

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019



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**WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
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INDEPENDENT AUDITORS' REPORT

Board of Governors
West Virginia Northern Community College
Wheeling, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of West Virginia Northern Community College (the College), a component unit of the West Virginia Council for Community and Technical College Education, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the College'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 financial statements of the West Virginia Northern Community College Foundation, Inc. (the Foundation), which represents 100% of the assets, net assets, and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. 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 the Foundation 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 report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of West Virginia Northern Community College as of June 30, 2020 and 2019, and the respective changes in the financial position and cash flows, where applicable, thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

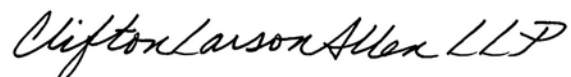
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 to 10 and the various schedules of Proportionate Share of Net Pension Liability, Pension Contributions, Proportionate Share of Net OPEB Liability, and OPEB Contributions on pages 66 and 67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2020, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College'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 College's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
September 30, 2020

**WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

Overview

West Virginia Northern Community College (WVNCC or the College) is providing its financial statements for the fiscal year 2020, along with a comparative of fiscal years 2019 and 2018. There are three Financial Statements presented: the Statements of Net Position; the Statements of Revenues, Expenses, and Changes in Net Position; and the Statements of Cash Flows as required by GASB reporting standards. This section of the annual financial report focuses on an overview of the College's financial performance during the fiscal year ended June 30, 2020, with comparisons to the two previous fiscal years (June 30, 2019 and 2018).

In addition, the financial statements of the College's component unit, WVNCC Foundation, Inc. consists of two basic financial statements; the Statements of Financial Position and the Statements of Activities. The WVNCC Foundation, Inc. assets are controlled by a separate Board of Trustees and its historical purpose has been in support of the College's student scholarships, capital improvements, and institutional support. More information about the accounting and reporting aspects of the Foundation can be found in Note 16 of these financial statements.

Statements of Net Position

The Statements of Net Position present the Assets (current and noncurrent), Deferred Outflows of Resources, Liabilities (current and non-current), Deferred Inflows of Resources and Net Position (Assets plus Deferred Outflows of Resources minus Liabilities and Deferred Inflows of Resources) of the College as of June 30, 2020. Assets denote the resources available to continue the operations of the College. Deferred outflows of resources, represents a consumption of net position that applies to a future period(s). Liabilities indicate how much the College owes vendors, employees, lending institutions and the West Virginia Higher Education Policy Commission. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s). Net Position provides a way to measure the financial position of the College.

Net Position is Displayed in Three Major Categories:

- ***Net Investment in Capital Assets.*** This category provides equity in the property, plant, and equipment owned by WVNCC. The title is held by the West Virginia Northern Community College Board of Governors. It represents the College's investment in capital assets plus deferred outflows of resources attributable to those capital assets, net of accumulated depreciation, outstanding debt obligations and deferred inflows of resources related to those capital assets. To the extent debt or deferred inflows of resources has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets. Rather that portion of debt or deferred inflows of resources is included in the same net position component as the unspent amount.

- ***Restricted Net Position.*** This category includes net position whose use is restricted either due to externally imposed constraints or because of restrictions imposed by law. They are further divided into two additional components – expendable and non-expendable:

Expendable restricted net position includes resources for which the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. For example, the expenditure must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets.

**WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

Statements of Net Position (Continued)

Non-expendable 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. The College presently does not have any non-expendable net position.

- **Unrestricted Net Position.** This category represents resources derived from tuition and fees, State appropriations and sales and services of educational activities. These resources are used for transactions related to the educational and general operations of the College, and may be used at the sole discretion of the Governing Board to meet current expenses for any purpose.

Statement of Net Position
Fiscal Years Ended June 30

	<u>2020</u>	<u>2019</u>	Change FS 20-19	<u>2018</u>	Change FS 19-18
Assets and Deferred Outflows:					
Current Assets	\$ 13,810,165	\$ 16,175,369	(14.62)%	\$ 16,631,941	(2.75)%
Other Noncurrent Assets	1,797,029	634,566	183.19	1,556,318	(59.23)
Capital Assets – Net	<u>34,210,471</u>	<u>34,778,000</u>	(1.63)	<u>34,055,385</u>	2.12
Total Assets	49,817,665	51,587,935	(3.43)	52,243,644	(1.26)
Deferred Outflows of Resources:	435,173	476,780	(8.73)	346,656	37.54
Liabilities, Deferred Inflows, and Net Position:					
Current Liabilities	1,649,652	1,753,491	(5.92)	1,484,166	18.15
Noncurrent Liabilities	<u>2,528,620</u>	<u>3,477,013</u>	(27.28)	<u>3,869,004</u>	(10.13)
Total Liabilities	<u>4,178,272</u>	<u>5,230,504</u>	(20.12)	<u>5,353,170</u>	(2.29)
Deferred Inflows of Resources:	1,219,603	982,851	24.09	841,328	16.82
Net Position:					
Net Investments in Capital Assets	34,021,145	34,508,440	(1.41)	33,691,824	2.42
Restricted for – Expendable	1,764,472	612,290	188.18	1,518,259	(59.67)
Unrestricted	<u>9,069,346</u>	<u>10,730,630</u>	(15.48)	<u>11,185,719</u>	(4.07)
Total Net Position	<u>\$ 44,854,963</u>	<u>\$ 45,851,360</u>	(2.17)	<u>\$ 46,395,802</u>	(1.17)

**WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

Statement of Net Position 2020 to 2019 Financial Highlights

Assets

- Total Assets decreased \$1.8M or 3.4%
 - Current and Non-Current cash and cash equivalents decreased by \$1.2M or 7.3%
 - Capital Assets – net decreased \$0.6M or 1.6%

Liabilities

- Total Liabilities decreased \$1.1M or 20.1%
 - Current Liabilities decreased \$0.1M or 5.9%
 - Post-Employment Benefits Liability decreased \$0.8M or 25.0%

Comments

An indicator that the College has sufficient resources available to meet its obligations is the current ratio (current assets to current liabilities). This ratio is calculated at 8.37 and 9.22 to 1 for 2020 and 2019. This represents a strong capability to meet all obligations. The decrease in the ratio from year to year occurred from a reduction in current assets in FY 2020 primarily attributed to the movement of cash to restricted funds to continue strategic initiatives through capital projects while current liabilities had a slight decrease.

West Virginia Northern Community College continues to maintain a strong cash position with total cash and cash equivalents of \$15.1M representing 30.3% of total assets for FY 2020. The current cash also represents over a full year of funds needed for operational expenses of salaries, benefits, supplies & services, and utilities.

The College's capital assets net of depreciation decreased approximately \$0.6M over the last year. The College added approximately \$1.3M in capital assets in the prior year while disposing of approximately \$0.3M in capital assets. The assets and liabilities are reflective of the Board of Governor's resolution to strategically invest using reserve funds. More detailed data with respect to capital assets for the years ended June 30, 2020 and 2019 can be found in Note 5 to these financial statements.

Statements of Revenues, Expenses, and Changes in Net Position

The Statements of Revenues, Expenses and Changes in Net Position present the operating results of the College for the fiscal year ended June 30, 2020 compared to the fiscal year ended June 30, 2019. The purpose of the Statement is to present the revenues of the College (operating and non-operating), the expenses of the College (operating and non-operating), and any other revenues, expenses, gains and losses of the College.

State Appropriations, while budgeted for operations, are considered and reported as non-operating revenues. This is due to State Appropriations being provided by the Legislature to the College without the Legislature directly receiving commensurate goods and services for those revenues. The utilization of capital assets is reflected in the Financial Statements as depreciation, which amortizes the cost of an asset over its expected useful life.

**WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

Statements of Revenues, Expenses, and Changes in Net Position (Continued)

What seems to be a rare, one-time anomaly, the College acted as a pass-through agent for the CARES Act - Student Assistance Grants. Accounting guidelines require this revenue to be classified as nonoperating while the expenses are to be classified as student financial aid operating expense.

Statements of Revenues, Expenses, and Changes in Net Position
Fiscal Years Ended June 30

	2020	2019	Change FS 20-19	2018	Change FS 19-18
Total Operating Revenues	\$ 4,050,416	\$ 4,016,769	0.84 %	\$ 4,004,529	0.31 %
Total Operating Expenses	15,737,720	15,260,352	3.13	14,876,998	2.58
Operating Loss	(11,687,304)	(11,243,583)	3.95	(10,872,469)	3.41
Net Nonoperating Revenues	10,614,920	10,109,549	5.00	10,381,053	(2.62)
Capital Payments on Behalf of College	75,987	589,592	(87.11)	33,429	1663.71
Increase (Decrease) in Net Position	(996,397)	(544,442)	83.01	(457,987)	18.88
Net Position - Beginning of Year Restated	45,851,360	46,395,802	(1.17)	46,853,789	(0.98)
Net Position – End of Year	\$ 44,854,963	\$ 45,851,360	(2.17)	\$ 46,395,802	(1.17)

Statement of Revenues, Expenses, and Changes in Net Position 2020 and 2019 Financial Highlights:

Operating Revenue

- Total Operating Revenues was up slightly, \$34K or 0.8% to prior year
 - Tuition and Fees net of scholarship allowances decreased by \$286K or 13.3%
 - All Contracts and Grants increased \$394K or 24.1%
 - Sales & Services of Educational Activity decreased \$75K or 31.5%

Operating Expenses

- Total Operating Expenses increased \$477K or 3.1%
 - Salaries and Wages increased \$384K or 5.3%
 - Student Financial Aid increased \$260K or 21.9%
 - Supplies and Other Services with Utilities increased by \$173K or 5.1%
 - Depreciation decreased \$84K or 5.1%

Non-Operating Revenues (Expenses)

- Net Non-Operating Revenues increased \$505K or 5.0%
 - State appropriation increased \$452K or 6.6%
 - CARES Act Student Grants were \$366K
 - Pell Grant declined \$212K or 7.7%
 - Investment income decreased significantly \$104K or 32.2%

**WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

Statements of Revenues, Expenses, and Changes in Net Position (Continued)

Comments

Declines in Net Student Tuition and Fees is reflective of declined enrollment primarily attributable to a strong economy and low unemployment in the beginning of the year and the effects of the pandemic at the end of the year. The cumulative change in all contracts and grants increased demonstrating an aggressive pursuit of funding other than tuition and state appropriation. The net results for total operating revenues was a slight increase of \$34K or 0.8%.

Non-operating revenues (expenses) gained of \$505K or 5.0%. This was driven by the increase in state appropriation, \$452K, and the CARES Act anomaly of \$366K. The College continues to be highly dependent on the State Allocation which makes up 50% of all revenues.

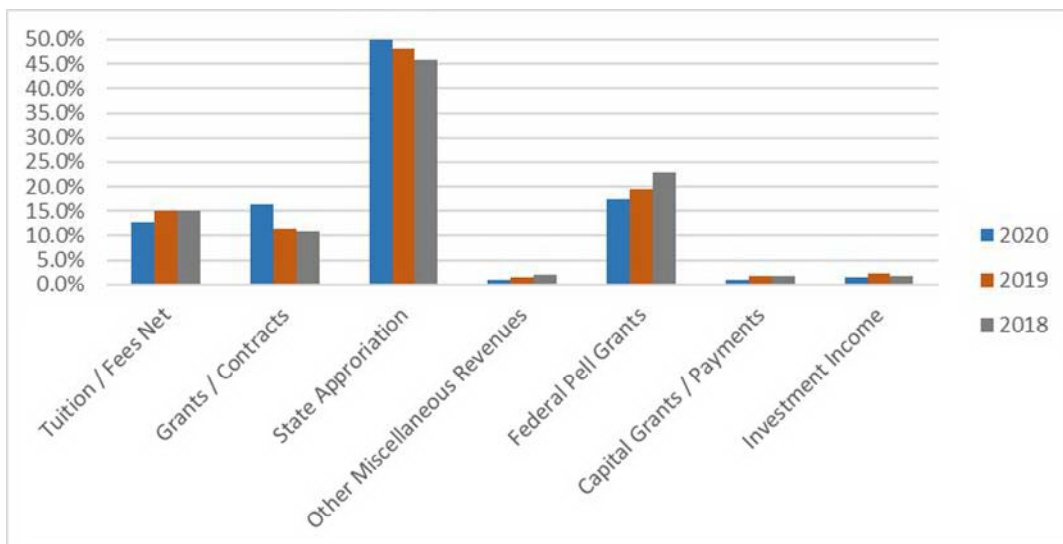
The cumulative net result on revenue, operating & non-operating, was an increase of \$539K or 3.8%. Normalizing for the CARES Act, results show a performance fairly flat to prior year.

Since FY 2017, the College has made a conscious decision to invest in both physical plant and human capital. The investment is justified from strong cash reserves and high Composite Financial Index (CFI) score. Salaries increased \$384K or 5.3%, supplies increased \$265K or 10.1%, and utilities decreased \$92K or 12.0% due to the reduced use of the buildings during the early stages of the pandemic as well as improvements in efficiencies of the mechanical systems.

With the relatively flat change in total revenues (net of CARES Act) and increase in total expenses, the decrease in Net Position is sharp at \$1.0M.

Major sources of revenue for the College are presented below. The graph illustrates the revenues by source and percentage based on the total revenues of \$14.6M, \$14.2M, and \$14.4M for the years ended 2020, 2019, and 2018, respectively.

**Total Revenue for Fiscal Years
2020, 2019, and 2018**

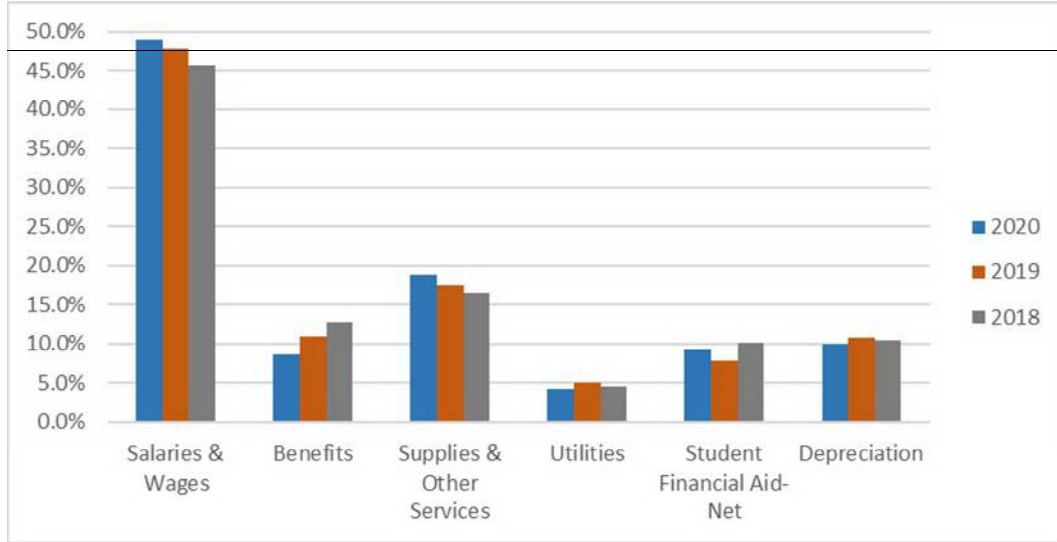


**WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

Statements of Revenues, Expenses, and Changes in Net Position (Continued)

The graph illustrates the operating expenses by natural classifications and percentage based on the total expenditures of \$15,7M, \$15.3M, and \$14.9M, for the years ended 2020, 2019, and 2018, respectively.

**Total Expenses for the Fiscal Years
2020, 2019, and 2018**



Statements of Cash Flows

The Statements of Cash Flows provide information about the cash receipts, cash payments, and net change in cash resulting from the activities of the College during the year. This Statement helps users assess the College'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 Four Parts:

Cash Flows from Operating Activities. This section shows the net cash used by the operating activities of the College.

Cash Flows from Non-Capital Financing Activities. This section reflects the cash received and paid for non-operating, non-investing, and non-capital financing purposes.

Cash Flows from Capital and Related Financing Activities. This section includes cash used for the acquisition and construction of capital and related items.

Cash Flows from Investing Activities. This section shows the purchases, proceeds, and interest received from investing activities.

**WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

Statements of Cash Flows (Continued)

Statements of Cash Flows
Fiscal Years Ended June 30

	2020	2019	Change FS 20-19	2018	Change FS 19-18
Cash Provided (Used) by:					
Operating Activities	\$ (10,390,077)	\$ (9,207,813)	12.84 %	\$ (8,865,108)	3.87 %
Noncapital Financing Activities	10,190,587	9,584,293	6.33	9,857,384	(2.77)
Capital Financing Activities	(2,403,379)	(948,809)	153.30	(776,443)	22.20
Investing Activities	242,699	320,373	(24.24)	242,014	32.38
Increase (Decrease) in Cash and Cash Equivalents	(2,360,170)	(251,956)	836.74	457,847	(155.03)
Cash and Cash Equivalents – Beginning of Year	15,719,056	15,971,012	(1.58)	15,513,165	2.95
Cash and Cash Equivalents – End of Year	<u>\$ 13,358,886</u>	<u>\$ 15,719,056</u>	(15.01)	<u>\$ 15,971,012</u>	(1.58)

Comments

Cash flow from operating and non-capital activity showed a loss of approximately \$200K. This is an indication that the College did deviate from its budget plan. The primary reasons were lower than expected revenues from tuition and fees and commissions, decreased investment income, as well as increased expenses associated with the pandemic.

The College also continued in the investment for the upgrade of facilities. This decrease in cash, \$2.4M, was expected. This trend will continue with a goal of spending over \$4.0 million from reserves over the next year.

Capital Asset and Debt Activity

The College continued to invest in buildings, mechanical systems, technology, and educational equipment financed by grants, bond proceeds, gifts and other College funds.

The College leases land from the West Virginia Northern Community College Foundation under a capital lease agreement. This capital lease will be dissolved in FY 2021 with the College paying the remaining principle balance and taking full ownership of the property.

Economic Outlook

WVNCC is, and will continue to be, financially stable. Prudent saving during past prosperous years, coupled with cost reductions through efficiency measures has placed the institution in a firm financial position.

**WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

Economic Outlook (Continued)

The pandemic caused by Covid-19 had an extreme impact on the College of which the financial results are ambiguous. It is undeniable the impact on the economy in general has been significant. However, there was a hope that the community colleges would be seen as a safer, more economical, solutions compared to the four-year schools during restrictive times. As of now, that does not seem to be materializing.

In addition, there have been new expenses such as increased cleaning supplies, personal protective equipment, and services for remote learning that have been necessary for the safe and continued operation of the College. For the period of approximately six months, April to September 2020, the College has identified roughly \$40K extra in expenses. The identification of offsetting savings is more difficult to identify. There were/is some savings from decreased utilities and supplies but not quantifiable directly related to the pandemic.

Within the northern portion of the regional service areas is the continual construction of a cracker plant, a multi-billion-dollar facility that has created a host of construction jobs during the building phase. There is a potential for a second cracker plant in the central-south portion of the service area as well. The College is looking to expand technical education offerings on its Weirton and New Martinsville campuses through innovative partnerships.

WVNCC is also aggressively promoting community and continuing education through its WorkForce Development department. There is a focus on skill set training that translates well to employment in high demand positions and can be transitioned into degree programs.

Financially, the institution has positioned itself incredibly sound during a period of declining enrollment. With anticipation that the tide will turn and enrollment soon improve, the College is poised to make significant investments in human capital and facilities; physical plant and information technology. Planning is no longer based on an objective of savings, but definitely looking to still balance the budget annually.

The single largest threat to WVNCC financial stability is the dependency on the State Allocation, making up 50% of all revenue. The State Legislation continues to discuss a funding formula. Depending on final stipulation, WVNCC could see significant decrease in state funding. The College is prepared to work through these challenges by dynamically monitoring revenue and expenses on a quarterly basis and making adjustments as needed. The College is continuing its search for efficiencies to reduce expenses. The cash reserve of the College would be able to sustain against unforeseeable events.

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019

	2020	2019
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 13,358,886	\$ 15,719,056
Accounts Receivable, Net	263,705	257,238
Interest Receivable on State Cash Accounts	7,456	30,372
Due from Commission/Council	32,925	66,336
Arrears Pay Conversion Receivable – Current Portion	3,289	6,021
Prepaid Expenses	143,904	96,346
Total Current Assets	13,810,165	16,175,369
 NONCURRENT ASSETS		
Restricted Cash and Cash Equivalents	1,759,573	590,179
Arrears Pay Conversion Receivable	37,456	44,387
Capital Assets, Net	34,210,471	34,778,000
Total Noncurrent Assets	36,007,500	35,412,566
Total Assets	49,817,665	51,587,935
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pension	56,390	45,570
Deferred Outflows Related to Other Post Employment Benefits	378,783	431,210
Total Deferred Outflows of Resources	435,173	476,780
Total Assets and Deferred Outflows	\$ 50,252,838	\$ 52,064,715

See accompanying Notes to Financial Statements.

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30, 2020 AND 2019

	2020	2019
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable	\$ 101,181	\$ 342,367
Due to State of West Virginia	13,902	21,636
Due to Commission/Council	6,725	-
Accrued Liabilities	844,866	862,064
Capital Lease – Current Portion	185,326	32,234
Unearned Revenues	20,437	136,797
Compensated Absences	477,215	358,393
Total Current Liabilities	1,649,652	1,753,491
NONCURRENT LIABILITIES		
Capital Lease Payable	-	185,326
Other Post Employment Benefits Liability	2,320,953	3,093,111
Net Pension Liability	207,667	198,576
Total Noncurrent Liabilities	2,528,620	3,477,013
Total Liabilities	4,178,272	5,230,504
DEFERRED INFLOWS OF RESOURCES		
Service Concession Arrangement, Net	4,000	52,000
Deferred Inflows Related to Pension	78,611	142,774
Deferred Inflows Related to Post Employment Benefits	1,136,992	788,077
Total Deferred Inflows of Resources	1,219,603	982,851
Total	5,397,875	6,213,355
NET POSITION		
Net Investment in Capital Assets	34,021,145	34,508,440
Restricted for:		
Capital Projects	1,759,573	590,179
Scholarships	4,899	22,111
Unrestricted	9,069,346	10,730,630
Total Net Position	44,854,963	45,851,360
Total Liabilities, Deferred Inflows, and Net Position	\$ 50,252,838	\$ 52,064,715

See accompanying Notes to Financial Statements.

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
OPERATING REVENUES		
Student Tuition and Fees, Net of Scholarship Allowance of \$2,510,441 in 2020 and \$2,318,011 in 2019	\$ 1,864,286	\$ 2,150,415
Contracts and Grants:		
Federal	104,509	127,425
State	1,871,598	1,373,774
Private	52,317	132,821
Sales and Services of Educational Activities	163,904	239,177
Miscellaneous, Net	(6,198)	(6,843)
Total Operating Revenues	4,050,416	4,016,769
OPERATING EXPENSES		
Salaries and Wages	7,690,813	7,306,735
Benefits	1,414,168	1,665,928
Supplies and Other Services	2,886,824	2,621,865
Utilities	674,891	766,940
Student Financial Aid – Scholarships and Fellowships	1,447,509	1,187,379
Depreciation	1,565,993	1,650,440
Fees Assessed by the Commission for Operations	57,522	61,065
Total Operating Expenses	15,737,720	15,260,352
OPERATING LOSS	(11,687,304)	(11,243,583)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	7,285,825	6,833,499
Federal Pell Grants	2,538,603	2,750,794
Cares Act - Direct student Assistance Grants	366,159	-
Benefits Payments on Behalf of the College	204,552	242,606
Loss on Disposal of Fixed Assets	-	(41,507)
Investment Income	219,781	324,157
Net Nonoperating Revenues	10,614,920	10,109,549
LOSS BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	(1,072,384)	(1,134,034)
Capital Payments Made on Behalf of College	75,987	589,592
DECREASE IN NET POSITION	(996,397)	(544,442)
Net Position – Beginning of Year	45,851,360	46,395,802
NET POSITION – END OF YEAR	\$ 44,854,963	\$ 45,851,360

See accompanying Notes to Financial Statements.

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Student Tuition and Fees	\$ 1,814,314	\$ 2,249,736
Contracts and Grants	2,016,192	1,661,962
Payments to and on Behalf of Employees	(9,132,884)	(8,974,236)
Payments to Suppliers	(3,010,658)	(2,333,399)
Payments to Utilities	(687,914)	(754,193)
Payments for Scholarships and Fellowships	(1,447,509)	(1,187,379)
Sales and Service of Educational Activities	115,904	191,177
Fees Assessed by the Commission for Operations	(57,522)	(61,065)
Other Receipts/(Payments), Net	-	(416)
Net Cash Used by Operating Activities	(10,390,077)	(9,207,813)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	7,285,825	6,833,499
Federal Pell Grants	2,538,603	2,750,794
Cares Act - Direct Student Assistance Grants	366,159	-
Federal Direct Lending Receipts	1,409,667	1,717,995
Federal Direct Lending Payments	(1,409,667)	(1,717,995)
Net Cash Provided by Noncapital Financing Activities	10,190,587	9,584,293
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of Capital Assets	(1,188,831)	(1,799,454)
Principal Paid on Capital Leases	(32,234)	(46,000)
Interest Paid on Capital Leases	(8,116)	(14,524)
Fees Assessed by Commission	(4,804)	(4,562)
Withdrawals from (Deposits to) Restricted Cash and Cash Equivalents	(1,169,394)	915,731
Net Cash Used by Capital and Related Financing Activities	(2,403,379)	(948,809)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	242,699	320,373
DECREASE IN CASH AND CASH EQUIVALENTS	(2,360,170)	(251,956)
Cash and Cash Equivalents – Beginning of Year	15,719,056	15,971,012
CASH AND CASH EQUIVALENTS – END OF YEAR	\$ 13,358,886	\$ 15,719,056

See accompanying Notes to Financial Statements.

**WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (11,687,304)	\$ (11,243,583)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense	1,565,993	1,650,440
Benefit Payments Made on Behalf of the College	204,552	242,606
Effect of Changes in Operating Assets, Deferred Outflows, Liabilities, and Deferred Inflows:		
Accounts Receivable, Net	(6,467)	51,001
Interest Receivable from State Cash Accounts	22,916	(3,785)
Due from Commission / Council	33,411	34,179
Arrears Pay Conversion Receivable	9,663	10,295
Prepaid Expenses	(47,558)	118,948
Accounts Payable	(156,098)	102,140
Due to State of West Virginia	(7,734)	3,336
Due to Commission/Council	6,725	-
Accrued Liabilities	97,095	27,213
Unearned Revenue	(116,360)	27,490
Compensated Absences	118,822	54,982
Other Post Employment Benefits	(772,158)	(276,761)
Defined Benefit Pension	9,091	(66,939)
Advances from Federal Sponsors	-	(416)
Deferred Outflows of Resources Related to Pensions	(10,820)	6,471
Deferred Outflows of Resources Related to Other Postemployment Benefits	52,427	(136,596)
Deferred Inflows of Resources Related to Pensions	(64,163)	(18,632)
Deferred Inflows of Resources Related to Other Postemployment Benefits	348,915	208,156
Other	8,975	1,642
Net Cash Used by Operating Activities	\$ (10,390,077)	\$ (9,207,813)
SUPPLEMENTAL DISCLOSURES OF NONCASH TRANSACTIONS		
Capital Assets Purchased Through Accounts Payable and Accrued Liabilities	\$ 67,171	\$ 266,552
Capital Assets Acquired Through Contributions	\$ 20	\$ 200
Capital Payments Made on Behalf of College	\$ 75,987	\$ 589,592

See accompanying Notes to Financial Statements.

**WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
WEST VIRGINIA NORTHERN COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019**

	2020	2019
ASSETS		
Cash and Cash Equivalents	\$ 110,694	\$ 100,676
Accounts Receivable	1,500	3,120
Notes Receivable – Current	33,548	32,234
Investments at Fair Value	5,029,034	4,820,475
Prepaid Expenses	5,491	5,159
Advances	-	1,650
Other Current Assets	20,056	6,083
Notes Receivable – Long Term	151,778	185,326
Beneficial Interest in Perpetual Trust	1,132,758	1,142,903
	<u>\$ 6,484,859</u>	<u>\$ 6,297,626</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 13,888	\$ 9,542
Refundable Advances	-	1,000
Total Liabilities	<u>13,888</u>	<u>10,542</u>
NET ASSETS		
Without Donor Restrictions	942,259	926,758
With Donor Restrictions	5,528,712	5,360,326
Total Net Assets	<u>6,470,971</u>	<u>6,287,084</u>
	<u>\$ 6,484,859</u>	<u>\$ 6,297,626</u>
Total Liabilities and Net Assets	<u>\$ 6,484,859</u>	<u>\$ 6,297,626</u>

See accompanying Notes to Financial Statements.

**WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
WEST VIRGINIA NORTHERN COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Grants and Donations	\$ 13,396	\$ 81,186	\$ 94,582
Dividend and Interest Income	15,545	64,605	80,150
Investment Revenue from Beneficial Interest in Perpetual Trust	-	63,270	63,270
Special Events Fundraisers	\$ 17,267		
Less: Costs of Direct Benefits to Donors	<u>(10,351)</u>	6,916	6,916
Gain on Investment	12,107	125,604	137,711
Change in Value of Split-Interest Agreements	-	(10,145)	(10,145)
Net Assets Released from Restrictions - Satisfactions of Program Restrictions	156,134	(156,134)	-
Total Support and Revenues	<u>204,098</u>	<u>168,386</u>	<u>372,484</u>
EXPENSES			
WV Northern Community College Support:			
Scholarships/Student Assistance	102,077	-	102,077
Institutional Support	53,792	-	53,792
Fundraising	16,588	-	16,588
Management and General	16,140	-	16,140
Total Expenses	<u>188,597</u>	<u>-</u>	<u>188,597</u>
CHANGE IN NET ASSETS	15,501	168,386	183,887
Net Assets – Beginning of Year	<u>926,758</u>	<u>5,360,326</u>	<u>6,287,084</u>
NET ASSETS – END OF YEAR	<u>\$ 942,259</u>	<u>\$ 5,528,712</u>	<u>\$ 6,470,971</u>

See accompanying Notes to Financial Statements.

**WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
WEST VIRGINIA NORTHERN COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Grants and Donations	\$ 6,914	\$ 62,113	\$ 69,027
Dividend and Interest Income	20,938	60,644	81,582
Investment Revenue from Beneficial Interest in Perpetual Trust	-	52,323	52,323
Special Events Fundraisers	\$ 31,096		
Less: Costs of Direct Benefits to Donors	<u>(18,336)</u>	12,760	12,760
Gain on Investment	15,834	154,834	170,668
Change in Value of Split-Interest Agreements	-	16,995	16,995
Net Assets Released from Restrictions - Satisfactions of Program Restrictions	256,691	(256,691)	-
Total Support and Revenues	<u>313,137</u>	<u>90,218</u>	<u>403,355</u>
EXPENSES			
WV Northern Community College Support:			
Scholarships / Student Assistance	98,123	-	98,123
Institutional Support	141,942	-	141,942
Fundraising	11,966	-	11,966
Management and General	<u>16,122</u>	-	<u>16,122</u>
Total Expenses	<u>268,153</u>	<u>-</u>	<u>268,153</u>
CHANGE IN NET ASSETS	44,984	90,218	135,202
Net Assets – Beginning of Year	<u>881,774</u>	<u>5,270,108</u>	<u>6,151,882</u>
NET ASSETS – END OF YEAR	<u>\$ 926,758</u>	<u>\$ 5,360,326</u>	<u>\$ 6,287,084</u>

See accompanying Notes to Financial Statements.

**WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
WEST VIRGINIA NORTHERN COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020**

	<u>Programs Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Scholarships/ Student Assistance</u>	<u>Institutional Support</u>	<u>Management and General</u>	<u>Fundraising</u>	
Student Scholarships	\$ 97,964	\$ -	\$ -	\$ -	\$ 97,964
Student Assistance	4,113	-	-	-	4,113
Grants	-	1,495	-	-	1,495
Contractual Services	-	-	10,375	-	10,375
College Programs Support	-	52,297	-	-	52,297
Bank Charges	-	-	236	-	236
Insurance	-	-	2,014	-	2,014
Meetings	-	-	1,762	-	1,762
Office Expense	-	-	1,030	-	1,030
Dues, Memberships and Licenses	-	-	723	-	723
Advertising	-	-	-	3,209	3,209
Cultivation/Stewardship	-	-	-	335	335
Computer Software	-	-	-	566	566
Postage/Printing	-	-	-	740	740
Special Event-Indirect Costs	-	-	-	11,183	11,183
Neighborhood Investment Program Fees	-	-	-	555	555
Total Functional Expenses	<u>\$ 102,077</u>	<u>\$ 53,792</u>	<u>\$ 16,140</u>	<u>\$ 16,588</u>	<u>\$ 188,597</u>

See accompanying Notes to Financial Statements.

**WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
WEST VIRGINIA NORTHERN COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019**

	<u>Programs Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Scholarships/ Student Assistance</u>	<u>Institutional Support</u>	<u>Management and General</u>	<u>Fundraising</u>	
Student Scholarships	\$ 89,491	\$ -	\$ -	\$ -	\$ 89,491
Student Assistance	8,632	-	-	-	8,632
Grants	-	8,010	-	-	8,010
Contractual Services	-	1,250	10,100	-	11,350
College Programs Support	-	132,682	-	-	132,682
Bank Charges	-	-	210	-	210
Insurance	-	-	2,663	-	2,663
Meetings	-	-	2,168	-	2,168
Office Expense	-	-	716	-	716
Dues and Memberships	-	-	265	-	265
Advertising	-	-	-	4,029	4,029
Cultivation/Stewardship	-	-	-	1,143	1,143
Computer Software	-	-	-	1,192	1,192
Postage/Printing	-	-	-	586	586
Special Event-Indirect Costs	-	-	-	4,461	4,461
Neighborhood Investment Program Fees	-	-	-	555	555
	<u>-</u>	<u>-</u>	<u>-</u>	<u>555</u>	<u>555</u>
Total Functional Expenses	<u>\$ 98,123</u>	<u>\$ 141,942</u>	<u>\$ 16,122</u>	<u>\$ 11,966</u>	<u>\$ 268,153</u>

See accompanying Notes to Financial Statements.

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 ORGANIZATION

West Virginia Northern Community College (the College) is governed by the West Virginia Northern Community College Board of Governors (the Board). The Board was established by Senate Bill 448 (S.B. 448).

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 rules and affairs of the College under its jurisdiction, the duty to develop a master plan for the College, the power to prescribe the specific functions and College's budget request, the duty to review, at least every five years, all academic programs offered at the College, and the power to fix tuition and other fees for the different classes or categories of students enrolled at its College.

S.B. 448 gives the West Virginia Council for Community and Technical College Education (the Council) the responsibility for developing, overseeing, and advancing the state of West Virginia (the State) public policy agenda as it relates to community and technical college education.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The College is a blended component unit of the West Virginia Council for Community and Technical College Education and represents separate funds of the State that are not included in the State's general fund. The College is a separate entity which, along with all State institutions of higher education, the Council and the West Virginia Higher Education Policy Commission (the Commission) (which includes West Virginia Network for Educational Telecomputing (WVNET), 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 College. The basic criterion for inclusion in the accompanying financial statements is the exercise of oversight responsibility derived from the College's ability to significantly influence operations and accountability for fiscal matters of related entities. A related alumni association of the College is not part of the College reporting entity and is not included in the accompanying financial statements, as the College has no ability to designate management, cannot

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

significantly influence operations of this entity, and is not accountable for its fiscal matters under GASB.

In accordance with GASB, the audited financial statements of West Virginia Northern Community College Foundation, Incorporated (the Foundation) are discretely presented herein with the College's financial statements for the fiscal years ended June 30, 2020 and 2019. 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. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests, is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is, therefore, discretely presented with the College's financial statements in accordance with GASB. No modifications have been made to the Foundation's audited financial information as presented herein (see also Note 16).

Financial Statement Presentation

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

Net Investment in Capital Assets

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

Restricted Net Position, Expendable

This includes resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

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

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

Restricted Net Position, Nonexpendable

This includes endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The College does not have any restricted nonexpendable net position as June 30, 2020 and 2019.

Unrestricted Net Position

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

Basis of Accounting

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

Cash and Cash Equivalents

For purposes of the statements of cash flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Any cash and cash equivalents escrowed, restricted as noncurrent assets, or in funded reserves have not been included as cash and cash equivalents for the cash flow statement purposes.

Cash and cash equivalents balances on deposit with the State Treasurer's Office (the State Treasurer) are pooled by the State Treasurer with other available funds of the State for investment purposes by the West Virginia Board of Treasury Investments (BTI). These funds are transferred to the BTI, and the BTI is directed by the State Treasurer to invest the funds in specific external investment pools in accordance with West Virginia Code, policies set by the BTI, provisions of bond indentures, and trust agreements when applicable. Balances in the investment pools are recorded at fair value or amortized cost, which approximates fair value. Fair value is determined by a third-party pricing service based on asset portfolio pricing models and other sources, in accordance with GASB. The BTI was established by the State Legislature and is subject to oversight by the State Legislature.

Fair value and investment income are allocated to participants in the pools based upon the funds that have been invested. The amounts on deposit are available for immediate withdrawal or on the first day of each month for the WV Short Term Bond Pool and, accordingly, are presented as cash and cash equivalents in the accompanying financial statements.

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents (Continued)

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

Appropriations Due from Primary Government

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

Allowance for Doubtful Accounts

It is the College'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 College on such balances; and such other factors which, in the College's judgment, require consideration in estimating doubtful accounts.

Noncurrent Cash, Cash Equivalents, and Investments

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

Capital Assets

Capital assets include property, plant, and equipment; books and materials that are part of a catalogued library; and infrastructure assets. Capital assets are stated at cost at the date of acquisition or construction, or fair value at the date of donation in the case of gifts. If material interest on related borrowing, net of interest earnings on invested proceeds, is capitalized during the period of construction. Interest paid of \$8,116 was capitalized as part of the cost of assets for the year ended June 30, 2020. Interest capitalized as part of the cost of assets for the year ended June 30, 2019 was \$14,524. 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, 15 years for land improvements, 7 years for library books, and 3 to 12 years for furniture and equipment. The College capitalizes all purchases of library books. The College uses capitalization thresholds of \$5,000 for furniture and equipment; \$2,500 for land improvements, leasehold and building improvements and computer software; and \$15,000 for aggregate capital asset purchases. Land, buildings, infrastructure, and library books are capitalized regardless of cost.

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unearned Revenues

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

Compensated Absences and Other Postemployment Benefits

GASB provides standards for the measurement, recognition, and display of other postemployment benefit (OPEB) expenditures, assets, deferred outflows of resources, liabilities and deferred inflows of resources, 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 College is required to participate in this multiple-employer, cost-sharing plan, the West Virginia Retiree Health Benefit Trust Fund, sponsored by the State. Details regarding this plan and its stand-alone financial statements can be obtained by contacting the West Virginia Public Employees Insurance Agency (PEIA), State Capital Complex, Building 5, Room 1001, 1900 Kanawha Boulevard East, Charleston, West Virginia 25305-0710 or <http://www.wvpeia.com>.

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

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

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences and Other Postemployment Benefits (Continued)

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

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 on the TRS financial statements, which can be found at <https://www.wvretirement.com/Publications.html#CAFR>. The plan schedules of TRS are prepared using the accrual basis of accounting and economic resources measurement focus in accordance with U.S. GAAP as prescribed by GASB. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions.

Investments are reported at fair value. Detailed information on investment valuation can be found in the TRS financial statements. Management of TRS has made certain estimates and assumptions relating to employer allocation schedules, and actual results could differ (Note 10).

Deferred Outflows of Resources

Consumption of net position by the College that is applicable to a future fiscal year is reported as a deferred outflow of resources on the statement of net position. As of June 30, 2020 and 2019, the College had deferred outflows of resources related to pension of \$56,390 and \$45,570, respectively. As of June 30, 2020 and 2019, the College had deferred outflows related to other postemployment benefits of \$378,783 and \$431,210, respectively.

Deferred Inflows of Resources

An acquisition of net position by the College that is applicable to a future fiscal year is reported as a deferred inflow of resources on the statement of net position. As of June 30, 2020 and 2019, the College had deferred inflows from service concession arrangements of \$4,000 and \$52,000, respectively, and deferred inflows related to pension of \$ 78,611_ and \$142,774 as of June 30, 2020 and 2019, respectively. As of June 30, 2020 and 2019, the College had deferred inflows related to other postemployment benefits of \$1,136,992 and \$788,077, respectively.

Risk Management

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

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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 College or other participants in BRIM's insurance programs. As a result, management does not expect significant differences between the premiums the College is currently charged by BRIM and the ultimate cost of that insurance based on the College's actual loss experience. In the event such differences arise between estimated premiums currently charged by BRIM to the College and the College's ultimate actual loss experience, the difference will be recorded as the change in estimate becomes known.

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

Settled claims have not exceeded these coverages for the past three fiscal years.

Classification of Revenues

The College 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 and contributions, and other revenues that are defined as nonoperating revenues by GASB, such as state appropriations, Federal Pell and CARES Act Grants, investment income, and sale of capital assets (including natural resources).

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

Use of Restricted Net Position

The College 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 College attempts to utilize restricted net position first when practicable.

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal Financial Assistance Program

The College makes loans to students under the Federal Direct Student Loan Program. Under this program, the U.S. Department of Education makes interest subsidized and nonsubsidized loans directly to students through institutions like the College. Direct student loan receivables are not included in the College's accompanying statements of net position since the loans are repayable directly to the U.S. Department of Education. In 2020 and 2019, the College received and disbursed approximately \$1.41 million and \$1.72 million, respectively, under the Federal Direct Student Loan Program on behalf of the U.S. Department of Education, which is not included as revenue and expense on the statements of revenues, expenses, and changes in net position.

The College 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 2020 and 2019, the College received and disbursed approximately \$2.64 million and \$2.88 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 accompanying statements of revenues, expenses and changes in net position. Scholarship allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the student's behalf.

Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and College Business Officers. Certain aid such as loans, funds provided to students as awarded by third parties, and Federal Direct Lending is accounted for as a third-party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a College 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 College 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.

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Service Concession Arrangements

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

Income Taxes

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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, including restricted cash and cash equivalents held in external pools, 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.

Reclassifications

Certain amounts in the prior year have been reclassified to conform to the current financial statement presentation. These reclassifications have no effect on the previously reported net position or changes therein.

Recent Statements Issued by the Governmental Accounting Standards Board

GASB has issued several accounting standards that are required to be adopted by the College in future years and could have an impact on the College's financial statements. The College is evaluating the impact of the adoption of these standards on its financial statements as discussed below.

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This Statement extends the effective dates of certain accounting and financial reporting provisions in Statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018.

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Recent Statements Issued by the Governmental Accounting Standards Board
(Continued)**

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, which is effective for fiscal years beginning after December 15, 2018. This statement establishes standards of accounting and financial reporting for fiduciary activities. The College is required to adopt Statement No. 84 during its fiscal year 2021 and has not yet determined the effect that the adoption of GASB Statement No. 84 may have on its financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*. 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 a similar manner as capital leases, with assets and liabilities recorded at lease inception. The College is required to adopt Statement No. 87 during its fiscal year 2021 and has not yet determined the effect that GASB that the adoption of GASB No. 87 will 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. The College is required to adopt Statement No. 88 during its fiscal year 2021 and is assessing if the standard will have any impact on its financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred, and should no longer be capitalized as part of the cost of an asset. The College has determined that the effect of Statement No. 89 on its financial statements will vary from year to year, depending upon the amount of new debt incurred for capital assets. The provisions of Statement No. 89 are effective for reporting periods beginning after December 15, 2020 (fiscal year 2022 for the College).

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*, which is effective for fiscal years beginning after June 15, 2020. This statement enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The College is required to adopt Statement No. 92 during its fiscal year 2023 and is assessing if the standard will have any impact on its financial statements.

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*, which is effective for fiscal years beginning after June 15, 2020. This Statement establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The College is required to adopt Statement No. 93 during its fiscal year 2023 and is assessing if the standard will have any impact on its financial statements.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships (PPP) and Availability Payment Arrangements (APA)*, which is effective for fiscal years beginning after June 15, 2022. This Statement establishes standards of accounting and financial reporting for PPPs and APAs for governments. The College is required to adopt Statement No. 94 during its fiscal year 2024 and is assessing if the standard will have any impact on its financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, which is effective for fiscal years beginning after June 15, 2022. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology agreements. The College is required to adopt Statement No. 99 during its fiscal year 2024 and is assessing if the standard will have any impact on its financial statements.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 31*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of this Statement are effective immediately. The requirements in paragraphs 6–9 of this Statement are effective for fiscal years beginning after June 15, 2021. The College is required to adopt Statement No. 97 during its fiscal year 2023 and is assessing if the standard will have any impact on its financial statements.

**WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 3 CASH AND CASH EQUIVALENTS

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

	2020		
	Current	Noncurrent	Total
State Treasurer	\$ 12,916,913	\$ 1,759,573	\$ 14,676,486
Bank	441,973	-	441,973
Total	\$ 13,358,886	\$ 1,759,573	\$ 15,118,459
	2019		
	Current	Noncurrent	Total
State Treasurer	\$ 15,032,221	\$ 590,179	\$ 15,622,400
Bank	686,835	-	686,835
Total	\$ 15,719,056	\$ 590,179	\$ 16,309,235

Cash held by the State Treasurer includes \$1,759,573 and \$590,179 at June 30, 2020 and 2019, respectively, restricted for capital assets. These amounts were collateralized by financial instruments held by the State's agent.

The combined carrying amount of cash in bank was \$441,973 and \$686,835 as compared with the combined bank balance of \$484,950 and \$693,400 at June 30, 2020 and 2019, respectively. The difference is primarily caused by items in transit and outstanding checks. The bank balances were covered by federal depository insurance as noted below or collateralized by securities held by the State's agent. Regarding federal depository insurance, accounts held by the bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2020, the amount uninsured and uncollateralized was \$234,950. At June 30, 2019, the amount uninsured and uncollateralized was \$443,400.

Amounts with the State Treasurer as of June 30, 2020 and 2019, are comprised of two investment pools, the WV Money Market Pool and the WV Short-Term Bond Pool.

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

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

External Pool	2020		2019	
	Carrying Value (in Thousands)	S&P Rating	Carrying Value (in Thousands)	S&P Rating
WV Money Market Pool	\$ 14,328,547	AAAm	\$ 15,261,191	AAAm
WV Short-Term Bond Pool	347,939	Not Rated	361,209	Not Rated
Total	<u>\$ 14,676,486</u>		<u>\$ 15,622,400</u>	

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

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

External Pool	2020		2019	
	Carrying Value (in Thousands)	WAM (Days)	Carrying Value (in Thousands)	WAM (Days)
WV Money Market Pool	\$ 14,328,547	44	\$ 15,261,191	42

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

External Pool	2020		2019	
	Carrying Value (in Thousands)	Effective Duration (Days)	Carrying Value (in Thousands)	Effective Duration (Days)
WV Short-Term Bond Pool	\$ 347,939	620	\$ 361,209	723

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.

**WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

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 College will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The College does not have a formal custodial credit risk policy.

Interest Rate Risk

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

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 College has no securities with foreign currency risk.

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable at June 30 are as follows:

	<u>2020</u>	<u>2019</u>
Student Tuition and Fees, Net of Allowance for Doubtful Accounts of \$931,859 in 2020 and \$930,464 in 2019	\$ 246,455	\$ 236,959
Third-Party Contracts Receivable	<u>17,250</u>	<u>20,279</u>
Total	<u>\$ 263,705</u>	<u>\$ 257,238</u>

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 5 CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2020 and 2019 is as follows:

	2020			Ending Balance
	Beginning Balance	Additions	Reductions	
CAPITAL ASSETS NOT BEING DEPRECIATED				
Land	\$ 1,728,751	\$ -	\$ -	\$ 1,728,751
Construction in Progress	1,356,400	392,033	(1,259,923)	488,510
Total Capital Assets Not Being Depreciated	<u>\$ 3,085,151</u>	<u>\$ 392,033</u>	<u>\$ (1,259,923)</u>	<u>\$ 2,217,261</u>
OTHER CAPITAL ASSETS				
Land Improvements	\$ 738,067	\$ -	\$ -	\$ 738,067
Infrastructure	2,242,964	20,632	-	2,263,596
Buildings	41,189,433	1,177,958	-	42,367,391
Equipment	8,805,474	662,400	(291,023)	9,176,851
Library Books	503,543	5,364	(57)	508,850
Total Other Capital Assets	<u>53,479,481</u>	<u>1,866,354</u>	<u>(291,080)</u>	<u>55,054,755</u>
LESS ACCUMULATED DEPRECIATION FOR				
Land Improvements	(666,460)	(42,417)	-	(708,877)
Infrastructure	(1,446,946)	(86,455)	-	(1,533,401)
Buildings	(13,446,292)	(839,292)	-	(14,285,584)
Equipment	(5,738,102)	(592,045)	291,023	(6,039,124)
Library Books	(488,832)	(5,784)	57	(494,559)
Total Accumulated Depreciation	<u>(21,786,632)</u>	<u>(1,565,993)</u>	<u>291,080</u>	<u>(23,061,545)</u>
OTHER CAPITAL ASSETS, NET	<u>\$ 31,692,849</u>	<u>\$ 300,361</u>	<u>\$ -</u>	<u>\$ 31,993,210</u>
CAPITAL ASSET SUMMARY				
Capital Assets Not Being Depreciated	\$ 3,085,151	\$ 392,033	\$ (1,259,923)	\$ 2,217,261
Other Capital Assets	53,479,481	1,866,354	(291,080)	55,054,755
Total Cost of Capital Assets	56,564,632	2,258,387	(1,551,003)	57,272,016
Less: Accumulated Depreciation	(21,786,632)	(1,565,993)	291,080	(23,061,545)
CAPITAL ASSETS, NET	<u>\$ 34,778,000</u>	<u>\$ 692,394</u>	<u>\$ (1,259,923)</u>	<u>\$ 34,210,471</u>

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 5 CAPITAL ASSETS (CONTINUED)

	2019			Ending Balance
	Beginning Balance	Additions	Reductions	
CAPITAL ASSETS NOT BEING DEPRECIATED				
Land	\$ 1,728,751	\$ -	\$ -	\$ 1,728,751
Construction in Progress	4,336,618	1,407,796	(4,388,014)	1,356,400
Total Capital Assets Not Being Depreciated	<u>\$ 6,065,369</u>	<u>\$ 1,407,796</u>	<u>\$ (4,388,014)</u>	<u>\$ 3,085,151</u>
OTHER CAPITAL ASSETS				
Land Improvements	\$ 738,067	\$ -	\$ -	\$ 738,067
Infrastructure	2,233,997	8,967	-	2,242,964
Buildings	36,730,069	4,530,965	(71,601)	41,189,433
Equipment	8,161,703	853,068	(209,297)	8,805,474
Library Books	596,096	1,780	(94,333)	503,543
Total Other Capital Assets	<u>48,459,932</u>	<u>5,394,780</u>	<u>(375,231)</u>	<u>53,479,481</u>
LESS ACCUMULATED DEPRECIATION FOR				
Land Improvements	(624,043)	(42,417)	-	(666,460)
Infrastructure	(1,356,184)	(90,762)	-	(1,446,946)
Buildings	(12,526,915)	(952,313)	32,936	(13,446,292)
Equipment	(5,388,452)	(556,106)	206,456	(5,738,102)
Library Books	(574,322)	(8,842)	94,332	(488,832)
Total Accumulated Depreciation	<u>(20,469,916)</u>	<u>(1,650,440)</u>	<u>333,724</u>	<u>(21,786,632)</u>
OTHER CAPITAL ASSETS, NET	<u>\$ 27,990,016</u>	<u>\$ 3,744,340</u>	<u>\$ (41,507)</u>	<u>\$ 31,692,849</u>
CAPITAL ASSET SUMMARY				
Capital Assets Not Being Depreciated	\$ 6,065,369	\$ 1,407,796	\$ (4,388,014)	\$ 3,085,151
Other Capital Assets	48,459,932	5,394,780	(375,231)	53,479,481
Total Cost of Capital Assets	54,525,301	6,802,576	(4,763,245)	56,564,632
Less: Accumulated Depreciation	<u>(20,469,916)</u>	<u>(1,650,440)</u>	<u>333,724</u>	<u>(21,786,632)</u>
CAPITAL ASSETS, NET	<u>\$ 34,055,385</u>	<u>\$ 5,152,136</u>	<u>\$ (4,429,521)</u>	<u>\$ 34,778,000</u>

The College maintains various 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.

The College had \$68,970 in construction commitments as of June 30, 2020.

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 6 LEASE OBLIGATIONS

The College leased equipment under an operating lease agreement. Aggregate payments under this agreement approximated \$103,278 and \$113,352 for the years ended June 30, 2020 and 2019, respectively. Future minimum rental commitments as of June 30, 2020 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 75,135
Total	<u>\$ 75,135</u>

The College leased land from the West Virginia Northern Community College Foundation under a capital lease agreement. The original terms of the agreement included monthly payments of \$3,363 from July 1, 2015 through July 1, 2025, with an annual interest rate of 4% and a principal amount of \$332,115. The following is a schedule by year of future annual minimum payments under the original lease agreement existing at June 30, 2020:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 40,350
2022	40,350
2023	40,350
2024	40,350
2025	40,350
Thereafter	<u>3,363</u>
Total	205,113
Less: Interest	<u>(19,787)</u>
Total	<u>\$ 185,326</u>

In September 2020, the College and the Foundation entered into a memorandum of understanding (MOU) voluntary agreement wherein both parties agree to terminate the lease and transfer the property to the College. Final payment on the lease will be for the balance of principal due on November 1, 2020, the day of transfer. The total lease liability has therefore been classified as a current liability on the statement of net position as of June 30, 2020.

Changes in the liability for capital leases in the fiscal years 2020 and 2019 follow:

	<u>2020</u>	<u>2019</u>
Beginning Balance	\$ 217,560	\$ 263,561
Capital Lease Additions	-	-
Capital Lease Payments	<u>(32,234)</u>	<u>(46,001)</u>
Ending Balance	<u>\$ 185,326</u>	<u>\$ 217,560</u>

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS

Employees of the College 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 College's other postemployment benefits liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, revenues, and other postemployment benefits expense and expenditures for the fiscal years ended June 30, 2020 and 2019 (dollars in thousands):

	2020	2019
Net OPEB Liability	\$ 2,321	\$ 3,093
Deferred Outflows of Resources	\$ 379	\$ 431
Deferred Inflows of Resources	\$ 1,137	\$ 788
Payments Made on Behalf of the College	\$ 141	\$ 195
OPEB Expense	\$ 48	\$ 284
Contributions Made by the College	\$ 278	\$ 295

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

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 7 OTHER POST EMPLOYMENT 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. For purposes of measuring the net pension liability, deferred outflows and inflows, and pension expense, the information is consistent with that reported on the RHBT financial statements. 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 health care 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 health care contribution.
- Members hired from July 1, 1988 to June 30, 2001 may convert sick or vacation leave days into 50% of the required retiree health care contribution.

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

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

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 7 OTHER POST EMPLOYMENT 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 net OPEB liability for financial reporting purposes for the fiscal year ended June 30, 2020 was determined using an actuarial valuation as of June 30, 2018, rolled forward to the measurement date of June 30, 2019. The net OPEB liability for financial reporting purposes for the fiscal year ended June 30, 2019 was determined using an actuarial valuation as of June 30, 2017, rolled forward to the measurement date of June 30, 2018. The actuarial assumptions used in the June 30, 2018 and 2017 valuations were based on the results of an actuarial experience study for the period July 1, 2010 through June 30, 2015.

The following actuarial assumptions were used and applied to all periods included in the measurement for both years unless otherwise noted:

- Actuarial cost method: Entry age normal cost method.
- Amortization method and period for contributions: Level percentage of payroll over 20 years, closed as of June 30, 2017.
- Investment rate of return: 7.15%, net of OPEB plan investment expense, including inflation.
- Wage inflation – 4.00%, Salary increases ranging from 3.00-6.5%, including inflation.
- Health care cost trend rates – 2019 measurement date: Trend rate for pre-Medicare per capita costs of 8.5% for plan year-end 2020 decreasing by 0.5% each year, until ultimate trend rate of 4.5% in plan year 2028. Trend rate for Medicare per capita costs of 3.1% for plan year-end 2020, 9.5% for plan year 2021, decreasing by 0.5% each year, until ultimate trend rate of 4.5% in plan year 2031.
- Health care cost trend rates – 2018 measurement date: Actual trend used for fiscal year 2018. For fiscal years on and after 2019, trend starts at 8.00% and 10.00% for pre- and post-Medicare, respectively, and gradually decreases to an ultimate trend of 4.50%. Excess trend rate of 0.13% and 0.00% for pre- and post-Medicare, respectively, is added to health care 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%, Asset valuation method – Market Value
- Mortality rates: based on RP-2000 Mortality Tables.

**WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 7 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Assumptions (Continued)

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

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

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

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
International Equity	4.8 %	49.5 %
Core Fixed Income	2.1 %	13.5 %
Core Real Estate	4.1 %	9.0 %
Hedge Fund	2.4 %	9.0 %
Private Equity	6.8 %	9.0 %
Cash	0.0 %	10.0 %
		<u>100.0 %</u>

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.

**WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 7 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the College's proportionate share of the net OPEB liability as of June 30, 2020 and 2019 calculated using the discount rate of 7.15%, as well as what the College's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current rate (dollars in thousands):

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Net OPEB Liability 2020	\$ 2,770	\$ 2,321	\$ 1,945
Net OPEB Liability 2019	3,635	3,093	2,641

Sensitivity of the net OPEB liability to changes in health care cost trend rates. The following presents the College's proportionate share of the net OPEB liability as of June 30, 2020 and 2019 calculated using the current health care cost trend rates, as well as what the College's net OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates (dollars in thousands):

	1% Decrease	Current Health Care Cost Trend Rates	1% Increase
Net OPEB Liability 2020	\$ 1,872	\$ 2,321	\$ 2,866
Net OPEB Liability 2019	2,559	3,093	3,743

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

At June 30, 2020 and 2019, the amount recognized as the College's proportionate share of the net OPEB liability was approximately \$2,321,000 and \$3,093,000, respectively. At June 30, 2020, the nonemployer contributing entity's (State of West Virginia) portion of the collective net OPEB liability is \$475,000 and the total net OPEB liability attributable to the College is \$2,796,000. At June 30, 2019, the nonemployer contributing entity's (State of West Virginia) portion of the collective net OPEB liability is \$639,000 and the total net OPEB liability attributable to the College is \$3,732,000.

The allocation percentage assigned to each contributing employer is based on the employer's proportionate share of employer contributions to the RHBT for the fiscal years ended June 30, 2018 and June 30, 2017. Employer contributions are recognized when due. At June 30, 2019, the College's proportion was 0.139889586%, a decrease of 0.004282112% from its proportion of 0.144171698% calculated as of June 30, 2018.

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 7 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

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

For the years ended June 30, 2020 and 2019, the College recognized OPEB expense of \$48,000 and \$284,000, respectively. Of this amount, \$(93,000) and \$89,000 at June 30, 2020 and 2019, respectively, was recognized as the College's proportionate share of the OPEB expense, and \$141,000 and \$195,000 at June 30, 2020 and 2019, respectively, as the amount of OPEB expense attributed to special funding. The College also recognized revenue of \$141,000 and \$195,000 at June 30, 2020 and 2019, respectively, for support provided by the State.

At June 30, 2020, deferred outflows of resources and deferred inflows of resources related to OPEB are as follows (dollars in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	\$ 100	\$ 308
Net Difference Between Projected and Actual Investment Earnings	-	25
Differences Between Expected and Actual Experience Changes in Assumptions	-	271
Reallocation of Opt-Out Change in Proportionate Share Contributions After the Measurement Date	1	62
	<u>278</u>	<u>-</u>
Total	<u>\$ 379</u>	<u>\$ 1,137</u>

At June 30, 2019, deferred outflows of resources and deferred inflows of resources related to OPEB are as follows (dollars in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	\$ 136	\$ 376
Net Difference Between Projected and Actual Investment Earnings	-	46
Changes in Assumptions	-	309
Differences Between Expected and Actual Experience Contributions After the Measurement Date	-	57
	<u>295</u>	<u>-</u>
Total	<u>\$ 431</u>	<u>\$ 788</u>

**WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

The College will recognize the \$278,000 reported as deferred outflows of resources resulting from OPEB contributions after the measurement date as a reduction of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (dollars in thousands):

<u>Fiscal Year Ended</u>	<u>Total Amortization</u>
June 30, 2021	\$ (400)
June 30, 2022	(359)
June 30, 2023	(224)
June 30, 2024	(53)
Total	<u>\$ (1,036)</u>

NOTE 8 STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

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

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

The Commission has the authority to assess each public institution of higher education for payment of debt service on these system bonds. The education and general capital fees (previously tuition and registration fees) of the members of the former State College 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, effective as of June 30, 2002. As of June 30, 2020 and 2019, there were no debt obligations due to the Commission.

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 9 UNRESTRICTED NET POSITION

The College's unrestricted net position for years ended June 30, 2020 and 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Total Unrestricted Net Position Before OPEB Liability	\$ 11,390,299	\$ 13,823,741
Less: OPEB Liability	2,320,953	3,093,111
Total Unrestricted Net Position	<u>\$ 9,069,346</u>	<u>\$ 10,730,630</u>

NOTE 10 DEFINED BENEFIT PENSION PLAN

Some employees of the College 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 College's pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, revenues, and the pension expense and expenditures for the fiscal years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Net Pension Liability	\$ 207,667	\$ 198,576
Deferred Outflows of Resources	\$ 56,390	\$ 45,570
Deferred Inflows of Resources	\$ 78,611	\$ 142,774
Payments Made on Behalf of the College	\$ 63,841	\$ 47,200
Pension Expense	\$ 30,867	\$ (1,050)
Contributions Made by the College	<u>\$ 29,387</u>	<u>\$ 30,239</u>

TRS

Plan Description

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

TRS is considered a component unit of the State for financial reporting purposes, and, as such, its financial report is also included in the State 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.3>

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

TRS (Continued)

Benefits Provided

TRS provides retirement, death, and disability benefits. A member is eligible for normal retirement at age 60 with 5 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 5 highest fiscal years of earnings during the last 15 fiscal years of earnings. Chapter 18, Article 7A of the West Virginia State Code assigns the authority to establish and amend the provisions of the plan, including contribution rates, to the State Legislature.

Contributions

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

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

Employer Contributions: Employers make the following contributions:

The State (including institutions of higher education) contributes:

1. 15% of gross salary of their State-employed members hired prior to July 1, 1991;
2. 15% of School Aid Formula (SAF) covered payroll of county-employed members;
3. 7.5% of SAF-covered payroll of members of the TDCRS;
4. A certain percentage of fire insurance premiums paid by State residents; and
5. Under WV State code section 18-9-A-6a, beginning in fiscal year 1996, an amount determined by the State Actuary as being needed to eliminate the TRS unfunded liability within 40 years of June 30, 1994.

As of the June 30, 2019 and 2018 measurement dates, respectively, the College's proportionate share attributable to this special funding subsidy was \$60,468 and \$45,417 and is recorded as revenue.

The College's contributions to TRS for the years ended June 30, 2020, 2019, and 2018, were approximately \$29,387, \$30,239, and \$29,125, respectively.

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

TRS (Continued)

Assumptions

The total pension liabilities for June 30, 2020 and 2019 financial reporting purposes were determined by actuarial valuations as of July 1, 2018 and 2017, respectively and rolled forward to June 30, 2019 and 2018, 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 value.
- Amortization method and period for contributions: Level dollar, fixed period over 40 years, from July 1, 1994 through fiscal year 2034.
- Investment rate of return of 7.50%, net of pension plan administrative and investment expenses.
- Projected salary increases: Teachers 3.00-6.00% and Non-Teachers 3.00–6.50%, based on age.
- Inflation rate of 3.0%.
- Discount rate of 7.50%
- Mortality rates based on RP-2000 Mortality Tables.
- Withdrawal rates: Teachers 0.8-35% and Non-Teachers 1.316-24.75%.
- Disability rates: 0.008-0.704%
- Retirement age: An age-related assumption is used for participants not yet receiving payments.
- Retirement rates: 15%-100%, based on age, after 55.
- 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.

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

TRS (Continued)

Assumptions (Continued)

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

Asset Class	2019 Long-Term Expected Real Rate of Return	Target Allocation
Domestic Equity	5.8 %	27.5 %
International Equity	7.7 %	27.5 %
Core Fixed Income	3.3 %	15.0 %
Real Estate	6.1 %	10.0 %
Private Equity	8.8 %	10.0 %
Hedge Funds	4.4 %	10.0 %

Asset Class	2018 Long-Term Expected Real Rate of Return	Target Allocation
Domestic Equity	4.5 %	27.5 %
International Equity	8.6 %	27.5 %
Core Fixed Income	3.3 %	15.0 %
Real Estate	6.0 %	10.0 %
Private Equity	6.4 %	10.0 %
Hedge Funds	4.0 %	10.0 %

Discount Rate. The discount rate used to measure the total TRS pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that State contributions will continue to follow the current funding policy. Based on those assumptions, TRS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on TRS' investments was applied to all periods of projected benefit payments to determine the total pension liability. In the event of benefit payments that are not covered by the pension plan's fiduciary net position, a municipal bond rate of 2.79% 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, 2019.

**WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

TRS (Continued)

Assumptions (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the College's proportionate share of the TRS net pension liability as of June 30, 2020 and 2019 calculated using the discount rate of 7.50%, as well as what the College's TRS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate (dollars in thousands).

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability 2020	\$ 283,446	\$ 207,667	\$ 142,846
Net Pension Liability 2019	268,041	198,576	139,188

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

The TRS net pension liability at June 30, 2020 and 2019 was measured as of June 30, 2019 and 2018, respectively. The total pension liability was determined by actuarial valuations as of July 1, 2018 and 2017, and rolled forward to the respective measurement dates.

At June 30, 2020 and 2019, the College's proportionate share of the TRS net pension liability was \$709,036 and \$713,134, respectively. Of this amount, the College recognized \$207,667 and \$198,576, respectively, as its proportionate share on the statement of net position. The remainder of \$501,369 and \$514,558, respectively, denotes the College's proportionate share of net pension liability attributable to the special funding provided by the state.

The allocation percentage assigned to each participating employer and nonemployer contributing entity is based on their proportionate share of employer and nonemployer contributions to TRS for each of the fiscal years ended June 30, 2020 and 2019. Employer contributions are recognized when due. At the June 30, 2019 measurement date, the College's proportion was 0.006980%, an increase of 0.000620% from its proportion of 0.006360% calculated as of June 30, 2018.

For the years ended June 30, 2020 and 2019, the College recognized total TRS pension expense (benefit) of \$30,867 and \$(1,050), respectively. Of this amount, \$(32,974) and \$(48,255), respectively was recognized as the College's proportionate share of the TRS benefit, offset by, \$60,468 and \$45,417, respectively, as the amount of pension expense attributable to special funding from a nonemployer contributing entity, and \$3,373 and \$1,788, respectively, as the amount of pension expense from a nonemployer contributing entity not attributable to a special funding situation. The College also recognized revenue of \$63,841 and \$47,205, respectively, for support provided by the State.

**WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

TRS (Continued)

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

At June 30, 2020, deferred outflows of resources and deferred inflows of resources related to the TRS pension are as follows:

	<u>Deferred Outflows of of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	\$ 21,481	\$ 65,865
Net Difference Between Projected and Actual Investment Earnings	-	5,648
Difference Between Projected and Actual Experience	1,038	7,098
Changes in Assumptions	4,484	-
Contributions After Measurement Date	<u>29,387</u>	<u>-</u>
Total	<u>\$ 56,390</u>	<u>\$ 78,611</u>

At June 30, 2019, deferred outflows of resources and deferred inflows of resources related to the TRS pension are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	\$ 7,758	\$ 128,330
Net Difference Between Projected and Actual Investment Earnings	-	10,338
Difference Between Projected and Actual Experience	1,403	4,106
Changes in Assumptions	6,170	-
Contributions After Measurement Date	<u>30,239</u>	<u>-</u>
Total	<u>\$ 45,570</u>	<u>\$ 142,774</u>

**WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 10 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 College will recognize the \$29,387 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 ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a reduction of or increase in the TRS pension expense as follows:

<u>Fiscal Year Ended</u>	<u>Amortization</u>
June 30, 2021	\$ (19,792)
June 30, 2022	(17,841)
June 30, 2023	(14,247)
June 30, 2024	(1,025)
June 30, 2025	1,297
Total	<u>\$ (51,608)</u>

Payables to the Pension Plan

The College did not report any amounts payable for normal contributions to the TRS as of June 30, 2020 and 2019.

NOTE 11 RETIREMENT PLANS

Substantially all full-time employees of the College participate in either the West Virginia State Teachers' Retirement System (the TRS) or the Teachers' Insurance and Annuities Association — College Retirement Equities Fund (the TIAA-CREF). (See Note 10 for information regarding TRS).

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

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

Total contributions to the TIAA-CREF for the years ended June 30, 2020, 2019, and 2018 were \$720,440, \$693,168, and \$671,234, respectively, which consisted of equal contributions from the College and covered employees of \$360,220 in 2020, \$346,584 in 2019, and \$335,617 in 2018.

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 11 RETIREMENT PLANS (CONTINUED)

Total contributions to Educators Money for the years ended June 30, 2020, 2019, and 2018 were \$21,122, \$20,626, and \$19,888, respectively, which consisted of equal contributions from the College and covered employees of \$10,561, \$10,313, and \$9,944 in 2020, 2019, and 2018, respectively.

The College's total payroll for the years ended June 30, 2020, 2019, and 2018 was \$7,690,813, \$7,306,735, and \$6,794,966, respectively; total covered employees' salaries in the TIAA-CREF and Educators Money were \$6,003,654 and \$176,020; \$5,776,371 and \$171,881; and \$5,561,970 and \$165,730 in 2020, 2019, and 2018, respectively.

NOTE 12 CONTINGENCIES

The nature of the education industry is such that, from time-to-time, claims will be presented against the College 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 College would not seriously affect the financial status of the College.

Under the terms of federal grants and awards, 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 College's management believes disallowances, if any, will not have a significant financial impact on the College's financial position.

The College owns various buildings, which are known to contain asbestos. The College is not required by federal, state or local law to remove the asbestos from its buildings. The College is required by federal environmental, health and safety regulations to manage the presence of asbestos in its buildings in a safe manner. The College 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 College 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 manner.

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 13 SERVICE CONCESSION ARRANGEMENTS

The College has identified one contract for services that meet the four criteria of a service concession arrangement (SCA) under GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. SCAs are defined as a contract between a government and an operator, another government or a private entity, in which the operator provides services, the operator collects and is compensated by fees from third parties, the government still has control over the services provided and the government retains ownership of the assets at the end of the contract. The contract is with Barnes & Noble College Booksellers, Inc. The management of the College entered into this agreement to improve the quality of the services to students while increasing the revenues from these operations.

The Bookstore Operating Agreement was effective on August 1, 2010, between the College and Barnes & Noble College Booksellers, Inc. (B&N). The Agreement is for B&N to operate bookstores on the College's three campus locations for a period of five years and may be renewed if both parties agree for an additional five-year period. B&N agreed to cover the cost of bookstore capital improvements up to \$240,000 over the term of the Agreement. During fiscal year 2014, \$355,630 in B&N construction costs for a new Student Union/Bookstore was classified as a capital asset with an offsetting \$240,000 in Deferred Inflow of Resources, \$70,894 in B&N contributed construction costs, and \$44,736 in reimbursed construction costs to B&N by the College. Beginning August 1, 2015, the College amortizes the Deferred Inflow of Resources, while recognizing Auxiliary Revenue each year until the contract expires on July 31, 2020. If the agreement expires, terminates, or is amended in a way that has an adverse impact on B&N, the College will be liable for the unamortized portion of B&N's investment. The unamortized portion of B&N's investment was \$4,000 and \$52,000 at June 30, 2020 and 2019, respectively. No significant renovations to College facilities were made by B&N in 2020 or 2019.

In addition, B&N annually pays commission to the College calculated as a contractually agreed percentage of bookstore revenue. In 2020 and 2019, the College received \$61,784 and \$74,567, respectively, in commissions from B&N. The College shares payroll expenses of \$10,000 in the New Martinsville campus bookstore by B&N reducing the last commission check payable to the College for the fiscal year. B&N provides \$2,000 annually for textbook scholarships and \$1,000 annually for the Presidential Scholarship to the College during the term of the agreement for student scholarships. B&N provides up to \$6,000 annually to cover the cost for uncollected or nonissued Pell grant money in exchange for letting student financial aid be used for all merchandise in the B&N bookstore. B&N also provides \$1,000 annually for the West Virginia Northern Community College Foundation, Inc.

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
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NOTE 14 NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

For the years ended June 30, 2020 and 2019, the following tables represent operating expenses within both natural and functional classifications:

	2020							Total
	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Fees Assessed by the Commission	
Instruction	\$ 3,618,482	\$ 547,959	\$ 450,548	\$ 82,550	\$ -	\$ -	\$ -	\$ 4,699,539
Public Service	137,457	20,961	17,494	-	-	-	-	175,912
Academic Support	590,767	110,736	258,509	82,550	-	-	-	1,042,562
Student Services	1,171,467	190,246	187,362	-	-	-	-	1,549,075
General Institutional Support	1,714,921	423,561	1,060,536	211,255	-	-	-	3,410,273
Operations and Maintenance of Plant	457,719	120,705	912,375	298,536	-	-	-	1,789,335
Student Financial Aid	-	-	-	-	1,447,509	-	-	1,447,509
Depreciation	-	-	-	-	-	1,565,993	-	1,565,993
Other	-	-	-	-	-	-	57,522	57,522
Total	<u>\$ 7,690,813</u>	<u>\$ 1,414,168</u>	<u>\$ 2,886,824</u>	<u>\$ 674,891</u>	<u>\$ 1,447,509</u>	<u>\$ 1,565,993</u>	<u>\$ 57,522</u>	<u>\$ 15,737,720</u>

	2019							Total
	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Fees Assessed by the Commission	
Instruction	\$ 3,712,873	\$ 716,312	\$ 394,620	\$ 90,504	\$ -	\$ -	\$ -	\$ 4,914,309
Public Service	78,353	14,513	17,990	-	-	-	-	110,856
Academic Support	530,748	117,857	87,944	90,503	-	-	-	827,052
Student Services	1,046,571	230,542	198,628	-	-	-	-	1,475,741
General Institutional Support	1,557,452	454,167	1,220,244	233,925	-	-	-	3,465,788
Operations and Maintenance of Plant	380,738	132,537	702,439	352,008	-	-	-	1,567,722
Student Financial Aid	-	-	-	-	1,187,379	-	-	1,187,379
Depreciation	-	-	-	-	-	1,650,440	-	1,650,440
Other	-	-	-	-	-	-	61,065	61,065
Total	<u>\$ 7,306,735</u>	<u>\$ 1,665,928</u>	<u>\$ 2,621,865</u>	<u>\$ 766,940</u>	<u>\$ 1,187,379</u>	<u>\$ 1,650,440</u>	<u>\$ 61,065</u>	<u>\$ 15,260,352</u>

**WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
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NOTE 15 BALANCES DUE TO OR FROM WEST VIRGINIA STATE AGENCIES

For the years ended June 30, 2020 and 2019, the following table represents amounts due (to) from West Virginia State Agencies:

	2020	2019
Amounts Due from State Agencies:		
Higher Education Policy Commission, Including Interest Receivable	\$ 40,381	\$ 96,708
Amounts Due to State Agencies:		
Higher Education Policy Commission/ Council for Community and Technical Colleges	\$ (6,725)	\$ -
West Virginia Workforce	(2,471)	(6,369)
Public Employees Insurance Agency	(5,942)	(8,160)
West Virginia State Treasurer	(758)	(602)
West Virginia Department of Administration	(4,551)	
West Virginia Department of Health and Human Resources	-	(540)
West Virginia Department of Labor	(180)	(5,920)
West Virginia Central Mail	-	(45)
Total Amounts Due to State Agencies	\$ (20,627)	\$ (21,636)

NOTE 16 COMPONENT UNIT DISCLOSURES (FOUNDATION)

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

Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities – West Virginia Northern Community College Foundation, Inc. (the "Foundation") is a nonprofit corporation organized under the laws of the State of West Virginia. The Foundation is classified as exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation was organized to support and assist in the development and growth of West Virginia Northern Community College ("the College") for all aspects of its programs and services. The Foundation's mission "seeks, receives and manages private funds to increase the College's capabilities in the areas of institutional development, professional development, capital facilities and equipment, and financial assistance to students." Oversight of the Foundation is the responsibility of a separate and independently elected Board of Trustees not otherwise affiliated with the College. The President of the College is a nonvoting member of the Board of Trustees. In carrying out its responsibilities, the Board of Trustees of the Foundation oversees management, forms policy, and maintains fiscal accountability over funds administered by the Foundation. Although West Virginia Northern Community College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests, is restricted to the activities of the College by the donors. During the years ended June 30, 2020 and 2019, the Foundation contributed \$102,077 and \$98,123, respectively, to the College for scholarships.

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 16 COMPONENT UNIT DISCLOSURES (FOUNDATION) (CONTINUED)

Nature of Activities and Summary of Significant Accounting Policies (Continued)

Basis of Accounting – The Foundation financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Basis of Presentation – The Foundation reports its financial position and activities according to standards established by the Financial Accounting Standards Board (FASB). Accordingly, the Foundation has classified its net assets and its revenue, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. Under FASB, the Foundation is required to report its financial position and activities according to two classes of net assets. Below is a summary of those classifications:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Foundation and/or the passage of time.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reporting amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

Accounts Receivable – Accounts receivable is stated at the amount management expects to collect from outstanding balances. Management monitors accounts receivable closely and considers all accounts receivable amounts fully collectible, thus no provision for uncollectible accounts has been made.

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 16 COMPONENT UNIT DISCLOSURES (FOUNDATION) (CONTINUED)

Nature of Activities and Summary of Significant Accounting Policies (Continued)

Investments – Investments in marketable securities and all debt securities are reported at their fair value based upon quoted market prices in the statement of financial position.

The Foundation operates a pooled investment portfolio consisting of common trust funds for all funds. New funds or additions to existing funds are assigned a share in the common trust fund investment pool based upon the amount of cash or estimated fair value of securities deposited. Income, including unrealized appreciation or depreciation and realized capital gains and losses, are allocated depending on whether the investment was established for general operating (without donor restrictions) or a specific purpose (with donor restrictions).

Split-interest agreements consist of beneficial interests in perpetual trusts. The Foundation was bequeathed a beneficial interest in a perpetual trust established at a financial institution in accordance with a decedent's will. Under the terms of this split-interest agreement, the Foundation is to receive distributions of 5% of the income from the trust in perpetuity. These distributions are to be used to establish an endowment, the income from which will be used to provide scholarships. The Foundation's beneficial interest is valued in the statement of financial position at 5% of the fair market value of the trust assets. Adjustments due to changes in the market value of the trust assets are recorded as changes in value of split interest agreements. Distributions received from the trust are restricted for endowed scholarships and are recorded as investment income with donor restrictions from beneficial interest in perpetual trust.

Contributions – All contributions are recorded at their estimated fair value and are considered to be available without donor restriction use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as with donor restrictions which increases that net asset class. When a restriction is satisfied or expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as released from restrictions. Contributions of donated noncash assets are recorded at fair value in the period received. Donated services are recognized as contributions at their fair values in the period received in accordance with FASB, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation.

Functional Expenses – Expenses are charged directly to program and management and general categories based on specific identification.

**WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 16 COMPONENT UNIT DISCLOSURES (FOUNDATION) (CONTINUED)

Nature of Activities and Summary of Significant Accounting Policies (Continued)

Liquidity and Availability of Financial Assets

As part of the Foundation's liquidity management, it has a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Foundation has \$484,070 in financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of \$110,694 in cash, \$1,500 in accounts receivable and \$371,876 in investments. The remainder of the investments are subject to donor restrictions making them unavailable for general expenditure. General operating expenditures for the upcoming year are budgeted to be approximately \$67,765.

Restricted Cash

Restricted cash of \$10,766 and \$5,871 at June 30, 2020 and 2019, respectively, are included in cash in the Statements of Financial Position. The restrictions have been imposed by the donors.

	<u>2020</u>	<u>2019</u>
Cash Restricted for Institutional Support	<u>\$ 10,766</u>	<u>\$ 5,871</u>

Notes Receivable

The Foundation leases land under a capital lease agreement to West Virginia Northern Community College. Terms of the agreement include monthly payments of \$3,363 from July 1, 2015 through June 30 2025, with an annual interest rate of 4% and a principal amount of \$332,115. The following is a schedule by year of future annual minimum payments required under the lease obligations existing at June 30, 2020:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 40,350
2022	40,350
2023	40,350
2024	40,350
2025	40,350
2026 and Thereafter	<u>3,363</u>
Total	205,113
Less: Interest	<u>(19,787)</u>
Total	<u>\$ 185,326</u>

In January 2018, the College suspended making monthly payments, upon mutual agreement with the West Virginia Northern Community College Foundation, until a legal challenge was resolved regarding the execution of a deed on the leased property (see Contingencies) for information regarding litigation). Upon resolution of the challenge in December 2018, the capital lease agreement continued in effect and monthly payments resumed in January 2019, including past due payments for January 2018-December 2018.

**WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 16 COMPONENT UNIT DISCLOSURES (FOUNDATION) (CONTINUED)

Investments

The cost and estimated fair values of investments at June 30 are:

	2020		2019	
	Cost	Estimated Fair Value	Cost	Estimated Fair Value
U.S. Government Agency Obligations		\$ 154,417		\$ 251,560
Corporate Bonds and Notes		492,531		381,974
Mortgage Backed Securities		248,884		248,958
Municipal Obligations		-		50,048
Equity Securities		1,800,868		1,807,653
Equity Mutual Funds		1,368,805		1,313,010
Fixed Income Mutual Funds		685,814		499,666
Common Trust				
Fund Balance	\$ 4,466,413	4,751,319	\$ 4,242,387	4,552,869
Cash Equivalents	277,715	277,715	267,606	267,606
Total	<u>\$ 4,744,128</u>	<u>\$ 5,029,034</u>	<u>\$ 4,509,993</u>	<u>\$ 4,820,475</u>

Gains (losses) on investments for the years ended June 30, 2020 and 2019 are summarized as follows:

	2020	2019
Realized Gains (Losses)	\$ (4,165)	\$ (620)
Unrealized Gains (Losses)	141,876	171,288
Total Gains (Losses) on Investments	<u>\$ 137,711</u>	<u>\$ 170,668</u>

Investment income and gains and losses on investments are reported as an increase or decrease in net assets without donor restrictions unless a donor or law restricts their use as to time or purpose.

All 36 of the Foundation investment funds are invested in a financial institution's common trust fund. The common trust fund balance reflects the aggregate cost basis that each of these investment funds has in the financial institutions common trust fund. The common trust fund fair market value reflects the market value of individual investments held by the fund at June 30, 2020 and 2019.

The Foundation, through a trust department, invests in cash equivalents and a common trust fund, which allows the Foundation to purchase domestic and foreign equities, fixed income and equity mutual funds, U.S. government obligations, corporate bonds and commercial paper. "The Foundation's primary investment objective is to outperform the established spending rate of 3.00% plus inflation over the long-term in order for the Foundation to operate in perpetuity."

**WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 16 COMPONENT UNIT DISCLOSURES (FOUNDATION) (CONTINUED)

Investments (Continued)

It is the Foundation's investment policy that with the exception of fixed income investments explicitly guaranteed by the U.S. government, no single investment security shall represent more than 5% of total Portfolio assets. With the exception of passively managed investment vehicles seeking to match the returns on a broadly diversified market index, no single investment pool or investment company (mutual fund) shall comprise more than 20% of total Portfolio assets. With respect to fixed income investments, for individual bonds, the minimum average credit quality of these investments shall be investment grade (Standard & Poor's BBB or Moody's Baa or higher). A maximum of 5% of fixed income investments may be exempted from this guideline.

The Foundation's spending policy states that income available for spending is determined by the Allocation Committee, unless the investment fund has a legal document stipulating otherwise. For scholarships, the Allocation Committee calculates 3% of the three-year rolling fair market value average to determine the amount of student assistance available. Capital spending and institutional development spending is discretionary depending on adequate funding sources to maintain the expenditure level of the program. All income and appreciation not needed to meet the spending needs will be reinvested.

Split-Interest Agreements

The following summarized the transactions affecting the beneficial interest in perpetual trust for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Distributions Received from the Trust Recorded as an Investment with Donor Restrictions	<u>\$ 50,081</u>	<u>\$ 52,323</u>
Change in Value of the Split-Interest Agreement	<u>\$ (10,145)</u>	<u>\$ 16,995</u>

Net Assets with Donor Restrictions

Net assets with donor restrictions are for the following purposes at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Scholarship/Student Assistance	\$ 4,670,288	\$ 4,530,891
Capital Projects	93,736	90,339
Institutional Support	764,688	739,096
Total	<u>\$ 5,528,712</u>	<u>\$ 5,360,326</u>

Fair Value of Financial Instruments

The Foundation follows FASB standards for using fair value to measure financial assets and financial liabilities. This standard applies whenever other standards require or permit assets or liabilities to be measured at fair value.

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 16 COMPONENT UNIT DISCLOSURES (FOUNDATION) (CONTINUED)

Fair Value of Financial Instruments

FASB establishes a three-level hierarchy based on pricing availability in measuring fair values for assets and liabilities. These three levels are:

Level 1 – Quoted market prices are available in active trading markets for identical assets or liabilities as of the report date.

Level 2 – Pricing inputs other than quoted market prices are available in active trading markets as of the report date. These assets or liabilities have prices available but are traded less frequently, or are fair valued using other financial instruments, the parameters of which can be directly observed.

Level 3 – Assets or liabilities have little or no pricing observability as of the report date. These items are usually measured using management's best estimate of fair value, where the inputs into the determination of fair value require significant management judgment or estimation.

The Foundation reports all investments at their fair value as of June 30:

<u>June 30, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Valued on a Recurring Basis:				
Assets:				
Equity Securities	\$ 1,800,868	\$ -	\$ -	\$ 1,800,868
Debt Securities	-	895,832	-	895,832
Mutual Funds	2,054,619	-	-	2,054,619
Cash Equivalents	277,715	-	-	277,715
Beneficial Interest in Perpetual Trust	-	-	1,132,758	1,132,758
Total	<u>\$ 4,133,202</u>	<u>\$ 895,832</u>	<u>\$ 1,132,758</u>	<u>\$ 6,161,792</u>
<u>June 30, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Valued on a Recurring Basis:				
Assets:				
Equity Securities	\$ 1,807,653	\$ -	\$ -	\$ 1,807,653
Debt Securities	-	932,540	-	932,540
Mutual Funds	1,812,676	-	-	1,812,676
Cash Equivalents	267,606	-	-	267,606
Beneficial Interest in Perpetual Trust	-	-	1,142,903	1,142,903
Total	<u>\$ 3,887,935</u>	<u>\$ 932,540</u>	<u>\$ 1,142,903</u>	<u>\$ 5,963,378</u>

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 16 COMPONENT UNIT DISCLOSURES (FOUNDATION) (CONTINUED)

Endowments

The Foundation discloses its endowment funds under the provisions of FASB, which provides guidance on the net asset classification of donor-restricted and board-designated endowment funds for a nonprofit organization subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The state of West Virginia has adopted the provisions of the UPMIFA.

The Foundation's endowment consists of two individual funds established for scholarships. Its endowment is donor-restricted only. The Foundation holds no Board of Trustees designated endowments. As required by GAAP, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions. The Foundation Board of Trustees has interpreted the UPMIFA as requiring the preservation of the fair value of the original contribution as of the contribution date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions, (a) the original value of contributions donated to the perpetual endowment, and (b) the original value of subsequent contributions to the perpetual endowment. Accumulations of interest, dividends, and market appreciation made in accordance with the direction of the applicable endowment instrument are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation allocation committee in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in deciding to spend or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of the organization and the donor-restricted endowment fund.
3. General economic conditions.
4. Possible effects of inflation/deflation.
5. Expected total return from income and the appreciation of investments.
6. Other financial resources of the Foundation.
7. Foundation investment policies.

**WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 16 COMPONENT UNIT DISCLOSURES (FOUNDATION) (CONTINUED)

Endowments (Continued)

Endowment net asset composition as of June 30 is as follows:

Net Asset Endowment Composition

With Donor Restrictions	2020	2019
Total Funds	\$ 1,887,082	\$ 1,783,371

Description of Amounts Classified as With Donor Restrictions

Portion of Perpetual Endowment Funds Required to be Retained by Donor Stipulation or UPMIFA	2020	2019
Term Endowment Funds	\$ 1,135,605	\$ 1,072,335
Portion of Perpetual Endowment Funds Subject to Purpose Restrictions	445,830	430,269
Total	305,647	280,767
	\$ 1,887,082	\$ 1,783,371

Changes in endowment net assets for the years ended June 30, 2020 and 2019 are as follows:

<u>June 30, 2020</u>	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets – Beginning of Year	\$ -	\$ 1,783,371	\$ 1,783,371
Investment Return:			
Investment Income	-	33,293	33,293
Net Appreciation (Realized and Unrealized)	-	50,471	50,471
Total Investment Return	-	83,764	83,764
Contributions	-	63,270	63,270
Appropriation of Endowment Assets for Expenditure	-	(43,323)	(43,323)
Endowment Net Assets – End of Year	\$ -	\$ 1,887,082	\$ 1,887,082

**WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 16 COMPONENT UNIT DISCLOSURES (FOUNDATION) (CONTINUED)

Endowments (Continued)

<u>June 30, 2019</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets –			
Beginning of Year	\$ -	\$ 1,685,804	\$ 1,685,804
Investment Return:			
Investment Income	-	30,781	30,781
Net Appreciation (Realized and Unrealized)	-	59,447	59,447
Total Investment Return	<u>-</u>	<u>90,228</u>	<u>90,228</u>
Contributions	-	52,322	52,322
Appropriation of Endowment Assets for Expenditure	<u>-</u>	<u>(44,983)</u>	<u>(44,983)</u>
Endowment Net Assets –			
End of Year	<u>\$ -</u>	<u>\$ 1,783,371</u>	<u>\$ 1,783,371</u>

Funds with Deficiencies – From time to time, the fair value of assets associated with individual donor-restricted perpetual endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. No deficiencies of this nature were reported in unrestricted net assets as of June 30, 2020 and 2019, respectively.

Return Objectives and Risk Parameters – The Foundation’s Board of Trustees has adopted investment and spending policies for endowment assets similar to those as described on page 60 identified for all investments of the Foundation. Such policies attempt to provide a predictable stream of funding the scholarship programs supported by its endowment while trying to achieve appreciation in excess of inflation rates. Actual returns in any given year may vary from this objective.

Strategies Employed for Achieving Objectives – To satisfy its long-term rate-of-return objective, Foundation investment strategies rely on a total return philosophy in which returns are achieved through both realized and unrealized capital appreciation and current investment yields. The Foundation seeks diversification of investments with an emphasis on equity-based investments to achieve this objective.

Spending Policy and How the Investment Objectives Relate to Spending Policy – The Foundation has a spending policy of appropriating 3% of the three-year rolling fair market value investment average. The Foundation expects the current spending policy to allow its endowment to grow in excess of this spending level. This is consistent with the Foundation’s objective to maintain the donor-required level of perpetual duration or for a specified term as well as to provide for additional real growth through new contributions and investment return.

**WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 16 COMPONENT UNIT DISCLOSURES (FOUNDATION) (CONTINUED)

Special Events Fundraisers

Various special events fundraisers were held during the year. Gross revenues and direct expenses related to those events are as follows at June 30:

<u>June 30, 2020</u>	Friends Dinner		Total
Special Event Revenue	\$ 17,267		\$ 17,267
Less: Cost of Direct Benefit for Donors	(10,351)		(10,351)
Total	<u>\$ 6,916</u>		<u>\$ 6,916</u>
<u>June 30, 2019</u>	Golf Scramble I	Golf Scramble II	Total
Special Event Revenue	\$ 12,926	\$ 18,170	\$ 31,096
Less: Cost of Direct Benefit for Donors	(7,913)	(10,423)	(18,336)
Total	<u>\$ 5,013</u>	<u>\$ 7,747</u>	<u>\$ 12,760</u>

Contingencies

The Foundation and West Virginia Northern Community College, jointly entered into a legal dispute over the execution of a deed by the West Virginia State Auditor to a third party in January 2018 for property owned by the Foundation. The property is subject to a capital lease between West Virginia Northern Community College and the Foundation, whereby the Foundation received monthly lease payments from August 2015 through December 2018, upon which time receipts were suspended due to the legal dispute. The Foundation's remaining balance on the note receivable was \$263,561 as of June 30, 2018. The Foundation and West Virginia Northern Community College were able to successfully have the invalid deed transfer to the third-party vacated thus voiding the transaction under the Ohio County Circuit Court's decision in December 2018. Legal title to the property remains with the Foundation and the capital lease remains valid. This matter is resolved.

**WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND CONTRIBUTIONS
JUNE 30, 2020 AND 2019**

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

Measurement Date	College's Proportionate Share as a Percentage of Net Pension Liability	College's Proportionate Share	State's Proportionate Share	Total Proportionate Share	College's Covered Employee Payroll	College's Proportionate Share as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
June 30, 2014	0.011164 %	\$ 385	\$ 870	\$ 1,255	\$ 342	112.57 %	65.95 %
June 30, 2015	0.008548 %	296	676	972	259	114.29	66.25
June 30, 2016	0.008977 %	369	702	1,071	232	159.05	61.42
June 30, 2017	0.007685 %	266	587	853	198	134.34	67.85
June 30, 2018	0.006360 %	199	515	714	202	98.51	71.20
June 30, 2019	0.006980 %	208	501	709	196	106.12 %	72.64

Schedule of Employer Contributions
(In Thousands)

Fiscal Year	Actuarially Determined Contribution	Actual Contribution Recognized	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
June 30, 2015	\$ 51	\$ 51	\$ -	\$ 259	19.69 %
June 30, 2016	39	42	(3)	232	18.10
June 30, 2017	35	35	-	212	16.51
June 30, 2018	32	32	-	198	16.16
June 30, 2019	30	29	1	202	14.36
June 30, 2020	34	34	-	196	17.35 %

These schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2020**

There are no factors that affect trends in the amounts reported, such as a change of benefit terms or assumptions. Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the College will present information for only those years for which information is available. Additional information, if necessary, can be obtained from the CPRB Comprehensive Annual Financial Report.

**WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF PROPORTIONATE SHARE OF NET OPEB LIABILITY AND CONTRIBUTIONS
JUNE 30, 2020 AND 2019**

**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	Plan Fiduciary Net Position as a Percentage of Total OPEB Liability
June 30, 2017	0.137042972 %	\$ 3,370	\$ 692	\$ 4,062	\$ 4,754	70.89 %	25.10 %
June 30, 2018	0.144171698	3,093	639	3,732	6,156	50.24	28.45
June 30, 2019	0.139889586	2,321	475	2,796	7,100	32.69	39.69

**Schedule of Employer Contributions
(In Thousands)**

Fiscal Year	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
June 30, 2018	\$ 281	\$ 281	\$ -	\$ 4,754	5.91 %
June 30, 2019	295	295	-	6,156	4.79
June 30, 2020	278	278	-	7,100	3.92

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2020**

There are no factors that affect trends in the amounts reported, such as a change of benefit terms or assumptions. Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the College will present information for only those years for which information is available.



**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
West Virginia Northern Community College
Wheeling, 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 discretely presented component unit of West Virginia Northern Community College (the College), a component unit of the West Virginia Council for Community and Technical College Education, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated September 30, 2020. Our report includes a reference to other auditors who audited the financial statements of West Virginia Northern Community College Foundation, Inc. (the Foundation), the College's discretely presented component unit, as described in our report on the College's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards* and, accordingly, do not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

Internal Control Over Financial Reporting

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

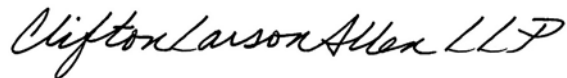
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not 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 the College’s financial statements are free of 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 results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
September 30, 2020

