf of the U.S. Department of Education, which is not included as revenue and expense on the statements of revenues, expenses, and changes in net position.

The University also distributes other student financial assistance funds on behalf of the federal government to students under the Federal Pell Grant, Supplemental Education Opportunity Grant, Academic Competitive Grant, Science Math Access to Retain Talent Grant, Federal Teacher Education Assistance for College and Higher Education Grant, and College Work Study programs. The activity of these programs is recorded in the accompanying financial statements. In 2014 and 2013, the University received and disbursed approximately, \$4,812,000 and \$4,828,000, respectively, under these federal student aid programs.

**WEST LIBERTY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Scholarship Allowances**

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the accompanying statements of revenues, expenses, and changes in net position. Scholarship allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the student's behalf.

Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers. Certain aid such as loans, funds provided to students as awarded by third parties, and Federal Direct Lending is accounted for as a third-party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a University basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third-party aid.

**Government Grants and Contracts**

Government grants and contracts normally provide for the recovery of direct and indirect costs, subject to audit. The University recognizes revenue associated with direct costs as the related costs are incurred. Recovery of related indirect costs is generally recorded at fixed rates negotiated for a period of one to five years.

**Service Concession Arrangements**

The University has service concession arrangements for the operation of the University bookstore and food services. Significant renovations made to University facilities by service concession vendors are capitalized and revenues are deferred and accreted over the life of the contract.

**Income Taxes**

The University is exempt from income taxes, except for unrelated business income, as a nonprofit organization under federal income tax laws and regulations of the Internal Revenue Service.

**Cash Flows**

Any cash and cash equivalents escrowed, restricted for noncurrent assets, or in funded reserves have not been included as cash and cash equivalents for cash flow statement purposes.

**WEST LIBERTY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Use of Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Risks and Uncertainties**

Investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain securities, it is reasonably possible that changes in risk and values will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

**Recent Statements Issued by the Governmental Accounting Standards Board**

The GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an Amendment of GASB Statement No. 68 effective for fiscal years beginning after June 15, 2014. These statements enhance the information provided in the financial statements regarding the effects of pension-related transactions, the pension obligations of the entity, and the resources available to satisfy those obligations. The University has not yet determined the effect that the adoption of GASB Statement No. 68 and 71 may have on its financial statements.

The GASB has also issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, effective for fiscal years beginning after December 31, 2013. This statement provides guidance on measurement and reporting of combinations and disposals of governmental operations. The University has not yet determined the effect that the adoption of GASB Statement No. 69 may have on its financial statements.

The GASB also issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for fiscal years beginning after June 15, 2013. This statement requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement. In addition, the Statement requires: (1) a government guarantor to consider qualitative factors when determining if a payment on its guarantee is more likely than not to be required. Such factors may include whether the issuer of the guaranteed obligation is experiencing significant financial difficulty or initiating the process of entering into bankruptcy or financial reorganization; (2) an issuer government that is required to repay a guarantor for guarantee payments made to continue to report a liability unless legally released. When a government is released, the government would recognize revenue as a result of being relieved of the obligation; (3) a government guarantor or issuer to disclose information about the amounts and nature of nonexchange financial guarantees. The adoption of this statement did not have a material impact on the financial statements.

**WEST LIBERTY UNIVERSITY**  
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**NOTE 3 CASH AND CASH EQUIVALENTS**

The composition of cash and cash equivalents held at June 30, 2014 and 2013 was as follows:

2014	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
With State Treasurer	\$ 6,154,294	\$ -	\$ 6,154,294
With Trustee Bank	-	2,151,197	2,151,197
In Bank	344,761	-	344,761
On Hand	<u>3,139</u>	<u>-</u>	<u>3,139</u>
Total	<u>\$ 6,502,194</u>	<u>\$ 2,151,197</u>	<u>\$ 8,653,390</u>

2013	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
With State Treasurer	\$ 8,728,219	\$ -	\$ 8,728,219
With Trustee Bank	-	9,929,015	9,929,015
In Bank	290,379	-	290,379
On Hand	<u>2,140</u>	<u>-</u>	<u>2,140</u>
Total	<u>\$ 9,020,738</u>	<u>\$ 9,929,015</u>	<u>\$ 18,949,753</u>

Cash and cash equivalents with trustee bank include deposits held by the Bond Trustee for the bonds issued in March 2013 and May 2012. The University uses WesBanco Bank (the "Trustee Bank") as its trustee bank for the bond proceeds. The total amount held by the Trustee Bank on June 30, 2014 and 2013 is \$2,151,197 and \$9,929,015, respectively, and was invested in Federated U.S. Treasury Cash Reserves. These funds are rated AAAM by Standard & Poor's and Aaa by Moody's. These funds have neither significant custodial credit risk nor interest rate risk. These funds are neither exposed to a concentration of credit risk nor any foreign currency risk.

The carrying amount of cash in the bank at June 30, 2014 and 2013 was \$344,761 and \$290,379, respectively, as compared with the bank balance of \$468,298 and \$384,331, respectively. The difference in these balances was primarily caused by outstanding checks and items in transit. The bank balances were covered by federal depository insurance as noted below or were collateralized by securities held by State's agent. Regarding federal depository insurance, accounts are 100% insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash and cash equivalents in the bank included \$20,677 and \$7,990 of restricted cash for grants as of June 30, 2014 and 2013, respectively.

Amounts with the State Treasurer as of June 30, 2014 and 2013 are comprised of three investment pools, the WV Money Market Pool, the WV Government Money Market Pool and the WV Short Term Bond Pool.

**WEST LIBERTY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)**

*Credit Risk* – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The following table provides information on the Standard & Poor’s rating of the investment pools as of June 30:

External Pool	2014		2013	
	Carrying Value (in Thousands)	S & P Rating	Carrying Value (in Thousands)	S & P Rating
WV Money Market Pool	\$ 5,977,832	AAAm	\$ 8,049,673	AAAm
WV Government Money Market Pool	\$ 49,648	AAAm	\$ 57,889	AAAm
WV Short Term Bond Pool	\$ 126,814	Not Rated	\$ 620,657	Not Rated

A Fund rated “AAAm” has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. “AAAm” is the highest principal stability fund rating assigned by Standard & Poor’s.

*Interest Rate Risk* — Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. All the amounts with the State Treasurer are subject to interest rate risk. The following table provides information on the weighted-average maturities for the WV Money Market Pool and the WV Government Money Market Pool:

External Pool	2014		2013	
	Carrying Value (in Thousands)	WAM (Days)	Carrying Value (in Thousands)	WAM (Days)
WV Money Market Pool	\$ 5,977,832	36	\$ 8,049,673	52
WV Government Money Market Pool	\$ 49,648	37	\$ 57,889	50

The following table provides information on the effective duration for the WV Short Term Bond Pool:

External Pool	2014		2013	
	Carrying Value (in Thousands)	Effective Duration (Days)	Carrying Value (in Thousands)	Effective Duration (Days)
WV Short Term Bond Pool	\$ 126,814	407	\$ 620,657	358

*Other Investment Risks* – Other investment risks include concentration of credit risk, custodial credit risk, and foreign currency risk. None of BTI’s Consolidated Fund’s investment pools or accounts are exposed to these risks as described below.



**WEST LIBERTY UNIVERSITY**  
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**JUNE 30, 2014 AND 2013**

**NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)**

**Cash in Bank with Trustee**

Credit Risk — Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Cash in bank with Trustee is governed by provisions of the bond agreement.

<u>Investment Type</u>	Carrying Value	
	2014	2013
Federated U.S. Treasury Cash Reserves	\$ 2,151,197	\$ 9,929,015
Total	\$ 2,151,197	\$ 9,929,015

The objective of the money market fund is to increase the current level of income while continuing to maintain liquidity and capital. Assets are invested in high-quality, short-term money market instruments.

**Custodial Credit Risk**

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the University will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The University does not have a formal custodial credit risk policy.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University's investment policy limits investment maturities from potential fair value losses due to increasing interest rates. No more than 5% of the money market fund's total market value may be invested in the obligations of a single issuer, with the exception of the U.S. government and its agencies. The University does not have a formal interest rate risk policy.

**NOTE 4 ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2014 and 2013 were as follows:

	2014	2013
Student Tuition and Fees - Net of Allowance for Doubtful Accounts of \$838,817 in 2014 and \$763,823 in 2013	\$ 905,052	\$ 1,129,354
Due from West Virginia Agencies	57,146	19,766
Interest Receivable on State Cash Accounts	646	421
Due from Component Unit - West Liberty Foundation	49,151	-
Grants and Contracts Receivable	159,155	179,524
Due from Other State Universities	-	2,834
Due from the Commission	-	162,500
Total	\$ 1,171,150	\$ 1,494,399

**WEST LIBERTY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 5 CAPITAL ASSETS**

Capital asset transactions for the years ended June 30, 2014 and 2013 were as follows:

	2014			Ending Balance
	Beginning Balance	Additions	Reductions	
Capital Assets not being Depreciated:				
Land	\$ 182,777	\$ -	\$ -	\$ 182,777
Construction in Progress	13,017,455	13,697,117	25,815,043	899,529
Total Capital Assets not being Depreciated	<u>\$ 13,200,232</u>	<u>\$ 13,697,117</u>	<u>\$ 25,815,043</u>	<u>\$ 1,082,306</u>
Other Capital Assets:				
Infrastructure	\$ 7,694,132	\$ 1,015,726	\$ -	\$ 8,709,858
Buildings	68,127,512	24,014,040	12,493	92,129,059
Leasehold Improvements	829,767	-	-	829,767
Equipment	7,162,555	1,446,743	24,184	8,585,114
Leased Equipment	127,912	-	-	127,912
Library Books	2,304,398	44,179	16,873	2,331,704
Total Other Capital Assets	86,246,276	26,520,688	53,550	112,713,414
Less Accumulated Depreciation for:				
Infrastructure	2,368,567	423,978	-	2,792,545
Buildings	26,253,972	1,458,985	1,291	27,711,666
Leasehold Improvements	322,287	82,332	-	404,619
Equipment	5,073,233	441,594	23,754	5,491,073
Leased Equipment	127,913	-	-	127,913
Library Books	2,146,601	48,107	16,873	2,177,835
Total Accumulated Depreciation	<u>36,292,573</u>	<u>2,454,996</u>	<u>41,918</u>	<u>38,705,651</u>
Other Capital Assets - Net	<u>\$ 49,953,703</u>	<u>\$ 24,065,692</u>	<u>\$ 11,632</u>	<u>\$ 74,007,763</u>
Capital Asset Summary:				
Capital Assets not being Depreciated	\$ 13,200,232	\$ 13,697,117	\$ 25,815,043	\$ 1,082,306
Other Capital Assets	86,246,276	26,520,688	53,550	112,713,414
Total Cost of Capital Assets	99,446,508	40,217,805	25,868,593	113,795,720
Less Accumulated Depreciation	<u>36,292,573</u>	<u>2,454,996</u>	<u>41,918</u>	<u>38,705,651</u>
Capital Assets - Net	<u>\$ 63,153,935</u>	<u>\$ 37,762,809</u>	<u>\$ 25,826,675</u>	<u>\$ 75,090,069</u>

**WEST LIBERTY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 5 CAPITAL ASSETS (CONTINUED)**

	2013			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital Assets not being Depreciated:				
Land	\$ 132,777	\$ 50,000	\$ -	\$ 182,777
Construction in Progress	1,439,766	12,578,896	1,001,207	13,017,455
Total Capital Assets not being Depreciated	<u>\$ 1,572,543</u>	<u>\$ 12,628,896</u>	<u>\$ 1,001,207</u>	<u>\$ 13,200,232</u>
Other Capital Assets:				
Infrastructure	\$ 7,053,288	\$ 640,844	\$ -	\$ 7,694,132
Buildings	65,958,596	2,168,916	-	68,127,512
Leasehold Improvements	829,767	-	-	829,767
Equipment	7,170,603	328,814	336,862	7,162,555
Leased Equipment	194,182	-	66,270	127,912
Library Books	2,272,929	39,082	7,613	2,304,398
Total Other Capital Assets	83,479,365	3,177,656	410,745	86,246,276
Less Accumulated Depreciation for:				
Infrastructure	1,994,044	374,523	-	2,368,567
Buildings	24,901,412	1,352,560	-	26,253,972
Leasehold Improvements	239,955	82,332	-	322,287
Equipment	4,981,077	429,018	336,862	5,073,233
Leased Equipment	194,183	-	66,270	127,913
Library Books	2,108,590	45,624	7,613	2,146,601
Total Accumulated Depreciation	<u>34,419,261</u>	<u>2,284,057</u>	<u>410,745</u>	<u>36,292,573</u>
Other Capital Assets - Net	<u>\$ 49,060,104</u>	<u>\$ 893,599</u>	<u>\$ -</u>	<u>\$ 49,953,703</u>
Capital Asset Summary:				
Capital Assets not being Depreciated	\$ 1,572,543	\$ 12,628,896	\$ 1,001,207	\$ 13,200,232
Other Capital Assets	83,479,365	3,177,656	410,745	86,246,276
Total Cost of Capital Assets	85,051,908	15,806,552	1,411,952	99,446,508
Less Accumulated Depreciation	34,419,261	2,284,057	410,745	36,292,573
Capital Assets - Net	<u>\$ 50,632,647</u>	<u>\$ 13,522,495</u>	<u>\$ 1,001,207</u>	<u>\$ 63,153,935</u>

The University maintains various collections of inexhaustible assets to which no value can be practically determined. Such collections include contributed works of art, historical treasures, and literature that are held for exhibition, education, research, and public service. These collections are neither disposed of for financial gain nor encumbered in any means. Accordingly, such collections are not capitalized or recognized for financial statement purposes.

The University had construction commitments of approximately \$3.5 million as of June 30, 2014.

**WEST LIBERTY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 6 CHANGES IN LONG-TERM LIABILITIES**

Long-term obligation transactions for the University for the years ended June 30, 2014 and 2013 were as follows:

	2014				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable:					
Revenue Bonds Payable	\$19,810,000	\$ -	\$ (1,300,000)	\$18,510,000	\$ 1,175,000
Other Long-Term Liabilities:					
Advances from Federal Sponsors	1,526,340		(70,122)	1,456,218	
OPEB Liability	6,011,898	738,136	(648,270)	6,101,764	
Debt Obligation to Commission	2,408,614		(129,794)	2,278,820	135,357
<b>Total Long-Term Liabilities</b>	<b><u>\$29,756,852</u></b>	<b><u>\$ 738,136</u></b>	<b><u>\$ (2,148,186)</u></b>	<b><u>\$28,346,802</u></b>	
	2013				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable:					
Revenue Bonds Payable	\$10,620,000	\$19,735,000	\$(10,545,000)	\$19,810,000	\$1,300,000
Discount on Issuance	(109,916)	-	109,916	-	
Total Bonds Payable - Net	10,510,084	19,735,000	(10,435,084)	19,810,000	
Other Long-Term Liabilities:					
Advances from Federal Sponsors	1,525,389	951	-	1,526,340	
OPEB Liability	5,967,202	737,496	(692,800)	6,011,898	
Debt Obligation to Commission	2,534,700	-	(126,086)	2,408,614	129,794
<b>Total Long-Term Liabilities</b>	<b><u>\$20,537,375</u></b>	<b><u>\$20,473,447</u></b>	<b><u>\$(11,253,970)</u></b>	<b><u>\$29,756,852</u></b>	

**NOTE 7 BONDS PAYABLE**

Bonds payable at June 30, 2014 and 2013 consisted of the following:

	Original Interest Rates	Annual Principal Installment Due	2014 Principal Amount Outstanding	2013 Principal Amount Outstanding
Series 2012 Due 2027	2.000-3.250 %	585,000 - 785,000	\$ 9,280,000	\$10,000,000
Series 2013 Due 2028	1.300-2.680	580,000 - 765,000	9,230,000	9,810,000
Total			<b><u>\$18,510,000</u></b>	<b><u>\$19,810,000</u></b>

**WEST LIBERTY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 7 BONDS PAYABLE (CONTINUED)**

The Board of Governors of the University issued bonds on May 1, 2012: the University Revenue Bonds, Series 2012 (the "Series 2012 Bonds") for \$10,000,000. The proceeds of the Series 2012 Bonds will be used to finance certain capital improvements to the University. The University set up a separate 2012 Capital Fee to be used solely for the payment of the bonds. The University drew the required full principal amount by June 12, 2013. The bond proceeds will be expended from the trustee as funds are requested for payments on capital projects that were preapproved by the Board of Governors of the University. As of June 30, 2014, \$7,849,000 had been expended from the bond proceeds for costs of issuance and capital expenditures on the Series 2012 Bonds.

The Board of Governors of the University issued bonds on March 6, 2013: the University Revenue Refunding Bonds, Series 2013 (the "Series 2013 Bonds") for \$9,810,000. The proceeds of the Series 2013 Bonds were issued to (1) currently refund in full the outstanding Series 2003A, 2003B, and 2003C Bonds and (2) pay the costs of issuance of the Series 2013 Bonds and related costs. The Auxiliary and Institutional Capital Fees originally set up for the Series 2003A, 2003B, and 2003C Bonds are to be used solely for the payment of the Series 2013 Bonds. This issuance of the Series 2013 Bonds resulted in a loss of \$103,105 (which is reflected as Deferred Outflows of Resources on the Statement of Net Position and being amortized over the shorter of the life of the refunded or refunding debt) and an economic gain of \$2,702,042.

The Bonds are special obligations of the State and are not general obligations or a debt of the State. Neither the credit nor the taxing power of the State is pledged for the payment of the Bonds. The above bond issues are fully insured as to principal and interest by the Federal Guaranty Insurance Company.

A summary of the annual aggregate principal and interest payments for years subsequent to June 30, 2014 is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,175,000	\$ 449,340	\$ 1,624,340
2016	1,195,000	427,230	1,622,230
2017	1,220,000	404,080	1,624,080
2018	1,240,000	380,495	1,620,495
2019	1,265,000	356,526	1,621,526
2020-2024	6,775,000	1,322,315	8,097,315
2025-2028	5,640,000	356,515	5,996,515
Total	<u>\$ 18,510,000</u>	<u>\$ 3,696,501</u>	<u>\$ 22,206,501</u>

**WEST LIBERTY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 8 LEASE OBLIGATIONS**

The University leases building and classroom/office space under an operating lease agreement. Aggregate payments under these agreements were \$243,000 for each of the years ended June 30, 2014 and 2013.

The University does not have any noncancelable leases. Future minimum rental commitments as of June 30, 2014, should the leases not be cancelled, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 258,400
2016	259,800
2017	259,800
2018	259,800
2019	259,800
2020-2024	1,393,500
2025-2029	1,498,400
2030-2034	1,589,283
2035	<u>26,216</u>
Total	<u><u>\$ 5,804,999</u></u>

The University had no capital lease obligations as of June 30, 2014.

**NOTE 9 OTHER POST EMPLOYMENT BENEFITS**

In accordance with GASB, OPEB costs are accrued based upon invoices received from PEIA, based upon actuarial determined amounts. At June 30, 2014, 2013, and 2012, the noncurrent liability related to OPEB costs was \$6,101,764, \$6,011,898, and \$5,967,202, respectively. The total of OPEB expense incurred and the amount of OPEB expense that relates to retirees was \$738,136 and \$648,270 respectively, during 2014, or 88%. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was \$737,496 and \$692,800, respectively, during 2013, or 94%. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was \$2,494,892 and \$619,858, respectively, during 2012, or 25%. As of the years ended June 30, 2014, 2013, and 2012 there were 47, 54, and 52 retirees, respectively, receiving these benefits.

**NOTE 10 UNRESTRICTED NET POSITION (DEFICIT)**

The University did not have any designated unrestricted net position as of June 30, 2014 or 2013.

	<u>2014</u>	<u>2013</u>
Total Unrestricted Net Position		
before OPEB Liability	\$ 2,779,117	\$ 2,725,141
Less: OPEB Liability	<u>6,101,764</u>	<u>6,011,898</u>
Total Unrestricted (Deficit) Net Position	<u><u>\$ (3,322,647)</u></u>	<u><u>\$ (3,286,757)</u></u>

**WEST LIBERTY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 11 STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS**

The University is a State institution of higher education and the University receives a State appropriation to finance its operations. In addition, it is subject to the legislative and administrative mandates of State government. Those mandates affect all aspects of the University's operations, its tuition and fee structure, its personnel policies, and its administrative practices.

The State has chartered the Commission with the responsibility to construct or renovate, finance, and maintain various academic and other facilities of the State's universities and colleges, including certain facilities of the University. Financing for these facilities was provided through revenue bonds issued by the former Board of Regents or the former Boards of the College and College Systems (the "Boards"). These obligations administered by the Commission are the direct and total responsibility of the Commission, as successor to the former Boards.

The Commission has the authority to assess each public institution of higher education for payment of debt service on these system bonds. The education and general capital fees (previously tuition and registration fees) of the members of the former State University System are generally pledged as collateral for the Commission's bond indebtedness. Student fees collected by the institution in excess of the debt service allocation are retained by the institution for internal funding of capital projects and maintenance. Although the bonds remain as capital obligation of the Commission, an estimate of the obligation of each institution is reported as a long-term payable by each institution and as a receivable by the Commission, effective as of June 30, 2002.

For the years ended June 30, 2014 and 2013 the debt services assessed were as follows:

	<u>2014</u>	<u>2013</u>
Principal	\$ 129,794	\$ 126,086
Interest	104,383	109,426
Other	<u>30,579</u>	<u>30,579</u>
Total	<u>\$ 264,756</u>	<u>\$ 266,091</u>

During December 2010, the West Virginia Higher Education Policy Commission (HEPC) issued \$76,865,000 of the State of West Virginia Higher Education Policy Commission Revenue 2010 Series Bonds to fund HEPC Bond projects approved by the Commission. The University has been authorized to receive \$12,750,000 of these proceeds to be specifically used for the construction of the new Health Science Building. As of June 30, 2014, the University recognized all of these bond proceeds for this project. The University has no responsibility for the repayment of the debt.

**WEST LIBERTY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 12 RETIREMENT PLANS**

Substantially all full-time employees of the University participate in either the West Virginia Teachers' Retirement System (the "STRS") or the Teachers' Insurance and Annuities Association – College Retirement Equities Fund (the "TIAA-CREF"). Previously, upon full-time employment, all employees were required to make an irrevocable selection between the STRS and TIAA-CREF. Effective July 1, 1991, the STRS was closed to new participants. Current participants in the STRS are permitted to make a one-time election to cease their participation in that plan and commence contributions to the West Virginia Teachers' Defined Contribution Plan. Contributions to and participation in the West Virginia Teachers' Defined Contribution Plan by University employees have not been significant to date.

Effective January 1, 2003, higher education employees enrolled in the basic 401(a) retirement plan with TIAA-CREF have an option to switch to the new Educators Money 401(a) basic retirement plan ("Educators Money"). New hires have the choice of either plan.

The STRS is a cost-sharing, defined benefit public, employee retirement system. Employer and employee contribution rates are established annually by the West Virginia State Legislature. The contractual maximum contribution rate is 15%. The University's contributions to the STRS were at the rate of 15% of each enrolled employee's total annual salary for each of the years ended June 30, 2014 and 2013. Required employee contributions were at the rate of 6% of total annual salaries for each of the years ended June 30, 2014 and 2013. Participants in the STRS may retire with full benefits upon reaching age 60 with 5 years of service, age 55 with 30 years of service, or any age with 35 years of service. Lump-sum withdrawal of employee contributions is available upon termination of employment. Pension benefits are based upon 2% of final average salary (the highest five years' salary out of the last 15 years) multiplied by the number of years of service.

Total contributions to the STRS for the years ended June 30, 2014, 2013, and 2012 were \$119,251, \$130,251, and \$129,954, respectively, which consisted of \$85,180, \$93,037, and \$92,824 from the University in 2014, 2013, and 2012, respectively, and \$34,072, \$37,214, and \$37,130 from the covered employees in 2014, 2013, and 2012, respectively.

The contribution rate is set by the West Virginia State Legislature on an overall basis and the STRS does not perform a calculation of the contribution requirement for individual employers, such as the University. Historical trend and net pension obligation information is available from the annual financial report of the Consolidated Public Retirement Board. A copy of the report may be obtained by writing to the Consolidated Public Retirement Board, Building 5, Room 1000, Charleston, West Virginia 25305.

The TIAA-CREF and Educators Money are defined-contribution benefit plans in which benefits are based solely upon amounts contributed, plus investment earnings. Employees who elect to participate in these plans are required to make a contribution equal to 6% of total annual compensation. The University matches the employees' 6% contribution. Contributions are immediately and fully vested. In addition, employees may elect to make additional contributions to TIAA-CREF and Educators Money, which are not matched by the University.



**WEST LIBERTY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 12 RETIREMENT PLANS (CONTINUED)**

Total contributions to the TIAA—CREF for the years ended June 30, 2014, 2013, and 2012 were \$1,944,012, \$1,931,526, and \$1,797,116, respectively, which consisted of equal contributions from the University and covered employees of \$972,006 in 2014; \$965,763 in 2013; and \$898,558 in 2012.

Total contributions to the Educators Money for the years ended June 30, 2014, 2013, and 2012 were \$32,762, \$28,352, and \$28,822, respectively, which consisted of equal contributions from the University and covered employees of \$16,381 in 2014; \$14,176 in 2013; and \$14,411 in 2012.

The University's total payroll for the years ended June 30, 2014, 2013, and 2012 was \$19,030,783, \$18,686,184, and \$17,402,573, respectively, and total covered employees' salaries in the STRS, TIAA-CREF, and Educators Money were \$567,863, \$16,200,097, and \$277,711, respectively, in 2014; \$620,244, \$16,096,045, and \$236,264 in 2013, respectively; and \$618,827, \$14,975,974, and \$240,174 in 2012, respectively.

**NOTE 13 CONTINGENCIES**

The nature of the education industry is such that, from time-to-time, claims will be presented against the University on account of alleged negligence, acts of discrimination, breach of contract, or disagreements arising from the interpretation of laws or regulations. While some of these claims may be for substantial amounts, they are not unusual in the ordinary course of providing education services in a higher education system. In the opinion of management, all known claims are covered by insurance or are such that an award against the University would not seriously impact the financial status of the University.

Under the terms of federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. The University's management believes disallowances, if any, will not have a significant financial impact on the University's financial position.

The Internal Revenue Code of 1986 establishes rules and regulations for arbitrage rebates. There were no arbitrage rebate liabilities that were recorded in the financial statements as of June 30, 2014 or 2013.

The University owns various buildings that are known to contain asbestos. The University is not required by federal, state, or local law to remove the asbestos from its buildings. The University is required by Federal Environmental, Health, and Safety Regulations to manage the presence of asbestos in its buildings in a safe condition. The University addresses its responsibility to manage the presence of asbestos in its buildings on a case-by-case basis. Significant problems of dangerous asbestos conditions are abated as the condition becomes known. The University also addresses the presence of asbestos as building renovation or demolition projects are undertaken and through asbestos operation and maintenance programs directed at containing, managing, or operating with the asbestos in a safe condition.

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**NOTE 14 SERVICE CONCESSION AGREEMENTS**

The University has adopted GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The University has identified two contracts for services that meet the four criteria of a service concession arrangement. SCAs are defined as a contract between a government and an operator, another government or a private entity, in which the operator provides services, the operator collects and is compensated by fees from third parties, the government still has control over the services provided and the government retains ownership of the assets at the end of the contract. The contracts are with Sodexo America, LLC and Barnes & Noble Booksellers, Inc.

The University has a contract with Sodexo America, LLC (Sodexo) to provide food services within University facilities. The contract was effective on July 1, 2011 for a period of five (5) years with five (5) additional one-year extension options. Sodexo provides meal plans to students through the University as well as offering cash sales to the University community. The University receives annual commission payments from Sodexo calculated as a contractually agreed percentage of cash sales and the University pays Sodexo for the meal plans from fees collected by the University from students. In 2014 and 2013 the University received \$65,915 and \$64,232, respectively, in commissions from Sodexo. In 2014, \$34,524 in renovations has been classified as a capital asset with an offsetting Deferred Inflow of Resources. Over the life of the contract, the University will amortize the Deferred Inflow of Resources, while recognizing Auxiliary Revenue each year. If the agreement expires, terminates, or is amended in a way that has an adverse impact on Sodexo, the University will be liable for the unamortized portion of Sodexo's investment. No significant renovations to University facilities were made by Sodexo in 2013.

The University contracts with Barnes & Noble Booksellers, Inc. (Barnes & Noble) to operate a bookstore located within University facilities. These services provide the University community with a professional bookstore. The contract was effective on August 1, 2002 for a period of ten (10) years. The contract was subsequently extended on August 1, 2012 for five (5) years through 2017, with five (5) additional one-year extension options. The University receives annual commission payments calculated as a contractually agreed percentage of bookstore revenue. In 2014 and 2013, the University received \$120,820 and \$95,000, respectively, in commissions from Barnes & Noble. In addition to the commission, Barnes & Noble paid a one-time signing bonus of \$40,000 in 2013. Barnes & Noble also provide \$10,000 annually to the West Liberty University Foundation, Inc.'s Scholarship fund and Gala sponsorship. In 2013, \$52,188 in bookstore renovations has been classified as a capital asset with an offsetting Deferred Inflow of Resources. Over the life of the contract, the University will amortize the Deferred Inflow of Resources, while recognizing Auxiliary Revenue each year. If the agreement expires, terminates, or is amended in a way that has an adverse impact on Barnes & Noble, the University will be liable for the unamortized portion of Barnes & Noble's investment. No significant renovations to University facilities were made by Barnes & Noble in 2014.

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**NOTE 15 SEGMENT INFORMATION**

Under the auspices of the State and the Board of Governors, the University issued revenue bonds to finance certain of its auxiliary enterprise activities and capital improvements. Investors in those bonds rely solely on the revenue generated from new capital fees created for repayment.

Descriptive information for each of the University's segments is shown below:

*a. The Board of Governors of the University issued University Revenue Refunding Bonds, Series 2013*

On March 6, 2013, the University issued University Revenue Refunding Bonds, Series 2013, amounting to \$9,810,000. The Series 2013 Bonds were issued to (1) currently refund in full the outstanding Series 2003A, 2003B, and 2003C Bonds and (2) pay the costs of issuance of the Series 2013 Bonds and related costs.

The Series 2013 Bonds outstanding consist of \$9,810,000 Term Bonds as follows:

Principal Amount	Maturity Date	Interest Rate
\$ 690,000	May 1, 2015	1.30%
\$ 3,520,000	May 1, 2020	1.85%
\$ 3,520,000	May 1, 2025	2.48%
\$ 2,080,000	May 1, 2028	2.68%

*b. The Board of Governors of the University issued University Revenue Bonds, Series 2012*

On May 1, 2012, the University issued University Revenue Bonds, Series 2012, amounting to \$10,000,000. The Series 2012 Bonds were issued to finance capital improvements.

The Series 2012 Bonds outstanding consist of \$10,000,000 Term Bonds as follows:

Principal Amount	Maturity Date	Interest Rate
\$ 4,000,000	November 1, 2019	2.00%
\$ 3,000,000	November 1, 2023	2.75%
\$ 3,000,000	November 1, 2027	3.25%

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**NOTE 15 SEGMENT INFORMATION (CONTINUED)**

	2014		2013	
	WLU Revenue Refunding Bond 2013 As of/Year Ended June 30, 2014	WLU Revenue Bond Issue 2012 As of/Year Ended June 30, 2014	WLU Revenue Refunding Bond 2013 As of/Year Ended June 30, 2013	WLU Revenue Bond Issue 2012 As of/Year Ended June 30, 2013
<b>Condensed Statements of Net Position</b>				
Assets:				
Current Assets	\$ 6,475,815	\$ 568,484	\$ 5,576,132	\$ 518,510
Noncurrent Assets	<u>10,848,276</u>	<u>9,900,437</u>	<u>11,114,551</u>	<u>9,926,156</u>
Total Assets	<u>\$ 17,324,091</u>	<u>\$ 10,468,921</u>	<u>\$ 16,690,683</u>	<u>\$ 10,444,666</u>
Liabilities:				
Current Liabilities	\$ 624,932	\$ 625,933	\$ 617,610	\$ 764,056
Noncurrent Liabilities	<u>8,640,000</u>	<u>8,695,000</u>	<u>9,230,000</u>	<u>9,280,000</u>
Total Liabilities	9,264,932	9,320,933	9,847,610	10,044,056
Net Position:				
Net Investments in Capital Assets	1,618,276	620,437	1,301,692	(73,844)
Unrestricted	<u>6,440,883</u>	<u>527,551</u>	<u>5,541,381</u>	<u>474,454</u>
Total Net Position	<u>8,059,159</u>	<u>1,147,988</u>	<u>6,843,073</u>	<u>400,610</u>
Total Liabilities and Net Position	<u>\$ 17,324,091</u>	<u>\$ 10,468,921</u>	<u>\$ 16,690,683</u>	<u>\$ 10,444,666</u>

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**NOTE 15 SEGMENT INFORMATION (CONTINUED)**

	2014		2013	
	WLU Revenue Refunding Bond 2013 As of/Year Ended June 30, 2014	WLU Revenue Bond Issue 2012 As of/Year Ended June 30, 2014	WLU Revenue Refunding Bond 2013 As of/Year Ended June 30, 2013	WLU Revenue Bond Issue 2012 As of/Year Ended June 30, 2013
<b>Condensed Statements of Revenues, Expenses, and Changes in Net Position</b>				
Operating:				
Operating Revenues	\$ 1,695,466	\$ 995,084	\$ 1,768,822	\$ 521,635
Operating Expenses	11	-	169	-
Net Operating Income	1,695,455	995,084	1,768,653	521,635
Nonoperating:				
Nonoperating Revenues	-	198	3,693	-
Nonoperating Expenses	(479,369)	(247,904)	(965,927)	(47,056)
Net Nonoperating Expense	(479,369)	(247,706)	(962,234)	(47,056)
Net Increase in Net Position	1,216,086	747,378	806,419	474,579
Net Position - Beginning of Year	6,843,073	400,610	6,036,654	(73,969)
Net Position - End of Year	<u>\$ 8,059,159</u>	<u>\$ 1,147,988</u>	<u>\$ 6,843,073</u>	<u>\$ 400,610</u>
<b>Condensed Statements of Cash Flows</b>				
Net Cash Provided by Operating Activities	\$ 1,695,455	\$ 995,084	\$ 1,768,653	\$ 521,635
Net Cash Used by Capital and Related Financing Activities	(795,772)	(945,110)	(339,969)	(3,125)
Net Increase in Cash and Cash Equivalent	899,683	49,974	1,428,684	518,510
Cash and Cash Equivalents - Beginning of Year	5,576,132	518,510	4,147,448	-
Cash and Cash Equivalents - End of Year	<u>\$ 6,475,815</u>	<u>\$ 568,484</u>	<u>\$ 5,576,132</u>	<u>\$ 518,510</u>

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**NOTE 16 NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS**

For the years ended June 30, 2014 and 2013, the following tables represent operating expenses within both natural and functional classifications:

	2014								
	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation and Amortization	Loan Cancellations and Write- Offs	Fees Assessed by the Commission	Total
	Instruction	\$ 10,518,972	\$ 2,194,062	\$ 1,074,162	\$ 30,112	\$ -	\$ -	\$ -	\$ -
Research	229,043	5,686	314,238	25,719	-	-	-	-	574,686
Academic Support	1,354,134	313,871	358,184	1,635	-	-	-	-	2,027,824
Student Services	1,533,042	384,465	568,969	16,603	-	-	-	-	2,503,079
General Institutional Support	2,825,766	953,646	1,541,174	9,331	-	-	-	-	5,329,917
Operations and Maintenance of Plant	680,324	205,982	609,881	1,373,007	-	-	-	-	2,869,193
Student Financial Aid	-	-	-	-	3,002,424	-	-	-	3,002,424
Auxiliary Enterprises	1,889,502	505,112	4,273,590	733,752	-	-	-	-	7,401,956
Depreciation	-	-	-	-	-	2,454,996	-	-	2,454,996
Other	-	-	-	-	-	-	76,981	192,566	269,547
<b>Total</b>	<b>\$ 19,030,783</b>	<b>\$ 4,562,825</b>	<b>\$ 8,740,197</b>	<b>\$ 2,190,158</b>	<b>\$ 3,002,424</b>	<b>\$ 2,454,996</b>	<b>\$ 76,981</b>	<b>\$ 192,566</b>	<b>\$ 40,250,930</b>

	2013								
	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation and Amortization	Loan Cancellations and Write- Offs	Fees Assessed by the Commission	Total
	Instruction	\$ 10,191,282	\$ 2,296,016	\$ 1,322,492	\$ 31,132	\$ -	\$ -	\$ -	\$ -
Research	110,405	2,903	149,507	12,577	-	-	-	-	275,392
Public Service	-	-	429	-	-	-	-	-	429
Academic Support	1,293,281	303,400	381,720	2,199	-	-	-	-	1,980,600
Student Services	1,540,947	416,170	561,090	15,540	-	-	-	-	2,533,747
General Institutional Support	2,878,224	1,071,490	2,245,569	12,250	-	-	-	-	6,207,533
Operations and Maintenance of Plant	819,917	262,380	719,622	1,319,102	-	-	-	-	3,121,021
Student Financial Aid	-	-	-	-	2,739,267	-	-	-	2,739,267
Auxiliary Enterprises	1,852,128	520,543	4,706,638	711,454	-	-	-	-	7,790,763
Depreciation	-	-	-	-	-	2,290,869	-	-	2,290,869
Other	-	-	-	-	-	-	16,768	199,656	216,424
<b>Total</b>	<b>\$ 18,686,184</b>	<b>\$ 4,872,902</b>	<b>\$ 10,087,067</b>	<b>\$ 2,104,254</b>	<b>\$ 2,739,267</b>	<b>\$ 2,290,869</b>	<b>\$ 16,768</b>	<b>\$ 199,656</b>	<b>\$ 40,996,967</b>

**WEST LIBERTY UNIVERSITY**  
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**NOTE 17 COMPONENT UNIT'S DISCLOSURE**

**NATURE OF ACTIVITIES**

The West Liberty University Foundation, Inc. (the Foundation) was formed to receive and administer funds for scientific, educational, and charitable purposes for the support and benefit of West Liberty University (the University). The Foundation is a separate nonprofit organization incorporated in the State and has as its purpose "... to aid, strengthen, and further in every proper and useful way, the work and services of the University and its affiliated nonprofit organizations...." Oversight of the Foundation is the responsibility of an independently elected Board of Directors not otherwise affiliated with the University. The President of the University is a non-voting member of the Board of Directors. In carrying out its responsibilities, the board of directors of the Foundation employs management, forms policy, and maintains fiscal accountability over funds administered by the Foundation. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the University by donors. While contributions are generally for the benefit and support of the University, the Foundation exercises discretion over the distribution of assets. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is, therefore, discretely presented with the University's financial statements in accordance with GASB.

During the years ended June 30, 2014 and 2013, the Foundation contributed \$1,616,140 and \$1,124,960, respectively, to the University for scholarships, capital improvements, athletic, academic, and other programs.

The notes taken directly from the audited financial statements of the Foundation are as follows:

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting – The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation – Financial statement presentation complies with the requirements of the Financial Accounting Standards Board in its statement of Accounting Standards Codification (FASB ASC) No. 958-205, *Not-for-Profit Entities, Presentation of Financial Statements*. Under FASB ASC No. 958-205, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**WEST LIBERTY UNIVERSITY**  
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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Basis of Presentation (Continued)

Assets and contributions that are not restricted by donors or for which restrictions have expired are unrestricted. Assets and contributions for which the donor has imposed restrictions that permit the Foundation to use or expend the donated assets for University support according to the restrictions are temporarily restricted. The restrictions are satisfied either by the passage of time or by actions of the Foundation. Assets and contributions for which the donor stipulates that resources be maintained permanently, but permits the Foundation to use or expend part or all of the income derived from the donated assets, are permanently restricted. Such assets are comprised of endowment accounts which are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity. The investment income, including realized and unrealized gains and losses, is recorded as temporarily restricted until disbursed according to the terms of the gift instrument.

Both temporarily and permanently restricted net assets are to be used for the support and benefit of West Liberty University.

Income Taxes

The West Liberty Foundation, Inc. is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Foundation has analyzed tax positions taken for filing with the Internal Revenue Service and all state and local jurisdictions where it operates. The Foundation believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Foundation's statement of financial position or statement of activities. Accordingly, the Foundation has not recorded any reserves, or related accruals, for interest and penalties for uncertain tax positions at June 30, 2014. The Foundation's tax returns through 2010 have been closed for purposes of examination by taxing authorities.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period, as well as disclosures. Accordingly, actual results could differ from those estimates.

Contributions – Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.



**WEST LIBERTY UNIVERSITY**  
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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Contributions (Continued)

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Unconditional promises to give that are expected to be collected within one year are recorded at estimated net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates for United States Government securities. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not recorded as support until the conditions are substantially met.

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

The Foundation operates a pooled investment portfolio for all funds. New funds or additions to existing funds are assigned a share in the investment pool based upon the amount of cash or estimated fair value of securities deposited. Income, including unrealized appreciation or depreciation and realized capital gains and losses, is allocated on a monthly basis.

Income from Investments – All investment income in the form of interest and dividends is credited to unrestricted net assets unless otherwise designated by the donor. All capital appreciation/depreciation earned on permanently restricted, temporarily restricted, or unrestricted investments is credited to unrestricted net assets unless otherwise restricted by the donor.

Cash Surrender Value of Insurance Policies – The Foundation records as an asset the cash surrender value of life insurance policies for which it is the owner and beneficiary.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of 3 months or less to be cash equivalents. Money market funds included in non-current investments are not considered cash equivalents.

Reclassifications – Certain amounts in the 2013 financial statements have been reclassified to conform to the 2014 presentation. Money market funds held in managed investment accounts with a balance of \$1,333,443 at June 30, 2013, have been reclassified from cash equivalents to investments.

**WEST LIBERTY UNIVERSITY**  
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**PLEDGES RECEIVABLE**

Unconditional promises to give at June 30, 2014 and 2013, are as follows:

	<u>2014</u>	<u>2013</u>
Receivable in one year	\$ 95,761	\$ 154,591
Receivable in two to five years	<u>203,516</u>	<u>18,980</u>
Total unconditional promises to give	299,277	173,571
Less discounts to net present value	<u>17,776</u>	<u>1,314</u>
Net unconditional promises to give	<u>\$ 281,501</u>	<u>\$ 172,257</u>

The discount rate used on long-term pledges was 3.25 percent for the period ended June 30, 2014.

An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at year end. At June 30, 2014 and 2013, management determined that all outstanding promises to give are fully collectible.

**INVESTMENTS**

The cost and estimated fair values of investments at June 30, 2014 and 2013, are as follows:

	<u>2014</u>		<u>2013</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Money market funds	\$ 4,904,534	\$ 4,904,534	\$ 1,333,443	\$ 1,333,443
Corporate bonds and notes	219,331	198,683	321,716	297,925
United States Treasury obligations	198,911	206,010	229,447	235,352
Equity securities	1,369,723	995,878	1,280,987	1,036,298
Mutual funds	7,339,977	6,816,122	8,382,101	7,971,056
Alternative investment funds	1,493,448	1,373,033	-	-
Real estate available-for-sale	<u>347,000</u>	<u>356,278</u>	<u>347,000</u>	<u>356,278</u>
Total	<u>\$ 15,872,924</u>	<u>\$ 14,850,538</u>	<u>\$ 11,894,694</u>	<u>\$ 11,230,352</u>

**WEST LIBERTY UNIVERSITY**  
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**INVESTMENTS (CONTINUED)**

Interest and dividends from investments are recorded net of investment expenses. These investment expenses totaled \$50,965 and \$44,542 in 2014 and 2013, respectively.

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

	<u>2014</u>	<u>2013</u>
Fair value	\$ <u>203,314</u>	\$ <u>180,692</u>
Cost	\$ <u>131,956</u>	\$ <u>143,228</u>

Gains on investments for the periods ended June 30 are summarized as follows:

	<u>2014</u>	<u>2013</u>
Net realized gains	\$ 946,838	\$ 840,387
Net unrealized gains	<u>307,029</u>	<u>98,240</u>
Total gains on investments	<u>\$ 1,253,867</u>	<u>\$ 938,627</u>

**SPLIT-INTEREST AGREEMENTS**

Split-interest agreements consist of beneficial interests in perpetual trusts and charitable gift annuities. The Foundation was bequeathed a beneficial interest in a perpetual trust in accordance with a decedent's will. Under the terms of this split-interest agreement, the Foundation is to receive distributions of 10 percent of the income from the trust in perpetuity. These distributions are to be used to establish an endowment, the income from which will be used to provide scholarships. The Foundation's beneficial interest is valued in the statement of financial position at 10 percent of the fair market value of the trust assets. Adjustments due to changes in the market value of the trust assets are recorded as changes in value of split interest agreements. Distributions received from the trust are permanently restricted for endowed scholarships and are recorded as permanently restricted investment income.

The Foundation participates in charitable gift annuity agreements with certain donors. Under these agreements, temporarily restricted contribution revenue is recorded when donors transfer assets to the Foundation. The amount of revenue recognized is the difference between the fair value of the assets received and the liability calculated at the net present value of the estimated future payments to the beneficiaries over their life expectancies. In estimating the net present value of the liability, the Foundation uses life expectancy information prepared by the American Council on Gift Annuities. The discount rate for each charitable gift annuity is established at the beginning of the agreement. The discount rate applied to gift annuities held at June 30, 2014 and 2013, ranged from 0.10 percent to 7.75 percent.

**WEST LIBERTY UNIVERSITY**  
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**SPLIT-INTEREST AGREEMENTS (CONTINUED)**

The following summarizes the transactions affecting the beneficial interest in perpetual trust for the years ended June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Distributions received from the trust recorded as a permanently restricted investment	\$ <u>104,693</u>	\$ <u>95,164</u>
Change in value of the split-interest agreement	\$ <u>172,539</u>	\$ <u>71,864</u>

**TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS**

Net assets were temporarily and permanently restricted for the following purposes at June 30, 2014:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Scholarships	\$ 2,593,218	\$ 9,825,044
Sponsored projects	3,406,613	-
Capital projects	<u>11,330</u>	<u>-</u>
Totals	<u>\$ 6,011,161</u>	<u>\$ 9,825,044</u>

**CONCENTRATIONS OF CREDIT RISK**

Financial instruments, which potentially subject the Foundation to a concentration of credit risk, consist principally of pledges receivable, investment securities and cash. Exposure to losses on pledges receivable is principally dependent on each donor's financial condition. The Foundation monitors the exposure for credit losses and maintains allowances for anticipated losses as necessary.

Investments are recorded at fair value. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the Foundation's statements of financial position and activities.

Cash balances in banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At various times, there were balances in the bank that exceeded the FDIC limit. However, at June 30, 2014, the Foundation had no uninsured cash balances.

**WEST LIBERTY UNIVERSITY**  
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**SUPPLEMENTAL CASH FLOW INFORMATION**

The Foundation had the following noncash transactions during the years ended June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Noncash contributions received:		
Professional services	\$ 21,639	\$ 10,540
Other goods and services	33,627	79,372
Investment securities	<u>-</u>	<u>152,605</u>
Total	<u>\$ 55,266</u>	<u>\$ 242,517</u>

**FAIR VALUE MEASUREMENTS**

As required by U.S. GAAP, each financial asset and liability must be identified as having been valued according to specified level of input. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date. Fair values determined by Level 2 inputs utilize inputs other than quoted prices included in Level 1 that are observable for the asset, either directly or indirectly. Level 2 inputs include quoted prices for similar assets in active markets, and inputs other than quoted prices that are observable for the asset or liability. Level 3 inputs are unobservable inputs for the asset, and include situations where there is little, if any, market activity for the asset or liability. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy, within which the fair value measurement in its entirety falls, has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset.

As of June 30, 2014 and 2013, equity securities and mutual funds are classified as Level I securities and are valued using observable market prices. Debt securities are classified as Level II securities and are valued using matrix pricing or other market approaches. Real estate available-for-sale is valued using the cost reproduction approach. The Foundation's fair value of assets and liabilities reported on the statement of financial position at their fair value as of June 30, 2014 and 2013, are summarized below, by level.

**WEST LIBERTY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**FAIR VALUE MEASUREMENTS (CONTINUED)**

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
<u>June 30, 2014</u>				
Valued on a recurring basis:				
Assets:				
Equity securities	\$ 1,369,723	\$ -	\$ -	\$ 1,369,723
Debt securities	-	418,242	-	418,242
Mutual funds	7,339,823	-	-	7,339,823
Beneficial interest in perpetual trust	2,270,545	-	-	2,270,545
Alternative investment funds	1,493,448	-	-	1,493,448
Cash and money market funds	4,935,020	-	-	4,935,020

Valued on a non-recurring basis:

Assets:				
Real estate	\$ -	\$ -	\$ 347,000	\$ 347,000

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
<u>June 30, 2013</u>				
Valued on a recurring basis:				
Assets:				
Equity securities	\$ 1,280,987	\$ -	\$ -	\$ 1,280,987
Debt securities	-	551,163	-	551,163
Mutual funds	8,382,101	-	-	8,382,101
Beneficial interest in perpetual trust	2,098,005	-	-	2,098,005
Cash and money market funds	1,360,933	-	-	1,360,933

Valued on a non-recurring basis:

Assets:				
Real estate	\$ -	\$ -	\$ 347,000	\$ 347,000

The fair values for investments in real estate are determined using the market approach based primarily on current appraised values. No activity has occurred in the Level III measurements during the periods ended June 30, 2014 and 2013.

**SUBSEQUENT EVENTS**

The Foundation assessed events occurring subsequent to June 30, 2014, through September 30, 2014, for potential recognition and disclosure in the financial statements. No events have occurred that would require adjustment to, or disclosure in, the financial statements which were available to be issued on September 30, 2014.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Governing Board  
West Liberty University  
West Liberty, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the business-type activities and the discretely presented component unit of West Liberty University as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise University's basic financial statements, and have issued our report thereon dated December 9, 2014. Our report includes a reference to other auditors who audited the financial statements of the West Liberty University Foundation, Inc. (the "Foundation"), the University's discretely presented component unit, as described in our report on the University's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

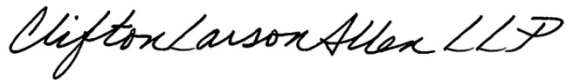
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests and those of the other auditors disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Plymouth Meeting, Pennsylvania  
December 9, 2014