

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

**CONCORD UNIVERSITY  
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## INDEPENDENT AUDITORS' REPORT

Board of Governors  
Concord University  
Athens, West Virginia

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

We have audited the accompanying financial statements of the business-type activities of Concord University (the University), a component unit of the West Virginia Higher Education Policy Commission as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

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

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

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

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the Concord University Foundation, Inc. which represents 100% of the assets, net assets and revenue of the discretely presented component unit. We also did not audit the Research & Development Corporation which is a blended component unit and represents 2% of the assets, 0.6% of the net assets and 3% of the revenue of the University. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Concord University Foundation, Inc. and the Research & Development Corporation is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Concord University Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

***Auditors' Responsibility (Continued)***

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

***Opinion***

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

***Other Matter***

The 2013 financial statements were audited by other auditors, whose report dated October 30, 2013, expressed an unmodified opinion on those statements.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2014, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance

  
**CliftonLarsonAllen LLP**

Plymouth Meeting, Pennsylvania  
October 28, 2014

**CONCORD UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014 AND 2013**

**Introduction**

Concord University, (the University) is pleased to present its financial statements for the years ended June 30, 2014 and 2013. The University's financial statements are presented in the format required by the Governmental Accounting Standards Board (GASB).

During the fiscal year 2003, the University adopted GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. As a result, the financial statements of The Concord University Foundation, Inc. (the Foundation) are discretely presented following the University's financial statements. The Foundation is a private nonprofit organization. No modifications have been made to the Foundation's audited financial information as it is presented herein. The Concord University Research and Development Corporation, Inc. is presented as a blended component entity of the University.

**Financial Highlights**

In fiscal year 2014, the University's enrollment decreased by (4.55%) for total full-time fall enrollment of 2,567. Total net position increased by 4.06% for the year. Net investment in capital assets increased by 4.05%, while unrestricted net position decreased by (11.60%). Total gross tuition and fee revenue increased by 1.25% due to tuition and fee increases of 4.95% effective for the year ended June 30, 2014. State appropriated funding decreased by 9.94% from that reported for the fiscal year ended June 30, 2013.

**Financial Statements**

The three statements reporting the financial results of the University are the statements of net position; the statements of revenues, expenses, and changes in net position; and the statements of cash flows. Each of these statements is discussed below.

**Statement of 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 (assets and deferred outflows of resources minus liabilities and deferred inflows of resources) of the University as of the end of the fiscal year. Assets denote the resources available to continue the operations of the University. Liabilities indicate how much the University owes vendors, employees and lenders. Net Position provides a way to measure the financial position of the University.

The statement of net position is similar to a balance sheet in format. It presents information about the resources available to the University and claims against those resources. Both resources and claims are classified in a format that segregates assets that are not, or are not intended to be available within the next year for operations, and liabilities, which are not expected to be due within the next year.

Net position is displayed in three major categories:

1. *Net investment in capital assets*. This category represents the University's total investment in capital assets, net of 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.

**CONCORD UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014 AND 2013**

2. *Restricted net position.* This category includes net position whose use is restricted either due to externally imposed constraints or because of restrictions imposed by law. They are further divided into two additional components - expendable and nonexpendable. Expendable restricted net position includes resources which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. Nonexpendable restricted net position includes endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to principal.
3. *Unrestricted net position.* This category represents the resources derived primarily from tuition and fees, state appropriations, and sales and services of educational activities that are not restricted. These resources are used for transactions related to educational and general operations of the University.

**Condensed Statements of Net Position  
June 30, 2014, 2013 and 2012**

	2014	2013	2012	Change FY 14 - FY 13
<b>Assets:</b>				
Current Assets	\$ 8,261,048	\$ 9,768,822	\$ 8,149,406	-15.43%
Noncurrent Assets	60,491,530	58,799,018	56,685,436	2.88%
Total Assets	<u>68,752,578</u>	<u>68,567,840</u>	<u>64,834,842</u>	0.27%
<b>Liabilities:</b>				
Current Liabilities	4,592,951	6,063,117	5,329,009	-24.25%
Noncurrent Liabilities	13,218,072	13,443,527	13,473,526	-1.68%
Total Liabilities	<u>17,811,023</u>	<u>19,506,644</u>	<u>18,802,535</u>	-8.69%
Deferred Inflows of Resources	1,019,283	1,088,813	1,171,580	-6.39%
<b>Net Position:</b>				
Net Investment in Capital Assets	50,226,252	48,263,683	45,877,401	4.07%
<b>Restricted:</b>				
Nonexpendable	2,664,316	2,664,782	420,226	-0.02%
Expendable	1,506,875	991,583	2,964,782	51.97%
Unrestricted Deficit	(4,475,170)	(3,947,665)	(4,401,682)	-13.36%
Total Net Position	<u>\$ 49,922,272</u>	<u>\$ 47,972,383</u>	<u>\$ 44,860,727</u>	4.06%

An indicator of the short-term financial health of the University is the ratio of current assets to current liabilities (current ratio). The current ratio was 1.80 to 1.00 and 1.61 to 1.00 as of June 30, 2014 and 2013, respectively. These indicate that the University has sufficient available resources to meet its obligations.

**CONCORD UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014 AND 2013**

As of June 30, 2014, the total assets of the University had increased by 0.27% while total liabilities decreased by 8.69% from the balances as of June 30, 2013. The net position increased by 4.06% during the same time period. Unrestricted net position decreased by -13.36% for the year ended June 30, 2014. The decrease in unrestricted net position is due in part to a reclassification of the unrestricted net assets from the Marsh Endowment.

The University's total liabilities and deferred inflows of resources were approximately \$18.8 million and \$20.5 million, respectively, as of June 30, 2014 and 2013. Noncurrent liabilities were approximately \$13.2 million and \$13.4 million as of June 30, 2014 and 2013, respectively. The noncurrent liabilities consist of capital lease obligations, service concession agreements, advances from federal sponsors, compensated absences, OPEB liability, and other debt obligations. The University's deferred inflows of resources were approximately \$1 million and \$1.1 million as of June 30, 2014 and 2013, respectively. Deferred inflows of resources are accreted over the life of the University's service concession arrangements, which caused the 6.39% decrease in the balance from June 30, 2014 to June 30, 2013.

Unrestricted net deficit comprised (8.96%) and (8.23%) of the total net position of the University as of June 30, 2014 and 2013, respectively. The unrestricted deficit amounted to approximately \$(4.5) million and \$(4) million as of June 30, 2014 and 2013, respectively.

Depreciation expense has been recorded for the years ended June 30, 2014 and 2013 in the amount of approximately \$2.2 million and \$2.5 million, respectively.

The University borrowed \$500,000 from the Higher Education Commission during the year ended June 30, 2013. The debt agreement has no interest charged to the University and is payable in the amount of \$25,000 per quarter beginning July 1, 2013. The current portion of the debt is \$100,000 with the balance reported as debt due to the Commission of \$300,000. The funds were borrowed to replenish the capital improvement funds that were spent to repair the roof of the Marsh Hall Administration building during the years ended June 30, 2013 and 2012. Annual debt payments for 2014 were \$100,000.

On February 17, 2009, the University entered into a capital lease arrangement for the purpose of completing major HVAC, plumbing, and electrical upgrades for various buildings that are expected to provide savings on energy consumption of an estimated 5.00% per year. The amount financed and outstanding as of June 30, 2014 and 2013 was \$3,499,994 and \$3,750,692, respectively. The capital lease is payable in monthly installments of \$33,478, or \$401,736 annually. Payments began May 17, 2011. The annual interest rate is 4.16% for a 15-year period ending April 17, 2025. The lease is collateralized by the equipment purchased from the proceeds of the financing arrangement. As of June 30, 2014, the project cost incurred by the University is \$4,507,783, and the related capitalized interest is \$222,087 totaling \$4,729,870. The total principal and interest to be paid during the year ending June 30, 2015 is \$261,312 and \$140,424, respectively.

**CONCORD UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014 AND 2013**

The University adopted GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* during fiscal year 2012. Two contracts for services met the four criteria of service concession agreements (SCAs). The SCAs were for the food service operations contract and the bookstore operations contract. For the year ended June 30, 2014, the University recorded an intangible asset of approximately \$1.6 million, an accrued liability of approximately \$.5 million, and a deferred inflow of resources of approximately \$1 million. The University recognized revenue of approximately \$0.2 million from SCAs during each of the fiscal years ended June 30, 2014 and 2013, that was recorded in miscellaneous revenue on the statements of revenues, expenses, and changes in net position.

The Concord University Research and Development Corporation, a blended component unit of the University, purchased the Johnson House and Mill Street Apartments located in Athens, West Virginia with the intent of using the property for providing additional housing for the University's students. When renovations were completed, the housing units were rented to University students as a form of supplemental/non-traditional housing. The University purchased the property from the Concord University Research & Development Corporation, Inc. using capital lease financing during the year ended June 30, 2012. The capital lease and related assets have been eliminated from the financial statement due to the combination of the two organizations.

These units will allow students access to year round housing. The properties were purchased by the Concord University Research & Development Corporation using a note payable dated June 23, 2011 in the amount of \$500,000, with a fixed interest rate of 5.625%. The note requires monthly principal and interest installments and matures June 23, 2016.



**CONCORD UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014 AND 2013**

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

The statement of revenues, expenses, and changes in net position presents revenues of the University (operating and nonoperating), the expenses of the University (operating and nonoperating), and any other revenues, expenses, gains, and losses of the University for the years ended June 30, 2014 and 2013. State appropriations, while budgeted for operations, must be reported as nonoperating revenues as required by GASB. 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 Statements of Revenues, Expenses, and Changes in Net Position  
Years Ended June 30, 2014, 2013 and 2012**

	2014	2013	2012	Change FY 14 - FY 13
Operating Revenues	\$ 23,550,193	\$ 24,380,008	\$ 23,301,560	-3.40%
Operating Expenses	38,869,304	40,614,456	41,417,576	-4.30%
Operating Loss	(15,319,111)	(16,234,448)	(18,116,016)	-5.64%
Nonoperating Revenues	15,181,515	16,119,094	16,322,271	-5.82%
Nonoperating Expenses	(229,230)	(250,094)	(333,421)	-8.34%
Net Nonoperating Revenues	14,952,285	15,869,000	15,988,850	-5.78%
Decrease in Net Position before Other Revenues, Expenses, Gains or Losses	(366,826)	(365,448)	(2,127,166)	0.38%
Other Revenues, Expenses, Gains or Losses	2,316,715	3,477,104	616,944	-33.37%
Increase (Decrease) in Net Position	1,949,889	3,111,656	(1,510,222)	-37.34%
Net Position - Beginning of Year	47,972,383	44,860,727	46,370,949	6.94%
Net Position - End of Year	\$ 49,922,272	\$ 47,972,383	\$ 44,860,727	4.06%

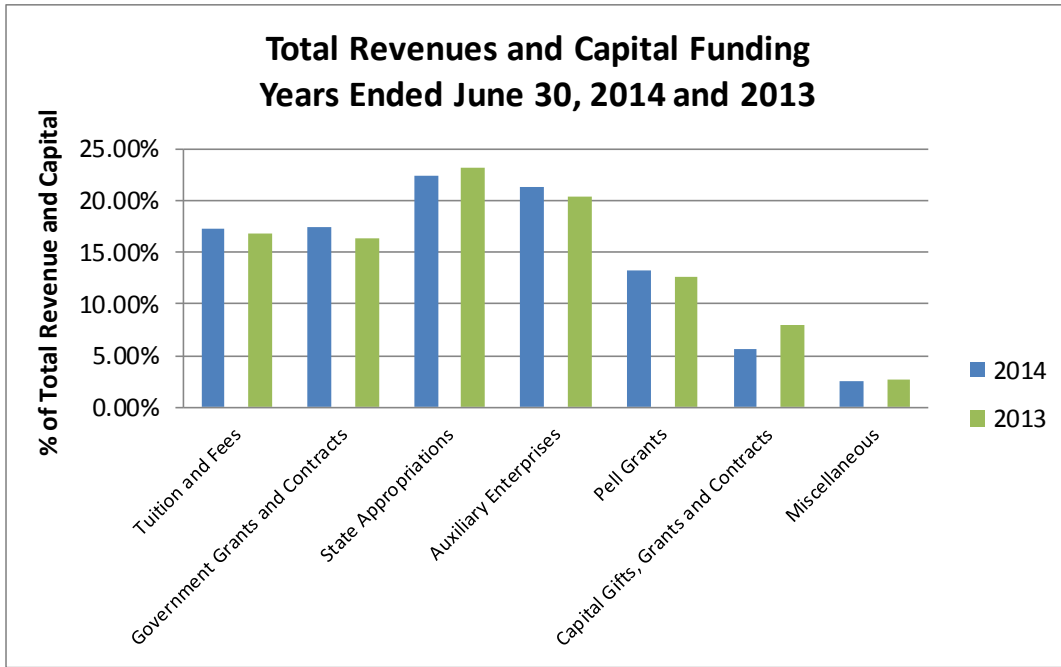
**CONCORD UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014 AND 2013**

Major sources of revenue for the University are program and general revenues. The following is a list of the sources of the total revenue and capital funding reported for the years ended June 30:

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>Change FY 14 - FY 13</u>
Program Revenues (by Major Source):				
Tuition and Fees before Allowances	\$ 16,716,550	\$ 16,510,509	\$ 15,169,351	1.25%
Less:				
Institutional Scholarship Discounts and Allowances	<u>(9,636,422)</u>	<u>(9,122,628)</u>	<u>(8,755,668)</u>	5.63%
Tuition and Fees, Net	7,080,128	7,387,881	6,413,683	-4.17%
Government Grants and Contracts	7,157,964	7,213,903	6,491,884	-0.78%
Interest on Student Loans Receivable	27,015	36,079	30,459	-25.12%
Sales and Services of Education Activities	5,903	5,212	5,634	13.26%
Auxiliary Enterprise Sales and Services	8,759,475	8,974,995	9,096,714	-2.40%
Miscellaneous	519,708	761,938	1,263,186	-31.79%
General Revenues (by Major Source):				
State Appropriations	9,192,694	10,206,804	10,164,340	-9.94%
Pell Grants	5,464,887	5,546,051	5,759,662	-1.46%
Permanent Endowment Gifts	-	-	430,852	0.00%
Investment Income (Loss)	523,934	366,239	(32,583)	43.06%
Capital Funding:				
Capital Gifts and Grants	-	-	302,288	0.00 %
Capital Bond Proceeds from the State	<u>2,316,715</u>	<u>3,477,104</u>	<u>314,656</u>	-33.37%
Total Revenues and Capital Funding	<u>\$ 41,048,423</u>	<u>\$ 43,976,206</u>	<u>\$ 40,240,775</u>	-6.66%

**CONCORD UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014 AND 2013**

The following is a graphic illustration of revenues and capital funding by source and the percentage distribution of these revenues for the years ended June 30, 2014 and 2013:



The major sources of revenue include tuition and fees, government grants and contracts, State appropriations, and auxiliary revenues. State appropriations comprised 23.73% and 23.21% of the total revenue during the years ended June 30, 2014 and 2013, respectively. Gross tuition and fees accounted for 32.98% and 37.54% of total revenue for the years ended June 30, 2014 and 2013, respectively, before scholarship discounts and allowances. Auxiliary revenue decreased 2.40% and 1.34% for the years ended June 30, 2014 and 2013, respectively. For the year ended June 30, 2014, miscellaneous revenue decreased by 31.79% and for the year ended June 30, 2013 decreased 39.68% due in most part to the recording of the SCAs.

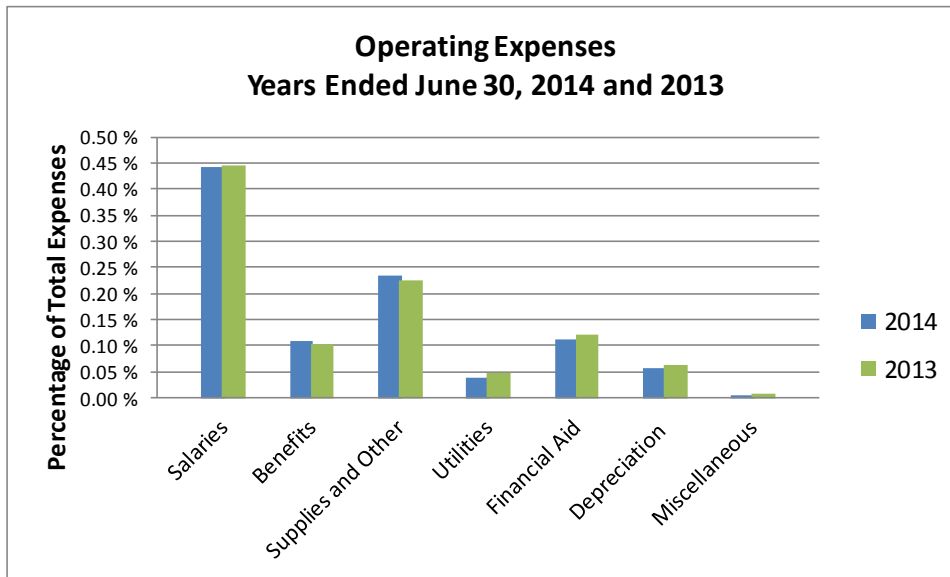
The total revenue and capital funding including grants and transfers decreased during the year ended June 30, 2014 by approximately \$2.9 million or 6.66% from the year ended June 30, 2013. The decrease in revenue is due to a decline in enrollment and the \$1.1 million reduction from state appropriations. As of June 30, 2013, total revenue and capital funding decreased by approximately \$3.7 million or 9.28% from the year ended June 30, 2012, primarily due to the increase capital gift and grant revenue.

The loss before other revenues, expenses, gains, or losses for the years ended June 30, 2014 and 2013 was approximately (\$38) million and approximately (\$40) million, respectively. The decrease in the net operating loss (\$0.37) and (\$0.37) for the years ended June 30, 2014 and 2013, respectively, was due to the decline in state appropriations of (\$1) million and decline in enrollment.

**CONCORD UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014 AND 2013**

The operating expenses of the University by natural classification are as follows:

	2014	2013	2012	Change FY 14 - FY 13
Salaries	\$ 17,192,834	\$ 17,968,908	\$ 17,121,049	(0.04)%
Benefits	4,264,879	4,251,667	5,909,753	0.00 %
Supplies and Other	9,064,001	9,294,021	9,134,797	(0.02)%
Utilities	1,551,005	1,721,759	1,791,109	(0.10)%
Student Financial Aid	4,352,342	4,654,007	4,856,577	(0.06)%
Depreciation	2,227,864	2,526,360	2,389,490	(0.12)%
Miscellaneous	216,379	197,734	214,801	0.09 %
<b>Total Operating Expenses</b>	<b>\$ 38,869,304</b>	<b>\$ 40,614,456</b>	<b>\$ 41,417,576</b>	<b>(0.04)%</b>



Salary and benefit costs together comprised 55.20% and 54.71% of the total operating expenses of the University for the years ended June 30, 2014 and 2013, respectively. Student financial aid expense totaled approximately \$4.4 and \$4.7 million and decreased by (\$301,665) and (\$202,570) for the years ended June 30, 2014 and 2013, respectively. Utilities expense decreased by 10.00% to a total of approximately \$1.5 million, which remains relatively low due in part to the completion of the energy performance contract during 2013.

**CONCORD UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014 AND 2013**

**Statements of Cash Flows**

The statement of cash flows provides information about the cash receipts, cash payments, and net change in cash resulting from the operating, investing, and financing capital and noncapital activities 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 parts:

1. *Cash flows from operating activities.* This section shows the net cash used by the operating activities of the University.
2. *Cash flows from noncapital financing activities.* This section reflects the cash received and paid for nonoperating, noninvesting, and noncapital financing purposes.
3. *Cash flows from capital and related financing activities.* This section includes cash used for the acquisition and construction of capital and related items.
4. *Cash flows from investing activities.* This section shows the purchases, proceeds, and interest received from investing activities.
5. *Reconciliation of net cash used to the operating loss.* This part provides a schedule that reconciles the accrual-based operating loss and net cash flow used in operating activities.

**Condensed Statements of Cash Flows  
Years Ended June 30, 2014, 2013 and 2012**

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>Change FY 14 - FY 13</u>
Cash Provided (Used) by:				
Operating Activities	\$ (13,731,802)	\$ (14,190,756)	\$ (13,889,655)	(0.03)%
Noncapital Financing Activities	14,657,581	15,752,855	16,354,854	(0.07)%
Capital Financing Related				
Activities	(2,369,430)	(1,901,247)	(3,121,452)	0.25 %
Investing Activities	<u>524,269</u>	<u>361,221</u>	<u>(32,583)</u>	0.45 %
Increase (Decrease) in Cash	(919,381)	22,073	(688,836)	(42.65)%
Cash - Beginning of Year	<u>4,811,774</u>	<u>4,789,701</u>	<u>5,478,537</u>	0.00 %
Cash - End of Year	<u>\$ 3,892,393</u>	<u>\$ 4,811,774</u>	<u>\$ 4,789,701</u>	(0.19)%

**CONCORD UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014 AND 2013**

The University decreased cash for the years ended June 30, 2014 and 2013 by \$919,381 and \$696,976 respectively. The decrease in cash during the year ended June 30, 2014 was due to primarily to the decline in enrollment and the reduction in state funding of \$1 million.

**Capital Asset and Long-Term Debt Activity**

The University's capital asset additions for the fiscal years ended June 30, 2014 and 2013 totaled approximately \$3.8 million and approximately \$5.2 million, respectively. During the year ended June 30, 2012, construction began on the renovations to the Fine Arts Building and the Marsh Library. These projects are funded by approximately \$6.0 million bond from the Economic Development Authority (EDA) and were completed during the year ended June 30, 2014. During the years ended June 30, 2014 and 2013, total costs for the project were approximately \$6.2 million and approximately \$3.3 million, respectively, and were incurred for renovations to the two buildings.

The University has no bond issues outstanding nor has it liquidated any bond issues during the fiscal years ended June 30, 2014 and 2013. During August of 2006, the Higher Education Policy Commission issued 30-year revenue bonds in the amount of \$167 million to fund capital projects at various institutions in the State. The University has received \$4.6 million of these funds to complete the financing of the Academic Technology Center. State lottery funds will be used to repay the debt, although University revenues are pledged if lottery funds prove insufficient.

**Economic Outlook**

The State of West Virginia reduced state appropriated funds provided to state institutions of higher education by 8.94%, effectively, for the upcoming year. The University's share of the reduction is \$912,758 for the year ending June 30, 2014. Another reduction of 7.50% has been announced for the year ending June 30, 2015 and the University's share is expected to be a cut of \$697,053.

The University has reviewed the operating costs and made cuts where possible. The University also continues to seek additional and new funding sources. The University is actively exploring funding opportunities in grants and contracts, sponsored programs, and collaborative partnerships. Enrollment management, both in numbers and quality, and other revenue generating or cost control strategies are being implemented in order to fund future academic and program needs.

The University is in the process of revising the strategic plan to reflect the changing economic conditions. Management is committed, through the strategic planning process, to address the needs for continued investment in students, faculty, staff, technology, and infrastructure. The University management team is actively engaged in identifying and implementing revenue-generating and cost-controlling initiatives while maintaining and enhancing our core mission.

The University's Regents Bachelors of Arts in Education continues to thrive. The program was established to assist students working in providing child care services. New regulations have placed upgrades in the education related to their work and the need is being met by this program. Another way the University serves the community's needs.

**CONCORD UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014 AND 2013**

**Requests for Information**

The financial report is designed to provide an overview of the finances of the University for those with an interest in this organization. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Concord University at Post Office Box 1000, Athens, West Virginia 24712.

**CONCORD UNIVERSITY**  
**STATEMENTS OF NET POSITIONS**  
**JUNE 30, 2014 AND 2013**

<b>ASSETS</b>	2014	2013
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 3,185,045	\$ 4,281,675
Cash and Cash Equivalents - Research & Development Corporation	707,348	530,099
	3,892,393	4,811,774
Due from the Commission	65,049	5,418
Accounts Receivable, Net of Allowance for Doubtful Accounts	2,054,012	3,194,897
Due from Foundation - Permanent Endowments	993,796	576,807
Due from Foundation - Other	580,515	492,556
Loans to Students - Current Portion	366,497	349,346
Intangible Asset - Service Concession Arrangement - Current Portion	210,000	200,000
Prepaid Expenses	72,614	107,740
Inventories	26,172	30,284
Total Current Assets	8,261,048	9,768,822
<b>NONCURRENT ASSETS</b>		
Due from Foundation - Permanent Endowments	2,424,736	2,425,202
Intangible Asset - Service Concession Arrangement	1,390,000	1,549,003
Loans to Students, Net of Allowance of \$-0- and \$90,334 in 2014 and 2013, Respectively	2,107,163	1,844,005
Capital Assets, Net of Accumulated Depreciation	54,569,631	52,980,808
Total Noncurrent Assets	60,491,530	58,799,018
Total Assets	\$ 68,752,578	\$ 68,567,840
<b>LIABILITIES, DEFERRED INFLOWS, AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 1,413,867	\$ 2,357,867
Accrued Liabilities	1,613,507	1,791,231
Due to the Commission	23,238	1,015
Due to Other State Agencies	1,710	16,979
Unearned Revenue	828,689	1,200,866
Compensated Absences - Current Portion	282,462	269,362
Deposits	43,423	51,026
Debt Obligations Real Estate - Current Portion	24,743	24,072
Capital Lease Obligations - Current Portion	261,312	250,699
Debt Obligations Due to the Commission	100,000	100,000
Total Current Liabilities	4,592,951	6,063,117
<b>NONCURRENT LIABILITIES</b>		
Advances from Federal Sponsors	2,257,368	2,265,209
Capital Lease Obligations - Noncurrent Portion	3,238,682	3,499,993
Compensated Absences - Noncurrent Portion	469,481	452,832
Other Postemployment Benefit Liability	6,036,141	5,931,839
Accrued Service Concession Liability	497,757	451,293
Debt Obligations Due to the Commission	300,000	400,000
Debt Obligations - Real Estate	418,643	442,361
Total Noncurrent Liabilities	13,218,072	13,443,527
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Inflows - Service Concession Arrangement	1,019,283	1,088,813
Total Deferred Inflows of Resources	1,019,283	1,088,813
<b>NET POSITION</b>		
Net Investment in Capital Assets	50,226,252	48,263,683
Restricted for - Nonexpendable - Scholarships and Fellowships	239,580	239,580
Restricted for - Nonexpendable - Permanent Endowments	2,424,736	2,425,202
Restricted for - Expendable - Loans	513,079	414,776
Restricted for - Expendable - Permanent Endowments	993,796	576,807
Unrestricted Deficit	(4,475,170)	(3,947,665)
Total Net Position	49,922,272	47,972,383
Total Liabilities, Deferred Inflows, and Net Position	\$ 68,752,578	\$ 68,567,840

See accompanying Notes to Financial Statements.



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

	2014	2013
<b>OPERATING REVENUES</b>		
Student Tuition and Fees, Net of Scholarship Allowance of \$9,636,422 and \$9,122,628 in 2014 and 2013, Respectively	\$ 7,080,128	\$ 7,387,881
Contract and Grants:		
Federal	2,262,765	1,861,303
State	4,680,981	4,820,394
Private	214,218	532,206
Interest on Student Loans Receivable	27,015	36,079
Sales and Services of Educational Activities	5,903	5,212
Auxiliary Enterprise Revenue	8,759,475	8,974,995
Miscellaneous, Net	519,708	761,938
Total Operating Revenues	23,550,193	24,380,008
<b>OPERATING EXPENSES</b>		
Salaries and Wages	17,192,834	17,968,908
Benefits	4,264,879	4,251,667
Supplies and Other Services	9,064,001	9,294,021
Utilities	1,551,005	1,721,759
Student Financial Aid - Scholarships and Fellowships	4,352,342	4,654,007
Depreciation	2,227,864	2,526,360
Loan Cancellations and Write-Offs	67,445	34,800
Fees Assessed by the Commission for Operations	148,934	162,934
Total Operating Expenses	38,869,304	40,614,456
<b>OPERATING LOSS</b>	(15,319,111)	(16,234,448)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Appropriations	9,192,694	10,206,804
Federal Pell Grants	5,464,887	5,546,051
Investment Income	523,934	366,239
Fees Assessed by the Commission for Debt Service	(22,812)	(22,810)
Interest Expense	(177,759)	(154,380)
Other Nonoperating Expenses, Net	(28,659)	(72,904)
Net Nonoperating Revenues	14,952,285	15,869,000
<b>DECREASE IN NET POSITION BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES</b>	(366,826)	(365,448)
<b>CAPITAL BOND PROCEEDS FROM STATE</b>	2,316,715	3,477,104
<b>INCREASE IN NET POSITION</b>	1,949,889	3,111,656
Net Position - Beginning of Year	47,972,383	44,860,727
<b>NET POSITION - END OF YEAR</b>	\$ 49,922,272	\$ 47,972,383

See accompanying Notes to Financial Statements.

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

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Student Tuition and Fees	\$ 16,645,848	\$ 15,428,972
Contracts and Grants	6,966,092	7,340,302
Payments to and on Behalf of Employees	(21,501,383)	(21,963,625)
Payments to Suppliers	(9,194,377)	(8,943,094)
Payments to Utilities	(1,551,006)	(1,721,759)
Payments for Scholarships and Fellowships	(13,988,763)	(13,776,635)
Loans Issued to Students	(630,532)	(289,782)
Collection of Loans to Students	274,938	312,196
Interest on Student Loans	27,015	36,079
Sales and Services of Educational Activities	5,903	5,212
Auxiliary Enterprise Receipts	8,962,849	9,121,127
Fees Assessed by the Commission	(148,934)	(162,934)
Other Receipts, Net	400,548	423,185
Net Cash Used in Operating Activities	(13,731,802)	(14,190,756)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State Appropriations	9,192,694	10,206,804
Federal Pell Grants	5,464,887	5,546,051
Federal Student Loan Program - Direct Lending Receipts	11,725,826	11,496,059
Federal Student Loan Program - Direct Lending Payments	(11,725,826)	(11,496,059)
Net Cash Provided by Noncapital Financing Activities	14,657,581	15,752,855
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Capital Grants and Gifts Received	3,322,347	3,153,778
Proceeds from Borrowings from Commission	-	500,000
Debt Repayments - Real Estate	(23,047)	(22,893)
Capital Lease Principal Paid	(250,698)	(240,517)
Capital Lease Obligations Interest Paid	(169,615)	(154,380)
Purchases of Capital Assets	(4,612,511)	(5,064,284)
Increase in due to from Foundation	(504,948)	(50,141)
Principal Payments on Debt Obligations Due Commission	(100,000)	-
Interest Payments on Service Concession Arrangements	(8,145)	-
Fees Assessed by Commission	(22,812)	(22,810)
Net Cash Used in Capital Financing Activities	(2,369,430)	(1,901,247)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment Income	524,269	361,221
Net Cash Provided by Investing Activities	524,269	361,221
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	(919,381)	22,073
Cash and Cash Equivalents - Beginning of Year	4,811,774	4,789,701
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 3,892,393	\$ 4,811,774

See accompanying Notes to Financial Statements.

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

	2014	2013
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>		
Operating Loss	\$ (15,319,111)	\$ (16,234,448)
Adjustments to Reconcile Net Operating Loss to Net Cash Used in Operating Activities:		
Depreciation Expense	2,227,864	2,526,360
Effects of Changes in Operating Assets and Liabilities:		
Due from the Commission	3,219	(5,018)
Accounts Receivables, Net	72,267	(1,160,996)
Loans to Students, Net	(288,149)	55,550
Prepaid Expenses	35,127	(59,067)
Inventories	4,112	4,868
Service Concession Arrangement	125,937	(62,406)
Accounts Payable	(176,569)	446,178
Accrued Liabilities	(177,724)	303,486
Due to the Commission	22,223	(49,139)
Due to Other State Agencies	(15,269)	14,769
Unearned Revenue	(372,177)	78,174
Compensated Absences	29,749	(15,057)
Deposits Held for Others	(7,603)	(2,531)
Other Postemployment Benefits Liability	104,302	(31,479)
	<u>\$ (13,731,802)</u>	<u>\$ (14,190,756)</u>
Net Cash Used in Operating Activities		
	<u>\$ (13,731,802)</u>	<u>\$ (14,190,756)</u>
<b>NONCASH CAPITAL FINANCING ACTIVITIES</b>		
Accounts Receivable for Capital Gifts, Grants and Contracts	\$ 1,005,632	\$ 129,900
Deferred Revenue for Capital Gifts, Grants and Contracts	\$ -	\$ (449,043)
Accounts Payable for Capital Gifts, Grants and Contracts	\$ 767,431	\$ (159,583)

See accompanying Notes to Financial Statements.

**CONCORD UNIVERSITY  
CONCORD UNIVERSITY FOUNDATION, INC.  
A COMPONENT UNIT OF CONCORD UNIVERSITY  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2014 AND 2013**

	2014	2013
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 668,664	\$ 518,962
Contributions Receivable, Net of Allowance for Doubtful Accounts of \$1,257 in 2014 and 2013	260,346	268,085
Dividends and Interest Receivable	19,074	14,190
Student Loans Receivable	4,754	4,754
Prepaid Expenses		-
Cash Restricted for Long-Term Investment and by Agency Relationships	329,123	442,402
Property and Equipment, Net	3,343	4,407
Investments	34,570,369	30,865,921
Total Assets	\$ 35,855,673	\$ 32,118,721
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ -	\$ 200
Amounts Held on Behalf of Others	4,479,706	3,891,064
Obligations Under Annuity Agreements	90,041	286,157
Total Liabilities	4,569,747	4,177,421
<b>NET ASSETS</b>		
Unrestricted	845,822	690,126
Temporarily Restricted	8,641,918	7,028,400
Permanently Restricted	21,798,186	20,222,774
Total Net Assets	31,285,926	27,941,300
Total Liabilities and Net Assets	\$ 35,855,673	\$ 32,118,721

See accompanying Notes to Financial Statements.

**CONCORD UNIVERSITY  
CONCORD UNIVERSITY FOUNDATION, INC.  
A COMPONENT UNIT OF CONCORD UNIVERSITY  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUES AND OTHER SUPPORT</b>				
Gifts and Grants	\$ 269,327	\$ 83,655	\$ 169,873	\$ 522,855
Interest and Dividends, Net of Related Expenses of \$92,456	(1,476)	362,169	141,349	502,042
Net Realized and Unrealized Gains (Losses)	(549)	2,152,431	1,217,258	3,369,140
Change in Value of Split-Interest Agreements	-	-	155,529	155,529
Purpose Restrictions Accomplished	969,539	(860,942)	(108,597)	-
Administration Fees	123,795	(123,795)	-	-
Total Revenues and Support	<u>1,360,636</u>	<u>1,613,518</u>	<u>1,575,412</u>	<u>4,549,566</u>
<b>EXPENSES AND SUPPORT</b>				
University Support:				
Student Support	515,602	-	-	515,602
Faculty and Staff Development	13,540	-	-	13,540
Compensation for Services	11,343	-	-	11,343
Capital Projects	-	-	-	-
Other Expenses	372,244	-	-	372,244
Management and General	242,320	-	-	242,320
Fundraising	49,891	-	-	49,891
Total Expenses and Losses	<u>1,204,940</u>	<u>-</u>	<u>-</u>	<u>1,204,940</u>
<b>CHANGE IN NET ASSETS</b>	155,696	1,613,518	1,575,412	3,344,626
Net Assets - Beginning of Year	<u>690,126</u>	<u>7,028,400</u>	<u>20,222,774</u>	<u>27,941,300</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 845,822</u></u>	<u><u>\$ 8,641,918</u></u>	<u><u>\$21,798,186</u></u>	<u><u>\$31,285,926</u></u>

See accompanying Notes to Financial Statements.

**CONCORD UNIVERSITY  
CONCORD UNIVERSITY FOUNDATION, INC.  
A COMPONENT UNIT OF CONCORD UNIVERSITY  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUES AND OTHER SUPPORT</b>				
Gifts and Grants	\$ 228,478	\$ 74,987	\$ 295,199	\$ 598,664
Interest and Dividends, Net of Related Expenses of \$89,680	-	528,542	187,034	715,576
Net Realized and Unrealized Gains (Losses)	(1,251)	1,232,144	756,296	1,987,189
Change in Value of Split-Interest Agreements	-	-	(52,374)	(52,374)
Purpose Restrictions Accomplished	969,849	(558,710)	(411,139)	-
Administration Fees	117,519	(117,519)	-	-
Total Revenues and Support	<u>1,314,595</u>	<u>1,159,444</u>	<u>775,016</u>	<u>3,249,055</u>
<b>EXPENSES AND SUPPORT</b>				
University Support:				-
Student Support	460,644	-	-	460,644
Faculty and Staff Development	17,066	-	-	17,066
Compensation for Services	11,252	-	-	11,252
Capital Projects	163,858	-	-	163,858
Other Expenses	322,515	-	-	322,515
Management and General	197,326	-	-	197,326
Fundraising	76,784	-	-	76,784
Total Expenses and Losses	<u>1,249,445</u>	<u>-</u>	<u>-</u>	<u>1,249,445</u>
<b>CHANGE IN NET ASSETS</b>	65,150	1,159,444	775,016	1,999,610
Net Assets - Beginning of Year	<u>624,976</u>	<u>5,868,956</u>	<u>19,447,758</u>	<u>25,941,690</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 690,126</u>	<u>\$ 7,028,400</u>	<u>\$20,222,774</u>	<u>\$27,941,300</u>

See accompanying Notes to Financial Statements.

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

**NOTE 1 ORGANIZATION**

Concord University (formerly Concord College) (the University) is governed by the Concord University Board of Governors (the Board). The Board was established by Senate Bill 653 (S.B. 653).

The 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 institutions 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.

As a requirement of Governmental Accounting Standards Board (GASB) standards, the University has included information from the Concord University Foundation, Inc. (the Foundation).

Although the University benefits from the activities of the Foundation, the Foundation is independent of the University in all respects. The Foundation is not a subsidiary of the University and is not directly or indirectly controlled by the University. The Foundation has its own separate, independent Board of Directors. Moreover, the assets of the Foundation are the exclusive property of the Foundation and do not belong to the University. The University is not accountable for, and does not have ownership of, any of the financial and capital resources of the Foundation. The University does not have the power or authority to mortgage, pledge, or encumber the assets of the Foundation. The Board of Directors of the Foundation is entitled to make all decisions regarding the business and affairs of the Foundation, including, without limitation, distributions made to the University. Under State law, neither the principal nor income generated by the assets of the Foundation can be taken into consideration in determining the amount of State-appropriated funds allocated to the University. Third parties dealing with the University, the Board, and the State of West Virginia (the State) (or any agency thereof) should not rely upon the financial statements of the Foundation for any purpose without consideration of all the foregoing conditions and limitations.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the University have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by 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.

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

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

**Reporting Entity**

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

The accompanying financial statements present all funds under the authority of the University, including its blended component unit, Concord University Research and Development Corporation (the Research Corporation), which was formed on July 28, 1999 as a non-profit, non-stock corporation. The Research Corporation is included on the Blended Method as defined by GASB. The basic criterion for inclusion in the accompanying financial statements is the exercise of oversight responsibility derived from the University's ability to significantly influence operations and accountability for fiscal matters of related entities. A related Foundation and Alumni Association of the University 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 the Foundation and Alumni Association under GASB.

The audited financial statements of the Concord University Foundation, Inc. are presented here as a discrete component unit with the University's financial statements for the fiscal years ended June 30, 2014 and 2013. The Foundation is presented as a discretely presented component unit because the Foundation's activities benefit the University but the University does not control the Foundation. The Foundation is also a legally separate organization. The Foundation is a private nonprofit organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's audited financial information as it is presented herein as required by GASB.

**Financial Statement Presentation**

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

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



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

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

**Financial Statement Presentation (Continued)**

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

The West Virginia 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 structure and removed the restrictions but included designations associated with auxiliaries and capital items. These activities are fundamental to the normal ongoing operations of the institution. These restrictions are subject to change by future actions of the West Virginia Legislature.

- Restricted Net Position – Nonexpendable – This includes endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.
- Unrestricted Net Position – Unrestricted net position represents resources derived from student tuition and fees, State appropriations, and sales and services of educational activities. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the Board of Governors to meet current expenses for any purpose. These resources also include resources of auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

**Basis of Accounting**

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

**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.

The University maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The University has not experienced any losses in such accounts. The University believes that the bank is creditworthy and that it is not exposed to any significant credit risk on cash and cash equivalents.

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

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

**Cash and Cash Equivalents (Continued)**

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

The BTI maintains the Consolidated 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 multiparticipant variable net asset funds to reduce risk and offer investment liquidity diversification to the Fund participants. Funds not required to meet immediate disbursement needs are invested for longer periods. A more detailed discussion of the BTI's investment operations pool can be found in its annual audited financial report. A copy of that annual report can be obtained from the following address: 1900 Kanawha Boulevard East, Room E-122, Charleston, West Virginia 25305 or <http://www.wvbt.com>.

Permissible investments for all agencies include those guaranteed by the United States of America, its agencies and instrumentalities (U.S. Government obligations); corporate debt obligations, including commercial paper, which meet certain ratings; certain money market funds; repurchase agreements; reverse repurchase agreements; asset-backed securities; certificates of deposit; state and local government securities (SLGS); and other investments. Other investments consist primarily of investments in accordance with the Linked Deposit Program, a program using financial institutions in West Virginia to obtain certificates of deposit, loans approved by the legislature and any other program investments authorized by the legislature.

**Appropriations Due from Primary Government**

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

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

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

**Allowance for Doubtful Accounts**

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

**Inventories**

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

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

Cash, cash equivalents, and investments that are (1) externally restricted to make debt service payments, long-term loans to students or to maintain sinking or reserve funds, (2) to purchase capital or other noncurrent assets or settle long-term liabilities, or (3) permanently restricted net position are classified as a noncurrent asset in the statements of net position.

**Capital Assets**

Capital assets include property, plant, equipment, books and materials that are part of a catalogued library, and infrastructure assets. Capital assets are stated at cost at the date of acquisition or construction, or fair market value at the date of donation in the case of gifts. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and infrastructure, 20 years for land improvements and library books, and 3 to 10 years for furniture and equipment. The University's capitalization threshold is \$5,000. The accompanying financial statements reflect all adjustments required by GASB.

**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 football ticket sales, orientation fees, and room and board. Financial aid and other deposits are separately classified as deposits.

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

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

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

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

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

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

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

**Service Concession Arrangements**

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

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

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

**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 statements of net position. There were no deferred outflows at either June 30, 2014 or 2013.

An acquisition of net position by the University that is applicable to a future fiscal year is reported as a deferred inflow of resources on the statements of net position. Deferred inflows of resources are a result of service concession arrangements and are accreted over the life of the arrangements.

**Risk Management**

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

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

In addition, through its participation in the West Virginia Public Employees Insurance Agency (PEIA) and a third-party insurer, 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.

West Virginia had a single private insurance company, BrickStreet Insurance, which provides workers' compensation coverage to all employers in the state. Other private insurance companies began to offer coverage to private-sector employers beginning July 1, 2009 and to government employers July 1, 2010. Nearly every employer in the State who has a payroll must have coverage. The cost of all coverage is paid by the employers. Brick Street retains the risk related to the compensation of injured employees under the program.

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

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

**Classification of Revenues**

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

- Operating Revenues – Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state, local, and nongovernmental grants and contracts, and (4) sales and services of educational activities.
- Nonoperating Revenues – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts, contributions, and other revenues that are defined as nonoperating revenues by GASB, such as State appropriations, Federal Pell grants, investment income, and gain on the sale of capital assets (including natural resources).
- Other Revenues – Other revenues consist primarily of capital grants and gifts.

**Use of Restricted Net Position**

The University has not adopted a formal policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Generally, the University attempts to utilize restricted net position first when practicable.

**Federal Financial Assistance Programs**

The University, through financial institutions, makes loans to students under the Federal Stafford Loan Program. Federal Stafford loans are not included as receivable on the University's statements of net position as the loans are repayable directly to the U.S. Department of Education. The University made awards of approximately \$10.7 million and \$11.5 million in 2014 and 2013, respectively, under the Federal Stafford Loan Program of the U.S. Department of Education, which are not included as revenue and expense on the statements of revenues, expenses, and changes in net position.

The University also distributes other student financial assistance funds on behalf of the federal government to students under the Federal Pell Grant, Supplemental Educational Opportunity Grant, and College Work Study programs. The activity of these programs is recorded in the accompanying financial statements. In 2014 and 2013, the University received and disbursed approximately \$6.0 million and \$5.9 million, respectively, under these federal student aid programs.

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

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

**Scholarship Allowances**

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

Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (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.

**Government Grants and Contracts**

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

**Income Taxes**

The University is exempt from income taxes, except for unrelated business income, as a governmental instrumentality under federal income tax laws and regulations of the Internal Revenue Service as described in Section 115 of the Internal Revenue Code.

**Cash Flows**

Any cash and cash equivalents escrowed, restricted for noncurrent assets, or in funded reserves have not been included as cash and cash equivalents for the purpose of the statements of cash flows.

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

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

**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 expenditures during the reporting period. Actual results could differ from those estimates.

**Risk and Uncertainties**

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

**Newly Adopted Statements Issued by the Governmental Accounting Standards Board**

The University adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in the statement of financial position and related disclosures.

The University adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

The University adopted GASB Statement No. 66, *Technical Corrections - 2012: An Amendment of GASB Statements No. 10 and No. 64*. This statement improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November, 1989 FASB and AICPA Pronouncements*. The adoption of this statement did not have a material impact on the financial statements.



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

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

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

The GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective for fiscal years beginning after June 15, 2014. This statement enhances the information provided in the financial statements regarding the effects of pension-related transactions, the pension obligations of the entity, and the resources available to satisfy those obligations. The University has not yet determined the effect that the adoption of GASB Statement No. 68 may have on its financial statements.

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

**Reclassifications**

Certain amounts in the 2013 financial statements have been reclassified to conform to the 2014 presentation, with no effect on previously reported net position, operating income or excess of revenues over expenses.

**NOTE 3 CASH AND CASH EQUIVALENTS**

The composition of cash and cash equivalents was held as follows:

	2014		
	Current	Noncurrent	Total
Cash on Deposit w ith the State Treasurer/BTI	\$ 2,632,663	\$ -	\$ 2,632,663
Municipal Bond Commission for the University	13,812	-	13,812
Cash in Bank	1,245,918	-	1,245,918
	<u>\$ 3,892,393</u>	<u>\$ -</u>	<u>\$ 3,892,393</u>
	2013		
	Current	Noncurrent	Total
Cash on Deposit w ith the State Treasurer/BTI	\$ 3,378,419	\$ -	\$ 3,378,419
Municipal Bond Commission for the University	13,809	-	13,809
Cash in Bank	1,419,546	-	1,419,546
	<u>\$ 4,811,774</u>	<u>\$ -</u>	<u>\$ 4,811,774</u>

Cash held by the State Treasurer includes \$2,632,663 and \$3,378,419 at June 30, 2014 and 2013, respectively, of restricted cash for sponsored projects, loans, and other purposes.

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

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

The University cash equivalents totaling \$13,812 and \$13,809 at June 30, 2014 and 2013, respectively, are held in repurchase agreements and a business savings account, both collateralized at 110%. The collateral was held in the name of the University. Remaining cash equivalents primarily relate to amounts held in money markets.

The carrying amount of cash in bank at June 30, 2014 and 2013 was \$1,245,919 and \$1,419,546 as compared with the bank balance of \$1,544,690 and \$1,404,705, respectively. The difference is primarily caused by outstanding checks and items in transit. The bank balances were covered by federal depository insurance as noted below or were collateralized by securities held by the State's agent. Regarding federal depository insurance, interest-bearing accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. Non-interest-bearing accounts are 100% insured through December 31, 2014.

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

*Credit Risk* – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The following table provides information on the Standard & Poor's rating of the investment pools as of June 30 and does not agree to the information shown in the previous table. The difference is primarily caused by outstanding checks and items in transit:

	2014		2013	
	Carry Value (in Thousands)	S&P Rating	Carry Value (in Thousands)	S&P Rating
WV Money Market Pool	\$ 2,442,474	AAAM	\$ 2,495,868	AAAM
WV Government Money Market Pool	20,286	AAAM	287,184	AAAM
WV Short Term Bond Pool	51,815	Not Rated	615,807	Not Rated
	<u>\$ 2,514,575</u>		<u>\$ 3,398,859</u>	

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

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

	2014		2013	
	Carry Value (in Thousands)	WAM (Days)	Carry Value (in Thousands)	WAM (Days)
External Pool				
WV Money Market Pool	\$ 2,442,474	AAAM	\$ 2,495,868	52
WV Government Money Market Pool	20,286	AAAM	287,184	60
WV Short Term Bond Pool	51,815	Not Rated	615,807	358
	<u>\$ 2,514,575</u>		<u>\$ 3,398,859</u>	

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

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

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

**Cash in Bank with Trustee**

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

<u>Investment Type</u>	Carrying Value	
	2014	2013
Money Market Fund	\$ 2,442,474	\$ 2,495,868

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

**Custodial Credit Risk**

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

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University’s investment policy limits investment maturities from potential fair value losses due to increasing interest rates. No more than 5% of the money market fund’s total market value may be invested in the obligations of a single issuer, with the exception of the U.S. government and its agencies.

**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. The University has no securities with foreign currency risk.

**NOTE 4 ACCOUNTS RECEIVABLE**

Accounts receivable were as follows at June 30:

	2014	2013
Student Tuition and Fees, Net of Allowance for Doubtful Accounts of \$549,404 and \$413,393, Respectively	\$ 814,626	\$ 934,319
Grants and Contracts Receivable	709,209	1,984,231
Other Accounts Receivable, Net of Allowance for Doubtful Accounts of \$11,010 and \$38,668, Respectively	530,177	276,347
	\$ 2,054,012	\$ 3,194,897

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

**NOTE 5 CAPITAL ASSETS**

The following is a summary of capital asset transactions for the University for the years ended June 30:

	2014				Ending Balance
	Beginning Balance	Additions	Reductions	Transfers	
Capital Assets not Being Depreciated:					
Land	\$ 328,892	\$ -	\$ -	\$ -	\$ 328,892
Construction in Progress	3,840,076	3,182,209	-	(6,615,026)	407,259
Total Capital Assets not Being Depreciated	<u>\$ 4,168,968</u>	<u>\$ 3,182,209</u>	<u>\$ -</u>	<u>\$ (6,615,026)</u>	<u>\$ 736,151</u>
Capital Assets Being Depreciated:					
Land Improvements	\$ 2,264,209	\$ -	\$ -	\$ -	\$ 2,264,209
Buildings	67,199,229	-	-	6,615,026	73,814,255
Equipment	8,531,368	581,824	(476,675)	-	8,636,517
Software	351,481	-	-	-	351,481
Library Books	1,732,637	81,050	(66,934)	-	1,746,753
Total Other Capital Assets	80,078,924	662,874	(543,609)	6,615,026	86,813,215
Less: Accumulated Depreciation for:					
Land Improvements	(1,073,583)	(162,578)	-	-	(1,236,161)
Buildings	(24,020,903)	(1,353,637)	-	-	(25,374,540)
Equipment	(5,448,717)	(655,312)	448,279	-	(5,655,750)
Software	(304,435)	(14,903)	-	-	(319,338)
Library Books	(419,446)	(41,434)	66,934	-	(393,946)
Total Accumulated Depreciation	<u>(31,267,084)</u>	<u>(2,227,864)</u>	<u>515,213</u>	<u>-</u>	<u>(32,979,735)</u>
Capital Assets Being Depreciated, Net	<u>\$ 48,811,840</u>	<u>\$ (1,564,990)</u>	<u>\$ (28,396)</u>	<u>\$ 6,615,026</u>	<u>\$ 53,833,480</u>
Capital Asset Summary:					
Capital Assets not Being Depreciated	\$ 4,168,968	\$ 3,182,209	\$ -	\$ (6,615,026)	\$ 736,151
Other Capital Assets	80,078,924	662,874	(543,609)	6,615,026	86,813,215
Total Cost of Capital Assets	84,247,892	3,845,083	(543,609)	-	87,549,366
Less: Accumulated Depreciation	<u>(31,267,084)</u>	<u>(2,227,864)</u>	<u>515,213</u>	<u>-</u>	<u>(32,979,735)</u>
Capital Assets, Net	<u>\$ 52,980,808</u>	<u>\$ 1,617,219</u>	<u>\$ (28,396)</u>	<u>\$ -</u>	<u>\$ 54,569,631</u>

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

**NOTE 5 CAPITAL ASSETS (CONTINUED)**

	2013				
	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Capital Assets not Being Depreciated:					
Land	\$ 328,892	\$ -	\$ -	\$ -	\$ 328,892
Construction in Progress	1,392,659	4,704,368	-	(2,256,951)	3,840,076
Total Capital Assets not Being Depreciated	<u>\$ 1,721,551</u>	<u>\$ 4,704,368</u>	<u>\$ -</u>	<u>\$ (2,256,951)</u>	<u>\$ 4,168,968</u>
Capital Assets Being Depreciated:					
Land Improvements	\$ 2,195,903	\$ -	\$ -	\$ 68,306	\$ 2,264,209
Buildings	65,290,875	-	(280,291)	2,188,645	67,199,229
Equipment	8,315,032	446,861	(230,525)	-	8,531,368
Software	359,654	6,063	(14,236)	-	351,481
Library Books	1,696,478	66,575	(30,416)	-	1,732,637
Total Other Capital Assets	77,857,942	519,499	(555,468)	2,256,951	80,078,924
Less: Accumulated Depreciation for:					
Land Improvements	(898,357)	(175,226)	-	-	(1,073,583)
Buildings	(22,784,416)	(1,486,029)	249,542	-	(24,020,903)
Equipment	(4,901,607)	(733,757)	186,647	-	(5,448,717)
Software	(282,960)	(35,701)	14,226	-	(304,435)
Library Books	(354,217)	(95,647)	30,418	-	(419,446)
Total Accumulated Depreciation	<u>(29,221,557)</u>	<u>(2,526,360)</u>	<u>480,833</u>	<u>-</u>	<u>(31,267,084)</u>
Capital Assets Being Depreciated, Net	<u>\$ 48,636,385</u>	<u>\$ (2,006,861)</u>	<u>\$ (74,635)</u>	<u>\$ 2,256,951</u>	<u>\$ 48,811,840</u>
Capital Asset Summary:					
Capital Assets not Being Depreciated	\$ 1,721,551	\$ 4,704,368	\$ -	\$ (2,256,951)	\$ 4,168,968
Other Capital Assets	77,857,942	519,499	(555,468)	2,256,951	80,078,924
Total Cost of Capital Assets	79,579,493	5,223,867	(555,468)	-	84,247,892
Less: Accumulated Depreciation	<u>(29,221,557)</u>	<u>(2,526,360)</u>	<u>480,833</u>	<u>-</u>	<u>(31,267,084)</u>
Capital Assets, Net	<u>\$ 50,357,936</u>	<u>\$ 2,697,507</u>	<u>\$ (74,635)</u>	<u>\$ -</u>	<u>\$ 52,980,808</u>

The University maintains certain collections of inexhaustible assets to which no value can be practically determined. Accordingly, such collections are not capitalized or recognized for financial statement purposes. 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.

At June 30, 2014, the University had outstanding contractual commitments of approximately \$98,000 for property, plant, and equipment expenditures.

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

**NOTE 6 LONG-TERM LIABILITIES**

The following is a summary of long-term obligation transactions for the University for the years ended June 30:

	2014				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Advances from Federal Sponsors	\$ 2,265,209	\$ -	\$ (7,841)	\$ 2,257,368	\$ -
Capital Lease Obligations	3,750,692	-	(250,698)	3,499,994	261,312
Accrued Compensated Absences	722,194	29,749	-	751,943	282,462
Other Postemployment Benefits Liability	5,931,839	104,302	-	6,036,141	-
Debt Obligation Due to the Commission	500,000	-	(100,000)	400,000	100,000
Debt Obligations - Real Estate	466,433	-	(23,047)	443,386	24,743
Accrued Service Concession Liability*	523,699	57,018	-	580,717	82,960
<b>Total Long-Term Liabilities</b>	<b><u>\$ 14,160,066</u></b>	<b><u>\$ 191,069</u></b>	<b><u>\$ (381,586)</u></b>	<b><u>\$ 13,969,549</u></b>	<b><u>\$ 751,477</u></b>

\* Current portion is shown as part of accrued liabilities on the combined statements of net position.

	2013				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Advances from Federal Sponsors	\$ 2,263,545	\$ 1,664	\$ -	\$ 2,265,209	\$ -
Capital Lease Obligations	3,991,209	-	(240,517)	3,750,692	250,699
Accrued Compensated Absences	737,251	-	(15,057)	722,194	269,362
Other Postemployment Benefits Liability	5,963,318	670,693	(702,172)	5,931,839	-
Debt Obligation Due to the Commission	-	500,000	-	500,000	100,000
Debt Obligations - Real Estate	489,326	-	(22,893)	466,433	24,072
Accrued Service Concession Liability*	670,665	-	(146,966)	523,699	72,406
<b>Total Long-Term Liabilities</b>	<b><u>\$ 14,115,314</u></b>	<b><u>\$ 1,172,357</u></b>	<b><u>\$ (1,127,605)</u></b>	<b><u>\$ 14,160,066</u></b>	<b><u>\$ 716,539</u></b>

\* Current portion is shown as part of accrued liabilities on the combined statements of net position.

On February 17, 2009, the University entered into a capital lease arrangement for the purpose of completing major HVAC, plumbing and electrical upgrades for various buildings that are expected to provide savings of an estimated 5.00% per year on energy consumption. The original amount financed was \$4,478,698 and the amount outstanding as of June 30, 2014 was \$3,499,994. The capital lease is payable in monthly installments of \$33,478, or \$401,736 annually, with payments which began May 17, 2010. The annual interest rate is 4.16% for a 15-year period ending April 17, 2025. Future minimum capital lease commitments are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 261,312	\$ 140,430
2016	272,374	129,368
2017	283,904	117,837
2018	295,923	105,819
2019	308,450	93,291
2020 -2024	1,739,408	-
Thereafter	328,623	287,709
	<b><u>\$ 3,489,994</u></b>	<b><u>\$ 874,454</u></b>

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

**NOTE 7 OTHER POSTEMPLOYMENT BENEFITS**

In accordance with GASB, OPEB costs are accrued based upon invoices received from the Public Employees Insurance Agency (PEIA) based upon actuarial determined amounts. The management for the OPEB funds and actuarial reports are the responsibility of the West Virginia Retiree Health Benefit Trust (RHBT) as established by the state of West Virginia. The Code of West Virginia establishes the actuarial reporting requirements for the Trust Fund on an incurred basis for medical claims, prescription drug claims and capitations, and on an accrued basis for administrative expenses and revenue for a period of five years. At June 30, 2014, 2013, and 2012, the noncurrent liability related to OPEB costs was \$6,036,141, \$5,931,839, and \$5,963,318, respectively. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was \$672,462 and \$82,395, respectively, during 2014, or 11.14%. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was \$670,693 and \$83,377, respectively, during 2013, or 12.50%. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was \$2,320,813 and \$93,948, respectively, during 2012, or 4.10%. As of the years ended June 30, 2014, 2013, and 2012, there were 31, 27, and 31 retirees receiving these benefits, respectively. During the 2012 Legislative session, the State took proactive measures to address the unfunded liability, which will take effect in future fiscal years and fully fund the liability by 2037.

**NOTE 8 OPERATING LEASE OBLIGATIONS**

The University leases various equipment, automobiles, and facilities under operating lease agreements. Aggregate payments under these agreements were \$208,675 and \$221,761 for the years ended June 30, 2014 and 2013, respectively. Future minimum rental commitments are as follows:

<u>Year Ending June 30.</u>	<u>Amount</u>
2015	\$ 190,770
2016	185,577
2017	185,577
2018	183,250
2019	160,164
	<u>\$ 905,338</u>

**NOTE 9 STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS**

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

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

**NOTE 9 STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS (CONTINUED)**

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

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

The University borrowed \$500,000 from the Commission during 2013. The debt agreement has no interest charged to the University and is payable in the amount of \$25,000 per quarter beginning July 1, 2013. The current portion of the debt is \$100,000. The funds were borrowed to replenish the capital improvement funds that were spent to repair the roof of the Marsh Hall Administration building during the years ended June 30, 2014 and 2013. The University paid \$100,000 and \$-0- to the Commission against the debt obligation during 2014 and 2013, respectively.

**NOTE 10 SERVICE CONCESSION ARRANGEMENTS**

The University has adopted GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The University has identified two contracts for services that meet the criteria of a service concession arrangement (SCA). SCAs are defined as a contract between a government and an operator, another government or a private entity, in which the operator provides services, the operator collects and is compensated by fees from third parties, the government still has control over the services provided and the government retains ownership of the assets at the end of the contract. The contracts are with ARAMARK Educational Services, LLC and Follett Higher Education Group.

On July 1, 2011 the University entered into a service concession arrangement that engaged ARAMARK Educational Services, LLC (the contractor) to provide meals that are resold to students, faculty, staff and guests on the campus. The term of the contract is for one year with a right of renewal for the next nine years.

The cost of the services provided to students is based on sliding scale with an estimated average cost of \$8.68 per meal for a period of 19 weeks per semester. The meals are served in the University's dining hall located in the Jerry Beasley Student Center.



**CONCORD UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 10 SERVICE CONCESSION ARRANGEMENTS (CONTINUED)**

The contract also requires the contractor to provide funding to be used for capital projects as determined by the University. The total funding required is \$2,250,000 and is to be paid over the term of the agreement or 10 years. The amount of funding per year began at \$180,000 in the first year and increases by \$10,000 per year over the next nine years. The University is required to provide the food service facility, service wares and small expendable equipment to be used in the operation, IT systems, and is responsible for repairs and maintenance of the food service facility.

The asset and related liability are recorded at the net present value using a 5% interest rate over a 10-year term. For the year ended June 30, 2014, the amount recorded as an intangible asset was \$1.6 million, with an accrued liability of \$0.6 million. This resulted in a deferred inflow of resources of \$1 million. For the year ended June 30, 2013, the amount recorded as an intangible asset was \$1,749,003, with an accrued liability of \$523,699. This resulted in a deferred inflow of resources of \$1,088,813. The University received a total of \$225,696 and \$145,916 from the contractor during the years ended June 30, 2014 and 2013, respectively. The University paid equipment, repairs and maintenance costs of \$146,942 and \$79,863 during the years ended June 30, 2014 and 2013, respectively. The University recognized revenue for the year ended June 30, 2014 of \$86,101 and \$159,439 for the year ended June 30, 2013 recorded in the miscellaneous revenue line item on the statements of revenues, expenses, and changes in net position. The revenue inflow is recognized as the difference between the payments received from the contractor, net of interest income and expense incurred by the University, net of interest expense. The net payments are applied to calculate the value of the deferred inflows and outflows of the arrangement which are then discounted to represent the net present value of the inflows. The difference between the inflows and outflows represents the revenue recognized for the service concession arrangement. As of June 30, 2014 and 2013, the net balance of the deferred inflows was \$1,088,813 and \$1,171,580, respectively.

The contract also requires that a commission be paid to the University by the contractor based on a percentage of gross sales from certain products sold by the contractor. The rate of the commission paid ranges from a low of 5% to a high of 40% dependent upon the category of operations. The University recognized \$89,482 and \$90,780 in commissions during the years ended June 30, 2014 and 2013, respectively.

The University retains ownership of the facility and any equipment purchased for the operations except those denoted as belonging to the contractor.

The University approved a second SCA contract on July 1, 2011 that engaged Follett Higher Education Group (Follett) to provide bookstore merchandise and services to the students, faculty, staff and guests on the campus. The term of the contract is for one year with a right of renewal for the next nine years.

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

**NOTE 10 SERVICE CONCESSION ARRANGEMENTS (CONTINUED)**

Follett agreed to purchase the inventory of books owned by the University during June, 2011 in the amount of \$236,000. The contract also requires that the University be paid a commission based on a range of 11% to 15% dependent upon the gross revenue earned by Follett. The revenues paid to the University during the years ended June 30, 2014 and 2013 were \$106,394 and \$117,533, respectively.

The University is required to provide \$80,000 to cover the cost of store remodeling as required by Follett over the term of the contract. No payments were made for any store remodeling expenses during the year ended June 30, 2012. During the year ended June 30, 2013, the University contributed \$17,437 to Follett for store remodeling.

**NOTE 11 UNRESTRICTED NET POSITION (DEFICIT)**

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

	2014	2013
Total Unrestricted Net Position and Temporarily Restricted Expendable Net Position before OPEB Liability	\$ 2,564,049	\$ 2,560,981
Less: OPEB Liability	(6,036,141)	(5,931,839)
Total Unrestricted Net Position (Deficit)	\$ (3,472,092)	\$ (3,370,858)

**NOTE 12 RETIREMENT PLANS**

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

Effective January 1, 2003, higher education employees enrolled in the basic 401(a) retirement plan with TIAA-CREF have an option to switch to the Educators Money 401(a) basic retirement plan (Educators Money). New hires have the choice of either plan. As of June 30, 2009, no employees were enrolled in the Educators Money 401(a) basic retirement plan.

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

**NOTE 12 RETIREMENT PLANS (CONTINUED)**

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

Total contributions to the STRS for the years ended June 30, 2014, 2013, and 2012 were \$240,261, \$241,385, and \$262,131, respectively, which consisted of \$176,916, \$171,291, and \$187,237 from the University, and \$68,646, \$68,967, and \$74,894 from the covered employees in 2014, 2013, and 2012, respectively.

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

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

Total contributions to the TIAA-CREF for the years ended June 30, 2014, 2013, and 2012 were \$1,653,309, \$1,679,854, and \$1,607,599, respectively, which consisted of contributions of \$826,967, \$835,512, and \$803,800 from the University and \$826,654, \$839,927, and \$803,799 from the covered employees in 2014, 2013, and 2012, respectively.

The University's total payroll for the years ended June 30, 2014, 2013, and 2012 was \$17,192,834, \$17,968,908, and \$17,121,049, respectively. Total covered employees' salaries in the STRS and TIAA-CREF were \$1,144,094 and \$13,777,574, respectively, in 2014; \$1,149,448 and \$13,998,780, respectively, in 2013; and \$1,245,810 and \$13,396,656, respectively, in 2012.

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

**NOTE 13 DUE FROM THE FOUNDATION**

The accounts receivable due from the Foundation represents funds transferred from the Eminent Scholars and Marsh Permanent Endowment funds to the Concord University Foundation, Inc. for the purpose of investing these funds. The Eminent Scholar funds may be used to fund the academic division chair positions as decided by the University. The Marsh Endowment was a gift of a permanent endowment in the amount of \$2.7 million from Dr. Joseph Marsh to completely restore to its original specifications and conditions the Casavant Freres pipe organ and the practice organ, as well as maintains the organs and carillon donated by Dr. Marsh in 1979. The endowment earnings will also be used to hire instructors for the pipe organ and the carillon bells. The principal of the endowment may be used to fund the cost of the repairs. The interests on the funds are classified as current, and the remaining noncurrent dependent.

**NOTE 14 CONCORD UNIVERSITY RESEARCH & DEVELOPMENT CORPORATION**

Concord University Research & Development Corporation (the Research Corporation) is a blended component unit of the University. Based on the Research Corporation's audited financial statements as of June 30, 2014 and 2013, condensed financial statements can be found below. The statements are shown under FASB but have been converted to GASB for inclusion.

**Concord University Research & Development Corporation  
Condensed Statements of Financial Position  
June 30, 2014 and 2013**

	2014	2013
<b>ASSETS</b>		
Related Party Receivables	\$ 96,711	\$ 124,767
Other Current Assets	1,039,848	1,043,372
Capital Assets, Net	102,621	116,611
Other Noncurrent Assets	7,325	7,325
Total Assets	1,246,505	1,292,075
<b>LIABILITIES</b>		
Related Party Payables	91,921	83,452
Other Current Liabilities	871,616	865,119
Total Liabilities	963,537	948,571
<b>NET ASSETS</b>		
Unrestricted	167,583	227,379
Restricted	115,385	116,125
Total Net Assets	\$ 282,968	\$ 343,504

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

**NOTE 14 CONCORD UNIVERSITY RESEARCH & DEVELOPMENT CORPORATION (CONTINUED)**

**Concord University Research & Development Corporation  
Condensed Statements of Activities  
Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>REVENUES</b>		
Unrestricted Revenue	\$ 1,109,899	\$ 1,231,180
Restricted Assets Used	8,449	34,203
Total Revenue and Other Support	<u>1,118,348</u>	<u>1,265,383</u>
<b>EXPENSES</b>		
Program Expenses	887,886	869,437
Support Services Expenses	277,008	258,702
Total Expenses	<u>1,164,894</u>	<u>1,128,139</u>
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	(46,546)	137,244
<b>CHANGE IN RESTRICTED NET ASSETS</b>	(740)	(5,608)
<b>DONATION OF CAPITAL ASSETS TO THE UNIVERSITY</b>	<u>(13,250)</u>	<u>(25,589)</u>
<b>CHANGE IN NET ASSETS</b>	(60,536)	106,047
Net Assets - Beginning of Year	<u>343,504</u>	<u>237,457</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 282,968</u>	<u>\$ 343,504</u>

Complete financial statements for the Research Corporation can be obtained from Dr. Charles Becker, Executive Director, Concord University Research & Development Corporation, PO Box 1000, Athens, West Virginia 24712.

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

**NOTE 15 FOUNDATION**

The Foundation is a separate nonprofit organization incorporated in the State and has as its purpose, “. . . to aid, strengthen and further in every proper and useful way, the work and services of the University and its affiliated nonprofit organizations . . .” Oversight of the Foundation is the responsibility of a separate and independently elected Board of Directors, not otherwise affiliated with the University. In carrying out its responsibilities, the Board of Directors of the Foundation employs management, forms policy and maintains fiscal accountability over funds administered by the Foundation. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is therefore discretely presented with the University’s financial statements in accordance with GASB Statement No. 39. Based on the Foundation’s audited financial statements as of June 30, 2014 and 2013, the Foundation’s net assets (including unrealized gains) totaled \$31,285,926 and \$27,941,300, respectively. Complete financial statements for the Foundation can be obtained from Dr. Charles Becker, Vice President for Business & Finance at Concord University Foundation, PO Box 1000, Athens, West Virginia 24712.

During the years ended June 30, 2014 and 2013, the Foundation contributed approximately \$427,156 and \$308,849, respectively, to the University for scholarships and other student support.

**NOTE 16 AFFILIATED ORGANIZATION (UNAUDITED)**

The University has a separately incorporated affiliated organization, the Concord University Alumni Association. Oversight responsibility for this entity rests with an independent board and management not otherwise affiliated with the University. Accordingly, the financial statements of such organization are not included in the accompanying financial statements under the blended component unit requirements. They are not included in the University’s accompanying financial statements under directly presented component unit requirements as, they (1) are not material or (2) have dual purposes (i.e., not entirely or almost entirely for the benefit of the University).

**NOTE 17 CONTINGENCIES**

The nature of the educational industry is such that, from time-to-time, claims will be presented against colleges 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 impact seriously on the financial status of the University.

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

**NOTE 17 CONTINGENCIES (CONTINUED)**

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

The University owns various buildings which 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.

**NOTE 18 COMPONENT UNIT DISCLOSURES**

The following are the notes taken directly from the Foundation's financial statements starting on the following page:

**CONCORD UNIVERSITY FOUNDATION, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 1 DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Concord University Foundation, Incorporated (the Foundation) solicits and administers gifts on behalf of Concord University.

**Contributions**

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Cash and Cash Equivalents**

Cash and cash equivalents consist primarily of demand deposits and money market funds.

**Investment Valuation and Income Recognition**

Investments are reported at fair value, except for mineral rights which are reported at fair value at the date donated. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 8 for discussion of fair value measurements.

**Property and Equipment**

Equipment is stated at cost at the date of purchase. Depreciation is calculated on a straight-line basis over the estimated useful lives of the equipment, which range from three to seven years. Maintenance and repairs are charged to operations as incurred and major improvements greater than \$1,000 are capitalized.

**Split-Interest Agreements**

The Foundation has beneficial interests in various donor-established charitable remainder trusts and charitable gift annuities. Assets received under such agreements are recorded at their fair values. Assets related to charitable gift annuities for the years ended June 30, 2014 and 2013, respectively, are included in investments and amounted to approximately \$633,000 and \$759,000. Contribution revenue is calculated based on the present value of estimated future cash flows using a discount rate commensurate with the risks involved less the present value of payments expected to be made to other beneficiaries. During the terms of these agreements, activity relating to revaluations of expected future benefits to be received by the Foundation or expected future payments to other beneficiaries are recognized as "changes in the value of split-interest agreements."



**CONCORD UNIVERSITY FOUNDATION, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 1 DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Split-Interest Agreements (Continued)**

In addition, the Foundation is the beneficiary of a charitable remainder trust for which the Foundation has not recorded an interest since the annuity obligation exceeds the fair market value of the assets. Should the trust obtain investment returns above the discount rate or the lead beneficiaries die before their life expectancies, the Foundation may realize benefits from the trust.

**Functional Reporting**

Expenses are reported on a functional basis that discloses the purposes for which the expenses have been incurred. A brief description of each of the functional classifications follows:

- **University Support** – Funds expended primarily to provide support services for Concord University. It includes scholarships awarded to the students and the provision of services that directly assist the academic functions, such as faculty development, as well as capital projects.
- **Management and General** – Expenses incurred principally for (1) central executive-level activities concerned with management of day-to-day operations and long-range planning, (2) legal and fiscal operations, and (3) administrative data processing.
- **Fundraising** – Expenses related to community and alumni relations, including development and fundraising.

**Net Assets**

The Foundation has classified its net assets based on the existence or absence of donor-imposed restrictions. Below is a summary of those classifications:

**Unrestricted:** Assets that are not restricted by donors or for which restrictions have expired are unrestricted.

**Temporarily Restricted:** Assets resulting from contributions whose use is limited by donor-imposed stipulations that either expire by the passage of time or by actions of the Foundation are considered temporarily restricted. Temporarily restricted net assets consist principally of donor-imposed stipulations related to student financial aid or capital projects.

**Permanently Restricted:** Assets resulting from contributions whose use is limited by donor stipulations that neither expire through the passage of time nor by actions of the Foundation are classified as permanently restricted. Such assets consist of endowments which are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity; spending of the related investment income is limited to the lesser of actual income or a percentage of the market value of investment assets.

**CONCORD UNIVERSITY FOUNDATION, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 1 DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Donated Services**

Donated professional services contributed by Concord University are reflected as contributions in the accompanying financial statements at their estimated fair values at the date of the gift. Total donated professional services for the years ended June 30, 2014 and 2013 were approximately \$97,000 and \$114,400, respectively. The value of donated volunteer services is not reflected in the accompanying financial statements, since there is no objective basis available by which to measure the value of such services. However, a substantial number of volunteers have donated significant amounts of their time in the Foundation's fundraising campaigns.

**Donated Rent**

Use of the facilities contributed by Concord University are reflected as contributions in the accompanying financial statements at their estimated fair values in the period in which the contributions are received. Total donated rent for each of the years ended June 30, 2014 and 2013 was \$51,355 and \$51,674, respectively.

**Amounts Held on Behalf of Others**

Amounts held on behalf of others represent assets held by the Foundation as an agent for other organizations. These funds are custodial by nature and do not involve measurement of operations; therefore, they are reflected as investments and cash restricted for long-term investments and by agency relationships (assets) and amounts held on behalf of others (liability) in the accompanying financial statements in the amount of \$4,479,706 and \$3,891,064 as of June 30, 2014 and 2013, respectively.

**Risks and Uncertainties**

A substantial portion of the Foundation's assets consist of investment securities which are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect investments reported in the statement of financial position, and the unrealized and realized losses in the statement of activities.

**CONCORD UNIVERSITY FOUNDATION, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 1 DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes**

The Foundation is classified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, is not subject to taxes on income derived from its exempt activities. The organization has been classified as an organization that is not a private foundation under Section 509(a)(2). The Foundation is generally no longer subject to examination by income taxing authorities for years ended prior to 2010.

**Subsequent Events**

The date to which events occurring after June 30, 2014, have been evaluated for possible adjustment to or disclosure in the financial statements is October 9, 2014 which is the date the financial statements were available to be issued.

**Reclassifications**

Certain 2013 amounts have been reclassified to conform to the 2014 presentation.

**NOTE 2 CONTRIBUTIONS RECEIVABLE**

Contributions receivable consisted of the following:

	2014	2013
Unconditional Promises to Give	\$ 261,866	\$ 269,866
Less: Allowance for Uncollectible Promises to Give	1,257	1,257
Less: Unamortized Discount	263	524
Net Unconditional Promises to Give	\$ 260,346	\$ 268,085
Amounts Due in:		
Less than One Year	\$ 6,866	\$ 9,866
One to Five Years	255,000	260,000
	\$ 261,866	\$ 269,866

Included in contributions receivable is a \$1 million pledge of which \$250,000 is still outstanding. The pledge was received in connection with the University Point project and is payable upon the death of the donor.

**CONCORD UNIVERSITY FOUNDATION, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 3 LONG-TERM INVESTMENTS**

Long-term investments consisted of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Government Obligations	\$ 1,222,251	\$ 1,850,606
Corporate Obligations	-	555,519
Corporate Equities	2,852,394	2,790,111
Mutual Funds	29,296,962	24,575,728
Money Markets	858,957	754,152
Mineral Rights	339,805	339,805
	<u>\$ 34,570,369</u>	<u>\$ 30,865,921</u>

Government obligations consist principally of obligations of the U.S. Treasury and agencies. Corporate obligations are concentrated in the financial services, utility, and communications sectors. Corporate equities are diversified, with no significant industry concentrations. Mutual funds are concentrated in the bonds, international funds, mid cap, and large cap sectors.

Realized and unrealized gains (losses) recognized during the years ended June 30, 2014 and 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
Realized	\$ 756,245	\$ 2,053,863
Unrealized	2,612,895	(66,674)
	<u>\$ 3,369,140</u>	<u>\$ 1,987,189</u>

**NOTE 4 PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Equipment and Software	\$ 72,746	\$ 71,742
Less: Accumulated Depreciation	(69,403)	(67,335)
	<u>\$ 3,343</u>	<u>\$ 4,407</u>

Depreciation expense for the years ended June 30, 2014 and 2013 was \$2,069 and \$483, respectively.

**CONCORD UNIVERSITY FOUNDATION, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 5 TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes or periods:

	<u>2014</u>	<u>2013</u>
Business Department	\$ 660,961	\$ 494,684
Faculty Development	139,132	90,339
University Point Alumni Center	278,693	278,793
Student Support	<u>7,563,132</u>	<u>6,164,584</u>
	<u>\$ 8,641,918</u>	<u>\$ 7,028,400</u>

**NOTE 6 PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable for student support. Included in permanently restricted net assets for the years ending June 30, 2014 and 2013 is approximately \$10,000,000 and \$9,000,000, respectively, which is restricted to the Bonner Scholar's Program. According to the donor's stipulations, scholarships and other expenses are to be provided to a certain number of students. The permanent endowment amount for this program is to consist of the original endowment plus or minus investment earnings less the cost of scholarships and other expenses provided to the stipulated number of students.

**NOTE 7 FINANCIAL INSTRUMENTS**

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist of cash and investments.

The Foundation places its cash with several high-credit quality financial institutions. At times, the balances in such institutions may exceed the FDIC limit.

Investments consist of corporate stocks; federal, municipal, and corporate notes and bonds; money market funds; real estate commodity and exchange-traded funds; and mutual funds. Most of the investments are held by the trust departments of financial institutions, and managed in accordance with the Foundation's investment policy. Concentration of credit risk for investments is limited by the Foundation's investment policy.

Management does not believe significant concentrations of credit risk existed at June 30, 2014.

**CONCORD UNIVERSITY FOUNDATION, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 8 FAIR VALUE MEASUREMENT**

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of fair value hierarchy are described as follows:

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

*Level 2* – Inputs to the valuation methodology include:

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

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

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

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

*Corporate equities, corporate obligations, U.S. government and agency obligations, and mutual funds:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Money market:* Valued at amortized cost.

**CONCORD UNIVERSITY FOUNDATION, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 8 FAIR VALUE MEASUREMENT (CONTINUED)**

Assets measured at fair value on a recurring basis consisted of the following at June 30:

	Level 1:	
	Quoted Market Prices	
	2014	2013
Investments:		
Corporate Obligations	\$ -	\$ 555,519
U.S. Government and Agency Obligations	1,222,251	1,850,606
Corporate Equities:		
Consumer Discretionary	385,441	452,958
Consumer Staples	481,809	344,004
Energy	521,181	479,510
Financials	286,443	327,556
Health Care	482,550	372,602
Industrials	140,340	215,944
Information Technology	513,082	434,867
Materials	-	47,281
Telecommunications Services	41,548	33,878
Utilities	-	81,511
Mutual Funds:		
Broad Market	2,949,760	2,507,893
Large Cap	4,582,340	3,121,918
Mid Cap	1,913,445	2,550,573
Small Cap	1,816,339	1,739,938
International	5,433,828	4,614,327
Commodity	1,321,523	1,284,477
Real Estate	1,065,629	990,756
Fixed Income	10,210,252	7,762,344
Mixed Allocation	3,846	3,502
Money Markets	858,957	754,152
	<u>\$ 34,230,564</u>	<u>\$ 30,526,116</u>

The Foundation's endowment consists of individual funds established by donors for a variety of purposes, including scholarships and Foundation specified projects. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**CONCORD UNIVERSITY FOUNDATION, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 9 ENDOWMENT**

The Foundation has adopted investment and spending policies for endowment assets that support the Foundation's mission; to support the University. The overriding investment objective is to maintain purchasing power. That is, net of spending, the objective is to earn a total return, through both capital appreciation (realized and unrealized) and current yield (interest and dividends), within prudent levels of risk, which is sufficient to maintain in real terms the purchasing power and support the defined spending policy. The Investment Committee recognizes that unsupervised assets will probably be subjected to an inflationary loss of purchasing power; therefore, the funds should be managed in a way that will minimize the effect of inflation. Fixed income-like investments will be used to reduce the volatility of the overall portfolio while providing a predictable stream of income. Annual spending rate of the Foundation shall not exceed 5% of the 12-quarter rolling average of the market value of the funds, calculated as of June 30 of the year immediately preceding the beginning of the Foundation's fiscal year.

The Board of Directors of the Foundation has interpreted the West Virginia Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the fund, the purposes of the organization and the donor-restricted endowment fund, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, and other resources of the organization.

The endowment net assets consisted of the following types of funds as of June 30, 2014 and 2013:

		2014			
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endow ment	Funds	\$ 187,016	\$ 8,157,251	\$ 21,798,186	\$ 30,142,453
		2013			
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endow ment	Funds	\$ 136,965	\$ 6,627,717	\$ 20,222,774	\$ 26,987,456



**CONCORD UNIVERSITY FOUNDATION, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 9 ENDOWMENT (CONTINUED)**

Changes in endowment net assets for the years ended June 30, 2014 and 2013 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, June 30, 2012	\$ 84,926	\$ 5,325,141	\$ 19,447,758	\$ 24,857,825
Investment Return:				
Investment Earnings, Net of Fees	4,779	532,727	187,034	724,540
Net Realized/Unrealized Gains	18,666	1,212,847	756,296	1,987,809
Total Investment Return	23,445	1,745,574	943,330	2,712,349
Contributions	34,956	47,548	295,199	377,703
Reclassifications to Conform with Donor Requests	(9,561)	(16,725)	26,286	-
Appropriation of Endowment Assets for Expenditure	3,199	(473,821)	(489,799)	(960,421)
Endowment Net Assets, June 30, 2013	<u>\$ 136,965</u>	<u>\$ 6,627,717</u>	<u>\$ 20,222,774</u>	<u>\$ 26,987,456</u>
Investment Return:				
Investment Earnings, Net of Fees	\$ (1,475)	\$ 360,127	\$ 141,349	\$ 500,001
Net Realized/Unrealized Gains	23,429	2,134,636	1,217,258	3,375,323
Total Investment Return	21,954	2,494,763	1,358,607	3,875,324
Contributions	32,397	47,783	169,873	250,053
Reclassifications to Conform with Donor Requests		(209,946)	209,946	-
Appropriation of Endowment Assets for Expenditure	(4,300)	(803,066)	(163,014)	(970,380)
Endowment Net Assets, June 30, 2014	<u>\$ 187,016</u>	<u>\$ 8,157,251</u>	<u>\$ 21,798,186</u>	<u>\$ 30,142,453</u>

**NOTE 10 ADMINISTRATIVE FEES**

The Foundation's Board adopted a policy to charge an administrative fee of .90% of the market value of each permanently endowed fund, measured as of December 31 of each year. Administrative fees charged to the funds are reported as net assets released from restrictions in the accompanying statement of activities. For the years ending June 30, 2014 and 2013, the total administrative fee charged to all funds within the endowment pool was \$123,795 and \$117,519, respectively.

**CONCORD UNIVERSITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 19 COMPONENT UNIT DISCLOSURES**

These tables represent operating expenses within both natural and functional classifications for the years ended June 30:

	2014								
	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellow ships	Depreciation	Loan Cancellations and Write-Offs	Fee Assed by the Commission	Total
Instruction	\$ 8,691,152	\$2,051,664	\$ 864,405	\$ 1,647	\$ -	\$ -	\$ -	\$ -	\$ 11,608,868
Research	32,816	2,853	109,353	-	-	-	-	-	145,022
Public Service	740,906	152,375	1,025,280	10,714	-	-	-	-	1,929,275
Academic Support	668,901	183,204	614,634	1,157	-	-	-	-	1,467,896
Student Services	1,451,386	408,213	866,742	2,344	-	-	-	-	2,728,685
General Institutional Support	2,316,642	580,013	724,366	151,841	-	-	-	-	3,772,862
Operations and Maintenance of Plant	444,546	162,510	437,387	495,545	-	-	-	-	1,539,988
Student Financial Aid	-	-	-	-	4,352,341	-	-	-	4,352,341
Auxiliary Enterprises	2,846,482	724,047	4,421,834	887,758	-	-	-	-	8,880,121
Depreciation	-	-	-	-	-	2,227,864	-	-	2,227,864
Other	-	-	-	-	-	-	67,445	148,937	216,382
<b>Total</b>	<b>\$ 17,192,831</b>	<b>\$4,264,879</b>	<b>\$9,064,001</b>	<b>\$1,551,006</b>	<b>\$4,352,341</b>	<b>\$2,227,864</b>	<b>\$ 67,445</b>	<b>\$ 148,937</b>	<b>\$ 38,869,304</b>

	2013								
	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellow ships	Depreciation	Fees Assessed by Commission	Fee Assed by the Commission	Total
Instruction	\$ 9,343,690	\$2,166,955	\$ 975,675	\$ 2,548	\$ -	\$ -	\$ -	\$ -	\$ 12,488,868
Research	20,077	6,086	95,321	-	-	-	-	-	121,484
Public Service	657,079	115,469	877,461	2,188	-	-	-	-	1,652,197
Academic Support	816,187	165,310	645,909	9,517	-	-	-	-	1,636,923
Student Services	1,594,759	415,388	966,510	1,735	-	-	-	-	2,978,392
General Institutional Support	2,161,096	490,640	1,063,131	148,370	-	-	-	-	3,863,237
Operations and Maintenance of Plant	410,941	159,492	355,656	591,372	-	-	-	-	1,517,461
Student Financial Aid	-	-	-	-	4,654,007	-	-	-	4,654,007
Auxiliary Enterprises	2,965,079	732,327	4,314,358	966,029	-	-	-	-	8,977,793
Depreciation	-	-	-	-	-	2,526,360	-	-	2,526,360
Other	-	-	-	-	-	-	34,800	162,934	197,734
<b>Total</b>	<b>\$ 17,968,908</b>	<b>\$4,251,667</b>	<b>\$9,294,021</b>	<b>\$1,721,759</b>	<b>\$4,654,007</b>	<b>\$2,526,360</b>	<b>\$ 34,800</b>	<b>\$ 162,934</b>	<b>\$40,614,456</b>



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

Board of Governors  
Concord University  
Athens, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Concord University (the University), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 28, 2014, which states reliance on another auditor for the discretely presented component unit. Our report includes a reference to another auditor who audited the financial statements of the Concord University Foundation, Inc. (the Foundation), as described in our report on the University's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by that auditor. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

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

### **Internal Control Over Financial Reporting (Continued)**

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

### **Compliance and Other Matters**

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

### **Concord University's Response to Findings**

The University's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The University's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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



**CliftonLarsonAllen LLP**

Plymouth Meeting, Pennsylvania  
October 28, 2014

**CONCORD UNIVERSITY  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2014**

**CURRENT YEAR**

**2014-001: Journal Entry Review**

**Condition**

Majority of journal entries are discussed between the CFO and controller prior to posting; however, the approval and review are not formally documented.

**Criteria**

Journal entries should be reviewed so that adjustments if any can be made on a timely basis.

**Cause**

Documentation of the review process is not a part of the University's policy.

**Possible Asserted Affect**

Management could improperly record, process, summarize or report financial data.

**Auditors' Recommendation**

We recommend that the University review and modify its internal control system to assure all proper controls are in place to address the review of the journal entries.

**Views of responsible officials and planned corrective actions:**

**Explanation of disagreement with audit finding:** There is no disagreement with the audit finding.

**Actions planned in response to finding:** We will implement the signature needed to prove verification.

**Responsible party:** CFO

**Planned completion date for corrective action plan:** Effective Immediately

**Plan to monitor completion of corrective action plan:** The journal entry review will be monitored by using a listing provided by the computer center for all the entries prepared and posted by the controller Identify monitoring plan.

**2014-002: Purchase Card Activity**

**Condition**

Purchase card activities were being paid without sufficient documentation and proper approval. Three of the five selections tested did not have the approval of the purchase card coordinator on the related log sheet.

**CONCORD UNIVERSITY  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
YEAR ENDED JUNE 30, 2014**

**2014-002: Purchase Card Activity (Continued)**

**Criteria**

Generally, a federal award recipient is to have no significant deficiencies in the design or operation of the internal control system, which could adversely affect the University's ability to record, process, summarize and report financial data consistent with the assertion of management in the financial statements.

**Cause**

Due to the limited personnel, necessary adjustments are sometimes difficult to attain.

**Possible Asserted Affect**

Management could improperly record, process, summarize or report financial data.

**Auditors' Recommendation**

We recommend that the University review and modify its internal control system to assure all proper controls are in place to address the lack over the purchase card activities.

**Views of responsible officials and planned corrective actions:**

**Explanation of disagreement with audit finding:** There is no disagreement with the audit finding.

**Actions planned in response to finding:** The controller and CFO agree to implement the following steps to ensure adherence to the Pcard policy:

The Purchasing Card Department and Coordinator should perform the following:

1. Ensure that all Log sheets are signed, accurate, complete, current and filed correctly at all times.
2. 2). Communicate significant changes to all affected Cardholders immediately to ensure they aware of any revisions to their daily duties and responsibilities.
3. In the event that there are changes in personnel (new employees are hired, promotions granted, etc.), there will be training to communicate the proper documented policies and procedures that will be provided for the respective positions.
4. Ensure that the Purchasing Card Payment is made on a timely manner and will work with each Cardholder to ensure that all guidelines are followed.
5. Agree to suspend the Pcard users who do not comply with these requirements in a manner.

**Responsible party:** Purchasing Card Coordinator

**Planned completion date for corrective action plan:** Effective Immediately

**Plan to monitor completion of corrective action plan:** The CFO will perform the necessary quarterly audits to ensure compliance.