CONCORD UNIVERSITY

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2017 AND 2016

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CliftonLarsonAllen LLP
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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 and the aggregate discretely presented component unit of Concord University (the University), a component unit of the West Virginia Higher Education Fund, as of and for the years ended June 30, 2017 and 2016, 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 audits. We did not audit the Concord University Foundation, Inc., 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, 1% of the net position, and 3% of the revenue of the University as of June 30, 2017 and 2016, respectively. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Concord University Foundation Inc. were not audited in accordance with *Government Auditing Standards*.

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.

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 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, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, schedule of proportionate share of net pension liability, and schedule of contributions, as listed in the table of contents, 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 13, 2017, 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 solely 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 the effectiveness of the University's 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

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
October 13, 2017

Introduction

Concord University, (the University) is pleased to present its financial statements for the years ended June 30, 2017 and 2016. 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 2017, the University's enrollment decreased by (5.17%) for total full-time fall enrollment of 2,217. Total net position decreased by (0.08%) for the year. Net investment in capital assets increased by 1.37% while unrestricted net position decreased by (10.19%). Total gross tuition and fee revenue decreased by (2.56%) due to tuition and fee increases of 5% effective for the year ended June 30, 2017, offset by a decrease in enrollment for the fiscal year ended June 30, 2017. State appropriated funding decreased by (0.88%) from that reported for the fiscal year ended June 30, 2016.

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.

2. *Restricted net position*. This category includes net position of which 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, 2017, 2016 and 2015

	2017	2016	2015	Change FY 17 - FY 16
Assets:				
Current Assets	$ 12,045,309	$ 19,576,499	$ 13,345,073	-38.47%
Noncurrent Assets	5,341,588	8,012,461	16,418,109	-33.33%
Capital Assets, Net	63,344,842	54,466,586	50,741,583	16.30%
Total Assets	80,731,739	82,055,546	80,504,765	-1.61%
Deferred Outflows of Resources	384,305	198,111	158,164	93.98%
Total Assets and Deferred Outflows	81,116,044	82,253,657	80,662,929	-1.38%
Liabilities:				
Current Liabilities	8,196,795	8,511,908	5,750,328	-3.70%
Noncurrent Liabilities	29,785,362	30,279,353	30,940,861	-1.63%
Total Liabilities	37,982,157	38,791,261	36,691,189	-2.09%
Deferred Inflows of Resources	782,554	1,076,332	1,071,043	-27.29%
Net Position:				
Net Investment in Capital Assets	45,712,396	45,087,123	46,784,563	1.39%
Restricted:				
Nonexpendable	2,424,736	2,664,316	2,664,316	-8.99%
Expendable	1,752,325	1,475,392	1,532,760	18.77%
Unrestricted Deficit	(7,538,124)	(6,840,767)	(8,080,942)	10.19%
Total Net Position	$ 42,351,333	$ 42,386,064	$ 42,900,697	-0.08%

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 1.47 to 1 and 2.30 to 1 as of June 30, 2017 and 2016, respectively. These indicate that the University has sufficient available resources to meet its obligations.

As of June 30, 2017, the total assets of the University had decreased by (1.61%) while total liabilities decreased by (2.09%) from the balances as of June 30, 2016. Total asset decrease is due to a decrease in investments related to bond funds of $10.0 million offset by an increase in capital assets of $8.9 million. The decrease in total liabilities is due to the decrease in accounts payable of $0.4 million, advances from federal sponsors of $0.3 million and bonds payable of $0.3 million. The net position decreased by (0.08%) during the same time period. Unrestricted net position decreased by (10.19%) for the year ended June 30, 2017.

The University's total liabilities and deferred inflows of resources were approximately $38.8 million and $39.9 million, respectively, as of June 30, 2017 and 2016. Noncurrent liabilities were approximately $29.8 million and $30.3 million as of June 30, 2017 and 2016. 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 $0.8 million and $1 million as of June 30, 2017 and 2016, respectively. Deferred inflows of resources are accreted over the life of the University's service concession arrangements and for pension related items amortized over the related recognition period.

Unrestricted net deficit comprised (17.80%) and (16.14%) of the total net position of the University as of June 30, 2017 and 2016, respectively. The unrestricted deficit amounted to approximately ($7.5) million and ($6.8) million as of June 30, 2017 and 2016, respectively.

Depreciation expense has been recorded for the years ended June 30, 2017 and 2016 in the amount of approximately $2.3 million and $2.1 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 $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, 2013 and 2012. Annual debt payments for 2017 were $100,000.

The University borrowed $375,000 from the Commission during 2017. The debt agreement has no interest charged to the University and is payable in the amount of $25,000 per quarter beginning July 1, 2017. The current portion of the debt is $100,000 with the balance reported as debt due Commission of $275,000. The funds were borrowed to replenish the capital improvement funds that were spent to repair the roof of the child development center area of Towers building during the year ended June 30, 2017

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, 2017 and 2016 was $2,658,209 and $2,943,096, 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. 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, 2018 is $271,729 and $105,819, respectively.

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, 2017, the University recorded an intangible asset of approximately $0.97 million, an accrued liability of approximately $0.4 million, and a deferred inflow of resources of approximately $0.6 million. The University recognized revenue of approximately $0.22 million from SCAs during each of the fiscal years ended June 30, 2017 and 2016, 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, 2013 in the amount of $500,000, with a fixed interest rate of 5.63%. The note requires monthly principal and interest installments and matures June 23, 2021.

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, 2017 and 2016. 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, 2017, 2016 and 2015

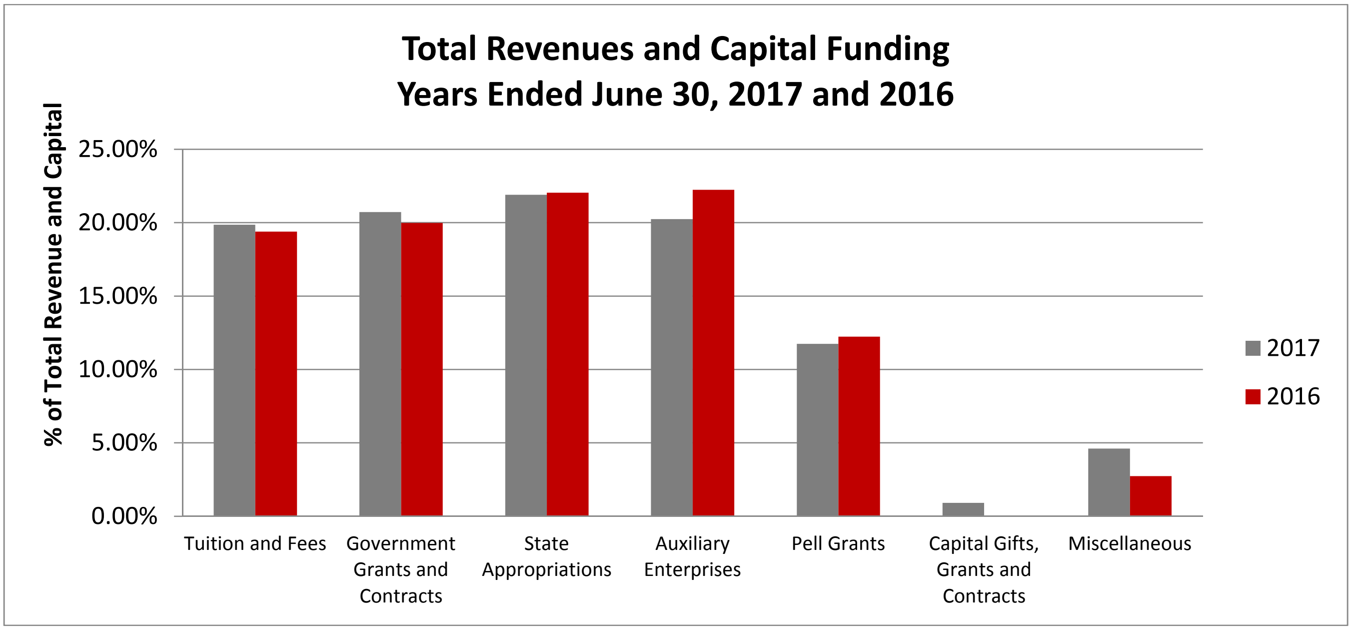
	2017	2016	2015	Change FY 17 - FY 16
Operating Revenues	$ 24,691,081	$ 25,027,288	$ 24,731,936	-1.34%
Operating Expenses	38,384,700	39,152,280	39,868,790	-1.96%
Operating Loss	(13,693,619)	(14,124,992)	(15,136,854)	-3.05%
Nonoperating Revenues	13,763,360	13,312,272	14,037,581	3.39%
Nonoperating Expenses	(457,596)	(260,568)	439,859	75.61%
Net Nonoperating Revenues	13,305,764	13,051,704	13,597,722	1.95%
Decrease in Net Position before Other Revenues, Expenses, Gains or Losses	(387,855)	(1,073,288)	(1,539,132)	-63.86%
Other Revenues, Expenses, Gains or Losses	353,124	558,655	548,222	-36.79%
Decrease in Net Position	(34,731)	(514,633)	(990,910)	-93.25%
Net Position - Beginning of year	42,386,064	42,900,697	43,891,607	-1.20%
Net Position - End of Year	$ 42,351,333	$ 42,386,064	$ 42,900,697	-0.08%

CONCORD UNIVERSITY
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2017 AND 2016
(UNAUDITED)

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:

	2017	2016	2015	Change FY 17 - FY 16
Operating Revenues (by Major Source):				
Tuition and Fees before Allowances	$ 16,579,773	$ 17,014,802	$ 16,563,213	-2.56%
Less:				
Institutional Scholarship Discounts and Allowances	(9,299,789)	(9,473,540)	(9,178,152)	-1.83%
Tuition and Fees, Net	7,279,984	7,541,262	7,385,061	-3.46%
Government Grants and Contracts	8,041,791	7,771,122	7,603,913	3.48%
Interest on Student Loans Receivable	75,538	29,113	29,544	159.46%
Sales and Services of Education Activities	9,782	10,178	7,593	-3.89%
Auxiliary Enterprise Sales and Services	8,284,130	8,649,682	8,794,970	-4.23%
Miscellaneous	999,856	1,025,931	910,855	-2.54%
Nonoperating Revenues (by Major Source):				
State Appropriations	8,501,104	8,576,394	9,040,548	-0.88%
Pell Grants	4,558,425	4,758,647	4,990,644	-4.21%
Investment Income (Expense)	442,812	(22,769)	6,389	-2044.80%
Payments on Behalf of University	261,019	-	-	100.00%
Capital Funding:				
Capital Gifts from Others	353,124	-	500,000	100.00%
Commission	-	558,655	48,222	-100.00%
Total Revenues and Capital Funding	$ 38,807,565	$ 38,898,215	$ 39,317,739	-0.23%

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, 2017 and 2016:



The major sources of revenue include tuition and fees, government grants and contracts, state appropriations, and auxiliary revenues. State appropriations comprised 21.91% and 22.05% of the total revenue during the years ended June 30, 2017 and 2016, respectively. Gross tuition and fees accounted for 42.72 % and 43.74% of total revenue for the years ended June 30, 2017 and 2016, respectively, before scholarship discounts and allowances. Auxiliary revenue decreased (4.23%) and (1.65%) for the years ended June 30, 2017 and 2016, respectively. For the year ended June 30, 2017, miscellaneous revenue increased by 1.87% and for the year ended June 30, 2016 increased 0.25%.

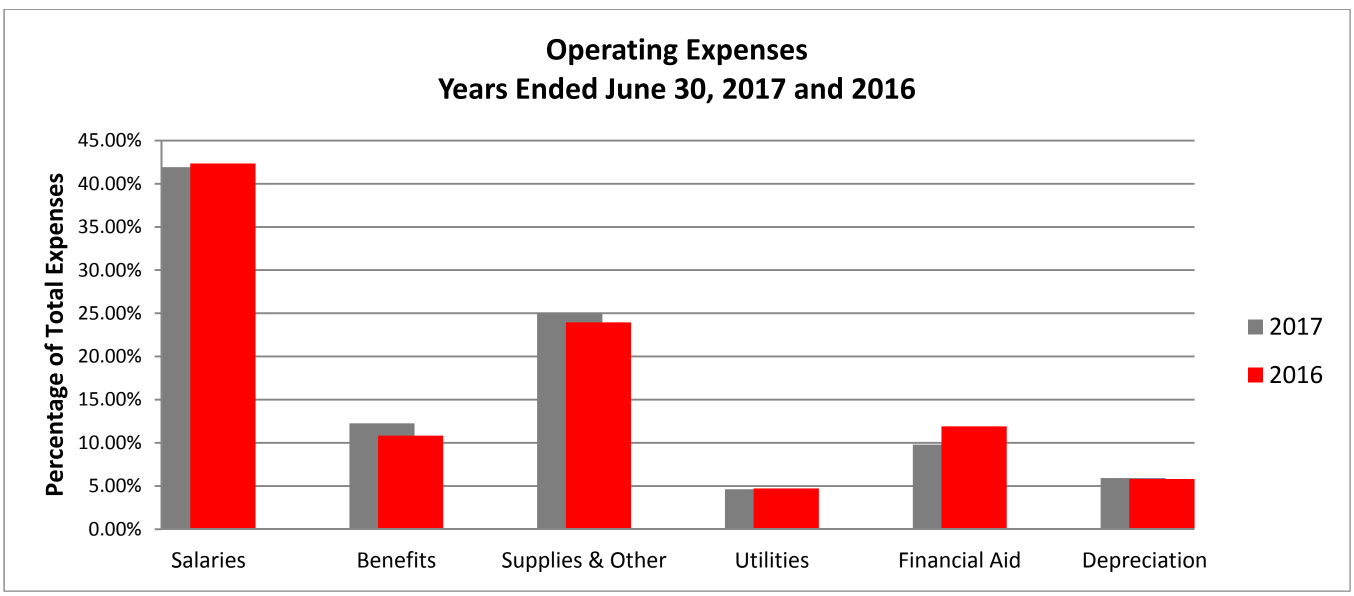
The total revenue and capital funding including grants and transfers decreased slightly during the year ended June 30, 2017 by approximately ($0.09 million) or (0.23%) from the year ended June 30, 2016. The decrease in revenue is due to a decline in enrollment and the continued reduction from state appropriations.

The loss before other revenues, expenses, gains, or losses for the years ended June 30, 2017 and 2016 was approximately ($13.7) million and approximately ($14.1) million, respectively. The decrease in net operating loss of ($400) thousand and ($1.1) million for the years ended June 30, 2017 and 2016, respectively, was due to a decline in enrollment of (5.17%) and (5.45%), respectively, and decline in state appropriations of (0.88%) and (5.13%), respectively.

The operating expenses of the University by natural classification for the June 30 are as follows:

	2017	2016	2015	Change FY 17 - FY 16
Salaries	$ 16,095,139	$ 16,695,186	$ 16,885,298	-3.59%
Benefits	4,691,516	4,207,172	4,318,301	11.51%
Supplies and Other	9,630,935	9,982,506	9,548,970	-3.52%
Utilities	1,777,418	1,896,689	1,879,600	-6.29%
Student Financial Aid	3,764,310	4,064,182	4,746,619	-7.38%
Depreciation	2,275,664	2,143,893	2,320,285	6.15%
Miscellaneous	149,718	162,652	169,717	-7.95%
Total Operating Expenses	$ 38,384,700	$ 39,152,280	$ 39,868,790	-1.96%

Salary and benefit costs together comprised 54.15% and 53.39% of the total operating expenses of the University for the years ended June 30, 2017 and 2016, respectively. Student financial aid expense totaled approximately $3.8 and $4.1 million and decreased by ($0.3) million and decreased by ($0.7) for the years ended June 30, 2017 and 2016, respectively. Utilities expense decreased by (6.29%) to a total of approximately $1.8 million, which remains relatively low due in part to the completion of the energy performance contract during 2014.



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, 2017, 2016 and 2015

	2017	2016	2015	Change FY 17 - FY 16
Cash Provided (Used) by:				
Operating Activities	$ (11,014,479)	$ (11,411,365)	$ (12,721,833)	-3.48%
Noncapital Financing Activities	12,686,745	13,413,289	14,031,192	-5.42%
Capital Financing Related Activities	(2,327,008)	(1,761,259)	(1,845,190)	32.12%
Investing Activities	441,520	(23,185)	27,933	-2004.33%
Increase (Decrease) in Cash	(213,222)	217,480	(507,898)	-198.04%
Cash - Beginning of Year	3,601,975	3,384,495	3,892,393	6.43%
Cash - End of Year	$ 3,388,753	$ 3,601,975	$ 3,384,495	-5.92%

The University decreased cash for the year ended June 30, 2017 by ($213,222). The year ended June 30, 2016 had an increase in cash of $217,480. The decrease in cash during the year ended June 30, 2017 was due to a decline in enrollment and the reduction of state funding.

Capital Asset and Long-Term Debt Activity

The University's capital asset additions for the fiscal years ended June 30, 2017 and 2016 totaled approximately $11.2 million and $5.9 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 year ended 2014 total costs for the project were approximately $6.2 million and were incurred for renovations to the two buildings.

During the year ended June 30, 2015, the University issued $16.5 in bonds to renovate the North and South Towers dormitories. The debt is to be repaid over 30 years with semiannual interest payments and annual principal payments totaling $663,714 and $320,000 for the year ending June 30, 2017 and $663,706 and $320,000 for the year ending June 30, 2016. Total interest expense incurred during the year ended June 30, 2017 and 2016 was $663,714 and $663,540, respectively. The interest expense was capitalized as a cost in the amount of $403,536 and $663,706 for the project making a total cost for the project of $16.8 and $6.4 million as June 30, 2017 and June 30, 2016, respectively. The University has no bond issues outstanding nor has it liquidated any bond issues during the fiscal year ended June 30, 2017.

Economic Factors and Next Year's Budgets and Rates

In FY 2017, Concord University absorbed another year of declining enrollment and the prospect of further reductions in State appropriations. Due to the economic uncertainty, the University continues to implement cost saving strategies and investment in enrollment and retention efforts. Current and future economic conditions in Southern West Virginia will likely continue to present challenges for the University's fiscal outlook. Faced with the uncertainty, the University is taking proactive steps exploring funding opportunities in grants and contracts, sponsored programs, and collaborative partnerships. New academic programs are being added with both traditional and online offerings.

The University continues to adopt new enrollment strategies with significant improvement in numbers of new applicants. Retention rates are increasing year over year helping to ameliorate the impact of past smaller cohorts. The University is committed to addressing the future challenges due to declines in past enrollment.

The University continues its focus on cost saving to include utility conservation initiatives, modest improvements to facilities, and judicious spending. State appropriation cuts of almost $2.0 million since 2013 have challenged the University to pursue cost savings as well as revenue enhancements.

Concord has always been sensitive to the financial needs of our students. While appropriation cuts have necessitated increases in tuition and fees, the University has maintained the investment in both institutional and Foundation support for student financial aid. Setting future tuition rates will remain sensitive and thoughtful in seeking a balance between affordability and revenue needs.

The University Advancement Office continues to raise funds for student scholarships, capital improvement needs, faculty and staff development, as well as outreach efforts to alumni and other potential donors. The Concord University Foundation continues to provide needed funding for both student support and operations.

The University staff and our Board of Governors are working collaboratively to address and meet the future needs of Concord and our students. Efforts are directed toward improved enrollment and retention, funding to support existing and planned programs, and strengthening the institution's financial position.

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 POSITION
JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 2,343,248	$ 2,592,231
Cash and Cash Equivalents - Research & Development Corporation	1,045,505	1,009,744
	3,388,753	3,601,975
Cash, Restricted	2,647,743	3,242,195
Investments - Bond Funds - Current Portion	-	7,829,000
Due from the Commission	4,003	20,416
Accounts Receivable, Net of Allowance for Doubtful Accounts	3,323,185	2,607,097
Due from Other Agencies	660	887,361
Amount Held at Foundation	1,186,163	-
Amount Held at Foundation - Other	661,402	587,420
Loans to Students - Current Portion	389,928	361,997
Intangible Asset - Service Concession Arrangement - Current Portion	240,000	230,000
Prepaid Expenses	183,659	191,313
Inventories	19,813	17,725
Total Current Assets	12,045,309	19,576,499
NONCURRENT ASSETS		
Investments - Bond Funds	-	2,158,000
Amount Held at Foundation - Permanent Endowments	2,424,736	2,424,736
Intangible Asset - Service Concession Arrangement	731,429	960,476
Loans to Students, Net of Allowance of $-0- in 2017 and 2016	1,918,701	2,179,187
No Hardship Pay Adjustment	266,722	290,062
Capital Assets, Net of Accumulated Depreciation	63,344,842	54,466,586
Total Noncurrent Assets	68,686,430	62,479,047
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflow - Pension Related	384,305	198,111
Total Assets and Deferred Outflows	$ 81,116,044	$ 82,253,657

CONCORD UNIVERSITY
STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30, 2017 AND 2016

	2017	2016
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable	$ 3,890,360	$ 4,269,753
Accrued Liabilities	2,350,010	2,329,376
Due to the Commission	-	103,722
Due to Other State Agencies	3,287	5,396
Unearned Revenue	542,933	679,745
Compensated Absences - Current Portion	470,620	311,891
Deposits	39,723	43,030
Accrued Service Concession Liability - Current	55,032	59,285
Debt Obligations Real Estate - Current Portion	33,101	29,017
Capital Lease Obligations - Current Portion	271,729	260,693
Debt Obligations Due to the Commission	200,000	100,000
Bonds Payable - Current Portion	340,000	320,000
Total Current Liabilities	8,196,795	8,511,908
NONCURRENT LIABILITIES		
Advances from Federal Sponsors	1,914,580	2,250,239
Capital Lease Obligations - Noncurrent Portion	2,386,480	2,682,403
Compensated Absences - Noncurrent Portion	285,963	385,115
Other Postemployment Benefit Liability	6,972,741	6,783,526
Net Pension Liability	1,468,742	1,145,301
Accrued Service Concession Liability	281,402	355,146
Debt Obligations Due to the Commission	275,000	100,000
Debt Obligations - Real Estate	329,136	365,102
Debt Obligations Bonds Payable Net of Bonds Premium	15,871,318	16,212,521
Total Noncurrent Liabilities	29,785,362	30,279,353
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - Pension Related	147,497	300,287
Deferred Inflows - Service Concession Arrangement	635,057	776,045
Total Deferred Inflows of Resources	782,554	1,076,332
NET POSITION		
Net Investment in Capital Assets	45,712,396	45,087,123
Restricted for - Nonexpendable - Scholarships and Fellowships	-	239,580
Restricted for - Nonexpendable - Permanent Endowments	2,424,736	2,424,736
Restricted for - Expendable - Loans	565,988	588,031
Restricted for - Expendable	1,186,337	887,361
Unrestricted Deficit	(7,538,124)	(6,840,767)
Total Net Position	42,351,333	42,386,064
Total Liabilities, Deferred Inflows, and Net Position	$ 81,116,044	$ 82,253,657

CONCORD UNIVERSITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
OPERATING REVENUES		
Student Tuition and Fees, Net of Scholarship Allowance of $9,299,789 and $9,473,540 in 2017 and 2016, Respectively	$ 7,279,984	$ 7,541,262
Contract and Grants:		
Federal	2,022,128	2,154,415
State	5,115,774	4,581,931
Private	903,889	1,034,776
Interest on Student Loans Receivable	75,538	29,113
Sales and Services of Educational Activities	9,782	10,178
Auxiliary Enterprise Revenue	8,284,130	8,649,682
Miscellaneous, Net	999,856	1,025,931
Total Operating Revenues	24,691,081	25,027,288
OPERATING EXPENSES		
Salaries and Wages	16,095,139	16,695,186
Benefits	4,691,516	4,207,172
Supplies and Other Services	9,630,935	9,982,506
Utilities	1,777,418	1,896,689
Student Financial Aid - Scholarships and Fellowships	3,764,310	4,064,182
Depreciation	2,275,664	2,143,893
Loan Cancellations and Write-Offs	24,924	27,965
Fees Assessed by the Commission for Operations	124,794	134,687
Total Operating Expenses	38,384,700	39,152,280
OPERATING LOSS	(13,693,619)	(14,124,992)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	8,501,104	8,576,394
Federal Pell Grants	4,558,425	4,758,647
Investment Income (Loss)	442,812	(22,769)
Payments on Behalf of University	261,019	-
Fees Assessed by the Commission for Debt Service	(13,182)	(22,811)
Interest Expense	(397,284)	(156,022)
Other Nonoperating Expenses, Net	(47,130)	(81,735)
Net Nonoperating Revenues	13,305,764	13,051,704
DECREASE IN NET POSITION BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	(387,855)	(1,073,288)
CAPITAL GIFTS, GRANTS AND CONTRACTS		
Capital Gifts from Others	353,124	558,655
Total Capital Gifts, Grants and Contracts	353,124	558,655
DECREASE IN NET POSITION	(34,731)	(514,633)
Net Position - Beginning of Year	42,386,064	42,900,697
NET POSITION - END OF YEAR	$ 42,351,333	$ 42,386,064

CONCORD UNIVERSITY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Student Tuition and Fees	$ 17,129,197	$ 16,989,598
Contracts and Grants	5,720,901	7,155,466
Payments to and on Behalf of Employees	(20,248,413)	(20,312,743)
Payments to Suppliers	(8,423,947)	(10,161,767)
Payments to Utilities	(1,777,418)	(1,896,689)
Payments for Scholarships and Fellowships	(13,064,099)	(13,537,722)
Loans Issued to Students	(413,743)	(124,282)
Collection of Loans to Students	285,715	278,337
Interest on Student Loans	75,538	29,113
Sales and Services of Educational Activities	9,782	10,178
Auxiliary Enterprise Receipts	8,486,778	8,807,124
Fees Assessed by the Commission	(124,794)	(134,687)
Other Receipts, Net	1,330,024	1,486,710
Net Cash Used by Operating Activities	(11,014,479)	(11,411,365)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	8,501,104	8,576,394
Federal Pell Grants	4,558,425	4,758,647
(Increase) Decrease in Amounts Held by Foundation	(372,784)	78,248
Federal Student Loan Program - Direct Lending Receipts	10,198,525	10,011,393
Federal Student Loan Program - Direct Lending Payments	(10,198,525)	(10,011,393)
Net Cash Provided by Noncapital Financing Activities	12,686,745	13,413,289
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital Grants and Gifts Received	353,123	409,108
Proceeds from Borrowing from HEPC	375,000	-
Transferred to Restricted Cash	594,452	(3,242,195)
Decrease in Investments	9,987,000	4,821,643
Debt Repayments - Real Estate	(31,882)	(24,219)
Interest Payments - Real Estate	(16,947)	-
Capital Lease Principal Paid	(284,887)	(295,586)
Capital Lease Obligations Interest Paid	(118,817)	(153,146)
Purchases of Capital Assets	(12,488,146)	(3,151,177)
Principal Payments on Debt Obligations Due Commission	(100,000)	(100,000)
Interest Payments on Service Concession Arrangements	(2,544)	(2,876)
Bond Principal Paid	(321,203)	-
Bond Interest Paid	(258,975)	-
Fees Assessed by Commission	(13,182)	(22,811)
Net Cash Used by Capital Financing Activities	(2,327,008)	(1,761,259)

CONCORD UNIVERSITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FROM INVESTING ACTIVITIES		
Investment Income (Loss)	$ 441,520	$ (23,185)
Net Cash Provided by Investing Activities	441,520	(23,185)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(213,222)	217,480
Cash and Cash Equivalents - Beginning of Year	3,601,975	3,384,495
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 3,388,753	$ 3,601,975
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	$ (13,693,619.00)	$ (14,124,992)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense	$ 2,275,664	2,143,893
Expenses Paid on Behalf of the University	261,019	-
Effects of Changes in Operating Assets and Liabilities:		
Due from the Commission	17,705	180,455
Accounts Receivables, Net	(1,115,635)	290,906
Loans to Students, Net	(103,104)	182,020
Prepaid Expenses	7,654	(2,044)
Inventories	(2,088)	5,614
Service Concession Arrangement	62	49,550
Due From Other Agencies	(660)	-
No Hardship Pay Adjustment	23,340	21,080
Accounts Payable	1,307,250	(254,534)
Accrued Liabilities	20,634	368,271
Student Deposits	(3,307)	(346)
Due to the Commission	(103,722)	69,322
Due to Other State Agencies	(2,109)	2,381
Unearned Revenue	(136,812)	(543,205)
Compensated Absences	59,577	(77,074)
Pension Liability, Net	(15,543)	(121,841)
Other Postemployment Benefits Liability	189,215	399,179
Net Cash Used by Operating Activities	$ (11,014,479)	$ (11,411,365)
NONCASH CAPITAL FINANCING ACTIVITIES		
Accounts Receivable for Capital Gifts, Grants and Contracts	$ (399,547)	$ (149,547)
Accounts Payable for Capital Gifts, Grants and Contracts	$ 1,686,646	$ 2,799,453
Expenses Paid on Behalf of the University	$ 261,019	$ -

CONCORD UNIVERSITY
COMPONENT UNIT – STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Cash and Cash Equivalents	$ 528,368	$ 477,455
Contributions Receivable, Net of Allowance for Doubtful Accounts of $0 and $1,866 in 2017 and 2016, Respectively	256,923	716,777
Dividends and Interest Receivable	19,653	1,455
Cash Restricted for Long-Term Investment and by Agency Relationships	456,750	172,327
Investments	37,107,058	34,850,509
Prepaid Expenses	5,741	-
Property and Equipment, Net	1,860	1,986
Funds Held for Others	490,850	450,000
Total Assets	$ 38,867,203	$ 36,670,509
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	$ 153,750	$ 45,000
Amounts Held on Behalf of Others	4,643,445	4,263,096
Obligations Under Annuity Agreements	76,471	79,958
Total Liabilities	4,873,666	4,388,054
NET ASSETS		
Unrestricted	382,309	375,511
Temporarily Restricted	9,111,371	7,893,612
Permanently Restricted	24,499,857	23,563,332
Total Net Assets	33,993,537	31,832,455
Total Liabilities and Net Assets	$ 38,867,203	$ 36,220,509

CONCORD UNIVERSITY
COMPONENT UNIT – STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT				
Gifts and Grants	$ 98,958	$ 263,012	$ 235,968	$ 597,938
In-kind Support	181,785	-	-	181,785
Interest and Dividends, Net of Related Expenses of $116,995	(107,951)	434,675	158,939	485,663
Net Realized and Unrealized Gains (Losses)	38,698	1,868,882	950,062	2,857,642
Change in Value of Split-Interest Agreements	-	-	(8,388)	(8,388)
Net assets released from Restriction	-	22,405	(48,677)	(26,272)
Restrictions Satisfied by Payments	1,554,785	(1,203,406)	(351,379)	-
Administration Fees	167,809	(167,809)	-	-
Total Revenues and Support	1,934,084	1,217,759	936,525	4,088,368
EXPENSES AND SUPPORT				
University Support:				
Student Support	822,863	-	-	822,863
Faculty and Staff Development	16,529	-	-	16,529
Compensation for Services	14,320	-	-	14,320
Other Expenses	657,769	-	-	657,769
Management and General	320,900	-	-	320,900
Fundraising	94,905	-	-	94,905
Total Expenses	1,927,286	-	-	1,927,286
CHANGE IN NET ASSETS	6,798	1,217,759	936,525	2,161,082
Net Assets - Beginning of Year	375,511	7,893,612	23,563,332	31,832,455
NET ASSETS - END OF YEAR	$ 382,309	$ 9,111,371	$ 24,499,857	$ 33,993,537

CONCORD UNIVERSITY
COMPONENT UNIT – STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT				
Gifts and Grants	$ 201,622	$ 336,155	$ 134,223	$ 672,000
In-kind support	184,249	-	-	184,249
Interest and Dividends, Net of Related Expenses of $114,759	(102,119)	405,014	181,096	483,991
Net Realized and Unrealized Gains (Losses)	(346,806)	(312,783)	(295,243)	(954,832)
Change in Value of Split-Interest Agreements	-	-	(8,404)	(8,404)
Net Assets Released from Restriction				
Purpose Restrictions Accomplished	1,192,477	(717,835)	(474,642)	-
Administration Fees	158,447	(158,447)	-	-
Total Revenues and Support	1,287,870	(447,896)	(462,970)	377,004
EXPENSES AND SUPPORT				
University Support:				
Student Support	772,333	-	-	772,333
Faculty and Staff Development	21,862	-	-	21,862
Compensation for Services	14,344	-	-	14,344
Other Expenses	512,643	-	-	512,643
Management and General	324,854	-	-	324,854
Fundraising	101,051	-	-	101,051
Total Expenses	1,747,087	-	-	1,747,087
CHANGE IN NET ASSETS	(459,217)	(447,896)	(462,970)	(1,370,083)
Net Assets - Beginning of Year	834,728	8,341,508	24,026,302	33,202,538
NET ASSETS - END OF YEAR	$ 375,511	$ 7,893,612	$ 23,563,332	$31,832,455

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity

The University is a blended component 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, 2017 and 2016. 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 4 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.

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.

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 treasurer) and deposits with the state's Board of Risk and Insurance Management (BRIM) escrow account are deposited into the WV Money Market Pool with the West Virginia Board of Treasury Investments (BTI). 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.wvbti.com.

Cash in bank accounts includes deposits in the Insured Cash Sweep (ICS) program.

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

The restricted cash balance reported on the Statement of Net Position, as of June 30, 2017 in the amount of $2,647,743 represents proceeds received from the sale of $16,460,000 Revenue Bonds, Series 2014, on December 1, 2014 and is held in an investment trust fund with United Bank, Inc. These funds represent cash that is restricted for the payment of liabilities incurred for construction costs related to major renovations to the North and South Towers residence halls and is restricted by bond covenants related to the sale. The project is expected to be completed during the month of November, 2017.

Cash and cash equivalents also include cash on hand.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The University's investment is managed by the Foundation.

Under accounting principles generally accepted in the United States of America, a fair value hierarchy has been established that prioritizes the inputs to valuation techniques. The hierarchy, as defined below, gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

Level 1 is defined as observable inputs such as quoted prices in active markets for identical assets. Level 1 assets held by the University include a certificate of deposit.

Level 2 is defined as observable inputs other than Level 1 prices. These include quoted prices for similar assets or liabilities in an active market, quoted prices for identical assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. The University does not have Level 2 investments.

Level 3 is defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. The University does not have Level 3 assets or liabilities.

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.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

No Hardship Pay Adjustment

The state placed all employees on deferred pay effective October 1, 2014. This represents payment provided to employees who were moved from current pay to arrears pay. Since there were employees who were never on deferred pay, the University was required to make a “no hardship pay adjustment” and treat these employees as if they have already had their deferred pay paid to them. This amount will be deducted from each employee’s last paycheck when they leave state employment.

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 multiemployer, 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.

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 1.5 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 multiemployer, 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 1 year of single coverage, and 5 years extend health insurance for 1 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 2 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the West Virginia Teachers' Retirement System (TRS), administered by the West Virginia Consolidated Public Retirement Board (CPRB), and additions to/reductions from the TRS fiduciary net position have been determined on the same basis as they are reported in the TRS financial statements, which can be found at https://www.wvretirement.com/Publications.html#CAFR. The plan schedules of TRS are prepared using the accrual basis of accounting and economic resources measurement focus in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Investments are reported at fair value. Detailed information on investment valuation can be found in the TRS financial statements. Management of TRS has made certain estimates and assumptions relating to employer allocation schedules, and actual results could differ (Note 13).

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. Deferred outflows were $384,305 and $198,111 of June 30, 2017 and 2016, respectively.

Deferred Inflows of Resources

An acquisition of net position by the University that is applicable to a future fiscal year is reported as a deferred inflow of resources on the statements of net position. Deferred inflows of resources are a result of service concession arrangements and are accreted over the life of the arrangements. Deferred inflows were $635,057 and $776,045 as of June 30, 2017 and 2016, respectively. The University also has deferred inflows relating to pensions. Deferred inflows were $147,497 and $300,287 as of June 30, 2017 and 2016, respectively.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risk Management (Continued)

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. BrickStreet retains the risk related to the compensation of injured employees under the program.

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 $10.2 million and $10.0 million in 2017 and 2016, 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal Financial Assistance Programs (Continued)

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 2017 and 2016, the University received and disbursed approximately $5 million and $5.2 million, respectively, under these federal student aid programs.

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.

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.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 (GASB)

The GASB has issued Statement No. 80, *Blending Requirements for Certain Component Units*, which is effective for fiscal years beginning after June 15, 2016. This statement amends the blending requirements for the financial presentation of component units of all state and local governments established in Statement No. 14, *The Financial Reporting Entity*, as amended. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The University has determined that Statement No. 80 does not apply to its component units and has no effect on its financial statements.

The GASB has also issued Statement No. 81, *Irrevocable Split-Interest Agreements*, which is effective for fiscal years beginning after December 15, 2016. This statement establishes recognition and measurement requirements for irrevocable split-interest agreements created through trusts – or other legally enforceable agreements with characteristics that are equivalent to irrevocable split-interest agreements – in which a donor irrevocably transfers resources to an intermediary. The intermediary administers these resources for the unconditional benefit of a government or at least one other beneficiary. The University has determined it has no irrevocable split-interest agreements.

The GASB has also issued Statement No. 86, *Certain Debt Extinguishment Issues*, which is effective for fiscal years beginning after June 15, 2017. Statement No. 86 provides guidance for transactions in which cash and other monetary assets acquired with existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. The adoption of this standard had no effect on the University's financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Statements Issued by the Governmental Accounting Standards Board (GASB)

The GASB has also issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is effective for fiscal years beginning after June 15, 2017. This statement establishes standards of accounting and financial reporting for defined benefit other postemployment benefits and defined contribution other postemployment benefits that are provided to the employees of state and local governmental employers through other postemployment benefit plans that are administered through trusts or equivalent arrangements that meet certain criteria. This statement also establishes standards of accounting and financial reporting for defined benefit other postemployment benefits and defined contribution other postemployment benefits that are provided to the employees of state and local governmental employers through other postemployment benefit plans that are not administered through trusts that meet certain criteria. The University has not yet determined the effect that the adoption of GASB Statement No. 75 may have on its financial statements.

The GASB has also issued Statement No. 83, Certain Asset Retirement Obligations, which is effective for fiscal years beginning after June 15, 2018. Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for legally enforceable liabilities associated with the retirement of tangible capital assets. Examples of asset retirements covered under this standard are the decommissioning of a nuclear reactor or the dismantling and removal of sewage treatment plants as required by law. The University has not yet determined the effect that the adoption of GASB Statement No. 83 may have on its financial statements.

The GASB has also issued Statement No. 84, *Fiduciary Activities*, which is effective for fiscal years beginning after December 15, 2018. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments to determine whether an activity should be reported in a fiduciary fund in the financial statements. The University has not yet determined the effect that the adoption of GASB Statement No. 84 may have on its financial statements.

The GASB has also issued Statement No. 85, *Omnibus 2017*, which is effective for fiscal years beginning after June 15, 2017. Statement No. 85 addresses practice issues that have been identified during implementation of certain GASB statements. The University has not yet determined the effect that the adoption of GASB Statement No. 85 may have on its financial statements.

The GASB has also issued Statement No. 87, *Leases*, which is effective for fiscal years beginning after December 15, 2019. Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. In other words, most leases currently classified as operating leases will be accounted for and reported in the same manner as capital leases. The University has not yet determined the effect that the adoption of GASB Statement No. 87 may have on its financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 presentation.

NOTE 3 CASH AND CASH EQUIVALENTS

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

	2017	2016
Cash on Deposit with the State Treasurer's Office/BTI	$ 1,958,831	$ 1,999,550
Municipal Bond Commission for the University	13,886	13,835
Cash in Bank	1,416,036	1,588,590
Total	$ 3,388,753	$ 3,601,975

Cash held by the state treasurer includes $1,958,831 and $1,999,550 at June 30, 2017 and 2016, respectively, of cash for sponsored projects, loans, and other purposes.

The University cash equivalents totaling $13,886 and $13,835 at June 30, 2017 and 2016, 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, 2017 and 2016 is different than that with the bank primarily due to 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, 2016.

Amounts with the state treasurer as of June 30, 2017 and 2016, are comprised of three investment pools, the WV Money Market Pool, the WV Government Money Market Pool and the WV Short Term Bond Pool.

C*redit 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:

	2017		2016	
	Carry Value	S&P Rating	Carry Value	S&P Rating
WV Money Market Pool	$ 1,819,252	AAAm	$ 814,257	AAAm
WV Government Money Market Pool	13,886	AAAm	13,835	AAAm
WV Short Term Bond Pool	41,876	Not Rated	19,528	Not Rated
Total	$ 1,875,014		$ 847,620	

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

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 Short Term Bond Pool.

Money Market Pool and the WV Government Money Market Pool and the effective duration for the WV Short Term Bond Pool:

	2017		2016	
External Pool	Carry Value	WAM (Days)	Carry Value	WAM (Days)
WV Money Market Pool	$ 1,819,252	36	$ 814,257	49
WV Government Money Market Pool	13,886	35	13,835	51

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

	2017		2016	
External Pool	Carry Value	Effective Duration	Carry Value	Effective Duration
WV Short Term Bond Pool	41,876	426	19,528	462

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.

	Carrying Value	
Investment Type	2017	2016
Money Market Fund	$ 13,886	$ 13,835

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.

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

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 INVESTMENTS

The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The University had the following recurring fair value measurements comprised of investments at June 30, 2017 and 2016. As of June 30, 2017 and 2016, the University held investments of $0 and $9,987,000, respectively. Bond proceeds from the Series 2014 Bonds are invested in certificates of deposit at certain banks earning interest at rates ranging from 0.4% to 1.1%. The certificates have matured as of June 30, 2017.

The following is a summary of the inputs used in determining the fair values of financial assets and liabilities measured at fair value on a recurring basis as of June 30:

	2017			
		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Amounts Held at Foundation	$ -	$ -	$ 4,272,301	$ -

NOTE 4 INVESTMENTS (CONTINUED)

	2016			
		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificate of Deposit	$ 9,987,000	$ 9,987,000	$ -	$ -
Amounts Held at Foundation	$ 3,012,156	$ -	$ 3,012,156	$ -

The University's investments held by the Foundation are classified in Level 2 of the fair value hierarchy are valued at quoted prices for the underlying assets which are considered to be similar assets in active markets.

NOTE 5 ACCOUNTS RECEIVABLE

Accounts receivable were as follows at June 30:

	2017	2016
Student Tuition and Fees, Net of Allowance for Doubtful Accounts of $887,358 and $698,525, Respectively	$ 855,618	$ 755,382
Grants and Contracts Receivable	2,287,301	1,659,259
Other Accounts Receivable, Net of Allowance for Doubtful Accounts of $61,091 and $61,820, Respectively	180,266	192,456
Total	$ 3,323,185	$ 2,607,097

NOTE 6 CAPITAL ASSETS

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

	2017				
	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Capital Assets not Being Depreciated:					
Land	$ 328,892	$ -	$ -	$ -	$ 328,892
Construction in Progress	6,804,477	10,902,679	-	(908,440)	16,798,716
Total Capital Assets not Being Depreciated	$ 7,133,369	$ 10,902,679	$ -	$ (908,440)	$ 17,127,608
Capital Assets Being Depreciated:					
Land Improvements	$ 3,344,823	$ -	$ -	$ 536,226	$ 3,881,049
Buildings	74,546,166	3,137	(1,500)	110,511	74,658,314
Equipment	8,048,338	175,440	(288,058)	261,703	8,197,423
Software	345,418	65,940	(134,064)	-	277,294
Library Books	1,739,486	53,850	(4,046)	-	1,789,290
Total Other Capital Assets	88,024,231	298,367	(427,668)	908,440	88,803,370
Less: Accumulated Depreciation for:					
Land Improvements	(1,538,790)	(250,321)	-	-	(1,789,111)
Buildings	(32,915,904)	(1,315,883)	-	-	(34,231,787)
Equipment	(5,524,001)	(653,264)	242,430	-	(5,934,835)
Software	(336,741)	(9,984)	134,064	-	(212,661)
Library Books	(375,578)	(46,212)	4,048	-	(417,742)
Total Accumulated Depreciation	(40,691,014)	(2,275,664)	380,542	-	(42,586,136)
Capital Assets Being Depreciated, Net	$ 47,333,217	$ (1,977,297)	$ (47,126)	$ 908,440	$ 46,217,234
Capital Asset Summary:					
Capital Assets not Being Depreciated	$ 7,133,369	$ 10,902,679	$ -	$ (908,440)	$ 17,127,608
Other Capital Assets	88,024,231	298,367	(427,668)	908,440	88,803,370
Total Cost of Capital Assets	95,157,600	11,201,046	(427,668)	-	105,930,978
Less: Accumulated Depreciation	(40,691,014)	(2,275,664)	380,542	-	(42,586,136)
Capital Assets, Net	$ 54,466,586	$ 8,925,382	$ (47,126)	$ -	$ 63,344,842

NOTE 6 CAPITAL ASSETS (CONTINUED)

	2016				
	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Capital Assets not Being Depreciated:					
Land	$ 328,892	$ -	$ -	$ -	$ 328,892
Construction in Progress	1,433,559	5,441,637	-	(70,719)	6,804,477
Total Capital Assets not Being Depreciated	$ 1,762,451	$ 5,441,637	$ -	$ (70,719)	$ 7,133,369
Capital Assets Being Depreciated:					
Land Improvements	$ 3,309,654	$ -	$ -	$ 35,169	$ 3,344,823
Buildings	74,342,192	158,830	(25,575)	70,719	74,546,166
Equipment	8,967,723	269,545	(1,188,930)	-	8,048,338
Software	351,481	-	(6,063)	-	345,418
Library Books	1,762,824	45,450	(68,788)	-	1,739,486
Total Other Capital Assets	88,733,874	473,825	(1,289,356)	105,888	88,024,231
Less: Accumulated Depreciation for:					
Land Improvements	(1,316,763)	(222,027)	-	-	(1,538,790)
Buildings	(31,670,918)	(1,270,561)	25,575	-	(32,915,904)
Equipment	(6,030,893)	(600,303)	1,107,195	-	(5,524,001)
Software	(333,368)	(9,436)	6,063	-	(336,741)
Library Books	(402,800)	(41,566)	68,788	-	(375,578)
Total Accumulated Depreciation	(39,754,742)	(2,143,893)	1,207,621	-	(40,691,014)
Capital Assets Being Depreciated, Net	$ 48,979,132	$ (1,670,068)	$ (81,735)	$ 105,888	$ 47,333,217
Capital Asset Summary:					
Capital Assets not Being Depreciated	$ 1,762,451	$ 5,441,637	$ -	$ (70,719)	$ 7,133,369
Other Capital Assets	88,733,874	473,825	(1,289,356)	105,888	88,024,231
Total Cost of Capital Assets	90,496,325	5,915,462	(1,289,356)	35,169	95,157,600
Less: Accumulated Depreciation	(39,754,742)	(2,143,893)	1,207,621	-	(40,691,014)
Capital Assets, Net	$ 50,741,583	$ 3,771,569	$ (81,735)	$ 35,169	$ 54,466,586

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, 2017, the University had outstanding contractual commitments of approximately $2 million which represents the cost remaining to complete the Towers project.

NOTE 7 LONG-TERM LIABILITIES

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

	2017				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Advances from Federal Sponsors	$ 2,250,239	$ -	$ (335,659)	$ 1,914,580	$ -
Capital Lease Obligations	2,943,096	-	(284,887)	2,658,209	271,729
Accrued Compensated Absences	697,006	59,577	-	756,583	470,620
Net Pension Liability	1,145,301	323,441	-	1,468,742	-
Other Postemployment Benefits Liability	6,783,526	189,215	-	6,972,741	-
Debt Obligation Due to the Commission	200,000	375,000	(100,000)	475,000	200,000
Debt Obligations - Real Estate	394,119	-	(31,882)	362,237	33,101
Accrued Service Concession Liability	414,431	-	(77,997)	336,434	55,032
Bonds Payable	16,460,000	-	(320,000)	16,140,000	340,000
Bond Premium	72,251	-	(933)	71,318	-
Total Long-Term Liabilities	$ 31,359,969	$ 947,233	$ (1,151,358)	$ 31,155,844	$ 1,370,482

	2016				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Advances from Federal Sponsors	$ 2,246,651	$ 3,588	$ -	$ 2,250,239	$ -
Capital Lease Obligations	3,238,682	-	(295,586)	2,943,096	260,693
Accrued Compensated Absences	774,080	-	(77,074)	697,006	311,891
Net Pension Liability	1,349,138	-	(203,837)	1,145,301	-
Other Postemployment Benefits Liability	6,384,347	399,179	-	6,783,526	-
Debt Obligation Due to the Commission	300,000	-	(100,000)	200,000	100,000
Debt Obligations - Real Estate	418,338	-	(24,219)	394,119	29,017
Accrued Service Concession Liability	406,455	7,976	-	414,431	59,285
Bonds Payable	16,460,000	-	-	16,460,000	320,000
Bond Premium	72,251	-	-	72,251	-
Total Long-Term Liabilities	$ 31,649,942	$ 410,743	$ (700,716)	$ 31,359,969	$ 1,080,886

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

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, 2017 was $2,658,209. 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:

Year Ending June 30,	Principal	Interest
2018	$ 271,729	$ 105,819
2019	308,450	93,291
2020	321,471	80,270
2021	335,087	66,654
2022	349,280	52,462
2023-2025	1,072,192	88,450
Total	$ 2,658,209	$ 486,946

Bonds Payable

Bonds payable at June 30, 2017 and 2016 are summarized as follows:

	Interest Rates	Annual Principal Installments	2017 Principal Outstanding
Revenue Bonds, 2014 Series, due through 2044	2.25% - 5.00%	$320,000 - $950,000	$ 16,140,000
Add Unamortized Bond Premium			71,318
Total			$ 16,211,318
Current			$ 340,000
Noncurrent			15,871,318
Total			$ 16,211,318

	Interest Rates	Annual Principal Installments	2016 Principal Outstanding
Revenue Bonds, 2014 Series, due through 2044	2.25% - 5.00%	$320,000 - $950,000	$ 16,460,000
Add Unamortized Bond Premium			72,521
Total			$ 16,532,521
Current			$ 320,000
Noncurrent			16,212,251
Total			$ 16,532,521

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

Bonds Payable (Continued)

On December 1, 2014, the University issued Revenue Bonds, Series 2014 (Series 2014 Bonds) amounting to $16,460,000. The Series 2014 Bonds were issued to (1) finance the costs to plan, design, remodel, improve, and equip certain dormitory facilities on its main campus, (2) pay capitalized interest on the Series 2014 Bonds through December 1, 2015, (3) reimburse certain previously incurred expenditures related to the project, and (4) pay the costs of issuance of the Series 2014 Bonds and related costs.

The Series 2014 Bonds are special, self-liquidating obligations of the University and are secured by and payable solely from certain pledged revenues held under the Bond Indenture (the Indenture). The Series 2014 Bonds shall not be deemed to be general obligations or debts of the state within the meaning of the Constitution of the State; neither the credit nor the taxing power of the state is pledged for the payment of the Series 2014 Bonds.

The Series 2014 Bonds covenants require that the schedules of rent, charges, and fees shall at all times produce pledged revenues from the auxiliary facilities sufficient to pay operating expenses and, when combined with other monies legally available to be used for such purposes (as prescribed in the Indenture), to make the prescribed payments into the funds and accounts created hereunder, and that such schedule or schedules of rents, charges, and fees, that shall be revised from time to time to provide for all reasonable operating expenses and leave net revenues, when combined with other monies legally available to be used for such purposes, each year equal at least 100% of the maximum annual debt service. For the year ended June 30, 2017, the University had gross revenues that approximated 222.15% of the maximum annual debt service.

The Series 2014 Bonds mature on June 1 of each year starting June 1, 2017 and continuing through June 1, 2029, on June 1, 2035, on June 1, 2039, and on June 1, 2044. Annual payments made starting after June 1, 2029 are deposited into a sinking fund and are subject to mandatory redemption prior to maturity on June 1, 2035, June 1, 2039, and June 1, 2044.

During the year ended June 30, 2017, the University paid $320,000 in principal payments and $663,714 in bond interest expense.

Future debt service requirements to maturity for the Series 2014 Bonds at June 30, 2017, are as follows (excluding unamortized premium of $71,318):

Year Ending June 30,	Principal	Interest	Total
2018	340,000	647,706	987,706
2019	355,000	630,706	985,706
2020	375,000	612,956	987,956
2021	380,000	604,519	984,519
2022	400,000	585,519	985,519
Thereafter	14,290,000	7,389,207	21,679,207
Total	$ 16,140,000	$ 10,470,613	$ 26,610,613

NOTE 8 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, 2017, 2016, and 2015, the noncurrent liability related to OPEB costs was $6,972,741, $6,783,526, and $6,384,346, respectively. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was $711,341 and $95,817, respectively, during 2017, or 10.20%. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was $ 917,437 and $82,395, respectively, during 2016, or 13.52%. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was $892,476 and $92,222, respectively, during 2015, or 13.98%. As of the years ended June 30, 2017, 2016, and 2015, there were 33, 31, 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 9 OPERATING LEASE OBLIGATIONS

The University leases various equipment, automobiles, and facilities under operating lease agreements. Aggregate payments under these agreements were $448,450 and $353,960 for the years ended June 30, 2017 and 2016, respectively. Future minimum rental commitments are as follows:

Year Ending June 30,	Amount
2018	511,607
2019	440,569
2019	414,237
2020	414,237
2021	414,237
Thereafter	414,237
Total	$ 2,609,124

NOTE 10 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.

NOTE 10 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, 2013 and 2014. The University paid $100,000 to the Commission against the debt obligation during 2017 and 2016.

The University borrowed $375,000 from the Commission during 2017. The debt agreement has no interest charged to the University and is payable in the amount of $25,000 per quarter beginning July 1, 2017. 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 child development center area of Towers building during the years ended June 30, 2017.

NOTE 11 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.

NOTE 11 SERVICE CONCESSION ARRANGEMENTS (CONTINUED)

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.

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 5.0% interest rate over a 10-year term. For the year ended June 30, 2017, the amount recorded as an intangible asset was approximately $1 million, with an accrued liability of approximately $0.3 million. This resulted in a deferred inflow of resources of approximately $0.6 million. For the year ended June 30, 2016, the amount recorded as an intangible asset was approximately $1.2 million, with an accrued liability of approximately $0.4 million. The University received a total of $6,450 and $18,031 from the contractor during the years ended June 30, 2017 and 2016, respectively. The University paid equipment, repairs and maintenance costs of $53,429 and $79,576 during the years ended June 30, 2017 and 2016, respectively. The University recognized revenue for the year ended June 30, 2017 of $158,481 and $147,837 for the year ended June 30, 2016 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, 2017 and 2016, the net balance of the deferred inflows was $635,057 and $776,045, 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 $71,780 and $83,169 in commissions during the years ended June 30, 2017 and 2016, respectively.

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

NOTE 12 UNRESTRICTED NET POSITION

The University did not have any designated unrestricted net position as of June 30, 2017 or 2016.

	2017	2016
Total Unrestricted Net Position and Temporarily Restricted Expendable Net Position before OPEB Liability	$ (565,383)	$ (57,241)
Less: OPEB Liability	(6,972,741)	(6,783,526)
Total Unrestricted Net Position (Deficit)	$ (7,538,124)	$ (6,840,767)

NOTE 13 RETIREMENT PLANS

Substantially all full-time employees of the University participate in either the West Virginia Teachers' Retirement System (the TRS) 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 TRS and TIAA-CREF. Effective July 1, 1991, the TRS 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.

Defined Contribution Pension Plan

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.

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.

Total contributions to the TIAA-CREF for the years ended June 30, 2017, 2016, and 2015 were $1,632,423, $1,634,642, and $1,664,793, respectively, which consisted of contributions of $816,212, $817,321, and $832,396 from the University and $816,211, $817,321, and $826,654 from the covered employees in 2017, 2016 and 2015, respectively.

The University's total payroll for the years ended June 30, 2017, 2016, and 2015 was $16,095,139, $16,695,186, and $16,885,298, respectively. Total covered employees' salaries in the STRS and TIAA-CREF were $720,392 and $13,597,440, respectively, $867,637 and $13,622,017, respectively, in 2016; $979,917 and $13,873,274, respectively, in 2015.

NOTE 13 RETIREMENT PLANS (CONTINUED)

Defined Benefit Pension Plan

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

Following is the University's pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, revenues, and the pension expense and expenditures for the fiscal year ended June 30, 2017 and 2016, respectively, (dollars in thousands):

Summary by Financial Statement Line Items

	2017	2016
Net Pension Liability	$ 1,468,742	$ 1,145,301
Deferred Outflows of Resources	384,305	198,111
Deferred Inflow of Resources	147,497	300,287
Pension Expense	355,968	183,294
Employer Contributions	110,493	133,407

TRS

Plan Description

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

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

NOTE 13 RETIREMENT PLANS (CONTINUED)

TRS (Continued)

Benefits Provided

TRS provides retirement, death, and disability benefits. A member is eligible for normal retirement at age 60 with five years of service, age 55 with 30 years of service or any age with 35 years of service. A member may retire with 30 years of credited service at any age with the pension reduced actuarially if the member retires before age 55. Terminated members with at least five, but less than 20, years of credited service who do not withdraw their accumulated contributions are entitled to a deferred retirement commencing at age 62. Retirement benefits are equivalent to 2% of average annual salary multiplied by years of service. Average salary is the average of the five highest fiscal years of earnings during the last 15 fiscal years of earnings. Chapter 18, Article 7A of the West Virginia state code assigns the authority to establish and amend the provisions of the plan, including contribution rates, to the state legislature.

Contributions

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

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

Employer Contributions: Employers make the following contributions:

The state (including institutions of higher education) contributes:

1. 15% of gross salary of their state-employed members hired prior to July 1, 1991;
2. 15% of School Aid Formula (SAF) covered payroll of county-employed members;
3. 7.5% of SAF-covered payroll od members of the TDCRS;
4. a certain percentage of fire insurance premiums paid by state residents; and
5. under West Virginia state code section 18-9-A-6a, beginning in fiscal year 1996, an amount determined by the state actuary as being needed to eliminate the TRS unfunded liability within 40 years of June 30, 1994. As of June 30, 2016 and 2015 respectively, the University's proportionate share attributable to this special funding subsidy was $248,329 and $150,298 respectively.

The University's contributions to TRS for the years ended June 30, 2017, 2016, and 2015, were $110,493, $133,548, and $150,289, respectively.

NOTE 13 RETIREMENT PLANS (CONTINUED)

TRS (Continued)

Assumptions

The total pension liabilities for financial reporting purposes were determined by actuarial valuations as of July 1, 2015 and rolled forward to June 30, 2016. The following actuarial assumptions were used and applied to all periods included in the measurement:

- Actuarial cost method: Entry age normal cost with level percentage of payroll.
- Asset valuation method: Investments are reported at fair (market) value.
- Amortization method and period: Level dollar, fixed period over 40 years, from July 1, 1994 through fiscal year 2034.
- Investment rate of return of 7.50%, net of pension plan administrative and investment expenses.
- Projected salary increases: Teachers 3.00–6.00% and non-teachers 3.00–6.50%, based on age.
- Inflation rate of 3.0%.
- Discount rate of 7.50%
- Mortality rates based on RP-2000 Mortality Tables.
- Withdrawal rates: Teachers 0.8-35% and non-teachers 1.4-24.75%.
- Disability rates: 0-0.7%
- Retirement age: An age-related assumption is used for participants not yet receiving payments.
- Retirement rates: 0-100%
- Ad hoc cost-of-living increases in pensions are periodically granted by the state legislature. However, the retirement system makes no automatic provision for such increases.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the long-term arithmetic real rates of return for each major asset class included in TRS' target asset allocation as of June 30, 2016 and 2015, are summarized below.

NOTE 13 RETIREMENT PLANS (CONTINUED)

TRS (Continued)

Assumptions (Continued)

2016

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
Domestic Equity	7.0%	27.5%
International Equity	7.7%	27.5%
Core Fixed Income	2.7%	7.5%
High-Yield Fixed Income	5.5%	7.5%
TIPS	2.7%	0.0%
Real Estate	7.0%	10.0%
Private Equity	9.4%	10.0%
Hedge Funds	4.7%	10.0%

2015

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
Domestic Equity	7.0%	27.5%
International Equity	7.7%	27.5%
Core Fixed Income	2.7%	7.5%
High-Yield Fixed Income	5.5%	7.5%
Real Estate	5.6%	10.0%
Private Equity	9.4%	10.0%
Hedge Funds	4.7%	10.0%

Discount rate. The discount rate used to measure the total TRS pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that state contributions will continue to follow the current funding policy. Based on those assumptions, TRS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on TRS' investments was applied to all periods of projected benefit payments to determine the total pension liability. In the event of benefit payments that are not covered by the pension plan's fiduciary net position, a municipal bond rate of 2.71% is to be used to discount the benefit payments not covered by the plan's fiduciary net position. The rate equals the S&P Municipal Bond 20 Year High Grade Rate Index at June 30, 2016.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the University's proportionate share of the TRS net pension liability as of June 30, 2017 and 2016, were calculated using the discount rate of 7.50%, as well as what the University's TRS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate (dollars in thousands).

NOTE 13 RETIREMENT PLANS (CONTINUED)

TRS (Continued)

Assumptions (Continued)

		1% Decrease (6.5%)	Current Rate (7.5%)	1% Increase (8.5%)
June 30, 2017	Net Pension Liability	$ 1,858	$ 1,469	$ 1,136
June 30, 2016	Net Pension Liability	$ 1,485	$ 1,145	$ 854

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

The TRS net pension liability was measured as of June 30, 2016 and 2015, respectively. The total pension liability was determined by an actuarial valuation as of July 1, 2015 and 2014, respectively, and rolled forward to the measurement date.

At June 30, 2017, the University's proportionate share of the TRS net pension liability was $4,266,305. Of this amount, the University recognized approximately $1,468,742 as its proportionate share on the Statement of Net Position. The remainder of $2,797,563 denotes the University's proportionate share of net pension liability attributable to the special funding.

At June 30, 2016, the University's proportionate share of the TRS net pension liability was $3,758,752. Of this amount, the University recognized approximately $1,145,301 as its proportionate share on the Statement of Net Position. The remainder of $2,613,415 denotes the University's proportionate share of net pension liability attributable to the special funding.

The allocation percentage assigned to each participating employer and non-employer contributing entity is based on their proportionate share of employer and non-employer contributions to TRS for each of the fiscal years ended June 30, 2016 and 2015. Employer contributions are recognized when due. At June 30, 2016, the University's proportion was 0.035737% an increase of 0.002686% from its proportion of 0.033051% calculated as of June 30, 2015. At June 30, 2015, the University's proportion was 0.033051% a decrease of (0.006057%) from its proportion of 0.039108% calculated as of June 30, 2014.

For the year ended June 30, 2017, the University recognized TRS pension expense of $355,968. Of this amount, $94,949 was recognized as the University's proportionate share of the TRS expense and $248,329 as the amount of pension expense attributable to special funding from a non-employer contributing entity. The University also recognized revenue of $12,690 for support provided by the state.

For the year ended June 30, 2016, the University recognized TRS pension expense of $183,294. Of this amount, $21,124 was recognized as the University's proportionate share of the TRS expense and $150,298 as the amount of pension expense attributable to special funding from a non-employer contributing entity. The University also recognized revenue of $11,872 for support provided by the state.

NOTE 13 RETIREMENT PLANS (CONTINUED)

Defined Benefit Pension Plan (Continued)

TRS (Continued)

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

At June 30, 2017 and 2016, deferred outflows of resources and deferred inflows of resources related to the TRS pension are as follows (dollars in thousands).

	2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	$ 82	$ 139
Difference Between Expected and Actual Experience	13	8
Net Difference Between Projected and Actual Investment Earnings	121	-
Changes in Assumptions	58	-
Contributions After the Measurement Date	110	-
Total	$ 384	$ 147

	2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	$ 65	$ -
Net Difference Between Projected and Actual Investment Earnings	-	300
Contributions After the Measurement Date	133	-
Total	$ 198	$ 300

The University will recognize the $110,493 reported as deferred outflows of resources resulting from pension contributions after the measurement date as a reduction of the TRS net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in TRS pension expense as follows (dollars in thousands):

Fiscal Year Ending June 30,	Amortization
2018	$ 6
2019	6
2020	45
2021	41
2022	29
Total	$ 127

NOTE 13 RETIREMENT PLANS (CONTINUED)

Defined Benefit Pension Plan (Continued)

TRS (Continued)

Payables to the Pension Plan

The University did not report any amounts payable for normal contributions to the TRS as of June 30, 2017 and 2016.

NOTE 14 AMOUNT HELD AT FOUNDATION

The amount held at 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 Carillion bells. The principal of the endowment may be used to fund the cost of the repairs.

NOTE 15 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, 2017 and 2016, 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, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents	$ 976,346	$ 891,704
Accounts receivable, net of allowance	289,985	225,961
Related Party Receivables	119,881	168,469
Other Current Assets	3,508	3,410
Capital Assets, Net	93,971	94,925
Other Noncurrent Assets	7,325	7,325
Total Assets	1,491,016	1,391,794
LIABILITIES		
Related Party Payables	92,399	74,763
Other Current Liabilities	989,726	922,408
Total Liabilities	1,082,125	997,171
NET ASSETS		
Unrestricted	318,669	308,096
Restricted	90,222	86,527
Total Net Assets	$ 408,891	$ 394,623

NOTE 15 CONCORD UNIVERSITY RESEARCH & DEVELOPMENT CORPORATION (CONTINUED)

Concord University Research & Development Corporation
Condensed Statements of Activities
Years Ended June 30, 2017 and 2016

	2017	2016
REVENUES		
Unrestricted Revenue	$ 817,405	$ 662,985
Restricted Assets Used	1,934	42,522
Total Revenue and Other Support	819,339	705,507
EXPENSES		
Program Expenses	505,264	469,833
Support Services Expenses	303,502	283,840
Total Expenses	808,766	753,673
CHANGE IN UNRESTRICTED NET ASSETS	10,573	(48,166)
CHANGE IN RESTRICTED NET ASSETS	3,695	(32,846)
DONATION OF CAPITAL ASSETS TO THE UNIVERSITY	-	(31,626)
CHANGE IN NET ASSETS	14,268	(112,638)
Net Assets - Beginning of Year	394,623	507,261
NET ASSETS - END OF YEAR	$ 408,891	$ 394,623

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.

NOTE 16 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, 2017 and 2016, the Foundation's net assets (including unrealized gains) totaled $33,993,537 and $31,832,455, 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.

NOTE 16 FOUNDATION (CONTINUED)

During the years ended June 30, 2017 and 2016, the Foundation contributed approximately $656,386 and $607,828, respectively, to the University for scholarships and other student support.

NOTE 17 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 18 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.

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 19 NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

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

2017

	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Loan Cancellations and Write-Offs	Fee Assessed by the Commission	Total
Instruction	$ 8,097,777	$ 2,525,970	$ 660,074	$ (191)	$ -	$ -	$ -	$ -	$ 11,283,630
Research	73,932	12,319	46,924	-	-	-	-	-	133,175
Public Service	451,992	87,409	1,573,040	2,836	-	-	-	-	2,115,277
Academic Support	793,654	231,717	485,174	18,966	-	-	-	-	1,529,511
Student Services	1,402,764	387,097	1,025,713	2,101	-	-	-	-	2,817,675
General Institutional Support	2,285,040	579,827	1,413,080	301,113	-	-	-	-	4,579,060
Operations and Maintenance of Plant	375,506	158,812	309,177	614,104	-	-	-	-	1,457,599
Student Financial Aid	-	-	-	-	3,764,310	-	-	-	3,764,310
Auxiliary Enterprises	2,614,474	708,365	4,117,753	838,489	-	-	-	-	8,279,081
Depreciation	-	-	-	-	-	2,275,664	-	-	2,275,664
Other	-	-	-	-	-	-	24,924	124,794	149,718
Total	$ 16,095,139	$ 4,691,516	$ 9,630,935	$ 1,777,418	$ 3,764,310	$ 2,275,664	$ 24,924	$ 124,794	$ 38,384,700

2016

	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Loan Cancellations and Write-Offs	Fee Assessed by the Commission	Total
Instruction	$ 8,298,791	$ 2,176,873	$ 605,424	$ 17,251	$ -	$ -	$ -	$ -	$ 11,098,339
Research	41,762	5,731	73,566	-	-	-	-	-	121,059
Public Service	619,340	103,080	1,524,114	3,694	-	-	-	-	2,250,228
Academic Support	719,604	194,226	568,312	25,912	-	-	-	-	1,508,054
Student Services	1,485,246	386,431	1,168,224	3,570	-	-	-	-	3,043,471
General Institutional Support	2,342,106	509,330	1,226,979	237,006	-	-	-	-	4,315,421
Operations and Maintenance of Plant	416,523	122,104	638,872	686,680	-	-	-	-	1,864,179
Student Financial Aid	-	-	-	-	4,064,182	-	-	-	4,064,182
Auxiliary Enterprises	2,771,814	709,397	4,177,015	922,576	-	-	-	-	8,580,802
Depreciation	-	-	-	-	-	2,143,893	-	-	2,143,893
Other	-	-	-	-	-	-	27,965	134,687	162,652
Total	$ 16,695,186	$ 4,207,172	$ 9,982,506	$ 1,896,689	$ 4,064,182	$ 2,143,893	$ 27,965	$ 134,687	$ 39,152,280

NOTE 20 COMPONENT UNIT DISCLOSURES – CONCORD UNIVERSITY FOUNDATION, INCORPORATED

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

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations:

Concord University Foundation, Inc. (the Foundation) is a public charity that solicits and administers gifts on behalf of Concord University (the University). The Foundation administers endowed funds established by donors for the benefit of the University. Founded in 1976 as a 501(c)(3) non-profit organization, the Foundation is managed by an independent, volunteer governing board.

The significant accounting policies followed by the Foundation are described below:

Basis of financial statement presentation and accounting:

The financial statements of the Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America. 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, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The accompanying financial statements present information regarding the Foundation's financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. The three classes are differentiated based on the existence or absence of donor-imposed restrictions, as described below:

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

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

Permanently restricted net assets are amounts required by donors to be held in perpetuity; spending of the related investment income is limited to the lesser of actual income or a percentage of the market value of investment assets.

NOTE 20 COMPONENT UNIT DISCLOSURES – CONCORD UNIVERSITY FOUNDATION, INCORPORATED (CONTINUED)

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents:

The foundation considers all highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents. Cash equivalents are stated at cost, which approximates market value. Cash held for long-term investment is classified as cash restricted for long-term investment and by agency relationships.

The Foundation follows the common cash management practice of consolidating certain of its operating cash and cash equivalent accounts into one account, which includes various designated and restricted current operating and plant accounts. As a result of this practice, cash and cash equivalents specifically associated with the original gift of certain designated and restricted monies can be spent from the consolidated account.

When this occurs, the activity is accounted for by maintaining receivables and payables between the net asset classes. This may also cause the individual fund cash balances to be shown as negative if monies are due from another fund. The Foundation has sufficient unrestricted funds not included in the consolidated account to cover the designated or restricted monies spent.

Investments:

Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are reported at their fair values. The fair value of investments in equities, bonds, U.S. government securities, and short-term assets is determined by reference to quoted market prices and other relevant information generated by market transactions. Net unrealized and realized gains and losses are reflected in the statement of activities.

Mineral rights are reported at the fair value at the date donated.

Gifts of investments are recorded at their fair value (based upon quotations or appraisals) at the date of gift. Purchases and sales of investments are recorded on the trade date.

Income, and realized and unrealized net gains, on investments of endowment and similar net asset classes are reported as follows:

- As changes in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund;

- As changes in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income, including income earned on donor-restricted endowment funds;

- As changes in unrestricted net assets in all other cases.

NOTE 20 COMPONENT UNIT DISCLOSURES – CONCORD UNIVERSITY FOUNDATION, INCORPORATED (CONTINUED)

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment

Property and equipment are stated at cost at the date of acquisition or at fair value at the date of gift, less accumulated depreciation and amortization. Depreciation and amortization are recorded using the straight-line method over the estimated useful lives of the assets, which range from 3 to 7 years.

Equipment is removed from the records and any gain or loss is recognized at the time of disposal. Expenditures for new construction, major renewals and replacements, and equipment costing over $1,000 are capitalized. Maintenance and repairs are charged to operations as incurred.

The University capitalizes interest costs as part of the construction cost of buildings where it relates to the financing of major projects under development.

The University capitalizes interest cost as part of the construction cost of building where it relates to the financing of major projects under development.

Split-interest agreements:

The Foundation participates in various split-interest agreements that are unconditional and irrevocable. These arrangements are established when a donor makes a gift to the Foundation or to a trust in which the Foundation shares benefits with other beneficiaries. Generally, the Foundation accounts for these agreements by recording its share of the related assets at fair value (which approximates the present value of the estimated future cash receipts). Liabilities are recorded for any portion of the assets held for donors or other beneficiaries equal to the present value of the expected future payments to be made.

The liabilities are adjusted annually for changes in the value of the assets, accretion of the discount, and other changes in the estimates of future benefits. Contribution revenues are recognized at the dates the agreements are established for the difference between the assets and the liabilities.

If the Foundation holds the assets or is the trustee, the assets are included in investments and the liabilities are included in trust and annuity obligations. If a third party is the trustee until the termination of the trust and then the remaining assets are transferred to the beneficiaries, the assets less related liabilities are included in contributions receivable. If the donor establishes a perpetual trust with a third party as trustee (the Foundation will never receive the principal of the trust), the assets less related liabilities are included in funds held in trust by others. The fair value of funds held in trust by others is determined by the present value of estimated future cash flows.

Assets related to charitable gift annuities for the years ended June 30, 2017 and 2016 are included in investments and amounted to approximately $187,000 and $175,000, respectively.

NOTE 20 COMPONENT UNIT DISCLOSURES – CONCORD UNIVERSITY FOUNDATION, INCORPORATED (CONTINUED)

NOTE 1 NATURE OF OPERATIONS 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 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.

Net asset classifications of institutional funds:

The Foundation holds institutional funds, principally endowment funds, subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted in the state of West Virginia. “Endowment” is a commonly used term to refer to the resources that have been restricted by the donor or designated by the Board that will be invested to provide future revenue to support the Foundation’s activities. The Foundation’s endowment consists of individual funds established for a variety of purposes. As titled, UPMIFA provides guidance and applicable regulations relative to the management of applicable funds.

In response to UPMIFA, the Foundation adopted the provisions of authoritative accounting guidance for the net asset classification of donor restricted endowment funds for an organization that is subject to UPMIFA and also required related financial statement disclosures.

Interpretation of UPMIFA

The Board of Directors of the Foundation has interpreted 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. 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 of investment returns to the permanent endowment made in accordance with the direction of the applicable donor gift instrument, when applicable, at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the Foundation and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the investment policies of the Foundation.

NOTE 20 COMPONENT UNIT DISCLOSURES – CONCORD UNIVERSITY FOUNDATION, INCORPORATED (CONTINUED)

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net asset classifications of institutional funds (Continued)

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those of donor-restricted funds that organizations must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 Index while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). 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 volatility of the overall portfolio while providing a predictable stream of income.

The Foundation has adopted the following strategic asset allocation:

Asset Class	Asset Allocation Range
U.S. equity	25-55%
International equity: developed markets	0-15%
Fixed income: investment grade	20-40%
Cash	0-5%
International equity - emerging markets	0-10%
Fixed income: non-investment grade	0-10%
TIPS	0-10%
REIT's	0-10%
Commodities	0-10%

NOTE 20 COMPONENT UNIT DISCLOSURES – CONCORD UNIVERSITY FOUNDATION, INCORPORATED (CONTINUED)

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net asset classifications of institutional funds (Continued)

Spending Policy and How the Investment Objectives Related to Spending Policy

The Foundation employs a total return endowment spending policy that establishes the amount of endowment investment return that is available to support current needs and restricted purposes. This policy is designed to insulate program spending from capital market fluctuations and to increase the amount of return that is reinvested in the corpus of the fund in order to enhance its long-term value. The annual target spending rate of the Foundation is currently 4% 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. If cash yield (interest and dividends) is less than the spending rate, realized gains can be used to make up the deficiency. Any income in excess of the spending rate is to be reinvested in the endowment.

Funds with Deficiencies **(Underwater Funds)**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature reported in unrestricted net assets. There were no such deficiencies as of June 30, 2017 and 2016.

Contributions:

Contributions, including unconditional promises to give or contributions receivable, are recognized as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions, in the period the donor’s commitment is received. Unrestricted, unconditional promises to give are recognized as temporarily restricted operating revenues unless the donor explicitly stipulates its use to support current period activities.

NOTE 20 COMPONENT UNIT DISCLOSURES – CONCORD UNIVERSITY FOUNDATION, INCORPORATED (CONTINUED)

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions (Continued)

Conditional promises to give are not recognized until they become unconditional that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution, and nature of the fundraising activity.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the temporarily restricted net asset class, and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions.

Contributions of land, buildings, and equipment, or of cash or other assets to be used to acquire them, without donor stipulations concerning the use of such long-lived assets, are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire land, buildings, and equipment with such donor stipulations are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Donated services:

Donated professional services contributed by the 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, 2017 and 2016 were approximately $139,000 and $144,000, 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 fund-raising campaigns.

Donated rent:

Use of the facilities contributed by the 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 the years ended June 30, 2017 and 2016 was $42,689 and $40,015, respectively.

NOTE 20 COMPONENT UNIT DISCLOSURES – CONCORD UNIVERSITY FOUNDATION, INCORPORATED (CONTINUED)

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Advertising costs:

The Foundation follows the policy of charging advertising costs to expense as incurred.

Fair value measurements:

The Foundation carries various assets and liabilities at fair value. Fair value is defined as 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. In determining fair value, a market-based approach is used which establishes that fair value is based on the “highest and best use”. Additionally, in accordance with accounting guidance, the Foundation categorizes its financial instruments based on the priority of the inputs to the valuation technique into a three-level fair value hierarchy as reflected below. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

Level 1 – Fair values are based on unadjusted quoted prices in active markets for identical assets or liabilities that management has the ability to access at the measurement date.

Level 2 – Fair values are based on inputs other than quoted prices in Level 1 that are either for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that were observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

NOTE 20 COMPONENT UNIT DISCLOSURES – CONCORD UNIVERSITY FOUNDATION, INCORPORATED (CONTINUED)

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

<u>Fair value measurements (Continued)</u>

Level 3 – Fair values are based on unobservable inputs for the asset or liability where there is little, if any, market activity for the asset or liability at the measurement date.

The estimated fair value for specific groups of financial instruments is presented within the notes applicable to such items. If not specifically presented, fair value is estimated to approximate the related carrying value.

<u>Credit risk concentrations:</u>

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents and marketable securities. The Foundation places its temporary cash investments with high-credit, quality financial institutions. At times throughout the year, a portion of the Foundation’s bank deposits may be in excess of federally insured limits. Concentration of credit risk for marketable securities is limited by the Foundation’s policy of diversification of investments.

<u>Income taxes:</u>

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 Foundation has been classified as an organization that is not a private foundation under Section 509(a)(2).

<u>Subsequent events:</u>

Subsequent events were considered through August 23, 2017, the date the financial statements were available to be issued.

<u>Reclassifications:</u>

Certain reclassifications have been made to prior year amounts in order to conform to the current year presentation.

NOTE 20 COMPONENT UNIT DISCLOSURES – CONCORD UNIVERSITY FOUNDATION, INCORPORATED (CONTINUED)

NOTE 2 CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following:

	2017	2016
Amounts Due in:		
Less than One Year	$ 10,000	$ 15,175
One to Five Years	260,000	271,866
More than Five Years	-	-
	270,000	287,041
Less:		
Discount to net present value at .094% - 5%	(13,077)	(18,398)
Allowance for uncollectible contributions	-	(1,866)
Total	$ 256,923	$ 266,777

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.

Conditional promises to give to the Foundation are not recorded until the condition is met at which time a receivable will be recorded. The Foundation will receive a total of $150,000 at $30,000 per year for five years on the condition the Foundation raises $60,000 each year in other contributions.

NOTE 3 INVESTMENTS

Long-term investments consisted of the following at June 30:

	2017	2016
Government Obligations	$ 11,363,266	$ 3,889,712
Corporate Equities	5,610,452	8,835,993
Mutual Funds	18,655,348	20,207,567
Money Markets	496,872	1,111,707
Real Estate Securities	977,917	802,327
Mineral Rights	3,203	3,203
Total	$ 37,107,058	$ 34,850,509

NOTE 20 COMPONENT UNIT DISCLOSURES – CONCORD UNIVERSITY FOUNDATION, INCORPORATED (CONTINUED)

NOTE 3 INVESTMENTS (CONTINUED)

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.

The Foundation has various investment vehicles that have carrying values that fluctuate with the financial markets. As a result, the value of such investments may have declined from year-end values and that decline could be material.

NOTE 4 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 state of activities.

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2017 and 2016:

	2017	2016
Equipment and Software	$ 74,965	$ 72,746
Less: Accumulated Depreciation	(73,105)	(70,760)
Total	$ 1,860	$ 1,986

NOTE 6 FUNDS HELD IN TRUST BY OTHERS

Funds held in trust by others, consisting of the assets of trusts established under (1) the will of Maxine Poe administered by a foundation and (2) a charitable remainder trust established by Wald Wheeler and administered by a bank. The Foundation is the income beneficiary of the Poe trust and the income is recorded as temporarily restricted revenues. The Wheeler Trust specifies six percent (6%) annual distributions are payable year by year over the lives of two beneficiaries with remaining value to be distributed to the Foundation upon their deaths. Therefore, the estimated present value of the Wheeler Trust based on dual life expectancy is included in temporarily restricted net assets. Realized and unrealized gains and losses on these trusts are reported as changes in temporarily or permanently restricted net assets in accordance with the terms of the trust.

NOTE 20 COMPONENT UNIT DISCLOSURES – CONCORD UNIVERSITY FOUNDATION, INCORPORATED (CONTINUED)

NOTE 7 NET ASSETS

Net assets as of June 30 consist of the following:

	2017	2016
Unrestricted:		
Board designated endowment funds	$ 399,386	$ 296,871
Undesignated	(17,077)	78,640
	382,309	375,511
Temporarily Restricted:		
Business Department	947,163	569,830
Faculty Development	213,581	160,106
University Point Alumni Center	426,980	217,889
Student Support	7,523,647	6,945,787
	9,111,371	7,893,612
Permanently Restricted:		
Restricted in perpetuity, the income from which is expendable to support the students of the University	14,644,166	14,127,332
Bonner Scholar's Program	9,855,691	9,436,000
	24,499,857	23,563,332
Total	$ 33,993,537	$ 31,832,455

The Bonner Scholar's Program stipulates that scholarships and other expenses are to be provided to a certain number of students. The permanent endowment amount of this program is to consist of the original endowment plus or minus investment earrings less the cost of scholarships and other expense provided to the stipulated number of students.

NOTE 8 ENDOWMENT

Endowment net assets consist of the following at June 30:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	$ -	$ 8,342,847	$ 24,086,750	$ 32,429,597
Board-Designated Endowment Funds	399,386	-	-	399,386
Total	$ 399,386	$ 8,342,847	$ 24,086,750	$ 32,828,983

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	$ (29)	$ 7,194,891	$ 23,140,343	$ 30,335,205
Board-Designated Endowment Funds	296,871	-	-	296,871
Total	$ 296,842	$ 7,194,891	$ 23,140,343	$ 30,632,076

NOTE 20 COMPONENT UNIT DISCLOSURES – CONCORD UNIVERSITY FOUNDATION, INCORPORATED (CONTINUED)

NOTE 8 ENDOWMENT (CONTINUED)

Changes in endowment net assets for the year ended June 30 are as follows:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets - Beginning	$ 296,842	$ 7,194,891	$ 23,140,343	$ 30,632,076
Investment Return:				
Investment Income	59,858	266,866	158,639	485,363
Net Realized/Unrealized Gains	38,698	1,868,882	950,062	2,857,642
Total Investment Return	98,556	2,135,748	1,108,701	3,343,005
Contributions	-	196,889	235,968	432,857
Appropriation for Expenditure	3,988	(1,184,681)	(398,562)	(1,579,255)
Endowment Net Assets - Ending	$ 399,386	$ 8,342,847	$ 24,086,450	$ 32,828,683

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets - Beginning	$ 374,100	$ 7,740,384	$ 23,576,302	$ 31,690,786
Investment Return:				
Investment Income	(25,603)	405,014	181,096	560,507
Net Realized/Unrealized Gains	(244,917)	(312,783)	(295,243)	(852,943)
Total Investment Return	(270,520)	92,231	(114,147)	(292,436)
Contributions	-	115,053	134,223	249,276
Appropriation for Expenditure	193,262	(752,777)	(456,035)	(1,015,550)
Endowment Net Assets - Ending	$ 296,842	$ 7,194,891	$ 23,140,343	$ 30,632,076

NOTE 20 COMPONENT UNIT DISCLOSURES – CONCORD UNIVERSITY FOUNDATION, INCORPORATED (CONTINUED)

NOTE 9 FAIR VALUE MEASUREMENT

The following is a summary of the inputs used to determining the fair values of financial assets and liabilities measured at fair value on a recurring basis as of June 30:

	2017			
	Total	Level 1	Level 2	Level 3
Recurring Fair Value Measurements:				
Government Obligations	$ 11,363,266	$ 11,363,266	$ -	$ -
Corporate Equities	5,610,452	5,610,452	-	-
Mutual Funds	18,655,348	18,655,348	-	-
Money Markets	496,872	496,872	-	-
Real Estate Securities	977,917	977,917	-	-
	37,103,855	37,103,855	-	-
Funds held in trust by others	490,850		490,850	
Nonrecurring Fair Value Measurements:				
Mineral Rights	3,203		3,203	-
Total	$ 37,597,908	$ 37,103,855	$ 494,053	$ -

	2016			
	Total	Level 1	Level 2	Level 3
Recurring Fair Value Measurements:				
Government Obligations	$ 3,889,712	$ 3,889,712	$ -	$ -
Corporate Equities	8,835,993	8,835,993	-	-
Mutual Funds	20,207,567	20,207,567	-	-
Money Markets	1,111,707	1,111,707	-	-
Real Estate Securities	802,327	802,327	-	-
	34,847,306	34,847,306	-	-
Funds held in trust by others	450,000		450,000	
Nonrecurring Fair Value Measurements:				
Mineral Rights	3,203	-	3,203	-
Total	$ 35,300,509	$ 34,847,306	$ 453,203	$ -

The fair values of investments in cash and cash equivalents and publicly traded investment in corporate equities are determined based upon quoted market prices. The fair value of mineral rights is determined by obtaining an appraisal as of the date of the receipt of the gift. The fair value of mineral rights and other is determined by obtaining an appraisal at the date of receipt of the gift.

NOTE 20 COMPONENT UNIT DISCLOSURES – CONCORD UNIVERSITY FOUNDATION, INCORPORATED (CONTINUED)

NOTE 10 RELATED PARTIES

Funds totaling approximately $1,000,000 have been transferred to an account of which the Foundation’s investment advisor, Hartland, & Co’, has powers of attorney.

CONCORD UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION (RSI) (UNAUDITED)
SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND CONTRIBUTIONS
JUNE 30, 2017 AND 2016

Schedule of Proportionate Share of TRS Net Pension Liability
(In Thousands)

Measurement Date	University's Proportionate Share as a Percentage of Net Pension Liability	University's Proportionate Share	State's Proportionate Share	Total Proportionate Share	University's Covered Employee Payroll	University's Proportionate Share as a Percentage of Covered Payroll	University's Plan Fiduciary Net Position as a Percentage of Total Pension Liability
June 30, 2016	0.035737%	$ 1,469	$ 2,798	$ 4,267	$ 760	193%	61.42%
June 30, 2015	0.033051%	$ 1,145	$ 2,660	$ 3,805	$ 1,102	104%	66.25%
June 30, 2014	0.039108%	$ 1,349	$ 3,048	$ 4,397	$ 1,144	118%	65.95%

Schedule of Employer Contributions
(In Thousands)

Measurement Date	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actuarial Contribution as a Percentage of Covered Payroll
June 30, 2016	$ 139	$ 134	$ 5	$ 760	18.29%
June 30, 2015	$ 150	$ 150	$ -	$ 1,102	13.61%
June 30, 2015	$ 178	$ 180	$ (2)	$ 1,144	15.56%

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

Notes to Required Supplementary Information
For the Year Ended June 30, 2017

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

CliftonLarsonAllen LLP
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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 and the aggregate discretely presented component unit of Concord University (the University), a component unit of the West Virginia Higher Education Policy Fund, as of and for the year ended June 30, 2017, 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 13, 2017. Our report includes a reference to other auditors who audited the financial statements of the Concord University Foundation, Inc. and the Research & Development Corporation, 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 the auditors of the Research & Development Corporation. The financial statements of the Concord University Foundation, Inc. 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 Concord University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Concord University's internal control. Accordingly, we do not express an opinion on the effectiveness of Concord 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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Concord 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the 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

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
October 13, 2017