

WEST VIRGINIA UNIVERSITY

*Financial Statements
for the Years Ended June 30, 2019 and 2018
and Independent Auditors' Reports*

WEST VIRGINIA UNIVERSITY

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS (RSI) (UNAUDITED)	3-21
FINANCIAL STATEMENTS FOR YEARS ENDED JUNE 30, 2019 AND 2018:	
Statements of Net Position	22-23
Statements of Revenues, Expenses and Changes in Net Position	24-25
Statements of Cash Flows	26-27
Notes to Financial Statements	28-101
REQUIRED SUPPLEMENTARY INFORMATION (RSI)	102-103
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 <i>GOVERNMENT AUDITING STANDARDS</i>	104

Management's Discussion and Analysis (Unaudited) Year Ended June 30, 2019

Overview

The Management's Discussion and Analysis is required supplementary information and has been prepared in accordance with the requirements of Governmental Accounting Standards Board ("GASB"). This section of West Virginia University's (the "University" or "WVU") annual financial report provides an overview of the University's financial performance during the fiscal year ended June 30, 2019 as compared to the previous fiscal year. Comparative analysis is also presented for fiscal year 2018 compared to fiscal year 2017.

The University's annual report consists of three basic financial statements: the statement of net position, the statement of revenues, expenses and changes in net position, and the statement of cash flows. These statements focus on the financial condition of the University, the results of operations, and cash flows of the University as a whole. Each of these statements is discussed below.

Financial Highlights

At June 30, 2019, the University's total net position increased from the previous year-end by \$6.4 million. The increase in net position is primarily attributable to increases in cash and cash equivalents, accounts receivable from public private and deferred outflows from other postemployment benefits ("OPEB") as well as decreases in debt service assessment payable to the Higher Education Policy Commission ("Commission"), bonds payable, net OPEB liability and net pension liability. This increase in net position was partially offset by decreases in accounts receivable, prepaid expenses, loans receivable and capital assets, net and increases in accounts payable and accrued liabilities.

Total revenues in fiscal year 2019 were \$1.1 billion, a .8% decrease over prior year. Total revenues increased by 2.1% from fiscal year 2017 to fiscal year 2018. During fiscal year 2019, decreases in federal land grant revenues, net auxiliary revenue, payments on behalf of the University and gift revenue were offset by increases in non-capital grants and contracts revenues, other operating revenue and state appropriations. Total expenses increased by 2.4% from fiscal year 2018 to fiscal year 2019. During fiscal year 2019, increases in salaries and wages, scholarships and fellowships, supplies and other services, interest on capital asset-related debt and other non-operating expenses, net were offset by a decrease in depreciation and amortization expense. Total expenses decreased by .9% from fiscal year 2017 to fiscal year 2018.

Total net position increased by \$6.4 million from fiscal year 2018 to fiscal year 2019 due to increases in cash and cash equivalents, accounts receivable from public private partnerships, and deferred outflows related to OPEB and decreases in debt service assessment payable to the Commission, bonds payable, net OPEB liability and net pension liability. This increase in net position was offset by decreases in accounts receivable, prepaid expenses, loans receivable and capital assets, net of depreciation, as well as increases in accrued liabilities, accounts payable and deferred inflows related to OPEB.

Net Position

The statement of net position presents the assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources and net position of the University as of the end of the fiscal years. Assets denote the resources available to continue the operations of the University. Deferred outflows of resources are defined as a consumption of resources applicable to a future reporting period. Liabilities indicate how much the University owes vendors, employees and lenders. Deferred inflows of resources are defined as an acquisition of net position applicable to a future reporting period. Net position is the residual of all other elements presented in a statement of net position.

Net Position is displayed in three components:

Net investment in capital assets. This component consists of capital assets, net of accumulated depreciation and amortization reduced by the outstanding balance of debt obligations related to those capital assets. Deferred inflows and outflows of resources related to these capital assets or debt are also included in this component of net position.

Restricted. This category includes assets, the use of which is restricted, either due to externally imposed constraints or because of restrictions imposed by law. Restricted assets are reduced by liabilities and deferred inflows of resources related to those assets. They are further divided into two additional components - nonexpendable and expendable. The **nonexpendable restricted component** includes endowment and similar type funds for 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 **expendable restricted component** includes resources for which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted. This component includes resources that are not subject to externally imposed stipulations. Such resources are derived primarily from tuition and fees (not restricted as to use), State appropriations, sales and services of educational activities, and auxiliary enterprises. The unrestricted component of net position is used for transactions related to the educational and general operations of the University and may be designated for specific purposes by action of the University's management or the Board of Governors.

Condensed Schedule of Net Position (in thousands)

	As of June 30		
	2019	2018	2017
Assets			
Current Assets	\$ 299,211	\$ 278,945	\$ 247,781
Capital Assets, Net	1,809,035	1,830,341	1,823,491
Other Noncurrent Assets	126,513	129,096	134,322
Total Assets	2,234,759	2,238,382	2,205,594
Deferred Outflows of Resources	34,091	28,047	16,376
TOTAL	\$ 2,268,850	\$ 2,266,429	\$ 2,221,970
Liabilities			
Current Liabilities	\$ 207,762	\$ 192,790	\$ 182,676
Noncurrent Liabilities	907,986	946,603	996,505
Total Liabilities	1,115,748	1,139,393	1,179,181
Deferred Inflows of Resources	87,100	67,481	39,787
TOTAL	\$ 1,202,848	\$ 1,206,874	\$ 1,218,968
Net Position			
Net Investment in Capital Assets	\$ 1,096,718	\$ 1,105,345	\$ 1,091,815
Restricted for:			
Nonexpendable	19,031	17,954	17,803
Expendable	11,040	10,952	8,333
Unrestricted Deficit	(60,787)	(74,696)	(114,949)
TOTAL NET POSITION	\$ 1,066,002	\$ 1,059,555	\$ 1,003,002

Total assets of the University decreased by about \$3.6 million, or .2%, to a total of \$2.2 billion as of June 30, 2019. The decrease was primarily due to decreases in accounts receivable, prepaid expenses, loans receivable, and capital assets, net. This was offset by an increase in cash and cash equivalents and accounts receivable from public private partnerships.

- Cash and cash equivalents (including restricted cash) increased by \$34.4 million primarily due to the receipt of amounts due from WVU Hospitals and affiliated entities for Medicaid funding, unrestricted funds paid by Sodexo upon execution of the dining services agreement, and collections of outstanding student accounts receivable. Cash and cash equivalents decreased by \$27.3 million from fiscal year 2017 to fiscal year 2018.
- Accounts receivable, net experienced a decrease of \$13.4 million over fiscal year 2018 balances. This was primarily due to the receipt of amounts due from WVU Hospitals and affiliated entities for Medicaid funding, payments for Medicaid excess upper payment limits and medical malpractice premiums and a decrease in student accounts receivable. These decreases were offset by an increase in accounts receivable on sponsored awards. Accounts receivable, net had increased by \$38.1 million from fiscal year 2017 to fiscal year 2018.

- Accounts receivable from public private partnerships (current and noncurrent) increased by \$2.9 million representing amounts due from the University's private student housing partners for reimbursable expenses, management fees and additional rent related to fiscal year 2019. Total accounts receivable from public private partnerships had increased by \$2.8 million from fiscal year 2017 to fiscal year 2018.
- Other accounts receivable (noncurrent) decreased by \$.5 million due to the settlement of no hardship payments upon employees' separation of employment with the University. Other accounts receivable decreased by \$.6 million from fiscal year 2017 to fiscal year 2018.
- Prepaid expenses decreased by \$1.6 million primarily due to the amortization of prepaid maintenance and software contracts. An increase of \$.3 million occurred from fiscal year 2017 to fiscal year 2018.
- Loans receivable, net (current and noncurrent) decreased by \$3.8 million mainly due to the end of the Federal Perkins Loan program. Total loans receivable increased by \$.4 million from fiscal year 2017 to fiscal year 2018.
- Capital assets, net decreased by \$21.3 million primarily due to the transfer of land and buildings at the former WVU Institute of Technology ("WVUIT") campus in Montgomery, WV to BridgeValley Community and Technical College.
 - The University completed improvements to the following buildings and infrastructure during the fiscal year: upgrades to the PRT, renovations to Milan Puskar Stadium including the training table and kitchen renovation, and the Health Sciences Center ("HSC") infrastructure project.
 - Major construction-in-process projects included: renovations to Hodges Hall, site preparation for construction of the new building for the John Chambers College of Business and Economics, mechanical system upgrades at the coliseum, renovations to food and dining services facilities across campus and various energy performance and internally developed software projects.

Capital assets, net increased by \$6.9 million from fiscal year 2017 to fiscal year 2018.

In accordance with the provisions of GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions*," and Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date*", the University reported deferred outflows related to pensions, in the amount of \$1.1 million, at June 30, 2019. This is a decrease of \$.4 million from the deferred outflows related to pensions of \$1.5 million at June 30, 2018. During fiscal year 2019, these deferred outflows represent the University's proportionate share of the difference between expected and actual experience, the change in proportion and difference between employer contributions and proportionate share of contributions, changes in assumptions, and employer contributions made by the University during fiscal year 2019 (after the measurement date of June 30, 2018) to the pension plan.

In accordance with the provisions of GASB Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*", the University reported deferred outflows related to other postemployment benefits ("OPEB") in the amount of \$20.9 million at June 30, 2019. This is an increase of \$7.1 million from the deferred outflows related to OPEB of \$13.9 million at June 30, 2018. These deferred outflows represent the change in proportion and the difference between employer contributions and proportionate share of contributions and employer contributions made by the University during fiscal year 2019 (after the measurement date of June 30, 2018) to a postemployment benefit plan – the West Virginia Postemployment Benefit Plan – which is administered by the West Virginia Public Employees Insurance Agency ("PEIA") and the West Virginia Retiree Health Benefit Trust Fund (the "RHBT").

The University also reported deferred loss on refunding of \$11.9 million at June 30, 2019. This represents the unamortized balance of a deferred loss on refunding related to the defeasance of the 2004 Bonds. The deferred loss on refunding is the difference between the reacquisition price and the net carrying amount of the refunded bonds and will be recognized as a component of interest expense over the remaining life of the refunded debt. The reduction in the amount from fiscal year 2018 to 2019 denotes the annual amount amortized to interest expense.

At June 30, 2019, the University reported a deferred outflow of \$133,000 related to the acquisition of the Blanchette Rockefeller Neurosciences Institute (“BRNI”). The reduction in this balance from fiscal year 2018 to 2019 represents the amount amortized to other operating expense during fiscal year 2019.

Total liabilities for the year decreased by \$23.6 million (or 2.1%). This decrease in total liabilities was primarily due to decreases in debt service payable to the Commission, bonds payable, net OPEB liability and net pension liability. This decrease was partially offset by increases in accounts payable and accrued liabilities.

- Accounts payable increased by \$8.3 million primarily due to an increase in unpaid invoices at year-end. Accounts payable decreased by \$6.6 million from fiscal year 2017 to fiscal year 2018.
- There was an increase of \$4.6 million in accrued liabilities (current) mainly due to unrestricted funds received from Sodexo as part of the dining services contract; these funds included \$4.7 million for the unamortized investment in the HSC cafeteria space formerly leased by HSC Fresh Kitchen. An additional increase was due to the buyout of contracts for former assistant football coaches. This was partially offset by a decrease in non-current accrued liabilities; this decrease was primarily due to final payment of the Big 12 Conference revenues for the Big East Conference settlement. Accrued liabilities increased by \$5.9 million from fiscal year 2017 to fiscal year 2018.
- Debt service payable to the Commission decreased by \$4.5 million due to scheduled payments during the year. This liability experienced a similar decrease from fiscal year 2017 to fiscal year 2018.
- Bonds payable decreased by \$16.6 million in fiscal year 2019 due to scheduled bond principal payments during the year. Bonds payable experienced a decrease of \$16.1 million from fiscal year 2017 to fiscal year 2018.
- Net OPEB liability decreased by \$12.5 million due to a decrease in the University’s proportionate share of the State’s net OPEB liability at June 30, 2019. The OPEB plan is a cost-sharing, multiple-employer, defined benefit other postemployment benefit plan that covers the retirees of State agencies, colleges and universities, county boards of education and other government entities administered by PEIA and the RHBT. As a participant in the OPEB plan, the University is required to recognize its proportionate share of the collective net OPEB liability provided through the plan. The proportionate share is calculated based on employer and non-employer contributions to the OPEB plan. The net OPEB liability decreased by \$33.0 million from fiscal year 2017 to fiscal year 2018.
- Net pension liability decreased by \$3.0 million due to a decrease in the University’s proportionate share of the net pension liability of the WV Teachers’ Retirement System, which is administered by the WV Consolidated Public Retirement Board. When comparing fiscal year 2017 to fiscal year 2018, there was a decrease of \$3.5 million.

In accordance with the provisions of GASB Statement No. 68, “*Accounting and Financial Reporting for Pensions*,” and Statement No. 71, “*Pension Transition for Contributions Made Subsequent to the Measurement Date*,” during fiscal year 2019 and 2018, the University recorded deferred inflows related to pensions in the amount of \$1.2 million for both years. For fiscal year 2019, these deferred inflows represent the University’s proportionate share of the difference between employer contributions and proportionate share of contributions, the difference between expected and actual experience, and the net difference between projected and actual investment earnings.

The University recorded deferred inflows related to OPEB of \$36.2 million and \$26.1 million at June 30, 2019 and June 30, 2018, respectively, in accordance with the provisions of GASB Statement No. 75, “*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*”. For fiscal year 2019, these deferred inflows represent the University’s proportionate share of the net difference between projected and actual investment earnings on plan investments, the difference between employer contributions and the University’s proportionate share of contributions, the difference between expected and actual experience, and changes in assumptions.

During fiscal year 2015, the University entered into an agreement with ACC OP (College Park, WV) LLC to operate College Park, a multi-use facility including student housing, owned by WVU. The agreement met the definition of a service concession arrangement (“SCA”) under the provisions of GASB Statement No. 60, *“Accounting and Financial Reporting for Service Concession Arrangements.”* This deferred inflow is being amortized over the lease term of forty years to auxiliary enterprise revenue.

During fiscal year 2019, the University entered into an agreement with Sodexo America, LLC to operate its food and dining services program. Upon execution of this agreement, Sodexo provided unrestricted funds of \$10 million to the University. This was recorded as a deferred inflow and is being amortized over the term of the agreement (15 years) to auxiliary enterprise revenue.

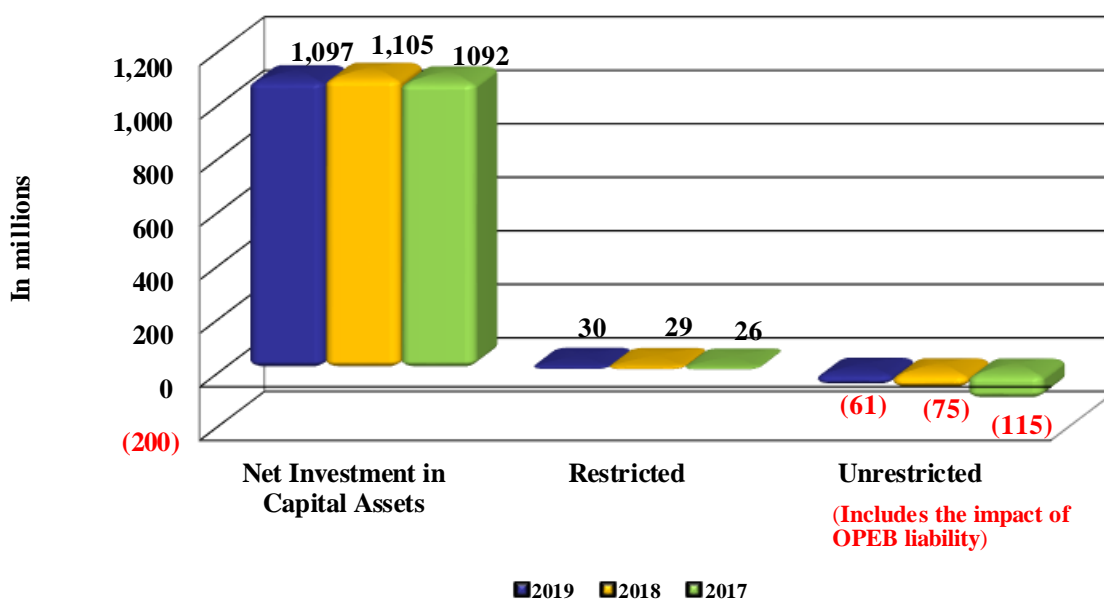
During fiscal year 2018, the University also recorded deferred inflows of \$500,000 related to a capital lease.

The University recorded Pell grant monies provided for financially eligible students before the start of the semester as well as a gain on refunding of HSC loans in FY 2013 as deferred inflows of resources.

The University’s current assets of \$298.7 million were sufficient to cover current liabilities of \$202.8 million indicating that the University maintained sufficient available resources to meet its current obligations as of June 30, 2019.

The following is a comparative illustration of net position.

COMPARISON OF NET POSITION June 30, 2019, 2018 and 2017



Net investment in capital assets decreased by \$8.6 million mainly due to a decrease in capital assets, net. This decrease was partially offset by a decrease in debt service payable to the Commission and bonds payable. Net investment in capital assets increased by \$13.5 million from fiscal year 2017 to fiscal year 2018.

During fiscal year 2019, the restricted component of the net position experienced an increase of \$1.2 million. This increase was primarily due to an increase in restricted expendable scholarships and fellowships and loans. This component of net position increased by \$2.8 million from fiscal year 2017 to fiscal year 2018.

The unrestricted component of net position increased by \$13.9 million during fiscal year 2019. This was primarily due to a decrease in the net OPEB liability and net pension liability. There was an increase in this component of net position from fiscal year 2017 to fiscal year 2018 of \$40.3 million.

	2019	2018
Total unrestricted net position before OPEB liability, net pension liability, deferred inflows and deferred outflows	\$ 109,397	\$ 106,362
Plus: Deferred outflows of resources related to OPEB	20,906	13,850
Plus: Deferred outflows of resources related to pensions	1,136	1,506
Less: Net OPEB liability	145,905	158,433
Less: Net pension liability	6,216	9,179
Less: Deferred inflows of resources related to OPEB	36,231	26,098
Less: Deferred inflows of resources related to pensions	3,874	2,704
Total unrestricted net deficit	<u>\$ (60,787)</u>	<u>\$ (74,696)</u>

Revenues, Expenses and Changes in Net Position

The statement of revenues, expenses and changes in net position presents the operating revenues, operating expenses, non-operating revenues and expenses and other revenues, expenses, gains or losses of the University for the fiscal years.

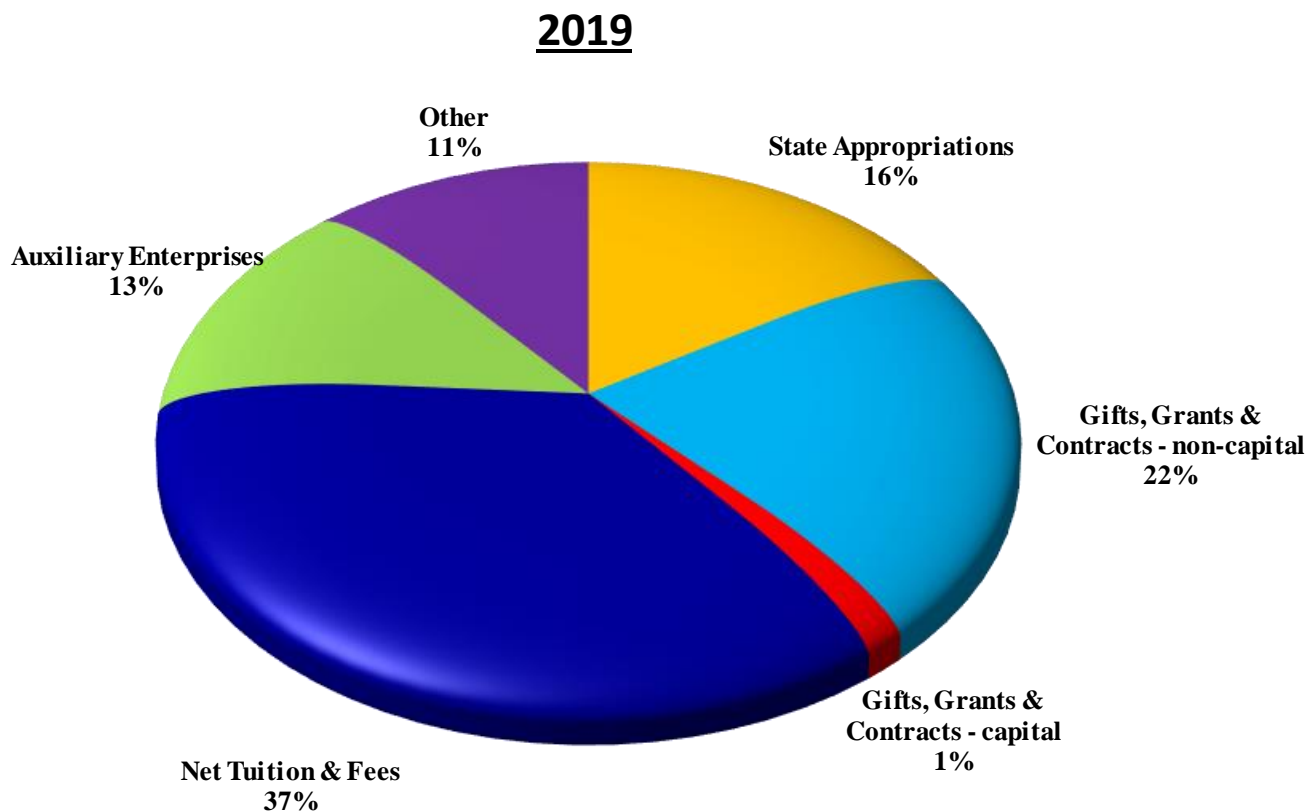
State appropriations, while budgeted for operations, are considered and reported as non-operating revenues. This is because State appropriations are provided by the West Virginia Legislature (the “Legislature”) to the University without the Legislature directly receiving commensurate goods and services for those revenues. Likewise, Pell grants are reported as non-operating, because of specific guidance in the AICPA industry audit guide. Student tuition and fees are reported net of scholarship discounts and allowances. Financial aid to students is reported using the NACUBO alternative method. Under this method certain aid, such as loans and federal direct lending, is accounted for as a third party payment, while all other aid is reflected either as operating expenses or scholarship allowances, which reduce revenues. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

Condensed Schedules of Revenues, Expenses and Changes in Net Position (in thousands)

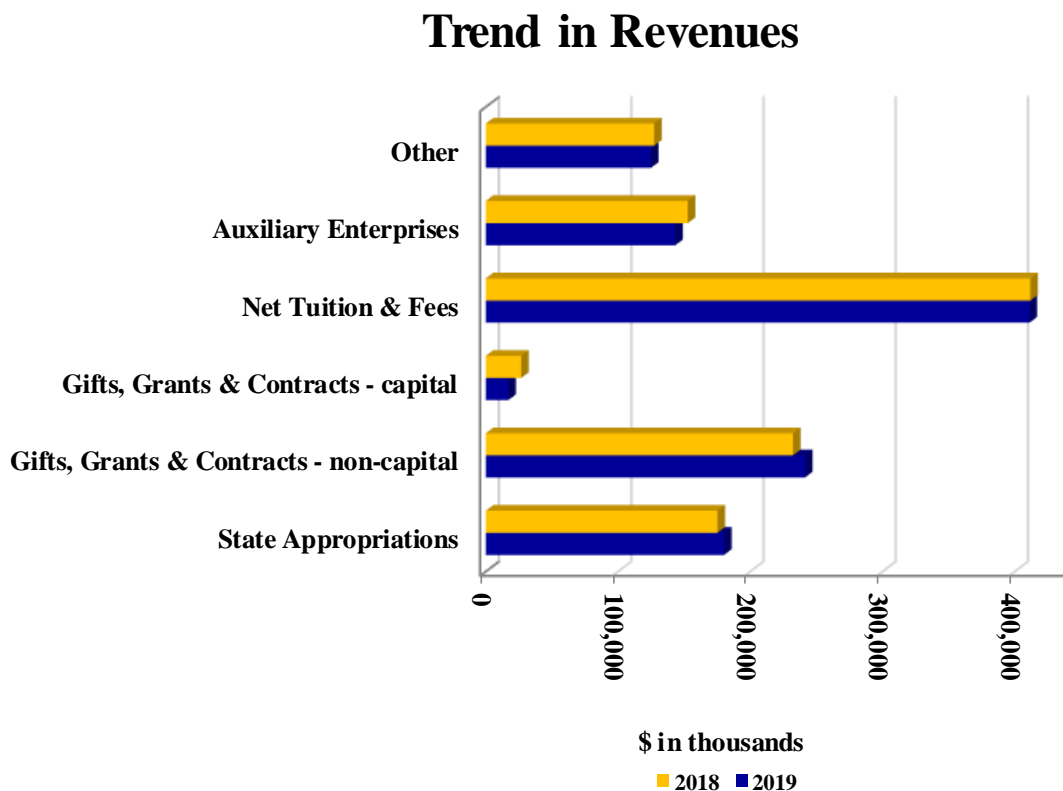
	Years Ended June 30		
	2019	2018	2017
Operating Revenues	\$ 809,827	\$ 808,128	\$ 783,219
Operating Expenses	1,075,377	1,053,017	1,061,936
Operating Loss	(265,550)	(244,889)	(278,717)
Net Nonoperating Revenues	254,890	258,347	244,840
(Loss) Income before Other Revenues, Expenses, Gains or Losses	(10,660)	13,458	(33,877)
Capital grants and gifts	17,107	26,746	42,260
Bond/capital projects proceeds from the Commission	-	-	-
Capital payments on behalf of the University	-	896	-
Increase in Net Position	6,447	41,100	8,383
Net Position - Beginning of Year	1,059,555	1,003,002	994,619
Cumulative Effect of Change in Accounting Principle	-	15,453	-
Net Position - Beginning of Year, As Restated	1,059,555	1,018,455	994,619
Net Position - End of Year	<u>\$ 1,066,002</u>	<u>\$ 1,059,555</u>	<u>\$ 1,003,002</u>

Revenues:

The following graph shows the composition of total revenues by source for fiscal year 2019.



The following chart provides a comparison of revenues by significant category between fiscal years 2019 and 2018.



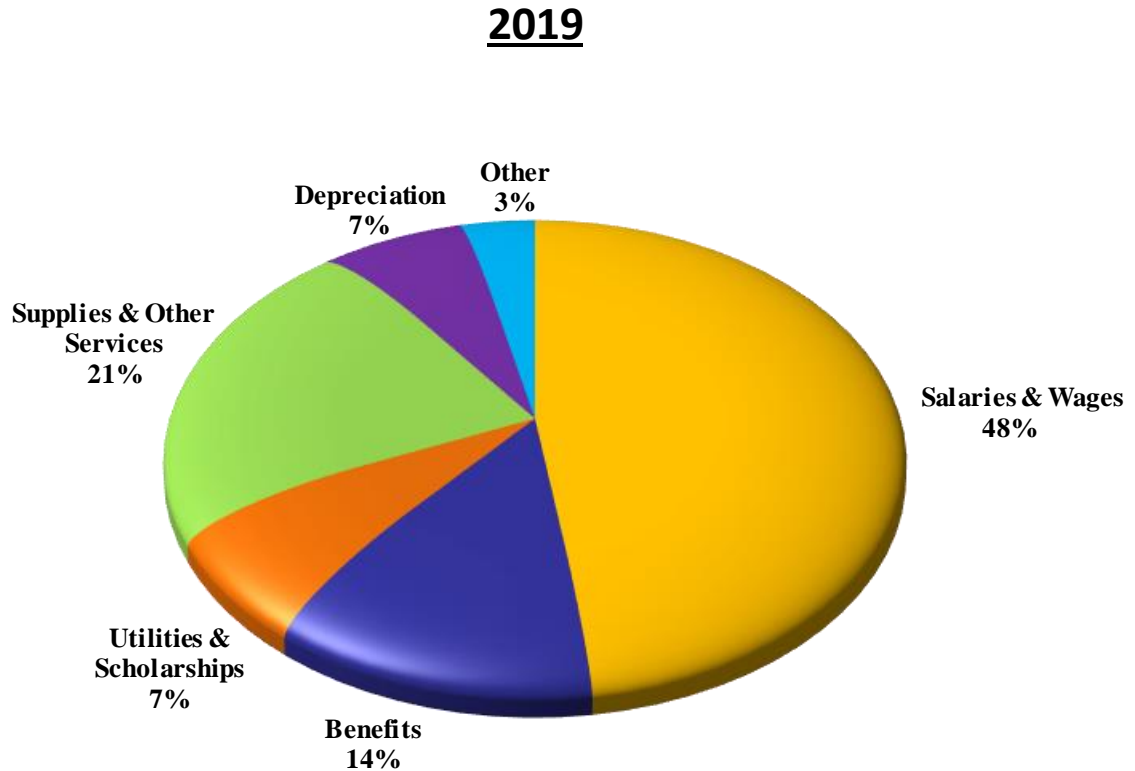
Total fiscal year 2019 revenues were \$1.1 billion, a decrease of \$8.7 million or .8%, from fiscal year 2018. Some highlights of the information presented on the statement of revenues, expenses, and changes in net position are as follows:

- Grants and contracts revenue (non-capital related), including Federal Pell grants, increased by \$9.1 million mainly due to additional Medicaid payments and an increase in medical malpractice premiums received from affiliated entities. Additional increases were due to revenues from commercial contracts received by the West Virginia University Innovation Corporation, a blended component unit of the University, and federal grants and contracts received by the WVU Research Corporation. An increase of \$18.6 million was noted in this revenue category from fiscal year 2017 to fiscal year 2018.
- Revenue from federal land grants decreased by \$1.7 million. Funding remained consistent with the prior year, but there was a decrease in recognized revenue due to the timing of expenditures. This revenue increased by \$.8 million from fiscal year 2017 to fiscal year 2018.
- Auxiliary revenue, net decreased by \$9.3 million primarily due to a decrease in room and board revenue attributed to the transition to a contracted food and dining services program managed by Sodexo America, LLC. This decrease was partially offset by an increase in contract commissions, guarantees from the Sodexo contract, and revenue from public private partnerships. Additionally, Athletics revenue increased for the following: revenues from the Big 12 Athletic Conference, single game ticket sales for football and baseball games, and corporate sponsorships. Auxiliary revenue, net decreased by \$5.3 million from fiscal year 2017 to fiscal year 2018.
- Other operating revenue increased by \$3.6 million due to the following: a lease termination fee received from KVC Foundation to terminate their lease of the WVUIT property in Montgomery, WV; funds received from the buyout of the former head football coach's contract; and an increase in rental income. This revenue category decreased by \$5.6 million from fiscal year 2017 to fiscal year 2018.
- State appropriations increased by \$5.0 million from fiscal year 2018 due to appropriations for salary increases and the Blanchette Rockefeller Neurosciences Institute ("BRNI"). From fiscal year 2017 to fiscal year 2018, there was a \$6.4 million decrease in state appropriations.
- Payments on behalf of the University decreased by \$1.0 million due to a decrease in the University's proportionate share of contributions made by the State to the OPEB plan on behalf of participating employers. The State provides a supplemental pre-funding source dedicating \$30 million annually to the RHBT Fund from annual collections of the Personal Income Tax Fund and dedicated for payment of the unfunded liability of the RHBT until it is determined that the unfunded liability of the RHBT has been provided for in its entirety or July 1, 2037, whichever is later. The State also provides funding through the Financial Stability Fund by transferring an annual amount of \$5 million to the RHBT from special revenue funds to be used to lower retiree premiums, to help reduce benefit cuts and to help reduce premium increases. This amount is to be transferred annually into the RHBT through June 30, 2020. This revenue category increased by \$9.0 million from fiscal year 2017 to fiscal year 2018.
- Gifts decreased by \$4.2 million from fiscal year 2018 to fiscal year 2019 primarily due to a decrease in scholarship funds received by Athletics from the Foundation and funding received in fiscal year 2018 to cover cost share expenses related to the Clinical and Translational Science Institute grant. These decreases were offset by gifts-in-kind received from Sodexo as part of the dining services contract, an increase in funding received from the Foundation for the Scholars Program and an overall increase in expenses on the Foundation backbill accounts, which are reimbursed by the Foundation. This revenue category increased by \$12.1 million from fiscal year 2017 to fiscal year 2018.

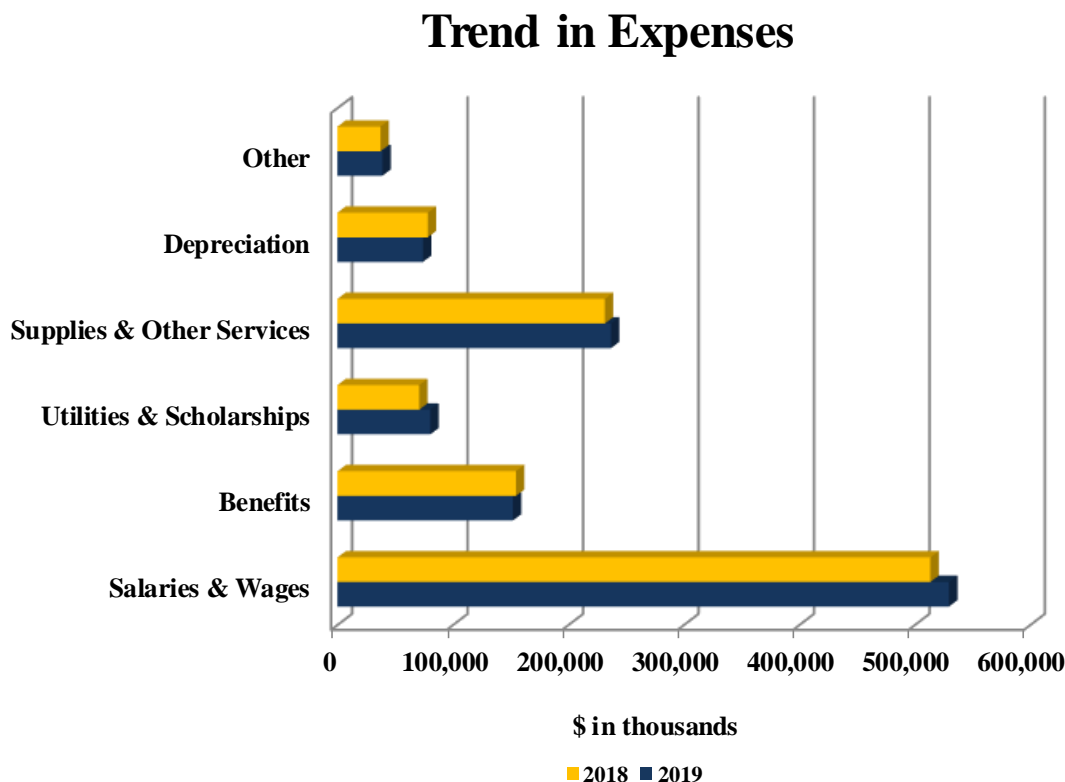
- Capital grants and gifts decreased by \$10.5 million primarily due to a decrease in right-to-use software donations and in capital gifts and grants for the redevelopment of the Reedsville Farm. These decreases were offset by an increase in funds provided by the Foundation for various capital projects such as site preparation for the construction of the new building for the John Chambers College of Business and Economics and various Athletics projects such as visiting team locker room renovations at Milan Puskar Stadium and capital investments made by Sodexo at various locations across campus including the Mountainlair and the food court at the Health Sciences Center. Capital grants and gifts decreased by \$14.6 million from fiscal year 2017 to fiscal year 2018.

Expenses:

The following graph shows the composition of total expenses by category for fiscal year 2019.



The following chart provides a comparison of expenses by significant category between fiscal years 2019 and 2018.



Total fiscal year 2019 expenses increased by \$26.0 million, or 2.4%, to \$1.1 billion. Changes in expense amounts from the prior year are primarily attributed to the following:

- Salaries and wages increased by \$16.2 million from the prior year primarily as a result of an increase in non-tenure track faculty, faculty tenured, and non-classified staff salaries. These increases were partially offset by a decrease in classified staff salaries. An increase of \$3.3 million was noted in salaries and wages from fiscal year 2017 to fiscal year 2018.
- Scholarships and fellowships increased by \$10.9 million primarily due to an increase in institutional awards. There was no significant change in this expense category from fiscal year 2017 to fiscal year 2018.
- Supplies and other services increased by \$5.4 million; this was primarily due to increases in computer services and supplies, non-capitalizable equipment and other supplies, repairs and maintenance, and other general expenses. These increases were offset by decreased expenses as a result of the dining services contract with Sodexo. Supplies and other services decreased by \$3.3 million from fiscal year 2017 to fiscal year 2018.
- Depreciation and amortization expense decreased by \$4.1 million. This was primarily due to a decrease in amortization expense for donated right-to-use software, which was offset by an increase in depreciation on equipment and software. This category experienced a decrease of \$2.2 million from fiscal year 2017 to fiscal year 2018.
- Interest on capital asset-related debt increased by \$1.0 million in fiscal year 2019 due to an increase in interest payments on the Beckley loan and an increase in the interest rate on the HSC construction loan. These increases were partially offset by a decrease in capitalized interest. Interest expense increased by \$2.6 million from fiscal year 2017 to fiscal year 2018.

- Other non-operating expenses, net increased by \$3.5 million primarily due to the transfer of certain buildings on the former WVUIT campus in Montgomery, WV to BridgeValley Community and Technical College which resulted in a loss on retirement. This expense category decreased by \$4.0 million from fiscal year 2017 to fiscal year 2018.

Cash Flows

The statements of cash flows provide information about the cash receipts, cash payments, and net change in cash resulting from the operating, investing, and financing activities (capital and noncapital) of the University during the year. This statement helps users assess the University's ability to generate net cash flows, its ability to meet obligations as they come due, and its need for external financing.

The statement of cash flows is divided into five sections:

Cash flows from operating activities. This section shows the net cash used by the operating activities of the University.

Cash flows from noncapital financing activities. This section reflects the cash received and paid for nonoperating, noninvesting, and noncapital financing purposes.

Cash flows from capital financing activities. This section includes cash used for the acquisition and construction of capital and related items.

Cash flows from investing activities. This section shows the purchases, proceeds, and interest received from investing activities.

Reconciliation of operating loss to net cash used in operating activities. This section provides a schedule that reconciles the accrual-based operating loss and net cash used in operating activities.

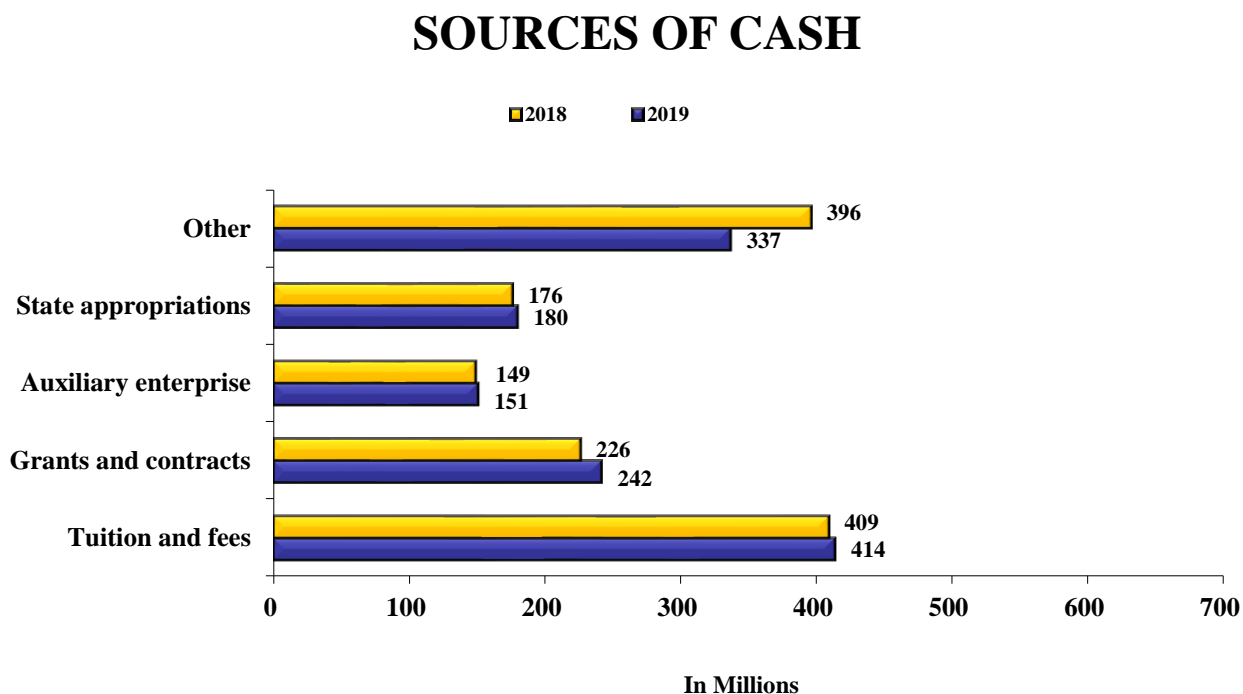
Condensed Schedule of Cash Flows (in thousands)

	Years Ended June 30		
	2019	2018	2017
Cash Provided By (Used In):			
Operating Activities	\$ (151,124)	\$ (192,040)	\$ (189,309)
Noncapital Financing Activities	266,671	268,430	265,800
Capital Financing Activities	(91,832)	(100,866)	(140,099)
Investing Activities	10,661	(2,819)	50,576
Increase (Decrease) in Cash and Cash Equivalents	34,376	(27,295)	(13,032)
Cash and Cash Equivalents, Beginning of Year	106,438	133,733	146,765
Cash and Cash Equivalents, End of Year	\$ 140,814	\$ 106,438	\$ 133,733

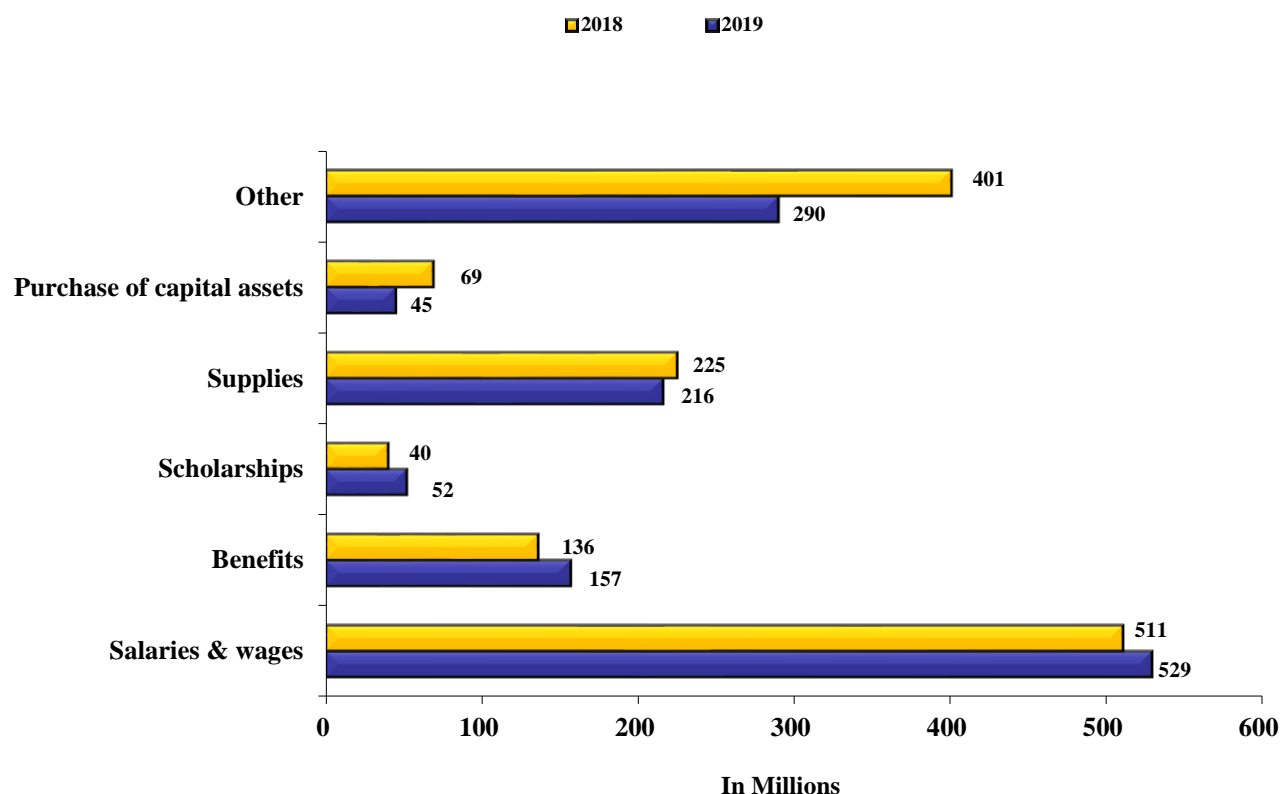
Total cash and cash equivalents increased by \$34.4 million during fiscal year 2019 to \$140.8 million.

- Net cash used in operating activities decreased by \$40.9 million primarily due to an increase in cash inflows from public private partnerships, other receipts and grants and contracts. These increases were offset by increased cash outflows for payments to employees, payments for benefits and payments for scholarships. Cash used in operating activities had experienced an increase of \$2.7 million from fiscal year 2017 to fiscal year 2018.
- Net cash provided by noncapital financing activities decreased by \$1.8 million primarily due to a decrease in cash inflows from gifts. This increase was partially offset by increased cash inflows from State appropriations. This category had experienced an increase of \$2.6 million from fiscal year 2017 to fiscal year 2018.
- Net cash used in capital financing activities decreased by \$9.0 million primarily due to a decrease in cash outflows for the purchase of capital assets as well as decreased cash outflows from principal paid on capital debt. Capital financing activities decreased by \$39.2 million from fiscal year 2017 to fiscal year 2018.
- Net cash provided by investing activities changed by approximately \$13.5 million primarily due to a decrease in the redemption of matured bond investments and a decrease in the purchase of investments. In contrast, investing activities had changed by \$53.4 million from fiscal year 2017 to fiscal year 2018.

The following graphs illustrate the sources and uses of cash –



USES OF CASH



Capital Asset and Long Term Debt Activity

The University, including the Health Sciences Center and its regional campuses, has a multi-year capital budget including planned capital expenditures of approximately \$88.6 million. The capital plan includes various capital projects to construct, renovate and/or upgrade academic and auxiliary facilities on the University's campuses. These capital projects are being financed through bond proceeds, grants, and other sources of revenues available to the University including internal financing, operational revenue and gifts.

Significant construction, capital and debt activity in fiscal year 2019 was as follows:

- The University completed improvements to the following buildings and infrastructure during the fiscal year: upgrades to the PRT train controls, renovations to Milan Puskar Stadium including the training table and kitchen renovation, and the HSC infrastructure project.
- Other on-going capital activity included renovations to Hodges Hall, further upgrades to the PRT, site preparation for construction of the new building for the John Chambers College of Business and Economics (Reynolds Hall), mechanical system upgrades at the coliseum, renovations to food and dining services facilities across campus and various energy performance and internally developed software projects.

The Commission assesses each public institution of higher education for funds to meet the payment of debt service on various revenue bonds that were issued for the financing of academic and other facilities of the State's universities and colleges, including certain facilities of the University. The bonds remain as a capital obligation of the Commission; however, \$44.5 million is reported as debt service assessment payable to the Commission by the University as of June 30, 2019.

At June 30, 2019, the University's bonds were rated as Aa3 and A/Stable by Moody's and Standard and Poor's respectively.

Economic Outlook

WVU is a strong and vibrant flagship, land-grant, and affordable higher education institution with an affiliated medical center that provides billions in economic activity for the state of West Virginia and the region. However, WVU is continually adapting to today's challenges of an increasingly competitive enrollment environment, minimal tuition increases and higher tuition discounting to keep tuition affordable, increasing operating costs, and reductions in federal support. The University administration is taking active steps to meet these challenges through prudent financial planning and management practices designed to reduce costs, improve the efficiency and effectiveness of its operations and contracts, and maximize revenue opportunities.

As a public institution, the University's financial position is closely tied to that of the State of West Virginia and is always at the risk of funding reductions due to deteriorating economic conditions or changes in funding priorities. During FY 2019, the State experienced a budget surplus of \$8.2 million in its general revenue funds as a result of an increase in severance tax, personal income tax and consumer sales tax/use tax collections. While the State achieved a healthy balance of \$752.7 million in its Revenue Shortfall Reserve Fund (Rainy Day Fund), the State's budget continues to face economic pressures brought on by challenging times in energy markets including a structural decline in coal production.

During fiscal year 2017, WVU partnered with the state Department of Commerce and Marshall University to commission the McKinsey & Company in search for a fresh look at our problems and new pathways to solving them. Through McKinsey's consultation with local and regional community leaders who are working diligently to support economic recovery, we have identified a path called West Virginia Forward. This path has three objectives: identify potential sectors in which West Virginia can grow to diversify our economy; reinforce the infrastructure, talent base and business climate that supports economic growth; and create a clear roadmap to our shared destination of a prosperous West Virginia. Through this process, a few key discoveries have been made including: strengthening existing industries, differentiating ourselves from the competition, creating new sectors, attracting new businesses, and developing our people.

Research continues to be integral part of the University's mission. The Corporation facilitates this mission through its role as fiscal agent for sponsored projects. The Corporation also uses its unique status to maximize the effectiveness of technology transfer in addition to its economic and business development functions. One important indication of this success is WVU's renewal as an R1, Doctoral University – Highest Research Activity, by the Carnegie Foundation in fiscal year 2018 placing WVU among the 130 strongest research institutions in the US. In fiscal year 2019, WVU secured more than \$181 million in sponsored programs funding, a new high for the institution. At the same time, sponsored award expenditures came in at \$158 million.

The Federal funding landscape has gradually been improving since 2017. Federal funding for sponsored programs at the University has increased from \$78 million in fiscal year 2018 to \$96 million in fiscal year 2019, substantially ahead of the national trend. Investments in improving the competitiveness of the faculty through the implementation of programs by the Research Office is beginning to yield a noticeable return in terms of the number and dollar value of new awards. The most effective of these investments are the Program to Stimulate Competitive Research, providing support to ensure that resubmitted proposals have a significantly enhanced probability of success and an internal NIH style study section at HSC, providing scientific review of grant applications prior to external submission has been employed to increase competitiveness.

An area of strength for the University continues to be energy research in general and fossil energy research in particular. In terms of funding from the US Department of Energy, WVU ranks 42nd in the nation ahead of regional peers University of Pittsburgh and Carnegie Mellon University according to the most recent data from the NSF on research expenditures. The WVU Energy Institute has determined that the University is number 2 in the country in support for fossil energy research.

An area of opportunity for greater growth is within funding from the National Institutes of Health. Building on the recent renewal of the Clinical and Translational Research award of \$20 million in Federal funds, a new Center of Excellence in Clinical Trials is being planned to focus on signature programs in cardiovascular and neurodegenerative diseases and will begin operation in fiscal year 2020. These programs, led by internationally recognized clinician scientists, have already begun attracting both Federal and private funding in support of research. The goal is to double NIH funding to HSC by 2022 to over \$40 million. In the past year, NIH awards to WVU increased from \$20.4 million to \$27.7 million.

The University, in collaboration with the Corporation and the WVU Innovation Corporation, is seeking to expand US Department of Defense funding as well. Congress recently reauthorized the DoD EPSCoR program that will provide a mechanism for WVU researchers to seek funding from a more limited pool of states and build up their recognition among DoD funders. DoD awards increased from \$0.9 million to \$2.5 million in this past year.

The University continues to improve its relationship with private sector partners to grow industrial research support through its Office of Corporate Relations. Efforts have been focused on partnerships with industries in health care, energy, and defense in keeping with priorities for the state and university. In fiscal year 2019, industry support for research was on the order of \$34 million, an increase of \$4 million over the previous year.

The effort to build a strong entrepreneurial ecosystem at the University continues. This began with the establishment of the Launch Lab in 2013, followed by the establishment of the Health Sciences Innovation Center two years later, and the inauguration of an Evansdale Innovation Center in 2018. The Launch Lab continues its focus on student entrepreneurship, whereas the innovation centers are focused on the commercialization of faculty research. The HSC Innovation Center has had tremendous success in terms of SBIR/STTR funding. Leading the way is the start up Modulation Therapeutics, having secured numerous SBIR awards at this time. The plan is to duplicate this success on the Evansdale campus with faculty from Engineering.

The Foundation's State of Minds campaign, which ended December 31, 2017, raised a total of \$1.2 billion, \$200.0 million over the campaign's \$1 billion goal. Campaign fundraising focused on priority areas that align with the University's 2020 Strategic Plan for the Future. The Foundation continues to report strong fund-raising numbers, including surpassing \$135 million each of the last three years and four of the last five.

Despite the external economic challenges, the University is committed to strategically investing in its core mission and long-term quality and positioning itself for financial stability well into the future. Examples of these initiatives include:

- **Three Critical Pillars:**

The University is committed to transforming itself and the State by strengthening three critical pillars: education, healthcare and broad-based prosperity. Priorities within the area of education include increasing enrollment, increasing retention and persistence, and increasing online programming.

The University is pursuing the transformation of healthcare in WV by focusing on translational and clinical cardiac, cancer and critical care, directing WVU Medicine's research and outreach efforts to prevent and treat opiate and opioid abuse, addiction and obesity and addressing the health needs of the State's residents. In line with its goal of advancing knowledge and applying it to solve problems facing the State, the University has formed a center for brain research to create solutions for brain disorders and diseases like Alzheimer's.

The University is also focusing on the priority of helping the State thrive and bringing broad-based prosperity to its citizens by serving as an economic engine for WV and by leveraging its internal expertise with external resources, its fundamental research capabilities, and its entrepreneurial activities, as well as partnering with the federal government, businesses, community and the State. As OneWVU, the University will work together to transform the University, and in turn, the lives of its students and all West Virginians.

Additionally, the University has partnered with the WV Department of Commerce and Marshall University to address the state's economic issues and put WV on the road to prosperity. This path, West Virginia Forward, has three objectives: reinforce the foundation that supports economic growth, including the state's infrastructure, talent base and business climate; identify potential sectors in which the state can grow to

diversify its economy; and helping partners around the state navigate these new pathways toward a shared destination: a prosperous West Virginia.

In September 2018, the Board of Governors approved \$1.8 million to lease and renovate space for the College of Business and Economics Startup Engine, the University's first startup accelerator program. The program's mission will be to attract, select and accelerate startups focused on the sectors/industries identified in the West Virginia Forward report with the objective of supporting the diversification of the state's economy. The Startup Engine will provide sector-specific, cohort-based business development programs across the University and will help startups develop their ideas, access seed capital, develop mentor relationships and partner with existing businesses. The program will also build on the University's role as an R1 research institution.

In November 2018, John Chambers, former CEO and Chairman of Cisco Systems, Inc. and founder and CEO of JC2 Ventures, and two-time WVU alumnus, announced a gift to support the Startup Engine. Chambers gift will include financial support to build out and operate the Startup Engine, create a philanthropic venture capital fund in support of the project and create a center for Artificial Intelligence Management. Chambers has also agreed to volunteer five percent of his time to provide expertise to the University and its leadership. The College of Business and Economics has been renamed the John Chambers College of Business and Economics.

- **Effective Financial Management:**

In order to meet its strategic financial goals of achieving a positive adjusted operating margin, preserving and improving cash position, maintaining bond rating and continuing investments for future growth, the University embarked on a transformational budget program in fiscal year 2017. The goal of the program is to control costs and expand revenue streams by reducing centrally allocated budgets, establishing expense limits on non-central spending and setting revenue targets. The University has also developed a 5-year operating plan that is updated quarterly, as well as financial metrics to evaluate its debt capacity and affordability with those strategic goals in mind.

The University established a Bureaucracy SWOT Committee (<http://bureaucracybusters.wvu.edu/>) with the sole mission of cutting bureaucracy to create savings, which can then be directed into the core mission of the University. As a result, many business processes and systems have been streamlined, and several others are under evaluation for simplification. The University has implemented strategies such as merging or eliminating departments; changing and streamlining business processes; evaluating hiring strategies; reducing workforce through attrition, retirements and separation; reducing the scope of certain services; charging for optional services; and making new local, regional and global affiliations.

The University launched a University-wide Voluntary Separation Incentive Plan program during fiscal year 2019. Through this program, the University may offer a lump-sum incentive payment to eligible faculty and staff who agree to separate from employment with the University either by resignation or retirement. In general, all regular benefits-eligible employees with twenty or more years of service as of March 31, 2019 were eligible to express interest in the program. Operational needs and available funds will determine those employees who will receive an official offer.

- **Shared Services:**

The University has been working on consolidating daily transactional level financial and human resources activities into a central shared services center. The objective of this initiative is to improve customer service, gain operational efficiencies by streamlining processes and controls and eliminating duplication of effort, standardize policies and procedures across campus, and achieve cost savings.

- **Maintaining Student Demand:**

The University continues to focus on increasing its first-time and total enrollment through recruitment and other strategies to improve retention and persistence across all student ranks within the University and across all campuses. Preliminary numbers suggest an increase in the fall 2019 freshmen enrollment compared to fall 2018 and an increase in the retention rate of approximately three percent. The University has also increased

the quality of its first-time freshmen class with an average high school GPA of 3.65 and an average ACT score of 23.9 as well as the size and quality of its Honors College.

- **Building for the Future:**

The University has engaged in several public-private partnerships to develop safe, modern, and affordable residential and retail facilities. University Place and University Park offer residence halls, apartments and townhomes and College Park offers apartment style beds. Evansdale Crossing provides not only a new one-stop shop for student services but also has an innovation launch pad, classrooms, restaurants, study spaces and other student-centered amenities. A new residence hall is planned for the Beckley campus next year.

The University entered into an agreement with Sodexo during fiscal year 2019 to manage the University's dining services program. This partnership is providing students with healthier and more diverse dining options and an enhanced dining experience and has resulted in improvements to the University's dining facilities including the Mountainlair and the cafeteria at the HSC. This collaboration will provide a guaranteed revenue stream that will exceed current revenues. Sodexo has also invested in student-focused initiatives and supports West Virginia Forward and other key initiatives.

- **Solving Long Term Liabilities:**

The State legislature has addressed one of the most significant financial challenges facing state agencies with positive results. In FY 2012 the legislature and Public Employees Insurance Agency (PEIA) implemented a series of actions to significantly reduce the OPEB Annual Required Contribution (from State agencies) and, in turn, the total OPEB liability. These actions included limiting the annual increase on the employer's share of the retiree's premium and allocating \$30 million of annual funding to the OPEB Trust Fund beginning in fiscal year 2016 and a change in the applied discount rate. These steps will have a significant positive impact on WVU's financial position and performance. Over time, as the State funds the OPEB trust, this accrual will become a credit and gradually reverse the current liability of \$145.9 million to zero.

Despite the challenges facing the University, the administration remains committed to expanding its current efforts to maintain a sound financial position through diversification of revenue sources, managing costs and using innovation and technology to gain operational efficiencies. This sound financial position will allow the University to fulfill its mission as the State's flagship institution. University administration also believes that WVU represents an unparalleled value for a quality educational experience.

WEST VIRGINIA UNIVERSITY

STATEMENTS OF NET POSITION AS OF JUNE 30, 2019 AND 2018

(Dollars in Thousands)

	2019	2018
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets:		
Cash and cash equivalents	\$ 116,290	\$ 85,298
Appropriations due from primary government	529	597
Investments	78,293	73,511
Accounts receivable, net of allowances for doubtful accounts of \$9,947 and \$10,548	84,219	97,595
Account receivable - public private partnerships, current portion	6,210	6,237
Due from the Higher Education Policy Commission	445	532
Loans receivable, current portion	4,625	4,727
Inventories	1,725	1,891
Prepaid expenses	6,070	7,664
Notes receivable, current portion	805	893
Total current assets	299,211	278,945
Noncurrent Assets:		
Restricted cash and cash equivalents	24,524	21,140
Investments	62,908	67,208
Other accounts receivable	4,353	4,873
Account receivable - public private partnerships	6,759	3,841
Loans receivable, net of allowances for doubtful accounts of \$4,796 and \$4,828	26,710	30,370
Notes receivable	1,259	1,664
Capital assets, net	1,809,035	1,830,341
Total noncurrent assets	1,935,548	1,959,437
TOTAL ASSETS	2,234,759	2,238,382
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refunding	11,916	12,426
Deferred outflows related to other post employment benefits	20,906	13,850
Deferred outflows related to pensions	1,136	1,506
Deferred outflows related to BRNI acquisition	133	265
TOTAL DEFERRED OUTFLOWS OF RESOURCES	34,091	28,047
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 2,268,850	\$ 2,266,429

(continued)

WEST VIRGINIA UNIVERSITY

STATEMENTS OF NET POSITION (CONTINUED) AS OF JUNE 30, 2019 AND 2018

(Dollars in Thousands)

	2019	2018
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities:		
Accounts payable	\$ 48,628	\$ 40,351
Accrued liabilities	21,499	16,863
Accrued payroll	29,771	29,383
Deposits	3,325	3,077
Unearned revenue	50,289	50,427
Compensated absences	28,275	26,535
Real estate purchase agreements payable, current portion	589	610
Debt service assessment payable to the Commission, current portion	4,446	4,461
Leases payable, current portion	2,697	3,634
Bonds payable, current portion	17,032	16,517
Notes payable, current portion	1,211	932
Total current liabilities	207,762	192,790
Noncurrent Liabilities:		
Real estate purchase agreement payable	11,674	12,448
Net other post employment benefits liability	145,905	158,433
Net pension liability	6,216	9,179
Advances from federal government	26,837	25,942
Debt service assessment payable to the Commission	40,084	44,530
Leases payable	11,748	11,370
Bonds payable	579,428	596,535
Notes payable	61,324	62,247
Other noncurrent liabilities	24,770	25,919
Total noncurrent liabilities	907,986	946,603
TOTAL LIABILITIES	1,115,748	1,139,393
DEFERRED INFLOWS OF RESOURCES		
Deferred federal Pell grants	656	724
Deferred gain on refunding	296	341
Deferred service concession arrangements	36,105	37,114
Deferred inflows related to other post employment benefits	36,231	26,098
Deferred inflows related to pensions	3,874	2,704
Deferred inflows related to capital lease	500	500
Deferred inflows related to dining services contract	9,438	-
TOTAL DEFERRED INFLOWS OF RESOURCES	87,100	67,481
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	\$ 1,202,848	\$ 1,206,874
NET POSITION		
Net investment in capital assets	\$ 1,096,718	\$ 1,105,345
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	85	85
Loans	18,471	17,394
Other	475	475
Total nonexpendable	19,031	17,954
Expendable:		
Scholarships and fellowships	2,724	2,279
Sponsored programs	327	356
Loans	7,218	7,098
Capital projects	1	2
Other	770	1,217
Total expendable	11,040	10,952
Unrestricted net deficit	(60,787)	(74,696)
TOTAL NET POSITION	\$ 1,066,002	\$ 1,059,555

See notes to financial statements.

WEST VIRGINIA UNIVERSITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

(Dollars in Thousands)

	2019	2018
OPERATING REVENUES		
Student tuition and fees, net of scholarship allowances of \$84,139 and \$80,629	\$ 411,253	\$ 411,796
Federal land grants	6,937	8,660
Local land grants	1,291	1,065
Federal grants and contracts	81,997	77,023
State grants and contracts	40,713	39,008
Local grants and contracts	730	286
Nongovernmental grants and contracts	87,716	85,250
Sales and services of educational departments	22,562	22,770
Auxiliary enterprises, net of scholarship allowances of \$8,830 and \$13,380	143,383	152,679
Interest on student loans receivable	836	773
Net service agreement revenue from BridgeValley and Parkersburg CTC's	250	250
Other operating revenues (including revenue from outsourced enterprise of \$1,081 and \$1,068)	12,159	8,568
Total operating revenues	809,827	808,128
OPERATING EXPENSES		
Salaries and wages	529,730	513,492
Benefits	151,973	154,552
Scholarships and fellowships	49,596	38,657
Utilities	30,810	32,156
Supplies and other services	236,924	231,556
Depreciation and amortization	74,024	78,140
Loan cancellations and write-offs	296	375
Assessments by the Commission for operations	-	2,751
Other operating expenses	2,024	1,338
Total operating expenses	1,075,377	1,053,017
OPERATING LOSS	(265,550)	(244,889)

(continued)

WEST VIRGINIA UNIVERSITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED) FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

(Dollars in Thousands)

	2019	2018
NONOPERATING REVENUES (EXPENSES)		
State appropriations	\$ 176,739	\$ 171,771
State Lottery appropriations	3,494	3,402
Payments on behalf of the University	11,450	12,445
Gifts	58,611	62,831
Federal Pell grants	30,290	30,737
Investment income (including unrealized gain of \$2,157 and \$3,320)	10,896	10,116
Interest on capital asset-related debt	(26,560)	(25,593)
Assessments by the Commission for debt service	(6,361)	(6,335)
Debt issuance costs	-	(859)
Other nonoperating expenses - net	(3,669)	(168)
Net nonoperating revenues	254,890	258,347
(LOSS) INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	(10,660)	13,458
Capital grants and gifts	17,107	26,746
Capital payments on behalf of the University	-	896
INCREASE IN NET POSITION	6,447	41,100
NET POSTION - BEGINNING OF YEAR	1,059,555	1,003,002
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	-	15,453
NET POSITION--BEGINNING OF YEAR, AS RESTATED	1,059,555	1,018,455
NET POSITION - END OF YEAR	\$ 1,066,002	\$ 1,059,555

See notes to financial statements.

WEST VIRGINIA UNIVERSITY

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

(Dollars in Thousands)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 413,604	\$ 409,216
Federal and local land grants	8,228	9,725
Grants and contracts	212,410	194,771
Payments to suppliers	(216,471)	(225,051)
Payments to employees	(529,401)	(510,963)
Payments for benefits	(156,770)	(135,670)
Payments for utilities	(30,033)	(33,802)
Payments for scholarships and fellowships	(52,023)	(40,047)
Loan advances provided by (returned to) federal government	895	(3,851)
Collections (cancellations) of loans to students	3,467	(741)
Interest earned on loans to students	836	773
Auxiliary enterprise charges	150,741	148,611
Sales and service of educational departments	21,932	22,437
Receipt of net operating expenses from BridgeValley and Parkersburg CTC's	250	251
Net receipts (payments) for public private partnerships	3,295	(3,873)
Assessments by Commission for operations	-	(2,751)
Other receipts (payments)	17,916	(21,075)
Net cash used in operating activities	(151,124)	(192,040)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	176,807	172,143
State lottery appropriations	3,494	3,402
Gifts	55,773	61,600
Purchase of secured promissory notes	-	(191)
Federal Pell grants	30,223	31,281
William D. Ford direct lending receipts	193,622	209,035
William D. Ford direct lending payments	(194,461)	(209,650)
Other nonoperating receipts	1,213	810
Net cash provided by noncapital financing activities	266,671	268,430
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Payments on Commission debt assessment payable	(4,461)	(4,498)
Capital payments on behalf of the University	-	896
Assessments by the Commission for debt service	(6,361)	(6,335)
Bond issuance costs	-	(898)
Capital gifts and grants received	7,825	11,329
Purchases of capital assets	(44,953)	(69,133)
Proceeds from issuance of capital debt	-	48,607
Capital projects proceeds from lease trustees	4,715	-
Principal paid on capital debt and leases	(20,558)	(53,335)
Interest paid on capital debt and leases	(28,039)	(27,499)
Net cash used in capital financing activities	(91,832)	(100,866)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	8,590	6,750
Purchase of investments	(6,098)	(35,063)
Redemption of matured bond investments	8,530	25,775
Purchase of Research Corporation investments	(361)	(281)
Net cash provided by (used in) investing activities	10,661	(2,819)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	34,376	(27,295)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	106,438	133,733
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 140,814	\$ 106,438

(continued)

WEST VIRGINIA UNIVERSITY

STATEMENTS OF CASH FLOWS (CONTINUED) FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

(Dollars in Thousands)

	2019	2018
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (265,550)	\$ (244,889)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense	74,024	78,140
Donated/noncapitalized expense	4,071	949
Expenses paid on behalf of the University	11,288	12,316
Changes in assets and liabilities:		
Accounts receivable, net	9,359	(39,110)
Due from the Commission	87	53
Loans receivable, net	3,762	(364)
Prepaid expenses	1,686	676
Inventories	166	152
Accounts payable	5,705	7,077
Accrued liabilities	(120)	(27,954)
Deposits	248	(123)
Unearned revenue	(138)	(2,221)
Due to the Commission	-	(24)
Compensated absences	1,740	737
Defined benefit pension plan	(1,424)	(780)
Deferred other post employment benefits	3,077	27,702
Advances from federal government	895	(4,377)
Net cash used in operating activities	<u>\$ (151,124)</u>	<u>\$ (192,040)</u>
Noncash Transactions:		
Cumulative effect of adoption of accounting principle	<u>\$ -</u>	<u>\$ 15,453</u>
Construction in progress additions in accounts payable	<u>\$ 3,032</u>	<u>\$ 3,020</u>
Donated capital assets	<u>\$ 9,282</u>	<u>\$ 14,476</u>
Unrealized gain on investments	<u>\$ 2,157</u>	<u>\$ 3,320</u>
Capitalization of interest	<u>\$ 302</u>	<u>\$ 649</u>
Loss on dispositions	<u>\$ (4,084)</u>	<u>\$ (279)</u>
Expenses paid on behalf of the University	<u>\$ 11,450</u>	<u>\$ 12,445</u>
Reconciliation of cash and cash equivalents to the statements of net assets:		
Cash and cash equivalents classified as current assets	\$ 116,290	\$ 85,298
Cash and cash equivalents classified as noncurrent assets	24,524	21,140
	<u>\$ 140,814</u>	<u>\$ 106,438</u>

See notes to financial statements.

WEST VIRGINIA UNIVERSITY

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2019 AND 2018

1. ORGANIZATION

West Virginia University (the “University”) is governed by the West Virginia 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 institution(s) under its jurisdiction, the duty to develop a master plan for the institution, the power to prescribe the specific functions and institution’s budget request, the duty to review at least every five years all academic programs offered at the institution, 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.

During fiscal year 2008, House Bill 3215 (“H.B. 3215”) was passed which clarified and redefined relationships between and among certain higher education boards and institutions. This legislation defines the statewide network of independently accredited community and technical colleges. Effective July 1, 2008, the administratively linked community and technical colleges of West Virginia University, including West Virginia University at Parkersburg (“Parkersburg”), established its own Board of Governors.

The University provides Parkersburg with administrative and academic support services. The University charges Parkersburg for these services.

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 the Governmental Accounting Standards Board (GASB). 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.

- a. Reporting Entity* – The University is a blended component unit of the West Virginia Higher Education Fund and represents separate funds of the State that are not included in the State’s general fund. The University is a separate entity, which, along with all State institutions of higher education, the Commission (which includes 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 West Virginia University, including Potomac State College, West Virginia University Institute of Technology ("WVUIT"), West Virginia University Innovation Corporation ("WVUIC") and the West Virginia University Research Corporation (the "Corporation"). The basic criteria for inclusion in the accompanying financial statements is the exercise of oversight responsibility derived from the ability of the University to significantly influence operations and accountability for fiscal matters of related entities. (See Note 24 for condensed financial statements). Related foundations and other affiliates of the University (see Notes 18 and 19) are not part of the University reporting entity and are not included in the accompanying financial statements as the University has no ability to designate management, cannot significantly influence operations of these entities and is not accountable for the fiscal matters of these entities under GASB.

- b. Basis of Accounting* – For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the financial statements of the University have been prepared on the accrual basis of accounting with a flow of economic resources measurement focus. Revenues are reported when earned and expenses are reported when materials or services are received. All accounts and transactions between the University and the Corporation have been eliminated.
- c. Cash and Cash Equivalents* – For purposes of the statement of net position, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Cash on deposit with the West Virginia Treasurer's Office (the "Treasurer") and deposits with the State's Board of Risk and Insurance Management (BRIM) escrow account are deposited into the WV Money Market Pool with the West Virginia Board of Treasury Investments (BTI).

Cash in bank accounts may include deposits in the Insured Cash Sweep (ICS) program and the Certificate of Deposit Account Registry Services (CDARS) programs.

Cash with the bond trustee is invested in U.S. Treasury Notes and government backed Money Market funds.

Cash and cash equivalents also include cash on hand.

- d. 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 Treasurer, but are obligations of the State.
- e. Accounts Receivable* – Accounts receivable primarily includes amounts due from students for tuition and fees, amounts due from sponsoring agencies for grants and contracts, and other miscellaneous receivables.

- f. *Accounts Receivable – Public Private Partnerships* – Accounts receivable – public private partnerships includes amounts due from partners for reimbursable project expenses, management fees, share of net revenues, lease payments and additional lease payments. (Also see Notes 18 and 20.)
- g. *Allowance for Doubtful Accounts* – It is the University’s policy to provide for future losses on uncollectible accounts and loans receivable based on an evaluation of the underlying account and loan balances, the historical collectability experienced by the University on such balances and such other factors which, in management’s judgment, require consideration in estimating doubtful accounts.
- h. *Loans Receivable* – Loans receivable includes amounts due from students for student loans.
- i. *Inventories* – Inventories are stated at the lower-of-cost or market, cost primarily determined on the first-in, first-out method and average cost.
- j. *Noncurrent Restricted Cash and Cash Equivalents* – Cash that is (1) externally restricted to make debt service payments or to maintain sinking funds or reserve funds or to purchase capital or other noncurrent assets or settle long-term liabilities, or (2) permanently restricted components of net position are classified as a noncurrent asset on the statement of net position.
- k. *Noncurrent Investments* – Investments that are (1) externally restricted to make debt service payments or to maintain sinking funds or reserve funds or to purchase capital or other noncurrent assets or settle long-term liabilities, or (2) permanently restricted components of net position are classified as a noncurrent asset on the statement of net position. All other investments are classified as current or noncurrent based on the underlying investment.
- l. *Capital Assets* – Capital assets include property, plant and equipment, books and materials that are part of a catalogued library, infrastructure and intangible assets. Capital assets are stated at cost at the date of acquisition or construction, or acquisition value at the date of donation in the case of gifts. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings, infrastructure and land improvements, and 3 to 15 years for furniture, equipment, and library books. The estimated useful life of intangible assets varies. The University’s capitalization threshold for equipment is \$5,000. The accompanying financial statements reflect all adjustments required by GASB.
- m. *Deposits* – Deposits include housing and tuition deposits made by students.
- n. *Unearned Revenue* – Revenues for programs or activities to be conducted primarily in the next fiscal year are classified as unearned revenue, including items such as tuition, football ticket sales, orientation fees, room and board, financial aid deposits, and advance payments on sponsored awards. Financial aid deposits are separately classified.
- o. *Compensated Absences* – GASB requires entities to accrue for employees’ rights to receive compensation for vacation leave or payments in lieu of accrued vacation 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.

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

- p. *Other Post Employment Benefits (OPEB)* – For purposes of measuring the net other postemployment benefits (“OPEB”) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the West Virginia Postemployment Benefit Plan (the “OPEB plan”), which is administered by a combination of the West Virginia Public Employees Insurance Agency (“PEIA”) and the West Virginia Health Benefit Trust Fund (the “RHBT”), additions to/reductions from the OPEB plan’s fiduciary net position have been determined on the same basis as they are reported in the RHBT’s financial statements which can be found at www.peia.gov. The OPEB plan schedules are prepared using the accrual basis of accounting in accordance with U.S. GAAP as prescribed by GASB. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Investments are reported at fair value. Management of PEIA and the RHBT have made certain estimates and assumptions relating to the employer allocation schedules, and actual results could differ. (See Note 9.)

During fiscal year 2018, the University implemented GASB Statement No. 75, “*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*”. This statement requires the University to report its share of the other postemployment benefits liability and expense, as well as the related deferred outflows of resources and deferred inflows of resources, allocated to it by the RHBT. The balance of the net OPEB liability and related deferred outflows of resources and deferred inflows of resources at July 1, 2017 is reported on the statement of revenues, expenses, and changes in net position as a restatement to the 2018 net position – beginning of year.

Net position - beginning of year, as previously stated	\$ 1,003,002
Balance of the net OPEB liability and related deferred outflows of resources and deferred inflows of resources	15,453
Net position - beginning of year, as restated	<u>\$ 1,018,455</u>

- q. *Voluntary Separation Incentives Plan* – Effective November 4, 2011, the University adopted the Voluntary Separation Incentives Plan (the “VSIP”), which was approved by the West Virginia Legislative Joint Committee on Pensions and Retirement on July 23, 2012. The approval of the VSIP expired on July 23, 2017 and was re-approved by the West Virginia Legislative Joint Committee on Pensions and Retirement on December 3, 2017. The VSIP provides incentives for the voluntary separation of employees from the University when a review of programmatic needs or organizational development indicates that the University and the employee would benefit from such an offer. Eligibility to participate in the plan is limited to employees who have received a voluntary separation incentives offer. Continued eligibility to participate in the VSIP is conditioned upon the employee’s fulfillment of all employment obligations. To participate, the employee must agree to separate from employment with the Board, but there is not a requirement that an employee commence his pension or otherwise retire from active employment. An employee granted incentives under this plan will be

ineligible for reemployment with any State of West Virginia institution of higher education during or after his plan benefit period concludes, including contract employment in excess of \$5,000 per fiscal year. One or more of the following voluntary separation incentives could be offered by the University to participants: 1) payment of a lump sum, 2) continuation of full salary for a predetermined period of time prior to the employee's separation and a reduction in the employee's hours of employment during the predetermined period of time, or 3) continuation of insurance coverage, pursuant to the provisions of West Virginia Code 5-16-1, for a predetermined period of time. The University's total liability as of June 30, 2019 and June 30, 2018 was \$268,000 and \$92,000, respectively, which is recorded as a component of accrued liabilities on the statement of net position. This includes approximately \$13,000 and \$3,000, respectively, for employee benefits as of June 30, 2019 and June 30, 2018.

- r. *Reductions in Force* - On September 8, 2017, the University adopted the Reduction in Force ("RIF") rule, which was effective on September 28, 2017. This rule provides the guiding principles for reductions in force for positions held by classified employees of the University who are employed in full-time regular positions. A RIF may be implemented due to budget reductions, loss of funding, reorganization, material changes to the duties or responsibilities of a position, program change/elimination, or an emergency that curtails operations.

A review committee established and appointed by the President of the University will review and approve any RIF plan to implement a reduction in force involving more than five full-time regular classified employees. If the RIF would eliminate the positions of more than five full-time regular classified employees, the approval of the review committee must be obtained prior to implementation.

The University will provide a classified employee at least 60 days written notice that his or her position is going to be eliminated, unless the financial circumstances of the University are so severe that they dictate a shorter notice period.

The University may offer a severance package to a classified employee who is impacted by a RIF, if financially feasible. If the University offers a severance package, the University will provide the employee 45 days from the date of receipt to consider the terms and conditions of the agreement and to accept the severance package. Additionally, after an employee executes a severance agreement, that employee maintains the right to revoke that execution and void the severance agreement for seven days after execution. No severance benefits will be paid to any employee that revokes execution of the severance agreement.

Generally, the value of the severance package will be a minimum of four weeks of pay, but no more than the classified employee's annual base pay. The University may take into consideration the value of an employee's sick leave conversion benefit, if applicable, when developing the severance package. The University may also subsidize health insurance for a predetermined period of time as determined by the review committee. Any severance payments will be discontinued if the individual is rehired by the University or an affiliate prior to the end of the severance payments.

Any severance agreement will not be effective, and severance pay will not be paid, unless the employee agrees to the terms of and executes the severance agreement during the 45-day period. The University is not prohibited from moving forward with a RIF if a classified employee declines to execute the severance agreement.

The University's total liability as of June 30, 2019 and 2018 was \$58,000 and \$128,000, respectively, which is recorded as a component of accrued liabilities on the statement of net position. This includes approximately \$4,000 and \$9,000 for employee benefits as of June 30, 2019 and 2018.

- s. *Noncurrent Liabilities* – Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes payable, real estate purchase agreements payable, and capital lease obligations with contractual maturities greater than one year; (2) OPEB liability, net pension liability, and other liabilities that will not be paid within the next fiscal year; and (3) projected claim payments for self insurance.
- t. *Net Pension Liability* – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the West Virginia Teachers' Retirement System (TRS), administered by the West Virginia Consolidated Public Retirement Board (CPRB), and additions to/reductions from the TRS fiduciary net position have been determined on the same basis as they are reported in the TRS financial statements, which can be found at <https://www.wvretirement.com/Publications.html#CAFR>. The plan schedules of TRS are prepared using the accrual basis of accounting and economic resources measurement focus in accordance with U.S. GAAP as prescribed by GASB. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Investments are reported at fair value. Detailed information on investment valuation can be found in the TRS financial statements. Management of TRS has made certain estimates and assumptions relating to employer allocation schedules, and actual results could differ. (See Note 10.)
- u. *Net Position* – GASB establishes standards for external financial reporting for public colleges and universities and require that financial statements be presented on a basis to focus on the University as a whole. The components of net position are classified according to external donor restrictions or availability of assets for satisfaction of University obligations. The University's components of net position are classified as follows:

Net investment in capital assets: This represents the University's total investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets. To the extent 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 – expendable: This includes resources which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

The West Virginia State Legislature (the "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 Code. House Bill 101, passed in March 2004, simplified the tuition and fee restrictions to auxiliary 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 Legislature. At June 30, 2019 and 2018, the University had no restricted balances remaining in these funds.

Restricted – nonexpendable: This includes endowment and similar type funds 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.

Unrestricted: This includes resources that are not subject to externally imposed stipulations. Such resources are derived from tuition and fees (not restricted as to use), state appropriations, sales and services of educational activities, and auxiliary enterprises. This component is used for transactions related to the educational and general operations of the University and may be designated for specific purposes by action of the Board.

- v. *Classification of Revenue* – 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, (4) federal land grants, and (5) sales and services of educational activities. Other operating revenues include revenue from leasing of the University's academic bookstores and retail stores to Barnes & Noble College Bookstores, Inc.

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 sale of capital assets (including natural resources).

Other Revenues: Other revenues primarily consist of capital grants and gifts and bond/capital project proceeds from the Commission.

- w. *Use of Restricted Net Position* – The University has 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 components of net position are available. The University attempts to utilize restricted components of net position first when practicable. The University did not have any designated components of net position as of June 30, 2019 or 2018.
- x. *Scholarship Discounts and Allowances* – Student tuition and fee revenues are reported net of scholarship discounts and allowances on the statement of revenues, expenses, and changes in net position. Scholarship discounts and 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 students' 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 (NACUBO). 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.

- y. *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 universities. Direct student loan receivables are not included in the University's statement of net position, as the loans are repayable directly to the U.S. Department of Education. The University received and disbursed approximately \$193.6 million in fiscal year 2019 and approximately \$209.0 million in fiscal year 2018 under the Direct Loan Program on behalf of the U.S. Department of Education; these amounts are not included as revenues and expenses on the statement of revenues, expenses, and changes in net position.

The University also makes loans to students under the Federal Perkins Loan Program. The University disbursed approximately \$0 in fiscal year 2019 and approximately \$2.8 million in fiscal year 2018 under this program.

The University also distributes other student financial assistance funds on behalf of the federal government to students under the Pell Grant, Supplemental Educational Opportunity Grant and Federal Work Study Programs. The activity of these programs is recorded in the accompanying financial statements. In fiscal years 2019 and 2018, the University received and disbursed \$33.4 million and \$34.2 million, respectively, under these other federal student aid programs.

- z. *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 three years.
- aa. *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. The Corporation has received from the Internal Revenue Service an exemption from taxation under Section 501 (c) (3) of the Internal Revenue Code as an entity organized for educational, research, and economic development purposes.
- bb. *Cash Flows* – Any cash and cash equivalents escrowed, restricted for noncurrent assets, or in funded reserves are included as cash and cash equivalents for the purpose of the statement of cash flows.
- cc. *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. As of June 30, 2019 and 2018, the University had a deferred loss on refunding of \$11,916,000 and \$12,426,000, respectively. Deferred outflows are accreted over the periods of the refinancing bond issue related to the deferred loss on refunding. As of June 30, 2019 and 2018, the University had deferred outflows of resources related to pensions of \$1,136,000 and \$1,506,000, respectively (see Note 10).

As of June 30, 2019 and 2018, the University had deferred outflows of resources of \$20,906,000 and \$13,850,000, respectively, related to OPEB (see Note 9). As of June 30, 2019 and 2018, the University had a deferred outflow related to the acquisition of the Blanchette Rockefeller Neurosciences Institute of \$133,000 and \$265,000, respectively (See Note 21).

- dd. Deferred Inflows of Resources* – 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. As of June 30, 2019 and 2018, the University had deferred Federal Pell grants of \$656,000 and \$724,000, respectively, and a deferred gain on refunding of \$296,000 and \$341,000, respectively. As of June 30, 2019 and 2018, the University also had deferred service concession arrangements of \$36,105,000 and \$37,114,000, (see Note 20) and deferred inflows related to pensions of \$3,874,000 and \$2,704,000, respectively (see Note 10). As of June 30, 2019 and 2018, the University had deferred inflows of resources of \$36,231,000 and \$26,098,000, respectively, related to OPEB (see Note 9). The University had deferred inflows related to capital lease of \$500,000 at both June 30, 2019 and 2018. Additionally, the University had deferred inflows of \$9,438,000 at June 30, 2019 related to the contract with Sodexo America, LLC to manage and operate the University's food, catering and dining services.
- ee. Risk Management* – BRIM provides general liability, medical malpractice liability, property, and auto insurance coverage to the University and its employees, including those physicians employed by the University and practicing at the hospital affiliated with the academic medical center. Such coverage is provided to the University through a self-insurance program maintained by BRIM for general liability, medical malpractice liability, and auto insurance coverage. BRIM maintains a self-insurance program to pay the first \$1,000,000 of each property insurance claim and purchases excess property insurance from the commercial insurance market to cover individual claim amounts in excess of \$1,000,000. The BRIM self-insurance programs may involve experience and exposure related premiums.

BRIM engages an independent actuary to assist in the determination of its premiums so as to minimize the likelihood of future 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 charged by BRIM to the University and the University's ultimate actual loss experience, the difference will be recorded, as the change in estimate became known.

The University's Health Sciences Center (HSC) established a \$250,000 deductible program under BRIM's professional liability coverage for the University effective July 1, 2005. Starting July 1, 2005, HSC assumed the risk and responsibility for any and all indemnity amounts up to \$250,000 per occurrence and all loss expenses associated with medical malpractice claims and/or suits in exchange for a reduction in its premium for medical malpractice insurance. For fiscal year 2019, BRIM will provide coverage for indemnity amounts between \$250,000 and \$1,575,000 per occurrence. For 2018, BRIM will provide coverage for indemnity amounts between \$250,000 and \$1,542,000 per occurrence. After June 30, 2016, BRIM coverage may increase annually based on the Consumer Price Index until it reaches a maximum of \$2,000,000 per occurrence. Prior to July 1, 2005, the HSC was totally covered by BRIM at a limit of \$1,000,000 per occurrence.

Under the program, the HSC entered into an agreement with BRIM whereby the HSC has on deposit \$3.0 million as of both June 30, 2019 and 2018, in an escrow account created in the state treasury from which BRIM may withdraw amounts to pay indemnity costs and allocated expenses in connection with medical malpractice claims against the HSC. The HSC also has on deposit \$33.9 million and \$30.6 million as of June 30, 2019 and 2018, respectively, in an investment earnings account with the West Virginia University Foundation, Incorporated (the “Foundation”) that is used to cover the liabilities under this program by replenishing the escrow account after BRIM withdraws indemnity and expense payments.

Based on an actuarial valuation of this self-insurance program and premium levels determined by BRIM, the University has recorded a liability of \$23.0 million and \$23.5 million to reflect projected claim payments at June 30, 2019 and 2018, respectively.

In addition, through its participation in the PEIA and a third party issuer, 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 insurer, the University has transferred its risks related to health, life, prescription drug coverage, and job related injuries.

The University and the Corporation are also covered by a data breach response insurance policy in the amount of \$10,000,000 through Beazley USA. This policy covers claims commonly referred to as “cyber liability” claims. “First party” claims coverage includes financial expenses associated with a data breach including business interruption, cyber extortion, and data recovery. “Third party” claims coverage includes the financial expenses associated with a data breach that are incurred by other than the University or the Corporation including disclosure of personally identifiable information, regulatory defense and penalties, and payment card liabilities and costs.

United Educators Insurance Company provides an excess general liability Insurance policy for the Corporation in the amount of \$10,000,000. This policy is maintained to enable the Corporation to meet the higher commercial general liability and commercial auto liability insurance limits frequently required by the sponsoring agency in many research contracts.

United Educators Insurance Company provides an excess educators legal liability insurance policy for the Corporation in the amount of \$10,000,000. This policy is maintained to provide the Corporation with increased limits of insurance coverage for employment practice liability claims.

Ironshore Specialty Insurance Company provides an excess products/completed operations and professional liability policy for life sciences (clinical trials) in the amount of \$5,000,000. This policy is maintained to enable the Corporation to meet the higher limits of products/completed operations and professional liability insurance coverage frequently required by the sponsoring agency in many clinical trial research contracts.

- ff. Use of Estimates* – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

gg. *Risks and Uncertainties* – The University utilizes various investment instruments that are exposed to risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements and accompanying notes.

hh. *Newly Adopted Statements Issued by the GASB* – The University has implemented GASB Statement No. 83, “*Certain Asset Retirement Obligations*”. This statement establishes accounting and financial reporting for certain asset retirement obligations. The adoption of this statement did not have a material impact on the financial statements.

The University has also implemented GASB Statement No. 88, “*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*”. This statement establishes additional financial statement note disclosure requirements related to debt obligations including direct borrowings and direct placements.

ii. *Recent Statements Issued by the GASB* – The GASB has also issued Statement No. 84, “*Fiduciary Activities*”, which is effective for fiscal years beginning after December 15, 2018. This statement establishes standards of accounting and financial reporting for fiduciary activities. The University has not yet determined the effect that the adoption of GASB Statement No. 84 may have on its financial statements.

The GASB has also issued Statement No. 87, “*Leases*”, which is effective for fiscal years beginning after December 15, 2019. This statement establishes accounting and financial reporting for leases by lessees and lessors. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. It establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The University has not yet determined the effect that the adoption of GASB Statement No. 87 may have on its financial statements.

The GASB has also issued Statement No. 89, “*Accounting for Interest Cost Incurred before the End of a Construction Period*”, which is effective for fiscal years beginning after December 15, 2019. This statement establishes accounting requirements for interest cost incurred before the end of a construction period. According to this statement, interest cost incurred before the end of a construction period should be recognized as an expense in the period in which the cost is incurred. Such interest cost should not be capitalized as part of the historical cost of a capital asset. The University has not yet determined the effect that the adoption of GASB Statement No. 89 may have on its financial statements.

The GASB has also issued Statement No. 90, “*Majority Equity Interests*”, which is effective for fiscal years beginning after December 15, 2018. This statement modifies previous guidance for reporting a government’s majority equity interest in a legally separate organization. This statement also provides guidance for reporting a component unit if a government acquires a 100 percent equity interest in that component unit. The University has not yet determined the effect that the adoption of GASB Statement No. 90 may have on its financial statements.

The GASB has also issued Statement No. 91, “*Conduit Debt Obligations*”, which is effective for financial statements beginning after December 15, 2020. This statement defines conduit debt obligations for accounting and financial reporting purposes and establishes standards for recognition, measurement and disclosure for issuers. The University has not yet determined the effect that the adoption of GASB Statement No. 91 may have on its financial statements.

3. CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents was as follows at June 30 (dollars in thousands):

2019

	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Cash on deposit with the Treasurer:			
West Virginia University - Nonauxiliaries	\$ -	\$ 560	\$ 560
West Virginia University - Auxiliaries	55,920	-	55,920
Cash on deposit with Trustee	-	20,952	20,952
Deposits with BRIM Escrow Account Treasurer	-	3,012	3,012
Cash in Bank	60,348	-	60,348
Cash on Hand	22	-	22
	<u>\$ 116,290</u>	<u>\$ 24,524</u>	<u>\$ 140,814</u>

2018

	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Cash on deposit with the Treasurer:			
West Virginia University - Nonauxiliaries	\$ 5,048	\$ 560	\$ 5,608
West Virginia University - Auxiliaries	48,418	-	48,418
Cash on deposit with Trustee	-	17,571	17,571
Deposits with BRIM Escrow Account Treasurer	-	3,009	3,009
Cash in Bank	31,752	-	31,752
Cash on Hand	80	-	80
	<u>\$ 85,298</u>	<u>\$ 21,140</u>	<u>\$ 106,438</u>

Cash on Deposit with the Treasurer. Cash on deposit with the Treasurer includes deposits in the State Treasury bank account and the WV Money Market Pool. Deposits in the bank account are insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by securities held by the bank in the name of the State. Deposits in the WV Money Market Pool are pooled by the Treasurer with other available funds of the State for investment purposes by the West Virginia Board of Treasury Investments (the BTI). These funds are transferred to the BTI, and the BTI invests in the WV Money Market Pool as directed by the University and then the BTI invests in accordance with West Virginia Code, policies set by the BTI, provisions of bond indentures and trust agreements when applicable. Fair value

and investment income are allocated to participants in the pools based upon the funds that have been invested. 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 Legislature and is subject to oversight by the Legislature. The amounts on deposit are available for immediate withdrawal and, accordingly, are presented as cash and cash equivalents in the accompanying financial statements.

The BTI maintains the Consolidated Fund investment fund, which consists of eight investment pools and participant-directed accounts, three of which the University 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 audited financial report can be obtained from the following address: 1900 Kanawha Blvd. East, Room E-122, Charleston, WV 25305 or <http://www.wvbt.com>.

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 BTI credit risk as of June 30:

External Pool	2019		2018	
	Carrying Value (In Thousands)	S & P Rating	Carrying Value (In Thousands)	S & P Rating
WV Money Market Pool	\$ 3,959,313	AAAm	\$ 3,266,593	AAAm

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 BTI's Consolidated Fund pools and accounts are subject to interest rate risk. The following table provides information on the weighted-average maturities for the WV Money Market Pool:

External Pool	2019		2018	
	Carrying Value (In Thousands)	WAM (Days)	Carrying Value (In Thousands)	WAM (Days)
WV Money Market Pool	\$ 3,959,313	42	\$ 3,266,593	34

Cash on Deposit with Trustee. Cash on deposit with Trustee represents funds available for various projects, repair and replacement and debt service held by the Trustee and related to the 2011, 2012, 2013, 2014 and 2016 University specific bond issues, the Beckley loan, the WVUIC equipment lease/purchase agreement and the Energy Performance Phase III D lease (see Notes 11, 12 and 13). The bond funds are FDIC insured or invested in specific U.S. government securities or U.S. government backed Money Market funds.

Deposits with BRIM Escrow Account Treasurer. The University is required to maintain a cash balance of \$3.0 million. The Treasurer invests these funds in the WV Money Market Pool.

Cash in bank. Cash in bank includes bank balances and may include deposits in the ICS or CDARS programs. The carrying amount of cash in bank at June 30, 2019 and 2018 was \$60.3 million and \$31.8 million, respectively, as compared with bank balances of \$59.0 million and \$31.3 million, respectively. The difference was primarily caused by items in transit and outstanding checks. Bank accounts and ICS/CDARS deposits are FDIC insured up to \$250,000 per Federal Employer Identification Number. In addition, bank balances are collateralized with the bank through a Repurchase Agreement in the name of the State or the Corporation.

Cash on Hand. Imprest funds approved by the Treasurer comprise the cash on hand.

4. ACCOUNTS RECEIVABLE

Accounts receivable were as follows at June 30 (dollars in thousands):

	<u>2019</u>	<u>2018</u>
Student tuition and fees, net of allowances for doubtful accounts of \$6,871 and \$6,666	\$ 8,210	\$ 15,558
Grants and contracts receivable, net of allowances for doubtful accounts of \$350 and \$2,852	38,799	34,872
Due from West Virginia University Hospitals, Incorporated	2,040	3,287
Auxiliary services, net of allowances for doubtful accounts of \$2,300 and \$1,016	2,696	2,331
Investment earnings receivable	28	36
Other, net of allowances for doubtful accounts of \$426 and \$14	30,080	40,415
Due from the Foundation	482	176
Due from other State agencies	1,884	920
Total accounts receivable	<u>\$ 84,219</u>	<u>\$ 97,595</u>

West Virginia University Hospitals, Incorporated (WVUH or the “Hospital”) receivables represent various administrative expenses incurred by the University on behalf of the Hospital for which reimbursement has not yet been received.

In November 2009, the University changed the payroll method for all non-exempt benefit-eligible employees from current payroll to payroll in arrears. In September 2014, all other employees remaining on current payroll were moved to payroll in arrears. For both groups of employees, the University issued a “no hardship payment” to cover the transition period from current payroll to arrears payroll. Upon termination, the net amount of the “no hardship payment” will be deducted from the employee’s last paycheck. This “no hardship payment” is recorded as other noncurrent accounts receivable on the statement of net position.

5. NOTES RECEIVABLE

During fiscal year 2016, the Corporation purchased a secured convertible promissory note and a warrant to convert the promissory note to shares of common stock from CereDx, Inc. for \$200,000.

During fiscal year 2016, the Corporation also purchased a secured convertible promissory note and a warrant to convert the promissory note to shares of common stock from Aspinity, Inc. for \$100,000. During fiscal year 2018, the Corporation purchased an additional secured convertible promissory note and warrant to convert the promissory note to shares of common stock from Aspinity, Inc. for \$100,000. In October 2018, these promissory notes were canceled and converted to shares of preferred stock. The Corporation acquired 411,706 shares at a price of \$.7883 per share (see Note 6).

During fiscal year 2017, the Corporation purchased a secured convertible promissory note and a warrant to convert the promissory note to shares of common stock from Modulation Therapeutics, Inc. for \$200,000.

During fiscal year 2018, the Corporation purchased a secured convertible promissory note and a warrant to convert the promissory note to shares of common stock from Isto Visio, Inc. for \$100,000.

These notes receivable are classified as current on the statement of net position.

Notes receivable also include amounts due from Parkersburg and Bridge Valley Community and Technical College (“BridgeValley”) (see note 18).

6. INVESTMENTS

The following Fair Value Levels represent the valuation of the underlying investments. Level 1 represents investments that have a quoted price in the active market. Level 2 represents investments with a direct or indirect observable market inputs. Level 3 investments represent investments with no observable market.

The University had the following investments as of June 30 (dollars in thousands):

2019	Investment Type	Fair Value	Level 1	Level 2	Level 3
	U.S. Treasury Securities	\$ 18,869	\$ 18,869	\$ -	\$ -
	Investment Cash Accounts	4,434	4,434	-	-
	Mutual Bond Funds:				
	Brandywine Global Fixed Income (BGIMT)	2,059	-	2,059	-
	Brandywine Global Fixed Income (BIT)	504	-	504	-
	iShares Barclays 3-7 Year Treasury	4,462	-	4,462	-
	iShares Barclays 7-10 Year Treasury	4,467	-	4,467	-
	Guggenheim TR Bond	4,605	-	4,605	-
	Wells Fargo	6	6	-	-
	Vanguard Treasury	5,081	5,081	-	-
	Muzinich Credit Opportunities Fund	4,778	-	4,778	-
	Mutual Stock Funds:				
	Maingate MLP Fund	1,003	1,003	-	-
	Eaton Vance	1,029	1,029	-	-
	MFS International Value Fund	9,251	7,356	1,895	-
	MFS Investment Management	7,387	7,387	-	-
	Oppenheimer International Growth Fund	8,305	2,082	6,223	-
	Vanguard Total Stock Market ETF	30,191	30,191	-	-
	Vanguard S&P 500 ETF	15,153	15,153	-	-
	Wells Fargo	473	473	-	-
	Goldman Sachs EM	2,624	691	1,933	-
	REMS Real Estate	1,069	1,069	-	-
	Wellington EM	2,146	1,912	234	-
	Artisan International Small Cap	1,100	1,100	-	-
	Fixed Income Funds:	-	-	-	-
	IR&M Core Bond	4,354	-	4,354	-
	IR&M Core Bond II	5,275	-	5,275	-
	Limited Partnership Equity:				
	Frontier Small Cap	907	907	-	-
	TI Platform Fund I	411	-	-	411
	TI Platform Fund II	118	-	-	118
	747 Stuyvesant VI LP	138	-	-	138
	Land and Other Real Estate Held As Investment	477	-	-	477
	Other Investments:				
	WV Growth Investment LLC	200	-	-	200
	Aspinity, Inc.	325	-	-	325
		<u>\$ 141,201</u>	<u>\$ 98,743</u>	<u>\$ 40,789</u>	<u>\$ 1,669</u>

2018	Investment Type	Fair Value	Level 1	Level 2	Level 3
	U.S. Treasury Securities	\$ 26,959	\$ 26,959	\$ -	\$ -
	Investment Cash Accounts	2,167	-	2,167	-
	Mutual Bond Funds:				
	Brandywine Global Fixed Income (BGIMT)	1,982	438	1,544	-
	Brandywine Global Fixed Income (BIT)	486	99	387	-
	iShares Barclays 3-7 Year Treasury	4,301	70	4,231	-
	iShares Barclays 7-10 Year Treasury	4,041	66	3,975	-
	Guggenheim TR Bond	10,100	362	9,542	196
	Wells Fargo	6	6	-	-
	Loomis Sayles Core	956	-	956	-
	PIMCO Short Term	526	130	394	2
	Mutual Stock Funds:				
	Dodge & Cox International Stock Fund	6,022	1,232	4,790	-
	Dodge & Cox Stock Fund	9,234	9,098	136	-
	Maingate MLP Fund	698	698	-	-
	Eaton Vance	946	946	-	-
	MFS International Value Fund	6,343	5,039	1,304	-
	MFS Investment Management	6,606	6,606	-	-
	Oppenheimer International Growth Fund	6,183	788	5,395	-
	Van Eck Global Hard Assets	1,432	1,165	267	-
	Vanguard Total Stock Market ETF	23,780	23,780	-	-
	Vanguard S&P 500 ETF	11,797	11,797	-	-
	Wells Fargo	438	438	-	-
	Goldman Sachs EM	1,690	411	1,279	-
	REMS Real Estate	1,042	1,042	-	-
	Wellington EM	1,252	1,173	79	-
	Fixed Income Funds:				
	IR&M Core Bond	9,850	259	9,591	-
	Limited Partnership Equity:				
	Frontier Small Cap	954	954	-	-
	TI Platform Fund	291	-	-	291
	Land and Other Real Estate Held As Investment	477	-	-	477
	Other Investments:				
	WV Growth Investment LLC	160	-	-	160
		<u>\$ 140,719</u>	<u>\$ 93,556</u>	<u>\$ 46,037</u>	<u>\$ 1,126</u>

The values of investments classified as current and noncurrent were as follows (dollars in thousands):

	Current	Noncurrent	Total
As of June 30, 2019	\$ 78,293	\$ 62,908	\$ 141,201
As of June 30, 2018	73,511	67,208	140,719

Investments with the Foundation – As of June 30, 2019 and 2018, the University’s investments held with the Foundation were \$112.4 million and \$105.1 million, respectively. The investments held with the Foundation include the unrestricted investments, the Corporation’s investments, and the BRIM investments as follows (dollars in thousands):

	Unrestricted	Corporation	BRIM	Total
As of June 30, 2019	\$ 66,367	\$ 12,185	\$ 33,884	\$ 112,436
As of June 30, 2018	62,995	11,558	30,575	105,128

The University’s investments held with the Foundation are governed by an investment policy and an investment management agency agreement that determine the permissible investments by category. The holdings include investment cash accounts, mutual bond funds, mutual stock funds, fixed income funds and limited partnership equity investments. The investment management agency agreement outlines the acceptable exposure to each category of investment and generally outlines a liquidity goal. The agreement also states that at no time will illiquid investment assets (defined as those assets that cannot be converted into cash within 90 days) exceed 10% of any portfolio.

Unrestricted Investments – In 2005, the Legislature passed Senate Bill 603 (“S.B. 603”). S.B. 603 granted the University the ability to invest a limited amount of funds with the Foundation. In 2011, the Legislature passed Senate Bill 330 (“S.B. 330”) which increased the maximum investment amount to \$40 million. In 2013, the Legislature passed Senate Bill 444 (“S.B. 444”) which increased the maximum investment amount to \$70 million. As allowed by legislation, the University invested with the Foundation \$25.0 million in October 2006, \$4.0 million in October 2009, and \$11.0 million in October 2011. In 2015, the Legislature passed Senate Bill 425 (“S.B. 425”) which allowed all monies of the University to be invested with the Foundation except for General Revenue funds. In August 2015, the University began investing in the ICS and/or Certificate of Deposit Account Registry Service (CDARS) programs as allowed by S.B. 425. These investments are classified as cash and cash equivalents.

Research Corporation Investments – Beginning in 2007, an investment strategy was initiated for the Corporation. These long-term investments are managed by the Foundation. In addition, funds are deposited in the ICS program to maximize investment earnings and for FDIC insurance coverage. The ICS investments are classified as cash and cash equivalents.

BRIM Investments – In 2006, an investment strategy was initiated between the HSC and BRIM in conjunction with the Treasurer. The goals were 1) to provide an asset pool to settle medical professional liability claims and 2) to provide an investment pool for medical professional liability premiums with the goal of self-funding premiums in the future and to support medical professional liability claims as needed. The first goal was met by transferring funds to the Treasurer’s Office who invests these funds in the WV Money Market Pool. These investments are classified as cash and cash equivalents. To meet the second goal, investments are managed by the Foundation.

Investments with Trustees –The unspent bond proceeds from the 2014 and 2016 series bonds are invested in U.S. government securities or U.S. government backed money market funds. Such restricted investments were \$18.9 million and \$27.0 million at June 30, 2019 and 2018, respectively. These investments are classified as a noncurrent asset on the statement of net position.

West Virginia Growth Investment, LLC – The Corporation owns twelve units of membership interest in West Virginia Growth Investment, LLC (“WVGI”) for a total of \$200,000. WVGI is a limited liability company formed to pool the capital resources and the business connections of accredited investors in and around the State of WV. Since the Corporation holds less than 20% of the ownership interest in WVGI, is not an officer of WVGI, cannot exercise significant influence over WVGI’s operations and the fair value of the membership units cannot be readily determined, this investment was recorded using the cost basis of accounting.

Aspinity, Inc – In October 2018, the convertible promissory notes with Aspinity, Inc. were canceled and converted to shares of preferred stock (see Note 5). The Corporation acquired 411,706 shares at a price of \$.7883 per share for a total of \$325,000.

Other – The University also has investments - the Wood investments – from the estate of donors with restricted purposes. In addition, funds are deposited in the ICS/CDARS program to maximize investment earnings and for FDIC insurance coverage. The ICS/CDARS investments are classified as cash and cash equivalents.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is applicable to investments in debt securities as well as investments in external investment pools, money market funds, mutual bond funds, and other pooled investments of fixed income securities.

The investment management agency agreement with the Foundation states that the investment agent shall invest the client’s assets in investments in accordance with and subject to the provisions of the Uniform Prudent Investor Act codified as article six-C, chapter forty four of the West Virginia Code.

Credit ratings were as follows at June 30 (dollars in thousands):

2019

Portfolio	Description	Fair Value	Rating
Mutual Bond Funds:			
BRIM	Brandywine Global Fixed Income	\$ 645	A+
Unrestricted	Brandywine Global Fixed Income	1,414	A+
Corporation	Brandywine Global Fixed Income	504	A+
BRIM	Guggenheim TR Bond	1,162	Aa2
Unrestricted	Guggenheim TR Bond	2,529	Aa2
Corporation	Guggenheim TR Bond	914	Aa2
BRIM	iShares Barclays 3-7 Year Treasury	1,304	AAA
Unrestricted	iShares Barclays 3-7 Year Treasury	2,332	AAA
Corporation	iShares Barclays 3-7 Year Treasury	826	AAA
BRIM	iShares Barclays 7-10 Year Treasury	1,328	AAA
Unrestricted	iShares Barclays 7-10 Year Treasury	2,300	AAA
Corporation	iShares Barclays 7-10 Year Treasury	839	AAA
BRIM	Muzinich Credit Opportunities Fund	1,255	Baa3
Unrestricted	Muzinich Credit Opportunities Fund	2,617	Baa3
Corporation	Muzinich Credit Opportunities Fund	906	Baa3
BRIM	Vanguard Treasury	1,592	AAA
Unrestricted	Vanguard Treasury	2,624	AAA
Corporation	Vanguard Treasury	865	AAA
Investment Cash Accounts:			
BRIM	Cash Account - BRIM	1,350	Aaa-mf
Unrestricted	Cash Act - Unrestr Inv	2,587	Aaa-mf
Corporation	Cash Act - Research Co	497	Aaa-mf
Fixed Income Funds:			
BRIM	IR&M Core Bond	2,447	Aa2
Unrestricted	IR&M Core Bond II	5,275	Aa2
Corporation	IR&M Core Bond	1,907	Aa2
		<u>\$ 40,019</u>	

2018

Portfolio	Description	Fair Value	Rating
Mutual Bond Funds:			
BRIM	Brandywine Global Fixed Income	\$ 620	Aa2
Unrestricted	Brandywine Global Fixed Income	1,362	Aa2
Corporation	Brandywine Global Fixed Income	486	Aa2
BRIM	Guggenheim TR Bond	2,610	A
Unrestricted	Guggenheim TR Bond	5,537	A
Corporation	Guggenheim TR Bond	1,953	A
BRIM	iShares Barclays 3-7 Year Treasury	1,175	Aaa
Unrestricted	iShares Barclays 3-7 Year Treasury	2,293	Aaa
Corporation	iShares Barclays 3-7 Year Treasury	833	Aaa
BRIM	iShares Barclays 7-10 Year Treasury	1,072	Aaa
Unrestricted	iShares Barclays 7-10 Year Treasury	2,214	Aaa
Corporation	iShares Barclays 7-10 Year Treasury	755	Aaa
BRIM	Loomis Sayles Core	206	A1
Unrestricted	Loomis Sayles Core	546	A1
Corporation	Loomis Sayles Core	204	A1
BRIM	PIMCO Short Term	150	A3
Unrestricted	PIMCO Short Term	301	A3
Corporation	PIMCO Short Term	75	A3
Investment Cash Accounts:			
BRIM	Cash Account - BRIM	628	Aaa-mf
Unrestricted	Cash Act - Unrestr Inv	1,307	Aaa-mf
Corporation	Cash Act - Research Co	233	Aaa-mf
Fixed Income Funds:			
BRIM	IR&M Core Bond	2,545	Aa2
Unrestricted	IR&M Core Bond	5,414	Aa2
Corporation	IR&M Core Bond	1,891	Aa2
		<u>\$ 34,410</u>	

The remaining investments have not been rated. These funds are periodically evaluated.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. This risk is applicable to debt securities only.

The following table shows the maturities at June 30 (dollars in thousands):

2019

Investment Type	Investment Maturities				
	Fair Value	Less Than One Year	1-5 Years	6-10 Years	More Than 10 Years
U.S. Treasury Notes and U.S. Govt Backed					
Money Market Funds	\$ 18,869	\$ 2,696	\$ 16,173	\$ -	\$ -
Mutual Bond Funds	25,962	7,428	6,364	9,347	2,823
Investment Cash Accounts	4,434	4,434	-	-	-
Fixed Income Funds	9,629	655	4,969	2,195	1,810
	<u>\$ 58,894</u>	<u>\$ 15,213</u>	<u>\$ 27,506</u>	<u>\$ 11,542</u>	<u>\$ 4,633</u>

2018

Investment Type	Investment Maturities				
	Fair Value	Less Than One Year	1-5 Years	6-10 Years	More Than 10 Years
U.S. Treasury Notes and U.S. Govt Backed					
Money Market Funds	\$ 26,959	\$ 8,605	\$ 18,354	\$ -	\$ -
Mutual Bond Funds	22,398	2,365	3,199	7,444	9,390
Investment Cash Accounts	2,167	2,168	-	-	-
Fixed Income Funds	9,850	578	4,818	2,856	1,598
Other Investments	160	-	-	-	160
	<u>\$ 61,534</u>	<u>\$ 13,716</u>	<u>\$ 26,371</u>	<u>\$ 10,300</u>	<u>\$ 11,148</u>

Interest rate risk is managed by limiting the time period or duration of the specific investment. At June 30, 2019, the U.S. Treasury Notes have maturities through May 31, 2022 and interest rates which range from 1.5% to 2.25%. At June 30, 2018, the U.S. Treasury Notes have maturities through May 31, 2022 and interest rates which range from 1.25% to 2.125%.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. Since this risk is minimized by the commingled funds structure, concentration risk disclosure is not required for external pooled funds.

At June 30, 2019 and June 30, 2018, the University's investments were not subject to concentration of credit risk.

Custodial Credit Risk

The 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. This risk is not applicable to external investment pools and open-end mutual funds.

No investments were subject to custodial credit risk at June 30, 2019 or 2018.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Disclosure is not required for external investment pools unless the fund represents a significant portion of the University's investments.

The University's exposure to foreign currency risk is as follows at June 30 (dollars in thousands):

Currency	2019		2018	
Australian Dollar	\$	745	\$	500
Brazilian Real		416		441
British Pence		2,372		2,733
British Pound		22		291
British Pound Sterling		133		-
Canadian Dollar		685		946
Chilean Peso		169		3
China Renminbi		88		19
Columbian Peso		7		5
Czech Koruna		70		23
Danish Krone		278		283
Egyptian Pound		-		3
Euro		9,840		6,684
Hong Kong Dollar		1,808		1,104
Hungarian Forint		5		199
Indian Rupee		218		456
Indonesian Rupiah		137		65
Israeli Shekel		-		63
Japanese Yen		3,052		3,236
Kenyan Shilling		5		4
Malaysian Ringgit		196		188
Mexican Peso		473		530
New Turkish Lira		40		18
New Zealand Dollar		104		-
Norwegian Krone		310		342
Peruvian Nuevo Sol		72		-
Philippine Peso		10		14
Polish Zloty		174		149
Russian Ruble		26		86
Singapore Dollar		53		8
South African Cent		225		429
South African Rand		7		164
South Korean Dollar		103		-
South Korean Won		592		620
Swedish Krona		622		644
Swiss Franc		2,314		1,964
Taiwan Dollar		449		220
Thai Baht		196		223
Turkish Lira		-		11
Uae Dirham		16		4
United Arab Emirates Dirham		-		8
Uruguay Peso		-		3
Total Investments in Foreign Currency	\$	26,032	\$	22,683
US Dollar		115,169		118,036
Total Investments	\$	141,201	\$	140,719

7. CAPITAL ASSETS

Balances and changes in capital assets were as follows June 30 (dollars in thousands):

2019	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated or amortized:				
Land	\$ 87,343	\$ 3	\$ (212)	\$ 87,134
Construction in progress	73,819	32,185	(73,861)	32,143
Total capital assets not being depreciated or amortized	<u>\$ 161,162</u>	<u>\$ 32,188</u>	<u>\$ (74,073)</u>	<u>\$ 119,277</u>
Other capital assets:				
Land improvements	\$ 59,739	\$ 2,014	\$ (1,031)	\$ 60,722
Buildings	1,935,249	23,262	(12,164)	1,946,347
Equipment	226,727	18,684	(10,625)	234,786
Library books	161,939	4,967	(391)	166,515
Software	65,773	106	(3,107)	62,772
Infrastructure	317,703	48,874	-	366,577
Other assets	135,871	2,485	-	138,356
Intangible assets	150	-	-	150
Total other capital assets	<u>2,903,151</u>	<u>100,392</u>	<u>(27,318)</u>	<u>2,976,225</u>
Less accumulated depreciation and amortization for:				
Land improvements	(32,362)	(3,534)	114	(35,782)
Buildings	(465,373)	(36,809)	8,910	(493,272)
Equipment	(157,668)	(14,900)	9,380	(163,188)
Library books	(141,674)	(5,658)	138	(147,194)
Software	(62,003)	(1,319)	3,107	(60,215)
Infrastructure	(246,736)	(6,620)	(120)	(253,476)
Other assets	(128,134)	(5,184)	-	(133,318)
Intangible assets	(22)	-	-	(22)
Total accumulated depreciation and amortization	<u>(1,233,972)</u>	<u>(74,024)</u>	<u>21,529</u>	<u>(1,286,467)</u>
Other capital assets, net	<u>\$ 1,669,179</u>	<u>\$ 26,368</u>	<u>\$ (5,789)</u>	<u>\$ 1,689,758</u>
Capital Assets Summary:				
Capital assets not being depreciated or amortized	\$ 161,162	\$ 32,188	\$ (74,073)	\$ 119,277
Other capital assets	<u>2,903,151</u>	<u>100,392</u>	<u>(27,318)</u>	<u>2,976,225</u>
Total cost of capital assets	3,064,313	132,580	(101,391)	3,095,502
Less accumulated depreciation and amortization	<u>(1,233,972)</u>	<u>(74,024)</u>	<u>21,529</u>	<u>(1,286,467)</u>
Capital assets, net	<u>\$ 1,830,341</u>	<u>\$ 58,556</u>	<u>\$ (79,862)</u>	<u>\$ 1,809,035</u>

2018	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated or amortized:				
Land	\$ 85,591	\$ 1,799	\$ (47)	\$ 87,343
Construction in progress	125,299	50,485	(101,965)	73,819
Total capital assets not being depreciated or amortized	<u>\$ 210,890</u>	<u>\$ 52,284</u>	<u>\$ (102,012)</u>	<u>\$ 161,162</u>
Other capital assets:				
Land improvements	\$ 56,722	\$ 3,017	\$ -	\$ 59,739
Buildings	1,838,135	97,459	(345)	1,935,249
Equipment	221,569	15,985	(10,827)	226,727
Library books	157,376	5,024	(461)	161,939
Software	63,542	2,231	-	65,773
Infrastructure	314,837	2,866	-	317,703
Other assets	124,779	11,092	-	135,871
Intangible assets	150	-	-	150
Total other capital assets	<u>2,777,110</u>	<u>137,674</u>	<u>(11,633)</u>	<u>2,903,151</u>
Less accumulated depreciation or amortization for:				
Land improvements	(29,068)	(3,294)	-	(32,362)
Buildings	(428,981)	(36,394)	2	(465,373)
Equipment	(150,176)	(15,891)	8,399	(157,668)
Library books	(136,078)	(6,055)	459	(141,674)
Software	(59,718)	(2,102)	(183)	(62,003)
Infrastructure	(240,706)	(6,030)	-	(246,736)
Other assets	(119,760)	(8,374)	-	(128,134)
Intangible assets	(22)	-	-	(22)
Total accumulated depreciation and amortization	<u>(1,164,509)</u>	<u>(78,140)</u>	<u>8,677</u>	<u>(1,233,972)</u>
Other capital assets, net	<u>\$ 1,612,601</u>	<u>\$ 59,534</u>	<u>\$ (2,956)</u>	<u>\$ 1,669,179</u>
Capital Assets Summary:				
Capital assets not being depreciated or amortized	\$ 210,890	\$ 52,284	\$ (102,012)	\$ 161,162
Other capital assets	<u>2,777,110</u>	<u>137,674</u>	<u>(11,633)</u>	<u>2,903,151</u>
Total cost of capital assets	2,988,000	189,958	(113,645)	3,064,313
Less accumulated depreciation and amortization	<u>(1,164,509)</u>	<u>(78,140)</u>	<u>8,677</u>	<u>(1,233,972)</u>
Capital assets, net	<u>\$ 1,823,491</u>	<u>\$ 111,818</u>	<u>\$ (104,968)</u>	<u>\$ 1,830,341</u>

The University maintains various collections of inexhaustible assets for 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.

The University capitalized interest on borrowings, net of interest earned on related debt of approximately \$302,000 and \$649,000 during fiscal years 2019 and 2018, respectively.

8. LONG-TERM LIABILITIES

Balances and changes in long-term liabilities were as follows at June 30 (dollars in thousands):

2019	Beginning			Ending	Due within
	Balance	Additions	Reductions	Balance	One Year
Real estate purchase agreements payable	\$ 13,058	\$ -	\$ (795)	\$ 12,263	\$ 589
Other post employment benefits liability	158,433	-	(12,528)	145,905	
Net pension liability	9,179	-	(2,963)	6,216	
Advances from federal government	25,942	960	(65)	26,837	
Debt service assessment payable					
to the Commission	48,991	-	(4,461)	44,530	4,446
Leases payable	15,004	4,715	(5,274)	14,445	2,697
Bonds payable	613,052	-	(16,592)	596,460	17,032
Notes payable	63,179	-	(644)	62,535	1,211
Other noncurrent liabilities	26,919	4,942	(7,091)	24,770	
Total long-term liabilities	<u>\$ 973,757</u>	<u>\$ 10,617</u>	<u>\$ (50,413)</u>	<u>\$ 933,961</u>	

2018	Beginning			Ending	Due within
	Balance	Additions	Reductions	Balance	One Year
Real estate purchase agreement payable	\$ 13,811	\$ -	\$ (753)	\$ 13,058	\$ 610
Other post employment benefits liability	191,482	-	(33,049)	158,433	
Net pension liability	12,692	-	(3,513)	9,179	
Advances from federal government	30,319	-	(4,377)	25,942	
Debt service assessment payable					
to the Commission	53,489	-	(4,498)	48,991	4,461
Leases payable	20,110	2,740	(7,846)	15,004	3,634
Bonds payable	629,197	-	(16,145)	613,052	16,517
Notes payable	45,873	48,606	(31,300)	63,179	932
Other noncurrent liabilities	25,103	6,100	(4,284)	26,919	1,000
Total long-term liabilities	<u>\$ 1,022,076</u>	<u>\$ 57,446</u>	<u>\$ (105,765)</u>	<u>\$ 973,757</u>	

9. OTHER POST EMPLOYMENT BENEFITS

Employees of the University are enrolled in the West Virginia Other Postemployment Benefit Plan (the “OPEB plan”) which is administered by the West Virginia Public Employees Insurance Agency (“PEIA”) and the West Virginia Retiree Health Benefit Trust Fund (the “RHBT”).

Following is the University’s other postemployment benefits liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, revenues, and other postemployment benefits expense and expenditures for the fiscal years ended June 30, (dollars in thousands):

	2019	2018
Net OPEB Liability	\$ 145,905	\$ 158,433
Deferred Outflows of Resources	20,906	13,850
Deferred Inflows of Resources	36,231	26,098
Revenues	9,198	9,977
OPEB Expense	13,595	18,480
Contributions made by the University	14,043	13,850

Plan Description

The OPEB plan is a cost-sharing, multiple employer, defined benefit other post-employment benefit plan that covers the retirees of State agencies, colleges and universities, county boards of education, and other government entities as set forth in West Virginia Code Section 5-16D-2 (the “Code”). Plan benefits are established and revised by PEIA and the RHBT with approval of the Finance Board. The Finance Board is comprised of nine members. Finance Board members are appointed by the Governor, serve a term of four years and are eligible for reappointment. The State Department of Administration secretary serves as Chairman of the Board. Four members represent labor, education, public employees and public retirees. Four remaining members represent the public-at-large.

Active employees who retire are eligible for PEIA health and life benefits, provided they meet the minimum eligibility requirements of the applicable State retirement system and if their last employer immediately prior to retirement: is a participating employer under the Consolidated Public Retirement Board (“CPRB”) and, as of July 1, 2008 forward, is a participating employer with PEIA. Active employees who, as of July 1, 2008, have ten years or more of credited service in the CPRB and whose employer at the time of their retirement does participate with CPRB, but does not participate with PEIA will be eligible for PEIA retiree coverage provided: they otherwise meet all criteria under this heading and their employer agrees, in writing, upon a form prescribed by PEIA, that the employer will pay to PEIA the non-participating retiree premium on behalf of the retiree or retirees, or that the retiree agrees to pay the entire unsubsidized premium themselves. Employees who participate in non-State retirement systems but that are CPRB system affiliated, contracted, or approved (such as TIAA-CREF and Empower Retirement), or are approved, in writing, by the PEIA Director must, in the case of education employees, meet the minimum eligibility requirements of the State Teachers Retirement System (“STRS”), and in all other

cases meet the minimum eligibility requirements of the Public Employees Retirement System to be eligible for PEIA benefits as a retiree.

The financial activities of the OPEB plan are accounted for in the RHBT, a fiduciary fund of the State of West Virginia. The RHBT audited financial statements and actuarial reports can be found on the PEIA website at www.peia.wv.gov.

Benefits Provided

The OPEB plan provides the following benefits: medical and prescription drug insurance and life insurance. The medical and prescription drug insurance is provided through two options: the self-insured preferred provider benefit plan option, which is primarily for non-Medicare-eligible retirees and spouses; and the external managed care organization option, which is primarily for Medicare-eligible retirees and spouses.

Contributions

Pay as you go premiums (“paygo”) are established by the Finance Board annually. All participating employers are required by statute to contribute this premium to the RHBT at the established rate for every active policyholder per month. The active premiums subsidize the retirees’ health care.

Members retired before July 1, 1997 pay retiree healthcare contributions at the highest sponsor subsidized rate, regardless of their actual years of service. Members retired between July 1, 1997 and June 30, 2010, pay a subsidized rate depending on the member’s years of service. Members hired on or after July 1, 2010, pay retiree healthcare contributions with no sponsor provided implicit or explicit subsidy.

Retiree leave conversion contributions from the employer depend on the retiree’s date of hire and years of service at retirement as described below:

- Members hired before July 1, 1988 may convert accrued sick or vacation leave days into 100% of the required retiree healthcare contribution.
- Members hired from July 1, 1988 to June 30, 2001 may convert sick or vacation leave days into 50% of the required retiree healthcare contribution.

The conversion rate is two days of unused sick and vacation leave days per month for single healthcare coverage and three days of unused sick and vacation leave days per month for family healthcare coverage.

Employees hired on or after July 1, 2001 no longer receive sick and/or vacation leave credit toward the required retiree healthcare contribution when they retire. All retirees have the option to purchase continued coverage regardless of their eligibility for premium credits.

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 coverage for one year of family coverage. Faculty hired after July 1, 2009 no longer receive years of service credit toward insurance premiums when they retire. Faculty hired on or after July 1, 2010 receive no health insurance premium subsidy when they retire. 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 had an original hire date prior to July 1, 2010 may return to active employment. In those cases, the original hire date may apply.

Assumptions

For the year ended June 30, 2019, the net OPEB liability for financial reporting purposes was determined by an actuarial valuation as of June 30, 2017, rolled forward to June 30, 2018. For the year ended June 30, 2018, the net OPEB liability for financial reporting purposes was determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017. The following actuarial assumptions were used and applied to all periods included in the measurement:

- Actuarial cost method: Entry age normal cost method.
- Amortization method and period: Level percentage of payroll over 20 years; closed as of June 30, 2017.
- Investment rate of return: 7.15%, net of OPEB plan investment expense, including inflation.
- Projected salary increases: dependent on pension system ranging from 3.00% to 6.50%, including inflation.
- Healthcare cost trend rates: Actual trend used for fiscal year 2018. For fiscal years on and after 2019, trend starts at 8.00% and 10.00% for pre- and post-Medicare, respectively, and gradually decreases to an ultimate trend of 4.50%. Excess trend rate of 0.13% and 0.00% for pre- and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2022 to account for the Excise Tax.
- Inflation rate: 2.75%.
- Discount rate: 7.15%
- Mortality rates: based on RP-2000 Mortality Tables.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2010 through June 30, 2015.

The long-term investment rate of return of 7.15% on OPEB plan investments was determined by a combination of an expected long-term rate of return of 7.50% for long-term assets invested with the West Virginia Investment Management Board (“IMB”) and an expected short-term rate of return of 3.0% for assets invested with the WV Board of Treasury Investments (“BTI”).

Long-term pre-funding assets are invested with the IMB. The strategic asset allocation consists of 55% equity, 15% fixed income, 10% private equity, 10% hedge fund and 10% real estate invested. Short-term assets used to pay current year benefits and expenses are invested with the BTI.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which estimates of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. Best estimates of the long-term geometric rates for each major asset class are summarized below.

2019

Asset Class	Long-term Expected Real Rate of Return
Large Cap Domestic	17.0%
Non-Large Cap Domestic	22.0%
International Qualified	24.6%
International Non-Qualified	24.3%
International Equity	26.2%
Short-Term Fixed	0.5%
Total Return Fixed Income	6.7%
Core Fixed Income	0.1%
Hedge Fund	5.7%
Private Equity	19.6%
Real Estate	8.3%
Opportunistic Income	4.8%
Cash	0.0%

2018

Asset Class	Long-term Expected Real Rate of Return
Large Cap Domestic	17.0%
Non-Large Cap Domestic	22.0%
International Qualified	24.6%
International Non-Qualified	24.3%
International Equity	26.2%
Short-Term Fixed	0.5%
Total Return Fixed Income	6.7%
Core Fixed Income	0.1%
Hedge Fund	5.7%
Private Equity	19.6%
Real Estate	8.3%
Opportunistic Income	4.8%
Cash	0.0%

Discount rate. The discount rate used to measure the OPEB liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that RHBT contributions will be made at rates equal to the actuarially determined contribution rates, in accordance with prefunding and investment policies. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. Discount rates are subject to change between measurement dates.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the University's proportionate share of the net OPEB liability as of June 30, 2019 and June 30, 2018 calculated using the discount rate of 7.15%, as well as what the University's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current rate (dollars in thousands):

2019

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Net OPEB liability	\$ 171,119	\$ 145,905	\$ 124,320

2018

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Net OPEB liability	\$ 184,254	\$ 158,433	\$ 136,618

Sensitivity of the net OPEB liability to changes in healthcare cost trend rates. The following presents the University's proportionate share of the net OPEB liability as of June 30, 2019 and June 30, 2018 calculated using the current healthcare cost trend rates, as well as what the University's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates (dollars in thousands):

2019

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB liability	\$ 120,473	\$ 145,905	\$ 176,208

2018	Current Healthcare Cost		
	1% Decrease	Trend Rates	1% Increase
Net OPEB liability	\$ 132,925	\$ 158,433	\$ 189,205

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability at June 30, 2019 was measured as of June 30, 2017 rolled forward to June 30, 2018, which is the measurement date. The total OPEB liability at June 30, 2019 was determined by an actuarial valuation as of June 30, 2017 and rolled forward to the measurement date.

The net OPEB liability at June 30, 2018 measured as of June 30, 2016 rolled forward to June 30, 2017, which is the measurement date. The total OPEB liability at June 30, 2018 was determined by an actuarial valuation as of June 30, 2016 and rolled forward to the measurement date.

At June 30, 2019, the amount recognized as the University's proportionate share of the net OPEB liability was approximately \$145,905,000. At June 30, 2019, the nonemployer contributing entity's (State of West Virginia) portion of the collective net OPEB liability is \$30,091,000 and the total net liability attributable to the University is \$175,996,000.

At June 30, 2018, the amount recognized as the University's proportionate share of the net OPEB liability was approximately \$158,433,000. At June 30, 2018, the nonemployer contributing entity's (State of West Virginia) portion of the collective net OPEB liability is \$32,345,000 and the total net liability attributable to the University is \$190,778,000.

The allocation percentage assigned to each contributing employer is based on the employer's proportionate share of employer contributions to the RHBT for the fiscal years ended June 30, 2018 and June 30, 2017. Employer contributions are recognized when due. At June 30, 2018, the University's proportion was 6.786307714%, an increase of 0.351091744% from its proportion of 6.435215970% calculated as of June 30, 2017.

The allocation percentage assigned to each contributing employer is based on the employer's proportionate share of employer contributions to the RHBT for the fiscal years ended June 30, 2017 and June 30, 2016. Employer contributions are recognized when due. At June 30, 2017, the University's proportion was 6.435215970%, a decrease of 1.177773010% from its proportion of 7.612988980% calculated as of June 30, 2016.

For the year ended June 30, 2019, the University recognized OPEB expense of \$13,595,000. Of this amount, \$4,397,000 was recognized as the University's proportionate share of the OPEB expense, and \$9,198,000 as the amount of OPEB expense attributed to special funding. The University also recognized revenue of \$9,198,000 for support provided by the State.

For the year ended June 30, 2018, the University recognized OPEB expense of \$18,480,000. Of this amount, \$8,503,000 was recognized as the University's proportionate share of the OPEB expense, and \$9,977,000 as the amount of OPEB expense attributed to special

funding. The University also recognized revenue of \$9,977,000 for support provided by the State.

Deferred outflows of resources and deferred inflows of resources related to OPEB are as follows at June 30, (dollars in thousands):

2019

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportion and difference between employer contributions and proportionate share of contributions	\$ 6,863	\$ 16,843
Net difference between projected and actual investment earnings	-	2,696
Difference between expected and actual experience	-	2,154
Changes in assumptions		14,538
Contributions after the measurement date	14,043	-
	<u>\$ 20,906</u>	<u>\$ 36,231</u>

2018

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportion and difference between employer contributions and proportionate share of contributions	\$ -	\$ 23,043
Net difference between projected and actual investment earnings	-	2,525
Difference between expected and actual experience	-	530
Contributions after the measurement date	13,850	-
	<u>\$ 13,850</u>	<u>\$ 26,098</u>

The University will recognize the \$14,043,000 and \$13,850,000 reported as deferred outflows of resources resulting from OPEB contributions after the measurement date as a reduction of the net OPEB liability in the years ended June 30, 2019 and 2018, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (dollars in thousands):

Fiscal Year Ended	Amortization
June 30, 2020	\$ 9,770
June 30, 2021	9,770
June 30, 2022	7,956
June 30, 2023	1,872
	<u>\$ 29,368</u>

10. DEFINED BENEFIT PENSION PLAN

Some employees of the University are enrolled in a defined benefit pension plan, the West Virginia Teachers' Retirement System (TRS), which is administered by the West Virginia Consolidated Public Retirement Board (CPRB).

Following is the University's pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, revenues, and the pension expense and expenditures for the fiscal years ended June 30 (dollars in thousands):

	2019	2018
Net Pension Liability	\$ 6,216	\$ 9,179
Deferred Outflows of Resources	1,136	1,506
Deferred Inflows of Resources	3,874	2,704
Revenues	1,477	2,078
Pension Expense	784	2,154
Contributions Made by the University	730	856

TRS

Plan Description

TRS is a multiple employer defined benefit cost sharing public employee retirement system providing retirement benefits as well as death and disability benefits. It covers all full-time employees of the 55 county public school systems in the State and certain personnel of the 13 State-supported institutions of higher education, State Department of Education and the Higher Education Policy Commission hired prior to July 1, 1991. Employees of the State-supported institutions of higher education and the Higher Education Policy Commission hired after June 30, 1991, are required to participate in the Higher Education Retirement System. TRS closed membership to new hires effective July 1, 1991.

TRS is considered a component unit of the State for financial reporting purposes, and, as such, its financial report is also included in the State's Comprehensive Annual Financial Report. TRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained from the TRS website at <https://www.wvretirement.com/Publications.html#CAFR>

Benefits Provided

TRS provides retirement, death, and disability benefits. A member is eligible for normal retirement at age 60 with five years of service, age 55 with 30 years of service or any age with 35 years of service. A member may retire with the pension reduced actuarially if the member is less than age 55 and has between 30 and 35 years of service. For all employees hired after July 1, 2015, qualification for normal retirement is age 62 with 10 years of service. All members hired after July 1, 2015 may retire with the pension reduced actuarially if the member is between the ages of 60 and 62 with 10 years of service or between ages 55 and 62 with 30 years of service. Terminated members with at least five, but less than 20, years of credited service who do not withdraw their accumulated contributions are entitled to a deferred retirement commencing at age 62. For all employees hired after July 1, 2015, this age increases to 64 with 10 years of service or age 63 with 20 years of service. Retirement benefits are equivalent to 2% of average annual salary multiplied by years of service. Average salary is the average of the 5 highest fiscal years of earnings during the last 15 fiscal years of earnings. Chapter 18, Article 7A of the West Virginia State Code assigns the authority to establish and amend the provisions of the plan, including contribution rates, to the Legislature.

Contributions

The funding objective of the CPRB pension trust funds is to meet long-term benefit requirements through contributions, which remain relatively level as a percent of member payroll over time, and through investment earnings. Contribution requirements are set by CPRB. A member who withdraws from service for any cause other than death or retirement may request that the accumulated employee contributions plus interest be refunded.

Member Contributions: TRS funding policy provides for member contributions based on 6% of members' gross salary. Contributions as a percentage of payroll for members and employers are established by State law and are not actuarially determined.

Employer Contributions: Employers make the following contributions:

The State (including institutions of higher education) contributes:

1. 15% of gross salary of their State-employed members hired prior to July 1, 1991;
2. 15% of School Aid Formula (SAF) covered payroll of county-employed members;
3. 7.5% of School Aid Formula (SAF)-covered payroll of members of the Teachers' Defined Contribution Retirement System (TDCRS);
4. a certain percentage of fire insurance premiums paid by State residents; and

5. under WV State code section 18-9-A-6a, beginning in fiscal year 1996, an amount determined by the State Actuary as being needed to eliminate the TRS unfunded liability within 40 years of June 30, 1994. As of June 30, 2018, the University's proportionate share attributable to this special funding subsidy was \$1,422,000. As of June 30, 2017, the University's proportionate share attributable to this special funding subsidy was \$1,968,000.

The University's contributions to TRS for the years ended June 30, 2019, 2018, and 2017, were approximately \$730,000, \$856,000, and \$1,096,000, respectively.

Assumptions

For the year ended June 30, 2019, the total pension liabilities for financial reporting purposes were determined by actuarial valuations as of July 1, 2017 and rolled forward to June 30, 2018. For the year ended June 30, 2018, total pension liabilities for financial reporting purposes were determined by actuarial valuations as of July 1, 2016 and rolled forward to June 30, 2017. The following actuarial assumptions were used and applied to all periods included in the measurement:

- Actuarial cost method: Entry age normal cost with level percentage of payroll.
- Asset valuation method: Investments are reported at fair (market) value.
- Amortization method and period: Level dollar, fixed period over 40 years, from July 1, 1994 through fiscal year 2034.
- Investment rate of return of 7.50%, net of pension plan administrative and investment expenses.
- Projected salary increases: Teachers 3.00–6.00% and non-teachers 3.00–6.50%, based on age.
- Inflation rate of 3.0%.
- Discount rate of 7.50%
- Mortality rates based on RP-2000 Mortality Tables.
- Withdrawal rates: Teachers 0.8%-35% and non-teachers 1.316%-24.75%.
- Disability rates: 0.008%-0.704%
- Retirement age: An age-related assumption is used for participants not yet receiving payments.
- Retirement rates: 15%-100%
- Ad hoc cost-of-living increases in pensions are periodically granted by the Legislature. However, the retirement system makes no automatic provision for such increases.

Experience studies are performed at least once in every five-year period. The most recent experience study covered the period from July 1, 2010 to June 30, 2015. These assumptions will remain in effect for valuation purposes until such time as the CPRB adopts revised assumptions.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the long-term arithmetic real

rates of return for each major asset class included in TRS' target asset allocation as of June 30, 2019 and June 30, 2018 are summarized below.

2019

Asset Class	Long-term Expected Real Rate of Return	Target Allocation
Domestic equity	4.5%	27.5%
International equity	8.6%	27.5%
Fixed income	3.3%	15.0%
Real estate	6.0%	10.0%
Private equity	6.4%	10.0%
Hedge funds	4.0%	10.0%

* Core and high-yield fixed income securities have a combined target allocation of 15.0%.

2018

Asset Class	Long-term Expected Real Rate of Return	Target Allocation
Domestic equity	7.0%	27.5%
International equity	7.7%	27.5%
Core fixed income	2.7%	15.0% *
High-yield fixed income	5.5%	
TIPS	2.7%	0.0%
Real estate	7.0%	10.0%
Private equity	9.4%	10.0%
Hedge funds	4.7%	10.0%

* Core and high-yield fixed income securities have a combined target allocation of 15.0%.

Discount rate. The discount rate used to measure the total TRS pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that State contributions will continue to follow the current funding policy. Based on those assumptions, TRS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on TRS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the University's proportionate share of the TRS net pension liability as of June 30, 2019 and June 30, 2018 calculated using the discount rate of 7.50%, as well as what the University's TRS net pension liability would be if it were calculated using a discount rate

that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate (dollars in thousands).

2019

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability	\$ 8,390	\$ 6,216	\$ 4,357

2018

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability	\$ 12,084	\$ 9,179	\$ 6,696

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The TRS net pension liability as of June 30, 2019 was measured as of June 30, 2017 rolled forward to June 30, 2018, which is the measurement date. The total pension liability at June 30, 2019 was determined by an actuarial valuation as of July 1, 2017 and rolled forward to the measurement date.

The TRS net pension liability at June 30, 2018 was measured as of June 30, 2017. The total pension liability at June 30, 2018 was determined by an actuarial valuation as of July 1, 2016 and rolled forward to the measurement date.

At June 30, 2019, the University's proportionate share of the TRS net pension liability was \$22,322,000. Of this amount, the University recognized approximately \$6,216,000 as its proportionate share on the statement of net position. The remainder of \$16,106,000 denotes the University's proportionate share of net pension liability attributable to the special funding.

At June 30, 2018, the University's proportionate share of the TRS net pension liability was \$29,477,000. Of this amount, the University recognized approximately \$9,179,000 as its proportionate share on the statement of net position. The remainder of \$20,298,000 denotes the University's proportionate share of net pension liability attributable to the special funding.

At June 30, 2019, the amount recognized as the University's proportionate share of the TRS net pension liability was approximately \$6,216,000. TRS measured the net pension liability as of June 30, 2018.

At June 30, 2018, the amount recognized as the University's proportionate share of the TRS net pension liability was approximately \$9,179,000. TRS measured the net pension liability as of June 30, 2017.

The allocation percentage assigned to each participating employer and non-employer contributing entity is based on their proportionate share of employer and non-employer contributions to TRS for each of the fiscal years ended June 30, 2018 and 2017. Employer contributions are recognized when due. At June 30, 2018, the University's proportion was 0.199086%, a decrease of 0.066575% from its proportion of 0.265661% calculated as of June 30, 2016. At June 30, 2017, the University's proportion was 0.265661%, a decrease of 0.043163% from its proportion of 0.308824% calculated as of June 30, 2016.

For the year ended June 30, 2019, the University recognized TRS pension expense of \$783,464. Of this amount, \$(693,912) was recognized as the University's proportionate share of the TRS expense and \$1,421,558 as the amount of pension expense attributable to special funding and \$55,518 as the pension expense related to a non-special funding from a non-employer contributing entity. The University also recognized revenue of \$1,477,376 for support provided by the State.

For the year ended June 30, 2018, the University recognized TRS pension expense of \$2,153,711. Of this amount, \$76,043 was recognized as the University's proportionate share of the TRS expense and \$1,968,005 as the amount of pension expense attributable to special funding and \$109,663 as the pension expense related to a non-special funding from a non-employer contributing entity. The University also recognized revenue of \$2,077,668 for support provided by the State.

Deferred outflows of resources and deferred inflows of resources related to the TRS pension are as follows at June 30 (dollars in thousands):

2019

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportion and difference between employer contributions and proportionate share of contributions	\$ 168	\$ 3,425
Net difference between projected and actual investment earnings	-	324
Difference between expected and actual experience	45	125
Contributions after the measurement date	730	-
Changes in assumptions	193	-
	<u>\$ 1,136</u>	<u>\$ 3,874</u>

2018

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and difference between employer contributions and proportionate share of contributions	\$ 225	\$ 2,251
Net difference between projected and actual investment earnings	-	289
Difference between expected and actual experience	80	164
Contributions after the measurement date	856	-
Changes in assumptions	345	-
	<u>\$ 1,506</u>	<u>\$ 2,704</u>

The University will recognize the \$730,000 and \$856,000 reported as deferred outflows of resources resulting from pension contributions after the measurement date as a reduction of the TRS net pension liability in the years ended June 30, 2020 and 2019, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in TRS pension expense as follows:

Fiscal Year Ended	Amortization
June 30, 2020	\$ 867
June 30, 2021	642
June 30, 2022	897
June 30, 2023	763
June 30, 2024	299
	<u>\$ 3,468</u>

Payables to the Pension Plan

The University did not report any amounts payable for normal contributions to the TRS as of June 30, 2019 or 2018.

11. LEASES PAYABLE

- a. *Operating* – Future annual minimum rental payments on operating leases for years subsequent to June 30, 2019 are as follows (dollars in thousands):

Fiscal Year Ending June 30,	
2020	\$ 4,084
2021	3,495
2022	2,881
2023	2,414
2024	2,356
2025-2029	9,880
2030-2034	3,955
2035-2039	5
2040-2044	5
2045-2049	5
2050-2054	5
2055-2058	4
Total	\$ 29,089

Total rental expense for the years ended June 30, 2019 and 2018 was \$5.4 million and \$5.7 million, respectively. The University leases 6 floors of a seven floor office building from the Foundation. Rental expense under the operating lease is \$1,975,000 per year through 2031. The University does not have any non-cancelable leases.

- b. *Capital* – The University leases certain property, plant and equipment under capital leases. Future annual minimum lease payments and the present value of minimum lease payments on capital leases are as follows (dollars in thousands):

Fiscal Year	
Ending June 30,	
2020	\$ 3,172
2021	2,232
2022	2,270
2023	1,285
2024	1,284
2025-2029	4,378
2030-2034	2,114
2035-2039	125
2040-2044	125
Minimum lease payments	16,985
Less amount representing interest	(2,540)
Present value of minimum lease payments	14,445
Current Portion	2,697
Noncurrent Portion	\$ 11,748

The net book value of leased assets was as follows as of June 30 (dollars in thousands):

	2019	2018
Buildings	\$ 16,105	\$ 17,394
Equipment	-	2,540
Land	1,750	1,750
Software	-	1,375
Infrastructure	1,288	-
Land Improvements	6	6
CIP	2,524	-
Less: Accumulated Depreciation	(2,685)	(3,211)
New Book Value	\$ 18,988	\$ 19,854

12. BONDS PAYABLE

Bonds payable consisted of the following at June 30 (dollars in thousands):

	Original Interest Rate	Annual Principal Installment Due	2019 Principal Amount Outstanding	2018 Principal Amount Outstanding
Revenue Improvement Bonds, 2011 Series A, due through 2026	3.87%	\$ 35 to \$ 62	\$ 8,877	\$ 9,433
Revenue Improvement Bonds, 2011 Series B, due through 2037	4.14%	\$ 0 to \$ 21,800	150,065	156,079
Revenue Bonds (Taxable), 2012 Series A, due through 2042	4.50%	\$ 35 to \$ 62	11,598	11,882
Revenue Bonds (Taxable), 2012 Series B, due through 2032	variable rate	\$ 0 to \$ 50	3,494	3,709
Revenue Refunding and Improvement Bonds, 2013 Series A, due through 2043	3.55%	\$ 0 to \$ 13,715	136,110	136,574
Revenue Refunding and Improvement Bonds (Taxable), 2013 Series B, due through 2043	3.00%	\$ 995 to \$ 7,440	44,120	50,840
Improvement Revenue Bonds, 2014 Series A, due through 2045	4.30%	\$ 855 to \$ 30,285	60,000	60,000
Improvement Revenue Bonds (Taxable), 2014 Series B, due through 2043	4.50%	\$ 10,075 to \$ 24,105	79,050	79,050
Improvement Revenue Bonds, 2014 Series C, due through 2042	2.43%	\$ 9,730 to \$ 10,705	50,190	50,190
Improvement Revenue Bonds, 2016 Series A, due through 2046,	3.43%	\$ 0 to \$ 678	18,248	18,927
Unamortized Bond Discount			(110)	(115)
Unamortized Bond Premium			34,818	36,483
Net Bonds Payable			596,460	613,052
Current Portion			17,032	16,517
Noncurrent Portion			<u>\$ 579,428</u>	<u>\$ 596,535</u>

Bond Indenture, Pledged Revenues and Board Authorization

The 2004 Bonds and all subsequently issued WVU Bonds (“the Bonds”) are limited obligations of the Board, payable from and secured by a pledge of Fees and Gross Operating Revenues received by the Board, any interest earnings thereon and on the funds and accounts held by the Bond Trustee, and funds representing capitalized interest. Fees include Institutional Capital Fees, Auxiliary Fees, and Auxiliary Capital Fees. Gross Operating Revenues include all rents fees, charges and other income received by or accrued to the University from the operation and use of the Auxiliary Facilities. The Bonds are also payable from (but not secured by) other monies legally available to be used for such purposes.

The Bonds contain provisions that in the event of default (1) in due and punctual payment of principal or interest or (2) on any other covenants, agreements or conditions, the outstanding principal and accrued interest are due and payable immediately.

The WVU Bond Trust Indenture, dated as of November 1, 2004, is the original indenture upon which the 2004 Bonds were issued. Subsequently issued WVU Bonds were issued based on Supplemental Indentures to the 2004 Indenture, as resolved by the Board as follows:

<u>Bond Issue</u>	<u>Indenture or Supplemental Indenture</u>	<u>Board Resolution</u>
2004 A, B and C	Original indenture	Adopted November 5, 2004
2011A	First Supplemental Indenture	Adopted April 8, 2011/Amended August 10, 2011
2011 B	Second Supplemental Indenture	Adopted June 6, 2011
2012 A	Third Supplemental Indenture	Adopted June 7, 2012
2012 B	Fourth Supplemental Indenture	Adopted September 28, 2012
2013 A and B	Fifth Supplemental Indenture	Adopted December 13, 2012
2014 A, B and C	Sixth Supplemental Indenture	Adopted April 4, 2014
2016 A	Seventh Supplemental Indenture	Adopted June 1, 2016

2011 Bonds

During fiscal year 2012, the Board issued \$250.3 million in revenue bonds as follows:

2011 Series A In August 2011, the Board issued the 2011 Series A Improvement Revenue bonds to finance the acquisition of a multi-story apartment complex known as “The Augusta on the Square” and other lots, buildings, houses and structures which were subject to liens thereupon. The 2011 Series A bonds were issued on August 1, 2011 in the amount of \$12,710,197.

2011 Series B In October 2011, the Board issued the 2011 Series B Improvement Revenue bonds in the par amount of \$187,605,000. The actual proceeds received equaled \$205.6 million. These bonds were issued to refinance the Childcare Center, Engineering Sciences Building, Energy Performance Lease Phase II, and Energy Performance Phase III lease purchases and to finance new projects.

The 2011 bond proceeds of \$268.3 million included net original issue premium of \$18.0 million.

2012 Bonds

During fiscal year 2013, the Board issued the 2012 Bonds as follows:

2012 Series A On July 26, 2012, the Board issued the 2012 Series A (Taxable) bonds in the amount of \$13,270,555 to finance the acquisition of the Suncrest Plaza. These bonds were a private placement bond issue with the Huntington Investment Company.

2012 Series B On December 13, 2012, the 2012 Series B (taxable) bonds were issued in the amount of \$4,800,000 to finance the acquisition of the Square at Falling Run/Loop.

These bonds were a private placement bond issue with First United Bank & Trust, for a fixed rate of 2.5% for three years then adjusting annually based on the average yield on the U.S. Treasury Securities adjusted to a constant maturity of one year plus 175 basis points. The interest rate has a floor of 2.5%.

2013 Bonds

On February 13, 2013, the Board issued \$210.5 million in revenue bonds as follows.

2013 Series A The 2013 Series A bonds were issued in the par amount of \$138,325,000. The actual proceeds received equaled \$160.5 million. These bonds were issued to (a) advance refund a portion of the University Revenue Improvement Bonds 2004 Series C, dated December 2, 2004, and issued in the original principal amount of \$138,710,000, (b) advance refund a portion of the University Revenue Refunding Bonds 2004 Series B, dated December 2, 2004, maturing on and after October 1, 2015 and issued in the original principal amount of \$55,430,000, (c) finance a portion of the costs of the 2013 A projects at the University including reimbursement to the University for certain capital expenditures made on the 2013 Series A projects prior to the issuance of the 2013 Series A bonds, and (d) pay the costs of issuance of the 2013 Series A bonds.

2013 Series B The 2013 Series B bonds (Taxable) series were issued in the amount of \$72,180,000 to (a) advance refund that portion of the 2004 Series C bonds not refunded with the proceeds of the 2013 Series A bonds, (b) finance a portion of the costs of the 2013 Series B projects including reimbursement to the University for certain capital expenditures made on the 2013 Series B projects prior to the issuance of the 2013 Series B bonds (the acquisition of the Sunnyside property), and (c) pay the costs of issuance of the 2013 Series B bonds.

2014 Bonds

On October 1, 2014, the Board issued \$189.2 million in revenue bonds as follows:

2014 Series A The 2014 Series A bonds (tax exempt) were issued in the amount of \$60,000,000. The actual proceeds received equaled \$65,562,000. These bonds were issued to (a) finance the modernization of the University's Personal Rapid Transit system (the "PRT") including reimbursement for prior capital expenditures related to this project and (b) pay the costs of issuance of the 2014 Series A bonds.

2014 Series B The 2014 Series B bonds (taxable) were issued in the amount of \$79,050,000 to (a) finance certain Athletics capital projects including reimbursement for prior capital expenditures related to these projects and (b) pay the costs of issuance of the 2014 B bonds.

2014 Series C The 2014 Series C bonds (tax exempt) were issued in the amount of \$50,190,000 with an interest rate based on the SIFMA index plus 53 basis points to (a) refund (the “Refunding”) the 2011 Series C bonds, dated October 5, 2011 and (b) pay the costs of issuance of the 2014 C bonds. During fiscal year 2019 and 2018, the average interest rate was 2.08% and 1.66%, respectively. The rate at June 30, 2019 and 2018 was 2.43% and 2.04%, respectively. The initial Par Call Date with respect to the 2014 C Bonds is October 1, 2019.

2016 Bonds

On June 29, 2016, the Board issued \$20,000,000 in revenue bonds as follows:

2016 Series A The 2016 Series A bonds (tax exempt) were issued in the amount of \$20,000,000 to finance Phase 1 of the Health Science Center infrastructure plan and to pay the costs of issuance. In fiscal year 2016, the University received proceeds of \$327,000; the remaining proceeds of \$19.7 million were received in fiscal year 2017.

Bond Summary

For the years ended June 30, 2019 and June 30, 2018, the University recorded a deferred loss on refunding of \$11,916,000 and \$12,426,000, respectively, on the statement of net position.

Total principal and interest payments remaining to be paid at June 30, 2019 and 2018 were \$910.4 million and \$952.0 million, respectively. Total gross pledged revenue for fiscal year 2019 and 2018 was \$161.6 million and \$175.4 million, respectively.

The scheduled maturities of the revenue bonds are as follows (dollars in thousands):

Fiscal Year Ending June 30,	Principal	Interest	Total Payments
2020	\$ 15,372	\$ 23,995	\$ 39,367
2021	16,014	23,603	39,617
2022	16,607	23,018	39,625
2023	17,247	22,373	39,620
2024	17,649	21,656	39,305
2025-2029	95,301	95,654	190,955
2030-2034	104,700	72,271	176,971
2035-2039	117,835	45,212	163,047
2040-2044	129,387	22,027	151,414
2045-2046	31,641	788	32,429
Bonds Payable	<u>561,753</u>	<u>\$ 350,597</u>	<u>\$ 912,350</u>
Unamortized Bond Discount	(111)		
Unamortized Bond Premium	<u>34,818</u>		
Net Bonds Payable	<u>596,460</u>		
Current Portion	<u>17,032</u>		
Noncurrent Portion	<u>\$ 579,428</u>		

13. NOTES PAYABLE

Health Sciences Center Construction Loan – In December 2012, the Corporation refinanced various construction loans with United Bank, Inc. in the principal amount of \$22.1 million at an interest rate, initially 1.90%, resetting every five years. Beginning August 2014, the loan agreement allows the Corporation to prepay the loan with 60 days notice and without any penalty or premium, and it allows the bank to “put” all or part of the loan to the Corporation with 60 days notice and without any penalty or premium.

The loan is pledged by facilities and administrative revenues received by the Corporation under any grants, contracts, and other agreements on behalf of the HSC as follows:

- 1) 30% of the total HSC facilities and administrative revenues, up to a total of \$6.8 million (“threshold amount”) received by the Corporation in any single fiscal year.
- 2) 70% of the total HSC facilities and administrative revenues above the threshold amount received by the Corporation in such fiscal year.

The Health Sciences Construction Loan contains provisions for the event of default in the payment of interest or principal; under the loan documents; breach of contract; filing of liens against collateral; litigation against borrower; levy upon the collateral; bankruptcy or insolvency; cessation of legal existence; transfer or encumbrance or collateral; false representation or warranty; adverse change in financial condition or in the condition of the collateral; significant curtailment of operations; or failure to disprove default. In the event of default, United Bank, Inc. will be entitled to proceed with the following remedies: (1) acceleration of maturity and the sale of collateral, and (2) increase in the interest rate applicable to any payment due, but not paid when due, by five percent during the period of time that the default is uncured.

Upon sixty days' prior written notice, beginning on August 21, 2014, United Bank, Inc. will have the right to put all or a portion of the loan outstanding back to the Corporation and the Corporation will be required to pay the principal amount being put plus accrued interest, but without any penalty or premium.

Total principal to be paid at June 30, 2019 and June 30, 2018 was approximately \$17.5 million and \$18.2 million, respectively. Total interest paid through June 30, 2019 and June 30, 2018 was approximately \$2,976,000 and \$2,301,000, respectively. Total facilities and administrative revenues earned by HSC during fiscal year 2019 and 2018 were \$11.1 and \$10.5 million, respectively. Total pledged revenue as of June 30, 2019 and June 30, 2018 was \$5.0 million and \$4.6 million, respectively.

Beckley Loan – During fiscal year 2016, the Corporation negotiated a 90-day note with United Bank in the amount of \$12 million for reimbursement of the purchase and start-up costs related to the Beckley campus of the University. This note, which would have ended on September 27, 2016, was extended until December 27, 2016. The extension was for the same amount under the same terms.

On December 15, 2016, the Corporation closed on a note with United Bank for \$36,090,000. The proceeds of the loan were used to pay the 90 day note in full and to reimburse the University for the purchase of the Beckley campus as well as for capital improvements to the campus. Additionally, the proceeds include capital interest of \$3,000,000 as the loan will have a capitalized interest period of three years. The amortization term was 30 years. The interest rate is set for 5-year increments beginning with a rate of 3.11% fixed for the first five years and a spread to the 5-year constant U.S. Treasury Maturity rate thereafter. The spread is based on the University's rating with Moody's.

On December 22, 2017, the Corporation closed on a new note with Wells Fargo for \$42,000,000. The proceeds of the loan were used to pay the United Bank loan and provide additional funds for the Beckley campus projects. The amortization term for the loan is 40 years with a fixed interest rate of 4.45%.

On August 9, 2016, the Corporation entered into a lease agreement with the University for the lease of assets required by the University for the operation of the Beckley campus. This agreement was amended on December 15, 2016 to reflect an increase in the principal amount of the loan. This agreement was again amended on December 22, 2017 in conjunction with the Wells Fargo note. The base rentals are to equal the principal and interest payments on the loan.

The deed of trust on the property on the Beckley campus including the buildings, structures and improvements, and fixtures is secured as collateral on this note along with any income from leases and rents.

The Beckley Loan contains provisions for the event of default in the payment of interest, principal or premium when due; in any covenant or agreement, any provision of the security instrument, the lease agreement, or any other provision of the operative agreement; a deposit shortfall under the cash management agreement; false representation or warranty; if final judgment for the payment of money is rendered against the Corporation and the Corporation fails to discharge within sixty days; default under any other mortgage or security agreement covering any part of the property; bankruptcy or insolvency; cessation of legal existence; if the lease, any other lease or any lease guaranty ceases to be in full force and effect; any set-off, abatement, withholding, suspension or reduction in rent paid or payable by the tenant under the lease; or filing of liens against the collateral.

In the event of default, Wells Fargo will be entitled to proceed with the following remedies: (1) declare the entire unpaid balance, accrued interest and premium immediately due and payable; (2) sale the collateral.

WVUIC Loan – During fiscal year 2017, WVUIC negotiated a loan with United Bank in the amount of \$3.0 million. This loan bears interest at a rate of 3.50% until June 28, 2021, at which time the loan will bear interest at a fixed rate equal to the five-year USD Libor Swap Rate plus 2.150 percentage points. Interest only will be payable on this note from July 28, 2017, to and including June 28, 2018. The amortization term is ten years. The proceeds of this loan were used to pay WVUIC's equipment lease/purchase agreement with United Bank in full. This loan is secured by certain property of WVUIC.

The University's Center for Alternative Fuels, Engines and Emissions (CAFEE) vehicle and engine testing laboratory property including leasehold real property and personal property, including equipment, fixtures and furnishings, is secured as collateral on this loan.

The WVUIC Loan contains provisions for the event of default in noncompliance with the lender agreements; false representation or warranty; adverse change in financial condition or in the condition of the collateral; insolvency or liquidation; judgments or attachments; impairment of collateral; or termination of existence or change in control.

In the event of default, United Bank may declare the entire unpaid principal balance and accrued interest to be immediately due and payable in full and may have the right of setoff against receivables. United Bank may also take possession of the collateral; render the collateral unusable; use, operate, manage, control, maintain or dispose of the collateral.

The scheduled maturities of the notes payable are as follows (dollars in thousands):

Fiscal Year		
Ending June 30,	Principal	Interest
2020	\$ 1,210	\$ 2,469
2021	1,479	2,569
2022	1,538	2,510
2023	1,599	2,449
2024	1,662	2,386
2025-2029	8,475	10,902
2030-2034	8,871	9,211
2035-2039	8,828	7,276
2040-2044	5,634	5,856
2045-2049	7,035	4,455
2050-2054	8,785	2,705
2055-2058	7,419	624
	<u>62,535</u>	<u>53,412</u>
Current Portion	<u>1,211</u>	
Noncurrent Portion	<u>\$ 61,324</u>	

14. REAL ESTATE PURCHASE AGREEMENTS PAYABLE

Elmer Prince Drive Agreement - During fiscal year 2011, the University entered into an agreement with SBS Properties LLC to finance the purchase of real property at 992 Elmer Prince Drive in Morgantown, WV. The total purchase price of the property was \$3,714,800. The University paid \$397,400 at closing and agreed to make installment payments of \$368,600 per year through November 30, 2019. This liability is recorded at present value at an interest rate of .18%. The outstanding note payable at June 30, 2019 and June 30, 2018 was \$368,600 and \$737,200, respectively.

This property, on Elmer Prince Drive in Morgantown, WV, is subject to a non-recourse vendor's lien that can be enforced by failure to pay any installment payment by the due date.

Square at Falling Run/Loop Agreement - During fiscal year 2013, the University purchased several properties located at the Square at Falling Run/Loop. This purchase included a real estate purchase agreement payable to the City of Morgantown Building Commission in the amount of \$4.2 million due in 2026 less the following credits: 1) all B&O taxes paid to the City of Morgantown prior to August 31, 2026 for construction expenditures on the Loop project in excess of \$30 million, 2) all B&O taxes paid to the City of Morgantown prior to August 31, 2026 for construction expenses on the College Park project, and 3) all B&O taxes paid to the City of Morgantown prior to August 31, 2026 arising from and directly associated with any construction, retail, commercial, rental, and other development activities located in, or with respect to the completion of, the commercial space in the Square at Falling Run, College Park, and Sunnyside, 4) all Airport Grant Funds received or obtained prior to August 31, 2026 as a result of Transferee's direct solicitation efforts, or indirectly as

a result of specifically identifiable efforts, contracts, or commitments. The above credits have reduced the liability to \$167,000 as of June 30, 2019. Also, the purchase included a Tax Increment Financing (TIF) District Guaranty to First United Bank & Trust for \$120,000 annually through September 1, 2032. This has been recorded at a present value of \$1,484,607 at the following interest rates: 2.5% through June 2014, 3.5% from June 2014 through June 2017, and 5.69% from June 2017 through June 2033.

Evansdale Campus Financing Agreement - During fiscal year 2015, the University obtained external financing from WesBanco in the amount of \$13,250,000 to finance the purchase of real estate on the Evansdale Campus. The University agreed to make installment payments of \$759,000 per year through September 1, 2024.

This real estate, located on the Evansdale Campus, is secured as collateral on this agreement along with any income from rents and leases.

The Evansdale Campus Agreement contains provisions for the event of default in the failure to pay any lease payment or any other required payment when due; in the failure to maintain insurance on the property; in any other covenant, condition or agreement; or insolvency or liquidation. In the event of default, Wesbanco can terminate this agreement and retake possession of this property and can lease, sublease or sell the property; declare an amount equal to all payments due during the fiscal year in which the default occurred to be immediately due and payable; or increase the interest rate by a two-percentage point margin. Once the default is cured, the interest rate will return to the rate provided in the agreement on the date following the date the payment is made during the default.

The scheduled maturities of the real estate purchase agreements payable (Evansdale Campus Financing Agreement) are as follows (dollars in thousands):

Fiscal Year Ending June 30,	Principal	Interest
2020	\$ 257	\$ 439
2021	293	466
2022	305	454
2023	318	441
2024	330	430
2025	10,517	106
Real Estate Purchase Agreements Payable	12,020	2,336
Current Portion	257	
Noncurrent Portion	\$ 11,763	

These liabilities are classified as real estate purchase agreements payable on the statement of net position.

15. STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS (DEBT SERVICE PAYABLE TO COMMISSION)

The University is a State institution of higher education. It receives a State appropriation in partial support of its operations. In addition, the University 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 either the former Board of Regents, the former University System of West Virginia, the former State College System of West Virginia or the former Interim Governing Board (collectively, 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 assesses each public institution of higher education for funds to meet the payment of debt service on these various bonds. Certain tuition and registration fees (referred to as system 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. The bonds remain as a capital obligation of the Commission; however, effective June 30, 2002, an amount of principal related to each institution was reported as debt service assessment payable to the Commission by each institution and as a receivable by the Commission.

The Commission issued 2004 Series B Higher Education Facilities Revenue Bonds (the "HEPC 2004 B Bonds") in August 2004 to provide funds for capital improvements at institutions of higher education throughout the State's universities and colleges, including the University. In June 2012, a portion of the HEPC 2004 Bonds were advance refunded by the State of West Virginia Higher Education Policy Commission Revenue Refunding Bonds (Higher Education Facilities) 2012 Series A and Revenue Bonds (Higher Education Facilities) 2012 Series B Bonds (the "HEPC 2012 Bonds"). The HEPC 2004 B Bonds and the HEPC 2012 Bonds are secured by the pledge of higher education institutions' tuition and registration fees as well as excess lottery revenues. The HEPC 2004 B Bonds and the HEPC 2012 Bonds are considered an indirect obligation of the University and the principal amount of the bonds related to the University is not reported as a payable to the Commission.

The scheduled maturities of the debt service payable to the Commission are as follows (dollars in thousands):

Fiscal Year Ending June 30,	Principal	Interest
2020	\$ 4,446	\$ 6,168
2021	4,449	6,168
2022	4,467	6,152
2023	4,497	6,122
2024	4,538	6,078
2025-2029	20,030	29,236
2030-2031	2,103	11,497
Debt Service Assessment Payable to the Commission	\$ 44,530	\$ 71,421
Current Portion	4,446	
Noncurrent Position	\$ 40,084	

16. DEFINED CONTRIBUTION PENSION PLANS

Substantially all eligible employees of the University participate in either TRS or the Teachers Insurance and Annuities Association - College Retirement Equities Fund (TIAA-CREF). (See Note 10 for information regarding TRS.)

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 Educators Money 401(a) basic retirement plan (Educators Money). New hires have the choice of either plan. Educators Money was a brand utilized by Great West Financial; this has since transitioned to Empower Retirement.

The TIAA-CREF and Empower Retirement are defined-contribution benefit plans in which benefits are based upon amounts contributed plus investment earnings. Each employee who elects to participate in these plans is required to make a contribution equal to 3% (for employees of the Corporation enrolled in TIAA-CREF) or 6% (for employees of the State enrolled in TIAA-CREF or Empower Retirement) of their total annual compensation. The University simultaneously matches the employees' 3% or 6% contribution. Contributions are immediately and fully vested.

Contributions to the TIAA-CREF for each of the last three fiscal years were approximately as follows (dollars in thousands):

Fiscal Year Ending June 30,	<u>WVU</u>	<u>Employees</u>	<u>Total</u>
2019	\$ 28,327	\$ 28,327	\$ 56,654
2018	26,750	26,750	53,500
2017	26,848	26,848	53,696

Contributions to Empower Retirement for each of the last three fiscal years were approximately as follows (dollars in thousands):

Fiscal Year Ending June 30,	<u>WVU</u>	<u>Employees</u>	<u>Total</u>
2019	\$ 317	\$ 317	\$ 634
2018	300	300	600
2017	298	298	596

The University's total payroll for fiscal years 2019, 2018, and 2017 was \$529.7 million, \$513.5 million, and \$510.2 million, respectively; total covered employees' salaries in TIAA-CREF and the Empower Retirement were \$476.2 million and \$4.9 million in fiscal year 2019, \$450.4 million and \$5.0 million in fiscal year 2018, and \$451.9 million, and \$5.0 million in fiscal year 2017, respectively.

17. COMMITMENTS

- a. *Purchase Commitment* – The University has signed an agreement providing for the purchase of steam through the year 2030 from a nearby facility that commenced operations in late 1992. Under the agreement, the University has an annual minimum steam purchase requirement, purchased at an operating rate calculated in accordance with the agreement. This operating rate is adjusted quarterly based on actual production costs and other cost indices. Management believes that the rate is comparable to market rates. At June 30, 2019, the University is committed to an additional \$1.0 million purchase to meet the minimum steam purchase requirement for the contract year ended September 30, 2019. The University anticipates substantially meeting the minimum steam purchase requirement for the remaining term of its commitment; however, payments in future years will be dependent on actual operating costs and other cost indices in those years.
- b. *Construction Commitments* – The University has entered into contracts for the construction and improvement of various facilities. These outstanding contractual commitments totaled approximately \$3.0 million at June 30, 2019.

- c. *Other Commitments* – The University is involved in legal action in regards to normal business activities. Management does not feel that these actions are material and pose a financial threat to the University and, accordingly, no liability is accrued at June 30, 2019 and 2018.

18. AFFILIATED ORGANIZATIONS

The University has affiliations with separately incorporated organizations including West Virginia United Health System, Inc., which includes West Virginia University Hospitals, Incorporated; West Virginia University Alumni Association, Incorporated (the “Association”); the Center for Entrepreneurial Studies and Development, Incorporated; West Virginia University Medical Corporation; the Physician’s Office of Charleston; University Healthcare Physicians, Inc.; the West Virginia University Dental Corporation; Potomac State College Alumni Association; WV Campus Housing, LLC; American Campus Communities Operating Partnership, LLP (“ACC”), University Park at Evansdale, LLC; Downtown Campus Parking Associates; WVU Connector, LLC, and HSC Fresh Kitchen, LLC. Oversight responsibility for these entities rests with independent Boards and management not otherwise affiliated with the University. These organizations do not meet the criteria for determination as component units of the University as described in GASB standards. Accordingly, the financial statements of all such organizations are not included in the accompanying financial statements.

The National Aeronautics and Space Administration Independent Verification and Validation facility was established in Fairmont, West Virginia in 1993 in partnership with the University. Under a cooperative agreement with the University, verification and validation research programs are conducted at the facility. The facility is operated and maintained by the University’s Facilities and Services Division.

Related Party Transactions

- a. *West Virginia University Medical Corporation* – West Virginia University Medical Corporation (the “Morgantown practice plan”) is a West Virginia not-for-profit corporation and serves as the faculty practice plan of West Virginia University School of Medicine (WVUSOM) in Morgantown WV. The membership of the Morgantown practice plan consists of physicians who are faculty members of the WVUSOM. The Morgantown practice plan coordinates its activities with these schools by operating outpatient clinics staffed by such faculty, billing and collecting for professional medical services furnished by the Morgantown practice plan’s membership, appropriately distributing receipts generated by billings, providing educationally oriented clinical practice settings and opportunities, and providing other clinical practice management services.

The University is reimbursed by the Morgantown practice plan for the use of certain facilities, Physician Office Center (POC) utility costs and other costs of the WVUSOM, including medical malpractice insurance premiums. The University reimburses the Morgantown practice plan for costs associated with the services it provides to the University. During fiscal year 2004, the Legislature reallocated HSC state appropriations to the Medicaid program in Health and Human Services. The HSC currently receives some state appropriations through the Medicaid program from the Morgantown practice plan.

Total funds disbursed to the Morgantown practice plan and total funds collected from the Morgantown practice plan totaled \$3.1 million and \$40.9 million in fiscal year 2019 and \$2.8 million and \$34.5 million in fiscal year 2018, respectively. Accounts receivable at June 30, 2019 and 2018 includes \$1.3 million and \$3.0 million, respectively, due from the Morgantown practice plan for such items as mission support, reimbursement for medical malpractice insurance, facility rental fees, utility cost reimbursement, and faculty teaching support. There were no amounts due to the Morgantown practice plan at June 30, 2019 or 2018.

- b. *West Virginia University Physicians of Charleston* – West Virginia University Physicians of Charleston (the “Charleston practice plan”) is a West Virginia not-for-profit corporation and serves as the faculty practice plan of WVUSOM in Charleston, WV. The membership of the Charleston practice plan consists of physicians who are faculty members of the WVUSOM. The Charleston practice plan coordinates its activities with these schools by operating outpatient clinics staffed by such faculty, billing and collecting for professional medical services furnished by the plan’s membership, appropriately distributing receipts generated by billings, providing educationally oriented clinical practice settings and opportunities, and providing other practice management services.

The University is reimbursed by the Charleston practice plan for costs of the WVUSOM, Charleston Division, including medical malpractice insurance premiums and salary support. The HSC currently receives some state appropriations through the Medicaid program from Physicians of Charleston. Accounts receivable due from Physicians of Charleston for such items as mission support and reimbursement for medical malpractice insurance.

Total funds collected from the Charleston practice plan totaled \$4.8 million in fiscal year 2019 and \$5.0 million in fiscal year 2018, respectively. Accounts receivable at June 30, 2019 and 2018 includes \$.6 million and \$1.0 million, respectively, for such items as medical malpractice insurance and salary support. There were no amounts due to the Charleston practice plan at June 30, 2019 or 2018. There were no funds disbursed to the Charleston practice plan in fiscal year 2019 or 2018.

- c. *University Healthcare Physicians, Inc.* – University Healthcare Physicians, Inc. (the “Eastern practice plan”) is a West Virginia not-for-profit corporation and serves as the faculty practice plan of WVUSOM in Martinsburg, WV. The membership of the Eastern practice plan consists of physicians who are faculty members of the WVUSOM. The Eastern practice plan coordinates its activities with these schools by operating outpatient clinics staffed by such faculty, billing and collecting for professional medical services furnished by the plan’s membership, appropriately distributing receipts generated by billings, providing educationally oriented clinical practice settings and opportunities, and providing other practice management services.

The University is reimbursed by the Eastern practice plan for costs of the WVUSOM, Eastern Division, including medical malpractice insurance premiums and salary support. The HSC currently receives some state appropriations through the Medicaid program from University Healthcare Physicians. Accounts receivable due from University Healthcare Physicians for such items as mission support and reimbursement for medical malpractice insurance.

Total funds collected from the Eastern practice plan totaled \$7.0 million in fiscal year 2019 and \$2.3 million in fiscal year 2018, respectively. Accounts receivable at June 30, 2019 and 2018 includes \$.9 million and \$1.4 million for such items as medical malpractice insurance and salary support. There were no amounts due to the Eastern practice plan at June 30, 2019 or 2018. There were no funds disbursed to the Eastern practice plan in fiscal years 2019 or 2018.

- d. *West Virginia University Dental Corporation* – West Virginia University Dental Corporation (the “dental practice plan”) is a West Virginia not-for-profit corporation and serves as the faculty practice plan of West Virginia School of Dentistry (WVUSOD). The membership of the dental practice plan consists of dentists who are faculty members of the WVUSOD. The dental practice plan coordinates its activities with these schools by operating outpatient clinics staffed by such faculty, billing and collecting for professional medical services furnished by the plan’s membership, appropriately distributing receipts generated by billings, providing educationally oriented clinical practice settings and opportunities, and providing other practice management services.

The University is reimbursed by the dental practice plan for the use of certain facilities and other costs of the School of Dentistry, including medical malpractice insurance premiums, salary support and dental clinic supplies. Accounts receivable due from Dental Corporation for such items as mission support, reimbursement for medical malpractice insurance, facility rental fees and reimbursement of dentistry clinic supplies.

Total funds collected from the dental practice plan totaled \$2.3 million in fiscal year 2019 and \$2.3 million in fiscal year 2018, respectively. Accounts receivable at June 30, 2019 and 2018 includes \$.2 million and \$284,000, respectively, for such items as medical malpractice insurance, facility rental fees, clinic supplies and student expenses. There were no amounts due to the dental practice plan at June 30, 2019 or 2018. There were no funds disbursed to the dental practice plan in fiscal year 2019 or 2018.

- e. *West Virginia University Hospitals, Incorporated* – The Hospital is a not-for-profit corporation, established in West Virginia, to facilitate clinical education and research of the HSC. The Hospital’s tertiary care teaching facility-Ruby Memorial, serves as the primary teaching hospital for the faculty and residents of the HSC and operates graduate medical education programs. The Hospital has entered into a Resident Support agreement with the University, under which the Hospital reimburses the WVUSOM for resident salaries and fringes support and for the cost of malpractice insurance for the residents. The Hospital also compensates the WVUSOM for a range of services via the Clinical Teaching Support agreement, Medical Direction and Support agreement, Mission Support agreement and Faculty Physician Support agreement. During fiscal year 2004, the Legislature reallocated HSC state appropriations to the Medicaid program in Health and Human Services. The HSC currently receives some state appropriations through the Medicaid program from the Hospital.

During fiscal years 2019 and 2018, \$42.0 million and \$40.0 million, respectively, was received from WVUH for such items as residents’ support, reimbursement for medical malpractice insurance for the residents, reimbursement of salaries and fringe benefits for hospital employees paid by the University, reimbursement for electricity and steam costs, and rent. Accounts receivable at June 30, 2019 and 2018 include \$1.5 million and \$2.4 million, respectively, due from WVUH for such items. During fiscal years

2019 and 2018, \$.3 million and \$320,000, respectively, was paid to WVUH for rent and other services. Accounts payable at both June 30, 2019 and 2018 were \$0 for such items.

- f. *West Virginia University Alumni Association, Incorporated* – The Association is a West Virginia not-for-profit corporation and was established to promote and advance the interests and welfare of the University and to foster a spirit of fraternity and loyalty among graduates, former students, faculty and other friends of the University.

Employees of the Association are paid through the University. The University funds a portion of their salary and fringe benefits through State funds and graduate fees. The University funded \$1,267,000 and \$822,000 for the years ended June 30, 2019 and 2018, respectively. The remaining payroll is billed to the Association. The Association owed the University \$1,023,000 and \$640,000 related to payroll, postage and other expenses as of June 30, 2019 and 2018, respectively.

The Association reimburses the University up to \$50,000 per year for the alumni magazine. These payments were \$0 and \$50,000 for the years ended June 30, 2019 and 2018, respectively.

The Alumni Center provides University departments with meeting rooms and catered events throughout the year. Catering and rental revenue received from the University was approximately \$885,000 and \$1.0 million for the years ended June 30, 2019 and 2018, respectively.

The University charged the Association \$81,000 and \$987,000 for catering services for the years ended June 30, 2019 and 2018, respectively. The Association owed the University \$0 and \$82,000 for catering services as of June 30, 2019 and 2018, respectively.

The University owed the Association \$0 and \$11,000 for reimbursement of utilities as of June 30, 2019 and 2018, respectively.

In addition, the Association purchases football tickets and sky box and basketball tickets from the University. The Association paid the University \$0 and \$17,000 for the years ended June 30, 2019 and 2018, respectively. The Association owed the University \$0 for both years ended June 30, 2019 and 2018.

During fiscal year 2009, the old alumni center building reverted back to the University. The fair market value of the building transferred to the University was \$1,485,000. The Association entered into a long-term lease with the University for land to construct a new alumni center building and parking lot. The term of the land lease is \$1 rent per year for forty years with options to renew for additional forty year periods.

On July 11, 2012, the Association and the University entered into a parking lot shared use agreement. Beginning in July 2012, the Association pays the University \$80,000 per year on a quarterly basis.

g. *West Virginia University at Parkersburg and BridgeValley Community and Technical College*

Energy Performance Contract — In 2008, the University entered into an agreement with Siemens Building Technologies, Inc. to perform Phase II of the Energy Performance contract. The contract was to install certain energy enhancement equipment in buildings on the University's campuses, including Parkersburg and WVUIT. The cost of the contract was financed with a lease purchase agreement between the University and Suntrust Leasing Corporation ("Suntrust").

Beginning in fiscal year 2009, when Parkersburg and BridgeValley became separate entities from the University, the Parkersburg and BridgeValley portions of the Energy Performance Phase II lease purchase were reported on Parkersburg's and BridgeValley's statements of net position as a lease payable.

During fiscal year 2012, the University issued the 2011 Series B and C bonds which in part paid off the Energy Performance Phase II lease purchase with Suntrust. After the bonds were issued, an agreement was entered into between the University and Parkersburg and BridgeValley wherein Parkersburg and BridgeValley agreed to continue to pay the University based on their portion of the original amortization schedule for the lease purchase with Suntrust. This source of funds is internally assigned by the University to pay the 2011 Series B and C bonds.

The original amount of the notes related to Parkersburg and BridgeValley was \$3,316,991 and \$211,691, respectively, with an interest rate of 3.98%. The term of the notes were 16 years with the last payment due in January 2024. The new agreements between the University and Parkersburg and BridgeValley used the same terms. The outstanding notes receivable due from Parkersburg and BridgeValley at June 30, 2019 was \$1,470,493 and \$93,847, respectively. The outstanding notes receivable due from Parkersburg and BridgeValley at June 30, 2018 was \$1,746,259 and \$111,447, respectively. Interest earned during fiscal year 2019 for the notes related to Parkersburg and BridgeValley was \$65,637 and \$4,189, respectively. Interest earned during fiscal year 2018 for the notes related to Parkersburg and BridgeValley was \$76,612 and \$4,889, respectively. This interest is recorded as investment income on the statement of revenues, expenses, and changes in net position.

h. *West Virginia Campus Housing, LLC ("WVCH")* — In fiscal year 2013, the University entered into a public-private arrangement with Paradigm and WVCH for the design, construction, financing, management and operation of University Place (student housing and commercial facilities). In October 2012, the University acquired 39 parcels of real property with improvements from Paradigm in the Sunnyside area for \$14.6 million. Subsequently, in February 2013, the University entered into lease and development, sublease and joint operating agreements with Paradigm and WVCH. This project was completed in November 2014, and in accordance with the lease and development agreement, WVCH transferred buildings in the amount of \$75.4 million, and non-capital furniture and equipment in the amount of \$2.1 million, to the University during fiscal year 2015.

After making inquiries of WVCH in fiscal year 2016, the University became aware that WVCH had spent an additional \$14.6 million on capital assets (buildings, land improvements and infrastructure) and \$0.2 million on non-capital items (furniture and equipment) forming part of University Place. Per the lease and development agreement,

since the University has and owns the title to all improvements forming part of University Place, these assets were transferred to the University and are reported as part of the University's total capital assets on the statement of net position, and the non-capital items are reported on the University's statement of revenues, expenses and changes in net position.

- i. *American Campus Communities Operating Partnership, LLP* — In fiscal year 2014, the University entered into an agreement with ACC to finance, design, construct, furnish, equip, and operate a student housing facility. The agreement will be in place for 40 years with the option to extend the agreement for two additional 10 year terms, at which time the facility is required to be returned back to the University in substantially the same condition it was transferred to them at the start of the agreement. This project was completed at the start of the fall semester 2014. The agreement stipulates that ACC OP will retain all rents collected at the facility and will provide a percentage of net revenue annually to the University.
- j. *University Park at Evansdale, LLC ("UPE")* — In fiscal year 2014, the University entered into a public-private arrangement with UPE for the development, financing, construction and management of University Park (student housing and commercial facilities). Per this agreement, the University will lease the land to UPE. UPE will construct improvements upon the land and transfer the improvements to the University. The University will lease the land, improvements and personal property located on the premises to UPE. The agreement will be in place for 40 years with a guaranteed option to renew for a term equal to the remaining term of any leasehold deed of trust then outstanding, if any, plus 15 years and an option to extend the agreement for one additional term of 10 years. This project was completed in August 2015. The agreement stipulates that UPE will retain all rents collected at the facility and will provide a percentage of net revenue annually to the University.
- k. *Downtown Campus Parking Associates ("DCPA")* — In fiscal year 2013, the University entered into a public-private arrangement with Paradigm and WVCH for the development, financing, construction and management of student housing facilities and various amenities including commercial and parking facilities (known as University Place). WVCH entered into an agreement with DCPA (an affiliate of WVCH) to sublease the certain portion of real property and delegate, transfer and assign its duties and obligations under the lease and development agreement with the University for the acquisition, design, development, financing, construction and operation of the parking facilities project. Under this agreement, DCPA constructed and transferred ownership of certain parking facility improvements, including a 500 space parking garage with first floor commercial space. This project was completed in November 2015 and DCPA transferred the garage building and parking equipment in the amount of \$17.9 million to the University in fiscal year 2016.

The parking facilities sublease agreement stipulates that the University will remit 100% of net revenues received from the operation of the parking facilities to DCPA as lease payments, not to exceed DCPA's scheduled principal and interest on the parking facilities financing for the current year plus its net operating margin (deficit) from the parking facilities project. If the University's net revenues from the operation of the parking facilities are insufficient to meet DCPA's debt-service and operating needs, the University will make additional lease payments in the amount of the shortfall, which will be owed back to the University from housing revenues of WVCH. Accordingly, the University recorded lease payments of \$340,784 and \$304,476 and additional lease

payments of \$420,380 and \$715,481 to DCPA as of June 30, 2019 and 2018, respectively.

DCPA obtained financing for the project in an amount not to exceed \$40.0 million. WVU's understanding is that up to \$24.0 million was to construct the parking garage and the remaining \$16.0 million was to be used to acquire additional property and to construct a surface lot on the additional property. The University has become aware that \$14.0 million of the \$16.0 million was used to make improvements to the WVCH property. It is the position of the University that it is only required to cover any shortfall on the \$24.0 million allocated to the parking garage.

- l. *WVU Connector, LLC* — In fiscal year 2014, the University entered into a public-private arrangement with WVU Connector for the development of certain real property owned by the University on its Evansdale campus for a full service student support services project, amenities and limited commercial development (Evansdale Crossing). According to this agreement, the University will lease the property to WVU Connector and WVU Connector will construct improvements upon the property. The initial term of the lease will be for 40 years with the option to extend the lease term for two additional terms of 10 years. The project was completed in December 2015. The agreement stipulates that WVU Connector will retain all rents collected at the facility and will provide a percentage of net revenue annually to the University.
- m. *HSC Fresh Kitchen, LLC* – In fiscal year 2017, the University entered into a public-private arrangement with HSC Fresh Kitchen for the lease and development of the cafeteria space at the Health Sciences Center (the Market at West Virginia University). According to this agreement, the University will lease the space to HSC Fresh Kitchen and HSC Fresh Kitchen will construct improvements on the property. The initial term of the lease will be 10 years with the option to extend the lease term for two additional terms of 5 years. The project was completed in August 2016. The agreement stipulates that HSC Fresh Kitchen will pay base rent as a percentage of gross revenues and additional rent as a percentage of net revenues.

If HSC Fresh Kitchen's actual cash basis operating expenses exceed gross revenues, the University will reimburse HSC Fresh Kitchen for such annual net operational losses during the first three lease years, subject to the following annual limitation: up to \$300,000 for lease year 1, up to \$200,000 for lease year 2 and up to \$100,000 for lease year 3. All payments by the University to HSC Fresh Kitchen for annual net operational losses will be repaid to the University from future year net revenues in equal annual amounts divided by 7 (the remaining term of the initial term) as additional rent.

19. WEST VIRGINIA UNIVERSITY FOUNDATION, INCORPORATED

The Foundation is a separate non-profit organization incorporated in the State of West Virginia that has as its purpose “to aid, strengthen and further in every proper and useful way the work and services of West Virginia University . . . and its affiliated non-profit organizations . . .” Oversight of the Foundation is the responsibility of an independently elected 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. The Foundation does not meet the criteria for determination as a component unit of the University as described by GASB. The economic resources held by the Foundation do not entirely or almost entirely benefit the University.

Most of the University's endowments are under the control and management of the Foundation.

The Foundation's assets totaled \$1.8 billion and \$1.8 billion at June 30, 2019 and 2018, respectively, with net assets of \$921.5 million and \$881.3 million, respectively. Gifts, grants, pledges and bequests to the Foundation totaled \$79.3 million and \$79.4 million in fiscal years 2019 and 2018, respectively.

Total funds expended by the Foundation in support of University activities totaled \$84.7 million and \$105.6 million in fiscal years 2019 and 2018, respectively. This support is primarily recorded as gifts and capital grants and gifts and the related expenditures are primarily recorded as salaries and wages, benefits and capital assets in the University's financial statements.

20. SERVICE CONCESSION ARRANGEMENT

The University has identified one contract for services that meets the four criteria of a service concession arrangement (SCA) per GASB Statement No. 60, *"Accounting and Financial Reporting for Service Concession Arrangements"*. 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.

This contract is with ACC OP (College Park, WV) LLC. Per the contract, ACC OP financed, designed, constructed, furnished and equipped a student housing facility. This facility was completed at the start of the fall semester 2014. The agreement will be in place for 40 years with the option to extend the agreement for two additional 10 year terms, at which time the facility will be returned to the University in substantially the same condition as it was when transferred to them at the start of the agreement. The agreement stipulates that the ACC OP will retain all rents collected at the facility and will provide a percentage of net revenue annually to the University. Per the operating agreement, the University will provide certain services including marketing, lease management, billing, collections, security, parking enforcement and other services, and will receive a management fee for providing such services.

During fiscal year 2015, the University recorded a capital asset with a fair market value of \$34,952,000 and a deferred inflow of resources. This deferred inflow is being amortized to auxiliary revenue over the term of the agreement (40 years). The University has recorded an accounts receivable of \$14,000 and \$20,000 at June 30, 2019 and 2018, respectively, for reimbursable project expenses. At June 30, 2019, the University recognized management fee revenue and its share of the net revenue of \$85,000 and \$52,000 respectively. At June 30, 2018, the University recognized management fee revenue and its share of the net revenue of \$79,000 and \$83,000, respectively. This revenue is included in revenue from auxiliary enterprises on the statement of revenues, expenses and changes in net position.

21. GOVERNMENT ACQUISITION

On July 28, 2016, the Blanchette Rockefeller Neurosciences Institute (BRNI) filed a voluntary petition for relief under Chapter 11 of the U.S. Bankruptcy Code. On July 29, 2016, the University entered into an agreement with BRNI to purchase certain assets including the names “Blanchette Rockefeller Neurosciences Institute” and “BRNI”, equipment and personal property, and intellectual property. The University obtained control of the assets on October 4, 2016. Per the agreement, the University paid \$1,077,847 (\$1,950,000 less amounts already paid by the University in support of BRNI of \$872,153). The University also agreed to provide funding through June 30, 2020 under the center for brain health and for neurodegenerative diseases at the University, which will carry on the broad mission previously undertaken by BRNI. The University recorded assets with a fair market value of \$187,328, expenses of \$393,398 (for those assets that did not meet the criteria for capitalization) and a deferred outflow of resources of \$497,121. As of June 30, 2019 and 2018, the University had a deferred outflow of resources of \$132,565 and \$265,131, respectively. This deferred outflow is being amortized to other operating expense through June 30, 2020.

22. CONTINGENCIES

The nature of the educational industry is such that, from time to time, claims will be presented against universities 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 educational 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 have a material effect on the financial position 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 management believes disallowances, if any, will not have a material financial impact on the University’s financial position.

The Internal Revenue Code of 1986 establishes rules and regulations for arbitrage rebates. There are no arbitrage rebate liabilities that have been recorded in the financial statements as of June 30, 2019 or 2018.

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 under 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.

At June 30, 2019 and 2018, the University has recorded a liability of \$193,000 and \$93,000, respectively, for asbestos removal in accordance with the provisions of GASB.

The University has consented to the reduction of its distributions from future Big 12 revenues (of which, \$0 and \$1 million is recorded as an other noncurrent liability as of June 30, 2019 and June 30, 2018, respectively) if the Foundation does not make required payments under its \$10 million promissory note with the Big 12.

23. SUBSEQUENT EVENTS

On September 11, 2019, the University (Aa3/NA/AA-) sold \$124.965 million in bonds with a closing on September 25, 2019. The \$85.84 million 2019 Series A tax-exempt bonds were structured as serial bonds maturing from 2021 through 2040 and two term bonds one coming due in 2047 and another due in 2049. Proceeds of the 2019 Series A bonds will be used to construct the new Reynolds Hall, home of the Chambers College of Business and Economics; renovate Hodges Hall and renovate the Puskar Center, an athletics facility. The 2019 Series A bonds sold with a premium of \$15,475,156.

The \$39.125 million 2019 Series B tax-exempt bonds were structured with a 10-year put feature with a three-month call. The proceeds of these bonds will be used to refund the University's 2014 Series C FRNs, which were originally structured with a five-year hard put at SIFMA plus 0.535%. The 2019 Series B bonds sold with a premium of \$11,409,241.

24. BLENDED COMPONENT UNIT

As described in Note 2, the following presents the condensed financial statements as of June 30
(in thousands):

2019

Statement of Net Position

	WVU Excluding Component Unit	WVU Research Corporation	WVU Innovation Corporation	Eliminations	WVU Combined
Assets					
Current Assets	\$ 232,162	\$ 65,284	\$ 1,765	\$ -	\$ 299,211
Accounts Receivable - Corporation	11,591	-	-	(11,591)	-
Accounts Receivable - WVUIC, Current Portion	461	1,510	-	(1,971)	-
Total Noncurrent Assets	244,214	66,794	1,765	(13,562)	299,211
Capital Assets, net	1,740,771	65,374	2,890	-	\$ 1,809,035
Accounts Receivable - WVUIC	-	4,314	-	(4,314)	-
Other Noncurrent Assets	125,656	857	-	-	126,513
Total Noncurrent Assets	1,866,427	70,545	2,890	(4,314)	1,935,548
Total Assets	2,110,641	137,339	4,655	(17,876)	2,234,759
Deferred Outflows of Resources	34,091	-	-	-	34,091
Total Assets and Deferred Outflows of Resources	\$ 2,144,732	\$ 137,339	\$ 4,655	\$ (17,876)	\$ 2,268,850
Liabilities and Deferred Inflows of Resources					
Current Liabilities	\$ 175,277	\$ 30,483	\$ 2,002	\$ -	\$ 207,762
Accounts Payable - WVU	-	11,591	-	(11,591)	-
Accounts Payable - WVUIC, Current Portion	461	-	1,510	(1,971)	-
Total Current Liabilities	175,738	42,074	3,512	(13,562)	207,762
Noncurrent Liabilities	846,662	58,654	2,670	-	907,986
Accounts Payable - WVUIC	-	-	4,314	(4,314)	-
Total Noncurrent Liabilities	846,662	58,654	6,984	(4,314)	907,986
Total Liabilities	1,022,400	100,728	10,496	(17,876)	1,115,748
Deferred Inflows of Resources	86,804	296	-	-	87,100
Total Liabilities and Deferred Inflows of Resources	\$ 1,109,204	\$ 101,024	\$ 10,496	\$ (17,876)	\$ 1,202,848
Net Position					
Net Investment in Capital Assets	\$ 1,083,038	\$ 13,680	\$ -	\$ -	\$ 1,096,718
Restricted Nonexpendable	19,031	-	-	-	19,031
Restricted Expendable	11,040	-	-	-	11,040
Unrestricted Net Deficit	(77,120)	22,635	(6,302)	-	(60,787)
Total Net Position	\$ 1,035,989	\$ 36,315	\$ (6,302)	\$ -	\$ 1,066,002

2019

Statement of Revenues, Expenses and Changes in Net Position

	WVU Excluding Component Unit	WVU Research Corporation	WVU Innovation Corporation	Eliminations	WVU Combined
Operating Revenues					
Student Tuition and Fees, net	\$ 411,253	\$ -	\$ -	\$ -	\$ 411,253
Federal Land Grants	6,937	-	-	-	6,937
Local Land Grants	1,291	-	-	-	1,291
Federal Grants and Contracts	7,925	72,635	1,437	-	81,997
State Grants and Contracts	12,388	28,325	-	-	40,713
Local Grants and Contracts	139	591	-	-	730
Nongovernmental Grants and Contracts	62,307	22,808	2,601	-	87,716
Sales and Services of Educational Departments	21,932	630	-	-	22,562
Auxiliary Enterprises, net	143,383	-	-	-	143,383
Interest on Student Loans Receivable	836	-	-	-	836
Net Operating Revenue from the Corporation	709	-	-	(709)	-
Net Operating Revenue from WVUIC	-	252	-	(252)	-
Net Service Agreement Revenue from BridgeValley and Parkersburg CTC's	250	-	-	-	250
Other Operating Revenues	11,598	552	9	-	12,159
Total Operating Revenues	680,948	125,793	4,047	(961)	809,827
Operating Expenses					
Depreciation and Amortization	71,606	1,989	429	-	74,024
Net Operating Expenses to WVU	-	709	-	(709)	-
Net Operating Expenses to the Corporation	185	-	67	(252)	-
Other Operating Expenses	868,753	127,833	4,767	-	1,001,353
Total Operating Expenses	940,544	130,531	5,263	(961)	1,075,377
Operating (Loss) Income	(259,596)	(4,738)	(1,216)	-	(265,550)
Nonoperating Revenues (Expenses)					
State Appropriations	176,739	-	-	-	176,739
State Lottery Appropriations	3,494	-	-	-	3,494
Payments on Behalf of the University	11,450	-	-	-	11,450
Gifts	47,568	11,043	-	-	58,611
Federal Pell Grants	30,290	-	-	-	30,290
Investment Income	9,734	1,162	-	-	10,896
Interest on Capital Asset-Related Debt	(23,958)	(2,495)	(107)	-	(26,560)
Assessments by Commission for Debt Service	(6,361)	-	-	-	(6,361)
Debt Issuance Costs	-	-	-	-	-
Other Nonoperating Expenses - Net	(3,664)	(5)	-	-	(3,669)
Net Nonoperating Revenues	245,292	9,705	(107)	-	254,890
(Loss) Income before Other Revenues, Expenses, Gains, or Losses	(14,304)	4,967	(1,323)	-	(10,660)
Capital Grants and Gifts	16,834	273	-	-	17,107
Capital Payments on Behalf of the University	-	-	-	-	-
Transfer of Assets to the University	5,092	(5,092)	-	-	-
Transfer of Assets (from) to the University	(573)	573	-	-	-
Increase in Net Position	7,049	721	(1,323)	-	6,447
Net Position at Beginning of Year	1,028,940	35,594	(4,979)	-	1,059,555
Cumulative Effect of Change in Accounting Principle	-	-	-	-	-
Net Position at Beginning of Year, as Restated	1,028,940	35,594	(4,979)	-	1,059,555
Net Position at End of Year	\$ 1,035,989	\$ 36,315	\$ (6,302)	\$ -	\$ 1,066,002

2019

Statement of Cash Flows

	WVU Excluding Component Unit	WVU Research Corporation	WVU Innovation Corporation	WVU Combined
Cash Provided By (Used In):				
Operating Activities	\$ (144,970)	\$ (4,505)	\$ (1,649)	\$ (151,124)
Noncapital Financing Activities	255,633	11,038	-	266,671
Capital Financing Activities	(83,705)	(8,899)	772	(91,832)
Investing Activities	9,420	371	870	10,661
Increase (Decrease) in Cash and Cash Equivalents	\$ 36,378	\$ (1,995)	\$ (7)	\$ 34,376
Cash and Cash Equivalents, Beginning of Year	\$ 82,843	\$ 23,465	\$ 130	\$ 106,438
Cash and Cash Equivalents, End of Year	\$ 119,221	\$ 21,470	\$ 123	\$ 140,814

2018

Statement of Net Position

	WVU Excluding Component Unit	WVU Research Corporation	WVU Innovation Corporation	Eliminations	WVU Combined
Assets					
Current Assets	\$ 216,542	\$ 61,683	\$ 720	\$ -	\$ 278,945
Accounts Receivable - Corporation	11,073	-	-	(11,073)	-
Accounts Receivable - WVUIC, Current Portion	-	1,241	-	(1,241)	-
Total Noncurrent Assets	227,615	62,924	720	(12,314)	278,945
Capital Assets, net	1,760,687	65,895	3,759	-	1,830,341
Accounts Receivable - WVUIC	-	3,500	-	(3,500)	-
Other Noncurrent Assets	126,900	2,196	-	-	129,096
Total Noncurrent Assets	1,887,587	71,591	3,759	(3,500)	1,959,437
Total Assets	2,115,202	134,515	4,479	(15,814)	2,238,382
Deferred Outflows of Resources	28,047	-	-	-	28,047
Total Assets and Deferred Outflows of Resources	\$ 2,143,249	\$ 134,515	\$ 4,479	\$ (15,814)	\$ 2,266,429
Liabilities and Deferred Inflows of Resources					
Current Liabilities	\$ 163,240	\$ 27,972	\$ 1,578	\$ -	\$ 192,790
Accounts Payable - WVU	-	11,073	-	(11,073)	-
Accounts Payable - WVUIC, Current Portion	(461)	-	1,702	(1,241)	-
Total Current Liabilities	162,779	39,045	3,280	(12,314)	192,790
Noncurrent Liabilities	884,356	59,535	2,712	-	946,603
Accounts Payable - WVUIC	-	-	3,500	(3,500)	-
Total Noncurrent Liabilities	884,356	59,535	6,212	(3,500)	946,603
Total Liabilities	1,047,135	98,580	9,492	(15,814)	1,139,393
Deferred Inflows of Resources	-	-	-	-	-
Total Liabilities and Deferred Inflows of Resources	\$ 1,047,135	\$ 98,580	\$ 9,492	\$ (15,814)	\$ 1,139,393
Net Position					
Net Investment in Capital Assets	\$ 1,090,720	\$ 14,625	\$ -	\$ -	\$ 1,105,345
Restricted Nonexpendable	17,954	-	-	-	17,954
Restricted Expendable	10,952	-	-	-	10,952
Unrestricted Net Deficit	(90,686)	20,969	(4,979)	-	(74,696)
Total Net Position	\$ 1,028,940	\$ 35,594	\$ (4,979)	\$ -	\$ 1,059,555

2018

Statement of Revenues, Expenses and Changes in Net Position

	WVU Excluding Component Unit	WVU Research Corporation	WVU Innovation Corporation	Eliminations	WVU Combined
Operating Revenues					
Student Tuition and Fees, net	\$ 411,796	\$ -	\$ -	\$ -	\$ 411,796
Federal Land Grants	8,660	-	-	-	8,660
Local Land Grants	1,065	-	-	-	1,065
Federal Grants and Contracts	8,909	66,375	1,739	-	77,023
State Grants and Contracts	8,956	30,052	-	-	39,008
Local Grants and Contracts	33	253	-	-	286
Nongovernmental Grants and Contracts	58,585	24,711	1,954	-	85,250
Sales and Services of Educational Departments	22,437	333	-	-	22,770
Auxiliary Enterprises, net	152,679	-	-	-	152,679
Interest on Student Loans Receivable	773	-	-	-	773
Net Operating Revenue from the Corporation	9,751	-	-	(9,751)	-
Net Operating Revenue from WVUIC	(177)	8	177	(8)	-
Net Service Agreement Revenue from BridgeValley and Parkersburg CTC's	250	-	-	-	250
Other Operating Revenues	8,431	131	6	-	8,568
Total Operating Revenues	692,148	121,863	3,876	(9,759)	808,128
Operating Expenses					
Depreciation and Amortization	75,833	1,834	473	-	78,140
Net Operating Expenses to WVU	-	9,751	-	(9,751)	-
Net Operating Expenses to the Corporation	(250)	-	258	(8)	-
Other Operating Expenses	848,809	121,706	4,362	-	974,877
Total Operating Expenses	924,392	133,291	5,093	(9,759)	1,053,017
Operating (Loss) Income	(232,244)	(11,428)	(1,217)	-	(244,889)
Nonoperating Revenues (Expenses)					
State Appropriations	171,771	-	-	-	171,771
State Lottery Appropriations	3,402	-	-	-	3,402
Payments on Behalf of the University	12,428	17	-	-	12,445
Gifts	53,245	9,586	-	-	62,831
Federal Pell Grants	30,737	-	-	-	30,737
Investment Income	9,356	760	-	-	10,116
Assessments by Commission for Debt Service	(6,335)	-	-	-	(6,335)
Debt Issuance Costs	-	(859)	-	-	(859)
Other Nonoperating Expenses - Net	(135)	(33)	-	-	(168)
Net Nonoperating Revenues	250,916	7,537	(106)	-	258,347
Net Nonoperating Revenues	250,916	7,537	(106)	-	258,347
(Loss) Income before Other Revenues, Expenses, Gains, or Losses	18,672	(3,891)	(1,323)	-	13,458
Capital Grants and Gifts	25,341	1,405	-	-	26,746
Capital Payments on Behalf of the University	896	-	-	-	896
Transfer of Assets to (from) the University	5,645	(5,645)	-	-	-
Transfer of Assets (from) to the University	(199)	199	-	-	-
Increase (decrease) in Net Position	50,355	(7,932)	(1,323)	-	41,100
Net Position at Beginning of Year	963,132	43,526	(3,656)	-	1,003,002
Cumulative Effect of Change in Accounting Principle	15,453	-	-	-	15,453
Net Position at Beginning of Year, as Restated	978,585	43,526	(3,656)	-	1,018,455
Net Position at End of Year	\$ 1,028,940	\$ 35,594	\$ (4,979)	\$ -	\$ 1,059,555

2018

Statement of Cash Flows

	WVU Excluding Component Unit	WVU Research Corporation	WVU Innovation Corporation	WVU Combined
Cash Provided By (Used In):				
Operating Activities	\$ (175,334)	\$ (16,574)	\$ (132)	\$ (192,040)
Noncapital Financing Activities	258,941	9,489	-	268,430
Capital Financing Activities	(107,546)	6,968	(288)	(100,866)
Investing Activities	(3,047)	257	(29)	(2,819)
Increase (Decrease) in Cash and Cash Equivalents	\$ (26,986)	\$ 140	\$ (449)	\$ (27,295)
Cash and Cash Equivalents, Beginning of Year	\$ 109,829	\$ 23,325	\$ 579	\$ 133,733
Cash and Cash Equivalents, End of Year	\$ 82,843	\$ 23,465	\$ 130	\$ 106,438

25. SEGMENT INFORMATION

See Note 12 for descriptive information for the University's segment.

Condensed financial information for each of the University's segments follow:

(Dollars in Thousands)

	AUXILIARIES As of/Year Ended 2019	AUXILIARIES As of/Year Ended 2018
CONDENSED SCHEDULES OF NET POSITION		
Assets and Deferred Outflows of Resources:		
Current Assets	\$ 70,240	\$ 52,373
Noncurrent and Capital Assets *	1,136,590	1,145,801
Total Assets	1,206,830	1,198,174
Deferred Outflows of Resources:		
Deferred Loss on Refunding	11,916	12,426
Deferred Outflows Related to Pensions	103	115
Deferred Outflows Related to Other Post Employment Benefits	1,375	1,277
Total Assets and Deferred Outflows of Resources	\$ 1,220,224	\$ 1,211,992
Liabilities, Deferred Inflows, and Net Position:		
Current Liabilities	\$ 49,161	\$ 44,333
Long-Term Liabilities	619,197	640,875
Total Liabilities	668,358	685,208
Deferred Inflows of Resources:		
Deferred service concession arrangements	36,105	37,114
Deferred inflows related to Dining Services Contract	9,438	-
Deferred inflows related to pensions	170	131
Deferred inflows related to Other Post Employment Benefits	3,072	2,405
Total Liabilities and Deferred Inflows of Resources	\$ 717,143	\$ 724,858
Net Position:		
Net investment in capital assets	\$ 548,959	\$ 541,857
Restricted	36,333	42,851
Unrestricted net deficit	(82,211)	(97,574)
Total Net Position	\$ 503,081	\$ 487,134
CONDENSED SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION		
Auxiliary and Capital Fees	\$ 32,196	\$ 31,191
Operating Revenues	124,151	135,820
Operating Expenses	(147,231)	(178,687)
Net Operating Income (Loss)	9,116	(11,676)
Nonoperating Revenues/Expenses:		
Investment Income	1,175	495
Net Transfers from Other Funds	10,531	24,105
Other Nonoperating Income	7,746	4,901
Gifts	16,057	19,799
Other Nonoperating Expenses	(4,875)	(5,282)
Interest Expense *	(23,803)	(23,595)
Increase in Net Position	15,947	8,747
Cumulative Effect of Change in Accounting Principle	-	1,424
Net Position - Beginning of Year (as amended)	487,134	476,963
Net Position - End of Year	\$ 503,081	\$ 487,134

(continued)

CONDENSED SCHEDULES OF CASH FLOWS

Net Cash (Used in) Provided by Operating Activities	\$ (4,402)	\$ 6,931
Net Cash Flows Provided by		
Noncapital Financing Activities	16,057	19,800
Net Cash Flows Provided by (Used in)		
Capital and Related Financing Activities	5,664	(71,190)
Net Cash Flows Provided by		
Investing Activities	870	500
Increase (Decrease) in Cash	18,189	(43,959)
Cash - Beginning of Year	58,102	102,061
Cash - End of Year	<u>\$ 76,291</u>	<u>\$ 58,102</u>

Reconciliation of cash

Cash classified as current assets	\$ 58,826	\$ 42,210
Cash classified as noncurrent assets	17,465	15,892
	<u>\$ 76,291</u>	<u>\$ 58,102</u>

* Interest of \$153,820 and \$388,164 was capitalized for fiscal year 2019 and 2018, respectively.

26. FUNCTIONAL CLASSIFICATION OF EXPENSES
(Dollars in Thousands)

The University's operating expenses by functional and natural classification are as follows:

Functional Classification	Year Ended June 30, 2019										
	Natural Classification										
	Salaries & Wages	Benefits	Scholarships & Fellowships	Utilities	Supplies & Other Services	Depreciation and Amortization	Loan Cancellations & Write Offs	Assessments by the Commission	Other Operating Expenses	Total	
Instruction	\$ 244,548	\$ 68,267	\$ -	\$ 264	\$ 33,115	\$ -	\$ -	\$ -	\$ 12	\$ 346,206	
Research	62,842	28,598	-	359	42,442	-	-	-	85	134,326	
Public Service	36,215	8,962	-	176	15,534	-	-	-	33	60,920	
Academic Support	29,818	6,588	-	102	12,177	-	-	-	30	48,715	
Student Services	21,948	8,442	-	42	11,875	-	-	-	-	42,307	
Operation and Maintenance of Plant	21,607	7,347	-	21,569	19,112	-	-	-	-	69,635	
General Institutional Support	68,352	16,057	-	118	49,845	-	-	-	1,839	136,211	
Student Financial Aid	-	-	-	-	-	-	-	-	-	113,141	
Auxiliary Enterprises	44,400	7,712	-	8,180	52,824	74,024	-	-	25	74,024	
Depreciation and Amortization	-	-	-	-	-	-	-	-	-	296	
Loan Cancellations and Write Offs	-	-	-	-	-	-	-	-	-	296	
Total Expenses	\$ 529,730	\$ 151,973	\$ 49,596	\$ 30,810	\$ 236,924	\$ 74,024	\$ 296	\$ -	\$ 2,024	\$ 1,075,877	

Functional Classification	Year Ended June 30, 2018										
	Natural Classification										
	Salaries & Wages	Benefits	Scholarships & Fellowships	Utilities	Supplies & Other Services	Depreciation and Amortization	Loan Cancellations & Write Offs	Assessments by the Commission	Other Operating Expenses	Total	
Instruction	\$ 229,965	\$ 67,670	\$ -	\$ 276	\$ 31,593	\$ -	\$ -	\$ -	\$ 78	\$ 329,582	
Research	64,323	27,655	-	423	38,779	-	-	-	-	131,180	
Public Service	35,674	9,151	-	161	14,983	-	-	-	21	59,990	
Academic Support	25,936	6,670	-	107	11,357	-	-	-	22	44,092	
Student Services	20,755	8,568	-	37	11,006	-	-	-	4	40,370	
Operation and Maintenance of Plant	20,918	8,090	-	22,096	18,125	-	-	-	12	69,241	
General Institutional Support	66,069	16,436	-	119	47,250	-	-	-	721	130,595	
Student Financial Aid	-	-	38,657	-	-	-	-	-	-	38,657	
Auxiliary Enterprises	49,852	10,312	-	8,937	58,463	-	-	-	480	128,044	
Depreciation and Amortization	-	-	-	-	-	78,140	-	-	-	78,140	
Assessments by Commission for Operations	-	-	-	-	-	-	-	2,751	-	2,751	
Loan Cancellations and Write Offs	-	-	-	-	-	-	-	-	-	375	
Total Expenses	\$ 513,492	\$ 154,552	\$ 38,657	\$ 32,156	\$ 231,556	\$ 78,140	\$ 375	\$ 2,751	\$ 1,338	\$ 1,053,017	

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF PROPORTIONATE SHARE OF OPEB LIABILITY AND CONTRIBUTIONS

Schedule of Proportionate Share of Net OPEB Liability (dollars in thousands):

Measurement Date	University's Proportionate Share as a Percentage of			University's Proportionate Share			Total Proportionate Share		University's Covered Payroll		University's Proportionate Share as a Percentage of Covered Employee Payroll		Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	
	Net OPEB Liability	Share	Proportionate	Proportionate	Share	Proportionate	Share	Proportionate	Employee Payroll	Covered	Percentage of	Covered Employee Payroll	Total OPEB Liability	
June 30, 2018	6,786,307	14%	\$ 145,905	\$ 30,091	\$ 175,996	\$ 139,162			139,162		104.85%		30.98%	
June 30, 2017	6,435,215	70%	\$ 158,433	\$ 32,345	\$ 190,778	\$ 141,514			141,514		111.96%		25.10%	

Schedule of Employer Contributions (dollars in thousands):

Fiscal Year End	Actuarially Determined Contribution		Actual Contribution		Contribution Deficiency (Excess)		Covered Employee Payroll		Actual Contribution as a percentage of Covered Employee Payroll	
	June 30, 2019	June 30, 2018	\$	\$	\$	\$	\$	\$		
	\$	\$	13,867	14,043	(176)	139,162	10.09%			
	\$	\$	13,218	13,850	(632)	141,514	9.79%			

These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

Notes to Required Supplementary Information
For the Year Ended June 30, 2019 and 2018

There are no factors that affect trends in the amounts reported, such as change in benefit terms or assumptions. With only two years reported in the required supplementary information, there is no additional information to include in the notes. Information, if necessary, can be obtained from the RHBT and PEIA at www.peia.gov.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND CONTRIBUTIONS

Schedule of Proportionate Share of TRS Net Pension Liability (dollars in thousands):

Measurement Date	University's Proportionate Share as a Percentage of	University's Proportionate Share	State's Proportionate Share	Total Proportionate Share	University's Covered Payroll	University's Proportionate Share as a Percentage of	University's Plan Fiduciary Net Position as a Percentage of
	Net Pension Liability	Share	Share	Share	Payroll	Covered Employee Payroll	Total Pension Liability
June 30, 2018	0.199086%	\$ 6,216	\$ 16,106	\$ 22,322	\$ 2,901	214.27%	71.20%
June 30, 2017	0.265661%	9,179	20,298	29,477	3,998	229.55%	61.42%
June 30, 2016	0.308824%	12,692	24,175	36,867	4,667	271.95%	61.42%
June 30, 2015	0.299518%	10,379	23,682	34,061	4,438	233.86%	66.25%
June 30, 2014	0.326562%	11,267	25,456	36,723	4,877	231%	65.95%

Schedule of Employer Contributions (dollars in thousands):

Fiscal Year End	Actuarly Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a percentage of Covered Employee Payroll
June 30, 2019	\$ 939	\$ 730	\$ 209	\$ 2,901	25.16%
June 30, 2018	1,199	856	343	3,998	21.41%
June 30, 2017	1,307	1,197	110	4,667	25.65%
June 30, 2016	1,470	1,362	108	4,438	30.69%
June 30, 2015	1,486	1,504	(18)	4,877	30.84%

These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

Notes to Required Supplementary Information
For the Years Ended June 30, 2019 and 2018

There are no factors that affect trends in the amounts reported, such as change in benefit terms or assumptions. With only five years reported in the required supplementary information, there is no additional information to include in the notes. Information, if necessary, can be obtained from the CPRB Comprehensive Annual Financial Report.