CONCORD UNIVERSITY

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2018 AND 2017

CliftonLarsonAllen LLP

CONCORD UNIVERSITY
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YEARS ENDED JUNE 30, 2018 AND 2017

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, 2018 and 2017, 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 Concord University Research & Development Corporation, which is a blended component unit and represents 2% of the assets, 1% of the net position, and 2% of the revenue of the University as of June 30, 2018 and 2% of the assets, 1% of the net position, and 3% of the revenue of the University as of June 30, 2017. 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 Concord University 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 opinions.

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, 2018 and 2017, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the University implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, for the year ended June 30, 2018, which represents a change in accounting principal. As of July 1, 2017, the University's net position was restated to reflect the impact of adoption. Our opinion is not modified with respect to this matter. A summary of the restatement is presented in Note 2.

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, schedule of contributions, schedule of proportionate share of net OPEB 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.

Board of Governors
Concord University

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2018, 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 12, 2018

Introduction

Concord University, (the University) is pleased to present its financial statements for the years ended June 30, 2018 and 2017. 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 2018, the University's enrollment decreased by (7.70%) for total full-time fall enrollment of 2,046. Total net position increased by 0.21% for the year. Net investment in capital assets decreased by (4.25%) while unrestricted net position increased by 26.81%. Total gross tuition and fee revenue increased by 3.91% due to tuition and fee increase of 7% effective for the year ended June 30, 2018, offset by a decrease in enrollment for the fiscal year ended June 30, 2018. State appropriated funding decreased by (2.62%) from that reported for the fiscal year ended June 30, 2017.

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, 2018, 2017 and 2016

	2018	2017	2016	Change FY 18 - FY 17
Assets:				
Current Assets	$ 10,247,065	$ 12,045,309	$ 19,576,499	-14.93%
Noncurrent Assets	4,815,968	5,341,588	8,012,461	-9.84%
Capital Assets, Net	62,532,784	63,344,842	54,466,586	-1.28%
Total Assets	77,595,817	80,731,739	82,055,546	-3.88%
Deferred Outflows of Resources	648,116	384,305	198,111	68.65%
Total Assets and Deferred Outflows	78,243,933	81,116,044	82,253,657	-3.54%
Liabilities:				
Current Liabilities	6,473,215	8,196,795	8,511,908	-21.03%
Noncurrent Liabilities	27,354,099	29,785,362	30,279,353	-8.16%
Total Liabilities	33,827,314	37,982,157	38,791,261	-10.94%
Deferred Inflows of Resources	1,974,990	782,554	1,076,332	152.38%
Net Position:				
Net Investment in Capital Assets	43,767,413	45,712,396	45,087,123	-4.25%
Restricted:				
Nonexpendable	2,424,736	2,424,736	2,664,316	0.00%
Expendable	1,766,648	1,752,325	1,475,392	0.82%
Unrestricted Deficit	(5,517,168)	(7,538,124)	(6,840,767)	-26.81%
Total Net Position	$ 42,441,629	$ 42,351,333	$ 42,386,064	0.21%

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 1.58 to 1 and 1.47 to 1 as of June 30, 2018 and 2017, respectively. These indicate that the University has sufficient available resources to meet its obligations.

As of June 30, 2018, the total assets of the University had decreased by (3.88%) while total liabilities decreased by (10.94%) from the balances as of June 30, 2017. Total asset decrease is due to a decrease in investments related to bond funds of $2.6 million and a decrease in capital assets of $0.8 million. The decrease in total liabilities is due to the decrease in accounts payable of $1.6 million, advances from federal sponsors of $0.3 million, OPEB Liability and Pension obligations of $1.27 million and bonds payable of $0.3 million. The net position increased by 0.21% during the same time period. Unrestricted net position increased by 26.81% for the year ended June 30, 2018.

The University's total liabilities and deferred inflows of resources were approximately $35.8 million and $38.8 million, respectively, as of June 30, 2018 and 2017. Noncurrent liabilities were approximately $27.4 million and $29.8 million as of June 30, 2018 and 2017. 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 $2.0 million and $0.8 million as of June 30, 2018 and 2017 respectively. Deferred inflows of resources are accreted over the life of the University's service concession arrangements and for pension and OPEB related items amortized over the related recognition period.

Unrestricted net deficit comprised (13.00%) and (17.80%) of the total net position of the University as of June 30, 2018 and 2017, respectively. The unrestricted deficit amounted to approximately ($5.5) million and ($7.5) million as of June 30, 2018 and 2017, respectively.

Depreciation expense has been recorded for the years ended June 30, 2018 and 2017 in the amount of approximately $2.6 million and $2.3 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 $0 with the balance reported as debt due to the Commission of $0. 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 2018 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, 2018 and 2017 was $2,361,261 and $2,658,209, 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, 2019 is $283,232 and $85,031, 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, 2018, the University recorded an intangible asset of approximately $0.74 million, an accrued liability of approximately $0.3 million, and a deferred inflow of resources of approximately $0.5 million. The University recognized revenue of approximately $0.20 and $0.22 million from SCAs during each of the fiscal years ended June 30, 2018 and 2017 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/nontraditional 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, 2018 and 2017. 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.

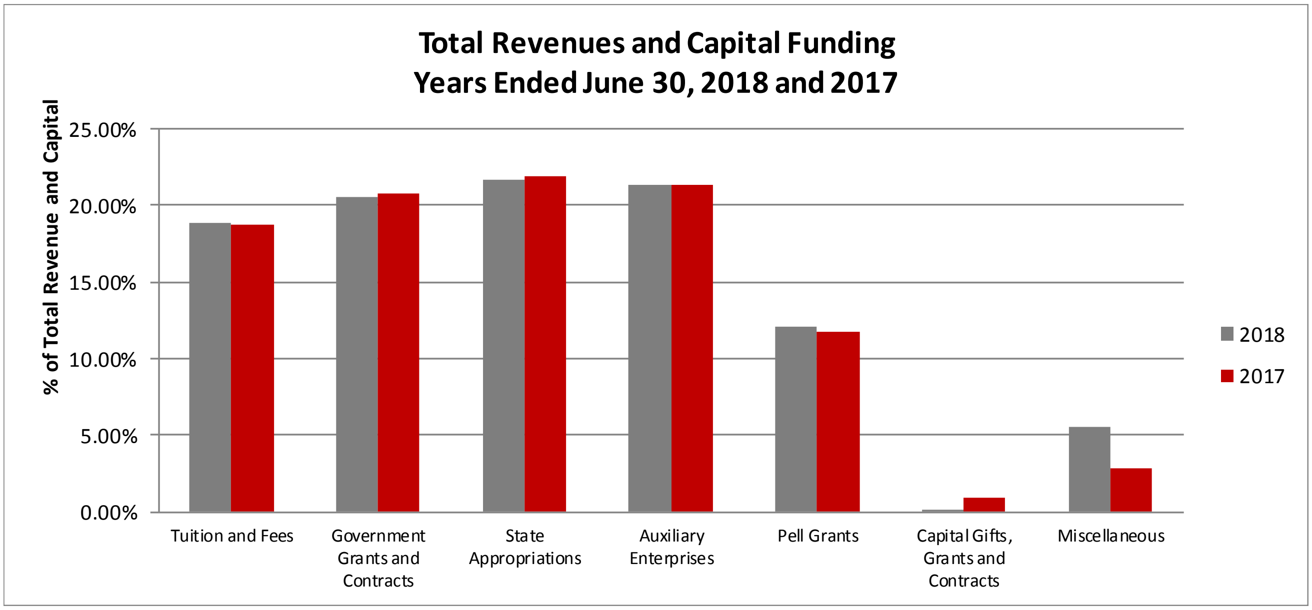
Condensed Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2018, 2017 and 2016

	2018	2017	2016	Change FY 18 - FY 17
Operating Revenues	$ 24,376,163	$ 24,691,081	$ 25,027,288	-1.28%
Operating Expenses	37,494,226	38,384,700	39,152,280	-2.32%
Operating Loss	(13,118,063)	(13,693,619)	(14,124,992)	-4.20%
Nonoperating Revenues	13,820,512	13,763,360	13,312,272	0.42%
Nonoperating Expenses	(617,990)	(457,596)	(260,568)	35.05%
Net Nonoperating Revenues	13,202,522	13,305,764	13,051,704	-0.78%
Increase in Net Position before Other Revenues, Expenses, Gains or Losses	84,459	(387,855)	(1,073,288)	-121.78%
Other Revenues, Expenses, Gains or Losses	30,000	353,124	558,655	-91.50%
Increase in Net Position	114,459	(34,731)	(514,633)	-429.56%
Net Position - Beginning of year, Previously Reports	42,351,333	-	-	
Restatement of Net Assets - OPEB Liability	(24,163)	-	-	-100.00%
Net Position - Beginning of year	42,327,170	42,386,064	42,900,697	-0.14%
Net Position - End of Year	$ 42,441,629	$ 42,351,333	$ 42,386,064	0.21%

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:

	2018	2017	2016	Change FY 18 - FY 17
Operating Revenues (by Major Source):				
Tuition and Fees before Allowances	$ 17,228,702	$ 16,579,773	$ 17,014,802	3.91%
Less:				
Institutional Scholarship Discounts and Allowances	(10,035,161)	(9,299,789)	(9,473,540)	7.91%
Tuition and Fees, Net	7,193,541	7,279,984	7,541,262	-1.19%
Government Grants and Contracts	7,838,170	8,041,791	7,771,122	-2.53%
Interest on Student Loans Receivable	56,190	75,538	29,113	-25.61%
Sales and Services of Education Activities	6,590	9,782	10,178	-32.63%
Auxiliary Enterprise Sales and Services	8,147,482	8,284,130	8,649,682	-1.65%
Miscellaneous	1,134,190	999,856	1,025,931	13.44%
Nonoperating Revenues (by Major Source):				
State Appropriations	8,278,077	8,501,104	8,576,394	-2.62%
Pell Grants	4,613,191	4,558,425	4,758,647	1.20%
Investment Income (Expense)	339,696	442,812	(22,769)	-23.29%
Payments on Behalf of University	589,548	261,019	-	125.86%
Capital Funding:				
Capital Gifts from Others	30,000	353,124	-	-91.50%
Commission	-	-	558,655	0.00%
Total Revenues and Capital Funding	$ 38,226,675	$ 38,807,565	$ 38,898,215	-1.50%

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, 2018 and 2017:



The major sources of revenue include tuition and fees, government grants and contracts, state appropriations, and auxiliary revenues. State appropriations comprised 21.66% and 21.91% of the total revenue during the years ended June 30, 2018 and 2017, respectively. Gross tuition and fees accounted for 45.07% and 42.72% of total revenue for the years ended June 30, 2018 and 2017, respectively, before scholarship discounts and allowances. Auxiliary revenue decreased (1.65%) and (4.23%) for the years ended June 30, 2018 and 2017, respectively. For the years ended June 30, 2018 and June 30, 2017 miscellaneous revenue increased by 13.44% and decreased by (2.54%), respectively.

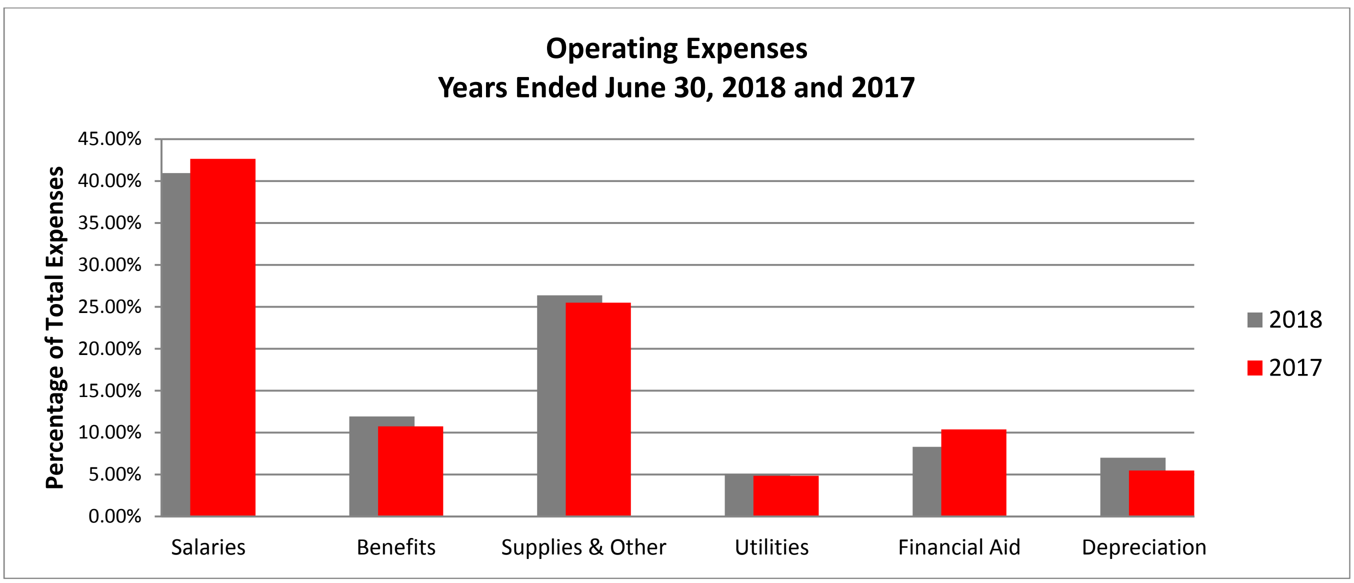
The total revenue and capital funding including grants and transfers decreased during the year ended June 30, 2018 by approximately ($0.58 million) or (1.50%) from the year ended June 30, 2017. The decrease in revenue is due to a decline in enrollment and the continued reduction from state appropriations.

The loss before other revenues, expenses, gains, or losses for the years ended June 30, 2018 and 2017 was approximately ($13.1) million and approximately ($13.7) million, respectively. The decrease in net operating loss of ($600) thousand and ($400) thousand for the years ended June 30, 2018 and 2017, respectively, was due to a decline in enrollment of (7.70%) and (5.17%), respectively, and decline in state appropriations of (2.62%) and (0.88%), respectively.

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

	2018	2017	2016	Change FY 18 - FY 17
Salaries	$ 15,494,416	$ 16,095,139	$ 16,695,186	-3.73%
Benefits	4,460,330	4,691,516	4,207,172	-4.93%
Supplies and Other	9,785,033	9,630,935	9,982,506	1.60%
Utilities	1,898,276	1,777,418	1,896,689	6.80%
Student Financial Aid	3,102,732	3,764,310	4,064,182	-17.58%
Depreciation	2,616,727	2,275,664	2,143,893	14.99%
Miscellaneous	136,712	149,718	162,652	-8.69%
Total Operating Expenses	$ 37,494,226	$ 38,384,700	$ 39,152,280	-2.32%

Salary and benefit costs together comprised 53.22% and 54.15% of the total operating expenses of the University for the years ended June 30, 2018 and 2017, respectively. Student financial aid expense totaled approximately $3.1 and $3.8 million and a decrease ($0.7) million from June 30, 2017. Utilities expense increased by 6.80% to a total of approximately $1.9 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, 2018, 2017 and 2016

	2018	2017	2016	Change FY 18 - FY 17
Cash Provided (Used) by:				
Operating Activities	$ (10,377,825)	$ (11,014,479)	$ (11,411,365)	-5.78%
Noncapital Financing Activities	12,756,905	12,686,745	13,413,289	0.55%
Capital Financing Related Activities	(1,785,651)	(2,327,008)	(1,761,259)	-23.26%
Investing Activities	338,478	441,520	(23,185)	-23.34%
Increase (Decrease) in Cash	931,907	(213,222)	217,480	-537.06%
Cash - Beginning of Year	3,388,753	3,601,975	3,384,495	-5.92%
Cash - End of Year	$ 4,320,660	$ 3,388,753	$ 3,601,975	27.50%

The University increased cash for the year ended June 30, 2018 by $931,907. The year ended June 30, 2017 had a decrease in cash of ($213,222). 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, 2018 and 2017 totaled approximately $1.8 million and $11.2 million, respectively. During the year ended June 30, 2012, construction began on the renovations to the Fine Arts Building and the Marsh Library.

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 $340,000 for the year ending June 30, 2018 and $320,000 for the year ending June 30, 2017. Total interest expense incurred during the year ended June 30, 2018 and 2017 was $646,560 and $663,714, respectively. The interest expense was capitalized as a cost in the amount of $162,000 and $403,536 for the project making a total cost for the project of $17.9 and $16.8 million as June 30, 2018 and June 30, 2017, respectively. The University has no bond issues outstanding nor has it liquidated any bond issues during the fiscal year ended June 30, 2018.

Economic Factors and Next Year's Budgets and Rates

Concord University achieved some improvement in operating results for FY 2018. Both ending cash balances and net position increased modestly. However, due to continued economic uncertainty facing both the institution and State of West Virginia, 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. The University does not expect any further reduction in state appropriations for FY 2019. Discussions continue at the state level to implement a funding model that may provide much needed relief in the form of increased state appropriations. Any benefits from the funding model are not likely to occur before FY 2020.

Increased competition for students in Southern West Virginia, coupled with a sluggish economy, continue to adversely impact enrollment. Total headcount decreased 8% from fall 2017 to fall 2018. Incoming class enrollment declined slightly, with returning students accounting for the bulk of the decline. The University is committed to make those changes necessary to strengthen its position while meeting future challenges due to declines in past enrollment.

To address declining enrollment and the fiscal and demographic realities facing Southern West Virginia, Concord has developed a strategic enrollment plan that focuses on out-of-state and international recruitment, while continuing aggressive marketing efforts in West Virginia. The University is reviewing financial aid and scholarships with the goal improving both enrollment and the financial health of the institution.

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. Because of the strong endowment and commitment to affordability, Concord's average student loan debt is consistently the lowest among all four-year public institutions in West Virginia. Setting future tuition rates will remain sensitive and thoughtful in seeking a balance between affordability and revenue needs.

The University continues its focus on cost saving to include utility conservation initiatives, such as a campus wide conversion to LED fixtures, 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 is monitoring its 2019 budget in order to continue improvement in cash reserves and net position. The University has been able to successfully address fiscal challenges over the past several years, and will continue to do so in the near term.

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, 2018 AND 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 3,246,424	$ 2,343,248
Cash and Cash Equivalents - Research & Development Corporation	1,074,236	1,045,505
	4,320,660	3,388,753
Cash, Restricted	-	2,647,743
Due from the Commission	2,926	4,003
Accounts Receivable, Net of Allowance for Doubtful Accounts	3,131,724	3,323,185
Due from Other Agencies	-	660
Amount Held at Foundation	1,264,452	1,186,163
Amount Held at Foundation - Other	717,476	661,402
Loans to Students - Current Portion	367,129	389,928
Intangible Asset - Service Concession Arrangement - Current Portion	250,000	240,000
Prepaid Expenses	175,968	183,659
Inventories	16,730	19,813
Total Current Assets	10,247,065	12,045,309
NONCURRENT ASSETS		
Amount Held at Foundation - Permanent Endowments	2,424,736	2,424,736
Intangible Asset - Service Concession Arrangement	492,857	731,429
Loans to Students, Net of Allowance of $-0- in 2018 and 2017	1,654,175	1,918,701
No Hardship Pay Adjustment	244,200	266,722
Capital Assets, Net of Accumulated Depreciation	62,532,784	63,344,842
Total Noncurrent Assets	67,348,752	68,686,430
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflow - Pension Related	216,581	384,305
Deferred Outflow - OPEB Related	431,535	-
Total Deferred Outflows	648,116	384,305
Total Assets and Deferred Outflows	$ 78,243,933	$ 81,116,044

CONCORD UNIVERSITY
STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30, 2018 AND 2017

LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	2018	2017
CURRENT LIABILITIES		
Accounts Payable	$ 2,262,282	$ 3,890,360
Accrued Liabilities	2,133,733	2,350,010
Due to Other State Agencies	5,238	3,287
Unearned Revenue	703,966	542,933
Compensated Absences - Current Portion	526,217	470,620
Deposits	16,396	39,723
Accrued Service Concession Liability - Current	47,939	55,032
Debt Obligations Real Estate - Current Portion	39,212	33,101
Capital Lease Obligations - Current Portion	283,232	271,729
Debt Obligations Due to the Commission	100,000	200,000
Bonds Payable - Current Portion	355,000	340,000
Total Current Liabilities	6,473,215	8,196,795
NONCURRENT LIABILITIES		
Advances from Federal Sponsors	1,602,029	1,914,580
Capital Lease Obligations - Noncurrent Portion	2,078,029	2,386,480
Compensated Absences - Noncurrent Portion	293,106	285,963
Other Postemployment Benefit Liability	6,267,061	6,972,741
Net Pension Liability	906,619	1,468,742
Accrued Service Concession Liability	228,682	281,402
Debt Obligations Due to the Commission	175,000	275,000
Debt Obligations - Real Estate	289,896	329,136
Debt Obligations Bonds Payable Net of Bonds Premium	15,513,677	15,871,318
Total Noncurrent Liabilities	27,354,099	29,785,362
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - Pension Related	429,487	147,497
Deferred Inflows - OPEB Related	1,058,615	-
Deferred Inflows - Service Concession Arrangement	486,888	635,057
Total Deferred Inflows of Resources	1,974,990	782,554
NET POSITION		
Net Investment in Capital Assets	43,767,413	45,712,396
Restricted for - Nonexpendable - Permanent Endowments	2,424,736	2,424,736
Restricted for - Expendable - Loans	502,196	565,988
Restricted for - Expendable	1,264,452	1,186,337
Unrestricted Deficit	(5,517,168)	(7,538,124)
Total Net Position	42,441,629	42,351,333
Total Liabilities, Deferred Inflows, and Net Position	$ 78,243,933	$ 81,116,044

CONCORD UNIVERSITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
OPERATING REVENUES		
Student Tuition and Fees, Net of Scholarship Allowance of $10,035,161 and $9,299,789 in 2018 and 2017, Respectively	$ 7,193,541	$ 7,279,984
Contract and Grants:		
Federal	2,193,225	2,022,128
State	4,704,447	5,115,774
Private	940,498	903,889
Interest on Student Loans Receivable	56,190	75,538
Sales and Services of Educational Activities	6,590	9,782
Auxiliary Enterprise Revenue	8,147,482	8,284,130
Miscellaneous, Net	1,134,190	999,856
Total Operating Revenues	24,376,163	24,691,081
OPERATING EXPENSES		
Salaries and Wages	15,494,416	16,095,139
Benefits	4,460,330	4,691,516
Supplies and Other Services	9,785,033	9,630,935
Utilities	1,898,276	1,777,418
Student Financial Aid - Scholarships and Fellowships	3,102,732	3,764,310
Depreciation	2,616,727	2,275,664
Loan Cancellations and Write-Offs	18,303	24,924
Fees Assessed by the Commission for Operations	118,409	124,794
Total Operating Expenses	37,494,226	38,384,700
OPERATING LOSS	(13,118,063)	(13,693,619)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	8,278,077	8,501,104
Federal Pell Grants	4,613,191	4,558,425
Investment Income	339,696	442,812
Payments on Behalf of University	589,548	261,019
Fees Assessed by the Commission for Debt Service	(13,027)	(13,182)
Interest Expense	(603,732)	(397,284)
Other Nonoperating Expenses, Net	(1,231)	(47,130)
Net Nonoperating Revenues	13,202,522	13,305,764
INCREASE (DECREASE) IN NET POSITION BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	84,459	(387,855)
CAPITAL GIFTS, GRANTS AND CONTRACTS		
Capital Gifts from Others	30,000	353,124
Total Capital Gifts, Grants and Contracts	30,000	353,124
INCREASE (DECREASE) IN NET POSITION	114,459	(34,731)
Net Position - Beginning of Year, Previously Reported	42,351,333	-
Restatement of Net Assets - OPEB Liability	(24,163)	-
Net Position - Beginning of Year, As Restated	42,327,170	42,386,064
NET POSITION - END OF YEAR	$ 42,441,629	$ 42,351,333

CONCORD UNIVERSITY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Student Tuition and Fees	$ 17,376,658	$ 17,129,197
Contracts and Grants	8,051,938	5,720,901
Payments to and on Behalf of Employees	(19,711,385)	(20,248,413)
Payments to Suppliers	(10,232,371)	(8,423,947)
Payments to Utilities	(1,898,276)	(1,777,418)
Payments for Scholarships and Fellowships	(13,137,893)	(13,064,099)
Loans Issued to Students	(312,551)	(413,743)
Collection of Loans to Students	269,022	285,715
Interest on Student Loans	56,190	75,538
Sales and Services of Educational Activities	6,590	9,782
Auxiliary Enterprise Receipts	8,054,655	8,486,778
Fees Assessed by the Commission	(118,409)	(124,794)
Other Receipts, Net	1,218,007	1,330,024
Net Cash Used by Operating Activities	(10,377,825)	(11,014,479)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	8,278,077	8,501,104
Federal Pell Grants	4,613,191	4,558,425
Increase in Amounts Held by Foundation	(134,363)	(372,784)
Federal Student Loan Program - Direct Lending Receipts	9,124,798	10,198,525
Federal Student Loan Program - Direct Lending Payments	(9,124,798)	(10,198,525)
Net Cash Provided by Noncapital Financing Activities	12,756,905	12,686,745
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital Grants and Gifts Received	30,000	353,123
Proceeds from Borrowing from HEPC	-	375,000
Transferred to Restricted Cash	-	594,452
Decrease in Investments	2,647,743	9,987,000
Debt Repayments - Real Estate	(33,129)	(31,882)
Interest Payments - Real Estate	(16,356)	(16,947)
Capital Lease Principal Paid	(296,948)	(284,887)
Capital Lease Obligations Interest Paid	(103,489)	(118,817)
Purchases of Capital Assets	(2,973,916)	(12,488,146)
Principal Payments on Debt Obligations Due Commission	(200,000)	(100,000)
Interest Payments on Service Concession Arrangements	(4,610)	(2,544)
Bond Principal Paid	(342,641)	(321,203)
Bond Interest Paid	(479,278)	(258,975)
Fees Assessed by Commission	(13,027)	(13,182)
Net Cash Used by Capital Financing Activities	(1,785,651)	(2,327,008)

CONCORD UNIVERSITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FROM INVESTING ACTIVITIES		
Investment Income	$ 338,478	$ 441,520
Net Cash Provided by Investing Activities	338,478	441,520
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	931,907	(213,222)
Cash and Cash Equivalents - Beginning of Year	3,388,753	3,601,975
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 4,320,660	$ 3,388,753
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	$ (13,118,063)	$ (13,693,619)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense	2,616,727	2,275,664
Expenses Paid on Behalf of the University	589,548	261,019
Effects of Changes in Operating Assets and Liabilities:		
Due from the Commission	-	17,705
Accounts Receivables, Net	191,463	(1,115,635)
Loans to Students, Net	(25,226)	(103,104)
Prepaid Expenses	7,691	7,654
Inventories	3,083	(2,088)
Service Concession Arrangement	20,590	62
Due From Other Agencies	660	(660)
No Hardship Pay Adjustment	22,522	23,340
Accounts Payable	(457,767)	1,307,250
Accrued Liabilities	(216,277)	20,634
Student Deposits	(23,327)	(3,307)
Due to the Commission	-	(103,722)
Due to Other State Agencies	1,951	(2,109)
Unearned Revenue	161,033	(136,812)
Compensated Absences	62,740	59,577
Pension Liability, Net	(112,409)	(15,543)
Other Postemployment Benefits Liability	(102,764)	189,215
Net Cash Used by Operating Activities	$ (10,377,825)	$ (11,014,479)
NONCASH CAPITAL FINANCING ACTIVITIES		
Accounts Receivable for Capital Gifts, Grants and Contracts	$ -	$ (399,547)
Accounts Payable for Capital Gifts, Grants and Contracts	$ 1,168,016	$ 1,686,646
Expenses Paid on Behalf of the University	$ 589,548	$ 261,019

CONCORD UNIVERSITY
COMPONENT UNIT – STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Cash and Cash Equivalents	$ 412,471	$ 528,368
Contributions Receivable	254,520	256,923
Dividends and Interest Receivable	25,840	19,653
Cash Restricted for Long-Term Investment and by Agency Relationships	81,402	456,750
Investments	39,224,086	37,107,058
Inventory	3,573	-
Prepaid Expenses	5,415	5,741
Property and Equipment, Net	1,120	1,860
Funds Held for Others	523,390	490,850
Total Assets	$ 40,531,817	$ 38,867,203
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	$ 6,411	$ 153,750
Amounts Held on Behalf of Others	4,779,446	4,643,445
Obligations Under Annuity Agreements	62,993	76,471
Total Liabilities	4,848,850	4,873,666
NET ASSETS		
Unrestricted	572,133	382,309
Temporarily Restricted	9,802,905	9,111,371
Permanently Restricted	25,307,929	24,499,857
Total Net Assets	35,682,967	33,993,537
Total Liabilities and Net Assets	$ 40,531,817	$ 38,867,203

CONCORD UNIVERSITY
COMPONENT UNIT – STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT				
Gifts and Grants	$ 109,953	$ 175,448	$ 362,129	$ 647,530
In-kind Support	121,792	-	-	121,792
Interest and Dividends, Net of Related Expenses of $122,719	(114,722)	461,266	188,057	534,601
Net Realized and Unrealized Gains	22,632	1,315,991	582,616	1,921,239
Change in Value of Split-Interest Agreements	-	-	2,065	2,065
Change in Value of Funds Held in Trusts by Others	-	22,523	10,016	32,539
Net assets released from Restriction				-
Restrictions Satisfied by Payments	1,455,919	(1,119,108)	(336,811)	-
Administration Fees	164,586	(164,586)	-	-
Total Revenues and Support	1,760,160	691,534	808,072	3,259,766
EXPENSES AND SUPPORT				
University Support (Program):				
Student Support	900,895	-	-	900,895
Faculty and Staff Development	23,341	-	-	23,341
Compensation for Services	11,634	-	-	11,634
Other Expenses	284,948	-	-	284,948
Management and General	301,601	-	-	301,601
Fundraising	47,917	-	-	47,917
Total Expenses	1,570,336	-	-	1,570,336
CHANGE IN NET ASSETS	189,824	691,534	808,072	1,689,430
Net Assets - Beginning of Year	382,309	9,111,371	24,499,857	33,993,537
NET ASSETS - END OF YEAR	$ 572,133	$ 9,802,905	$ 25,307,929	$35,682,967

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	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)
Purpose Restrictions Accomplished	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

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 nonprofit, nonstock 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, 2018 and 2017. 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. The balance of these funds as of June 30, 2018 is $0.

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.

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 multi-employer, cost-sharing plan, the West Virginia Retiree Health Benefit Trust Fund, sponsored by the state of West Virginia. Details regarding this plan and its stand-alone financials can be obtained by contacting the West Virginia Public Employees Insurance Agency (PEIA), State Capitol Complex, Building 5, Room 1001, 1900 Kanawha Boulevard, East, Charleston, West Virginia 25305-0710, or http://www.wvpeia.com.

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 multi-employer, cost-sharing plan sponsored by the state.

Certain faculty employees (generally those with less than a 12-month contract) earn a similar extended health or life insurance coverage retirement benefit based on years of service. Generally, 3-1/3 years of teaching service extend health insurance for 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 related to pension were $216,581 and $384,305 of June 30, 2018 and 2017, respectively. Deferred outflows related to the OPEB were $431,535 and $0 as of June 30, 2018 and 2017, 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 $486,888 and $635,057 as of June 30, 2018 and 2017, respectively. The University also has deferred inflows relating to pensions. Deferred inflows were $429,487 and $147,497 as of June 30, 2018 and 2017, respectively. Deferred inflows related to the OPEB were $1,058,615 and $0 as of June 30, 2018 and 2017, 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risk Management (Continued)

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

In addition, through its participation in the West Virginia Public Employees Insurance Agency (PEIA) and a third-party insurer, the University has obtained health, life, prescription drug coverage, and coverage for job related injuries for its employees. In exchange for payment of premiums to PEIA and the third-party insurer, the University has transferred its risks related to health, life, prescription drug coverage, and job related injuries.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal Financial Assistance Programs

The University makes loans to students under the Federal Direct Loan Program. Federal Direct 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 $9.1 million and $10.2 million in 2018 and 2017, respectively, under the Federal Direct Loan Program of the U.S. Department of Education, which are not included as revenue and expense on the statements of revenues, expenses, and changes in net position.

The University also distributes other student financial assistance funds on behalf of the federal government to students under the Federal Pell Grant, Supplemental Educational Opportunity Grant, and College Work Study programs. The activity of these programs is recorded in the accompanying financial statements. In 2018 and 2017, the University received and disbursed approximately $5 million and $5 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 (IRS) as described in Section 115 of the Internal Revenue Code (IRC).

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 University has implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 75 requires the University to report its share of the defined benefit other postemployment benefits (OPEB) and expense, as well as the related deferred outflows of resources and deferred inflows of resources, allocated to it by the RHBT. The July 1, 2017, balance of the OPEB liability and related deferred outflows of resources is reported in the statement of revenues, expenses, and changes in net position as a restatement to the 2017 net position – beginning of the year. The RHBT was not able to provide sufficient information to restate the June 30, 2017 financial statements.

Net position - beginning of year, as previously stated	$ 42,351,333
Balance of the net OPEB liability and related deferred outflows of resources and deferred inflows of resources	(24,163)
Net position - beginning of year, as restated	$ 42,327,170

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The GASB has 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. 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.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*, which is effective for fiscal years beginning after June 15, 2018. This Statement improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The University has not yet determined the effect that the adoption of GASB Statement No. 88 may have on its financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is effective for fiscal years beginning after December 15, 2019. The objective of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for certain interest costs. This Statement also establishes accounting requirements for interest cost incurred before the end of a construction period. The University has not yet determined the effect that the adoption of GASB Statement No. 89 may have on its financial statements.

In August 2018, the GASB issued Statement No. 90, *Major Equity Interests*, which is effective for fiscal years beginning after December 15, 2018. This Statement modifies previous guidance for reporting a government's majority equity interest in a legally separate organization. This Statement also provides guidance for reporting component unit if a government acquires a 100% equity interest in that component unit. An equity interest is a financial interest in a legally separate organization evidenced by the ownership of shares of the organization's stock or by otherwise having an explicit, measureable right to the net resources of the organization that is usually based on an investment of financial or capital resources by a government. An equity interest is explicit and measureable if the government has a present or future claim to the net resources of the entity and the method for measuring the government's share of the entity's net resources is determinable. The University has not yet determined the effect that the adoption of GASB Statement No. 90 may have on its financial statements.

NOTE 3 CASH AND CASH EQUIVALENTS

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

	2018	2017
Cash on Deposit with the State Treasurer's Office/BTI	$ 2,122,716	$ 1,958,831
Municipal Bond Commission for the University	14,039	13,886
Cash in Bank	2,183,905	1,416,036
Total	$ 4,320,660	$ 3,388,753

Cash held by the state treasurer includes $2,122,716 and $1,958,831 at June 30, 2018 and 2017, respectively, of cash for sponsored projects, loans, and other purposes.

The University cash equivalents totaling $14,039 and $13,886 at June 30, 2018 and 2017, 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, 2018 and 2017 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. Noninterest-bearing accounts are 100% insured through December 31, 2016.

Amounts with the state treasurer as of June 30, 2018 and 2017, 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:

	2018		2017	
	Carry Value	S&P Rating	Carry Value	S&P Rating
WV Money Market Pool	$ 1,881,739	AAAm	$ 1,819,252	AAAm
WV Government Money Market Pool	13,990	AAAm	13,886	AAAm
WV Short Term Bond Pool	43,657	Not Rated	41,876	Not Rated
Total	$ 1,939,386		$ 1,875,014	

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:

	2018		2017	
External Pool	Carry Value	WAM (Days)	Carry Value	WAM (Days)
WV Money Market Pool	$ 1,881,739	34	$ 1,819,252	36
WV Government Money Market Pool	13,990	21	13,886	35

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

	2018		2017	
External Pool	Carry Value	Effective Duration	Carry Value	Effective Duration
WV Short Term Bond Pool	43,657	372	41,876	426

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	2018	2017
Money Market Fund	$ 14,039	$ 13,886

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, 2018 and 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:

	2018			
		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	$ 4,406,664	$ -	$ 4,406,664	$ -

NOTE 4 INVESTMENTS (CONTINUED)

	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	$ -	$ 4,272,301	$ -

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:

	2018	2017
Student Tuition and Fees, Net of Allowance for Doubtful Accounts of $796,308 and $887,358, Respectively	$ 967,279	$ 855,618
Grants and Contracts Receivable	2,041,467	2,287,301
Other Accounts Receivable, Net of Allowance for Doubtful Accounts of $72,127 and $61,091, Respectively	122,978	180,266
Total	$ 3,131,724	$ 3,323,185

NOTE 6 CAPITAL ASSETS

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

	2018				
	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Capital Assets not Being Depreciated:					
Land	$ 328,892	$ -	$ -	$ -	$ 328,892
Construction in Progress	16,798,716	1,196,697	-	(17,989,530)	5,883
Total Capital Assets not Being Depreciated	$ 17,127,608	$ 1,196,697	$ -	$ (17,989,530)	$ 334,775
Capital Assets Being Depreciated:					
Land Improvements	$ 3,881,049	$ 30,721	$ -	$ -	$ 3,911,770
Buildings	74,658,314	164,001	(28,000)	17,934,071	92,728,386
Equipment	8,197,423	370,981	(74,803)	55,459	8,549,060
Software	277,294	7,500	-	-	284,794
Library Books	1,789,290	36,000	(971)	-	1,824,319
Total Other Capital Assets	88,803,370	609,203	(103,774)	17,989,530	107,298,329
Less: Accumulated Depreciation for:					
Land Improvements	(1,789,111)	(279,277)	-	-	(2,068,388)
Buildings	(34,231,787)	(1,623,086)	28,000	-	(35,826,873)
Equipment	(5,934,835)	(653,757)	73,572	-	(6,515,020)
Software	(212,661)	(17,271)	-	-	(229,932)
Library Books	(417,742)	(43,336)	971	-	(460,107)
Total Accumulated Depreciation	(42,586,136)	(2,616,727)	102,543	-	(45,100,320)
Capital Assets Being Depreciated, Net	$ 46,217,234	$ (2,007,524)	$ (1,231)	$ 17,989,530	$ 62,198,009
Capital Asset Summary:					
Capital Assets not Being Depreciated	$ 17,127,608	$ 1,196,697	$ -	$ (17,989,530)	$ 334,775
Other Capital Assets	88,803,370	609,203	(103,774)	17,989,530	107,298,329
Total Cost of Capital Assets	105,930,978	1,805,900	(103,774)	-	107,633,104
Less: Accumulated Depreciation	(42,586,136)	(2,616,727)	102,543	-	(45,100,320)
Capital Assets, Net	$ 63,344,842	$ (810,827)	$ (1,231)	$ -	$ 62,532,784

NOTE 6 CAPITAL ASSETS (CONTINUED)

	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

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.

NOTE 7 LONG-TERM LIABILITIES

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

	2018				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Advances from Federal Sponsors	$ 1,914,580	$ -	$ (312,551)	$ 1,602,029	$ -
Capital Lease Obligations	2,658,209	-	(296,948)	2,361,261	283,232
Accrued Compensated Absences	756,583	62,740	-	819,323	526,217
Net Pension Liability	1,468,742	-	(562,123)	906,619	-
Other Postemployment Benefits Liability	6,972,741	-	(705,680)	6,267,061	-
Debt Obligation Due to the Commission	475,000	-	(200,000)	275,000	100,000
Debt Obligations - Real Estate	362,237	-	(33,129)	329,108	39,212
Accrued Service Concession Liability	336,434	-	(59,813)	276,621	47,939
Bonds Payable	16,140,000	-	(340,000)	15,800,000	355,000
Bond Premium	71,318	-	(2,641)	68,677	-
Total Long-Term Liabilities	$ 31,155,844	$ 62,740	$ (2,512,885)	$ 28,705,699	$ 1,351,600

	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

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, 2018 was $2,361,261. 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
2019	$ 283,232	$ 85,031
2020	321,471	80,270
2021	335,087	66,654
2022	349,280	52,461
2023	364,074	37,667
2024-2025	708,117	50,782
Total	$ 2,361,261	$ 372,865

Bonds Payable

Bonds payable at June 30, 2018 and 2017 are summarized as follows:

	Interest Rates	Annual Principal Installments	2018 Principal Outstanding
Revenue Bonds, 2014 Series, due through 2044	2.25% - 5.00%	$320,000 - $950,000	$ 15,800,000
Add Unamortized Bond Premium			68,677
Total			$ 15,868,677
Current			$ 355,000
Noncurrent			15,513,677
Total			$ 15,868,677

	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

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, 2018, the University had gross revenues that approximated 219.53% 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, 2018, the University paid $340,000 in principal payments and $646,560 in bond interest expense.

Future debt service requirements to maturity for the Series 2014 Bonds at June 30, 2018, are as follows (excluding unamortized premium of ($68,677):

Year Ending June 30,	Principal	Interest	Total
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
2023	420,000	565,519	985,519
Thereafter	13,870,000	6,823,687	20,693,687
Total	$ 15,800,000	$ 9,822,906	$ 25,622,906

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS

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

Following is the University's other postemployment benefits liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, revenues, and other postemployment benefits expense and expenditures for the fiscal year ended June 30, 2018:

Net OPEB Liability	$ 6,267,061
Deferred Outflows of Resources	431,535
Deferred Inflow of Resources	1,058,615
Revenues	395,158
OPEB Expense	723,930
Employer Contributions	431,535

Plan Description

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

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

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Plan Description (Continued)

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

Benefits Provided

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

Contributions

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

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

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

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

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

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

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Contributions (Continued)

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

Assumptions

The total OPEB liability for financial reporting purposes was determined by an actuarial valuation as of July 1, 2016 and rolled forward to June 30, 2017. The following actuarial assumptions were used and applied to all periods included in the measurement, unless otherwise specified:

- Actuarial cost method: Entry age normal cost method.
- Amortization method and period: Level percentage of payroll over 21 years; closed as of June 30, 2016.
- Investment rate of return: 7.15%, net of OPEB plan investment expense, including inflation.
- Projected salary increases: dependent on pension system ranging from 3.00% to 6.50%, including inflation.
- Healthcare cost trend rates: Actual trend used for fiscal year 2017. For fiscal years on and after 2018, trend starts at 8.50% and 9.75% for pre- and post-Medicare, respectively, and gradually decreases to an ultimate trend of 4.50%. Excess trend rate of 0.14% and 0.29% for pre- and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2020 to account for the Excise Tax.
- Inflation rate: 2.75%.
- Discount rate: 7.15%
- Mortality rates: based on RP-2000 Mortality Tables.

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

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

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Assumptions (Continued)

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 through June 30, 2015.

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

Discount rate

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

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Assumptions (Continued)

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the University's proportionate share of the net OPEB liability as of June 30, 2016 calculated using the discount rate of 7.15%, as well as what the University's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Net OPEB Liability	$ 7,297,273	$ 6,267,061	$ 5,410,667

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate

The following presents the University's proportionate share of the net OPEB liability as of June 30, 2016 calculated using the current healthcare cost trend rates, as well as what the University's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability	$ 5,264,420	$ 6,267,061	$ 7,493,346

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

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

At June 30, 2018, the amount recognized as the University's proportionate share of the net OPEB liability was $6,267,061. At June 30, 2018, the nonemployer contributing entity's (State of West Virginia) portion of the collective net OPEB liability is $1,287,261 and the total net OPEB liability attributable to the University is $7,554,322.

The allocation percentage assigned to each contributing employer is based on the employer's proportionate share of employer contributions to the RHBT for the fiscal years ended June 30, 2017 and June 30, 2016. Employer contributions are recognized when due. At June 30, 2017, the University's proportion was 0.254863297%, a decrease of 0.047921845% from its proportion of 0.302785142% calculated as of June 30, 2016.

For the year ended June 30, 2018, the University's recognized OPEB expense of $723,930. Of this amount, $328,772 was recognized as the University's proportionate share of the OPEB expense, and $395,158 as the amount of OPEB expense attributable to special funding. The University also recognized revenue of $395,158 for support provided by the State.

At June 30, 2018, deferred outflows of resources and deferred inflows of resources related to OPEB are as follows.

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ -	$ 20,985
Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	-	937,604
Net Difference Between Projected and Actual Investment Earnings	-	100,026
Contributions After the Measurement Date	431,535	-
Total	$ 431,535	$ 1,058,615

The University will recognize the $431,535 reported as deferred outflows of resources resulting from OPEB contributions after the measurement date as a reduction of the net OPEB liability in the year ended June 30, 2018.

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	Amortization
2019	$ 283,108
2020	283,108
2021	283,108
2022	209,291
Total	$ 1,058,615

NOTE 9 OPERATING LEASE OBLIGATIONS

The University leases various equipment, automobiles, and facilities under operating lease agreements. Aggregate payments under these agreements were $445,215 and $448,450 for the years ended June 30, 2018 and 2017, respectively. Future minimum rental commitments are as follows:

Year Ending June 30,	Amount
2019	456,169
2020	427,857
2021	414,237
2022	414,237
2023	414,237
Total	$ 2,126,737

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 $0. 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 2018 and 2017.

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, 2018.

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, 2018, the amount recorded as an intangible asset was approximately $0.7 million, with an accrued liability of approximately $0.3 million. This resulted in a deferred inflow of resources of approximately $0.5 million. For the year ended June 30, 2017, the amount recorded as an intangible asset was approximately $0.7 million, with an accrued liability of approximately $0.3 million. The University received a total of $43,680 and $6,450 from the contractor during the years ended June 30, 2018 and 2017, respectively. The University paid equipment, repairs, and maintenance costs of $92,190 and $53,429 during the years ended June 30, 2018 and 2017, respectively. The University recognized revenue for the year ended June 30, 2018 of $191,988 and $158,481 for the year ended June 30, 2017 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, 2018 and 2017, the net balance of the deferred inflows was $486,888 and $635,057, 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 $71,693 and $71,780 in commissions during the years ended June 30, 2018 and 2017, 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, 2018 or 2017.

	2018	2017
Total Unrestricted Net Position and Temporarily Restricted Expendable Net Position before OPEB Liability	$ 749,893	$ (565,383)
Less: OPEB Liability	(6,267,061)	(6,972,741)
Total Unrestricted Net Position (Deficit)	$ (5,517,168)	$ (7,538,124)

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 TRS 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 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, 2018 and 2017, respectively, (dollars in thousands):

Summary by Financial Statement Line Items

	2018	2017
Net Pension Liability	$ 906,619	$ 1,468,742
Deferred Outflows of Resources	216,581	384,305
Deferred Inflow of Resources	429,487	147,497
Pension Expense	199,613	355,968
Employer Contributions	109,653	110,493

NOTE 13 RETIREMENT PLANS (CONTINUED)

TRS

Plan Description

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

TRS is considered a component unit of the State 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.

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.

NOTE 13 RETIREMENT PLANS (CONTINUED)

TRS (Continued)

Contributions (Continued)

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, 2017 and 2016 respectively, the University's proportionate share attributable to this special funding subsidy was $194,390 and $248,329 respectively.

The University's contributions to TRS for the years ended June 30, 2018, 2017, and 2016, were $109,653, $110,493, and $133,548, 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, 2016 and 2015 and rolled forward to June 30, 2017 and 2016, respectively. 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 nonteachers 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 nonteachers 1.4-24.75%.
- Disability rates: 0.008-0.704%.
- Retirement age: An age-related assumption is used for participants not yet receiving payments.
- Retirement rates: 15-100%
- *Ad hoc* cost-of-living increases in pensions are periodically granted by the 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, 2017 and 2016, are summarized below.

NOTE 13 RETIREMENT PLANS (CONTINUED)

TRS (Continued)

Assumptions (Continued)

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%

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 3.13% 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, 2017.

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, 2018 and 2017 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 (8.5%) 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, 2018	Net Pension Liability	$ 1,194	$ 907	$ 661
June 30, 2017	Net Pension Liability	$ 1,858	$ 1,469	$ 1,136

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

The June 30, 2018 TRS net pension liability was measured as of June 30, 2017, and the total pension liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to the measurement date of June 30, 2017. The June 30, 2017 TRS net pension liability was measured as of June 30, 2016, and the total pension liability was determined by an actuarial valuation as of June 30, 2015, rolled forward to the measurement date of June 30, 2016.

At June 30, 2018, the University's proportionate share of the TRS net pension liability was $2,911,507. Of this amount, the University recognized $906,619 as its proportionate share on the statement of net position. The remainder of $2,004,888 denotes the University's proportionate share of net pension liability attributable to the special funding.

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 $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.

The allocation percentage assigned to each participating employer and nonemployer contributing entity is based on its proportionate share of employer and nonemployer contributions to TRS for each of the fiscal years ended June 30, 2017 and 2016. Employer contributions are recognized when due. At the June 30, 2017 measurement date, the University's proportion was 0.026241%, a decrease of 0.009496% from its proportion of 0.035737% calculated as of June 30, 2016. At the June 30, 2016 measurement date, the University's proportion was 0.035737%, an increase of 0.002686% from its proportion of 0.033051% calculated as of June 30, 2015.

For the year ended June 30, 2018, the University recognized TRS pension expense of $199,613. Of this amount, $5,223 was recognized as the University's proportionate share of the TRS expense and $194,390 as the amount of pension expense attributable to special funding from a nonemployer contributing entity. The University also recognized revenue of $194,390 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)

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 nonemployer contributing entity. The University also recognized revenue of $12,690 for support provided by the State.

At June 30, 2018 and 2017, deferred outflows of resources and deferred inflows of resources related to the TRS pension are as follows (dollars in thousands).

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	$ 65	$ 385
Difference Between Expected and Actual Experience	8	-
Net Difference Between Projected and Actual Investment Earnings	-	16
Changes in Assumptions	34	28
Contributions After the Measurement Date	110	-
Total	$ 217	$ 429

	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

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)

The University will recognize the $109,653 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, 2019. 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
2019	$ 90
2020	51
2021	55
2022	71
2023	55
Total	$ 322

Payables to the Pension Plan

The University did not report any amounts payable for normal contributions to the TRS as of June 30, 2018 and 2017.

Defined Contribution Benefit 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, 2018, 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, 2018, 2017, and 2016, were $1,603,152, $1,632,423, and $1,634,642, respectively, which consisted of contributions $801,576, $816,212, and $817,321 from the University and $801,576, $816,211, and $817,321 from the covered employees, respectively.

The University's total payroll for the years ended June 30, 2018, 2017, and 2016 was $15,494,416, $16,095,139, and $16,695,186, respectively. Total covered employees' salaries in the TRS and TIAA-CREF were $13,372,500 and $484,840; $720,392 and $13,597,440; and $867,637 and $13,622,017 respectively, in 2018, 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, 2018 and 2017, 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
Years Ended June 30, 2018 and 2017

	2018	2017
ASSETS		
Cash and cash equivalents	$ 1,005,078	$ 976,346
Accounts receivable, net of allowance	186,581	289,985
Related Party Receivables	137,950	119,881
Other Current Assets	300	3,508
Capital Assets, Net	98,791	93,971
Other Noncurrent Assets	7,325	7,325
Total Assets	1,436,025	1,491,016
LIABILITIES		
Related Party Payables	13,246	92,399
Other Current Liabilities	1,002,072	989,726
Total Liabilities	1,015,318	1,082,125
NET ASSETS		
Unrestricted	325,526	318,669
Restricted	95,181	90,222
Total Net Assets	$ 420,707	$ 408,891

NOTE 15 CONCORD UNIVERSITY RESEARCH & DEVELOPMENT CORPORATION (CONTINUED)

Concord University Research & Development Corporation
Condensed Statements of Activities
Years Ended June 30, 2018 and 2017

	2018	2017
REVENUES		
Unrestricted Revenue	$ 876,251	$ 817,405
Restricted Assets Used	9,079	1,934
Total Revenue and Other Support	885,330	819,339
EXPENSES		
Program Expenses	550,075	505,264
Support Services Expenses	328,398	303,502
Total Expenses	878,473	808,766
CHANGE IN UNRESTRICTED NET ASSETS	6,857	10,573
CHANGE IN RESTRICTED NET ASSETS	4,959	3,695
CHANGE IN NET ASSETS	11,816	14,268
Net Assets - Beginning of Year	408,891	394,623
NET ASSETS - END OF YEAR	$ 420,707	$ 408,891

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, 2018 and 2017, the Foundation's net assets (including unrealized gains) totaled $35,682,967 and $33,993,537, 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, 2018 and 2017, the Foundation contributed approximately $704,160 and $656,386, 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 COMMITMENTS

During the year ended June 30, 2018, the University entered into a Technology Subscription Contract with Helios Energy, LLC to provide improved lighting systems for the campus that will reduce energy consumption and related costs for electricity. The University has agreed to pay Helios Energy, LLC a monthly payment of $17,639, or $211,668 annually for the next seven years. Payments begin when all light fixtures have been placed in campus buildings and other service areas and monitoring systems are operable.

Year Ending June 30,	Amount
2019	211,668
2020	211,668
2021	211,668
2022	211,668
2023	211,668
Thereafter	423,336
	$ 1,481,676

Upon completion of the terms of the contract, the University may purchase the light fixtures at the then fair market value, may contract with Helios Energy, LLC to continue the service contract or Helios Energy, LLC may remove the light fixtures. The light fixtures are not the responsibility of the University with regard to maintenance and repairs but the University is required to name Helios Energy, LLC as an additional insured party on the University's general liability insurance policy.

NOTE 20 NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

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

2018

	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	$ 6,729,719	$ 2,872,261	$ 686,016	$ 10,790	$ -	$ -	$ -	$ -	$ 10,298,786
Research	40,617	8,708	96,075		-	-	-	-	145,400
Public Service	593,828	123,672	1,431,085	2,058	-	-	-	-	2,150,643
Academic Support	975,200	145,940	531,659	516	-	-	-	-	1,653,315
Student Services	1,558,872	274,459	775,947	1,818	-	-	-	-	2,611,096
General Institutional Support	2,440,166	415,821	1,514,009	351,412	-	-	-	-	4,721,408
Operations and Maintenance of Plant	462,909	101,052	920,011	649,819	-	-	-	-	2,133,791
Student Financial Aid	-	-	-	-	3,102,732	-	-	-	3,102,732
Auxiliary Enterprises	2,693,105	518,417	3,830,231	881,863	-	-	-	-	7,923,616
Depreciation	-	-	-	-	-	2,616,727	-	-	2,616,727
Other	-	-	-	-	-	-	18,303	118,409	136,712
Total	$ 15,494,416	$ 4,460,330	$ 9,785,033	$ 1,898,276	$ 3,102,732	$ 2,616,727	$ 18,303	$ 118,409	$ 37,494,226

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

NOTE 21 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) nonprofit 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 21 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 21 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.

Amounts held on behalf of others:

Amounts held on behalf of others represent assets held by the Foundation as an agent for other organizations. These funds are custodial by nature and do not involve measurement of operations; therefore, the related assets are included in “investments” and “cash restricted for long-term investments and by agency relationships” and related obligations are included in “amounts held on behalf of others” in the accompanying financial statements.

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.

NOTE 21 COMPONENT UNIT DISCLOSURES – CONCORD UNIVERSITY FOUNDATION, INCORPORATED (CONTINUED)

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

Split-interest agreements: (Continued)

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, 2018 and 2017 are included in investments and amounted to approximately $162,000 and $187,000, respectively.

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.

NOTE 21 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)

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.

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.

NOTE 21 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)

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%

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.

NOTE 21 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)

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, 2018 and 2017.

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.

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.

NOTE 21 COMPONENT UNIT DISCLOSURES – CONCORD UNIVERSITY FOUNDATION, INCORPORATED (CONTINUED)

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

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, 2018 and 2017 were approximately $77,600 and $139,000, 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, 2018 and 2017 was $40,015 and $42,689, respectively.

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.

NOTE 21 COMPONENT UNIT DISCLOSURES – CONCORD UNIVERSITY FOUNDATION, INCORPORATED (CONTINUED)

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

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.

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.

Inventory:

Inventory is measured at the lower of cost and net realizable value. Inventory consist of art prints purchased in bulk for fundraising.

Credit risk concentrations:

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.

NOTE 21 COMPONENT UNIT DISCLOSURES – CONCORD UNIVERSITY FOUNDATION, INCORPORATED (CONTINUED)

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

Income taxes:

The Foundation is classified as a tax-exempt organization under Section 501(c)(3) of the *Internal Revenue Code* and, therefore, is not subject to taxes on income derived from its exempt activities. The Foundation has been classified as an organization that is not a private foundation under Section 509(a)(2).

Subsequent events:

Subsequent events were considered through September 17, 2018, the date the financial statements were available to be issued. Foundation received approximately $272,000 from an estate settlement subsequent to year-end and expects approximately $57,000 in addition once the estate is finalized.

NOTE 2 CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following:

	2018	2017
Amounts Due in:		
Less than One Year	$ 11,100	$ 10,000
One to Five Years	250,000	260,000
	261,100	270,000
Less:		
Discount to net present value at .094% - 5%	(6,580)	(13,077)
Total	$ 254,520	$ 256,923

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

NOTE 3 INVESTMENTS

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

	2018	2017
Government Obligations	$ 11,235,877	$ 11,363,266
Corporate Equities	5,214,338	5,610,452
Mutual Funds	21,727,849	18,655,348
Money Markets	410,913	496,872
CDRS	270,610	-
Real Estate Securities	361,296	977,917
Mineral Rights	3,203	3,203
Total	$ 39,224,086	$ 37,107,058

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 0.90% of the market value of each permanently endowed fund, measured as of June 30 of each year. Administrative fees charged to the funds are reported as net assets released from restrictions in the accompanying state of activities.

NOTE 21 COMPONENT UNIT DISCLOSURES – CONCORD UNIVERSITY FOUNDATION, INCORPORATED (CONTINUED)

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment at June 30 consists of the following:

	2018	2017
Equipment and Software	$ 74,965	$ 74,965
Less: Accumulated Depreciation	(73,845)	(73,105)
Total	$ 1,120	$ 1,860

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

NOTE 7 NET ASSETS

Net assets as of June 30 consist of the following:

	2018	2017
Unrestricted:		
Board designated endowment funds	$ 447,274	$ 399,386
Undesignated	124,859	(17,077)
	572,133	382,309
Temporarily Restricted:		
Business Department	969,861	947,163
Faculty Development	213,620	213,581
University Point Alumni Center	302,411	426,980
Student Support	8,317,013	7,523,647
	9,802,905	9,111,371
Permanently Restricted:		
Restricted in perpetuity, the income from which is expendable to support the students of the University	14,747,682	14,644,166
Bonner Scholar's Program	10,560,247	9,855,691
	25,307,929	24,499,857
Total	$ 35,682,967	$ 33,993,537

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:

2018	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	$ -	$ 9,111,137	$ 24,949,249	$ 34,060,386
Board-Designated Endowment Funds	451,037	-	-	451,037
Total	$ 451,037	$ 9,111,137	$ 24,949,249	$ 34,511,423

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

NOTE 21 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:

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets - Beginning	$ 399,386	$ 8,342,847	$ 24,086,450	$ 32,828,683
Investment Return:				
Investment Income	49,864	296,680	188,057	534,601
Net Realized/Unrealized Gains	22,632	1,315,991	582,616	1,921,239
Total Investment Return	72,496	1,612,671	770,673	2,455,840
Contributions	-	175,448	362,129	537,577
Appropriation for Expenditure	(20,845)	(1,019,829)	(270,303)	(1,310,977)
Endowment Net Assets - Ending	$ 451,037	$ 9,111,137	$ 24,948,949	$ 34,511,123

	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

NOTE 21 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:

2018	Total	Level 1	Level 2	Level 3
Recurring Fair Value Measurements:				
Government Obligations	$ 11,235,877	$ 11,235,877	$ -	$ -
Corporate Equities	5,214,338	5,214,338	-	-
Mutual Funds				
Diversifying Asset	21,727,849	21,727,849	-	-
Money Markets	410,913	410,913	-	-
CDRS	270,610	270,610	-	-
Real Estate Securities	361,296	361,296	-	-
	39,220,883	39,220,883	-	-
Funds held in trust by others	523,390	-	523,390	-
Nonrecurring Fair Value Measurements:				
Mineral Rights	3,203	-	3,203	-
Total	$ 39,747,476	$ 39,220,883	$ 526,593	$ -

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	$ -

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 21 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, 2018 AND 2017

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, 2017	0.026241%	$ 907	$ 2,005	$ 2,912	$ 720	126%	67.85%
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, 2017	$ 109	$ 107	$ 2	$ 720	15.14%
June 30, 2016	$ 139	$ 134	$ 5	$ 760	18.29%
June 30, 2015	$ 150	$ 150	$ -	$ 1,102	13.61%
June 30, 2014	$ 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, 2018

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.

CONCORD UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION (RSI) (UNAUDITED)
SCHEDULES OF PROPORTIONATE SHARE OF OTHER POSTEMPLOYMENT BENEFITS LIABILITY AND CONTRIBUTIONS
JUNE 30, 2018 AND 2017

Schedule of Proportionate Share of Net OPEB Liability
(In Thousands)

Measurement Date	University's Proportionate Share as a Percentage of Net OPEB 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 OPEB Liability
June 30, 2017	0.254863297%	$ 6,267	$ 1,287	$ 7,554	$ 9,147	14.07%	25.10%

Schedule of Employer Contributions
(In Thousands)

Measurement Date	Actuarily Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
June 30, 2017	$ 523	$ 432	$ 91	$ 9,147	4.72%

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, 2018

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 RHBT and PEIA at www.peia.gov.

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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, 2018, 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 12, 2018. Our report includes a reference to other auditors who audited the financial statements of the Concord University Foundation, Inc. and the Concord University 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 Concord University 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.

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 12, 2018

CliftonLarsonAllen

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