

WEST VIRGINIA HIGHER EDUCATION FUND
(A Component Unit of the State of West Virginia)

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2020 AND 2019



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**WEST VIRGINIA HIGHER EDUCATION FUND
(A Component Unit of the State of West Virginia)
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INDEPENDENT AUDITORS' REPORT

West Virginia Higher Education
Policy Commission
Charleston, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the West Virginia Higher Education Fund (the Fund), a component unit of the State of West Virginia, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Fund'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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these basic financial statements based on our audits. We did not audit the financial statements of Fairmont State University, Glenville State College, West Virginia Council for Community and Technical College Education, and the West Virginia School of Osteopathic Medicine (collectively, the Other Institutions) for the years ended June 30, 2020 and 2019 which represent 18%, 26%, and 15%, respectively, of total assets, total net position, and total revenues of the Fund in 2020 and 18%, 26%, and 15%, respectively, of total assets, total net position and total revenues of the Fund in 2019. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Other Institutions, is based solely on the reports of such other auditors. We also did not audit the financial statements of the discretely presented component units as defined in Note 2 to the financial statements, other than the Blue Ridge Community and Technical College Foundation, Inc., in 2019, (collectively, the Other Discretely Presented Component Units), for the years ended June 30, 2020 and 2019, which represent 100%, 100%, and 100%, respectively, of total assets, total net position, and total revenues of the discretely presented component units in 2020 and 99%, 99%, and 99%, respectively, of total assets, total net assets and total revenues of the discretely presented component units in 2019. The Other Discretely Presented Component Units' statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the discretely presented component units' financial statements, is based solely on the reports of such other audits. We, and the auditors for the Other Institutions, and the auditors of the Shepherd University Foundation, Inc. and Supporting Organization (SUF) 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 General of the United States. The discretely presented component unit's financial statements, other than SUF, were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of 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 obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Fund as of June 30, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

The independent auditors' report of other auditors on the 2020 financial statements of Provident Group – Marshall Properties, LLC (Provident – Marshall), a discretely presented component unit, contained an emphasis of a matter paragraph. As discussed in Note 20 to the financial statements, Provident – Marshall has debt obligations due within a year that will likely not be met that raise substantial doubt about its ability to continue as a going concern. At June 30, 2020, Provident – Marshall did not meet the debt service coverage ratio requirement under the terms of the Reimbursement Agreement with the letter of credit provider. In addition, as discussed in Note 20 to the financial statements, Provident – Marshall's operations have been disrupted by the COVID-19 pandemic, which adversely impacted the demand for on-campus housing. These events and uncertainties cast substantial doubt on Provident – Marshall's ability to continue as a going concern through the period ending twelve months from the date of this report. Management's plans in regard to these matters are described in Note 20. The financial statements of Provident – Marshall do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Proportionate Share of TRS Net Pension Liability, Schedule of Proportionate Share of Net Other Postemployment Liability, and Schedule of Employer Contributions (the Required Supplementary Information) as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the West Virginia Higher Education Fund's financial statements. The Schedule of Combining Net Position Information and Schedule of Combining Revenues, Expenses, and Changes in Net Position Information (the Supplementary Information) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2020, on our consideration of the Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Fund'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 Fund's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
October 30, 2020

**WEST VIRGINIA HIGHER EDUCATION FUND
(A Component Unit of the State of West Virginia)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR 2020
(UNAUDITED)**

Overview of the Financial Statements and Financial Analysis

The West Virginia Higher Education Fund (the Fund) is comprised of twenty public colleges and universities and two administrative units. The Fund is a discretely presented component unit of the State of West Virginia (the State). The supervision and management of the affairs of each institution is the responsibility of individual Governing Boards, while the West Virginia Higher Education Policy Commission (the Commission and the West Virginia Council for Community and Technical College Education (the Council) are responsible for the development and implementation of a higher education policy agenda.

Governmental Accounting Standards Board (GASB) standards require the audited financial statements of certain institutions' component units to be separately presented as a discrete component unit in the institution's and Fund's financial statements for the fiscal years ended June 30, 2020 and 2019. These component units are private nonprofit organizations that report under the Financial Accounting Standards Board (FASB). A supplemental information schedule is provided presenting these statements on a consolidated GASB basis to meet the State's reporting requirements.

The following discussion and analysis of the Fund's financial statements provides an overview of its financial activities for Fiscal Years 2020 and 2019 and is required supplemental information. The emphasis of discussions about these statements will focus on current year data in comparison to prior year. There are three financial statements presented: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows.

Statements of Net Position

The statements of net position present the assets and deferred outflows of resources, liabilities and deferred inflow of resources and net position of the Fund and is a point of time financial statement. The purpose of the statement of net position is to present to the readers of the financial statements a fiscal snapshot of the Fund. The statement of net position presents end-of-year data concerning assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources, and net position (assets and deferred outflows minus liabilities and deferred inflows).

From the data presented, readers of the statements of net position are able to determine the assets available to continue the operations of the Fund. They are also able to determine how much the Fund owes vendors, employees, investors and lending institutions. Finally, the statements of net position provide a picture of the net position (assets and deferred outflows minus liabilities and deferred inflows).

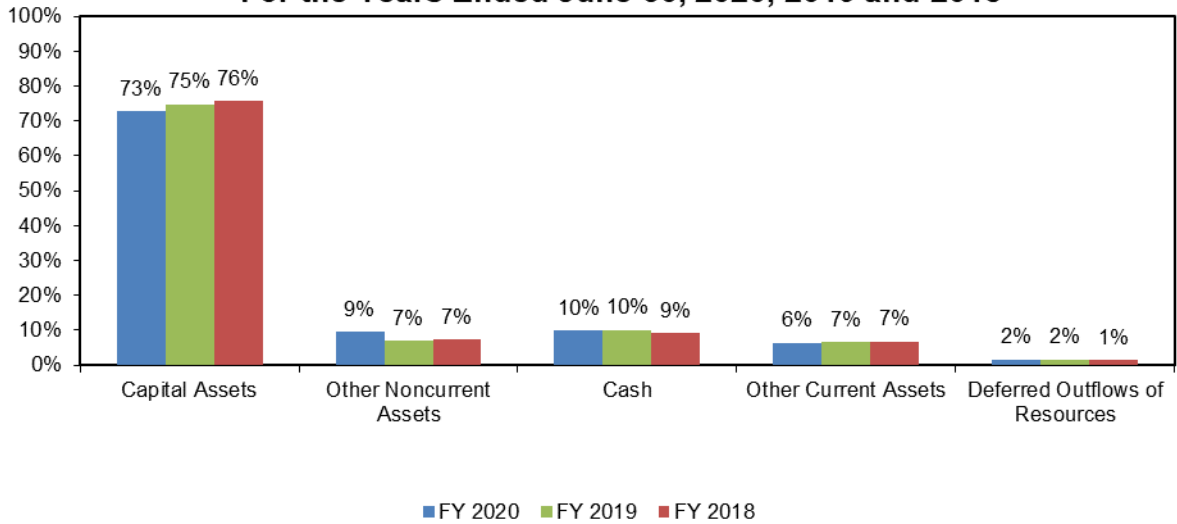
Net position is divided into three major categories. The first category, net investment in capital assets, provides the Fund's equity in land, buildings, furniture, and equipment owned by the Fund less related long-term debt issued to finance capital assets. The next net position category is restricted, which is divided into two categories, nonexpendable and expendable. The nonexpendable restricted category is used for an endowment program where funds are invested and the earnings are available for expenditure but the original principal is not. The expendable restricted category reflects amounts that are available for expenditure by the Fund but have a specific purpose. The final category is unrestricted. The unrestricted category is used to record amounts that are available to be used for any lawful purpose of the Fund.

Condensed Schedules of Net Position
(In thousands of dollars)

	June 30 2020	June 30 2019	June 30 2018
Assets			
Current Assets	\$ 719,740	\$ 701,020	\$ 665,536
Capital Assets, Net	3,212,488	3,143,208	3,177,862
Other Noncurrent Assets	415,846	289,457	291,263
Total Assets	<u>4,348,074</u>	<u>4,133,685</u>	<u>4,134,661</u>
Deferred Outflows of Resources	<u>71,790</u>	<u>70,534</u>	<u>59,903</u>
Total	<u>\$ 4,419,864</u>	<u>\$ 4,204,219</u>	<u>\$ 4,194,564</u>
Liabilities			
Current Liabilities	\$ 411,228	\$ 362,572	\$ 338,194
Noncurrent Liabilities	1,724,026	1,637,932	1,712,014
Total Liabilities	<u>2,135,254</u>	<u>2,000,504</u>	<u>2,050,208</u>
Deferred Inflows of Resources	<u>150,372</u>	<u>126,289</u>	<u>95,848</u>
Total	<u>2,285,626</u>	<u>2,126,793</u>	<u>2,146,056</u>
Net Position			
Net Investment in Capital Assets	2,111,067	2,116,224	2,125,363
Restricted-expendable	134,475	96,403	97,076
Restricted-nonexpendable	35,843	37,257	36,157
Unrestricted	<u>(147,147)</u>	<u>(172,458)</u>	<u>(210,088)</u>
Total Net Position	<u>2,134,238</u>	<u>2,077,426</u>	<u>2,048,508</u>
Total	<u>\$ 4,419,864</u>	<u>\$ 4,204,219</u>	<u>\$ 4,194,564</u>

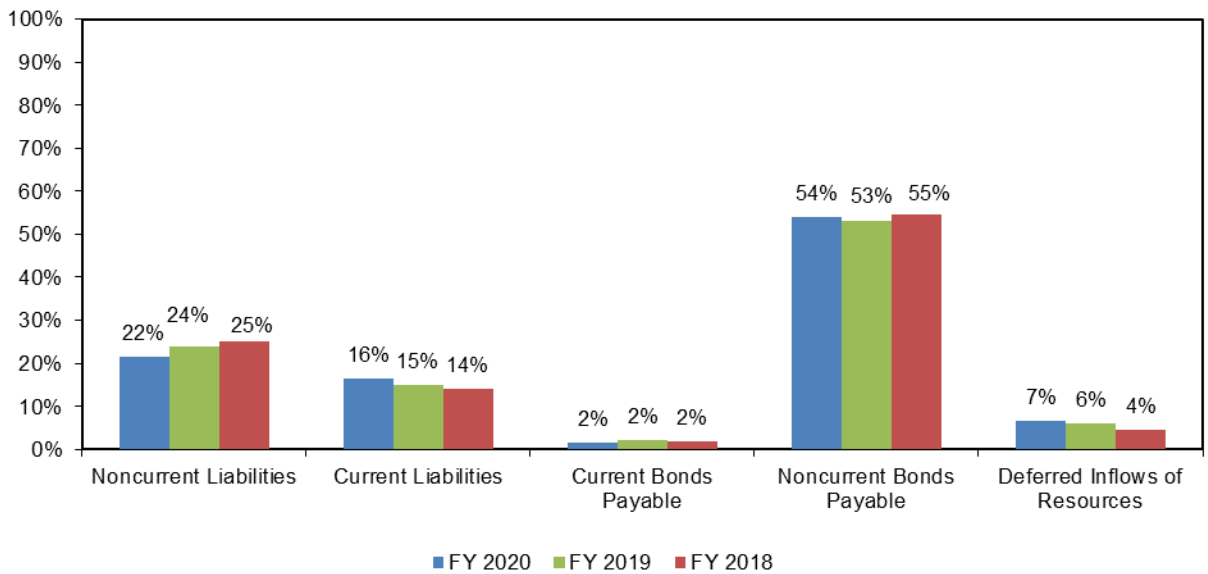
Assets and Deferred Outflows Composition

For the Years Ended June 30, 2020, 2019 and 2018



Liabilities and Deferred Inflows Composition

For the Years Ended June 30, 2020, 2019 and 2018



Major items of note in the Statement of Net Position include:

- Total current assets of \$719.7 million exceeded total current liabilities of \$411.2 million as of June 30, 2020 for net working capital of \$308.5 million as compared to net working capital of \$338.4 million and \$327.3 million as of June 30, 2019 and 2018, respectively. Current assets increased by \$18.7 million from 2019 to 2020 and increased \$35.5 million from 2018 to 2019, while current liabilities increased by \$48.6 million from 2019 to 2020 and increased by \$24.4 million from 2018 to 2019.
- The major components of current assets include cash and cash equivalents of \$435.2 million, \$425.5 million, and \$385.4 million and net accounts receivable of \$134.3 million, \$127.8 million, and \$139.8 million as of June 30, 2020, 2019, and 2018, respectively. The majority of the cash and cash equivalents represent interest earning assets invested through the office of the West Virginia State Treasurer which invested with Board of Treasury Investments at June 30, 2020, 2019 and 2018.
- The major components of current liabilities include \$107.8 million, \$82.9 million, and \$80.0 million of unearned revenue, \$87.4 million, \$70.4 million, and \$60.4 million, in accounts payable, \$100.1 million, \$92.5 million, and \$87.4 million of accrued liabilities, \$53.7 million, \$48.1 million, and \$45.1 million in accrued compensated absences, and \$36.1 million, \$43.2 million, and \$39.3 million in current portion of bonds payable as of June 30, 2020, 2019, and 2018, respectively.
- The changes from last year in the level of most of the current assets and liabilities reflect normal fluctuations in business operations; current construction projects activities and changes in grant activities.
- Noncurrent assets total \$3,628.3 million, \$3,432.7 million, and \$3,469.1 million and noncurrent liabilities total \$1,724.0 million, \$1,637.9 million, and \$1,712.0 million as of June 30, 2020, 2019, and 2018, respectively. Noncurrent assets increased by \$195.6 million from 2019 to 2020 and decreased by \$36.4 million from 2018 to 2019 while noncurrent liabilities increased by \$86.1 million from 2019 to 2020 and decreased \$74.1 million from 2018 to 2019.
- The primary noncurrent asset is \$3,212.5 million, \$3,143.2 million, and \$3,177.9 million, of net capital assets as of June 30, 2020, 2019, and 2018, respectively. Also included as noncurrent assets are cash and cash equivalents primarily for capital purposes of \$120.7 million, \$56.0 million, and \$51.0 million, investments for capital purposes totaling \$232.2 million, \$167.1 million, and \$169.9 million, and net loans to students of \$36.7 million, \$39.4 million, and \$45.1 million as of June 30, 2020, 2019, and 2018, respectively.

- Major components of noncurrent liabilities include long-term bonds payable totaling \$1,231.6 million, \$1,132.2 million, and \$1,172.2 million, capital leases of \$91.3 million, \$38.2 million, and \$39.6 million, advances from federal sponsors of \$31.1 million, \$37.8 million, and \$37.1 million, notes payable of \$66.1 million, \$67.8 million, and \$70.0 million, and accruals for other post employment benefit liability of \$204.2 million, \$262.2 million, and \$283.6 million, as of June 30, 2020, 2019, and 2018, respectively. In addition, the net pension liability recorded was \$11.4 million, \$13.8 million and \$20.0 million, as of June 30, 2020, 2019 and 2018, respectively.
- The decreases in other post-employment benefit (OPEB) liability of \$58.0 million, \$21.3 million and \$52.7 million, as of June 30, 2020, 2019, and 2018, respectively, are primarily attributed to the implementation of GASB 75.
- Deferred outflows of resources increased from \$59.9 million, as of June 30, 2018, to \$70.5 million, as of June 30, 2019 and increased to \$71.8 million as of June 30, 2020. The 2020 increase is the result of an increase in the deferred loss on refunding of \$4.5 million offset by a decrease in the OPEB of \$2.5 million and deferred outflows related to pensions of \$0.5 million. The 2019 increase is the result of an increases in the OPEB of \$13.6 million offset by the decline in deferred outflows related to pensions of \$1.0 million.
- Most of the FY 2020, \$24.1 million increase in deferred inflows was a result of an increase in the inflows related to OPEB of \$27.1 million and a decrease of inflows related to pensions of \$1.2 million.
- The net position of the Fund totaled \$2,134.2 million, \$2,077.4 million, and \$2,048.5 million as of June 30, 2020, 2019, and 2018, respectively, an increase of \$56.8 million from 2019 to 2020 and \$28.9 million from 2018 to 2019.
 - Net investment in capital assets totaled \$2,111.1 million, \$2,116.2 million, and \$2,125.4 million as of June 30, 2020, 2019, and 2018, respectively.
 - Restricted expendable net position totaled \$134.5 million, \$96.4 million, and \$97.1 million and included \$60.1 million, \$25.1 million, \$23.7 million for sponsored projects, \$23.7 million, \$24.9 million, and \$29.5 million, for capital projects, and \$16.7 million, \$15.9 million, and \$15.3 million for loan programs as of June 30, 2020, 2019, and 2018, respectively.
 - Unrestricted net position totaled (\$147.1) million, (\$172.5) million, and (\$210.1) million as of June 30, 2020, 2019, and 2018, respectively, and represents net position available to the Fund for any lawful purpose of the Fund.
- The increase in net position is more fully explained in the following section.

Statements of Revenues, Expenses, and Changes in Net Position

Changes in total net position as presented on the statements of net position are based on the activity presented in the statements of revenues, expenses, and changes in net position. The purpose of the statement is to present the revenues of the Fund, both operating and nonoperating, and the expenses of the Fund, operating and nonoperating, and any other revenues, expenses, gains or losses of the Fund.

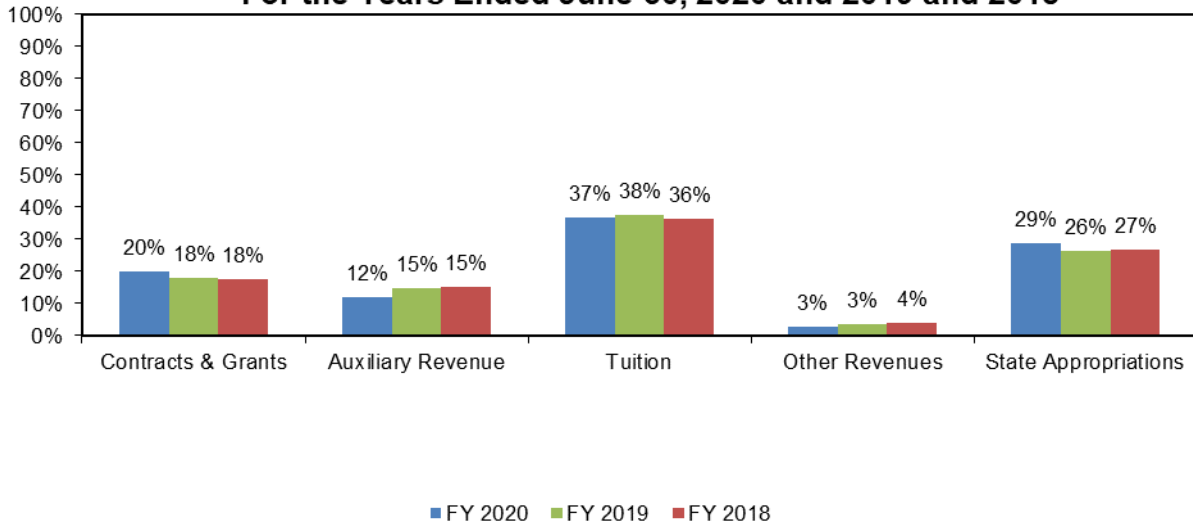
Operating revenues represent the receipts earned from providing goods and service to the various customers and constituencies served by the Fund, including fees from students and revenue in the form of Federal and State grants used to support operations and various initiatives. Operating expenses are those expenses incurred in the form of staff salaries, benefits and various goods and services to carry out the mission of the Fund. Revenues for which goods and services are not provided are reported as nonoperating revenues. For example, State appropriations are nonoperating because they are provided by the West Virginia State Legislature to the Fund without the Legislature directly receiving commensurate goods and services for those revenues. Likewise, Pell grants are reported as non-operating because of specific guidance in the GASB implementation guide.

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

	FY 2020	FY 2019	FY 2018
Operating Revenues	\$ 1,225,462	\$ 1,258,532	\$ 1,248,056
Operating Expenses	1,923,645	1,866,077	1,835,426
Operating Loss	<u>(698,183)</u>	<u>(607,545)</u>	<u>(587,370)</u>
Net Nonoperating Revenues	<u>729,257</u>	<u>606,434</u>	<u>609,205</u>
Income (Loss) Before Other Revenues, Expenses, Gains and Losses	31,074	(1,111)	21,835
Capital Grants, Appropriations and Gifts	24,503	27,683	35,638
Capital Bond Proceeds from the State	435	126	-
Capital Payments Made on Behalf of the Fund	800	2,055	1,731
Transfers to Other Governments	-	-	(3,336)
State Capital Grants	<u>-</u>	<u>165</u>	<u>-</u>
Increase in Net Position	<u>\$ 56,812</u>	<u>\$ 28,918</u>	<u>\$ 55,868</u>

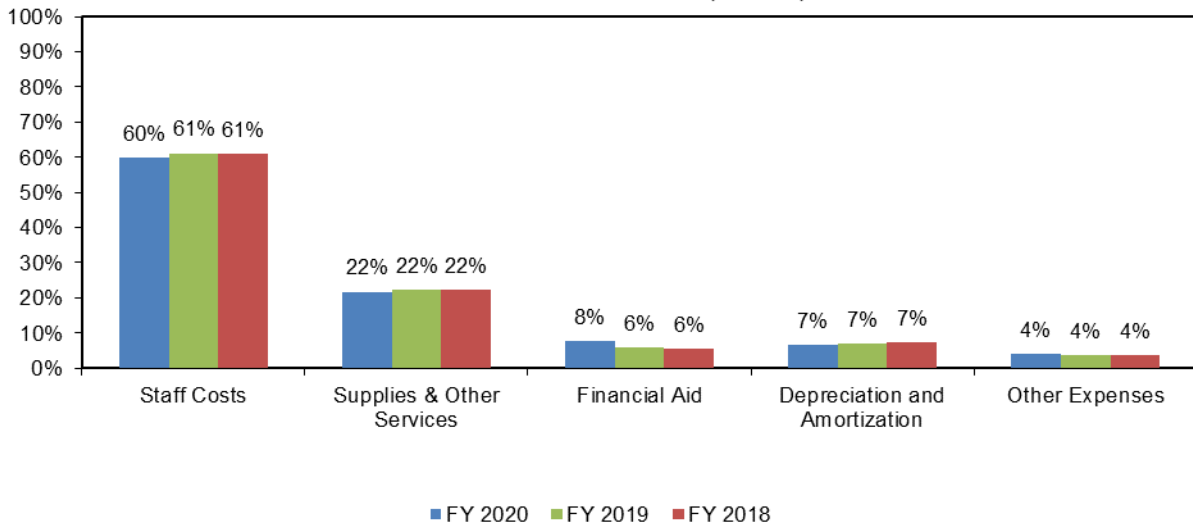
Operating Revenues and State Appropriations

For the Years Ended June 30, 2020 and 2019 and 2018



Total Operating Expenses

For the Years Ended June 30, 2020, 2019 and 2018



Major items of note in the statement of revenue, expenses and changes in net position include:

- Operating Revenues of the Fund totaled \$1,225.5 million, \$1,258.5 million, and \$1,248.10 million for the years ended June 30, 2020, 2019, and 2018, respectively, a decrease of \$33.0 million from 2019 to 2020 and an increase of \$10.4 million from 2018 to 2019.
 - Student tuition and fees revenues totaled \$629.0 million in FY 2020, \$631.1 million in FY 2019, and \$634.5 million in FY 2018, a decrease of \$2.1 million or 0.3% in FY 2020 and a decrease of \$3.4 million or 0.5% in FY 2019. Tuition is reported net of scholarship allowances totaling \$215.9 million, \$215.7 million, and \$208.6 million for the years ended June 30, 2020, 2019, and 2018, respectively. These increases are a combination of increases in tuition rates offset by a decrease in the number of students.
 - Federal grant and contracts totaled \$145.0 million, \$139.6 million, and \$132.8 million, for the years ended June 30, 2020, 2019, and 2018, respectively. The increase of \$5.4 million in FY 2020 mainly represents additional awards received during the year. The increase of \$6.8 million in FY19 represents additional awards received during the year.
 - Auxiliary enterprises generated revenues of \$206.0 million, \$236.5 million, and \$248.7 million, net of \$24.0 million, \$25.8 million, and \$31.8 million, of scholarship allowances for the years ended June 30, 2020, 2019, and 2018, respectively. FY 2020 net auxiliary revenues decreased by \$30.5 million or 13.0%. FY 2019 net auxiliary revenues decreased by \$12.2 million or 4.9%.
 - State grants and contracts totaled \$68.9 million, \$64.9 million, and \$46.7 million for the years ended June 30, 2020, 2019, and 2018, respectively, an increase of \$4.0 million from 2019 to 2020 and an increase of \$18.2 million from 2018 to 2019. Private grants and contracts totaled \$121.4 million, \$118.3 million, and \$115.1 million for the years ended June 30, 2020, 2019, and 2018, respectively, an increase of \$3.1 million from 2019 to 2020 and increase of \$3.2 million from 2018 to 2019. These changes represent normal fluctuations in grant activities.
- Operating expenses totaled \$1,923.6 million, \$1,866.1 million, and \$1,835.4 million for the years ended June 30, 2020, 2019, and 2018, respectively, an increase of \$57.5 million from 2019 to 2020 and an increase of \$30.7 million from 2018 to 2019.
 - Staff salary costs totaled \$914.4 million, \$896.3 million, and \$868.2 million, an increase of \$18.1 million or 2.0% from 2019 to 2020 and \$28.1 million or 3.2% from 2018 to 2019. FY 2020 increase is attributed to the overall salary raises in FY20.
 - Supplies and other services totaled \$418.3 million, \$416.6 million, and \$411.4 million for the years ended June 30, 2020, 2019, and 2018, respectively, an increase of \$1.7 million or 0.4% from 2019 to 2020 and an increase of \$5.2 million or 1.3% from 2018 to 2019.

- Scholarships and fellowships totaled \$150.2 million, \$112.1 million, and \$101.0 million for the years ended June 30, 2020, 2019, and 2018, respectively, an increase of \$38.1 million or 34% from 2019 to 2020 and an increase of \$11.1 million or 11% from 2018 to 2019.
- Depreciation and amortization on capital assets totaled \$129.8 million, \$130.3 million, and \$135.9 million for the years ended June 30, 2020, 2019, and 2018, respectively, a decrease of \$0.5 million from 2019 to 2020 and a decrease of \$5.6 million from 2018 to 2019. The decreases in FY 2020 and FY2019 are related to disposals of capital assets offset by an increase in depreciation on construction projects completed and placed into service during the year.
- The result from operations was a net operating loss of \$698.2 million, \$607.5 million, and \$587.4 million for the years ended June 30, 2020, 2019, and 2018, respectively, which excludes State appropriations of \$494.3 million, \$463.3 million, and \$442.5 million, and Federal Pell grants of \$103.9 million, \$109.6 million, and \$113.6 million for the years ended June 30, 2020, 2019, and 2018, respectively. The net operating loss increase of \$90.6 million in FY 2020 was the outcome of decreased auxiliary revenue and an increase in financial aid expense. The net operating loss increase of \$35.3 million in FY 2019 was the outcome of increased tuition revenue and decreased spending in supplies and other services.
- Net non-operating revenue totaled \$729.3 million, \$606.4 million, and \$609.2 million for the years ended June 30, 2020, 2019, and 2018, respectively, an increase of \$122.9 million from 2019 to 2020 and an increase of \$2.8 million from 2018 to 2019.
 - State general revenue and lottery appropriations totaled \$494.3 million, \$463.3 million, and \$442.5 million for the years ended June 30, 2020, 2019, and 2018, respectively, an increase of \$31.0 million from 2019 to 2020 and an increase of \$20.8 million from 2018 to 2019. The increase in 2020 is attributable to appropriations for salary increases totaling \$10.4 million; approximately \$14.7 million for institutional increases, and \$10.0 million for the West Virginia Invests scholarship program for community and technical college students. Employee salary increases totaled approximately \$8.0 million in FY 2019 and the rest of the increase reflects additional funds provided for institutional operations.
 - Interest incurred on indebtedness totaled \$49.0 million, \$57.0 million, and \$57.4 million for the years ended June 30, 2020, 2019, and 2018, a decrease of \$8.0 million from 2019 to 2020 and a decrease of \$.4 million from 2018 to 2019.
 - Investment income totaled \$18.4 million, \$25.4 million, and \$23.0 million for the years ended June 30, 2020, 2019, and 2018, respectively, a decrease of \$7.0 million from 2019 to 2020 and an increase of \$2.4 million from 2018 to 2019. The decrease is a result of less favorable investment performance in FY 2020 as compared to FY 2019. The FY 2019 increase is a result of a more favorable investment performances as compared to FY18.

- Other revenues consist of capital grants and gifts totaling \$24.5 million, \$27.7 million, and \$35.6 million for the years ended June 30, 2020, 2019, and 2018, respectively, a decrease of \$3.2 million from 2019 to 2020 and a decrease of \$7.9 million from 2018 to 2019.
- The activity for FY 2020 resulted in an increase of net position totaling \$56.8 million as compared to the FY 2019 increase of net position totaling \$28.9 million, and an increase of \$55.9 million FY 2018.
- As reported below on a functional expenditure basis, expenditures for Educational and General Expenses were \$1,451.9 million, \$1,417.7 million, and \$1,372.1 million for the years ended June 30, 2020, 2019, and 2018, respectively, an increase of \$34.2 million or 2.4% from FY 2019 and an increase of \$45.6 million or 3.3% from FY 2018. Cost of instruction constitutes 42.3%, 42.3%, and 42.1% of total educational and general expenses for the years ended June 30, 2020, 2019, and 2018, respectively. Institutional Support remained consistent as a percentage of E & G at 17.8% in FY 2018, 17.6% in FY 2019 and 17.8% in FY 2020.

	FY 20	% of	FY 19	% of	FY 18
	Total	E&G Total	Total	E&G Total	Total
Instruction	\$ 613,820	42.3%	\$ 599,131	42.3%	\$ 578,149
Research	164,349	11.3%	158,050	11.1%	156,188
Public Service	95,687	6.6%	88,689	6.3%	87,125
Academic Support	102,897	7.1%	98,870	7.0%	92,148
Student Services	91,488	6.3%	94,633	6.7%	89,627
Plant Operations	124,558	8.6%	129,081	9.1%	124,424
Institutional Support	259,061	17.8%	249,199	17.6%	244,488
Total E & G Expenses	<u>1,451,860</u>	<u>100.0%</u>	<u>1,417,653</u>	<u>100.0%</u>	<u>1,372,149</u>
Financial Aid	155,721		112,821		101,824
Auxiliary Enterprises	175,001		197,129		216,085
Depreciation	129,763		130,294		135,879
Other	11,300		8,180		9,489
Total Operating Expenses	<u>\$ 1,923,645</u>		<u>\$ 1,866,077</u>		<u>\$ 1,835,426</u>

Statements of Cash Flows

The final statement presented is the statements of cash flows. The statements of cash flows present detailed information about the cash activity of the Fund during the year. The statement is divided into five parts. The first section deals with operating cash flows and shows the net cash used by the operating activities of the Fund. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items and cash provided by sources used to acquire capital. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth part reconciles the net cash used to the operating loss reflected on the statements of revenues, expenses, and changes in net position.

Condensed Schedules of Cash Flows (In thousands of dollars)

	FY 2020	FY 2019	FY 2018
Cash (Used In) Provided By:			
Operating Activities	\$ (527,878)	\$ (434,638)	\$ (470,276)
Noncapital Financing Activities	689,625	616,860	622,174
Capital Financing Activities	(142,870)	(162,815)	(149,170)
Investing Activities	<u>(9,128)</u>	<u>20,691</u>	<u>4,242</u>
Increase (Decrease) in Cash and Cash Equivalents	9,749	40,098	6,970
Cash and Cash Equivalents, beginning of year	<u>425,492</u>	<u>385,394</u>	<u>378,424</u>
Cash and Cash Equivalents, end of year	<u>\$ 435,241</u>	<u>\$ 425,492</u>	<u>\$ 385,394</u>

Major items of note in the statement of cash flows include:

- Cash provided from operating revenues was exceeded by cash expended for operating activities by \$527.9 million, \$434.6 million, and \$470.3 million for the years ended June 30, 2020, 2019, and 2018, respectively, primarily due to the reporting of State appropriations and Federal Pell grants as noncapital financing activities. Primary sources of cash from operating activities during FY 2020, 2019, and 2018, respectively, were student tuition and fees of \$646.1 million, \$648.0 million, and \$649.8 million; contracts and grants of \$346.7 million, \$326.7 million, and \$287.1 million; and auxiliary enterprise charges of \$189.0 million, \$243.4 million, and \$246.2 million. Primary uses of cash for FY 2020, 2019, and 2018, respectively, included payments to and on behalf of employees of \$1,155.0 million, \$1,144.9 million, and \$1,092.1 million and payments to suppliers of \$384.3 million, \$398.3 million, and \$411.8 million.
- Net cash provided from noncapital financing activities for FY 2020, 2019, and 2018, respectively, totaled \$689.6 million, \$616.9 million, and \$622.2 million, of which \$485.0 million, \$458.5 million, and \$440.7 million was from State General Revenue and Lottery appropriations, \$104.0 million, \$109.6 million, and \$114.1 million, was from Federal Pell Grants.

- Net cash used by capital financing activities for FY 2020 totaled \$142.9 million. The withdrawals from noncurrent cash and cash equivalents totaled \$31.0 million. Other sources include proceeds from bond issuances and borrowings of \$257.1 million, offset by purchases of capital assets totaling \$119.0 million, and principal and interest paid on notes, bonds and leases of \$149.1 million.
- Net cash used by capital financing activities for FY 2019 totaled \$162.8 million. The withdrawals from noncurrent cash and cash equivalents totaled \$27.7 million. Other sources include proceeds from bond issuances and borrowings of \$6 million, capital bond proceeds from the State of \$.2 million, offset by purchases of capital assets totaling \$77.0 million, principal and interest paid on notes, bonds and leases of \$106.1 million.
- Net cash provided (used) by investing activities for FY 2020, 2019 and 2018 totaled (\$9.1) million and \$20.7 million and \$4.2 million. The FY 2020 change is a result of an increase in purchases and sales of investments offset by declines in investment income due to unfavorable market conditions. The FY 2019 change is a result of an increase in purchases of investments.
- Net cash for FY 2020 increased by \$9.7 million compared to an increase in net cash for FY 2019 of \$40.1 million and an increase for FY 2018 of \$7.0 million, respectively. These changes are the net result of all the previous activity discussed.

Capital Asset and Long-Term Debt Activity

The Fund continued to expand its capital facilities to further its mission of providing quality programs to students and to provide expanded research capabilities. Cash used for capital assets totaled \$118.9 million in FY 2020, as compared to \$77.0 million in FY 2019. Institutional projects at all the institutions are under way due to institutional bond issues in, 2010, 2012, 2014, and 2020 and 2015 system bond issues in FY 2009, 2010, 2011 and 2012, and a State bond issue in FY 2011. For FY 2020, expenditures at West Virginia University and Marshall University accounted for \$79.7 million of the \$15.4 million total. For FY 2019, expenditures at West Virginia University and Marshall University accounted for \$45.0 million of the \$7.2 million total.

On November 7, 2017, The West Virginia Higher Education Policy Commission issued Series 2017 West Virginia Higher Education Policy Commission Community and Technical Colleges Capital Improvement Revenue Refunding Bonds to advance refund the outstanding principal amount of the State of West Virginia Higher Education Policy Commission Community and Technical Colleges Capital Improvement Revenue Refunding Bonds, 2009 Series A and to provide funds to finance the acquisition, construction, equipping or improvement of community and technical college facilities located in the State of West Virginia. The bonds refunded \$66.3 million in outstanding 2009 Series A bonds.

On December 21, 2017, The Commission issued the State of West Virginia Higher Education Policy Commission Revenue Refunding Bonds (Higher Education Facilities Series 2017). The bonds were issued to provide funds to advance refund the West Virginia Higher Education Policy Commission Revenue Bonds (Higher Education Facilities) 2007 Series A bonds (“the 2007 Series A Bonds”), and a portion of the West Virginia Higher Education Policy Commission Revenue Bonds (Higher Education Facilities) 2010 Series A bonds (the “2010 Series A Bonds”) to reduce debt service payments and to pay the costs associated with the bonds. The bonds refunded and defeased the \$15.8 million in outstanding 2007 Series A Bonds and \$12.9 million of the 2010 Series A Bonds.

The Commission made all required debt service payments and repaid principal of \$14.4 million in FY 2020, \$12.3 million in FY 2019 and \$14.0 million in FY 2018, respectively. See Notes 7 and 12 to the financial statements for further detail of long-term debt.

West Virginia University, including the Health Sciences Center and its regional campuses, has a multi-year capital budget including planned capital expenditures of approximately \$111.9 million. The capital plan includes various capital projects to construct, renovate and/or upgrade academic and auxiliary facilities on the University's campuses. These capital projects are being financed through bond proceeds, grants, and other sources of revenues available to the University including internal financing, operational revenue and gifts.

During FY 2020, West Virginia University issued \$85.8 million of tax-exempt improvement bonds to finance three main capital projects: construction of Reynolds Hall, renovation of Hodges Hall, and improvements to the Athletics Puskar Center. The University also issued \$39.1 million of refunding bonds to refund the 2014 Series C Bonds (2019 Series A and B Bonds). Additionally, the University issued \$377.8 million of refunding bonds to refund the 2011 Series B, 2013 Series A and 2014 Series A Bonds (2020 Series A Bonds) for an upfront savings of \$57 million in debt service due to favorable interest rates.

The University completed improvements to buildings and infrastructure including renovations to the following during fiscal year 2020: coliseum; renovations to food and dining services facilities across campus by Sodexo; upgrades to the PRT; renovations to the Engineering Science building; renovations at Health Sciences Center North and various energy performance projects. Major ongoing construction-in-process projects included renovations to Hodges Hall, site preparation for construction of Reynolds Hall, the new building for the John Chambers College of Business and Economics, renovations at the Milan Puskar Center and the Milan Puskar Stadium, advertising video boards at the coliseum, and various energy performance projects.

The University completed improvements to the following buildings, infrastructure and land improvements during fiscal year 2019: upgrades to the PRT train controls; renovations to Milan Puskar Stadium including the training table and kitchen renovation; renovations to Hodges Hall; further upgrades to the PRT; site preparation for construction of the new building for the John Chambers College of Business and Economics (Reynolds Hall); mechanical system upgrades at the coliseum; renovations to food and dining services facilities across campus and various energy performance and internally developed software projects.

Other Factors Impacting the Financial Position and Results of Operations of the Fund

The Commission in partnership with the West Virginia Community and Technical College System and the West Virginia Department of Education is sponsoring the West Virginia Climb campaign. The goal of the campaign is to have 60 percent of the state's workforce with a formal education credential beyond high school by the year 2030. Achievement of the goal would double the percentage of working age West Virginians with a high-quality postsecondary credential. It is estimated that 60% of working West Virginians will need a certificate or degree in order to meet future workforce demands.

Economic Outlook

The achievement of the goals for the higher education system is dependent upon many factors, one of which is adequate resources to implement the strategies necessary to achieve the goals. At the present time the Fund's financial condition is strong. The net position of the Fund is \$2,134.2 million. The continued success of the Fund is closely tied to the economic strength of the State of West Virginia. Over 29% of operating and nonoperating revenues of the Fund in FY 2020 are from State general revenue and lottery revenues. This funding is critical to the success of the higher education system in meeting the Compact goals.

During the third fiscal quarter of FY 2020, the progression the Coronavirus (COVID-19) advanced to pandemic status. Shortly thereafter, the colleges and universities closed their residence halls and moved to online instruction and continued through the academic year. In addition, NCAA associated events and activities were cancelled. For the 2020 fall semester, institutions are offering a mix of online and in-person instruction formats. Protocols to enhance safety have been initiated including social distancing; the use of personal protective equipment; and the implementation of additional cleaning and disinfection measures. Testing for the virus is also being conducted. The extent of the economic effect of the pandemic on public higher education is difficult to determine.

State appropriations increased about 7.1% in FY 2020 from FY 2019. The State's economy improved significantly over the previous year. As a result, additional funds were available to invest in higher education financial aid programs and operations.

The demographics of the State of West Virginia also have an impact on the future operations of the Fund. Significant efforts are underway to expand the participation rate in higher education by both high school graduating seniors as well as adults to improve the economic environment of the State.

WEST VIRGINIA HIGHER EDUCATION FUND
(A Component Unit of the State of West Virginia)
STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019
(DOLLARS IN THOUSANDS)

	2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 435,241	\$ 425,492
Investments	120,175	117,626
Appropriations Due from Primary Government	5,441	8,320
Accounts Receivable, Net	134,349	127,772
Loans Receivable, Current Portion	6,684	6,931
Other Current Assets	13,967	11,535
Inventories	3,883	3,344
Total Current Assets	719,740	701,020
NONCURRENT ASSETS		
Cash and Cash Equivalents	120,666	55,992
Investments	232,162	167,050
Loans Receivable, Net of allowance of \$9,643 and \$8,788 In 2020 and 2019, Respectively	36,667	39,379
Other Assets	26,351	27,036
Capital Assets, Net	3,212,488	3,143,208
Total Noncurrent Assets	3,628,334	3,432,665
Total Assets	4,348,074	4,133,685
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Refunding	34,221	29,704
Deferred Outflows Related to BRNI Acquisition	-	133
Deferred Outflows Related to Pensions	2,383	2,989
Deferred Outflows Related to OPEB	35,186	37,708
Total Deferred Outflows of Resources	71,790	70,534
Total Assets and Deferred Inflows of Resources	\$ 4,419,864	\$ 4,204,219

See accompanying Notes to Financial Statements.

WEST VIRGINIA HIGHER EDUCATION FUND
(A Component Unit of the State of West Virginia)
STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30, 2020 AND 2019
(DOLLARS IN THOUSANDS)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	2020	2019
CURRENT LIABILITIES		
Accounts Payable	\$ 87,392	\$ 70,360
Due to State of West Virginia	187	279
Accrued Liabilities	100,057	92,548
Unearned Revenue	107,836	82,882
Deposits	4,021	5,598
Real Estate Purchase Agreements Payable, Current Portion	262	589
Other Liabilities, Current Portion	849	787
Compensated Absences, Current Portion	53,678	48,117
Notes Payable, Current Portion	6,411	3,408
Capital Lease Obligations, Current Portion	4,543	4,989
Interest Payable	9,932	9,816
Bonds Payable, Current Portion	36,060	43,199
Total Current Liabilities	411,228	362,572
NONCURRENT LIABILITIES		
Advances from Federal Sponsors	31,109	37,841
Real Estate Purchase Agreement Payable	11,225	11,674
Compensated Absences	4,968	4,079
Notes Payable	66,118	67,797
Capital Lease Obligations	91,285	38,212
Future Interest Payable	32,306	33,677
Bonds Payable	1,231,586	1,132,236
Net Other Postemployment Benefit Liability	204,248	262,154
Net Pension Liability	11,350	13,808
Other Noncurrent Liabilities	39,831	36,454
Total Noncurrent Liabilities	1,724,026	1,637,932
Total Liabilities	2,135,254	2,000,504

See accompanying Notes to Financial Statements.

WEST VIRGINIA HIGHER EDUCATION FUND
(A Component Unit of the State of West Virginia)
STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30, 2020 AND 2019
(DOLLARS IN THOUSANDS)

	2020	2019
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (Continued)		
DEFERRED INFLOWS OF RESOURCES		
Service Concession Arrangements	\$ 39,068	\$ 39,697
Deferred Inflows Related to Pensions	7,944	9,116
Deferred Inflows Related to OPEB	93,649	66,587
Other	9,711	10,889
Total Deferred Inflows of Resources	150,372	126,289
Total Liabilities and Deferred Inflows of Resources	2,285,626	2,126,793
NET POSITION		
Net Investment in Capital Assets	2,111,067	2,116,224
Restricted for:		
Expendable:		
Scholarships	14,981	13,047
Sponsored Projects	60,074	25,062
Loans	16,690	15,934
Capital Projects	23,731	24,860
Debt Service	14,307	13,015
Other	4,692	4,485
Total Restricted Expendable	134,475	96,403
Nonexpendable	35,843	37,257
Unrestricted	(147,147)	(172,458)
Total Net Position	2,134,238	2,077,426
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 4,419,864	\$ 4,204,219

See accompanying Notes to Financial Statements.

WEST VIRGINIA HIGHER EDUCATION FUND
(A Component Unit of the State of West Virginia)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2020 AND 2019
(DOLLARS IN THOUSANDS)

	2020	2019
OPERATING REVENUES		
Student Tuition and Fees, Net of Scholarship Allowance of \$215,901 in 2020 and \$215,703 in 2019	\$ 629,035	\$ 631,107
Federal and Local Land Grants	8,639	8,228
Contracts and Grants:		
Federal	145,031	139,555
State	68,863	64,907
Local	1,965	2,139
Private	121,357	118,313
Interest on Student Loans Receivable	1,223	1,460
Sales and Services of Educational Activities	17,535	25,193
Auxiliary Enterprise Revenue, Net of Scholarship Allowance of \$23,977 in 2020 and \$25,788 in 2019	205,954	236,505
Other Operating Revenues	25,860	31,125
Total Operating Revenues	1,225,462	1,258,532
OPERATING EXPENSES		
Salaries and Wages	914,359	896,299
Benefits	235,632	244,334
Supplies and Other Services	418,256	416,592
Utilities	59,835	62,751
Student Financial Aid, Scholarships and Fellowships	150,209	112,131
Depreciation and Amortization	129,763	130,294
Other Operating Expenses	15,591	3,676
Total Operating Expenses	1,923,645	1,866,077
OPERATING LOSS	(698,183)	(607,545)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	467,075	436,190
State Lottery Appropriations	27,262	27,081
Federal Pell Grants	103,916	109,642
CARES Act Grant Revenue	35,932	-
Gifts	125,698	62,546
Investment Income, Including Unrealized Gain of \$7,063 in 2020 and \$2,157 in 2019	18,357	25,424
Interest on Indebtedness	(48,992)	(57,010)

See accompanying Notes to Financial Statements.

WEST VIRGINIA HIGHER EDUCATION FUND
(A Component Unit of the State of West Virginia)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019
(DOLLARS IN THOUSANDS)

	2020	2019
NONOPERATING REVENUES (EXPENSES) (CONTINUED)		
Payments Made on Behalf of the Fund	\$ 16,400	\$ 20,012
Student Financial Aid and Other Payments to Institutions	(12,233)	(15,551)
Other Nonoperating Expense, Net	(4,158)	(1,900)
Net Nonoperating Revenues	729,257	606,434
 INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	 31,074	 (1,111)
 CAPITAL GRANTS, APPROPRIATIONS, AND GIFTS	 24,503	 27,683
 CAPITAL BOND PROCEEDS FROM THE STATE	 435	 126
 CAPITAL PAYMENTS MADE ON BEHALF OF THE FUND	 800	 2,055
 STATE CAPITAL GRANTS	 -	 165
 INCREASE IN NET POSITION	 56,812	 28,918
 Net Position - Beginning of Year	 2,077,426	 2,048,508
 NET POSITON - END OF YEAR	 \$ 2,134,238	 \$ 2,077,426

See accompanying Notes to Financial Statements.

WEST VIRGINIA HIGHER EDUCATION FUND
(A Component Unit of the State of West Virginia)
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019
(DOLLARS IN THOUSANDS)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Student Tuition and Fees	\$ 646,119	\$ 648,032
Federal and Local Land Grants	8,639	8,228
Contracts and Grants	346,689	326,662
Payments to and on Behalf of Employees	(1,155,002)	(1,144,915)
Payments to Suppliers	(384,311)	(398,148)
Payments to Utilities	(59,942)	(62,027)
Payments for Scholarships and Fellowships	(146,246)	(123,793)
Loans Issued to Students	(2,620)	(886)
Collection of Loans to Students	3,092	2,911
Sales and Services of Educational Activities	16,976	24,206
Interest Earned on Loans to Students	866	869
Auxiliary Enterprise Charges	188,998	243,414
Other Receipts, Net	8,864	40,809
Net Cash Used by Operating Activities	(527,878)	(434,638)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	484,954	458,525
Federal Pell Grants	103,975	109,592
Payments to Other Institutions	(11,596)	(13,878)
Gift Receipts	63,319	59,713
Direct Lending Receipts	402,747	422,078
Direct Lending Payments	(402,472)	(422,978)
Other Nonoperating Receipts, Net	48,698	3,808
Net Cash Provided by Noncapital Financing Activities	689,625	616,860
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Proceeds from Bond Issuances and Borrowings	257,088	6,106
Proceeds from Capital Asset Disposals and Sale of Natural Resources	16	619
Capital Bond Proceeds from State	(83)	219
Issuance Costs on New Debt	(2,235)	-
Withdrawals from Noncurrent Cash and Cash Equivalents	30,915	27,717
Deposits to Noncurrent Cash and Cash Equivalents	(95,589)	(32,780)
Capital Grants and Gifts Received	11,815	13,970
Purchases of Capital Assets	(118,923)	(76,994)
Principal Paid on Notes, Bonds, and Leases	(95,782)	(46,830)
Payoff of Refinanced Bonds	(77,480)	-
Interest Paid on Notes, Bonds, and Leases	(53,321)	(59,354)
Other	709	4,512
Net Cash Used by Capital Financing Activities	(142,870)	(162,815)

See accompanying Notes to Financial Statements.

WEST VIRGINIA HIGHER EDUCATION FUND
(A Component Unit of the State of West Virginia)
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019
(DOLLARS IN THOUSANDS)

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts from Sales/Maturities of Investments	\$ 69,792	\$ 12,844
Purchases of Investments	(89,344)	(11,669)
Investment Income	10,424	19,516
Net Cash (Used) Provided by Investing Activities	<u>(9,128)</u>	<u>20,691</u>
INCREASE IN CASH AND CASH EQUIVALENTS	9,749	40,098
Cash and Cash Equivalents - Beginning of Year	<u>425,492</u>	<u>385,394</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 435,241</u>	<u>\$ 425,492</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (698,183)	\$ (607,545)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation and Amortization Expense	129,763	130,309
Donated/Noncapitalized Expense	22,820	4,071
Accretion on Bond Premium/Discount	(2)	(2)
Loan Cancellations and Write-offs	138	168
Expenses Paid on Behalf of the Fund	9,268	11,756
Changes in Assets and Liabilities:		
Receivables, Net	1,758	8,966
Loans Receivable, Net	2,691	5,429
Prepaid Expenses	(1,754)	1,812
Inventories	(538)	369
Accounts Payable	4,590	6,304
Accrued Liabilities	(25,301)	228
Defined Benefit Pension	776	(8,310)
Compensated Absences	6,451	3,126
Unearned Revenue	18,215	791
Deposits	(415)	340
Other Postemployment Benefit Liability	2,926	2,217
Advances from Federal Sponsors	(5,359)	438
Other	4,278	4,895
Net Cash Used by Operating Activities	<u>\$ (527,878)</u>	<u>\$ (434,638)</u>

See accompanying Notes to Financial Statements.

WEST VIRGINIA HIGHER EDUCATION FUND
(A Component Unit of the State of West Virginia)
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019
(DOLLARS IN THOUSANDS)

	2020	2019
SIGNIFICANT NONCASH TRANSACTIONS		
Construction in Progress and Capital Asset Additions Included in Accounts Payable and Accrued Liabilities	\$ 14,825	\$ 6,240
Donated Capital Assets	\$ 11,512	\$ 10,172
Loss on Disposal of Fixed Assets	\$ (5,314)	\$ (3,990)
Capitalized Interest	\$ 737	\$ 302
Unrealized Gain on Investment	\$ 7,063	\$ 2,157
Bond and Real Estate Agreements, Payable Discounts, Premiums, Losses	\$ 7	\$ 7
Gift of Noncapital Asset	\$ 2	\$ 1
Capital Assets Obtained under Capital Leases	\$ 56,803	\$ 6
Other Non Cash Property Additions	\$ 578	\$ 1,001
Loan Forgiveness	\$ -	\$ 620
Expenses Paid on Behalf	\$ 16,053	\$ 17,789
Transfers	\$ 318	\$ 189

See accompanying Notes to Financial Statements.

WEST VIRGINIA HIGHER EDUCATION FUND
(A Component Unit of the State of West Virginia)
COMPONENT UNITS – STATEMENTS OF NET ASSETS
JUNE 30, 2020

	Big Green Scholarship Foundation Inc.	Bluefield State College Foundation Inc.	Concord University Foundation, Inc.	Fairmont State Foundation Inc.	The Glenville State College Foundation, Inc.	The Marshall University Foundation, Inc.	New River Community and Technical College Foundation, Inc.	Provident Group- Marshall Properties, LLC	The Shepherd University Foundation, Inc.	Southern West Virginia Community College Foundation, Inc. *	West Liberty University Foundation, Inc.	West Virginia Northern Community College Foundation, Inc.	West Virginia School of Osteopathic Medicine Foundation, Inc.	West Virginia University Foundation, Inc.	WVU at Parkersburg Foundation, Inc.	Blue Ridge Community & Technical College Foundation, Inc.	Total
ASSETS																	
Cash and Cash Equivalents	\$ 1,416,421	\$ 635,438	\$ 798,514	\$ 1,104,953	\$ 11,889	\$ 90,338,670	\$ 232,037	\$ 1,199,982	\$ 3,625,092	\$ 241,421	\$ 158,136	\$ 110,694	\$ 295,822	\$ 2,578,428	\$ 199,648	\$ 204,799	\$ 103,151,944
Investments	8,870,115	12,842,907	40,814,786	28,891,948	10,792,366	149,731,032	398,631	-	26,965,776	4,130,614	18,205,544	5,029,034	45,466,840	12,659,103	11,695,033	714,568	377,208,297
Pledges and Contributions Receivable, Net	3,135,006	290,273	1,458,274	1,658,215	-	33,756,585	56,220	651,063	2,203,063	32,838	181,923	186,826	180,011	1,806,533	2,381	15,000	45,614,211
Other Assets	107,446	59,215	590,033	14,454	2,603,174	2,137,552	930,504	5,525,525	460,821	19,766	7,555	25,547	250,000	21,085,377	2,014	6,259	33,825,242
Beneficial Interests	667,580	-	-	3,040,270	-	9,575,421	1,340,089	-	-	-	2,319,342	1,132,758	-	236,613	-	-	18,312,073
Property and Equipment, Net	3,958	-	694	327,034	3,159,495	11,653,934	-	52,755,475	19,044,111	-	-	-	80,000	379,782	1,141,155	-	88,545,638
Total	<u>\$ 14,200,526</u>	<u>\$ 13,827,833</u>	<u>\$ 43,662,301</u>	<u>\$ 35,036,874</u>	<u>\$ 16,566,924</u>	<u>\$ 297,193,194</u>	<u>\$ 2,957,481</u>	<u>\$ 60,132,045</u>	<u>\$ 52,298,863</u>	<u>\$ 4,424,639</u>	<u>\$ 20,872,500</u>	<u>\$ 6,484,859</u>	<u>\$ 46,272,673</u>	<u>\$ 38,745,836</u>	<u>\$ 13,040,231</u>	<u>\$ 940,626</u>	<u>\$ 666,657,405</u>

See accompanying Notes to Financial Statements.

WEST VIRGINIA HIGHER EDUCATION FUND
(A Component Unit of the State of West Virginia)
COMPONENT UNITS – STATEMENTS OF NET ASSETS (CONTINUED)
JUNE 30, 2020

	Big Green Scholarship Foundation Inc.	Bluefield State College Foundation Inc.	Concord University Foundation, Inc.	Fairmont State Foundation Inc.	The Glenville State College Foundation, Inc.	The Marshall University Foundation, Inc.	New River Community and Technical College Foundation, Inc.	Provident Group- Marshall Properties, LLC	The Shepherd University Foundation, Inc.	Southern West Virginia Community College Foundation, Inc. *	West Liberty University Foundation, Inc.	Southern West Virginia Community College Foundation, Inc.	West Virginia Northern School of Osteopathic Medicine Foundation, Inc.	West Virginia State University Foundation, Inc.	West Virginia State University Parkersburg Foundation, Inc.	Blue Ridge Community & Technical College Foundation, Inc.	Total
LIABILITIES AND NET ASSETS																	
LIABILITIES																	
Accounts Payable	\$ 15,397	\$ -	\$ 69,838	\$ 3,727	\$ 5,413	\$ 42,819	\$ -	\$ 134,653	\$ 14,212	\$ 1,266	\$ -	\$ 13,888	\$ -	\$ 42,850	\$ 42,276	\$ -	\$ 386,339
Other Accrued Liabilities	47,730	-	-	-	-	557,219	91,500	21,660,928	356,724	-	-	-	-	-	-	625	22,714,726
Amounts Held on Behalf of Others	-	50,865	5,099,332	-	58,668	73,509,009	-	-	952,962	-	-	-	40,251,259	-	137,228	-	120,059,323
Annuity Obligations	-	-	35,617	9,399	-	596,177	-	-	81,646	-	13,640	-	-	-	-	-	736,479
Bonds and Notes Payable	423,954	-	-	71,300	3,071,028	676,000	-	85,435,925	21,110,949	-	39,300	-	-	24,512,929	-	-	135,341,385
Total Liabilities	487,081	50,865	5,204,787	84,426	3,135,109	75,381,224	91,500	107,231,506	22,516,493	1,266	52,940	13,888	40,251,259	24,555,779	179,504	625	279,238,252
NET ASSETS (DEFICIT)																	
Without Donor Restrictions	1,971,272	10,334,691	163,568	4,866,917	639,417	16,733,052	13,010	(47,099,461)	(2,750,875)	847,262	1,535,806	942,259	1,511,335	853,328	1,425,244	198,612	(7,814,563)
With Donor Restrictions	11,742,173	3,442,277	38,293,946	30,085,531	12,792,398	205,078,918	2,852,971	-	32,533,245	3,576,111	19,283,754	5,528,712	4,510,079	13,336,729	11,435,483	741,389	395,233,716
Total Net Assets (Deficit)	13,713,445	13,776,968	38,457,514	34,952,448	13,431,815	221,811,970	2,865,981	(47,099,461)	29,782,370	4,423,373	20,819,560	6,470,971	6,021,414	14,190,057	12,860,727	940,001	387,419,153
Total	\$ 14,200,526	\$ 13,827,833	\$ 43,662,301	\$ 35,036,874	\$ 16,566,924	\$ 297,193,194	\$ 2,957,481	\$ 60,132,045	\$ 52,298,863	\$ 4,424,639	\$ 20,872,500	\$ 6,484,859	\$ 46,272,673	\$ 38,745,836	\$ 13,040,231	\$ 940,626	\$ 666,657,405

See accompanying Notes to Financial Statements.

WEST VIRGINIA HIGHER EDUCATION FUND
(A Component Unit of the State of West Virginia)
COMPONENT UNITS – STATEMENTS OF NET ASSETS
JUNE 30, 2019

	Big Green Scholarship Foundation Inc.	Bluefield State College Foundation Inc.	Concord University Foundation, Inc.	Fairmont State Foundation Inc.	The Glenville State College Foundation, Inc.	The Marshall University Foundation, Inc.	New River Community and Technical College Foundation, Inc.	Provident Group- Marshall Properties, LLC	The Shepherd University Foundation, Inc.	Southern West Virginia Community College Foundation, Inc. *	West Liberty University Foundation, Inc.	West Virginia Northern Community College Foundation, Inc.	West Virginia School of Osteopathic Medicine Foundation, Inc.	West Virginia University Foundation, Inc.	WVU at Parkersburg Foundation, Inc.	Blue Ridge Community & Technical College Foundation, Inc.	Total
ASSETS																	
Cash and Cash Equivalents	\$ 1,452,775	\$ 739,721	\$ 809,388	\$ 1,193,693	\$ 33,872	\$ 20,880,733	\$ 124,412	\$ 1,417,760	\$ 2,884,734	\$ 306,860	\$ 171,799	\$ 100,676	\$ 494,343	\$ 2,445,782	\$ 56,574	\$ 277,142	\$ 33,390,264
Investments	8,851,083	12,820,178	40,552,556	27,890,730	11,485,889	220,290,393	386,827	-	25,962,292	3,237,815	16,751,476	4,820,475	46,962,089	12,889,086	11,399,104	712,804	445,012,797
Pledges and Contributions Receivable, Net	1,468,374	306,078	226,123	991,829	-	39,773,701	55,000	589,258	2,838,867	85,577	837,319	3,120	218,418	3,121,234	-	36,500	50,551,398
Other Assets	1,150,126	2,050,636	592,463	3,403	2,067,561	2,001,381	930,175	5,671,849	474,324	20,847	55,223	230,452	250,000	21,350,988	8,223	6,116	36,863,767
Beneficial Interests	725,657	-	-	3,063,117	-	9,843,712	1,372,067	-	-	-	2,285,806	1,142,903	-	264,370	-	-	18,697,632
Property and Equipment, Net	6,458	-	1,140	335,174	3,188,558	12,004,600	-	55,739,387	19,753,054	-	-	-	-	407,618	1,213,431	-	92,649,420
Total	<u>\$ 13,654,473</u>	<u>\$ 15,916,613</u>	<u>\$ 42,181,670</u>	<u>\$ 33,477,946</u>	<u>\$ 16,775,880</u>	<u>\$ 304,794,520</u>	<u>\$ 2,868,481</u>	<u>\$ 63,418,254</u>	<u>\$ 51,913,271</u>	<u>\$ 3,651,099</u>	<u>\$ 20,101,623</u>	<u>\$ 6,297,626</u>	<u>\$ 47,924,850</u>	<u>\$ 40,479,078</u>	<u>\$ 12,677,332</u>	<u>\$ 1,032,562</u>	<u>\$ 677,165,278</u>

See accompanying Notes to Financial Statements.

WEST VIRGINIA HIGHER EDUCATION FUND
(A Component Unit of the State of West Virginia)
COMPONENT UNITS – STATEMENTS OF NET ASSETS (CONTINUED)
JUNE 30, 2019

	Big Green Scholarship Foundation Inc.	Bluefield State College Foundation Inc.	Concord University Foundation, Inc.	Fairmont State Foundation Inc.	The Glenville State College Foundation, Inc.	The Marshall University Foundation, Inc.	New River Community and Technical College Foundation, Inc.	Provident Group- Marshall Properties, LLC	The Shepherd University Foundation, Inc.	Southern West Virginia Community College Foundation, Inc. *	West Liberty University Foundation, Inc.	Southern West Virginia Community College Foundation, Inc.	West Virginia Northern School of Medicine Foundation, Inc.	West Virginia School of Medicine Foundation, Inc.	West Virginia University Foundation, Inc.	WVU at Parkersburg Foundation, Inc.	Blue Ridge Community & Technical College Foundation, Inc.	Total
LIABILITIES AND NET ASSETS																		
LIABILITIES																		
Accounts Payable	\$ 21,001	\$ -	\$ 24,711	\$ 5,841	\$ 3,850	\$ 326,211	\$ -	\$ 146,604	\$ 2,821	\$ -	\$ 8,880	\$ 9,542	\$ -	\$ 58,655	\$ 11,575	\$ -	\$ -	\$ 619,691
Other Accrued Liabilities	130	-	-	-	-	856,767	133,500	16,871,689	435,932	-	-	1,000	40,000	-	-	-	2,985	18,342,003
Amounts Held on Behalf of Others	-	43,054	4,990,777	-	30,201	73,329,905	-	-	788,749	-	-	-	41,701,577	-	16,947	-	-	120,901,210
Annuity Obligations	-	-	57,939	13,573	-	426,031	-	-	93,441	-	15,555	-	-	-	-	-	-	606,539
Bonds and Notes Payable	996,955	-	-	-	3,152,901	300,000	-	86,191,295	21,418,621	-	-	-	-	-	24,717,794	-	-	136,777,566
Total Liabilities	1,018,086	43,054	5,073,427	19,414	3,186,952	75,238,914	133,500	103,209,588	22,739,564	-	24,435	10,542	41,741,577	24,776,449	28,522	2,985	-	277,247,009
NET ASSETS (DEFICIT)																		
Without Donor Restrictions	2,104,556	12,360,213	612,529	4,749,640	862,193	18,455,087	21,620	(39,791,334)	(1,765,876)	954,352	1,527,445	926,758	1,710,517	734,659	1,473,239	151,361	-	5,086,959
With Donor Restrictions	10,531,831	3,513,346	36,495,714	28,708,892	12,726,735	211,100,519	2,713,361	-	30,939,583	2,696,747	18,549,743	5,360,326	4,472,756	14,967,970	11,175,571	878,216	-	394,831,310
Total Net Assets (Deficit)	12,636,387	15,873,559	37,108,243	33,458,532	13,588,928	229,555,606	2,734,981	(39,791,334)	29,173,707	3,651,099	20,077,188	6,287,084	6,183,273	15,702,629	12,648,810	1,029,577	-	399,918,269
Total	\$ 13,654,473	\$ 15,916,613	\$ 42,181,670	\$ 33,477,946	\$ 16,775,880	\$ 304,794,520	\$ 2,868,481	\$ 63,418,254	\$ 51,913,271	\$ 3,651,099	\$ 20,101,623	\$ 6,297,626	\$ 47,924,850	\$ 40,479,078	\$ 12,677,332	\$ 1,032,562	\$ -	\$ 677,165,278

See accompanying Notes to Financial Statements.

WEST VIRGINIA HIGHER EDUCATION FUND
(A Component Unit of the State of West Virginia)
COMPONENT UNITS – STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

	Big Green Scholarship Foundation Inc.	Bluefield State College Foundation Inc.	Concord University Foundation, Inc.	Fairmont State Foundation Inc.	The Glenville State College Foundation, Inc.	The Marshall University Foundation, Inc.	New River Community and Technical College Foundation, Inc.	Provident Group- Marshall Properties, LLC	The Shepherd University Foundation, Inc.	Southern West Virginia Community College Foundation, Inc. *	West Liberty University Foundation, Inc.	West Virginia Northern Community College Foundation, Inc.	West Virginia School of Osteopathic Medicine Foundation, Inc.	West Virginia University Foundation, Inc.	WVU at Parkersburg Foundation, Inc.	Blue Ridge Community & Technical College Foundation, Inc.	Total
REVENUES, GAINS, AND																	
OTHER SUPPORT																	
Without Donor Restrictions:																	
Gifts, Contributions, and Other	\$ 4,250,193	\$ 42,714	\$ 238,820	\$ 42,894	\$ 531,645	\$ 1,460,084	\$ 184,676	\$ 9,746,684	\$ 1,568,618	\$ -	\$ 286,398	\$ 20,312	\$ 476,169	\$ 252,054	\$ 6,677	\$ 554,893	\$ 19,662,831
Investment Income (Loss)	290,810	205,740	(137,817)	339,941	35,262	(692,445)	4,473	(4,568,084)	1,305	17,166	59,390	27,652	(84,302)	669	14,257	3,417	(4,482,566)
Reclassifications	49,706	231,917	1,749,174	2,351,300	1,103,293	12,069,187	92,139	-	2,541,947	192,190	1,734,802	156,134	164,716	2,768,594	565,262	170,377	25,940,738
With Donor Restrictions:																	
Gifts, Contributions, and Other	1,479,538	43,132	2,317,803	3,042,207	997,396	12,205,996	163,967	-	3,988,377	419,864	1,338,371	81,186	144,275	1,606,465	140,920	31,105	28,000,602
Investment Income (Loss)	(219,490)	117,716	1,229,603	685,732	171,560	(6,158,410)	67,782	-	147,232	651,690	1,130,442	243,334	57,764	(469,112)	684,254	2,445	(1,657,458)
Reclassifications	(49,706)	(231,917)	(1,749,174)	(2,351,300)	(1,103,293)	(12,069,187)	(92,139)	-	(2,541,947)	(192,190)	(1,734,802)	(156,134)	(164,716)	(2,768,594)	(565,262)	(170,377)	(25,940,738)
Total Revenues, Gains, and Other Support	5,801,051	409,302	3,648,409	4,110,774	1,735,863	6,815,225	420,898	5,178,600	5,705,532	1,088,720	2,814,601	372,484	593,906	1,390,076	846,108	591,860	41,523,409
EXPENSES																	
Scholarships, Awards, and Grants	10,500	238,222	923,584	1,987,541	320,911	5,114,497	157,292	-	2,737,950	99,240	399,499	102,077	428,661	696,511	337,067	170,377	13,723,929
College Support	3,453,089	2,239,515	1,069,071	376,628	894,355	7,225,793	83,434	7,957,608	1,783,393	90,825	1,404,861	70,380	205,308	1,954,431	32,187	510,242	29,351,120
Management and General	1,260,404	28,156	306,483	252,689	677,710	2,218,571	49,172	4,529,119	575,526	126,381	267,869	16,140	121,796	251,706	264,937	817	10,947,476
Total Expenses	4,723,993	2,505,893	2,299,138	2,616,858	1,892,976	14,558,861	289,898	12,486,727	5,096,869	316,446	2,072,229	188,597	755,765	2,902,648	634,191	681,436	54,022,525
CHANGE IN NET ASSETS																	
Without Donor Restrictions	(133,284)	(2,025,522)	(448,961)	117,277	(222,776)	(1,722,035)	(8,610)	(7,308,127)	(984,999)	(107,090)	8,361	15,501	(199,182)	118,669	(47,995)	47,251	(12,901,522)
With Donor Restrictions	1,210,342	(71,069)	1,798,232	1,376,639	65,663	(6,021,601)	139,610	-	1,593,662	879,364	734,011	168,386	37,323	(1,631,241)	259,912	(136,827)	402,406
Total Change in Net Assets	1,077,058	(2,096,591)	1,349,271	1,493,916	(157,113)	(7,743,636)	131,000	(7,308,127)	608,663	772,274	742,372	183,887	(161,859)	(1,512,572)	211,917	(89,576)	(12,499,116)
Net Assets (Deficit) -																	
Beginning of Year	12,636,387	15,873,559	37,108,243	33,458,532	13,588,928	229,555,606	2,734,981	(39,791,334)	29,173,707	3,651,099	20,077,188	6,287,084	6,183,273	15,702,629	12,648,810	1,029,577	399,918,269
NET ASSETS (DEFICIT) -																	
END OF YEAR	<u>\$ 13,713,445</u>	<u>\$ 13,776,968</u>	<u>\$ 38,457,514</u>	<u>\$ 34,952,448</u>	<u>\$ 13,431,815</u>	<u>\$ 221,811,970</u>	<u>\$ 2,865,981</u>	<u>\$ (47,099,461)</u>	<u>\$ 29,782,370</u>	<u>\$ 4,423,373</u>	<u>\$ 20,819,560</u>	<u>\$ 6,470,971</u>	<u>\$ 6,021,414</u>	<u>\$ 14,190,057</u>	<u>\$ 12,860,727</u>	<u>\$ 940,001</u>	<u>\$ 387,419,153</u>

See accompanying Notes to Financial Statements.

WEST VIRGINIA HIGHER EDUCATION FUND
(A Component Unit of the State of West Virginia)
COMPONENT UNITS – STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

	Big Green Scholarship Foundation Inc.	Bluefield State College Foundation Inc.	Concord University Foundation, Inc.	Fairmont State Foundation Inc.	The Glennville State College Foundation, Inc.	The Marshall University Foundation, Inc.	New River Community and Technical College Foundation, Inc.	Provident Group- Marshall Properties, LLC	The Shepherd University Foundation, Inc.	Southern West Virginia Community College Foundation, Inc. *	West Liberty University Foundation, Inc.	Southern West Virginia Community College Foundation, Inc.	West Virginia Northern College Foundation, Inc.	West Virginia School of Osteopathic Medicine Foundation, Inc.	West Virginia State University Foundation, Inc.	WVU at Parkersburg Foundation, Inc.	Blue Ridge Community & Technical College Foundation, Inc.	Total
REVENUES, GAINS, AND																		
OTHER SUPPORT																		
Without Donor Restrictions:																		
Gifts, Contributions, and Other	\$ 3,742,676	\$ 56,336	\$ 234,202	\$ 40,130	\$ 365,862	\$ 333,587	\$ 169,035	\$ 9,973,636	\$ 1,957,832	\$ -	\$ 393,339	\$ 19,674	\$ 386,026	\$ 375,050	\$ 23,862	\$ 438,078	\$ 18,509,325	
Investment Income (Loss)	353,375	935,270	(104,102)	332,212	186,772	976,996	1,414	(3,618,598)	1,484	66,970	63,955	36,772	24,941	3,795	12,013	2,004	(724,727)	
Reclassifications	285,701	117,721	1,564,632	1,851,922	3,186,212	15,134,843	148,698	-	2,773,586	205,361	1,500,237	256,691	129,759	1,982,311	596,642	122,942	29,857,258	
With Donor Restrictions:																		
Gifts, Contributions, and Other	1,399,258	41,663	710,042	3,777,010	3,152,693	49,337,179	141,290	-	2,823,367	184,798	1,835,506	62,113	110,712	1,859,302	177,233	274,184	65,886,350	
Investment Income (Loss)	87,439	222,765	2,239,470	1,451,915	619,627	7,665,828	123,792	-	1,145,495	(97,927)	1,120,934	284,796	318,448	(5,576)	712,286	51,431	15,940,723	
Reclassifications	(285,701)	(117,721)	(1,564,632)	(1,851,922)	(3,186,212)	(15,134,843)	(148,698)	-	(2,773,586)	(205,361)	(1,500,237)	(256,691)	(129,759)	(1,982,311)	(596,642)	(122,942)	(29,857,258)	
Total Revenues, Gains, and Other Support	5,582,748	1,256,034	3,079,612	5,601,267	4,324,954	58,313,590	435,531	6,355,038	5,928,178	153,841	3,413,734	403,355	840,127	2,232,571	925,394	765,697	99,611,671	
EXPENSES																		
Scholarships, Awards, and Grants	10,500	238,269	861,200	1,366,317	355,403	8,203,746	216,565	-	2,497,340	107,490	426,773	98,123	311,107	646,152	271,905	122,942	15,733,832	
College Support	3,152,682	90,815	414,525	1,141,605	2,472,731	6,334,347	72,292	8,021,464	2,141,339	91,905	1,304,113	153,908	147,586	1,510,758	37,371	422,137	27,509,578	
Management and General	1,361,824	29,576	378,611	193,624	124,569	2,428,114	45,880	4,437,299	576,332	162,558	261,349	16,122	140,294	237,374	367,135	2,105	10,762,766	
Total Expenses	4,525,006	358,660	1,654,336	2,701,546	2,952,703	16,966,207	334,737	12,458,763	5,215,011	361,953	1,992,235	268,153	598,987	2,394,284	676,411	547,184	54,006,176	
CHANGE IN NET ASSETS																		
Without Donor Restrictions	(143,254)	750,667	40,396	(477,282)	786,143	(520,781)	(15,590)	(6,103,725)	(482,109)	(89,622)	(34,704)	44,984	(58,261)	(33,128)	(43,894)	15,840	(6,364,320)	
With Donor Restrictions	1,200,996	146,707	1,384,880	3,377,003	586,108	41,868,164	116,384	-	1,195,276	(118,490)	1,456,203	90,218	299,401	(128,585)	292,877	202,673	51,969,815	
Total Change in Net Assets	1,057,742	897,374	1,425,276	2,899,721	1,372,251	41,347,383	100,794	(6,103,725)	713,167	(208,112)	1,421,499	135,202	241,140	(161,713)	248,983	218,513	45,605,495	
Net Assets (Deficit) - Beginning of Year	11,578,645	14,976,185	35,882,967	30,558,811	12,216,677	188,208,223	2,634,187	(33,687,609)	28,460,540	3,859,211	18,655,689	6,151,882	5,942,133	15,864,342	12,399,827	811,064	354,312,774	
NET ASSETS (DEFICIT) - END OF YEAR	<u>\$ 12,636,387</u>	<u>\$ 15,873,559</u>	<u>\$ 37,108,243</u>	<u>\$ 33,458,532</u>	<u>\$ 13,588,928</u>	<u>\$ 229,555,606</u>	<u>\$ 2,734,981</u>	<u>\$ (39,791,334)</u>	<u>\$ 29,173,707</u>	<u>\$ 3,651,099</u>	<u>\$ 20,077,188</u>	<u>\$ 6,287,084</u>	<u>\$ 6,183,273</u>	<u>\$ 15,702,629</u>	<u>\$ 12,648,810</u>	<u>\$ 1,029,577</u>	<u>\$ 399,918,269</u>	

See accompanying Notes to Financial Statements.

WEST VIRGINIA HIGHER EDUCATION FUND
(A Component Unit of the State of West Virginia)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019
(DOLLARS IN THOUSANDS)

NOTE 1 ORGANIZATION

The West Virginia Higher Education Fund (the Fund) is comprised of the following blended component units:

- Bluefield State College (Bluefield)
- Concord University (Concord)
- Fairmont State University (Fairmont)
- Glenville State College (Glenville)
- Marshall University (Marshall)
- Shepherd University (Shepherd)
- West Liberty University (West Liberty)
- West Virginia Council for Community and Technical College Education
- West Virginia Higher Education Policy Commission (including West Virginia Network for Educational Telecomputing)
- West Virginia State University (WV State)
- West Virginia School of Osteopathic Medicine (WVSOM)
- West Virginia University (including Potomac State College and West Virginia University Institute of Technology) (WVU)

The Fund is a discretely presented component unit of the State of West Virginia (the State). Each college and university (the Institutions) in the Fund is governed by its own Governing Board, which is responsible for the general determination, control, supervision, and management of the financial business and educational policies and affairs of its institution. The West Virginia Higher Education Policy Commission (the Policy Commission), in accordance with Senate Bill No. 653, is responsible for developing, gaining consensus around, and overseeing the implementation and development of a higher education public policy agenda. The Policy Commission is comprised of 10 persons appointed by the Governor with the advice and consent of the Senate. Senate Bill No. 448 gives the West Virginia Council for Community and Technical College Education (the Council) the responsibility of developing, overseeing, and advancing the State's public policy agenda as it relates to community and technical college education. The Council is comprised of 12 persons appointed by the Governor with the advice and consent of the Senate and is comprised of the following Institutions:

- Blue Ridge Community and Technical College
- BridgeValley Community and Technical College
- Eastern West Virginia Community and Technical College
- Mountwest Community and Technical College
- New River Community and Technical College
- Pierpont Community and Technical College (Pierpont)
- Southern West Virginia Community and Technical College
- West Virginia Northern Community College (Northern)
- West Virginia University at Parkersburg Community and Technical College

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by Governmental Accounting Standards Board standards (GASB). The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the Fund'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 accompanying financial statements present all Institutions under the authority of the Fund, including the Policy Commission and the Council. The basic criteria for inclusion in the accompanying financial statements is the exercise of oversight responsibility derived from the ability of the Fund to significantly influence operations and accountability for fiscal matters of related entities. (See Note 25 for condensed financial statements.) These entities are included in the financial statements as blended component units of the Fund.

Complete financial statements for any blended component unit can be obtained by contacting the Business Office of the West Virginia Higher Education Policy Commission, 1018 Kanawha Boulevard East, Suite 700, Charleston, WV 25301.

The Fund applies GASB discretely presented component unit requirements and, as a result, the financial statements of certain component units as first presented in the Component Units – Statement of Net Assets are discretely presented here with the Fund's financial statements. The component units are the separate private nonprofit organizations of each applicable institution that are required to be reported under GASB. These discretely presented component unit organizations report under Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The component units consist of foundations and other entities which meet the criteria for inclusion under GASB discretely presented component unit requirements.

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 Fund as a whole. Net position is classified into four categories according to external donor restrictions or availability of assets for satisfaction of Fund obligations. The Fund's net position is classified as follows:

Net Investment in Capital Assets

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

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

Restricted Net Position – Expendable

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

The West Virginia Legislature, as a regulatory body outside the reporting entity, has restricted the use of certain funds by Article 10, *Fees and Other Money Collected at State Institutions of Higher Education*, of the West Virginia State Code. House Bill No. 101 passed in March 2004 simplified the tuition and fees restrictions to auxiliaries and capital items. These activities are fundamental to the normal ongoing operations of the Fund. These restrictions are subject to change by future actions of the West Virginia Legislature.

Restricted Net Position – Nonexpendable

This includes endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted Net Position

Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational activities. These resources are used for transactions relating to the educational and general operations of the Fund, and may be used at the discretion of the respective governing boards to meet current expenses for any purpose.

Basis of Accounting

For financial reporting purposes, the Fund is considered a special-purpose government engaged only in business-type activities. Accordingly, the Fund'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 expenses when materials or services are received. All interdivision accounts and transactions have been eliminated.

Cash and Cash Equivalents

For purposes of the statements of net position, the Fund considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents (Continued)

Cash and cash equivalents balances on deposit with the State of West Virginia Treasurer's Office (the State Treasurer) are pooled by the State Treasurer with other available funds of the State for investment purposes by the West Virginia Board of Treasury Investments (BTI). These funds are transferred to the BTI and the BTI is directed by the State Treasurer to invest the funds in specific external investment pools in accordance with West Virginia Code, policies set by the BTI, the provisions of bond indentures, and the 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.

The BTI maintains the Consolidated Fund investment fund which consists of eight investment pools and participant-directed accounts, three of which the state and local governmental agencies may invest in. These pools have been structured as multi-participant variable net position funds to reduce risk and offer investment liquidity diversification to the Fund participants. Funds not required to meet immediate disbursement needs are invested for longer periods. A more detailed discussion of the BTI's investment operations pool can be found in its annual audited financial report. A copy of that annual audited financial report can be obtained from the following address: 1900 Kanawha Boulevard 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.

Investments

Investments measured and reported at fair value are classified according to the following hierarchy. Level 1, investments reflect prices quoted in active markets. Level 2, investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active. Level 3, investments reflect prices based upon unobservable inputs. The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

Alternative investments are carried at fair value using the net asset value as a practical expedient. These valuations include assumptions and methods that were reviewed by Fund management and are primarily based on quoted market prices or other readily determinable market values for the underlying investments. The Fund believes that the carrying amount of its alternative investments is a reasonable estimate of fair value. Because a portion of alternative investments is not readily marketable and the estimated value is subject to uncertainty, the reported value may differ from the value that would have been used had a ready market existed.

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

The Fund's investments held with the foundations and other agents are governed by investment policies that determine the permissible investments by category. The holdings include appropriately rated U.S. debt and equity securities, foreign debt and equity securities, as well as alternative investments. The respective investment policies outline the acceptable exposure to each category of investment and generally outline a liquidity goal.

Investments are made in accordance with and subject to provisions of the Uniform Prudent Investor Act codified as Chapter 44, Article 6C, of the West Virginia Code.

Allowance for Doubtful Accounts

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

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

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

Noncurrent Cash, Cash Equivalents, and Investments

Cash, cash equivalents, and investments that are (1) externally restricted to make debt service payments, long-term loans to students, or to maintain sinking or reserve funds, (2) to purchase capital or other noncurrent assets or settle long-term liabilities, or (3) held for permanently restricted net position, are classified as noncurrent assets 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 acquisition value at the date of donation in the case of gifts. Capital assets under service concession arrangements are recorded at acquisition value at the date of the gift. Interest on related borrowing, net of interest earnings on invested proceeds, is capitalized during the period of construction and was approximately \$1 million and \$.3 million for the years ended, respectively. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and infrastructure, 20 years for land improvements, 7 to 20 years for library assets, and 3 to 10 years for furniture and equipment. The estimated useful life of intangible assets varies. The financial statements reflect all adjustments required by GASB.

Unearned Revenue

Cash received for programs or activities to be conducted primarily in the next fiscal year is classified as unearned revenue, including items such as football ticket sales, tuition and fees and room and board. 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, and liabilities, including applicable note disclosures and required supplementary information. During fiscal year 2006, House Bill No. 4654 was established to create a trust fund for postemployment benefits for the State. Effective July 1, 2007, the Fund was 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 West Virginia Public Employees Insurance Agency (PEIA), State Capitol complex, Building 5, Room 1001, 1900 Kanawha Boulevard East, Charleston, West Virginia 25305-071 or <http://www.wvpeia.com>.

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences and Other Postemployment Benefits (Continued)

GASB requires entities to accrue for employees' rights to receive compensation for vacation leave, or payments in lieu of accrued vacation or sick leave, as such benefits are earned and payment becomes probable. The Fund'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 extends health insurance for one month of single coverage and three days extends 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 on 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 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. The same hire date mentioned above applies to coverage for faculty employees also. 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 Fund. Two groups of employees hired after July 1, 2010, will not be required to pay the unsubsidized rate: 1) active employees who were originally hired before July 1, 2010, who have a break in service of fewer than two years after July 1, 2010; and 2) retired employees who retired before July 1, 2010, return to active service after July 1, 2010, and then go back into retirement. In those cases, the original hire date will apply.

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

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the West Virginia Teachers' Retirement System (TRS), administered by the West Virginia Consolidated Public Retirement Board (CPRB), and additions to/reductions from the TRS fiduciary net position have been determined on the same basis as they are reported in the TRS financial statements, which can be found at <https://www.wvretirement.com/Publications.html#CAFR>. The plan schedules of TRS are prepared using the accrual basis of accounting and economic resources measurement focus in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Investments are reported at fair value. Detailed information on investment valuation can be found in the TRS financial statements. Management of TRS has made certain estimates and assumptions relating to employer allocation schedules, and actual results could differ (Note 14).

Deferred Outflows of Resources

Consumption of net position by the Fund that is applicable to a future fiscal year is reported as a deferred outflow of resources on the statements of net position. As of June 30, 2020 and 2019, the Fund had a deferred loss on refunding of approximately \$34,221 and \$29,704, respectively, deferred outflows of resources related to pensions of approximately \$2,383 and \$2,989, respectively (Note 14), deferred outflows of resources related to other postemployment benefits of \$35,186 and \$37,708, respectively, (Note 8) and deferred outflows of resources related to BRNI acquisition of \$0 and \$133, respectively. Deferred outflows are accreted over the periods of the refinancing bond issue related to the deferred loss on refinancing.

Deferred Inflows of Resources

An acquisition of net position by the Fund that is applicable to a future fiscal year is reported as a deferred inflow of resources on the statements of net position. Deferred inflows related to service concession arrangements are accreted over the periods of the service concession arrangements. As of June 30, 2020 and 2019, the Fund had total deferred inflows of resources of approximately \$39,068 and \$39,697 related to service concession arrangements. As of June 30, 2020 and 2019, the deferred inflows related to pensions were approximately \$7,944 and \$9,116 (Note 14). As of June 30, 2020 and 2019, the deferred inflows related to other postemployment benefits were approximately \$93,649 and \$66,587, respectively (Note 8). Other deferred inflows of resources include deferred gains on refunding and deferred federal Pell grants of approximately \$9,711 and \$10,889 as of June 30, 2020 and 2019, respectively.

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risk Management

The State's Board of Risk and Insurance Management (BRIM) provides general liability, medical malpractice liability, property, and auto insurance coverage to the Fund and its employees. Such coverage is provided to the Fund through a self-insurance program maintained by BRIM for general liability, medical malpractice liability, and auto insurance coverage. BRIM maintains a self-insurance program to pay the first \$1 million of each property insurance claim and purchases excess property insurance from the commercial insurance market to cover individual claims that exceed \$1 million. The BRIM self-insurance programs may involve experience and exposure-related premiums.

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

The WVU and Marshall Schools of Medicine (SOMs) have established a \$250 deductible program under BRIM's professional liability coverage for the SOMs effective July 1, 2005. Starting July 1, 2005, the SOMs assumed the risk and responsibility for any and all indemnity amounts up to \$250 per occurrence and all loss expenses associated with medical malpractice claims and/or suits in exchange for a reduction in its premium for medical malpractice insurance. For fiscal year 2020, BRIM will provide coverage for indemnity amounts between \$250 and \$1,605 per occurrence. For fiscal year 2019, BRIM will provide coverage for indemnity amounts between \$250 and \$1,575 per occurrence. After June 30, 2016, BRIM coverage may increase annually based on the Consumer Price Index until it reaches a maximum of \$2,000 per occurrence. Prior to July 1, 2005, the SOMs were totally covered by BRIM at a limit of \$1,000 per occurrence.

Under the program, the SOMs entered into an agreement with BRIM whereby the SOMs have on deposit \$4.5 million as of June 30, 2020 and 2019, in escrow accounts created in the State Treasury from which BRIM may withdraw amounts to pay indemnity costs and allocated expenses in connection with medical malpractice claims against the SOMs. Additionally, the WVU Health Sciences Center also has on deposit \$38.9 million and \$33.9 million as of June 30, 2020 and 2019, respectively, in an investment account with the West Virginia University Foundation to cover the liabilities under this program. Marshall has a receivable from the University Physicians & Surgeons, Inc. for the funding it has agreed to provide for the self-insurance liability of \$10.1 million and \$8.0 million as of June 30, 2020 and 2019, respectively. Based on actuarial valuations of this self-insurance program, the Fund has recorded a liability of \$35.8 million and \$32.5 million to reflect projected claim payments at June 30, 2020 and 2019, respectively, for both WVU's and Marshall's SOMs.

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risk Management (Continued)

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

Classification of Revenues

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

Operating Revenues

Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state, local, and nongovernmental grants and contracts, (4) federal appropriations for land grant institutions, (5) sales and services of educational activities, and (6) revenue from leasing.

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 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 Fund 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 assets are available. Generally, the Fund attempts to utilize restricted net position first when practicable. Certain Institutions have adopted a policy to utilize restricted net position first.

Federal Financial Assistance Programs

The Fund 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 the institutions within the Fund. Direct student loan receivables are not included in the Fund's statements of net position. In 2020 and 2019, the Fund received and disbursed, or awarded, approximately \$406.8 million and \$423.3 million, respectively, under the Direct Loan Program, which is not included as revenue and expense in the statements of revenues, expenses, and changes in net position.

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal Financial Assistance Programs (Continued)

The Fund 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 Fund received and disbursed approximately \$112.8 million and \$116.4 million, respectively, under these federal student aid programs.

Scholarship Allowances

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

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

Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on an institution 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 Fund recognizes revenue associated with direct costs as the related costs are incurred. Recovery of related indirect costs is generally recorded at fixed rates negotiated for a period of one to five years.

Income Taxes

The Fund 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.

Cash Flows

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

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, deferred inflows 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 materially from those estimates.

Risk and Uncertainties

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

Reclassifications

Certain amounts in the 2019 financial statements have been reclassified to conform to the 2020 presentation.

Newly Adopted Statements Issued by the Governmental Accounting Standards Board

The Fund has implemented GASB Statement No. 90, *Majority Equity Interests*. This Statement modifies previous guidance for reporting a government's majority equity interest in a legally separate organization. This Statement also provides guidance for reporting a component unit if a government acquires a 100 percent equity interest in that component unit. The adoption of this Statement did not have a material impact on the Fund's financial statements.

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Administrative 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.

Recent Statements Issued by the Governmental Accounting Standards Board

The GASB has also issued Statement No. 84, *Fiduciary Activities*, which is effective for fiscal years beginning after December 15, 2019. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments to determine whether an activity should be reported in a fiduciary fund in the financial statements. The Fund has not yet determined the effect that the adoption of GASB Statement No. 84 may have on its financial statements.

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The GASB has also issued Statement No. 87, *Leases*, which is effective for fiscal years beginning after June 15, 2021. Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. In other words, most leases currently classified as operating leases will be accounted for and reported in the same manner as capital leases. The Fund has not yet determined the effect that the adoption of GASB Statement No. 87 may have on its financial statements.

The GASB has also issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which is effective for fiscal years beginning after December 15, 2020. The objective of this statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify the accounting for certain interest costs. This Statement also establishes accounting requirements for interest cost incurred before the end of a construction period. The Fund has not yet determined the effect that the adoption of GASB Statement No. 89 may have on its financial statements.

The GASB has also issued Statement No. 91, *Conduit Debt Obligations*, which is effective for fiscal years beginning after December 15, 2021. This Statement defines conduit debt obligations for accounting and financial reporting purposes and establishes standards for recognition, measurement, and disclosure for issuers. The Fund has not yet determined the effect that the adoption of GASB Statement No. 91 may have on its financial statements.

The GASB also issued Statement No. 92, *Omnibus*, which is effective for fiscal years beginning after June 15, 2021. This Statement establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The Fund has not yet determined the effect that the adoption of GASB Statement No. 92 may have on its financial statements.

The GABS also issued Statement No. 93, *Replacement of Interbank Offered Rates*, which is effective for fiscal years beginning after June 15, 2021. 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 Fund has not yet determined the effect that the adoption of GASB Statement No. 92 may have on its financial statements.

In March 2020, the GASB issued Statement No. 94, *Private Public 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 Fund has not yet determined the effect that the adoption of GASB Statement No. 94 may have on its financial statements.

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 Fund has not yet determined the effect that the adoption of GASB Statement No. 96 may have 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 Fund has not yet determined the effect that the adoption of GASB Statement No. 97 may have on its financial statements.

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NOTE 3 CASH AND CASH EQUIVALENTS

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

	2020		
	Current	Noncurrent	Total
State Treasurer	\$ 368,439	\$ 6,233	\$ 374,672
Municipal Bond Commission	1,787	-	1,787
Trustee	17	109,748	109,765
Bank	57,806	177	57,983
Cash Equivalents	7,148	-	7,148
Escrowed Cash	-	4,508	4,508
On Hand	44	-	44
Total	<u>\$ 435,241</u>	<u>\$ 120,666</u>	<u>\$ 555,907</u>
	2019		
	Current	Noncurrent	Total
State Treasurer	\$ 342,638	\$ 11,004	\$ 353,642
Municipal Bond Commission	1,815	14	1,829
Trustee	2	39,974	39,976
Bank	76,378	476	76,854
Cash Equivalents	4,601	-	4,601
Escrowed Cash	-	4,524	4,524
On Hand	58	-	58
Total	<u>\$ 425,492</u>	<u>\$ 55,992</u>	<u>\$ 481,484</u>

Amounts held by the Municipal Bond Commission or trustee represent various project revenue, debt service, and other repair and replacement reserve funds required to be escrowed by various bond trust indentures. Other amounts held by the State Treasurer include \$20.0 million and \$23.0 million of restricted cash at June 30, 2020 and 2019, respectively. Cash equivalents are primarily related to amounts held in money markets, repurchase agreements, and savings accounts.

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NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

The combined carrying amounts of cash in the bank at June 30, 2020 and 2019, were \$57.9 million and \$77.3 million, as compared with the combined bank balance of \$59.7 million and \$77.4 million, respectively. The difference is primarily caused by outstanding checks and items in transit. The bank balances were covered by federal depository insurance as noted below or were secured by financial instruments held as collateral by the State's agent. Regarding federal depository insurance, interest bearing accounts are insured by the Federal Deposit Insurance Company (FDIC) up to \$250,000.

Amounts with the State Treasurer as of June 30, 2020 and 2019 are comprised of approximately \$105.2 million and \$88.6 million, respectively, held by the State Treasury Fund and not invested, and three investment pools, the WV Money Market Pool, the WV Government Money Market Pool and the WV Short Term Bond Pool.

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

External Pool	2020		2019	
	Carrying Value (in Thousands)	S & P Rating	Carrying Value (in Thousands)	S & P Rating
WV Money Market Pool	\$ 261,377	AAAm	\$ 257,093	AAAm
WV Government Money Market Pool	\$ 1,787	AAAm	\$ 1,815	AAAm
WV Short-Term Bond Pool	\$ 6,347	Not Rated	\$ 6,085	Not Rated

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

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

External Pool	2020		2019	
	Carrying Value (in Thousands)	WAM (Days)	Carrying Value (in Thousands)	WAM (Days)
WV Money Market Pool	\$ 261,377	44	\$ 257,093	42
WV Government Money Market Pool	\$ 1,787	50	\$ 1,815	40

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NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

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	\$ 6,347	620	\$ 6,085	723

Cash in Bank with Trustee

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Cash in bank with trustee is governed by provisions of various bond agreements.

	Carrying Value	
	2020 (in Thousands)	2019 (in Thousands)
Investment Type: Money Market Fund	\$ 109,765	\$ 39,976

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 Fund will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The Fund 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 Fund’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.

NOTE 4 INVESTMENTS

The Fund categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The Fund had the following recurring fair value measurements comprised of investments as of June 30, 2020 and 2019 (dollars in thousands):

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NOTE 4 INVESTMENTS (CONTINUED)

	2020			
	Fair Value	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
U.S. Government Investments:				
Cash	\$ 10,341	\$ 10,341	\$ -	\$ -
Agency Obligations	934	934	-	-
Treasury Obligations	50,087	50,087	-	-
Mutual Money Market Funds	8	8	-	-
Corporate Bonds	11,266	11,266	-	-
Mutual Bond Funds:				
Brandywine Global Fixed Income	3,493	-	3,493	-
Guggenheim TR Bond	8,265	112	8,031	122
iShares Barclays 3-7 Year Treasury	7,942	7	7,935	-
iShares Barclays 7-10 Year Treasury	9,043	75	8,968	-
Wells Fargo	6	6	-	-
Muzinich Credit Opportunities Fund	6,583	63	6,520	-
Fixed Income Funds:				
IR&M Core Bond	11,964	-	11,964	-
Other	2,532	2,532	-	-
Mutual Stock Funds:				
Artisan International Small Cap	889	889	-	-
Eaton Vance	1,088	1,088	-	-
Equity Mutual Funds	33,655	33,655	-	-
Maingate MLP Fund	1,984	1,984	-	-
MFS International Value Fund	8,761	4,163	4,598	-
MFS Investment Management	7,603	7,603	-	-
Oppenheimer International Growth Fund	7,451	1,220	6,231	-
Other	14,672	7,232	7,440	-
REMS RE	1,358	1,306	52	-
Vanguard S&P 500ETF	23,864	23,864	-	-
Vanguard Total Stock Market	35,277	35,277	-	-
Wellington EM	6,903	6,903	-	-
Wells Fargo	493	493	-	-
Limited Partnership Equity:				
Frontier Small Cap	1,220	1,220	-	-
TI Platform Fund	1,371	-	-	1,371
TI Platform Fund II	452	-	-	452
747 Stuyvesant VI LP	390	-	-	390
Investments Held by Marshall University Foundation				
Foundation	73,509	-	73,509	-
Other	989	-	-	989
Total	<u>344,393</u>	<u>\$ 202,328</u>	<u>\$ 138,741</u>	<u>\$ 3,324</u>
Investments Measured at Net Asset Value (NAV):				
Morgan Stanley	7,844			
Investments Measured at Cost:				
Progenesis Technologies	100			
Total Investments	<u>\$ 352,337</u>			

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NOTE 4 INVESTMENTS (CONTINUED)

	2019			
	Fair Value	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
U.S. Government Investments:				
Cash	\$ 4,434	\$ 4,434	\$ -	\$ -
Agency Obligations	113	113	-	-
Treasury Obligations	31,507	31,507	-	-
Mutual Money Market Funds	10	10	-	-
Corporate Bonds	9,649	9,649	-	-
Mutual Bond Funds:				
Brandywine Global Fixed Income	2,563	-	2,563	-
Guggenheim TR Bond	4,605	-	4,605	-
iShares Barclays 3-7 Year Treasury	4,462	-	4,462	-
iShares Barclays 7-10 Year Treasury	4,467	-	4,467	-
Wells Fargo	6	6	-	-
Vanguard Treasury	5,081	5,081	-	-
Muzinich Credit Opportunities Fund	4,778	-	4,778	-
Fixed Income Funds:				
IR&M Core Bond	9,629	-	9,629	-
Other	5,568	5,568	-	-
Mutual Stock Funds:				
Artisan International Small Cap	1,100	1,100	-	-
Eaton Vance	1,029	1,029	-	-
Equity Mutual Funds	33,664	33,664	-	-
Goldman Sachs EM	2,624	691	1,933	-
Maingate MLP Fund	1,003	1,003	-	-
MFS International Value Fund	9,251	7,356	1,895	-
MFS Investment Management	7,387	7,387	-	-
Oppenheimer International Growth Fund	8,305	2,082	6,223	-
Other	241	241	-	-
REMS RE	1,069	1,069	-	-
Vanguard S&P 500ETF	15,153	15,153	-	-
Vanguard Total Stock Market	30,191	30,191	-	-
Wellington EM	2,146	1,912	234	-
Wells Fargo	473	473	-	-
Limited Partnership Equity:				
Frontier Small Cap	907	907	-	-
TI Platform Fund	411	-	-	411
TI Platform Fund II	118	-	-	118
747 Stuyvesant VI LP	138	-	-	138
Investments Held by Marshall University Foundation				
Foundation	73,330	-	73,330	-
Other	1,002	-	-	1,002
Total	276,414	<u>\$ 160,626</u>	<u>\$ 114,119</u>	<u>\$ 1,669</u>
Investments Measured at Net Asset Value (NAV):				
Morgan Stanley	8,162			
Investments Measured at Cost:				
Progenesis Technologies	100			
Total Investments	<u>\$ 284,676</u>			

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NOTE 4 INVESTMENTS (CONTINUED)

Historically, the Fund was unable to invest excess operating funds outside of the State Treasurer. In 2005, the West Virginia State Legislature passed Senate Bill No. 603 (S.B. 603). S.B. 603 granted certain institutions the ability to invest a limited amount of funds with their foundations. In 2015, the Legislature passed Senate Bill 425 which allowed all monies of certain institutions to be invested with their foundations except for General Revenue funds.

As of June 30, 2020 and 2019, WVU's investments held with the Foundation were \$162.2 million and \$112.4 million, respectively. WVU's investments held with the Foundation are governed by investment policies and an investment management agency agreement that determine the permissible investments by category. The holdings include cash accounts, mutual bond funds, mutual stock funds, fixed income and limited partnership equity investments. The investment management agency agreement outlines the acceptable exposure to each category of investment and generally outlines a liquidity goal. The agreement also states that at no time will illiquid investment assets (defined as those assets that cannot be converted into cash within 90 days) exceed 10% of any portfolio.

During 2016, Marshall and its Foundation executed an Investment Management Agency Agreement in which the Foundation was appointed as Marshall's investment agent. Under the agreement, the Foundation has full power and authority to make purchases and sales of securities on behalf of Marshall. Other responsibilities of the Foundation, in part, are to account for Marshall assets separately from Foundation assets, provide monthly investment reports to Marshall and engage third-party investment managers to invest Marshall assets in accordance with the asset allocation provisions established by Marshall's Investment Committee. Marshall's investments are held in the name of the Foundation. In return for the above noted services, Marshall pays the Foundation investment advisory fees as defined in the agreement.

Investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Investments classified in Level 2 of the fair value hierarchy are valued based on the securities' relationship to benchmark quoted prices. Level 3 represents investments with no observable market.

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

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NOTE 4 INVESTMENTS (CONTINUED)

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented as follows at June 30 (dollars in thousands):

	2020			
	Fair Value	Unfunded Commitments	Redemption Frequency	Notice Period
Morgan Stanley Private:				
Renaissance Institutional Equities	\$ 2,082	None	Monthly	60 Days
HP Millennium International	1,107	None	Quarterly	30 Days
Mudrick Distressed Opportunity Fund	4,426	None	Quarterly	90 Days
KKR Dislocation Fund	229	\$ 2,313	n/a	n/a
Total Investments Measured at the NAV	<u>\$ 7,844</u>			
	2019			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Morgan Stanley Private:				
Renaissance Institutional Equities	\$ 2,261	None	Monthly	60 Days
HP Millennium International	1,055	None	Quarterly	30 Days
Mudrick Distressed Opportunity Fund	4,846	None	Quarterly	90 Days
Total Investments Measured at the NAV	<u>\$ 8,162</u>			

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

WVU, Marshall and WVSOM investment policies generally adhere to fiduciary responsibilities in accordance with the provisions of the Uniform Prudent Investor Act (WV State Code 44-6C-1 Prudent Investor Rule). Oversight will occur with care, skill, prudence, and diligence.

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NOTE 4 INVESTMENTS (CONTINUED)

Credit Risk (Continued)

At June 30, 2020 and 2019, Standard & Poor's (S&P) credit ratings were as follows:

<u>Investment Type</u>	<u>Standard & Poor's Rating</u>	
	<u>2020</u>	<u>2019</u>
Bank of America Corp	A-	A-
Brandywine Global Fixed Income	A+	A+
Booking Holdings Inc	A-	-
Cheniere Corpus Christi Holdings LLC	BBB-	-
General Electric Co	BBB+	BBB+
General Motors Financial	-	BBB
Goldman Sachs Group	BBB+	BBB+
Guggenheim TR Bond	A	Aa2
Hewlett Packard Enterprise Co	BBB	-
HollyFrontier Corp	BBB-	BBB-
Intl Lease Finance Corp	BBB	BBB-
IR&M Core Bond	-	Aa2
iShares Barclays 3-7 Year Treasury	AAA	AAA
iShares Barclays 7-10 Year Treasury	AAA	AAA
Jefferies Group Inc	-	BBB-
KLA-Tencor Corp	-	BBB
Morgan Stanley Fixed	BBB+	BBB+
Mutual Money Market Funds	Aaa-mf	Aaa-mf
Muzinich Credit Opportunities Fund	BBB	Baa3
Mylan NV	BBB-	-
Vanguard Treasury	-	AAA
Wells Fargo & Co Fxd	A-	-

Remaining investments have not been rated.

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NOTE 4 INVESTMENTS (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The following tables show the maturities for other investments for WVU at June 30 (dollars in thousands):

<u>Investment Type</u>	2020				
	Investment Maturities				
	Fair Value	Less Than One Year	1-5 Years	6-10 Years	More Than 10 Years
U.S. Treasury Notes and U.S. Government Backed Money Market Funds	\$ 38,452	\$ 29,382	\$ 9,070	\$ -	\$ -
Mutual Bond Funds	31,839	793	9,631	16,846	4,569
Investment Cash Accounts Funds	10,341	10,341	-	-	-
Total	\$ 80,632	\$ 40,516	\$ 18,701	\$ 16,846	\$ 4,569

<u>Investment Type</u>	2019				
	Investment Maturities				
	Fair Value	Less Than One Year	1-5 Years	6-10 Years	More Than 10 Years
U.S. Treasury Notes and U.S. Government Backed Money Market Funds	\$ 18,869	\$ 2,696	\$ 16,173	\$ -	\$ -
Mutual Bond Funds	25,962	7,428	6,364	9,347	2,823
Investment Cash Accounts	4,434	4,434	-	-	-
Fixed Income Funds	9,629	655	4,969	2,195	1,810
Total	\$ 58,894	\$ 15,213	\$ 27,506	\$ 11,542	\$ 4,633

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NOTE 4 INVESTMENTS (CONTINUED)

Interest Rate Risk (Continued)

For WVU, interest rate risk is managed by limiting the time period or duration of the specific investment. At June 30, 2020, the U.S. Treasury Notes have maturities through May 31, 2022 and interest rates which range from 1.375% to 2.75%. At June 30, 2019, the U.S. Treasury Notes have maturities through May 31, 2022 and interest rates which range from 1.5% to 2.25%. The following tables show the maturities for WVSOM at June 30 (dollars in thousands):

<u>Bond Maturity</u>	<u>2020</u>		<u>2019</u>	
	<u>Market Value</u>	<u>% of Bond Market Value</u>	<u>Market Value</u>	<u>% of Bond Market Value</u>
Less than 1 Year	\$ 2,590	16.5 %	\$ 2,052	12.5 %
1 to 5 Years	13,064	83.5	12,765	77.6
6 to 10 Years	-	-	1,629	9.9
Total	<u>\$ 15,654</u>	<u>100.0 %</u>	<u>\$ 16,446</u>	<u>100.0 %</u>

Concentration of Credit Risk

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

At June 30, 2020 and 2019, WVU's investments were not subject to concentration of credit risk.

Marshall's investment portfolio strategy includes three investment pools, the Long Term Investment Pool, the Mid Term Investment Pool, and the Operating Investment Pool. The objective of Marshall's portfolio strategy is to enhance the Investment Pool's long-term viability by maximizing the value with a prudent, balanced level of risk.

To minimize risk, WVSOM's investment policy allows for no more than 5% of available assets to be invested with any one issuer, except U.S. government securities.

Custodial Credit Risk

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

For Fund investments, at June 30, 2020 and 2019, there was no custodial credit risk.

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.

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NOTE 4 INVESTMENTS (CONTINUED)

Foreign Currency Risk (Continued)

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

<u>Currency</u>	<u>2020</u>	<u>2019</u>
Australian Dollar	\$ 788	\$ 745
Brazilian Real	574	416
British Pence	1,921	2,372
British Pound Sterling	1,049	133
British Pound	506	22
Canadian Dollar	1,026	685
Czech Koruna	166	70
Chilean Peso	207	169
China Renminbi	-	88
CNH	274	-
Columbian Peso	-	7
Danish Krone	670	278
Euro	8,856	9,840
Hong Kong Dollar	3,334	1,808
Hungarian Forint	-	5
Indian Rupee	380	218
Indonesian Rupiah	134	137
Israeli Arorot	9	-
Japanese Yen	4,117	3,052
Kenyan Shilling	25	5
Korean Won	856	-
Malaysian Ringgit	241	196
Mexican Peso	602	473
New Taiwan Dollar	1,411	-
New Turkish Lira	-	40
New Zealand Dollar	66	104
Norwegian Krone	-	310
Peruvian Nuevo Sol	-	72
Philippine Peso	68	10
Polish Zloty	157	174
Russian Ruble	-	26
Singapore Dollar	137	53
South African Cent	-	225
South African Rand	369	7
South Korean Dollar	243	103
South Korean Won	105	592
Swedish Krona	743	622
Swiss Franc	2,422	2,314
Taiwanese Dollar	-	449
Thai Baht	171	196
Turkish Lira	56	-
Uae Dirham	-	16
U.S. Dollar	179,171	114,844
Total	<u>\$ 210,854</u>	<u>\$ 140,876</u>

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NOTE 5 ACCOUNTS RECEIVABLE

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

	<u>2020</u>	<u>2019</u>
Students, Net of Allowance of \$30,899 and \$27,888 in 2020 and 2019, Respectively	\$ 23,382	\$ 19,401
Grants and Contracts, Net of Allowance of \$1,533 and \$918 in 2020 and 2019, Respectively	55,617	53,818
Auxiliary Services, Net of Allowance of \$2,378 and \$2,300 in 2020 and 2019, Respectively	4,768	2,695
Due from State and State Agencies	6,399	7,511
Other, Net of Allowance of \$410 and \$808 in 2020 and 2019, Respectively	44,183	44,347
Total	<u>\$ 134,349</u>	<u>\$ 127,772</u>

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NOTE 6 CAPITAL ASSETS

The following, for the years ended June 30, is a summary of capital assets transactions for the Fund (dollars in thousands):

	2020			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital Assets not being Depreciated or Amortized:				
Land	\$ 169,020	\$ 2,365	\$ 500	\$ 170,885
Construction in Progress	64,023	100,567	64,403	100,187
Other	121	-	-	121
Total Capital Assets not being Depreciated or Amortized	233,164	102,932	64,903	271,193
Other Capital Assets:				
Land Improvements	101,214	3,414	-	104,628
Infrastructure	450,819	18,796	569	469,046
Buildings	3,658,919	99,437	-	3,758,356
Equipment	437,855	28,077	13,449	452,483
Software	64,306	3,072	32	67,346
Library Books	204,597	4,729	361	208,965
Intangibles and Others	139,974	184	-	140,158
Total Other Capital Assets	5,057,684	157,709	14,411	5,200,982
Less Accumulated Depreciation on Amortization for:				
Land Improvements	61,612	5,719	-	67,331
Infrastructure	316,078	9,790	401	325,467
Buildings	1,073,665	76,353	5,358	1,144,660
Equipment	318,683	26,721	11,985	333,419
Software	61,357	1,585	32	62,910
Library Books	181,651	6,150	175	187,626
Intangibles and Others	134,594	3,680	-	138,274
Total Accumulated Depreciation and Amortization	2,147,640	129,998	17,951	2,259,687
Other Capital Assets, Net	2,910,044	27,711	(3,540)	2,941,295
Capital Assets, Net	\$ 3,143,208	\$ 130,643	\$ 61,363	\$ 3,212,488
Capital asset summary:				
Capital Assets not being Depreciated or Amortized:	\$ 233,164	\$ 102,932	\$ 64,903	\$ 271,193
Other Capital Assets	5,057,684	157,709	14,411	5,200,982
Total Cost of Capital Assets	5,290,848	260,641	79,314	5,472,175
Less Accumulated Depreciation and Amortization	2,147,640	129,998	17,951	2,259,687
Capital Assets, Net	\$ 3,143,208	\$ 130,643	\$ 61,363	\$ 3,212,488

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NOTE 6 CAPITAL ASSETS (CONTINUED)

	2019			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital Assets not being Depreciated or Amortized:				
Land	\$ 168,288	\$ 1,076	\$ 344	\$ 169,020
Construction in Progress	106,324	53,023	95,324	64,023
Other	121	-	-	121
Total Capital Assets not being Depreciated or Amortized	274,733	54,099	95,668	233,164
Other Capital Assets:				
Land Improvements	99,646	3,424	1,856	101,214
Infrastructure	401,354	49,466	1	450,819
Buildings	3,618,273	53,067	12,421	3,658,919
Equipment	422,397	29,475	14,017	437,855
Software	67,424	201	3,319	64,306
Library Books	199,576	5,613	592	204,597
Intangibles and Others	137,489	2,485	-	139,974
Total Other Capital Assets	4,946,159	143,731	32,206	5,057,684
Less Accumulated Depreciation on Amortization for:				
Land Improvements	56,476	5,883	747	61,612
Infrastructure	306,095	9,864	(119)	316,078
Buildings	1,007,768	74,865	8,968	1,073,665
Equipment	304,213	27,052	12,582	318,683
Software	63,286	1,390	3,319	61,357
Library Books	175,782	6,208	339	181,651
Intangibles and Others	129,410	5,184	-	134,594
Total Accumulated Depreciation and Amortization	2,043,030	130,446	25,836	2,147,640
Other Capital Assets, Net	2,903,129	13,285	6,370	2,910,044
Capital Assets, Net	<u>\$ 3,177,862</u>	<u>\$ 67,384</u>	<u>\$ 102,038</u>	<u>\$ 3,143,208</u>
Capital asset summary:				
Capital Assets not being Depreciated or Amortized:	\$ 274,733	\$ 54,099	\$ 95,668	\$ 233,164
Other Capital Assets	4,946,159	143,731	32,206	5,057,684
Total Cost of Capital Assets	5,220,892	197,830	127,874	5,290,848
Less Accumulated Depreciation and Amortization	2,043,030	130,446	25,836	2,147,640
Capital Assets, Net	<u>\$ 3,177,862</u>	<u>\$ 67,384</u>	<u>\$ 102,038</u>	<u>\$ 3,143,208</u>

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NOTE 6 CAPITAL ASSETS (CONTINUED)

The Fund maintains certain collections of inexhaustible assets to which no value can be practically determined. Accordingly, such collections are not capitalized or recognized for financial statement purposes. Such collections include contributed works of art, historical treasures, and literature that are held for exhibition, education, research, and public service. These collections are neither disposed of for financial gain nor encumbered in any means.

The Fund has construction commitments at June 30, 2020, of approximately the following (dollars in thousands):

Fairmont	\$	158
Marshall		2,679
Pierpont		37
Northern		69
Eastern		38
Policy Commission		450
WVSOM		39
WVU		<u>2,500</u>
Total	\$	<u><u>5,970</u></u>

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NOTE 7 LONG-TERM LIABILITIES

The following, for the years ended June 30, 2020 and 2019, is a summary of long-term obligation transactions for the Fund (dollars in thousands):

	2020				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds, Capital Leases, and Notes Payable:					
Notes Payable	\$ 71,205	\$ 5,899	\$ (4,575)	\$ 72,529	\$ 6,411
Capital Leases Payable	43,201	57,999	(5,372)	95,828	4,543
Bonds Payable	1,175,434	632,701	(540,489)	1,267,646	36,060
Total Bond, Capital Leases, and Notes Payable	1,289,840	696,599	(550,436)	1,436,003	
Advances from Federal Sponsors	37,841	449	(7,181)	31,109	-
Real Estate Purchase Agreements Payable	12,263	-	(776)	11,487	262
Accrued Compensated Absences	52,196	7,854	(1,404)	58,646	53,678
Future Interest Payable	38,431	-	(1,239)	37,192	4,886 *
Net OPEB Liability	262,154	2,340	(60,246)	204,248	-
Net Pension Liability	13,808	472	(2,930)	11,350	-
Other Noncurrent Liabilities	37,241	10,622	(7,183)	40,680	849
Total Long-Term Liabilities	<u>\$ 1,743,774</u>	<u>\$ 718,336</u>	<u>\$ (631,395)</u>	<u>\$ 1,830,715</u>	

* The current portion of future interest payable is included in interest payable on the statement of net position.

	2019				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds, Capital Leases, and Notes Payable:					
Notes Payable	\$ 71,859	\$ 974	\$ (1,628)	\$ 71,205	\$ 3,408
Capital Leases Payable	45,315	5,337	(7,451)	43,201	4,989
Bonds Payable	1,211,546	5,133	(41,244)	1,175,435	43,199
Total Bond, Capital Leases, and Notes Payable	1,328,720	11,444	(50,323)	1,289,841	
Advances from Federal Sponsors	37,108	1,341	(608)	37,841	-
Real Estate Purchase Agreements Payable	13,058	-	(795)	12,263	589
Accrued Compensated Absences	49,072	4,409	(1,285)	52,196	48,117
Future Interest Payable	39,025	-	(594)	38,431	4,754 *
Net OPEB Liability	283,628	4,513	(25,987)	262,154	-
Net Pension Liability	20,016	307	(6,515)	13,808	-
Other Noncurrent Liabilities	38,843	9,670	(11,272)	37,241	787
Total Long-Term Liabilities	<u>\$ 1,809,470</u>	<u>\$ 31,684</u>	<u>\$ (97,379)</u>	<u>\$ 1,743,775</u>	

* The current portion of future interest payable is included in interest payable on the statement of net position.

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NOTE 8 OTHER POSTEMPLOYMENT BENEFITS

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

	2020	2019
Net OPEB Liability	\$ 204,248	\$ 262,154
Deferred Outflows of Resources	35,186	37,708
Deferred Inflows of Resources	93,649	66,587
Revenues	12,385	16,563
OPEB Expense	6,444	23,767
Contributions Made by the Fund	23,321	24,437

Plan Description

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

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

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

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NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Benefits Provided

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

Contributions

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

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

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

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

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

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

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NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Contributions (Continued)

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

Assumptions

The net OPEB liability for financial reporting purposes was determined by an actuarial valuations as of June 30, 2018 and 2017, respectively, 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 method.
- Amortization method and period: Level percentage of payroll over 20 years.
- Investment rate of return: 7.15%, net of OPEB plan investment expense, including inflation.
- Projected salary increases: dependent on pension system ranging from 3.00% to 6.50%, including inflation.
- Healthcare cost trend rates: Trend rate for pre-Medicare per capita costs of 8.5% for plan year 2020, decreasing by .5% each year thereafter, until ultimate trend rate of 4.5% is reached 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 .5% each year thereafter, until ultimate trend rate of 4.5% is reached in plan year-end 2031.
- Inflation rate: 2.75%.
- Discount rate: 7.15%
- Mortality rates: based on RP-2000 Mortality Tables.

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NOTE 8 OTHER POSTEMPLOYMENT 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.

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.

2020

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

2019

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

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NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Assumptions (Continued)

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

Sensitivity of the net pension liability to changes in the discount rate. The following presents the Fund's proportionate share of the net OPEB liability as of June 30, 2020 and 2019, respectively, calculated using the discount rate of 7.15%, as well as what the Fund'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	\$ 244,661	\$ 204,248	\$ 171,914
Net OPEB Liability 2019	308,413	262,154	244,067

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability 2020	\$ 165,422	\$ 204,248	\$ 251,260
Net OPEB Liability 2019	217,132	262,154	317,584

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. The net OPEB liabilities at June 30, 2020 and 2019 were measured as of June 30, 2019 and 2018, which are the measurement dates. The total OPEB liabilities at June 30, 2020 and 2019 were determined by actuarial valuations as of June 30, 2018 and 2017, respectively, and rolled forward to the measurement dates.

At June 30, 2020 and 2019, the amount recognized as the Fund's proportionate share of the net OPEB liability was \$204,248 and \$262,154, respectively. At June 30, 2020 and 2019, the nonemployer contributing entity's (State of West Virginia) portion of the collective net OPEB liability is \$41,591 and \$54,235, respectively. At June 30, 2020 and 2019, the total net OPEB liability attributable to the Fund is \$245,839 and \$316,389, respectively.

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NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Assumptions (Continued)

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, 2019 and June 30, 2018. Employer contributions are recognized when due. At June 30, 2019, the Fund's proportion was 12.2492179%, an increase of 0.0185929% from its proportion of 12.2307243% calculated as of June 30, 2018. At June 30, 2018, the Fund's proportion was 12.2307243%, an increase of 0.6864575% from its proportion of 11.5442668% as of June 30, 2017.

For the year ended June 30, 2020 and 2019, the Fund recognized OPEB expense of \$6.4 million and \$23.8 million, respectively. Of this amount, \$(5.8) million and \$7.2 million was recognized as the Fund's proportionate share of the OPEB expense, and \$12.4 million and \$16.6 million as the amount of OPEB expense attributed to special funding. The Fund also recognized revenue of \$12.4 million and \$16.6 million, respectively, for support provided by the State.

At June 30, 2020 and 2019, deferred outflows of resources and deferred inflows of resources related to OPEB are as follows:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in Expected and Actual Experience	\$ 24	\$ 23,822	\$ -	\$ 4,244
Changes in Proportion and Difference Between Employer Contributions an Proportionate Share of Contributions	11,798	21,057	13,272	31,683
Net Difference between Projected and Actual investment earnings	-	3,051	-	4,850
Changes in Assumptions	-	40,592	-	25,810
Contributions after measurement date	23,321	-	24,436	-
Reallocation after opt-out	43	5,127	-	-
	<u>\$ 35,186</u>	<u>\$ 93,649</u>	<u>\$ 37,708</u>	<u>\$ 66,587</u>

The Fund will recognize the \$23,321 reported as deferred outflows of resources resulting from OPEB contributions after the measurement date as a reduction of the net OPEB liability in the year ended June 30, 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>Year Ending June 30.</u>	<u>Amortization</u>
2021	\$ 31,640
2022	28,794
2023	17,762
2024	4,020
2025	(432)
Total	<u>\$ 81,784</u>

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NOTE 9 LEASE OBLIGATIONS

Capital

The Fund leases certain property, plant, and equipment through capital leases. At June 30, 2020 and 2019, leased equipment and buildings with a net book value of approximately \$82.7 million and \$44.3 million, respectively, are included in equipment and buildings. The following is a schedule by year of future annual minimum payments required under the lease obligations existing at June 30, 2020 (dollars in thousands):

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 9,466
2022	8,782
2023	7,775
2024	7,810
2025	7,050
2026-2030	30,254
2031-2035	28,886
2036-2040	28,076
2041-2045	26,728
2046-2050	22,575
2051-2055	19,488
Future Minimum Lease Payments	196,890
Less Interest	101,062
Total	<u>\$ 95,828</u>

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NOTE 9 LEASE OBLIGATIONS (CONTINUED)

Operating

The Fund had entered into various operating lease agreements. Future annual minimum lease payments for years subsequent to June 30, 2020, are as follows (dollars in thousands):

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 12,503
2022	9,972
2023	8,503
2024	6,686
2025	3,878
2026-2030	12,278
2031-2035	3,013
2036-2040	5
2041-2045	5
2046-2050	5
2051-2055	5
2056-2060	3
Total	<u><u>\$ 56,856</u></u>

Total rent expense for these operating leases for the years ended June 30, 2020 and 2019, was approximately \$13.7 million and \$14.6 million, respectively.

The following is a related-party operating lease:

WVU leases an office building from the West Virginia University Foundation, Incorporated. Rental expense under the operating lease is \$1,975 per year through 2031. West Virginia University retains the right to cancel the lease upon giving 30 days' written notice.

NOTE 10 NOTES PAYABLE

During February 2014, the WV State signed a promissory note with Capital One Equipment Finance Corp borrowing \$2,700 at an interest rate of 6.65% to be used to partially finance the construction of a new athletic complex. The note matures in 2033, with principal payments due annually on October 1 starting in 2014. Interest payments are due annually on October 1 starting in April 2014. The note balance at June 30, 2020 and 2019 was approximately \$2,178 and \$2,773, respectively.

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NOTE 10 NOTES PAYABLE (CONTINUED)

In December 2012, West Virginia University (WVU) refinanced various Health Sciences Center (HSC) construction loans with United Bank, Inc. in the principal amount of \$22.1 million at an interest rate, initially of 1.90%, resetting every five years. Beginning August 2014, the loan agreement allows the Corporation to prepay the loan with 60 days-notice and without any penalty or premium, and it allows the bank to “put” all or part of the loan to the Corporation with 60 days’ notice and without any penalty. The loan is pledged by facilities and administrative revenue received by the University under any grants, contracts, and other agreements on behalf of the HSC. Total principal to be paid at June 30, 2020 and June 30, 2019 was approximately \$16.9 million and \$17.5 million, respectively.

During fiscal year 2017, WVU negotiated a loan with United Bank in the amount of \$3.0 million. This loan bears interest at a rate of 3.5% until June 28, 2021, at which time the loan will bear interest at a fixed rate equal to the five-year USD Libor Swap Rate plus 2.150 percentage points. Interest only will be payable on this note from July 28, 2017, to and including June 28, 2018. The amortization term is ten years. The proceeds of this loan were used to pay equipment lease/purchase agreement with United Bank in full. This loan is secured by certain property of WVU.

On December 22, 2017, WVU closed on a new note with Wells Fargo for \$42.0 million. The proceeds of the loan were used to pay the United Bank loan and provide additional funds for the Beckley campus projects. The amortization term for the loan is 40 years with a fixed interest rate of 4.45%.

During fiscal year 2008, Marshall University Research Corporation (MURC), (a blended component unit of Marshall), borrowed the proceeds of a bond issuance by the Cabell County Commission for the construction of an addition to the Marshall University Forensic Science Center. MURC’s repayment terms are the same as the bond repayment term. MURC is obligated to make interest payments commencing on October 10, 2008, for the interest due on the loan semiannually and to make annual principal payments starting on April 1, 2009, based on a hypothetical amortization of the then-remaining principal balance at the then-applicable interest rate for the then-remaining years of the original 20-year amortization period ending April 10, 2028. However, any unspent mortgage proceeds would go to pay the first amounts due for interest and principal. The interest rate on the bonds was 3.2% at April 10, 2008, and continued to and included year five, and changes for each subsequent five-year period to the rate per annum equal to 67% of the five-year Treasury Constant Maturity in effect on that date, plus 1.67% per annum. The rate for the period of April 10, 2018 through April 10, 2022 is 2.854%.

On April 10, 2020, Marshall University Research Corporation was granted a loan from JPMorgan Chase Bank, N.A. in the aggregate amount of \$3,115, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

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NOTE 10 NOTES PAYABLE (CONTINUED)

The Loan, which was in the form of a Note dated April 9, 2020 issued by the Borrower, matures on April 9, 2022 and bears interest at a rate of 0.98% per annum, payable monthly, commencing on November 6, 2020. The Note may be prepaid by the Borrower at any time prior to maturity with no prepayment penalties. The Corporation repaid \$560,000 of the Loan on May 13, 2020.

Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rents, utilities, and interest on other debt obligations incurred before February 15, 2020. The Corporation intends to use the entire Loan balance to qualifying expenses. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

During fiscal year 2013, Glenville entered into a \$3,000 note collateralized by a first lien on equipment installed in various buildings on campus. Interest is 3.10% with semiannual principal payments of \$132. The note matures June 2028. The note balance at June 30, 2020 and 2019 was approximately \$1,865 and \$2,058, respectively.

During fiscal year 2019, Glenville entered into a \$500 promissory note to the Glenville State College Foundation. Interest is 4% with payment due in full by October 2019. The note balance at June 30, 2020 and 2019 was \$0 and \$500, respectively. During fiscal year 2020, Glenville entered into a \$1,000 promissory note to the Glenville State College Foundation. Interest is 4% with payment due in full by October 2020. The note balance at June 30, 2020 was \$1,000.

During fiscal year 2019, Glenville entered into a \$400 note collateralized by rental properties. Interest is 4% with payments due in full upon request. The note balance at June 30, 2020 and 2019 was \$100 and \$400, respectively.

On November 7, 2013, the Commission executed a note payable to the West Virginia Economic Development Authority to finance a new boiler system for the property in the amount of \$1,485. The note payable bears interest at 3.42% per annum and is collateralized by lease and rental revenues. Payments are due monthly in installments of \$14,632. The note matures in November 2023.

On November 6, 2019, the Commission executed an interest free note payable to ePlus Group, Inc. to finance the purchase of information technology equipment with a fair value of \$1,175. Payments are due semi-annually in installments of \$196. The note matures in November 2022. The total notes payable balance at June 30, 2020 and 2019 was approximately \$783 and \$719, respectively.

On July 1, 2016, West Liberty University purchased a piece of property adjacent to West Liberty University for \$128 to provide additional student housing. To fund the purchase of this property, the West Liberty Foundation funded a loan to West Liberty in the amount of \$130, which included the purchase price of the property and any settlement charges. This note payable was paid in full June 25, 2019 when the property was sold.

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NOTE 10 NOTES PAYABLE (CONTINUED)

On September 25, 2018, West Liberty University purchased two pieces of property adjacent to the West Liberty for \$624. To fund the purchase of this property, West Liberty mortgaged the property with a bank with two loans totaling \$474. The loans are interest free and mature on September 1, 2022.

Annual minimum payments for the years ending after June 30, 2020, are as follows (dollars in thousands):

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 6,411	\$ 2,694	\$ 9,105
2022	2,829	2,753	5,582
2023	2,450	2,665	5,115
2024	2,302	2,577	4,879
2025	2,315	2,486	4,801
2026-2030	10,304	10,986	21,290
2031-2035	10,216	9,009	19,225
2036-2040	7,857	6,929	14,786
2041-2045	5,890	5,600	11,490
2046-2050	7,355	4,135	11,490
2051-2055	9,183	2,306	11,489
2056-2060	5,417	329	5,746
Total	<u>\$ 72,529</u>	<u>\$ 52,469</u>	<u>\$ 124,998</u>

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NOTE 11 INSTITUTION BONDS PAYABLE

The Institutions within the Fund, at June 30, 2020 and 2019, have the following outstanding bonds payable (dollars in thousands):

	Maximum Interest Rate	Annual Installments	Principal Outstanding	
			2020	2019
Concord University - Revenue Bonds 2014 Series, due through 2044	5.00%	\$320-\$950	\$ 15,038	\$ 15,415
Fairmont State University - Facilities Improvement Revenue Bonds, 2006, Series, due through 2026	1.74% (10 year reset)	343-611	3,173	3,671
Fairmont State University - Revenue Refunding Bonds, 2012, Series A, due through 2032	5.00	730-1,155	13,770	14,675
Fairmont State University - Revenue Refunding Bonds, 2012, Series B, due through 2032	5.00	1,080-1,720	20,545	21,915
Fairmont State University - Revenue Refunding Bonds, 2015, Series A, due through 2045	5.00	580-1,665	27,770	28,400
Glenville State University - Improvement and Refunding Revenue Bonds, Series 2017, due in 2047	5.25	710-820	35,595	36,285
Marshall University - University Refunding Revenue Bonds 2010, due through 2030	5.00	915-2,885	-	25,455
Marshall University - University Refunding Revenue Bonds 2011, due through 2041	5.00	1,190-3,375	-	48,240
Marshall University - University Bonds 2020A, due through 2050	5.00	2,260-5,330	56,035	-
Marshall University - University Bonds 2020B due through 2029	3.67	1,935-3,595	45,960	-
Mountwest Community and Technical College - Revenue Bonds, 2012, due through 2022	4.125	229-446	676	1,104
Shepherd University - Refinance Revenue Bonds, due through 2033	4.375	420-460	4,255	4,665

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NOTE 11 INSTITUTION BONDS PAYABLE (CONTINUED)

	Maximum Interest Rate	Annual Installments	Principal Outstanding	
			2020	2019
Shepherd University - Refunding Revenue Bond, due through 2037	3.65	1,377-1,591	\$ 30,503	\$ 31,827
West Liberty University - Revenue Refunding Bonds 2013, due through 2028	2.68	580-765	5,530	6,175
West Liberty University - Revenue Bonds 2012, due through 2027	3.25	585-785	5,595	6,240
West Liberty University - Revenue Bonds 2018, due through 2038	3.65	192-366	4,940	5,132
West Virginia State University - University Refunding and Improvement Series 2012, due through 2030	4.50	55-2,870	8,570	8,625
West Virginia State University - University Revenue Bonds Series 2013, due through 2021	3.00	294-1,074	675	1,000
West Virginia University - Revenue Improvement Bonds 2011, Series A, due through 2026	3.87	35-62	8,299	8,877
West Virginia University - Revenue Improvement Bonds 2011, Series B, due through 2037	4.14	0-21,800	-	150,065
West Virginia University - Revenue Bonds (Taxable) 2012 Series A, due though 2042	4.50	35-62	11,302	11,598
West Virginia University - Revenue Bonds (Taxable) 2012 Series A, due though 2032	Variable	0-50	3,281	3,494

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NOTE 11 INSTITUTION BONDS PAYABLE (CONTINUED)

	Maximum Interest Rate	Annual Installments	Principal Outstanding	
			2020	2019
West Virginia University - Revenue Refunding and Improvement Bonds 2013, Series A, due through 2043	3.55	0-13,715	\$ -	\$ 136,110
West Virginia University - Revenue Refunding and Improvement Bonds (Taxable) 2013, Series B, due through 2043	3.00	995-7,440	37,270	44,120
West Virginia University - Improvement Revenue Bonds 2014, Series A, due through 2045	4.30	855-30,285	-	60,000
West Virginia University - Improvement Revenue Bonds (Taxable) 2014, Series B, due through 2043	4.50	10,075-24,105	79,050	79,050
West Virginia University - Improvement Revenue Bonds 2014, Series C, due through 2042	2.43	9,730-10,705	-	50,190
West Virginia University - Improvement Revenue Bonds 2016, Series A, due through 2046	3.43	0-678	17,571	18,249
West Virginia University - Revenue Bonds, 2019 Series A, due through 2050	3.11	0-5,095	85,840	-
West Virginia University - Revenue Bonds, 2019 Series B, due through 2042	1.89	0-8,345	39,125	-
West Virginia University - Revenue Bonds, 2020 Series A, due through 2045	2.46	0-30,565	377,785	-
Total			938,153	820,577
Add Unamortized Bond Premium			28,840	38,267
Less Unamortized Bond Discount			(113)	(229)
Total			<u>\$ 966,880</u>	<u>\$ 858,615</u>

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NOTE 11 INSTITUTION BONDS PAYABLE (CONTINUED)

In April 2020, the Marshall University Board sold \$56,035 of 2020A series bonds. The proceeds of the 2020A Bonds will be used to (1) finance a portion of the costs of the construction, equipping and furnishing of a new building for the University's Lewis College of Business along with other capital improvements approved by the issuer and (2) refunding and redeeming all or a portion of the 2010 and 2011 Bonds and (3) paying bond insurance premiums or other credit enhancement and (4) to pay the costs of issuance of the 2020A Bonds.

In April 2020, the Marshall University Board sold \$45,960 of 2020B series bonds. The 2020B Bonds are secured by and payable from certain revenues as defined in the Trust Indenture. The proceeds of the 2020B Bonds will be used to (1) refund and redeem all or a portion of the 2011 Bonds, (2) paying bond insurance premiums or other credit enhancement and (3) to pay the costs of issuance of the 2020B Bonds.

The net proceeds of the 2020A and 2020B Bonds of \$77,480 (after payment of \$1,109 of costs of issuance and \$27,950 deposited with Marshall University for use for construction of a new building) plus an additional \$3,470 equity contribution from the University were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of the 2010 and 2011 Bonds. As a result, the 2010 and 2011 Bonds are considered to be defeased and the liability for those bonds has been removed from the statement of net position.

The current and advance refundings resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$3,122. This difference, reported in the accompanying statement of net position as a deferred outflow of resources, will be amortized to interest expense through the year 2050 using the effective-interest method. The primary purpose of the 2020A current refunding and 2020B advanced refunding was to restructure the existing outstanding bonds, effectively creating short term cash flow savings through a level debt service structure. This new level debt service structure will strengthen Marshall University's strategic positioning and allow immediate growth of Marshall University reserves. The debt restructure provides a net economic gain (difference between the present value of the old and new debt service payments) of \$2,747. Total gross debt service over the next 30 years will increase by \$11,761 as a result of the strategic level debt service restructure.

On September 25, 2019, the West Virginia University Board issued \$124,695 in revenue bonds. The 2019 Series A bonds (tax exempt) were issued in the amount of \$85,840. The actual proceeds equaled \$101,315 of which \$95,000 was designated for projects for Athletics, Hodges Hall, and Reynolds Hall. The remaining proceeds of \$5,826 were for capitalized interest; \$489 was for cost of issuance.

The 2019 Series B bonds (tax exempt) were issued in the amount of \$39,125. The actual proceeds received equaled \$50,534. These bonds were issued to refund the 2014 Series C Bonds in the amount of \$50,190. The refunding and redemption of the 2014 Series C Bonds was deemed more advantageous to the West Virginia University Board, West Virginia University and the State, considering the financial effect, the implementation and other relevant factors, than remarketing them. The remaining proceeds of \$5,826 were for capitalized interest; \$489 was for cost of issuance.

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NOTE 11 INSTITUTION BONDS PAYABLE (CONTINUED)

On March 10, 2020, the WVU Board issued \$377,785 in revenue bonds. The 2020 Series A bonds (taxable) in the amount of \$376,443 refinanced the 2011 Series B bonds in the amount of \$154,744, the 2013 Series A bonds in the amount of \$150,694, and the 2014 Series A bonds in the amount of \$71,005. The remaining funds were used for the cost of issuance and other fees.

For the years ended June 30, 2020 and June 30, 2019, WVU recorded a deferred loss on refunding of \$15,189 and \$11,916, respectively, on the statement of net position.

A summary of the annual aggregate principal payments for years subsequent to June 30, 2020, is as follows (dollars in thousands):

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 21,196	\$ 31,297	\$ 52,493
2022	21,373	30,105	51,478
2023	32,225	29,308	61,533
2024	29,736	28,447	58,183
2025-2029	36,418	27,623	64,041
2030-2034	187,041	123,721	310,762
2035-2039	186,991	96,959	283,950
2040-2044	174,277	66,793	241,070
2045-2049	197,325	30,611	227,936
2046-2050	51,571	6,292	57,863
Total	<u>\$ 938,153</u>	<u>\$ 471,156</u>	<u>\$ 1,409,309</u>

NOTE 12 SYSTEM BONDS PAYABLE

The Fund receives State appropriations to finance its operations. In addition, it is subject to the legislative and administrative mandates of State government. Those mandates affect various aspects of the Fund's operations, its tuition and fee structure, its personnel policies, and its administrative practices.

The State has chartered the Fund 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 within the Fund. Financing for these facilities was provided through revenue bonds issued by various former governing boards which are now administered by the Policy Commission.

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NOTE 12 SYSTEM BONDS PAYABLE (CONTINUED)

The Policy Commission has the authority to assess each institution of the Fund for payment of debt service on these system bonds. The tuition and registration fees of the Institutions are generally pledged as collateral for the Fund's bond indebtedness. Student fees collected by an institution in excess of the debt service allocation are retained by the institution for internal funding of capital projects and maintenance. The bonds remain a capital obligation of the Fund.

The Commission, at June 30, 2020 and 2019, has the following outstanding bonds payable (dollars in thousands):

	Maximum Interest Rate	Original Range of Annual Installments	Principal Outstanding	
			2020	2019
Series 2017 - Community and Technical College Capital Improvement Revenue Refunding Bonds	5.00%	\$3-\$4,760	\$ 62,250	\$ 64,045
Series 2017 - Revenue Refunding Bonds Higher Education Facilities	5.00	1,205-3,885	22,265	23,615
Series 2012A - Revenue Refunding Bonds, due through 2034	5.00	1,425-42,100	97,330	102,105
Series 2012B - Revenue Bonds, due through 2034	5.00	200-2,400	5,780	6,095
Series 2010A - Revenue Bonds, due through 2026	5.00	235-12,750	-	1,735
Series 2010B - Revenue Bonds, due through 2040	7.65	10,800-39,465	50,265	50,265
Series 2000A - University System Bonds, due through 2031	6.26	0-3,264	15,659	17,705
Series 1998 - University System Bonds, due through 2028	5.25	1,065-3,625	24,425	26,825
Total			277,974	292,390
Add Bond Premium			22,792	24,430
Total			<u>\$ 300,766</u>	<u>\$ 316,820</u>

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NOTE 12 SYSTEM BONDS PAYABLE (CONTINUED)

A summary of the annual aggregate principal and interest payments for years subsequent to June 30, 2020, is as follows (dollars in thousands):

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 14,864	\$ 18,824	\$ 33,688
2022	15,402	18,293	33,695
2023	15,962	17,721	33,683
2024	16,573	17,108	33,681
2025	17,231	16,453	33,684
2026-2030	82,593	71,130	153,723
2031-2035	71,009	29,746	100,755
2036-2040	44,340	8,384	52,724
Total	<u>\$ 277,974</u>	<u>\$ 197,659</u>	<u>\$ 475,633</u>

The higher education institutions' tuition, registration, and other specified fees generally are pledged as collateral for the Commission's bond indebtedness, as well as any monies held by the trustees.

The 2017 advance refundings created irrevocable trust funds, the securities and earnings therein are considered sufficient to fully service the bonds until they are called or mature. For financial reporting purposes the bonds are considered defeased and the liability for those bonds has been removed from the statement of net position. At June 30, 2020, the amount of defeased bonds outstanding was \$15,765 related to the 2009 Series A Bonds and \$12,880 related to the 2010 Series A Revenue Bonds.

NOTE 13 UNRESTRICTED NET POSITION

The Fund's unrestricted net position at June 30, 2020 and 2019, includes certain designated net position as follows (dollars in thousands):

	<u>2020</u>	<u>2019</u>
Designated for Auxiliaries	\$ 4,124	\$ 7,471
Designated for Repair, Replacement, and New Property	11,000	12,328
Other	9,533	12,025
Undesignated	<u>32,444</u>	<u>57,872</u>
Total Unrestricted Net Assets before OPEB Liability	57,101	89,696
Less OPEB Liability	<u>204,248</u>	<u>262,154</u>
Total Unrestricted Net Assets	<u>\$ (147,147)</u>	<u>\$ (172,458)</u>

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NOTE 14 RETIREMENT PLANS

Substantially all full-time employees of the Fund participate in either the TRS or the Teachers' Insurance and Annuities Association — College Retirement Equities Fund (TIAA-CREF). Previously, upon full-time employment, all employees were required to make an irrevocable selection between the TRS and TIAA-CREF. Effective July 1, 1991, the TRS was closed to new participants. Current participants in the TRS are permitted to make a one-time election to cease their participation in that plan and commence contributions to the West Virginia Teachers' Defined Contribution Plan (TDC). Contributions to and participation in the TDC by Fund employees have not been significant to date. Effective January 1, 2003, higher education employees enrolled in the basic 401(a) retirement plan with TIAA-CREF have an option to switch to the New Educators Money 401(a) basic retirement plan (Educators Money). New hires have the choice of either plan. Educators Money was a brand utilized by Great West Financial; this has since transitioned to Empower Retirement.

Defined Contribution Benefit Plans

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

Total contributions to Empower Retirement for the years ended June 30, 2020, 2019 and 2018, were approximately \$438, \$1,515, and \$1,361, respectively, which consisted of approximately \$219, \$755 and \$681, respectively, from the covered employees in 2020, 2019 and 2018, respectively.

Total contributions to the TIAA-CREF for the years ended June 30, 2020, 2019 and 2018, were approximately \$98.8 million, \$95.3 million, and \$90.0 million, respectively, which consisted of approximately \$49.3 million, \$47.6 million, and \$45.0 million, from the Fund in 2020, 2019 and 2018, respectively, and approximately \$49.5 million, \$47.7 million, and \$45.0 million, from the covered employees in 2020, 2019 and 2018, respectively.

The Fund's total payroll for the years ended June 30, 2020, 2019 and 2018, was approximately \$907.3 million, \$894.2 million, and \$868.2 million, respectively, and total covered employees' salaries in the TIAA-CREF and Empower Retirement were approximately \$796.3 million, and \$3.8 million for the year ended June 30, 2020; \$782.2 million, and \$12.1 million for the year ended June 30, 2019 and \$753.0 million, and \$18.6 million for the year ended June 30, 2018.

Defined Benefit Plan

Some employees of the Fund are enrolled in a defined benefit pension plan, the TRS, which is administered by the CPRB.

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NOTE 14 RETIREMENT PLANS (CONTINUED)

Defined Benefit Plan (Continued)

Following is the Fund'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 (dollars in thousands):

	2020	2019
Net Pension Liability	\$ 11,350	\$ 13,808
Deferred Outflows of Resources	2,383	2,989
Deferred Inflows of Resources	7,944	9,116
Revenues	3,418	3,230
Pension Expense	1,755	2,011
Contributions Made by the Fund	1,485	1,757

Plan Description

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

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

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NOTE 14 RETIREMENT PLANS (CONTINUED)

Defined Benefit Plan (Continued)

Benefits Provided

TRS provides retirement, death, and disability benefits. A member is eligible for normal retirement at age 60 with five years of service, age 55 with 30 years of service or any age with 35 years of service. A member may retire with 30 years of credited service at any age with the pension reduced actuarially if the member retires before age 55. Terminated members with at least five, but less than 20, years of credited service who do not withdraw their accumulated contributions are entitled to a deferred retirement commencing at age 62. Retirement benefits are equivalent to 2% of average annual salary multiplied by years of service. Average salary is the average of the 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 payrolls 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 June 30, 2019 and 2018, respectively, the Fund's proportionate share attributable to this special funding subsidy was \$3,294 and \$3,145.

The Fund's contributions to TRS for the years ended June 30, 2020, 2019, and 2018 were approximately \$1.4 million, \$1.7 million, and \$2.0 million, respectively.

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NOTE 14 RETIREMENT PLANS (CONTINUED)

Defined Benefit Plan (Continued)

Assumptions

For the year ended June 30, 2020, the total pension liabilities for financial reporting purposes were determined by actuarial valuations as of July 1, 2018 and rolled forward to June 30, 2019. For the year ended June 30, 2019, total pension liabilities for financial reporting purposes were determined by actuarial valuations as of July 1, 2017 and rolled forward to June 30, 2018. The following actuarial assumptions were used and applied to all periods included in the measurement:

- Actuarial cost method: Entry age normal cost with level percentage of payroll
- Asset valuation method: Investments are reported at fair (market) value
- Amortization method and period for contributions: Level dollar, fixed period over 40 years, from July 1, 1995 through fiscal year 2035
- Investment rate of return of 7.50%, net of pension plan administrative and investment expenses
- Projected salary increases: Teachers 3.00 – 6.00% and nonteachers 3.00 – 6.50%, based on age
- Inflation rate of 3.0%
- Discount rate of 7.50%
- Mortality rates based on RP-2000 Mortality Tables
- Withdrawal rates: Teachers 0.8 – 35% and nonteachers 1.3% – 24.7%
- Disability rates: 0 – 0.704%
- Retirement age: An age-related assumption is used for participants not yet receiving payments
- Retirement rates: 15% – 100%
- Ad hoc cost-of-living increases in pensions are periodically granted by the State Legislature. However, the retirement system makes no automatic provision for such increases.

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

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NOTE 14 RETIREMENT PLANS (CONTINUED)

Defined Benefit Plan (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 arithmetic 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.

2020 Asset Class	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%

2019 Asset Class	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%

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NOTE 14 RETIREMENT PLANS (CONTINUED)

Defined Benefit Plan (Continued)

Discount rate

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

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

The following presents the Fund'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 Fund'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	\$ 15,492	\$ 11,350	\$ 7,905
Net Pension Liability 2019	18,639	13,808	9,679

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

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

At June 30, 2020, the Fund's proportionate share of the TRS net pension liability was \$38.6 million. Of this amount, the Fund recognized approximately \$11.4 million as its proportionate share on the statements of net position. The remainder of \$27.2 million denotes the Fund's proportionate share of net pension liability attributable to the special funding.

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NOTE 14 RETIREMENT PLANS (CONTINUED)

Defined Benefit Plan (Continued)

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

At June 30, 2019, the Fund's proportionate share of the TRS net pension liability was \$49.4 million. Of this amount, the Fund recognized \$13.8 million as its proportionate share on the statement of net position. The remainder of \$35.6 million denotes the Fund's proportionate share of net pension liability attributable to the special funding.

The allocation percentage assigned to each participating employer and nonemployer-contributing entity is based on their proportionate share of employer and nonemployer contributions to TRS for each of the fiscal years ended June 30, 2019 and 2018. Employer contributions are recognized when due. At June 30, 2019, the Fund's proportion was 0.3814850%, a decrease of 0.0607870% from its proportion of 0.4420480% calculated as of June 30, 2018. At June 30, 2018, the Fund's proportion was 0.4420480%, a decrease of 0.1372779% from its proportion of 0.5793259% calculated as of June 30, 2017.

For the years ended June 30, 2020 and 2019, the Fund recognized TRS pension expense of \$1.8 million and \$1.7 million, respectively. Of this amount, \$(1.5) million and \$(1.3) million, respectively, was recognized as the Fund's proportionate share of the TRS expense, \$3.3 million and \$3.1 million, respectively, as the amount of pension expense attributable to special funding from a nonemployer contributing entity and \$.2 million and \$.1 million, respectively as the amount of pension expense from a nonemployer contributing entity not attributable to a special funding situation. The Fund also recognized revenue of \$3.4 million and \$3.2 million, respectively, for support provided by the State.

At June 30, 2020 and 2019, deferred outflows of resources and deferred inflows of resources related to the TRS pension are as follows (dollars in thousands).

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Proportion and Difference between Employer Contributions and Proportionate Share of Contributions	\$ 597	\$ 7,248	\$ 704	\$ 8,119
Net Difference between Projected and Actual Experience	56	429	96	278
Net Difference between Projected and Actual Investment Earnings	-	267	4	719
Change in Assumptions	245	-	428	-
Contributions after the Measurement Date	1,485	-	1,757	-
Total	<u>\$ 2,383</u>	<u>\$ 7,944</u>	<u>\$ 2,989</u>	<u>\$ 9,116</u>

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NOTE 14 RETIREMENT PLANS (CONTINUED)

Defined Benefit Plan (Continued)

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

The Fund will recognize the \$1.5 million 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 in TRS pension expense as follows (dollars in thousands).

<u>Fiscal Year Ending June 30,</u>	<u>Amortization</u>
2021	\$ (1,793)
2022	(2,279)
2023	(1,908)
2024	(921)
2025	(145)
Total	<u>\$ (7,046)</u>

Payables to the Pension Plan

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

NOTE 15 FOUNDATIONS

Various foundations have been established as separate nonprofit organizations incorporated in the State of West Virginia having as their purpose "...to aid, strengthen, and further in every proper and useful way, the work and services of the (individual institutions within the Fund), and their affiliated nonprofit organizations..." Oversight of each of the foundations is the responsibility of separate and independently elected Boards of Directors, not otherwise affiliated with the Fund. In carrying out its responsibilities, the Boards of Directors of the foundations employ management, form policy, and maintain fiscal accountability over funds administered by the foundations. Although the individual institutions within the Fund do not control the timing or amount of receipts from the foundations, the majority of resources, or income thereon, that the foundations hold and invest are restricted to the activities of the individual institutions within the Fund by donors. Because these restricted resources held by the foundations as detailed in the financial statements can only be used by, or for the benefit of, the individual institutions within the Fund, the foundations are considered component units of the individual Institutions and are, therefore, discretely presented with the Institution's financial statements and the Fund's financial statements in accordance with GASB discretely presented component unit requirements.

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NOTE 15 FOUNDATIONS (CONTINUED)

The West Virginia University Foundation, Inc. is appropriately not included as a discretely presented component unit of West Virginia University as the economic resources held do not entirely or almost entirely benefit the West Virginia University, and its net assets (including unrealized gains) totaled \$952.6 million and \$921.5 million at June 30, 2020 and 2019, respectively. The Bridgemont Community and Technical College Foundation, Inc., The Eastern West Virginia Community and Technical College Foundation, Inc., The Kanawha Valley Community and Technical College Foundation, Inc., Mountwest Foundation, Inc., and Tech Foundation, Inc. are not included for the years ended June 30, 2020 and 2019 within the individual Institution's financial statements, because they were not significant to their Institutions. The Higher Education Foundation is not included for the years ended June 30, 2020 and 2019, because it was not significant to the Fund.

Complete financial statements for any discretely presented component unit foundation can be obtained by contacting the Business Office of the West Virginia Higher Education Policy Commission, 1018 Kanawha Boulevard East, Suite 700, Charleston, West Virginia 25301.

NOTE 16 OTHER DISCRETE COMPONENT UNITS

In addition to the Foundations included as discretely presented component units, the Fund has two other component units, Provident Group-Marshall Properties, LLC and Big Green Scholarship Foundation, Inc., which are material to their institutions and entirely or almost entirely for the benefit of the Fund's individual institutions as of each year-end. Oversight of the other entities is the responsibility of separate and independently elected Boards of Directors, not otherwise affiliated with the Fund.

NOTE 17 AFFILIATED ORGANIZATIONS

The Institutions have various separately incorporated affiliated organizations, including alumni and other associations. Oversight responsibility for these organizations rests with independent boards and management not otherwise affiliated with the Fund. Accordingly, the financial statements of these organizations are not included in the Fund's accompanying financial statements under the blended component unit requirements. They are not included in the Fund's accompanying financial statements as discretely presented component units as they are (1) not significant or (2) have dual purpose (i.e., not entirely or almost entirely for the benefit of the Fund).

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NOTE 18 SERVICE CONCESSION ARRANGEMENTS

West Virginia University (WVU) has identified one contract for services that meets the four criteria of a service concession arrangement (SCA) per GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. SCAs are defined as a contract between a government and an operator, another government or a private entity, in which the operator provides services, the operator collects and is compensated by fees from third parties, the government still has control over the services provided, and the government retains ownership of the assets at the end of the contract.

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

During fiscal year 2015, WVU recorded a capital asset with a fair market value of \$34,952 and a deferred inflow of resources. This deferred inflow is being amortized to auxiliary revenue over the term of the agreement (40 years). WVU has recorded an accounts receivable of \$44 and \$14 at June 30, 2020 and 2019, respectively. At June 30, 2020, the University recognized management fee revenue and its share of the net revenue of \$87 and \$200, respectively. At June 30, 2019, the University recognized management fee revenue and its share of the net revenue of \$85 and \$52, respectively. This revenue is included in revenue from auxiliary enterprises on the statement of revenues, expense and changes in net position.

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NOTE 18 SERVICE CONCESSION ARRANGEMENTS (CONTINUED)

Marshall University (Marshall) has a contract with Sodexo to provide food services within Marshall's facilities on the Huntington campus. These services provide Marshall with the best, most accurate and appropriate campus-dining program that enhances the student's quality of life and is supportive of the education experience. The current contract began on August 16, 2009, and allows for nine annual renewals. Sodexo provides meal plans to students through the University as well as offering cash sales to the University community. Marshall receives annual commission payments from Sodexo calculated as a contractually agreed percentage of cash sales and Marshall pays Sodexo for the meal plans from fees collected by Marshall from students. In 2020 and 2019, Marshall received \$604 and \$682 respectively, in commissions from Sodexo. Sodexo made renovations that were capitalized by Marshall totaling \$2,394 during 2019 as part of the agreement for the new contract that began August 16, 2019. No renovations were done in 2018. Sodexo made renovations that were capitalized by Marshall totaling \$3,075 in prior years of the contract. These renovations are accreted over the remaining life of the contract and if the contract is not renewed, Marshall will be required to pay Sodexo for the unaccreted portion of these renovations. At June 30, 2020 and 2019, Marshall has a deferred inflow of \$3,121 and \$2,426, respectively, for the unaccreted inflow for renovations, and an accrued service concession liability of \$104 and \$13, respectively, for estimated insurance and maintenance costs that Marshall will be required to pay through the end of the contract. The existing contract ends August 15, 2019 and the new contract has been awarded to Sodexo beginning August 16, 2019.

Fairmont State University (Fairmont) has a contract with Aladdin that was effective on July 1, 2018 to provide food products and nonalcoholic beverages at its food service facilities. Aladdin provides food service in the Falcon Center, Chick-fil-A, Chilaca, Starbucks, Conference Center, Coffee Shop, Cafeteria, concessions, soda, snack and food vending at mutually agreed upon locations for Fairmont. Aladdin is paid a fixed administrative fee that increases 5% per year. Aladdin provides vendor contract revenues to Fairmont based on contractual agreement. The vendor contract revenues from Aladdin in fiscal years 2020 and 2019 were \$942 and \$1,060, respectively. As part of the agreement, Aladdin agreed to pay for certain improvements to the food services facilities on behalf of Fairmont. Fairmont reports the improvements as a capital asset with a carrying value of \$2,208 at both June 30, 2020 and 2019. Fairmont reports unearned revenue in the amount of \$1,808 and \$2,008 at June 30, 2020 and 2019, respectively. According to the agreement, the related revenue will be earned over a period of ten years. In the event the agreement is terminated early, Fairmont will require the incoming food service operator to pay Aladdin any remaining balance of the donation or Fairmont will assume responsibility for repayment. Aladdin also provides \$100 annually to Fairmont during the term of the agreement for student scholarships.

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NOTE 19 CONTINGENCIES AND COMMITMENTS

Contingencies

The nature of the educational industry is such that, from time to time, claims will be presented against colleges and universities on account of alleged negligence, acts of discrimination, breach of contract or disagreements arising from the interpretation of laws or regulations. While some of these claims may be for substantial amounts, they are not unusual in the ordinary course of providing educational services in a higher education system. In the opinion of management, all known claims are covered by insurance or are such that an award against the Fund would not impact seriously on the financial status of the Fund.

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

The Internal Revenue Code of 1986 establishes rules and regulations for arbitrage rebates. There are no arbitrage rebate liabilities that have been recorded in the financial statements at June 30, 2020 and 2019.

The Fund and Institutions within the Fund own various buildings that are known to contain asbestos. The Fund is not required by federal, state, or local law to remove the asbestos from the buildings. The Fund is required by federal environmental, health, and safety regulations to manage the presence of asbestos in the buildings in a safe condition. Significant problems of dangerous asbestos conditions are abated as the condition becomes known. The Fund also addresses the presence of asbestos as building renovation or demolition projects are undertaken and through asbestos operation and maintenance programs directed at containing, managing, or operating with the asbestos in a safe condition.

Commitments

WVU has signed an agreement providing for the purchase of steam through the year 2027 from a nearby facility that commenced operations in late 1992. Under the agreement, WVU has an annual minimum steam purchase requirement, purchased at an operating rate calculated in accordance with the agreement. This operating rate is adjusted quarterly based on actual production costs and other cost indices. Management believes that the rate is comparable to market rates. At June 30, 2020, WVU was not committed to an additional purchase to meet the minimum steam purchase requirement for the contract year ended September 30, 2020. WVU anticipates substantially meeting the minimum steam purchase requirement for the remaining term of its commitment; however, payment in future years will be dependent on actual operating costs and other cost indices in those years.

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NOTE 19 CONTINGENCIES AND COMMITMENTS (CONTINUED)

Commitments (Continued)

During the year ended June 30, 2018, Concord entered into a Technology Subscription Contract with Helios Energy, LLC to provide improved lighting systems for the campus that will reduce energy consumption and related costs for electricity. Concord has agreed to pay Helios Energy, LLC \$.2 million annually for the next seven years. Upon completion of the terms of the contract, Concord may purchase the light fixtures at the then fair market value, may contract with Helios Energy, LLC to continue the service contract or Helios Energy, LLC may remove the light fixtures. The light fixtures are not the responsibility of Concord with regard to maintenance and repairs but Concord is required to name Helios Energy, LLC as an additional insured party on the general liability insurance policy.

NOTE 20 COMPONENT UNITS' DISCLOSURES

The following is an aggregation of the significant notes for the financial statements of the discretely presented component units:

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

The foundations are nonprofit organizations incorporated in the State of West Virginia. The primary purpose of the foundations is to provide assistance and support for the students, facilities, and programs of their respective institution. The other two component units are also nonprofit organizations – incorporated in the State of West Virginia. Their primary purpose is also to support their respective institutions.

Basis of Presentation

Financial statement presentation follows the requirements of the FASB. In accordance with such requirements, the component units are required to report information regarding their financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

The financial statements of the component units are presented on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

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NOTE 20 COMPONENT UNITS' DISCLOSURES (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Accordingly, net assets of the component units and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations and may be expended for any purpose in performing the primary objective of the Foundation. These net assets may be used at the discretion of the Foundation's management and Board of Directors.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that will be met either by actions of the component units and/or the passage of time. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Custodial accounts representing funds held by the component units on behalf of an Institution and/or departments of the Institution are reported as custodial liabilities. The component units are responsible for the management and administration of these funds.

Investments

The component units account for their investments in accordance with accounting principles generally accepted in the United States of America. Under accounting principles generally accepted in the United States of America, investments are valued at their fair values in the statement of net assets. Unrealized gains and losses are included in the change in net assets. See separately issued component units financial statements for fair value disclosures.

Property and Equipment

Purchased assets are recorded at cost. Donated assets are recorded at their fair value at the date they are donated. Expenditures for replaced items are capitalized and the replaced items are retired. Maintenance and repairs are expensed as incurred. Depreciation is calculated primarily by the straight-line method over the estimated useful lives of the assets.

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NOTE 20 COMPONENT UNITS' DISCLOSURES (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Gift Annuities

The assets received are recognized at fair value when received, and the gift annuity liabilities are recorded using the present value of future cash flows expected to be paid to the donors and are being amortized over the expected lives of the donors.

Contributions

Contributions, including unconditional promises to give, are recognized as revenue in the period received. All contributions are available for unrestricted use unless specifically restricted by the donor. Bequests are recorded as revenue at the time an unassailable right to the gift has been established and the proceeds are measurable.

Endowments

See separately issued component unit financial statements for endowment related disclosures. For the years ended June 30, 2020 and 2019, there were no material reclasses among net asset classes no were there material changes in the endowments.

Pledges Receivable

Pledges receivable represent amounts due to the foundations at their present value less allowance for uncollectible amounts.

Funds Held in Custody for Others

The Marshall University Foundation, Inc. holds and invests funds for Marshall under an agency agreement. The investments and other funds are reported as assets, while the corresponding liability is reported as funds held in custody for others.

Student Housing Facility Project and Construction in Progress

During 2016, the Shepherd University Foundation Supporting Organization (Supporting Organization) began the design and construction of a new student housing facility on the Shepherd campus. The Supporting Organization received interim financing for the project in the form of bond anticipation notes issued by the West Virginia Economic Development Authority. The Supporting Organization has received a rural development loan commitment for a 40-year permanent loan from the United States Department of Agriculture that will retire the West Virginia bond anticipation notes at the completion of construction and upon obtaining an occupancy permit. The Supporting Organization will own the building and associated equipment and furnishings and has entered into a ground lease with Shepherd. The ground lease began in June 2016 and will expire upon the repayment of all associated outstanding debt borrowed by the Supporting Organization. Upon the expiration of the lease, the building and associated equipment and furnishings will be transferred to Shepherd. The ground lease agreement requires annual rental payments due 30 days after the receipt of the Supporting Organization's audited financial statements. Rental payments will equal the net available cash flow generated from the student housing facility project. Rent expense due to Shepherd for the ground lease amounted to \$0 and \$382 for the years ended June 30, 2020 and 2019, respectively.

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NOTE 20 COMPONENT UNITS' DISCLOSURES (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Student Housing Facility Project and Construction in Progress (Continued)

In June 2016, the Supporting Organization entered into a management agreement with Shepherd. The management agreement appointed Shepherd as the Supporting Organization's exclusive agent for the construction, operation, management, and maintenance of the student housing facility project.

Management's Plan for Continuing Operations

Provident-Marshall is not in compliance with the debt service coverage ratio requirement of the Reimbursement Agreement as of June 30, 2020. As no remediation has taken place, all obligations are classified as current obligations as well as the related interest and interest rate swap agreement. Based on this, Marshall-Provident has substantial doubt about its ability to continue as a going concern within one year after the date that the financial statements are issued.

The outbreak of COVID-19 has caused disruption in operations for institutions of higher education. In an effort to minimize the spread of COVID-19 on its campus, Marshall, in March suspended all in person instructions and transitioned to online instruction for the balance of the spring semester and summer term. On June 25, 2020, Marshall unveiled a Return-to-Campus plan addressing all aspects of returning to on-site instruction for the fall 2020 semester. Although, freshman and sophomore students are still required to live on campus for two years under this current plan, the global pandemic may adversely impact the demand for in-person higher education and enrollment may decrease overall which will affect the ability of the Marshall-Provident to conduct operations and/or the cost of operations.

While Marshall-Provident feels the disruption will be temporary, there is considerable uncertainty as to whether and when Marshall will re-institute in-person instruction to the same level as before the COVID-19 outbreak. These uncertainties cast substantial doubt on Marshall-Provident to meet its financial covenants and continue as a going concern through the period ending twelve months from the date of the financial statements.

Marshall-Provident will continue to work with Marshall and other stakeholders to develop solutions and strategies for addressing these financial and operational challenges, through the outcome of these matters cannot be predicted at this time.

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NOTE 20 COMPONENT UNITS' DISCLOSURES (CONTINUED)

Investments

The components units' investment securities at June 30 are composed of the following:

2020																
	Big Green Scholarship Foundation Inc.	Bluefield State College Foundation Inc.	Concord University Foundation, Inc.	Fairmont State Foundation Inc.	The Glenville State College Foundation, Inc.	The Marshall University Foundation, Inc.	New River Community and Technical College Foundation, Inc.	The Shepherd University Foundation, Inc.	Southern West Virginia Community College Foundation, Inc.*	West Liberty University Foundation, Inc.	West Virginia Northern Community College Foundation, Inc.	West Virginia School of Osteopathic Medicine Foundation, Inc.	West Virginia State University Foundation, Inc.	WVU at Parkersburg Foundation, Inc.	Blue Ridge Community & Technical College Foundation, Inc.	Total
Cash and Temporary Investments	\$ -	\$ -	\$ 407,717	\$ 857,506	\$ 249,653	\$ -	\$ -	\$ 695,007	\$ 114,197	\$ 338,239	\$ 277,715	\$ 1,396,662	\$ 2,647,423	\$ -	\$ -	\$ 6,984,119
U.S. Government Securities	-	-	8,740,701	-	-	-	-	2,408,683	-	104,772	154,417	8,418,503	-	-	-	19,827,076
Corporate and Municipal Bonds and Notes	-	1,539,918	-	7,316,406	1,730,888	-	-	2,046,112	-	791,818	492,531	9,301,900	4,164,886	674,969	50,778	28,110,006
Mutual Funds	8,870,115	5,472,263	31,659,365	20,106,912	3,346,913	32,645,376	398,631	19,294,413	-	5,575,465	2,054,619	-	5,846,794	6,944,353	663,790	142,879,009
Equity Investments	-	5,485,956	3,800	488,843	5,206,716	58,114,863	-	2,420,817	4,016,417	10,080,560	1,800,868	16,365,764	-	3,818,007	-	107,802,611
Other	-	344,770	3,203	122,281	258,196	58,970,793	-	100,744	-	1,314,890	248,884	9,984,011	-	257,704	-	71,605,476
Total	\$ 8,870,115	\$ 12,842,907	\$ 40,814,786	\$ 28,891,948	\$ 10,792,366	\$ 149,731,032	\$ 398,631	\$ 26,965,776	\$ 4,130,614	\$ 18,205,544	\$ 5,029,034	\$ 45,466,840	\$ 12,659,103	\$ 11,695,033	\$ 714,568	\$ 377,208,297

2019																
	Big Green Scholarship Foundation Inc.	Bluefield State College Foundation Inc.	Concord University Foundation, Inc.	Fairmont State Foundation Inc.	The Glenville State College Foundation, Inc.	The Marshall University Foundation, Inc.	New River Community and Technical College Foundation, Inc.	The Shepherd University Foundation, Inc.	Southern West Virginia Community College Foundation, Inc.*	West Liberty University Foundation, Inc.	West Virginia Northern Community College Foundation, Inc.	West Virginia School of Osteopathic Medicine Foundation, Inc.	West Virginia State University Foundation, Inc.	WVU at Parkersburg Foundation, Inc.	Blue Ridge Community & Technical College Foundation, Inc.	Total
Cash and Temporary Investments	\$ -	\$ 50,085	\$ 841,320	\$ 733,254	\$ 437,862	\$ -	\$ -	\$ 689,764	\$ 59,463	\$ 929,575	\$ 267,606	\$ 2,380,077	\$ 1,980,906	\$ -	\$ -	\$ 8,369,912
U.S. Government Securities	-	-	11,852,211	-	-	-	-	2,125,225	-	100,945	251,560	9,785,160	-	-	-	24,115,101
Corporate and Municipal Bonds and Notes	-	2,005,894	-	7,113,196	1,840,960	-	-	1,727,566	-	407,335	381,974	8,828,587	4,492,171	477,256	50,375	27,325,304
Mutual Funds	8,851,083	4,457,581	24,949,973	16,494,601	3,518,044	30,998,564	386,827	19,017,094	-	5,005,504	1,812,676	-	6,416,009	7,088,398	-	131,007,254
Equity Investments	-	5,951,147	2,905,849	587,832	5,438,023	102,834,094	-	2,297,894	3,178,352	9,320,409	1,807,653	16,109,304	-	3,823,450	662,429	154,916,436
Other	-	355,471	3,203	961,857	250,100	86,457,735	-	104,749	-	987,708	299,006	9,858,961	-	-	-	99,278,790
Total	\$ 8,851,083	\$ 12,820,178	\$ 40,552,556	\$ 27,890,730	\$ 11,485,889	\$ 220,290,393	\$ 386,827	\$ 25,962,292	\$ 3,237,815	\$ 16,751,476	\$ 4,820,475	\$ 46,962,089	\$ 12,889,086	\$ 11,399,104	\$ 712,804	\$ 445,012,797

* December 31 year-end

Fair Value Measurement

FASB ASC 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

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

Level 2: Inputs to valuation methodology include quoted market prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

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NOTE 20 COMPONENT UNITS' DISCLOSURES (CONTINUED)

Fair Value Measurement (Continued)

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

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

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

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NOTE 20 COMPONENT UNITS' DISCLOSURES (CONTINUED)

Fair Value Measurement (Continued)

	2020			
	Fair Value	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Fair Value Measurements Using Significant Other Observable Inputs (Level 2)	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
U.S. Government Investments:				
Cash	\$ 6,212	\$ 5,962	\$ 250	\$ -
Mortgage Pools	239	-	239	-
Bonds	2,595	2,276	319	-
Agency Obligations	8,812	-	8,812	-
Treasury Obligations	2,421	1,743	678	-
Other	8,741	8,741	-	-
Mutual Money Market Funds	746	746	-	-
Certificates of Deposit	60	60	-	-
Corporate Equities	4	4	-	-
Corporate Bonds	16,492	3,480	13,012	-
Real Estate Securities	2,182	2,182	-	-
Debt Securities	896	-	896	-
Equity Securities	24,816	24,816	-	-
Bonds:				
Consumer Discretionary	318	-	318	-
Financials	303	-	303	-
Healthcare	53	-	53	-
Mutual Bond Funds:				
Diversifying Asset	31,999	31,999	-	-
Other	8,762	8,762	-	-
Mutual Funds:				
US large Cap	6,913	6,913	-	-
US Small and Mid Cap	1,970	1,970	-	-
US Short Term Bond Fund	984	984	-	-
International Equity	2,410	2,410	-	-
International Large Growth	21	21	-	-
Large Blend	372	372	-	-
Large Growth	172	172	-	-
Large Value	144	144	-	-
International Fixed Income	675	675	-	-
Multi Sector Bond	617	617	-	-
High Yield Bond	723	723	-	-
REITs	549	549	-	-
Balanced	45	45	-	-
Energy Limited Partnership	553	553	-	-
Foreign Large Blend	531	531	-	-
Option Based Equity	1,283	1,283	-	-
S&P 500 index	459	459	-	-
S&P midcap 400 index	245	245	-	-
S&P smallcap 600 index	69	69	-	-
Intermediate Term Bond	450	450	-	-
Diversified Alternatives	2,813	2,813	-	-
Other	37,102	37,102	-	-
Mutual Stock Funds:				
Publicly Traded	18,421	18,421	-	-
Domestic Mutual Fund	3,057	3,057	-	-
International Mutual Fund	11,725	11,725	-	-
Other	8	8	-	-
Stocks:				
Consumer Goods	890	890	-	-
Consumer Discretionary	375	375	-	-
Communication	368	368	-	-
Energy	418	418	-	-
Financials	1,533	1,360	173	-
Healthcare	1,289	1,289	-	-
Industrial goods	807	807	-	-
IT	879	879	-	-
Materials	331	331	-	-
Real estate	120	120	-	-
Services	481	481	-	-
Technology	1,359	1,359	-	-
Utilities	175	175	-	-
US Small and Mid Cap	857	857	-	-
US large Cap	294	294	-	-
International Equity	1,339	1,339	-	-
Domestic Large Cap	281	281	-	-
Domestic Mid Cap	22	22	-	-
Domestic Small Cap	15	15	-	-
Index Funds	96	96	-	-
Other	4,505	4,505	-	-
Fixed Income:				
Domestic Mutual Funds	515	515	-	-
International Mutual Fund	10,803	10,803	-	-
US Gov Bonds	56	56	-	-
Other	3,696	3,696	-	-
Public Real Asset	48	48	-	-
Other	9,841	1,782	8,059	-
Total	249,355	\$ 216,243	\$ 33,112	\$ -
Investments Measured at Net Asset Value (NAV):				
Commingled Global Fund	21,451			
Global Equity	45,987			
Commingled Hedge Fund	33,776			
Real Asset Fund	5,163			
Private Capital Fund	16,438			
Private Equity	1,502			
Natural Resources	301			
Venture	1,635			
Distressed Debt	106			
Multi Strategy	1,490			
Non Recurring FMV	4			
Total Investments	\$ 377,208			

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NOTE 20 COMPONENT UNITS' DISCLOSURES (CONTINUED)

Fair Value Measurement (Continued)

	2019			
	Fair Value	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Fair Value Measurements Using Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
U.S. Government Investments:				
Cash	\$ 6,647	\$ 6,209	\$ 438	\$ -
Mortgage Pools	336	-	336	-
Bonds	2,827	2,574	253	-
Agency Obligations	10,214	-	10,214	-
Treasury Obligations	2,302	1,396	906	-
Other	11,852	11,852	-	-
Mutual Money Market Funds	1,771	1,771	-	-
Corporate Equities	2,908	2,908	-	-
Corporate Bonds	15,686	3,975	11,711	-
Real Estate Securities	1,705	1,705	-	-
Debt Securities	933	-	933	-
Equity Securities	24,552	24,552	-	-
Bonds:				
Consumer Discretionary	280	-	280	-
Financials	96	-	96	-
Healthcare	51	-	51	-
Industrials	50	-	50	-
Mutual Bond Funds:				
Diversifying Asset	25,818	25,818	-	-
Other	8,830	8,830	-	-
Mutual Funds:				
US large Cap	5,383	5,383	-	-
US Small and Mid Cap	2,128	2,128	-	-
International Equity	2,592	-	-	-
International Large Growth	20	-	-	-
Large Blend	126	126	-	-
Large Growth	158	158	-	-
Large Value	159	159	-	-
International Fixed Income	719	719	-	-
Multi Alternative	233	233	-	-
Multi Sector Bond	723	723	-	-
High Yield Bond	517	517	-	-
REITs	639	639	-	-
Balanced	42	42	-	-
Energy Limited Partnership	514	514	-	-
Foreign Large Blend	571	571	-	-
Option Based Equity	1,090	1,090	-	-
S&P 500 index	437	437	-	-
S&P midcap 400 index	376	376	-	-
S&P smallcap 600 index	79	79	-	-
Intermediate Term Bond	411	411	-	-
Hedge Equity	1,638	1,638	-	-
Diversified Alternatives	3,779	3,779	-	-
Other	34,478	34,478	-	-
Mutual Stock Funds:				
Publicly Traded	17,930	17,930	-	-
Domestic Mutual Fund	2,647	2,647	-	-
International Mutual Fund	103	103	-	-
Other	8	8	-	-
Stocks:				
Consumer Goods	811	811	-	-
Consumer Discretionary	435	435	-	-
Communication	327	327	-	-
Energy	679	679	-	-
Financials	1,844	1,675	169	-
Healthcare	1,285	1,285	-	-
Industrial goods	891	891	-	-
IT	637	637	-	-
Materials	302	302	-	-
Real estate	152	152	-	-
Services	664	664	-	-
Technology	1,007	1,007	-	-
Utilities	227	227	-	-
US Small and Mid Cap	775	775	-	-
US large Cap	303	303	-	-
International Equity	1,491	1,491	-	-
Domestic Large Cap	15	15	-	-
Domestic Mid Cap	15	15	-	-
Domestic Small Cap	102	102	-	-
Index Funds	166	166	-	-
Other	3,849	3,849	-	-
Fixed Income:				
Domestic Mutual Funds	281	281	-	-
International Mutual Fund	1,095	1,095	-	-
US Gov Bonds	64	64	-	-
Other	4,145	4,145	-	-
Public Real Asset	26	26	-	-
Other	9,592	1,438	8,154	-
Total	225,536	\$ 191,945	\$ 33,591	\$ -
Investments Measured at Net Asset Value (NAV):				
Commingled Global Fund	29,567	-	-	-
Global Equity	102,219	-	-	-
Commingled Hedge Fund	41,554	-	-	-
Real Asset Fund	23,981	-	-	-
Private Capital Fund	16,316	-	-	-
Private Equity	1,772	-	-	-
Natural Resources	471	-	-	-
Venture	2,272	-	-	-
Distressed Debt	315	-	-	-
Multi Strategy	1,007	-	-	-
Non Recurring FMV	3	-	-	-
Total Investments	\$ 445,013	\$ -	\$ -	\$ -

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NOTE 20 COMPONENT UNITS' DISCLOSURES (CONTINUED)

Property and Equipment

The components units' property and equipment at June 30 are composed of the following:

	2020										
	Big Green Scholarship Foundation Inc.	Concord University Foundation, Inc.	Fairmont State Foundation Inc.	The Glennville State College Foundation, Inc.	The Marshall University Foundation, Inc.	Provident Group- Marshall Properties, LLC	The Shepherd University Foundation, Inc.	West Virginia School of Osteopathic Medicine Foundation Inc.	West Virginia State University Foundation, Inc.	WVU at Parkersburg Foundation, Inc.	Total
Land and Land Improvements	\$ -	\$ -	\$ 68,000	\$ 564,403	\$ 2,442,000	\$ -	\$ -	\$ -	\$ -	\$ 24,592	\$ 3,098,995
Buildings	-	-	272,000	3,133,358	12,323,230	77,491,244	20,082,300	-	1,039,064	1,224,930	115,566,126
Equipment	-	4,926	21,063	41,579	1,137,557	7,768,413	22,299	-	17,015	3,900	9,016,752
Furniture	-	-	-	-	-	-	1,012,802	-	-	77,065	1,089,867
Other	35,970	-	-	195,966	-	26,497	-	100,000	-	-	358,433
Accumulated Depreciation	(32,012)	(4,232)	(34,029)	(775,811)	(4,248,853)	(32,530,679)	(2,073,290)	(20,000)	(676,297)	(189,332)	(40,584,535)
Property and Equipment, Net	\$ 3,958	\$ 694	\$ 327,034	\$ 3,159,495	\$ 11,653,934	\$ 52,755,475	\$ 19,044,111	\$ 80,000	\$ 379,782	\$ 1,141,155	\$ 88,545,638

	2019										
	Big Green Scholarship Foundation Inc.	Concord University Foundation, Inc.	Fairmont State Foundation Inc.	The Glennville State College Foundation, Inc.	The Marshall University Foundation, Inc.	Provident Group- Marshall Properties, LLC	The Shepherd University Foundation, Inc.	West Virginia School of Osteopathic Medicine Foundation Inc.	West Virginia State University Foundation, Inc.	WVU at Parkersburg Foundation, Inc.	Total
Land and Land Improvements	\$ -	\$ -	\$ 68,000	\$ 550,043	\$ 2,442,000	\$ -	\$ -	\$ -	\$ -	\$ 24,592	\$ 3,084,635
Buildings	-	-	272,000	3,067,718	12,323,230	77,434,820	-	-	1,039,064	1,224,930	95,361,762
Equipment	-	75,747	21,063	41,579	1,142,675	7,697,074	22,299	-	17,015	3,900	9,021,352
Furniture	-	-	-	-	-	-	1,012,802	-	-	77,065	1,089,867
Other	89,851	-	-	141,277	-	67,532	20,082,300	-	-	-	20,380,960
Accumulated Depreciation	(83,393)	(74,607)	(25,889)	(612,059)	(3,903,305)	(29,460,039)	(1,364,347)	-	(648,461)	(117,056)	(36,289,156)
Property and Equipment, Net	\$ 6,458	\$ 1,140	\$ 335,174	\$ 3,188,558	\$ 12,004,600	\$ 55,739,387	\$ 19,753,054	\$ -	\$ 407,618	\$ 1,213,431	\$ 92,649,420

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NOTE 21 SEGMENT INFORMATION

Under the auspices of the State of West Virginia and former governing boards, the Fund issued revenue bonds to finance certain of its auxiliary enterprise activities. Investors in those bonds rely solely on the revenues generated by the activities of the auxiliaries for repayment.

Descriptive information for each of the Fund's segments is shown below:

West Virginia Board of Governors Revenue Bonds 2020 Series A (Taxable) (2020 Bonds)

On March 10, 2020, the West Virginia University Board issued \$377,785 in revenue bonds. The 2020 Series A bonds (taxable) in the amount of \$376,443 refinanced the 2011 Series B bonds in the amount of \$154,744, the 2013 Series A bonds in the amount of \$150,694, and the 2014 Series A bonds in the amount of \$71,005. The remaining funds were used for the cost of issuance and other fees.

West Virginia Board of Governors Revenue Bonds 2019 Series A; 2019 Series B (Tax Exempt) (2019 Bonds)

On September 25, 2019, the West Virginia University Board issued \$124,695 in revenue bonds. The 2019 Series A bonds (tax exempt) were issued in the amount of \$85,840. The actual proceeds equaled \$101,315 of which \$95,000 was designated for projects for Athletics, Hodges Hall, and Reynolds Hall. The remaining proceeds of \$5,826 were for capitalized interest; \$489 was for cost of issuance.

The 2019 Series B bonds (tax exempt) were issued in the amount of \$39,125. The actual proceeds received equaled \$50,534. These bonds were issued to refund the 2014 Series C Bonds in the amount of \$50,190. The refunding and redemption of the 2014 Series C Bonds was deemed more advantageous to the WVU Board, WVU and the State, considering the financial effect, the implementation and other relevant factors, than remarketing them. The remaining proceeds of \$5,826 were for capitalized interest; \$489 was for cost of issuance.

West Virginia Board of Governors Revenue Bonds 2016 Series A (Tax Exempt) (2016 Bonds)

The 2016 Bonds were issued in the amount of \$20,000 to finance Phase 1 of the Health Science Center infrastructure plan and to pay costs of issuance.

West Virginia Board of Governors Improvement Revenue Bonds 2014 Series A; 2014 Series B (Taxable); Series C (Collectively the 2014 Bonds)

On October 1, 2014, the West Virginia University Board of Governors (the Board) issued the 2014 Series A bonds in the amount of \$60,000, the 2014 Series B bonds in the amount of \$79,050, and the 2014 Series C bonds in the amount of \$50,190.

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NOTE 21 SEGMENT INFORMATION (CONTINUED)

West Virginia Board of Governors Improvement Revenue Bonds 2014 Series A; 2014 Series B (Taxable); Series C (Collectively the 2014 Bonds) (Continued)

The 2014 Series A bonds were issued to (a) finance the modernization of the University's Personal Rapid Transit system (the PRT) including reimbursement for prior capital expenditures related to this project and (b) pay the costs of issuance of the 2014 Series A bonds.

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

The 2014 Series C bonds (tax exempt) were issued to (a) refund the 2011 Series C bonds, dated October 5, 2011 and (b) pay the costs of issuance of the 2014 C bonds.

West Virginia Board of Governors Refunding and Improvement Revenue Bonds 2013 Series A; 2013 Series B (Taxable) (Collectively the 2013 Bonds)

On February 13, 2013, the West Virginia University Board of Governors (the Board) issued the 2013 Series A bonds in the amount of \$138,325 and the 2013 Series B bonds in the amount of \$72,180. The bonds were issued pursuant to a Resolution adopted by the Board on December 13, 2012, and pursuant to a resolution of the Commission adopted on December 7, 2012, approving the issuance of such bonds. The bonds were issued under a Bond Trust Indenture dated as of November 1, 2004, as supplemental and amended by a First Supplemental Indenture dated August 1, 2011, a Second Supplemental Indenture dated as of October 1, 2011, a Third Supplemental Indenture dated as of June 1, 2012, a Fourth Supplemental Indenture dated as of December 1, 2012, and a Fifth Supplemental Indenture dated as of February 1, 2013.

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

The 2013 Series B bonds were issued to (a) advance refund that portion of the 2004 Series C bonds not refunded with the proceeds of the 2013 Series A bonds, (b) finance a portion of the costs of the 2013 Series B projects including reimbursement to the West Virginia University for certain capital expenditures made on the 2013 Series B projects prior to the issuance of the 2013 Series B bonds, and (c) pay the costs of issuance of the 2013 Series B bonds.

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NOTE 21 SEGMENT INFORMATION (CONTINUED)

West Virginia Board of Governors Refunding and Improvement Revenue Bonds 2013 Series A; 2013 Series B (Taxable) (Collectively the 2013 Bonds) (Continued)

The 2013 bonds are secured by and payable from pledged revenues which have been pledged to the payment of such bonds and certain funds held by the bond trustee under the indenture. The 2013 bond are also payable from (but not secured by) other monies legally available to be used for such purposes.

West Virginia University Board of Governors Revenue Bonds 2012, Series A and B (Taxable) (Collectively the 2012 Bonds)

During fiscal year 2013, the Board issued revenue bonds to finance the acquisition of the Suncrest Plaza and the Loop. The 2012 Series A (taxable) bonds were issued on July 26, 2012 in the amount of \$13,271 to finance the acquisition of the Suncrest Plaza. These bonds were a private placement bond issue with the Huntington Investment Company. The 2012 Series B (taxable) bonds were issued on December 13, 2012 in the amount of \$4,800 to finance the acquisition of the Loop. These bonds were a private placement bond issue with First United Bank & Trust. The bonds were issued pursuant to a Resolution adopted by the Board on June 7, 2012 and September 28, 2012. The bonds were issued under a Bond Trust Indenture dated as of November 1, 2004, as supplemented and amended by a First Supplemental Indenture dated as of August 1, 2011, a Second Supplemental Indenture dated as of October 1, 2011, a Third Supplemental Indenture dated as of June 1, 2012, and a Fourth Supplemental Indenture dated as of December 1, 2012.

The 2012 bonds are secured by and payable from pledged revenues which have been pledged to the payment of such bonds and certain funds held by the bond trustee under the indenture. The 2012 bonds are also payable from (but not by) secured other monies legally available to be used for such purposes.

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NOTE 21 SEGMENT INFORMATION (CONTINUED)

West Virginia University Board of Governors University Improvement Revenue Bonds 2011 Series A; University Improvement Revenue Bonds 2011 Series B; University Improvement Variable Rate Revenue Bonds 2011 Series C (Collectively the 2011 Bonds)

During fiscal year 2012, the Board issued revenue improvement bonds to finance the acquisition of multi-story apartment complex known as “The Augusta on the Square” and other lots, buildings, houses and structures which were subject to liens thereupon. The 2011 Series A bonds were issued on August 1, 2011 in the amount of \$12,710. The bonds were issued as the First Supplemental Indenture, supplementing and amending the Bond Trust Indenture, dated November 1, 2004.

Also during fiscal year 2012, the Board issued revenue improvement bonds (a) University Improvement Revenue Bonds (West Virginia University Projects) 2011 Series B, in the aggregate principal amount of \$187,605 (the 2011 B Bonds) and (b) University Improvement Variable Revenue Bonds (West Virginia University Projects) 2011 Series C, in the aggregate principal amount of \$50,000 (the 2011 C Bonds and together with the 2011 B Bonds, the 2011 Bonds). The 2011 Bonds were issued pursuant to a Resolution adopted by the Board on June 3, 2011, and pursuant to a resolution of the Commission adopted on August 5, 2011, approving the issuance of such Bonds. The 2011 Bonds were issued under and secured by a Bond Trust Indenture dated as of November 1, 2004 between the Issuer and United Bank, Inc., as Bond Trustee (the Bond Trustee), as supplemented by a First Supplemental Bond Indenture dated as of August 1, 2011 and Second Supplemental Bond Indenture dated as of October 1, 2011. The proceeds of the 2011 Bonds were used to (a) finance a portion of the costs of certain capital projects at the University, including reimbursement to the University for certain capital expenditures related thereto made prior to the issuance of the 2011 Bonds (the 2011 Projects), (b) refinance certain tax-exempt lease-purchase agreements entered into by the University (the Refinancing) and (c) pay the costs of issuance of the 2011 Bonds.

The 2011 Series A, B and C Bonds are limited obligations of the Board, payable from and secured by a pledge of Fees and Gross Operating Revenues received by the Board, any interest earnings thereon and on the funds and accounts held by the Bond Trustee, and funds representing capitalized interest. Fees include Institutional Capital Fees, Auxiliary Fees, and Auxiliary Capital Fees. Gross Operating Revenues include all rents fees, charges and other income received by or accrued to the University from the operation and use of the Auxiliary Facilities. The 2011 Series A, B and C Bonds are also payable from (but not secured by) other monies legally available to be used for such purposes.

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NOTE 21 SEGMENT INFORMATION (CONTINUED)

Board of Governors of Marshall University, University Revenue Bonds, Series 2011

In November 2011, the Marshall University Board sold \$51,910 of University Revenue Bonds, Series 2011 (the 2011 Bonds). The 2011 Bonds were issued under the authority contained in Chapter 18, Article 18B of the Code of West Virginia, 1931, as amended, and the 2011 Bonds are secured pursuant to a Trust Indenture dated as of November 1, 2011, between the Board and United Bank, Inc., Charleston, West Virginia, as the Trustee. The 2011 Bonds were issued on parity with the 2010 Bonds and are secured by and payable from certain revenues as defined in the Trust Indenture. The proceeds of the 2011 Bonds are being used to (1) finance various capital improvements, (2) pay capitalized interest on the bonds, and (3) pay the costs of issuance of the 2011 Bonds.

Board of Governors of Marshall University, University Refunding Revenue Bonds, Series 2010

In November 2010, the Marshall University Board sold \$37,140 of Marshall University Refunding Revenue Bonds, Series 2010 (the 2010 Bonds). The 2010 Bonds were issued under the authority contained in Article 10, Chapter 18B of the Code of West Virginia, 1931, as amended, and the 2010 Bonds will be secured pursuant to an indenture dated as of November 1, 2010, by and between the Trustee. The 2010 Bonds are secured by and payable from auxiliary fees as defined in the Indenture. The proceeds of the 2010 Bonds are being used to (1) advance refund \$40,690 of State of West Virginia, Higher Education Interim Governing Board, University Facilities Revenue Bonds, Series 2001A and (2) pay the costs of issuance of the 2010 Bonds. The issuance of the 2010 Bonds resulted in a savings of \$1.7 million that will be realized on the first two years of the bond amortization schedule via reduced payments.

Marshall University Board of Governors, Improvement and Refunding Revenue Bonds, Series 2020A

In April 2020, the Marshall University Board sold \$ 56,035 of 2020A series bonds. The 2020 Bonds were issued under the authority contained in Chapter 18, Article 18B of the Code of West Virginia, 1931, as amended, and the 2020 Bonds are secured pursuant to a Trust Indenture dated as of April 1, 2020, between the University and United Bank, Inc., Charleston, West Virginia, as the Trustee. The 2020A Bonds are secured by and payable from certain revenues as defined in the Trust Indenture. The proceeds of the 2020A Bonds will be used to (1) finance a portion of the costs of the construction, equipping and furnishing of a new building for the University's Lewis College of Business along with other capital improvements approved by the issuer and (2) refund and redeem all or a portion of the 2010 and 2011 Bonds and (3) paying bond insurance premiums or other credit enhancement and (4) to pay the costs of issuance of the 2020A Bonds.

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NOTE 21 SEGMENT INFORMATION (CONTINUED)

Marshall University Board of Governors, Refunding Revenue Bonds, Series 2020B

In April 2020, the Marshall University Board sold \$45,960 of 2020B series bonds. The 2020B Bonds were issued under the authority contained in Chapter 18, Article 18B of the Code of West Virginia, 1931, as amended, and the 2020 Bonds are secured pursuant to a Trust Indenture dated as of April 1, 2020, between the University and United Bank, Inc., Charleston, West Virginia, as the Trustee. The 2020B Bonds are secured by and payable from certain revenues as defined in the Trust Indenture. The proceeds of the 2020B Bonds will be used to (1) refund and redeem all or a portion of the 2011 Bonds, (2) pay bond insurance premiums or other credit enhancement and (3) to pay the costs of issuance of the 2020B Bonds.

Concord University Revenue Bonds, Series 2014

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

Board of Governors of Glenville State College, Improvement and Refunding Revenue Bond, Series 2017

In September 2017, the Glenville State College issued \$36,285 in Improvement and Refunding Revenue Bonds, Series 2017. The Series 2017 Bonds were issues for the purpose of refunding and redeeming the following debt, (1) Campus Community Center Bonds, Series 2006, (2) Science Center Bonds, Series 2007, (3) Goodwin Hall Bonds, Series 2009, (4) Student Housing Bonds, Series 2011A, (5) Note Payable, 2011.

Fairmont State University Facilities Construction Bonds 2015, Series A

On April 7, 2015, Fairmont State issued Revenue Bonds Series A amounting to \$30,200. The 2015A bonds were issued to (1) finance the costs of planning, designing, constructing, acquiring and equipping new student housing facilities, (2) provide payment of capitalized interest on the Series 2015A bonds, (3) reimburse certain previously incurred expenditures related to the 2015 project, and (4) pay the costs of issuance of the Series 2015 bonds and related costs.

Fairmont State University Revenue Refunding Bonds 2012, Series A and Revenue Refunding Bonds 2012, Series B

On June 12, 2012, Fairmont, in conjunction with Pierpont, issued Revenue Refunding Bonds Series A and Revenue Refunding Bonds Series B (the 2012 Bonds) amounting to \$20,165 and \$30,160, respectively. The 2012A Bonds were issued to (1) currently refund in full the outstanding 2002A and 2002B Bonds and (2) pay the costs of issuance of the Series 2012A Bonds and related costs. The 2012B Bonds were issued to (1) advance refund in full the outstanding 2003A and 2003B Bonds and (2) pay the costs of issuance of the Series 2012B Bonds and related costs.

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NOTE 21 SEGMENT INFORMATION (CONTINUED)

Fairmont State Facilities Improvement Revenue Bonds, 2006 Series

On May 9, 2006, Fairmont State issued Facilities Improvement Revenue Bonds (the 2006 Bonds) amounting to \$8,500. The 2006 Bonds were issued to (1) finance the design, acquisition, construction, and equipping of certain necessary improvements in the facilities of the main campus of Fairmont State University, including, but not limited to, a technology wing addition/renovation and elevator/HVAC improvements to infrastructure improvements, all of which will be owned by the Board and (2) pay the costs of issuance of the 2006 Bonds and related costs.

Shepherd University, Refunding Revenue Bonds 2013

On December 2, 2013, Shepherd University issued \$6.7 million in General Obligation Bonds with an average interest rate of 3.69% to advance refund \$7.1 million of outstanding 2003 and 2004 series bonds with an average interest rate of 4.27%. As a result, both 2003 series bonds and 2004 series bonds are considered to be defeased and the liability for both of those bonds has been removed from the statement of net position.

State of West Virginia, Shepherd University, General Obligation Bond, Series 2017

On March 8, 2017, the University issued \$35.3 million in General Obligation Bonds with a fixed interest rate of 3.65% to advance refund \$35.3 million of outstanding 2005 and 2007 revenue bonds with an average interest rate of 4.5% and to pay the cost of issuance. As a result both 2005 and 2007 revenue bonds are considered to be defeased and the liability for both of those bonds has been removed from the statement of net position. As a result, a gain between the reacquisition price and the net carrying amount of old debt is \$82. The difference, reported in the accompanying financial statement as a deduction of bonds payable, is being charged to operations during 2017. The University completed the refunding to reduce its total debt service payments over the next 20 years by \$4.2 million and to obtain an economic gain of \$3.3 million.

State of West Virginia, Board of Governors of West Virginia State University, Revenue Bonds, 2013 Series A

On February 20, 2013, the West Virginia State University issued \$2,815 of Revenue Bonds, 2013 Series A. These bonds are secured by and payable from fees assessed to the students of West Virginia State University held under the Indenture. The proceeds of these Bonds are being used to (1) refund 2002 Series A, (2) acquire equipment, and (3) pay costs of issuance of 2013 Bonds and related costs.

State of West Virginia, Board of Governors of West Virginia State University, Revenue Bonds, 2012 Series

On December 20, 2012, West Virginia State University issued \$8,930 of Revenue Bonds, 2012 Series. These bonds are secured by and payable from fees assessed to the students of West Virginia State University held under the Indenture. The proceeds of these bonds are being used to (1) refund 1996-1 note from Educational Direct Loan Mortgage Corporation, (2) fund various capital projects, and (3) pay the costs of issuance of these bonds and related costs.

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NOTE 21 SEGMENT INFORMATION (CONTINUED)

Board of Governors of West Liberty University, Capital Improvement Revenue Bonds 2018 Series

On September 20, 2018, West Liberty University issued Capital Improvement Revenue Bonds, Series 2018 for \$5,132. The proceeds of the bonds were issued to finance certain capital improvements to the University. The bond proceeds are being expensed from the trustee as funds are requested for payments on capital projects that were preapproved by the Board of Governors of the University. As of June 30, 2019, \$2,387 had been expended from the bond proceeds for costs of issuance and capital expenditures on the bonds.

Board of Governors of West Liberty University, Revenue Refunding Bonds 2013 Series

On March 6, 2013, West Liberty University issued University Revenue Refunding Bonds, Series 2013, amounting to \$9,810. The Series 2013 Bonds were issued to (1) currently refund in full the outstanding Series 2003A, 2003B, and 2003C Bonds, and (2) pay the costs of issuance of the Series 2013 Bonds and related costs.

Board of Governors of West Liberty University, Capital Improvement Revenue, 2012 Series

On May 1, 2012, West Liberty University (formerly West Liberty State College) issued Capital Improvement Revenue Bonds 2012, amounting to \$10,000 to finance certain capital improvements and pay costs of issuance.

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NOTE 21 SEGMENT INFORMATION (CONTINUED)

	2020									
	WVU Auxiliaries	Marshall Revenue Series 2010, 2011 2020A and 2020B	Fairmont Improvement Series 2006	Fairmont Revenue Refunding Bonds 2012 and Housing Construction Series 2015	Shepherd Revenue Refunding 2013	Shepherd Revenue Refunding 2017	WV State Capital, Housing, Student Union, 2013 Series A	West Liberty Revenue Refunding 2018	West Liberty Revenue Refunding 2013	West Liberty Capital Improvement 2012
CONDENSED STATEMENT OF NET POSITION										
Assets:										
Current Assets	\$ 87,957	\$ 14,697	\$ 36,475	\$ 11,822,116	\$ 4,958	\$ 2,938	\$ 1,630	\$ 379	\$ 6,179	\$ 841
Noncurrent Assets	1,232,589	175,283	5,739,697	74,304,934	7,127	36,838	12,857	4,571	9,218	8,502
Total Assets	1,320,546	189,980	5,776,172	86,127,050	12,085	39,776	14,487	4,950	15,397	9,343
Deferred Outflows of Resources	16,484	-	-	840,801	-	-	-	-	52	-
Total	\$ 1,337,030	\$ 189,980	\$ 5,776,172	\$ 86,967,851	\$ 12,085	\$ 39,776	\$ 14,487	\$ 4,950	\$ 15,449	\$ 9,343
Liabilities:										
Current Liabilities	\$ 68,009	\$ 4,801	\$ 515,470	\$ 3,569,899	\$ 548	\$ 2,354	\$ 2,557	\$ 398	\$ 685	\$ 688
Noncurrent Liabilities	710,553	113,720	2,667,177	60,807,841	3,865	29,126	9,615	4,741	4,870	4,935
Total Liabilities	778,562	118,521	3,182,647	64,377,740	4,413	31,480	12,172	5,139	5,555	5,623
Deferred Inflows of Resources	48,026	3,319	-	-	-	-	-	-	-	-
Total	826,588	121,840	3,182,647	64,377,740	4,413	31,480	12,172	5,139	5,555	5,623
Net Position:										
Net Investment in Capital Assets	560,525	58,612	2,593,525	11,503,188	2,842	6,323	9,395	1,863	3,723	5,356
Restricted/Designated	100,081	2	-	11,086,923	-	-	346	-	-	-
Unrestricted	(150,164)	9,526	-	-	4,830	1,973	(7,426)	(2,052)	6,171	(1,636)
Total Net Position	510,442	68,140	2,593,525	22,590,111	7,672	8,296	2,315	(189)	9,894	3,720
Total	\$ 1,337,030	\$ 189,980	\$ 5,776,172	\$ 86,967,851	\$ 12,085	\$ 39,776	\$ 14,487	\$ 4,950	\$ 15,449	\$ 9,343
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION										
Operating:										
Operating Revenues	\$ 108,856	\$ 22,894	\$ -	\$ 9,703,211	\$ 2,256	\$ 10,024	\$ 2,390	\$ -	\$ 1,676	\$ 867
Operating Expenses	(136,218)	(20,129)	-	(5,068,203)	(458)	(10,105)	(1,012)	-	-	-
Other	26,368	-	-	-	-	-	-	-	-	-
Net Operating Income	(994)	2,765	-	4,635,008	1,798	(81)	1,378	-	1,676	867
Nonoperating:										
Transfers from Institution	4,991	(3,322)	-	-	-	-	-	-	-	-
Nonoperating Revenues	23,127	-	535,489	(1,585,154)	108	232	-	-	-	(1)
Nonoperating Expenses	(19,763)	(4,026)	(262,480)	(2,596,224)	(182)	(1,160)	(698)	(41)	(1,672)	(458)
INCREASE (DECREASE) IN NET POSITION	7,361	(4,583)	273,009	453,630	1,724	(1,009)	680	(41)	4	408
Net Position - Beginning of Year	503,081	72,723	2,320,516	22,136,481	5,948	9,305	1,635	(148)	9,890	3,312
NET POSITION - END OF YEAR	\$ 510,442	\$ 68,140	\$ 2,593,525	\$ 22,590,111	\$ 7,672	\$ 8,296	\$ 2,315	\$ (189)	\$ 9,894	\$ 3,720
CONDENSED STATEMENT OF CASH FLOWS										
Net Cash Provided (Used) by Operating Activities	\$ 7,956	\$ 9,376	\$ 559,292	\$ 4,375,795	\$ 2,098	\$ 923	\$ 351	\$ -	\$ 1,676	\$ 867
Net Cash Provided (Used) by Capital Financing Activities	47,808	(8,006)	(559,292)	(1,860,064)	(771)	(3,049)	(698)	249	(2,056)	(822)
Net cash Provided by Investing Activities	1,609	-	-	189,232	-	-	-	-	-	-
INCREASE (DECREASE) IN CASH	57,373	1,370	-	2,704,963	1,327	(2,126)	(347)	249	(380)	45
Cash - Beginning of Year	76,291	13,146	-	7,218	3,354	4,949	(1,123)	-	6,559	796
CASH - END OF YEAR	\$ 133,664	\$ 14,516	\$ -	\$ 2,712,181	\$ 4,681	\$ 2,823	\$ (1,470)	\$ 249	\$ 6,179	\$ 841

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NOTE 21 SEGMENT INFORMATION (CONTINUED)

	2019									
	WVU Auxiliaries	Marshall Revenue Series 2010 and 2011	Fairmont Improvement Series 2006	Fairmont Revenue Refunding Bonds 2012 and Housing Construction Series 2015	Shepherd Revenue Refunding 2013	Shepherd Revenue Refunding 2017	WV State Capital, Housing, Student Union, 2013 Series A	West Liberty Revenue Refunding 2018	West Liberty Revenue Refunding 2013	West Liberty Capital Improvement 2012
CONDENSED STATEMENT OF NET POSITION										
Assets:										
Current Assets	\$ 70,240	\$ 13,441	\$ -	\$ 12,331	\$ 3,606	\$ 5,087	\$ 1,594	\$ -	\$ 6,559	\$ 796
Noncurrent Assets	1,136,590	140,819	6,002	76,349	7,161	36,777	13,128	5,000	9,473	8,676
Total Assets	<u>1,206,830</u>	<u>154,260</u>	<u>6,002</u>	<u>88,680</u>	<u>10,767</u>	<u>41,864</u>	<u>14,722</u>	<u>5,000</u>	<u>16,032</u>	<u>9,472</u>
Deferred Outflows of Resources	13,394	685	-	911	-	-	-	-	59	-
Total	<u>\$ 1,220,224</u>	<u>\$ 154,945</u>	<u>\$ 6,002</u>	<u>\$ 89,591</u>	<u>\$ 10,767</u>	<u>\$ 41,864</u>	<u>\$ 14,722</u>	<u>\$ 5,000</u>	<u>\$ 16,091</u>	<u>\$ 9,472</u>
Liabilities:										
Current Liabilities	\$ 49,161	\$ 5,478	\$ 508	\$ 3,531	\$ 533	\$ 2,056	\$ 2,145	\$ 338	\$ 671	\$ 676
Noncurrent Liabilities	619,197	74,120	3,173	63,923	4,286	30,503	9,625	4,940	5,530	5,595
Total Liabilities	<u>668,358</u>	<u>79,598</u>	<u>3,681</u>	<u>67,454</u>	<u>4,819</u>	<u>32,559</u>	<u>11,770</u>	<u>5,278</u>	<u>6,201</u>	<u>6,271</u>
Deferred Inflows of Resources	48,785	2,625	-	-	-	-	-	-	-	-
Total	<u>717,143</u>	<u>82,223</u>	<u>3,681</u>	<u>67,454</u>	<u>4,819</u>	<u>32,559</u>	<u>11,770</u>	<u>5,278</u>	<u>6,201</u>	<u>6,271</u>
Net Position:										
Net Investment in Capital Assets	548,959	63,827	2,321	23,977	2,464	4,934	9,284	(2,255)	4,045	4,304
Restricted/Designated	36,333	1	-	(1,840)	-	-	364	-	-	-
Unrestricted	(82,211)	8,894	-	-	3,484	4,371	(6,696)	1,977	5,845	(1,103)
Total Net Position	<u>503,081</u>	<u>72,722</u>	<u>2,321</u>	<u>22,137</u>	<u>5,948</u>	<u>9,305</u>	<u>2,952</u>	<u>(278)</u>	<u>9,890</u>	<u>3,201</u>
Total	<u>\$ 1,220,224</u>	<u>\$ 154,945</u>	<u>\$ 6,002</u>	<u>\$ 89,591</u>	<u>\$ 10,767</u>	<u>\$ 41,864</u>	<u>\$ 14,722</u>	<u>\$ 5,000</u>	<u>\$ 16,091</u>	<u>\$ 9,472</u>
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION										
Operating:										
Operating Revenues	\$ 124,151	\$ 23,979	\$ -	\$ 14,626	\$ 2,362	\$ 12,351	\$ 1,443	\$ -	\$ 619	\$ 853
Operating Expenses	(147,231)	(17,756)	-	(9,705)	(2,626)	(12,468)	(1,316)	-	-	-
Other	32,196	-	-	-	-	-	-	-	-	-
Net Operating Income	<u>9,116</u>	<u>6,223</u>	<u>-</u>	<u>4,921</u>	<u>(264)</u>	<u>(117)</u>	<u>127</u>	<u>-</u>	<u>619</u>	<u>853</u>
Nonoperating:										
Transfers from Institution	10,531	(4,048)	-	-	-	-	-	-	-	-
Nonoperating Revenues	24,978	-	490	587	201	207	-	-	-	-
Nonoperating Expenses	(28,678)	(5,570)	(262)	(1,939)	(192)	(1,195)	(706)	(278)	(426)	(528)
INCREASE (DECREASE) IN NET POSITION	<u>15,947</u>	<u>(3,395)</u>	<u>228</u>	<u>3,569</u>	<u>(255)</u>	<u>(1,105)</u>	<u>(579)</u>	<u>(278)</u>	<u>193</u>	<u>325</u>
Net Position - Beginning of Year	487,134	76,117	2,093	18,568	6,203	10,410	3,531	-	9,697	2,876
NET POSITION - END OF YEAR	<u>\$ 503,081</u>	<u>\$ 72,722</u>	<u>\$ 2,321</u>	<u>\$ 22,137</u>	<u>\$ 5,948</u>	<u>\$ 9,305</u>	<u>\$ 2,952</u>	<u>\$ (278)</u>	<u>\$ 9,890</u>	<u>\$ 3,201</u>
CONDENSED STATEMENT OF CASH FLOWS										
Net Cash Provided (Used) by Operating Activities	\$ (4,402)	\$ 9,610	\$ 559	\$ 3,794	\$ 2,338	\$ 1,441	\$ 127	\$ 5,000	\$ 619	\$ 854
Net Cash Provided (Used) by Capital Financing Activities	21,721	(12,519)	(559)	(5,387)	(2,772)	(3,358)	(609)	(5,000)	(800)	(821)
Net cash Provided by Investing Activities	870	-	-	293	-	-	-	-	-	-
INCREASE (DECREASE) IN CASH	<u>18,189</u>	<u>(2,909)</u>	<u>-</u>	<u>(1,300)</u>	<u>(434)</u>	<u>(1,917)</u>	<u>(482)</u>	<u>-</u>	<u>(181)</u>	<u>33</u>
Cash - Beginning of Year	58,102	16,055	-	8,518	3,788	6,866	(641)	-	6,740	763
CASH - END OF YEAR	<u>\$ 76,291</u>	<u>\$ 13,146</u>	<u>\$ -</u>	<u>\$ 7,218</u>	<u>\$ 3,354</u>	<u>\$ 4,949</u>	<u>\$ (1,123)</u>	<u>\$ -</u>	<u>\$ 6,559</u>	<u>\$ 796</u>

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NOTE 22 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 (dollars in thousands):

	2020							
	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation/ Amortization	Other	Total
Instruction	\$ 433,100	\$ 106,765	\$ 70,902	\$ 615	\$ 18	\$ -	\$ 2,420	\$ 613,820
Research	75,581	33,022	55,361	376	-	-	9	164,349
Public Service	54,067	11,899	29,069	277	3	-	372	95,687
Academic Support	59,995	13,693	28,181	245	10	-	773	102,897
Student Services	52,562	16,051	22,053	139	11	-	672	91,488
Operations and Maintenance of Plant	36,192	10,807	39,255	37,600	-	-	704	124,558
General Institutions Support	135,734	29,229	87,184	2,481	191	-	4,242	259,061
Total Education and General	847,231	221,466	332,005	41,733	233	-	9,192	1,451,860
Student Financial Aid	3,626	624	472	1,023	149,976	-	-	155,721
Auxiliary Enterprises	62,260	13,127	84,104	14,156	-	-	1,354	175,001
Depreciation and Amortization	-	-	-	-	-	129,763	-	129,763
Administration of Leasing Activities	1,242	415	1,311	2,923	-	-	469	6,360
Other	-	-	364	-	-	-	4,576	4,940
Total	<u>\$ 914,359</u>	<u>\$ 235,632</u>	<u>\$ 418,256</u>	<u>\$ 59,835</u>	<u>\$ 150,209</u>	<u>\$ 129,763</u>	<u>\$ 15,591</u>	<u>\$ 1,923,645</u>

	2019							
	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation/ Amortization	Other	Total
Instruction	\$ 423,391	\$ 111,484	\$ 63,491	\$ 723	\$ 9	\$ -	\$ 33	\$ 599,131
Research	73,400	32,115	51,920	512	18	-	85	158,050
Public Service	51,411	12,525	24,394	319	7	-	33	88,689
Academic Support	57,573	13,446	27,551	262	8	-	30	98,870
Student Services	51,769	15,920	26,791	148	5	-	-	94,633
Operations and Maintenance of Plant	37,181	12,038	39,855	40,007	-	-	-	129,081
General Institutions Support	130,166	30,743	84,435	1,974	42	-	1,839	249,199
Total Education and General	824,891	228,271	318,437	43,945	89	-	2,020	1,417,653
Student Financial Aid	344	38	397	-	112,042	-	-	112,821
Auxiliary Enterprises	69,834	15,615	95,898	15,757	-	-	25	197,129
Depreciation and Amortization	-	-	-	-	-	130,294	-	130,294
Administration of Leasing Activities	1,230	410	1,489	3,049	-	-	-	6,178
Other	-	-	371	-	-	-	1,631	2,002
Total	<u>\$ 896,299</u>	<u>\$ 244,334</u>	<u>\$ 416,592</u>	<u>\$ 62,751</u>	<u>\$ 112,131</u>	<u>\$ 130,294</u>	<u>\$ 3,676</u>	<u>\$ 1,866,077</u>

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NOTE 23 RISKS AND UNCERTAINTIES

During the fiscal year, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. Subsequent to year-end, the COVID-19 pandemic continues to have significant effects on global markets, supply chains, businesses, and communities. Specific to the Fund, COVID-19 may impact various parts of its 2021 operations and financial results, including, but not limited to, declines in state appropriations, loss of auxiliary revenues, additional bad debts, costs for increased use of technology, or potential shortages of personnel. Management believes the Fund is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

NOTE 24 SUBSEQUENT EVENTS

On August 6, 2020, West Virginia University (Aa3/NA/AA-) sold \$12.5 million in bonds with a closing on the same day. The \$12.5 million 2020 Series B taxable was structured as a 2.20% fixed rate bond maturing on August 1, 2035, with level debt service including annual principal and interest payments. Proceeds of the 2020 Series B bonds will be used to purchase, construct and install video, sound and lighting improvements at Milan Puskar Stadium and Coliseum, both athletic facilities. The 2020 Series B bonds sold at par.

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NOTE 25 CONDENSED BLENDED COMPONENT UNIT INFORMATION

Condensed combining information for the Fund's blended component units for the year ended June 30, 2020 is as follows:

Condensed Combining Statements of Net Position
June 30, 2020

	Bluefield State College	Concord University	West Liberty University	Shepherd University	Glenville State College	Fairmont State University	West Virginia State University	West Virginia University	Marshall University	West Virginia School of Osteopathic Medicine	Policy Commission	Council	Eliminating/ Reclassification/ Entries	Total
ASSETS														
Inter-Entity Receivables	\$ 70	\$ -	\$ -	\$ 22	\$ -	\$ -	\$ -	\$ 452	\$ -	\$ 19	\$ -	\$ 90	\$ (653)	\$ -
Other Current Assets	2,949	9,325	13,891	11,843	1,316	37,424	6,641	306,348	89,092	81,445	58,371	111,082	(9,987)	719,740
Capital Assets, Net	15,286	59,694	73,923	108,978	74,050	130,901	77,603	1,836,319	460,010	75,020	58,634	242,070	-	3,212,488
Other Noncurrent Assets	577	3,775	1,416	382	2,981	2,393	343	229,918	147,750	4,892	67,353	3,940	(49,874)	415,846
Total Assets	18,882	72,794	89,230	121,225	78,347	170,718	84,587	2,373,037	696,852	161,376	184,358	357,182	(60,514)	4,348,074
DEFERRED OUTFLOWS OF RESOURCES	528	697	1,291	1,023	1,059	1,964	992	35,361	9,251	1,178	15,278	3,841	-	72,463
Total Assets and Deferred Outflows	\$ 19,410	\$ 73,491	\$ 90,521	\$ 122,248	\$ 79,406	\$ 172,682	\$ 85,579	\$ 2,408,398	\$ 706,103	\$ 162,554	\$ 199,636	\$ 361,023	\$ (60,514)	\$ 4,420,537
LIABILITIES														
Inter-Entity Payables	\$ 798	\$ -	\$ -	\$ 6	\$ -	\$ -	\$ -	\$ 2	\$ -	\$ 77	\$ -	\$ 523	\$ (1,406)	\$ -
Other Current Liabilities	2,892	6,713	7,398	7,617	5,524	13,442	11,495	237,802	57,459	4,830	28,469	36,573	(8,986)	411,228
Other Long-Term Liabilities	3,672	22,351	24,238	41,786	40,851	72,017	38,773	958,576	216,820	6,210	321,743	27,111	(50,122)	1,724,026
Total Liabilities	7,362	29,064	31,636	49,409	46,375	85,459	50,268	1,196,380	274,279	11,117	350,212	64,207	(60,514)	2,135,254
DEFERRED INFLOWS OF RESOURCES	1,672	2,683	2,635	3,088	2,186	3,333	3,227	100,052	18,402	1,965	1,163	10,639	-	151,045
Total Liabilities and Deferred Inflows of Resources	9,034	31,747	34,271	52,497	48,561	88,792	53,495	1,296,432	292,681	13,082	351,375	74,846	(60,514)	2,286,299
Net Position														
Net Investment in Capital Assets	15,265	42,527	56,224	72,350	35,769	65,373	45,435	1,095,413	315,842	75,020	58,069	233,780	-	2,111,067
Restricted Nonexpendable	577	2,425	-	-	-	-	-	17,615	15,176	-	-	50	-	35,843
Expendable	(747)	2,073	392	469	2,852	4,558	(46)	49,558	10,832	11,378	40,913	12,243	-	134,475
Unrestricted	(4,719)	(5,281)	(366)	(3,068)	(7,776)	13,959	(13,305)	(50,620)	71,572	63,074	(250,721)	40,104	-	(147,147)
Total Net Position	10,376	41,744	56,250	69,751	30,845	83,890	32,084	1,111,966	413,422	149,472	(151,739)	286,177	-	2,134,238
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 19,410	\$ 73,491	\$ 90,521	\$ 122,248	\$ 79,406	\$ 172,682	\$ 85,579	\$ 2,408,398	\$ 706,103	\$ 162,554	\$ 199,636	\$ 361,023	\$ (60,514)	\$ 4,420,537

WEST VIRGINIA HIGHER EDUCATION FUND
(A Component Unit of the State of West Virginia)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019
(DOLLARS IN THOUSANDS)

NOTE 25 CONDENSED BLENDED COMPONENT UNIT INFORMATION (CONTINUED)

Condensed Combining Statements of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2020

	Bluefield State College	Concord University	West Liberty University	Shepherd University	Glenville State College	Fairmont State University	West Virginia State University	West Virginia University	Marshall University	West Virginia School of Osteopathic Medicine	Policy Commission	Council	Eliminating/ Reclassification Entries	Total
OPERATING REVENUES														
Student Tuition and Fees, Net Federal, State, Local	\$ 4,238	\$ 5,774	\$ 15,853	\$ 16,108	\$ 4,748	\$ 13,019	\$ 10,944	\$ 415,201	\$ 80,493	\$ 35,833	\$ -	\$ 26,824	\$ -	\$ 629,035
Contracts and Grants Sales and Services of Educational Activity	5,924	7,974	4,836	5,611	2,962	11,020	11,291	231,181	75,437	3,234	4,930	18,660	(37,205)	345,855
Auxiliary Enterprise Revenue	98	1	-	21	1,881	2	3	13,749	230	-	3,535	631	(2,616)	17,535
Other Operating Revenues	345	7,107	7,513	10,193	2,861	11,416	4,167	126,891	27,966	601	5,060	1,834	-	205,954
Total Operating Revenues	26	953	171	376	271	1,689	997	10,171	9,632	784	4,123	2,332	(4,442)	27,083
	10,631	21,809	28,373	32,309	12,723	37,146	27,402	797,193	193,758	40,452	17,648	50,281	(44,263)	1,225,462
OPERATING EXPENSES														
Operations	18,869	35,316	39,908	47,920	22,022	52,993	45,419	1,033,906	290,771	41,784	23,859	147,940	(6,825)	1,793,882
Depreciation	1,220	2,499	2,908	6,113	2,392	4,693	3,714	72,815	16,435	3,667	2,143	11,164	-	129,763
Total Operating Expenses	20,089	37,815	42,816	54,033	24,414	57,686	49,133	1,106,721	307,206	45,451	26,002	159,104	(6,825)	1,923,645
Operating Loss	(9,458)	(16,006)	(14,443)	(21,724)	(11,691)	(20,540)	(21,731)	(309,528)	(113,448)	(4,999)	(8,354)	(108,823)	(37,438)	(698,183)
NONOPERATING REVENUES (EXPENSES)														
State Appropriations	6,383	10,476	9,103	12,684	6,447	18,600	14,293	179,397	66,897	9,596	56,648	76,551	-	467,075
Federal Pell Grants	3,267	3,652	3,740	4,656	3,731	6,504	4,158	28,573	17,047	-	-	28,588	-	103,916
CARES Act Grant Revenue	463	1,297	486	2,294	1,511	1,127	2,355	15,042	6,525	117	-	4,715	-	35,932
Other Nonoperating Revenues (Expenses)	682	(182)	343	1,422	(1,405)	(1,518)	(1,279)	115,972	1,281	946	(34,118)	2,770	37,420	122,334
Total Nonoperating Revenues	10,795	15,243	13,672	21,056	10,284	24,713	19,527	338,984	91,750	10,659	22,530	112,624	37,420	729,257
Capital Grants, Appropriations, and Gifts	-	-	-	44	-	-	2,010	16,088	5,467	2	-	892	-	24,503
Net Other Transfers Made and Received	-	-	57	-	-	1,000	-	420	-	-	(3,641)	3,381	18	1,235
INCREASE (DECREASE) IN NET POSITION	1,337	(763)	(714)	(624)	(1,407)	5,173	(194)	45,964	(16,231)	5,662	10,535	8,074	-	56,812
Net Position - Beginning of Year	9,039	42,507	56,964	70,375	32,252	78,717	32,278	1,066,002	429,653	143,810	(162,274)	278,103	-	2,077,426
NET POSITION - END OF YEAR	\$ 10,376	\$ 41,744	\$ 56,250	\$ 69,751	\$ 30,845	\$ 83,890	\$ 32,084	\$ 1,111,966	\$ 413,422	\$ 149,472	\$ (151,739)	\$ 286,177	\$ -	\$ 2,134,238

WEST VIRGINIA HIGHER EDUCATION FUND
(A Component Unit of the State of West Virginia)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019
(DOLLARS IN THOUSANDS)

NOTE 25 CONDENSED BLENDED COMPONENT UNIT INFORMATION (CONTINUED)

Condensed Combining Statements of Cash Flows
Year Ended June 30, 2020

	Bluefield State College	Concord University	West Liberty University	Shepherd University	Glenville State College	Fairmont State University	West Virginia State University	West Virginia University	Marshall University	West Virginia School of Osteopathic Medicine	Policy Commission	Council	Eliminating/ Reclassification Entries	Total
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES														
Operating Activities	\$ (8,496)	\$ (13,775)	\$ (9,673)	\$ (17,369)	\$ (8,917)	\$ (15,931)	\$ (16,565)	\$ (204,663)	\$ (93,303)	\$ (1,265)	\$ (7,683)	\$ (92,884)	\$ (37,354)	\$ (527,878)
Noncapital Financing Activities	10,262	15,303	12,843	21,827	11,690	26,739	20,790	287,491	96,579	8,776	31,398	109,788	36,139	689,625
Capital Financing Activities	(754)	(2,366)	(2,612)	(4,180)	(2,767)	(7,422)	(2,614)	(23,361)	(21,036)	(3,247)	(23,530)	(7,799)	(41,182)	(142,870)
Investing Activities	43	169	233	164	84	482	38	(18,395)	4,094	1,599	926	1,435	-	(9,128)
INCREASE (DECREASE) IN CURRENT CASH AND CASH EQUIVALENTS	1,055	(669)	791	442	90	3,868	1,649	41,072	(13,666)	5,863	1,111	10,540	(42,397)	9,749
Cash - Beginning of Year	858	3,595	11,096	9,572	719	31,393	1,217	140,814	80,963	33,321	42,232	95,636	(25,924)	425,492
CASH - END OF YEAR	<u>\$ 1,913</u>	<u>\$ 2,926</u>	<u>\$ 11,887</u>	<u>\$ 10,014</u>	<u>\$ 809</u>	<u>\$ 35,261</u>	<u>\$ 2,866</u>	<u>\$ 181,886</u>	<u>\$ 67,297</u>	<u>\$ 39,184</u>	<u>\$ 43,343</u>	<u>\$ 106,176</u>	<u>\$ (68,321)</u>	<u>\$ 435,241</u>

WEST VIRGINIA HIGHER EDUCATION FUND
(A Component Unit of the State of West Virginia)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019
(DOLLARS IN THOUSANDS)

NOTE 25 CONDENSED BLENDED COMPONENT UNIT INFORMATION (CONTINUED)

Condensed combining information for the Fund's blended component units for the year ended June 30, 2019 is as follows:

Condensed Combining Statements of Net Position
June 30, 2019

	Bluefield State College	Concord University	West Liberty University	Shepherd University	Glenville State College	Fairmont State University	West Virginia State University	West Virginia University	Marshall University	West Virginia School of Osteopathic Medicine	Policy Commission	Council	Eliminating/ Reclassification Entries	Total
ASSETS														
Inter-Entity Receivables	\$ 1	\$ 4	\$ -	\$ 15	\$ -	\$ -	\$ -	\$ 445	\$ -	\$ 58	\$ -	\$ 367	\$ (890)	\$ -
Other Current Assets	1,634	9,266	13,352	10,842	2,303	33,651	5,562	298,461	100,118	75,504	56,651	102,293	(8,617)	701,020
Capital Assets, Net	15,613	61,393	73,735	112,739	76,195	133,844	79,217	1,809,035	403,647	75,893	59,239	242,658	-	3,143,208
Other Noncurrent Assets	575	4,290	3,219	482	3,221	2,605	350	126,818	120,511	4,829	75,635	2,134	(55,212)	289,457
Total Assets	17,823	74,953	90,306	124,078	81,719	170,100	85,129	2,234,759	624,276	156,284	191,525	347,452	(64,719)	4,133,685
DEFERRED OUTFLOWS OF RESOURCES	550	749	1,348	1,180	1,215	2,173	1,160	34,091	6,888	1,056	16,296	3,828	-	70,534
Total Assets and Deferred Outflows	\$ 18,373	\$ 75,702	\$ 91,654	\$ 125,258	\$ 82,934	\$ 172,273	\$ 86,289	\$ 2,268,850	\$ 631,164	\$ 157,340	\$ 207,821	\$ 351,280	\$ (64,719)	\$ 4,204,219
LIABILITIES														
Inter-Entity Payables	\$ 4	\$ -	\$ -	\$ -	\$ -	\$ 6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 175	\$ (185)	\$ -
Other Current Liabilities	3,311	5,454	6,493	8,051	5,797	13,148	10,268	207,762	47,295	4,424	29,489	30,153	(9,073)	362,572
Other Long-Term Liabilities	4,608	25,351	26,121	44,556	43,098	77,912	41,252	907,986	140,403	7,881	339,810	34,415	(55,461)	1,637,932
Total Liabilities	7,923	30,805	32,614	52,607	48,895	91,066	51,520	1,115,748	187,698	12,305	369,299	64,743	(64,719)	2,000,504
DEFERRED INFLOWS OF RESOURCES	1,411	2,390	2,075	2,277	1,787	2,491	2,491	87,100	13,812	1,225	796	8,434	-	126,289
Total Liabilities and Deferred Inflows of Resources	9,334	33,195	34,689	54,884	50,682	93,557	54,011	1,202,848	201,510	13,530	370,095	73,177	(64,719)	2,126,793
Net Position														
Net Investment in Capital Assets	15,552	43,388	56,556	75,219	36,929	64,908	46,261	1,096,718	312,725	75,893	58,520	233,555	-	2,116,224
Restricted														
Nonexpendable	575	2,425	-	-	-	-	-	19,031	15,176	-	-	50	-	37,257
Expendable	(1,095)	1,957	259	835	2,712	4,516	(103)	11,040	16,688	11,233	38,391	9,970	-	96,403
Unrestricted	(5,993)	(5,263)	150	(5,680)	(7,389)	9,292	(13,880)	(60,787)	85,065	56,684	(259,185)	34,528	-	(172,458)
Total Net Position	9,039	42,507	56,965	70,374	32,252	78,716	32,278	1,066,002	429,654	143,810	(162,274)	278,103	-	2,077,426
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 18,373	\$ 75,702	\$ 91,654	\$ 125,258	\$ 82,934	\$ 172,273	\$ 86,289	\$ 2,268,850	\$ 631,164	\$ 157,340	\$ 207,821	\$ 351,280	\$ (64,719)	\$ 4,204,219

WEST VIRGINIA HIGHER EDUCATION FUND
(A Component Unit of the State of West Virginia)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019
(DOLLARS IN THOUSANDS)

NOTE 25 CONDENSED BLENDED COMPONENT UNIT INFORMATION (CONTINUED)

Condensed Combining Statements of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2019

	Bluefield State College	Concord University	West Liberty University	Shepherd University	Glenville State College	Fairmont State University	West Virginia State University	West Virginia University	Marshall University	West Virginia School of Osteopathic Medicine	Policy Commission	Council	Eliminating/ Reclassification Entries	Total
OPERATING REVENUES														
Student Tuition and Fees, Net Federal, State, Local	\$ 4,375	\$ 6,856	\$ 14,885	\$ 15,602	\$ 5,500	\$ 12,658	\$ 11,524	\$ 411,253	\$ 84,136	\$ 36,811	\$ -	\$ 27,507	\$ -	\$ 631,107
Contracts and Grants Sales and Services of Educational Activity	6,842	8,496	4,783	5,626	3,158	10,851	13,249	219,384	65,235	2,491	6,035	20,676	(33,684)	333,142
Auxiliary Enterprise Revenue	70	2	-	29	380	22	-	22,563	206	-	3,249	833	(2,161)	25,193
Other Operating Revenues	393	8,047	8,134	12,702	4,180	13,892	3,515	143,383	34,032	621	5,639	1,967	-	236,505
Total Operating Revenues	26	936	282	824	408	3,426	1,226	13,245	9,753	447	4,215	2,335	(4,538)	32,585
	11,706	24,337	28,084	34,783	13,626	40,849	29,514	809,828	193,362	40,370	19,138	53,318	(40,383)	1,258,532
OPERATING EXPENSES														
Operations	21,046	34,422	38,982	49,712	21,376	52,807	42,951	1,001,353	272,176	42,996	24,578	139,833	(6,449)	1,735,783
Depreciation	1,298	2,565	2,922	6,377	2,433	4,628	3,479	74,024	15,646	3,516	2,081	11,325	-	130,294
Total Operating Expenses	22,344	36,987	41,904	56,089	23,809	57,435	46,430	1,075,377	287,822	46,512	26,659	151,158	(6,449)	1,866,077
Operating Loss	(10,638)	(12,650)	(13,820)	(21,306)	(10,183)	(16,586)	(16,916)	(265,549)	(94,460)	(6,142)	(7,521)	(97,840)	(33,934)	(607,545)
NONOPERATING REVENUES (EXPENSES)														
State Appropriations	5,601	8,553	7,824	10,172	6,386	15,112	11,448	176,739	63,875	7,392	56,036	67,052	-	436,190
Federal Pell Grants	3,394	4,118	4,062	5,286	3,733	6,890	4,662	30,290	17,806	-	-	29,401	-	109,642
Other Nonoperating Revenues (Expenses)	1,024	40	698	1,225	(1,401)	(1,481)	(1,199)	47,860	6,665	4,427	(34,784)	3,746	33,782	60,602
Total Nonoperating Revenues	10,019	12,711	12,584	16,683	8,718	20,521	14,911	254,889	88,346	11,819	21,252	100,199	33,782	606,434
Capital Grants, Appropriations, and Gifts	-	5	-	68	-	-	2,121	17,107	4,709	69	-	3,604	-	27,683
Net Other Transfers Made and Received	-	-	1,189	-	-	1,365	-	-	-	-	(2,060)	1,700	152	2,346
INCREASE (DECREASE) IN NET POSITION	(619)	66	(47)	(4,555)	(1,465)	5,300	116	6,447	(1,405)	5,746	11,671	7,663	-	28,918
Net Position - Beginning of Year	9,658	42,441	57,012	74,929	33,717	73,416	32,162	1,059,555	431,059	138,064	(173,945)	270,440	-	2,048,508
NET POSITION - END OF YEAR	\$ 9,039	\$ 42,507	\$ 56,965	\$ 70,374	\$ 32,252	\$ 78,716	\$ 32,278	\$ 1,066,002	\$ 429,654	\$ 143,810	\$ (162,274)	\$ 278,103	\$ -	\$ 2,077,426

WEST VIRGINIA HIGHER EDUCATION FUND
(A Component Unit of the State of West Virginia)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019
(DOLLARS IN THOUSANDS)

NOTE 25 CONDENSED BLENDED COMPONENT UNIT INFORMATION (CONTINUED)

Condensed Combining Statements of Cash Flows
Year Ended June 30, 2019

	Bluefield State College	Concord University	West Liberty University	Shepherd University	Glenville State College	Fairmont State University	West Virginia State University	West Virginia University	Marshall University	West Virginia School of Osteopathic Medicine	Policy Commission	Council	Eliminating/ Reclassification Entries	Total
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES														
Operating Activities	\$ (9,044)	\$ (10,513)	\$ (10,601)	\$ (13,926)	\$ (7,526)	\$ (11,792)	\$ (15,078)	\$ (151,124)	\$ (75,785)	\$ (2,047)	\$ (6,370)	\$ (86,549)	\$ (34,283)	\$ (434,638)
Noncapital Financing Activities	8,995	12,467	11,885	17,394	9,618	22,526	16,095	266,671	84,062	7,356	30,486	95,718	33,587	616,860
Capital Financing Activities	(718)	(2,972)	(1,507)	(5,140)	(2,666)	(7,952)	(2,043)	(91,832)	(13,822)	(3,247)	(21,746)	(7,480)	(1,690)	(162,815)
Investing Activities	28	293	327	227	117	616	65	10,661	4,130	1,306	1,073	1,848	-	20,691
INCREASE (DECREASE) IN CURRENT CASH AND CASH EQUIVALENTS	(739)	(725)	104	(1,445)	(457)	3,398	(961)	34,376	(1,415)	3,368	3,443	3,537	(2,386)	40,098
Cash - Beginning of Year	1,597	4,320	10,992	11,017	1,176	27,995	2,178	106,438	82,378	29,953	38,789	92,099	(23,538)	385,394
CASH - END OF YEAR	\$ 858	\$ 3,595	\$ 11,096	\$ 9,572	\$ 719	\$ 31,393	\$ 1,217	\$ 140,814	\$ 80,963	\$ 33,321	\$ 42,232	\$ 95,636	\$ (25,924)	\$ 425,492

REQUIRED SUPPLEMENTARY INFORMATION

**WEST VIRGINIA HIGHER EDUCATION FUND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF PROPORTIONATE SHARE OF TRS NET PENSION LIABILITY
AND EMPLOYER CONTRIBUTIONS
DECEMBER 31, 2020 AND 2019
(UNAUDITED)**

Schedule of Proportionate Share of TRS Net Pension Liability (NPL)

Measurement Date	Fund's Proportionate Share as a Percentage of Net Pension Liability	Fund's Proportionate Share	State's Proportionate Share	Total Proportionate Share	Fund's Covered Employee Payroll	Fund's Proportionate Share as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
June 30, 2019	0.3814850%	\$ 11,350	\$ 27,285	\$ 38,636	\$ 8,527	133%	65.95%
June 30, 2018	0.0442048%	\$ 13,808	\$ 35,596	\$ 49,404	\$ 9,707	142%	66.25%
June 30, 2017	0.0579326%	\$ 20,016	\$ 44,262	\$ 64,278	\$ 12,290	163%	67.85%
June 30, 2016	0.6837370%	\$ 28,100	\$ 53,520	\$ 81,620	\$ 13,893	202%	61.42%
June 30, 2015	0.6763590%	\$ 23,450	\$ 53,422	\$ 76,872	\$ 15,069	156%	66.25%
June 30, 2014	0.0075941%	\$ 25,755	\$ 58,191	\$ 83,946	\$ 16,084	160%	65.95%

TRS Schedule of Employer Contributions

Measurement Date	Actuarially Determined Contributions	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
June 30, 2019	\$ 1,790	\$ 1,485	\$ 305	\$ 8,527	17.42%
June 30, 2018	\$ 2,021	\$ 1,806	\$ 215	\$ 9,707	18.61%
June 30, 2017	\$ 2,513	\$ 2,092	\$ 421	\$ 12,290	17.02%
June 30, 2016	\$ 2,625	\$ 2,542	\$ 83	\$ 13,893	18.30%
June 30, 2015	\$ 2,902	\$ 2,823	\$ 79	\$ 15,069	18.73%
June 30, 2014	\$ 3,399	\$ 3,439	\$ (40)	\$ 16,084	21.38%

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

**Notes to Required Supplementary Information
For the Year Ended June 30, 2020**

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

**WEST VIRGINIA HIGHER EDUCATION FUND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF PROPORTIONATE SHARE OF NET OTHER POSTEMPLOYMENT LIABILITY
AND EMPLOYER CONTRIBUTIONS
DECEMBER 31, 2020 AND 2019
(UNAUDITED)**

Schedule of Proportionate Share of Net Other Postemployment Liability

Measurement Date	Fund's Proportionate Share as a Percentage of OPEB Liability	Fund's Proportionate Share	State's Proportionate Share	Total Proportionate Share	Fund's Covered Employee Payroll	Fund's Proportionate Share as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total OPEB Liability
	June 30, 2019	12.2492179%	\$ 204,248	\$ 41,591	\$ 245,839	\$ 310,502	31%
June 30, 2018	12.2307243%	\$ 262,154	\$ 54,235	\$ 316,389	\$ 316,294	83%	30.98%
June 30, 2017	11.5442668%	\$ 283,628	\$ 58,634	\$ 342,262	\$ 310,818	91%	25.10%

Schedule of Employer Contributions

Measurement Date	Actuarially Determined Contributions	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
	June 30, 2019	\$ 24,901	\$ 23,321	\$ (1,580)	\$ 310,502
June 30, 2018	\$ 24,641	\$ 24,437	\$ (204)	\$ 312,470	8%
June 30, 2017	\$ 24,070	\$ 24,070	\$ -	\$ 310,818	8%

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

**Notes to Required Supplementary Information
For the Year Ended June 30, 2020**

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

SUPPLEMENTARY INFORMATION

WEST VIRGINIA HIGHER EDUCATION FUND
(A Component Unit of the State of West Virginia)
SCHEDULE OF COMBINING NET POSITION INFORMATION
DECEMBER 31, 2020
(DOLLARS IN THOUSANDS)

	Higher Education Fund	Aggregate Discretely Presented Component Units	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 435,241	\$ 97,482	\$ 532,723
Short-Term Investments	120,175	36,320	156,495
Appropriations Due from Primary Government	5,441	-	5,441
Accounts Receivable, Net	134,349	19,657	154,006
Loans Receivable - Current Portion	6,684	6	6,690
Other Current Assets	13,967	3,555	17,522
Inventories	3,883	3	3,886
Total Current Assets	<u>719,740</u>	<u>157,023</u>	<u>876,763</u>
NONCURRENT ASSETS			
Cash and Cash Equivalents	120,666	5,670	126,336
Investments	232,162	340,888	573,050
Loans Receivable - Net of Allowance of \$9,643	36,667	1,458	38,125
Other Assets	26,351	73,072	99,423
Capital Assets, Net	3,212,488	88,546	3,301,034
Total Noncurrent Assets	<u>3,628,334</u>	<u>509,634</u>	<u>4,137,968</u>
Total Assets	4,348,074	666,657	5,014,731
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Loss on Refunding	34,221	-	34,221
Deferred Outflows Related to Pensions	2,383	-	2,383
Deferred Outflows Related to OPEB	35,186	-	35,186
Total Deferred Outflows of Resources	<u>71,790</u>	<u>-</u>	<u>71,790</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
	<u>\$ 4,419,864</u>	<u>\$ 666,657</u>	<u>\$ 5,086,521</u>

WEST VIRGINIA HIGHER EDUCATION FUND
(A Component Unit of the State of West Virginia)
SCHEDULE OF COMBINING NET POSITION INFORMATION (CONTINUED)
DECEMBER 31, 2020
(DOLLARS IN THOUSANDS)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	Higher Education Fund	Aggregate Discretely Presented Component Units	Total
CURRENT LIABILITIES			
Accounts Payable	\$ 87,392	\$ 386	\$ 87,778
Due to State of West Virginia	187	-	187
Accrued Liabilities	100,057	1,614	101,671
Unearned Revenue	107,836	52	107,888
Deposits/Custodial/Annuity Liabilities	4,021	120,059	124,080
Real Estate Purchase Agreements Payable - Current Portion	262	-	262
Other Liabilities - Current Portion	849	19,770	20,619
Compensated Absences - Current Portion	53,678	-	53,678
Notes Payable - Current Portion	6,411	531	6,942
Capital Lease Obligations - Current Portion	4,543	-	4,543
Interest Payable	9,932	-	9,932
Bonds Payable - Current Portion	36,060	77,194	113,254
Total Current Liabilities	411,228	219,606	630,834
NONCURRENT LIABILITIES			
Advances from Federal Sponsors	31,109	-	31,109
Real Estate Purchase Agreement Payable	11,225	-	11,225
Compensated Absences	4,968	-	4,968
Notes Payable	66,118	24,862	90,980
Capital Lease Obligations	91,285	-	91,285
Future Interest Payable	32,306	-	32,306
Bonds Payable	1,231,586	32,755	1,264,341
Other Postemployment Benefit Liability	204,248	-	204,248
Net Pension Liability	11,350	-	11,350
Other Noncurrent Liabilities	39,831	2,015	41,846
Total Noncurrent Liabilities	1,724,026	59,632	1,783,658

WEST VIRGINIA HIGHER EDUCATION FUND
(A Component Unit of the State of West Virginia)
SCHEDULE OF COMBINING NET POSITION INFORMATION (CONTINUED)
DECEMBER 31, 2020
(DOLLARS IN THOUSANDS)

	Higher Education Fund	Aggregate Discretely Presented Component Units	Total
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (CONTINUED)			
DEFERRED INFLOWS OF RESOURCES			
Service Concession Arrangement	\$ 39,068	\$ -	\$ 39,068
Deferred Inflows Related to Pensions	7,944	-	7,944
Deferred Inflows Related to OPEB	93,649	-	93,649
Other	9,711	-	9,711
Total Deferred Inflows of Resources	<u>150,372</u>	<u>-</u>	<u>150,372</u>
Total Liabilities and Deferred Inflows of Resources	2,285,626	279,238	2,564,864
NET POSITION			
Net Investment in Capital Assets	2,111,067	(18,001)	2,093,066
Restricted for:			
Expendable:			
Scholarships	14,981	35,292	50,273
Sponsored Projects	60,074	421	60,495
Loans	16,690	27	16,717
Capital Projects	23,731	1,665	25,396
Debt Service	14,307	-	14,307
Other	4,692	90,550	95,242
Total Restricted Expendable	<u>134,475</u>	<u>127,955</u>	<u>262,430</u>
Nonexpendable	35,843	267,279	303,122
Unrestricted	<u>(147,147)</u>	<u>10,186</u>	<u>(136,961)</u>
Total Net Position	<u>2,134,238</u>	<u>387,419</u>	<u>2,521,657</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 4,419,864</u>	<u>\$ 666,657</u>	<u>\$ 5,086,521</u>

WEST VIRGINIA HIGHER EDUCATION FUND
(A Component Unit of the State of West Virginia)
SCHEDULE OF COMBINING REVENUES, EXPENSES, AND
CHANGES IN NET POSITION INFORMATION
YEAR ENDED DECEMBER 31, 2020
(DOLLARS IN THOUSANDS)

	Higher Education Fund	Aggregate Discretely Presented Component Units	Total
OPERATING REVENUES			
Student Tuition and Fees, Net of Scholarship Allowance of \$215,901	\$ 629,035	\$ -	\$ 629,035
Gift and Contributions	-	34,725	34,725
Federal and Local land Grants	8,639	-	8,639
Contracts and Grants:			
Federal	145,031	-	145,031
State	68,863	-	68,863
Local	1,965	-	1,965
Private	121,357	-	121,357
Interest on Student Loans Receivable	1,223	-	1,223
Sales and Services of Educational Activities	17,535	-	17,535
Auxiliary Enterprise Revenue Net of Scholarship Allowance of \$23,977	205,954	11,329	217,283
Other Operating Revenues	25,860	1,820	27,680
Total Operating Revenues	<u>1,225,462</u>	<u>47,874</u>	<u>1,273,336</u>
OPERATING EXPENSES			
Salaries and Wages	914,359	8,213	922,572
Benefits	235,632	182	235,814
Supplies and Other Services	418,256	1,832	420,088
Utilities	59,835	350	60,185
Student Financial Aid - Scholarships and Fellowships	150,209	13,495	163,704
Depreciation and Amortization	129,763	4,492	134,255
Other Operating Expenses	15,591	21,810	37,401
Total Operating Expenses	<u>1,923,645</u>	<u>50,374</u>	<u>1,974,019</u>
OPERATING LOSS	(698,183)	(2,500)	(700,683)

WEST VIRGINIA HIGHER EDUCATION FUND
(A Component Unit of the State of West Virginia)
SCHEDULE OF COMBINING REVENUES, EXPENSES, AND
CHANGES IN NET POSITION INFORMATION (CONTINUED)
YEAR ENDED DECEMBER 31, 2020
(DOLLARS IN THOUSANDS)

	Higher Education Fund	Aggregate Discretely Presented Component Units	Total
NONOPERATING REVENUES (EXPENSES)			
State Appropriations	\$ 467,075	\$ -	\$ 467,075
State Lottery Appropriations	27,262	-	27,262
Federal Pell Grants	103,916	-	103,916
CARES Act Grant Revenue	35,932	-	35,932
Gifts	125,698	-	125,698
Investment Income, Net	18,357	(6,351)	12,006
Interest on Indebtedness	(48,992)	(2,016)	(51,008)
Payments made on Behalf of the Fund	16,400	-	16,400
Student Financial Aid and Other Payments to Institutions	(12,233)	-	(12,233)
Other Nonoperating Expenses, Net	(4,158)	(1,632)	(5,790)
Net Nonoperating Revenues (Expenses)	<u>729,257</u>	<u>(9,999)</u>	<u>719,258</u>
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	31,074	(12,499)	18,575
CAPITAL GRANTS, APPROPRIATIONS AND GIFTS	24,503	-	24,503
CAPITAL BOND PROCEEDS FROM THE STATE	435	-	435
CAPITAL PAYMENTS MADE ON BEHALF OF THE FUND	<u>800</u>	<u>-</u>	<u>800</u>
INCREASE (DECREASE) IN NET POSITION	56,812	(12,499)	44,313
Net Position - Beginning of Year	<u>2,077,426</u>	<u>399,918</u>	<u>2,477,344</u>
NET POSITION - END OF YEAR	<u>\$ 2,134,238</u>	<u>\$ 387,419</u>	<u>\$ 2,521,657</u>



**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***

West Virginia Higher Education
Policy Commission
Charleston, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of the West Virginia Higher Education Fund (the Fund) a component unit of the State of West Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated October 30, 2020. Our report includes a reference to other auditors who audited the financial statements of Fairmont State University, Glenville State College, West Virginia Council for Community and Technical College Education, the West Virginia School of Osteopathic Medicine, and all discretely presented component units as described in our report on the Fund's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by the auditors of the entities noted above. The financial statements of the Fund's discretely presented component units, except for the Shepherd University Foundation, Inc. and Supporting Organization, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund'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 Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and management responses, we identified certain deficiencies in internal control that we consider to be a material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and management responses as item 2020-01 to be a material weakness.

A *significant deficiency* is a deficiency, or 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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2020-002 and 2020-03 to be significant deficiencies.

Compliance and Other Matters

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

West Virginia Higher Education Fund's Response to Findings

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

Purpose of This Report

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



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
October 30, 2020

**WEST VIRGINIA HIGHER EDUCATION FUND
SCHEDULE OF FINDINGS AND MANAGEMENT RESPONSES
YEAR ENDED DECEMBER 31, 2020**

2020-001: Prior Period Adjustment – Bluefield State College

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Condition: During the audit, it was determined that at June 30, 2019, there were supplies and other services expense that should have been capitalized in fiscal year ending June 30, 2019 in the amount of \$275,825.

Criteria: Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the Statement of Net Position, Statement of Revenue, Expenses, and Changes in Net Position, and State of Cash Flows, including notes to the financial statements, in conformity with accounting principles generally accepted in the United States of America. Their responsibilities include recording significant financial reporting process, including controls over procedures used to enter transaction totals into the general ledger; initiate, authorize, record, and process journal entries into the general ledger; and record recurring and nonrecurring adjustments to the financial statements.

Context: The College has a process to review supplies and other services to ensure any expense incurred within the fiscal year that is over their capitalization threshold is properly recorded as capital assets.

Effect: This omission resulted in a restatement to increase the net position and capital assets by \$275,825 as of June 30, 2019.

Cause: The expense in question was not caught in the College's capitalization review process and therefore an expense was incurred instead of being capitalized as of June 30, 2019.

Repeat Finding: No

Auditors' Recommendation: We recommend management review policies and procedures regarding the review of expenses to ensure all items over their capitalization threshold is properly capitalized.

Views of Responsible Officials: Bluefield State College recognizes the importance of accurate financial reporting. Within our year-end processes, transactions such as these are extremely unusual. Going forward, Bluefield State personnel will make corrective action for this not to occur again.

2020-002: Federal Grant Receivables and Unearned Revenue – Bluefield State College

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Condition: Federal grant receivables and unearned revenue subledgers include amounts with no activity in the current year and some which date back as far as 1997/1998.

Criteria: Sound internal control policies under the Committee of Sponsoring Organizations (COSO) framework requires that all accounts be reconciled to their underlying subsidiary ledger or other supporting documentation on a timely periodic basis. Such reconciliations should include a review for stale dated items for timely clearing.

**WEST VIRGINIA HIGHER EDUCATION FUND
SCHEDULE OF FINDINGS AND MANAGEMENT RESPONSES
YEAR ENDED DECEMBER 31, 2020**

Context: The Veterans Upward Bound grant was closed on 9/30/07 and carried a receivable balance of \$59,808 with no activity in the current year.

Effect: Federal grant accounts receivable and unearned revenue may be overstated for amounts that are uncollectible or no longer available for spending.

Cause: Reconciliation procedures do not include a review of stale or old amounts for resolution.

Repeat Finding: Yes

Auditors' Recommendation: We recommend the College review Federal grant accounts receivable and unearned revenue subledgers to ensure that only collectible amounts are recorded as receivable and that unearned revenue balances are still within the period of availability for spending. Any amounts deemed uncollectible or not spendable should be written off or returned to the respective agencies, as applicable.

Views of Responsible Officials and Planned Corrective Actions: Bluefield State College considers any concerns brought forward by the independent auditors important. Personnel at the institution have worked on correcting some balances in some of the grants in previous years and ongoing. Finance personnel will make a concentrated effort in the next months to correct other outstanding balances.

2020-003: Outside Bank Accounts – West Virginia State University

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Condition: As part of the audit, we identified outside bank accounts that were closed during the year, however the entries to close the accounts on the general ledger were not completed resulting in an adjustment to the University financial statements.

Criteria: The University is responsible for establishing and maintaining a system of internal controls in which it enables University personnel to be able to fully adjust and reconcile all accounts within the University's general ledger.

Context: While performing audit procedures, it was noted certain outside bank accounts which were closed during the year, were not adjusted within the University's general ledger to bring the balances to \$-0-.

Effect: The potential exists that a misstatement could occur in the financial statements and not be prevented or detected by the University's internal controls.

Cause: The University as part of its year-end close missed adjusting the general ledger for outside bank accounts which were closed during the fiscal year.

Repeat Finding: No

Auditors' Recommendation: We recommend the University review its processes and procedures related adjusting all accounts within the general ledger to ensure they are properly reconciled at year-end.

Views of Responsible Officials: There is no disagreement with the audit findings.

