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# West Virginia School of Osteopathic Medicine

Financial Statements  
Years Ended June 30, 2021 and 2020

and

Independent Auditor's Reports



A Professional Limited Liability Company

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## INDEPENDENT AUDITOR'S REPORT

Board of Governors  
West Virginia School of Osteopathic Medicine  
Lewisburg, West Virginia

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

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the West Virginia School of Osteopathic Medicine (WVSOM), a component unit of the West Virginia Higher Education Policy Commission, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise WVSOM's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the West Virginia School of Osteopathic Medicine Foundation, Inc. (the Foundation), the discretely presented component unit of WVSOM. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditor. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, based on our audits and the reports of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of WVSOM, as of June 30, 2021 and 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 13, the schedule of proportionate share of the net OPEB liability and schedule of OPEB contributions, and related footnote on pages 60 through 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2021, on our consideration of WVSOM's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering WVSOM's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Suttle & Stalaker, PLLC".

Charleston, West Virginia  
October 4, 2021



# West Virginia School of Osteopathic Medicine

400 North Lee Street  
Lewisburg, West Virginia 24901

## Management's Discussion and Analysis Fiscal Year 2021 Financial Statements

### Overview of the Financial Statements and Financial Analysis

West Virginia School of Osteopathic Medicine (WVSOM) is proud to present its financial statements for fiscal year 2021, with fiscal year 2020 prior year data presented for comparative purposes. The emphasis of discussions about these statements will be on current year data. 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. This discussion and analysis of WVSOM's financial statements provides an overview of its financial activities for the year and its required supplemental information.

As of July 1, 2003, WVSOM adopted GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, as an amendment to GASB No. 14. As a result, the audited financial statements of the West Virginia School of Osteopathic Medicine Foundation, Incorporated (WVSOM Foundation, Inc.) are discretely presented as part of WVSOM's financial statements for the fiscal years ended June 30, 2021 and 2020.

### Statement of Net Position

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of WVSOM as of the end of the fiscal year. The Statement of Net Position 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 WVSOM. 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 plus Deferred Outflows minus Liabilities minus Deferred Inflows). The difference between current and noncurrent assets and liabilities are discussed in the footnotes to the financial statements.

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of WVSOM. They are also able to determine how much is owed to vendors, employees, and lending institutions.

Finally, the Statement of Net Position provides a picture of the net assets and their availability for expenditure by WVSOM.

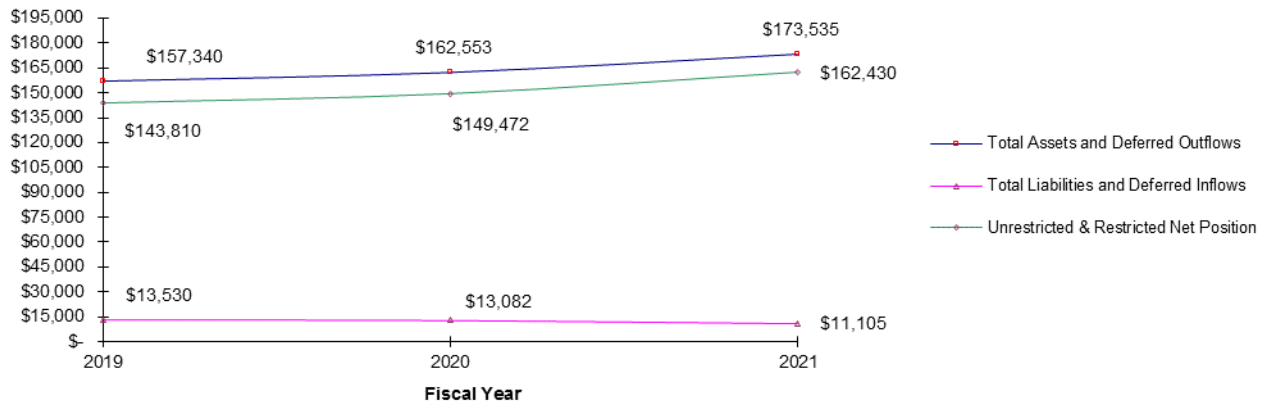
**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2021**

Net position is divided into three major categories. The first category, net investment in capital assets, represents equity in the property, plant and equipment owned by WVSOM. The next category is restricted net position, which is divided into two categories, nonexpendable (permanently restricted) and expendable. Expendable restricted net position is available for expenditure but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. Within expendable net position, the balances that had been restricted by the West Virginia Legislature (Legislature) were removed by State Code and moved to the unrestricted category in fiscal year 2004. These activities were fundamental to the normal ongoing operations of WVSOM and are subject to change by future actions of the Legislature. The final category is unrestricted net position, which is available for expenditure for any lawful purpose of WVSOM.

**Condensed Schedules of Net Position**  
**June 30,**  
**(In thousands of dollars)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Current assets	\$ 93,127	\$ 81,463	\$ 75,561
Other noncurrent assets	4,724	4,892	4,830
Capital assets, net	<u>74,645</u>	<u>75,020</u>	<u>75,893</u>
<b>Total assets</b>	<u>172,496</u>	<u>161,375</u>	<u>156,284</u>
Employer OPEB contributions	<u>1,039</u>	<u>1,178</u>	<u>1,056</u>
<b>Total deferred outflows of resources</b>	<u>1,039</u>	<u>1,178</u>	<u>1,056</u>
<b>Total assets and deferred outflows of resources</b>	<u>173,535</u>	<u>162,553</u>	<u>157,340</u>
Current liabilities	4,572	4,907	4,424
Noncurrent liabilities	<u>2,714</u>	<u>6,210</u>	<u>7,881</u>
<b>Total liabilities</b>	<u>7,286</u>	<u>11,117</u>	<u>12,305</u>
Deferred inflows relating to net OPEB liability	<u>3,819</u>	<u>1,965</u>	<u>1,225</u>
<b>Total deferred inflows of resources</b>	<u>3,819</u>	<u>1,965</u>	<u>1,225</u>
<b>Total liabilities and deferred inflows of resources</b>	<u>11,105</u>	<u>13,082</u>	<u>13,530</u>
Net investment in capital assets	74,645	75,020	75,893
Restricted - expendable	10,578	11,378	11,232
Unrestricted	<u>77,207</u>	<u>63,073</u>	<u>56,685</u>
<b>Total net position</b>	<u>\$ 162,430</u>	<u>\$ 149,471</u>	<u>\$ 143,810</u>

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2021**



In fiscal years 2021 and 2020, the total assets and deferred outflows of resources increased by approximately \$10.9 million and \$5.2 million, respectively. The changes described below represent the majority of the increase in 2021:

- Cash and cash equivalents, increased by approximately \$3.9 million.
- Investments increased by approximately \$7.7 million.
- Appropriations due from primary government increased by approximately \$0.19 million due to Senate Bill 2017 allocating a supplemental appropriation.
- Noncurrent assets decreased by approximately \$0.5 million due primarily to a decline in Capital Assets, net of accumulated depreciation.
- Deferred outflows of resources decreased by \$0.14 million due to a change in the actuarial assumption that affected OPEB.

In fiscal year 2021, total liabilities and deferred inflows of resources decreased by approximately \$2.0 million. In fiscal year 2020, total liabilities and deferred inflows of resources decreased by approximately \$0.4 million. The changes described below represent the majority of the decrease in 2021:

- Noncurrent liabilities decreased by approximately \$3.5 million because of a decrease in the net OPEB liability and a decrease in advances from federal sponsors.
- Deferred inflows of resources increased by approximately \$1.9 million due to a change in the actuarial assumptions that affected OPEB.

The ratio of current assets to current liabilities for fiscal year 2021 was 20.37:1 and fiscal year 2020 was 16.6:1.

For fiscal years 2021 and 2020, net position increased approximately \$13.0 million and \$5.6 million, respectively.



**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2021**

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

Changes in total net position, as presented on the Statement of Net Position, are based on the activities presented in the Statement of Revenues, Expenses, and Changes in Net Position (the SRECNP). The purpose of the SRECNP is to present the revenues earned, both operating and nonoperating, the expenses incurred, operating and nonoperating, and any other revenues, expenses, gains, and losses earned or incurred by WVSOM.

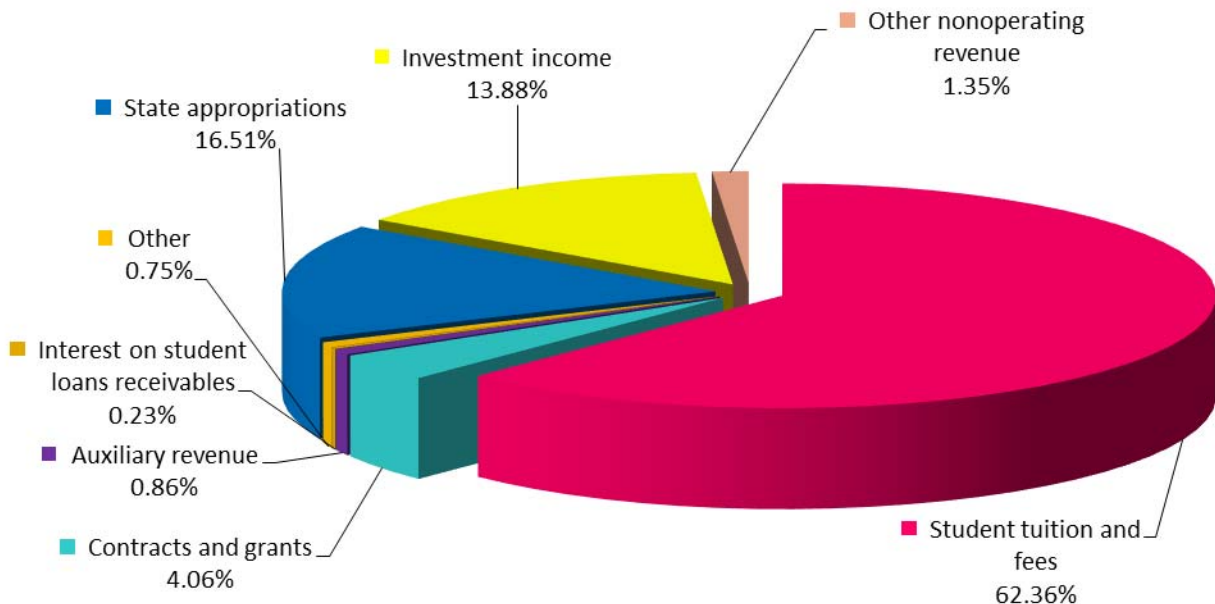
Generally speaking, operating revenues are earned for providing goods and services to the various customers and constituencies of WVSOM. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the WVSOM mission. Revenues for which goods and services are not provided are reported as nonoperating revenues. For example, State appropriations are nonoperating revenues because they are provided by the Legislature to WVSOM without the Legislature directly receiving commensurate goods and services for those revenues.

**Condensed Schedules of Revenues, Expenses, and Changes in Net Position  
Years Ended June 30,  
(In thousands of dollars)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating revenues	\$ 40,236	\$ 40,451	\$ 40,369
Operating expenses	45,986	45,451	46,512
Operating income (loss)	<u>(5,750)</u>	<u>(5,000)</u>	<u>(6,143)</u>
Nonoperating revenues, net	<u>18,709</u>	<u>10,661</u>	<u>11,888</u>
Increase in net position	<u>12,959</u>	<u>5,661</u>	<u>5,745</u>
Net position, beginning of year	<u>149,471</u>	<u>143,810</u>	<u>138,065</u>
Net position, end of year	<u>\$ 162,430</u>	<u>\$ 149,471</u>	<u>\$ 143,810</u>

The Statement of Revenues, Expenses, and Changes in Net Position reflects a positive year with an increase in the net position at the end of the year. A review of the individual revenue and expense categories that contributed to the overall increase in net position reveals the following:

### FY 2021 Total Revenues: Operating, Nonoperating, and Capital

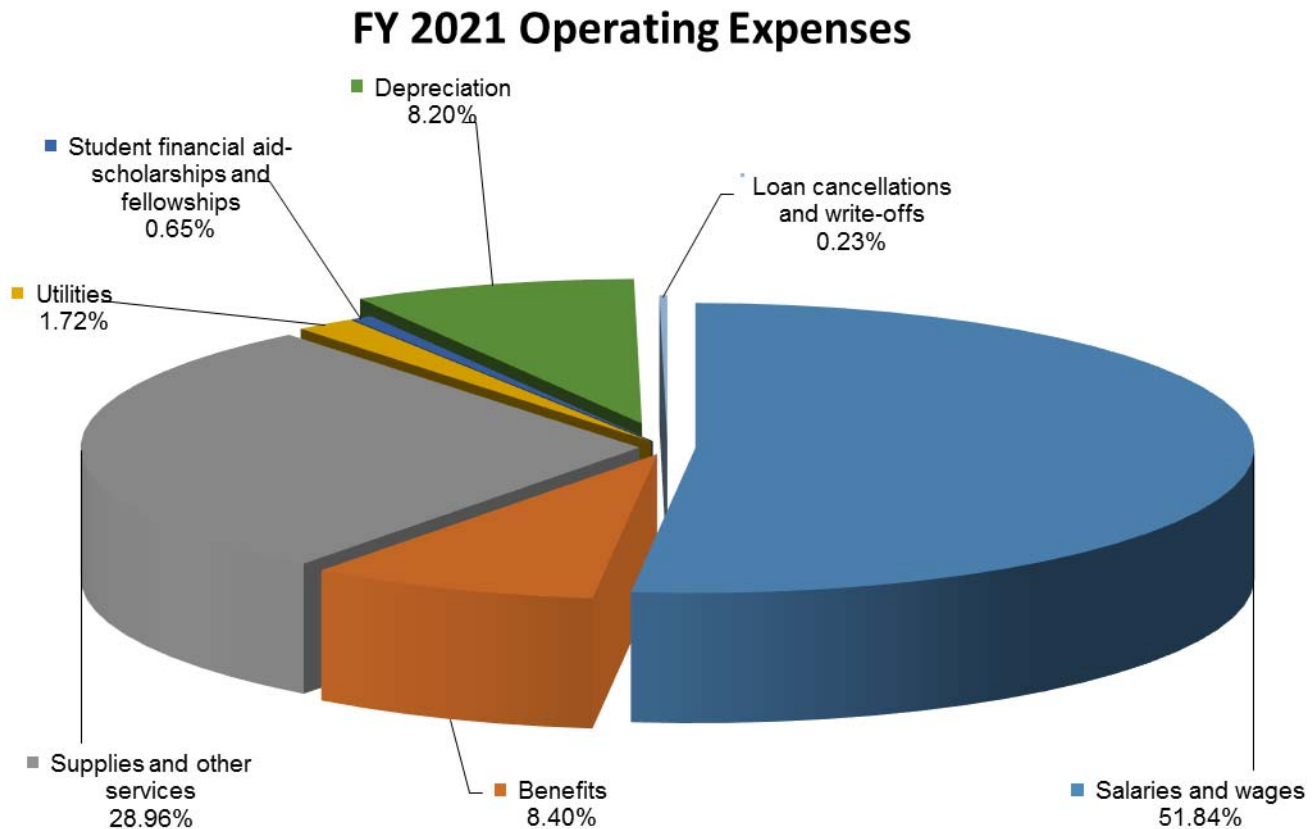


In fiscal year 2021 and 2020, total operating revenues decreased by approximately \$0.20 million and increased by approximately \$0.08 million, respectively. The following explains the net change in operating revenues in fiscal year 2021:

- Tuition and fees increased by approximately \$0.92 million due primarily to an increase in tuition fees. Other Operating Revenues decreased by approximately \$1.1 million. These other operating revenue sources comprise 8.65% of WVSOM's operating revenues and 5.90% of total revenues. In fiscal year 2021 and 2020, nonoperating revenues increased by approximately \$8.0 million and decreased by \$1.23 million, respectively. The increase in fiscal year 2021 was primarily due to an increase in investment income of approximately \$7 million and state appropriations increased by \$0.13 million. State appropriations accounted for 16.51% of total revenues, and were used to support the operations of WVSOM. WVSOM participates in the WV State investment pool along with investing funds with Morgan Stanley through the WVSOM Foundation, Inc.

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2021**

In fiscal year 2021, net position increased approximately \$13.0 million while, in fiscal year 2020, the increase was approximately \$5.6 million.



Total operating expenses for fiscal year 2021 increased by approximately \$0.5 million, compared with a decrease of approximately \$1.1 million in fiscal year 2020. The following explains the increase in operating expenses:

- The salaries and wages and employee benefits categories decreased by approximately \$0.14 million. Salary and wages and employee benefits made up approximately 60.24% of the operating expenses of WVSOM.
- Supplies and other services increased by approximately \$1 million primarily due to an increase in contracts and general operating supplies. Supplies and other services account for approximately 28.96% of the operating expenses of WVSOM.
- All other operating expenses make up 10.80% of the total operating expenses as indicated on the pie chart above.

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2021**

**Statement of Cash Flows**

The Statement of Cash Flows presents detailed information about the cash activities of WVSOM during the year. The statement is divided into five parts. The first section deals with operating cash flows and shows the net cash used in the operating activities of WVSOM. 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 assets and related items, and related funding received. The fourth section reflects the cash flows from investing activities and shows interest received from investing activities. The fifth section reconciles the net cash used in operating activities to the operating income or loss reflected in the SRECNP. Overall, cash and cash equivalents increased by approximately \$3.9 million in fiscal year 2021. This increase is primarily due to an increase in federal grants and an increase in student tuition.

**Condensed Schedules of Cash Flows  
Years Ended June 30,  
(In thousands of dollars)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Cash provided by (used in):			
Operating activities	\$ (3,601)	\$ (1,265)	\$ (2,047)
Noncapital financing activities	10,089	8,776	7,355
Capital financing activities	(3,125)	(3,247)	(3,247)
Investing activities	541	1,599	1,306
	<hr/>	<hr/>	<hr/>
Increase/(Decrease) in cash and cash equivalents	3,904	5,863	3,367
Cash and cash equivalents, beginning of year	<hr/> 39,183	<hr/> 33,320	<hr/> 29,953
Cash and cash equivalents, end of year	<hr/> \$ 43,087	<hr/> \$ 39,183	<hr/> \$ 33,320

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2021**

**Capital Asset and Debt Administration**

WVSOM began four new capital projects in 2020-21 which are the Student Center tower repair, the New Testing Center construction, the Main Building Roof Replacement Project, and the campus network upgrade. The anticipated cost for the four projects in 2021-22 is \$ 9 million.

As of June 30, 2021, WVSOM had no existing capital debt and does not expect to have to incur debt to complete the capital projects planned in fiscal year 2021-22.



**Economic Outlook**

The economic impact of COVID-19 is not fully known in West Virginia. West Virginia State officials are optimistic that the tax collections will remain stable in the 2021-22 fiscal year. WVSOM's financial position is closely tied to the financial position of the State of West Virginia, and WVSOM is always at some risk that State appropriations will be reallocated away from higher education and WVSOM. The State's appropriation is important to WVSOM's financial condition. The appropriation is expected to remain at its current level.

WVSOM's overall financial position continues to remain strong. WVSOM is well-positioned to continue to attract, recruit, and matriculate professional medical students. Increases in the number of applicants, non-resident students, and improvements in the physical plant, along with continued favorable ranking of the academic programs at the national level with peer schools indicate WVSOM should be able to remain competitive.

For the 2021-22 academic year, the school will not increase its tuition and fees. WVSOM anticipates the 2021-22 fiscal year to be a difficult operational year due to continuing pandemic concerns. WVSOM will continue to maintain a close watch over institutional resources to maintain WVSOM's ability to react to unknown internal and external issues.

**Requests for Information**

The financial report is designed to provide an overview of the finances of WVSOM for those with an interest in this organization. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to West Virginia School of Osteopathic Medicine at 400 Lee Street North, Lewisburg, West Virginia 24901.

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2021 AND 2020**

14

	2021	2020
<b>ASSETS AND DEFERRED OUTFLOWS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 43,087,476	\$ 39,183,413
Investments	46,518,284	38,862,270
Appropriations due from Primary Government	276,461	82,703
Accounts receivable	2,250,074	2,323,782
Due from Commission	674	18,517
Loans to students - current portion	571,783	622,076
Prepaid expenses	281,077	205,734
Inventories	141,414	164,932
Total current assets	93,127,243	81,463,427
<b>NONCURRENT ASSETS:</b>		
Other Accounts Receivable - noncurrent	81,261	102,543
Loans to students, net of allowance of \$523,482 and \$481,314 in 2021 and 2020, respectively	4,642,266	4,789,442
Capital assets, net of accumulated depreciation	74,645,161	75,020,067
Total noncurrent assets	79,368,688	79,912,052
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Employer OPEB contributions	1,038,866	1,177,983
Total deferred outflows of resources	1,038,866	1,177,983
<b>TOTAL</b>	<b>\$ 173,534,797</b>	<b>\$ 162,553,462</b>
<b>LIABILITIES, DEFERRED INFLOWS, AND NET POSITION</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 907,782	\$ 730,457
Due to Commission	-	77,479
Due to Other State Agencies	21,777	20,511
Accrued liabilities	2,103,995	1,941,422
Compensated absences - current portion	1,428,217	1,380,179
Unearned revenue	109,886	757,319
Total current liabilities	4,571,657	4,907,367
<b>NONCURRENT LIABILITIES:</b>		
Advances from federal sponsors	299,408	441,086
Compensated absences	1,183,425	1,102,137
Other post employment benefit liability	1,230,803	4,666,372
Total noncurrent liabilities	2,713,636	6,209,595
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Deferred inflows relating to net OPEB liability	3,818,918	1,964,860
Total deferred inflows of resources	3,818,918	1,964,860
<b>NET POSITION</b>		
Net investment in capital assets	74,645,161	75,020,065
Restricted for - expendable - research	1,790,612	1,744,511
Restricted for - expendable - capital projects	2,670,483	3,601,961
Restricted for - expendable - loans	6,117,131	6,031,552
Unrestricted	77,207,199	63,073,551
Total net position	162,430,586	149,471,640
<b>TOTAL</b>	<b>\$ 173,534,797</b>	<b>\$ 162,553,462</b>

The Accompanying Notes Are An Integral  
Part Of These Financial Statements

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

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	<u>2021</u>	<u>2020</u>
<b>OPERATING REVENUES:</b>		
Student tuition and fees, net of scholarship allowance of \$871,912 and \$821,912 in 2021 and 2020, respectively	\$ 36,757,159	\$ 35,832,577
Contracts and grants:		
Federal	706,095	1,226,623
State	1,684,199	2,000,598
Private	4,500	7,000
Interest on student loans receivable	133,142	155,773
Auxiliary enterprise revenue	507,516	601,108
Miscellaneous, net	443,882	627,851
Total operating revenues	<u>40,236,493</u>	<u>40,451,530</u>
<b>OPERATING EXPENSES:</b>		
Salaries and wages	23,837,459	22,646,350
Benefits	3,862,753	5,195,712
Supplies and other services	13,320,709	12,297,127
Utilities	793,014	793,699
Student financial aid - scholarships and fellowships	297,667	713,209
Depreciation	3,769,560	3,667,305
Loan cancellations and write-offs	105,420	137,881
Total operating expenses	<u>45,986,582</u>	<u>45,451,283</u>
<b>OPERATING LOSS</b>	<u>(5,750,089)</u>	<u>(4,999,753)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
State appropriations	9,729,593	9,596,404
Investment income	8,178,828	1,088,228
Federal HEERF Revenue	695,154	116,618
HEPC Grant Revenue	-	13,000
Loss on disposal of capital assets	(16,427)	(437,843)
Net nonoperating revenues	<u>18,587,148</u>	<u>10,376,407</u>
<b>INCREASE IN NET POSITION BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES</b>	12,837,059	5,376,654
Capital gifts and grants	5,000	2,211
Payments made and expenses incurred by the State on behalf of WV SOM	<u>116,887</u>	<u>282,904</u>
<b>INCREASE IN NET POSITION</b>	12,958,946	5,661,769
<b>NET POSITION - Beginning of year</b>	<u>149,471,640</u>	<u>143,809,871</u>
<b>NET POSITION - End of year</b>	<u>\$ 162,430,586</u>	<u>\$ 149,471,640</u>

The Accompanying Notes Are An Integral  
Part Of These Financial Statements

WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2021 AND 2020

16

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Student tuition and fees	\$ 36,043,431	\$ 35,828,194
Contracts and grants	2,488,437	2,893,897
Payments to and on behalf of employees	(28,733,819)	(27,295,879)
Payments to suppliers	(13,598,034)	(12,305,029)
Payments to utilities	(792,292)	(795,646)
Payments for scholarships and fellowships	(297,667)	(713,209)
Loans issued to students	(914,678)	(1,727,454)
Collection of loans to students	1,006,727	1,581,376
Auxiliary enterprise charges	507,207	603,933
Interest collected on loans to students	133,142	155,773
Other receipts, net	556,830	508,669
Net cash used in operating activities	(3,600,716)	(1,265,375)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
State appropriations	9,535,835	9,558,032
Federal HEERF Revenue	695,154	116,618
HEPC Grant Revenue	-	13,000
Graduate Plus loan program receipts	16,791,786	16,751,443
Graduate Plus loan program payments	(16,791,786)	(16,751,443)
Federal Stafford loan program direct lending receipts	25,970,021	26,620,895
Federal Stafford loan program direct lending payments	(25,970,021)	(26,620,895)
Federal Perkins loan funds returned	(141,678)	(911,898)
Net cash provided by noncapital financing activities	10,089,311	8,775,752
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>		
Purchases of capital assets	(3,125,955)	(3,251,714)
Proceeds from sale of capital assets	766	5,166
Net cash used in capital financing activities	(3,125,189)	(3,246,548)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest on investments	8,196,671	1,128,208
Purchase of investments	(7,656,014)	-
Proceeds from investments	-	470,859
Net cash provided by investing activities	540,657	1,599,067
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	3,904,063	5,862,896
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	39,183,413	33,320,517
<b>CASH AND CASH EQUIVALENTS - End of year</b>	\$ 43,087,476	\$ 39,183,413
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</b>		
Operating loss	\$ (5,750,089)	\$ (4,999,753)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	3,769,560	3,667,305
OPEB expense - special funding situation	116,887	282,904
Loan cancellations and write-offs	105,420	137,881
Changes in assets and liabilities:		
Accounts receivable, net	132,662	(470,968)
Loans to students, net	92,049	(146,078)
Other receivables	7,328	4,139
Prepaid expenses	(75,343)	(74,159)
Inventories	23,518	(22,087)
Deferred outflows of resources	139,117	(122,290)
Accounts payable	(148,567)	28,157
Due to Other State Agencies	(76,213)	58,242
Accrued liabilities	162,573	233,400
Compensated absences	129,326	398,848
Unearned revenue	(647,433)	5,763
Net other postemployment benefits liability	(3,435,569)	(986,425)
Deferred inflows of resources	1,854,058	739,746
Net cash used in operating activities	\$ (3,600,716)	\$ (1,265,375)
<b>NONCASH TRANSACTIONS:</b>		
(Gain) loss on disposal of capital assets	\$ 16,427	\$ 437,843
Capital expenses in accounts payable	\$ 364,817	\$ 38,925

The Accompanying Notes Are An Integral  
Part Of These Financial Statements



WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE  
WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE FOUNDATION, INC.  
A COMPONENT UNIT OF WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2021 AND 2020

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<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 400,222	\$ 295,822
Accounts receivable	5,492	8,607
Current portion of pledges receivable, net	65,417	70,737
Prepaid expenses	5,282	-
Loans receivable	2,000	5,500
<b>TOTAL CURRENT ASSETS</b>	<u>478,413</u>	<u>380,666</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	60,000	80,000
<b>INVESTMENTS</b>		
Assets held in trust	250,000	250,000
Marketable securities	54,302,179	45,466,840
<b>TOTAL INVESTMENTS</b>	<u>54,552,179</u>	<u>45,716,840</u>
<b>NON-CURRENT PLEDGES RECEIVABLE, NET</b>	<u>76,160</u>	<u>95,167</u>
<b>TOTAL ASSETS</b>	<u>\$ 55,166,752</u>	<u>\$ 46,272,673</u>
<u>LIABILITIES AND NET ASSETS</u>		
<b>CURRENT LIABILITIES</b>		
Accounts payable		
Accounts payable	\$ 1,506	\$ -
Custodial liabilities	48,113,371	40,251,259
<b>TOTAL CURRENT LIABILITIES</b>	<u>48,114,877</u>	<u>40,251,259</u>
<b>TOTAL LIABILITIES</b>	<u>48,114,877</u>	<u>40,251,259</u>
<b>NET ASSETS</b>		
Without donor restrictions	1,806,883	1,511,335
With donor restrictions	5,244,992	4,510,079
<b>TOTAL NET ASSETS</b>	<u>7,051,875</u>	<u>6,021,414</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 55,166,752</u>	<u>\$ 46,272,673</u>

The Accompanying Notes Are An Integral  
Part Of These Financial Statements

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE FOUNDATION, INC.**  
**A COMPONENT UNIT OF WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**STATEMENTS OF ACTIVITY AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUES &amp; OTHER SUPPORT</b>			
Contributed services	\$ 266,885	\$ -	\$ 266,885
Contributions	101,224	169,111	270,335
Facility rental revenue	5,226	-	5,226
Investment income			
Interest and dividends	33,194	111,081	144,275
Realized gain (loss)	98,704	247,003	345,707
Unrealized gain (loss)	265,950	383,776	649,726
Investment management fees	(8,688)	(37,233)	(45,921)
Other revenue	6,000	-	6,000
Net assets released from restrictions	138,825	(138,825)	-
<b>TOTAL REVENUES &amp; OTHER SUPPORT</b>	<u>907,320</u>	<u>734,913</u>	<u>1,642,233</u>
<b>EXPENSES</b>			
School and student support activities	361,230	-	361,230
Management and general	100,390	-	100,390
Fundraising	150,152	-	150,152
<b>TOTAL EXPENSES</b>	<u>611,772</u>	<u>-</u>	<u>611,772</u>
<b>CHANGE IN NET ASSETS</b>	295,548	734,913	1,030,461
<b>NET ASSETS AT BEGINNING OF YEAR</b>	1,511,335	4,510,079	6,021,414
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 1,806,883</u>	<u>\$ 5,244,992</u>	<u>\$ 7,051,875</u>

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE FOUNDATION, INC.**  
**A COMPONENT UNIT OF WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**STATEMENTS OF ACTIVITY AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES &amp; OTHER SUPPORT</b>			
Contributed services	\$ 314,930	\$ -	\$ 314,930
Contributions	98,890	144,275	243,165
Facility rental revenue	29,586	-	29,586
Investment income			
Interest and dividends	43,911	118,678	162,589
Realized gain (loss)	(52,601)	39,603	(12,998)
Unrealized gain (loss)	(65,458)	(73,555)	(139,013)
Investment management fees	(10,154)	(26,962)	(37,116)
Other revenue	32,763	-	32,763
Net assets released from restrictions	164,716	(164,716)	-
<b>TOTAL REVENUES &amp; OTHER SUPPORT</b>	<u>556,583</u>	<u>37,323</u>	<u>593,906</u>
<b>EXPENSES</b>			
School and student support activities	409,566	-	409,566
Management and general	142,933	-	142,933
Fundraising	203,266	-	203,266
<b>TOTAL EXPENSES</b>	<u>755,765</u>	<u>-</u>	<u>755,765</u>
<b>CHANGE IN NET ASSETS</b>	(199,182)	37,323	(161,859)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>1,710,517</u>	<u>4,472,756</u>	<u>6,183,273</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 1,511,335</u>	<u>\$ 4,510,079</u>	<u>\$ 6,021,414</u>

The Accompanying Notes Are An Integral  
 Part Of These Financial Statements

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

**NOTE 1 - ORGANIZATION**

The West Virginia School of Osteopathic Medicine (WVSOM) is governed by the West Virginia School of Osteopathic Medicine Board of Governors (the Board). The Board was established by Senate Bill 653 (S.B. 653).

Powers and duties of the Board include, but are not limited to, the power to determine, control, supervise, and manage the financial, business, and educational policies and affairs of the institutions under its jurisdiction, the duty to develop a master plan for the institution, the power to prescribe the specific functions and institution's budget request, the duty to review, at least every five years, all academic programs offered at the institution, and the power to fix tuition and other fees for the different classes or categories of students enrolled at its institution.

S.B. 653 also created the West Virginia Higher Education Policy Commission (the Commission), which is responsible for developing, gaining consensus around, and overseeing the implementation and development of a higher education public policy agenda.

As a requirement of Governmental Accounting Standards Board standards (GASB), WVSOM has included information from the West Virginia School of Osteopathic Medicine Foundation, Inc. (the Foundation).

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The accompanying financial statements present all funds under the authority of WVSOM. The basic criterion for inclusion in the accompanying financial statements is the exercise of oversight responsibility derived from WVSOM's ability to significantly influence operations and accountability for fiscal matters of related entities. The West Virginia School of Osteopathic Medicine Foundation, Incorporated (the Foundation), The West Virginia School of Osteopathic Medicine Robert C. Byrd Clinic, Inc. (the Clinic), and the Mountain State Osteopathic Postdoctoral Training Institutions System, Inc. (MSOPTI), a consortium, are not part of the WVSOM reporting entity and are not included in the accompanying financial statements as WVSOM has no ability to designate management, cannot significantly influence operations of these entities, and is not accountable for the fiscal matters of these entities under GASB.

The audited financial statements of the Foundation are presented here as a discrete component unit with the WVSOM financial statements in accordance with GASB. The Foundation is a private non-profit organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's audited financial information as it is presented herein (see also Notes 13, 14, and 16).

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

- *Net investment in capital assets* - This represents WVSOM's total investment in capital assets, net of 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.
- *Restricted net position - expendable* - This includes resources for which WVSOM is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

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

- *Restricted net position - nonexpendable* - These include 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 WVSOM, and may be used at the discretion of the Board of Governors to meet current expenses for any purpose.

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**Cash and Cash Equivalents** - For purposes of the statement of net position, WVSOM considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

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

The BTI maintains the Consolidated Fund which consists of eight investment pools and participant-directed accounts, three of which WVSOM may invest in. These pools have been structured as multi-participant variable net asset funds to reduce risk and offer investment liquidity diversification to the Fund participants. Funds not required to meet immediate disbursement needs are invested for longer periods. A more detailed discussion of the BTI's investment operations pool can be found in its respective annual report. A copy of those annual audited financial reports can be obtained from the following address: 315 70<sup>th</sup> Street S.E., Charleston, West Virginia 25304 or <http://www.wvbt.org>.

Permissible investments for all agencies include those guaranteed by the United States of America, its agencies and instrumentalities (U.S. Government obligations); corporate debt obligations, including commercial paper, which meet certain ratings; certain money market funds; repurchase agreements; reverse repurchase agreements; asset-backed securities; certificates of deposit; state and local government securities (SLGS); and other investments. Other investments consist primarily of investments in accordance with the Linked Deposit Program, a program using financial institutions in West Virginia to obtain certificates of deposit, loans approved by the legislature, and any other program investments authorized by the legislature. The WV Legislature amended state code 12-1-12d in 2019 which allows WVSOM to invest funds outside the WV State Treasurer's office through its Foundation.

**Investments** - WVSOM had investments in five funds with Morgan Stanley at June 30, 2021, comprised of Money Market Funds, Common Stocks, U.S. Government Securities, and Corporate Bonds. The Foundation acts as the investment agent and manages these investments.

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

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 WVSOM management and are primarily based on quoted market prices or other readily determinable market values for the underlying investments. WVSOM 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 WVSOM include those guaranteed by the United States of America, its agencies, and instrumentalities (U.S. Government obligations); certain money markets, common stocks, U.S. Treasury Securities, bonds, and other investments in accordance with the investment policy of the Foundation, who serves as the investment agent for WVSOM, and is subject to the provisions of the Uniform Prudent Investor Act codified as article six-c, chapter forty-four of the West Virginia Code.

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

***Allowance for Doubtful Accounts*** - It is WVSOM'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 WVSOM on such balances and such other factors which, in WVSOM's judgment, require consideration in estimating doubtful accounts.

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

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

***Current and Noncurrent Assets and Liabilities*** - Current assets are expected to be converted to cash, sold, or consumed in the next year or less. Current liabilities are debts that are expected to be paid with cash, goods, or services in the next year or less. Noncurrent assets and liabilities are all other assets and liabilities that are not expected to be extinguished in the next year.

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital Assets** - Capital assets include property, plant, equipment, and books and materials that are part of a catalogued library. Capital assets are stated at cost at the date of acquisition or construction, or fair market value at the date of donation in the case of gifts. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, 50 years for buildings and building improvements, 15 years for land improvements, 7 years for library books, and 4 to 12 years for furniture and equipment. WVSOM's capitalization thresholds are \$15,000 for land and building improvements and \$5,000 for equipment. There was no interest capitalized during 2021 and 2020. The accompanying financial statements reflect all adjustments required by GASB.

**Unearned Revenue** - Revenues for programs or activities to be conducted primarily in the next fiscal year are classified as unearned revenue, including items such as tuition and fees. Financial aid and other deposits are separately classified as deposits.

**Compensated Absences and Other Postemployment Benefits (OPEB)** - GASB provides for the measurement, recognition, and display of OPEB expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. During fiscal year 2006, House Bill No. 4654 was established to create a trust fund for postemployment benefits for the State. WVSOM is required to participate in this multiple-employer, cost-sharing plan, the West Virginia Retiree Health Benefit Trust Fund, sponsored by the State of West Virginia. Details regarding this plan and its stand alone financials can be obtained by contacting the West Virginia Public Employees Insurance Agency (PEIA), 601 57<sup>th</sup> Street, SE, Charleston, WV 25304 or <https://peia.wv.gov>.

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. WVSOM's full-time employees earn two vacation leave days for each month of service and are entitled to compensation for accumulated, unpaid vacation leave upon termination.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by West Virginia Retiree Health Benefit Trust Fund (RHBT). For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 8 for further discussion.

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

**Deferred Outflows of Resources** - Consumption of net position by WVSOM that is applicable to a future fiscal year is reported as a deferred outflow of resources on the statement of net position.

**Deferred Inflows of Resources** - An acquisition of net position by WVSOM that is applicable to a future fiscal year is reported as a deferred inflow of resources on the statement of net position.



**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

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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, property and casualty, and medical malpractice liability coverage to WVSOM and its employees. Such coverage may be provided to WVSOM by BRIM through self-insurance programs maintained by BRIM or policies underwritten by BRIM that may involve experience-related premiums or adjustments to BRIM.

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

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

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

**Classification of Revenues** - WVSOM has classified its revenues according to the following criteria:

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

**Use of Restricted Net Position** - WVSOM 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 resources are available. Generally, WVSOM attempts to utilize restricted net position first, when practicable.

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Federal Financial Assistance Programs** - WVSOM, through financial institutions, makes loans to students under the Federal Stafford Loan Program and Graduate Plus Loan Program. These loans are not included as receivable on WVSOM's statements of net position as the loans are repayable directly to the U.S. Department of Education. WVSOM has awarded \$25,970,021 and \$26,620,895 in 2021 and 2020, respectively, under the Federal Stafford Loan Program and \$16,791,786 and \$16,751,443 in 2021 and 2020, respectively, under the Graduate Plus Loan Program, which are not included as revenue and expense on the statements of revenues, expenses, and changes in net position. Both programs are from the U.S. Department of Education.

WVSOM also distributes other student financial assistance funds on behalf of the federal government to students under the Federal Perkins Loan, Health Professions Student Loan, and College Work Study programs. The activity of these programs are recorded in the accompanying financial statements. In 2021 and 2020, WVSOM received and disbursed \$331,004 and \$1,316,682, 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 statement of revenues, expenses, and changes in net position. Scholarship allowances are the difference between the stated charge for goods and services provided by WVSOM, and the amount that is paid by students and/or third parties making payments on the student's behalf.

Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid such as loans, funds provided to students as awarded by third parties, and Stafford Loan Program is accounted for as a third party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a school 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. WVSOM 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** - WVSOM is exempt from income taxes, except for unrelated business income, as a governmental instrumentality under federal income tax laws and regulations of the Internal Revenue Service as described in Section 115 of the Internal Revenue Code.

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

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
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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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

**Newly Adopted Statements Issued by the Governmental Accounting Standards Board** - The GASB has issued Statement No. 84, *Fiduciary Activities*, effective for fiscal years beginning after December 15, 2019. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. The adoption of GASB Statement No. 84 did not have an impact on the financial statements.

The GASB has also issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, effective for fiscal years beginning after December 15, 2020. The requirements of this Statement will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities. The adoption of GASB Statement No. 89 did not have an impact on the financial statements.

GASB has also issued Statement No. 93, *Replacement of Interbank Offered Rates*. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. More comparable reporting will improve the usefulness of information for users of state and local government financial statements. The adoption of GASB Statement No. 93 did not have an impact on the financial statements.

**Recent Statements Issued by the Governmental Accounting Standards Board** - GASB has also issued Statement No. 87, *Leases*, effective for fiscal years beginning after June 15, 2021. The requirements of this Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. WVSOM has not yet determined the effect that the adoption of GASB Statement No. 87 may have on its financial statements.

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

GASB has also issued Statement No. 91, *Conduit Debt Obligations*, which is effective for fiscal years beginning after December 15, 2021. The requirements of this Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is, in fact, a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity, thereby improving comparability in reporting by issuers. Revised disclosure requirements will provide financial statement users with better information regarding the commitments issuers extend and the likelihood that they will fulfill those commitments. That information will inform users of the potential impact of such commitments on the financial resources of issuers and help users assess issuers' roles in conduit debt obligations. WVSOM has not yet determined the effect that the adoption of GASB Statement No. 91 may have on its financial statements.

GASB has also issued Statement No. 92, *Omnibus 2020*, which is effective for fiscal years beginning after June 15, 2021. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. More comparable reporting will improve the usefulness of information for users of state and local government financial statements. WVSOM has not yet determined the effect that the adoption of GASB Statement No. 92 may have on its financial statements.

GASB has also issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which is effective for fiscal years beginning after June 15, 2022. The requirements of this Statement will improve financial reporting by establishing the definitions of Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs) and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. This Statement will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPPs. WVSOM has not yet determined the effect that the adoption of GASB Statement No. 94 may have on its financial statements.

GASB has also issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, which is effective for fiscal years beginning after June 15, 2022. The requirements of this Statement will improve financial reporting by establishing a definition for Subscription-Based Information Technology Arrangements (SBITA) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs. WVSOM has not yet determined the effect that the adoption of GASB Statement No. 96 may have on its financial statements.

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

GASB has also 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. 32.*, parts of which were effective immediately, while other provisions are effective for reporting periods beginning after June 15, 2021. The requirements of this Statement will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. The requirements also will enhance the relevance, consistency, and comparability of (1) the information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and (2) investment information for all Section 457 plans. The portion of GASB Statement No. 97 that was effective immediately had no material impact on the financial statements. WVSOM has not yet determined the effect that the adoption of the remaining portions of GASB Statement No. 97 may have on its financial statements.

**NOTE 3 - CASH AND CASH EQUIVALENTS**

The composition of cash and cash equivalents at June 30, 2021 and 2020, is as follows:

	2021		
	Current	Noncurrent	Total
Cash on deposit with the State Treasurer/BTI	\$ 40,189,228	\$ -	\$ 40,189,228
Cash in money market funds	2,598,100	-	2,598,100
Cash in bank	268,751	-	268,751
Cash on hand	31,397	-	31,397
	<u>\$ 43,087,476</u>	<u>\$ -</u>	<u>\$ 43,087,476</u>
	2020		
	Current	Noncurrent	Total
Cash on deposit with the State Treasurer/BTI	\$ 36,450,340	\$ -	\$ 36,450,340
Cash in money market funds	2,521,587	-	2,521,587
Cash in bank	210,886	-	210,886
Cash on hand	600	-	600
	<u>\$ 39,183,413</u>	<u>\$ -</u>	<u>\$ 39,183,413</u>

Cash held by the Treasurer includes \$3,738,849 and \$4,513,890 of restricted cash at June 30, 2021 and 2020, respectively.

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)**

The combined carrying amount of cash in the bank at June 30, 2021 and 2020 was \$268,751 and \$210,886, respectively, as compared with the combined bank balance of \$1,441,798 and \$1,179,473 for the years ended June 30, 2021 and 2020, respectively. The difference is primarily caused by outstanding checks and items in transit. The bank balances were covered by federal depository insurance as noted below or were collateralized by securities held by the State's agent. Regarding federal depository insurance, interest-bearing accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Non-interest bearing accounts are fully insured through December 31, 2021.

Amounts with the State Treasurer were \$40,189,228 and \$36,450,340 as of June 30, 2021 and 2020, respectively. Of these amounts \$32,761,136 and \$32,902,207 were invested in the WV Money Market Pool and the WV Short Term Bond Pool as of June 30, 2021 and 2020, respectively. The remainder of the cash held with the State Treasurer was not invested at June 30, 2021 and 2020.

*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	2021		2020	
	Carrying Value	S & P Rating	Carrying Value	S & P Rating
WV Money Market Pool	\$ 31,973,490	AAAm	\$ 32,122,186	AAAm
WV Short Term Bond Pool	787,646	Not Rated	780,021	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:

External Pool	2021		2020	
	Carrying Value	WAM (Days)	Carrying Value	WAM (Days)
WV Money Market Pool	\$ 31,973,490	52	\$ 32,122,186	44

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
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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:

	2021		2020	
	Carrying Value	WAM (Days)	Carrying Value	WAM (Days)
External Pool				
WV Short Term Bond Pool	\$ 787,646	638	\$ 780,021	620

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

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

*Concentration of Credit Risk* - Concentration of credit risk is the risk of loss attributed to the magnitude of a Consolidated Fund pool or account's investment in a single corporate issuer. The BTI investment policy prohibits those pools and accounts permitted to hold corporate securities from investing more than 5% of their assets in any one corporate name or one corporate issue.

*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. WVSOM has no securities with foreign currency risk.

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
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**NOTE 4 - INVESTMENTS**

WVSOM categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. WVSOM had the following recurring fair value measurements comprised of investments as of June 30, 2021 and 2020.

	2021			
	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)
Investment by Fair Value Level				
Morgan Stanley Private Wealth Management:				
Common stock	\$ 20,560,246	\$ 20,560,246	\$ -	\$ -
U.S. treasury securities	8,853,292	8,853,292	-	-
Corporate bonds	6,784,836	6,784,836	-	-
Total	<u>36,198,374</u>	<u>\$ 36,198,374</u>	<u>\$ -</u>	<u>\$ -</u>
Investments Measured at Net Asset Value (NAV)				
Morgan Stanley Private Wealth Management:				
Alternative investments	10,319,910			
Total Investments Measured at the NAV	<u>10,319,910</u>			
Total Investments Measured at Fair Value	<u>\$ 46,518,284</u>			
<b>Total</b>		<u>\$ 36,198,374</u>	<u>\$ -</u>	<u>\$ -</u>
2020				
	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment by Fair Value Level				
Morgan Stanley Private Wealth Management:				
Common stock	\$ 15,364,453	\$ 15,364,453	\$ -	\$ -
U.S. treasury securities	8,412,348	8,412,348	-	-
Corporate bonds	7,241,719	7,241,719	-	-
Total	<u>31,018,520</u>	<u>\$ 31,018,520</u>	<u>\$ -</u>	<u>\$ -</u>
Investments Measured at Net Asset Value (NAV)				
Morgan Stanley Private Wealth Management:				
Alternative investments	7,843,750			
Total Investments Measured at the NAV	<u>7,843,750</u>			
Total Investments Measured at Fair Value	<u>\$ 38,862,270</u>			
<b>Total</b>		<u>\$ 31,018,520</u>	<u>\$ -</u>	<u>\$ -</u>



**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 4 - INVESTMENTS (Continued)**

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table.

	2021			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Morgan Stanley Private Wealth Management:				
Renaissance Institutional Equities Fund	\$ 1,996,032	n/a	Monthly	60 Days
HP Millennium International Fund	1,130,007	n/a	Quarterly	30 Days
Mudrick Distressed Opportunity Fund	5,906,273	n/a	Quarterly	90 Days
KKR Dislocation Fund	<u>1,287,598</u>	<u>\$ 1,625,000</u>	n/a	n/a
Total Investments Measured at the NAV	<u>\$ 10,319,910</u>	<u>\$ 1,625,000</u>		
	2020			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Morgan Stanley Private Wealth Management:				
Renaissance Institutional Equities Fund	\$ 2,081,793	n/a	Monthly	60 Days
HP Millennium International Fund	1,106,639	n/a	Quarterly	30 Days
Mudrick Distressed Opportunity Fund	4,425,769	n/a	Quarterly	90 Days
KKR Dislocation Fund	<u>229,549</u>	<u>\$ 2,312,500</u>	n/a	n/a
Total Investments Measured at the NAV	<u>\$ 7,843,750</u>	<u>\$ 2,312,500</u>		

**Credit Risk**

WVSOM's investment policy adheres to fiduciary responsibilities in accordance with the provisions of the Uniform Prudent Investor Act (WV State Code 44-6C-1 Prudent Investor Rule). At June 30, 2021, the RNC Capital Management fund had a Bond Maturity Schedule and Bond Quality of:

Bond Maturity	Market Value	% of Bond Market Value
Less than 1 year	\$ 1,941,803	12.40%
1 to 5 years	13,696,326	87.60%
6 to 10 years	-	0.00%
Over 10 years	-	0.00%
Total	<u>\$ 15,638,129</u>	<u>100.00%</u>

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
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**NOTE 4 - INVESTMENTS (Continued)**

Security Description	Bond Quality		Market Value	% of Bond Market Value
	Moody's	S&P		
Citigroup Inc	A3	BBB+	\$ 786,920	5.05%
Bank of America Corp	A2	A-	810,233	5.18%
JPMorgan Chase & Co	A2	A-	387,170	2.48%
Goldman Sachs Group Inc	A2	BBB+	825,048	5.21%
Wells Fargo & Co	A2	BBB+	393,684	2.53%
Morgan Stanley	A1	BBB+	819,635	5.23%
US Treasury Note	AAA		8,853,292	56.70%
General Motors Co	BAA3	BBB	791,586	5.02%
Cheniere Corpus Christi Holdings LLC	BAA3	BBB-	401,223	2.58%
HollyFrontier Corp	BAA3	BBB-	796,793	5.06%
Utah Acquisition Sub Inc	BAA3	BBB-	772,545	4.96%
			<u>\$ 15,638,129</u>	<u>100.00%</u>

**Concentration of Credit 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.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Interest rate risk is managed by limiting the time period or duration of the specific investment.

**NOTE 5 - ACCOUNTS RECEIVABLE**

Accounts receivable are as follows at June 30:

	2021	2020
Grants and contracts receivable	\$ 669,606	\$ 835,575
Grants receivable - West Virginia University Research Corporation	160,050	101,254
Grants receivable - Marshall University Research Corporation	14,786	39,831
Other accounts receivable	<u>1,405,632</u>	<u>1,347,122</u>
	<u>\$ 2,250,074</u>	<u>\$ 2,323,782</u>

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
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**NOTE 5 - ACCOUNTS RECEIVABLE (Continued)**

Noncurrent receivables were as follows at June 30:

	2021	2020
Arrears Pay Conversion	\$ 81,261	\$ 102,543
	\$ 81,261	\$ 102,543

**NOTE 6 - CAPITAL ASSETS**

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

	2021			Ending Balance
	Beginning Balance	Additions	Reductions	
Capital assets not being depreciated:				
Land	\$ 1,551,836	\$ 81,259	\$ -	\$ 1,633,095
Construction in progress	413,702	2,955,060	(1,723,703)	1,645,059
Total capital assets not being depreciated	\$ 1,965,538	\$ 3,036,319	\$(1,723,703)	\$ 3,278,154
Other capital assets:				
Land improvements	\$ 3,595,944	\$ 94,230	\$ -	\$ 3,690,174
Buildings	97,341,896	1,662,415	-	99,004,311
Equipment	10,747,169	341,515	(233,712)	10,854,972
Library books	93,608	1,071	(13,263)	81,416
Total other capital assets	111,778,617	2,099,231	(246,975)	113,630,873
Less accumulated depreciation for:				
Land improvements	(2,572,566)	(96,494)	-	(2,669,060)
Buildings	(29,288,494)	(2,698,779)	-	(31,987,273)
Equipment	(6,805,194)	(960,690)	216,519	(7,549,365)
Library books	(57,834)	(13,597)	13,263	(58,168)
Total accumulated depreciation	(38,724,088)	(3,769,560)	229,782	(42,263,866)
Other capital assets, net	\$ 73,054,529	\$ (1,670,329)	\$ (17,193)	\$ 71,367,007
Capital asset summary:				
Capital assets not being depreciated	\$ 1,965,538	\$ 3,036,319	\$(1,723,703)	\$ 3,278,154
Other capital assets	111,778,617	2,099,231	(246,975)	113,630,873
Total cost of capital assets	113,744,155	5,135,550	(1,970,678)	116,909,027
Less accumulated depreciation	(38,724,088)	(3,769,560)	229,782	(42,263,866)
Capital assets, net	\$ 75,020,067	\$ 1,365,990	\$ (1,740,896)	\$ 74,645,161

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 6 - CAPITAL ASSETS (Continued)**

	2020			Ending Balance
	Beginning Balance	Additions	Reductions	
Capital assets not being depreciated:				
Land	\$ 1,486,036	\$ 65,800	\$ -	\$ 1,551,836
Construction in progress	238,359	2,026,749	1,851,406	413,702
<b>Total capital assets not being depreciated</b>	<b>\$ 1,724,395</b>	<b>\$ 2,092,549</b>	<b>\$ 1,851,406</b>	<b>\$ 1,965,538</b>
Other capital assets:				
Land improvements	\$ 2,809,253	\$ 786,691	\$ -	\$ 3,595,944
Buildings	97,100,258	656,011	(414,373)	97,341,896
Equipment	9,669,772	1,549,755	(472,358)	10,747,169
Library books	105,688	5,984	(18,064)	93,608
<b>Total other capital assets</b>	<b>109,684,971</b>	<b>2,998,441</b>	<b>(904,795)</b>	<b>111,778,617</b>
Less accumulated depreciation for:				
Land improvements	(2,498,640)	(73,926)	-	(2,572,566)
Buildings	(26,631,748)	(2,669,385)	12,639	(29,288,494)
Equipment	(6,326,056)	(908,111)	428,973	(6,805,194)
Library books	(60,016)	(15,883)	18,065	(57,834)
<b>Total accumulated depreciation</b>	<b>(35,516,460)</b>	<b>(3,667,305)</b>	<b>459,677</b>	<b>(38,724,088)</b>
<b>Other capital assets, net</b>	<b>\$ 74,168,511</b>	<b>\$ (668,864)</b>	<b>\$ (445,118)</b>	<b>\$ 73,054,529</b>
Capital asset summary:				
Capital assets not being depreciated	\$ 1,724,395	\$ 2,092,549	\$(1,851,406)	\$ 1,965,538
Other capital assets	109,684,971	2,998,441	(904,795)	111,778,617
<b>Total cost of capital assets</b>	<b>111,409,366</b>	<b>5,090,990</b>	<b>(2,756,201)</b>	<b>113,744,155</b>
<b>Less accumulated depreciation</b>	<b>(35,516,460)</b>	<b>(3,667,305)</b>	<b>459,677</b>	<b>(38,724,088)</b>
<b>Capital assets, net</b>	<b>\$ 75,892,906</b>	<b>\$ 1,423,685</b>	<b>\$ (2,296,524)</b>	<b>\$ 75,020,067</b>

WVSOM 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 were neither disposed of for financial gain nor encumbered in any means.

At June 30, 2021, WVSOM had outstanding contractual commitments of \$364,817 for property, plant, and equipment expenditures.

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

**NOTE 7 - LONG-TERM LIABILITIES**

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

	2021				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Advances from federal sponsors	\$ 441,086	\$ -	\$ (141,678)	\$ 299,408	\$ -
Compensated absences	2,482,316	129,326	-	2,611,642	1,428,217
Net other postemployment benefits liability	<u>4,666,372</u>	<u>324,968</u>	<u>(3,760,537)</u>	<u>1,230,803</u>	<u>-</u>
Total long-term liabilities	<u>\$ 7,589,774</u>	<u>\$ 454,294</u>	<u>\$ (3,902,215)</u>	<u>\$ 4,141,852</u>	<u>\$ 1,428,217</u>
	2020				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Advances from federal sponsors	\$ 1,352,984	\$ -	\$ (911,898)	\$ 441,086	\$ -
Compensated absences	2,083,468	398,848	-	2,482,316	1,380,179
Net other postemployment benefits liability	<u>5,652,797</u>	<u>228,502</u>	<u>(1,214,927)</u>	<u>4,666,372</u>	<u>-</u>
Total long-term liabilities	<u>\$ 9,089,249</u>	<u>\$ 627,350</u>	<u>\$ (2,126,825)</u>	<u>\$ 7,589,774</u>	<u>\$ 1,380,179</u>

**NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS**

As related to the implementation of GASB 75, following are WVSOM's net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, revenues, and the OPEB expense and expenditures for the fiscal years ended June 30, 2021 and 2020:

	2021	2020
Net OPEB liability	\$ 1,230,803	\$ 4,666,372
Deferred outflows of resources	1,038,866	1,177,983
Deferred inflows of resources	3,818,918	1,964,860
Revenues	116,887	282,904
OPEB expense	(798,366)	228,502
Contributions made by WVSOM	527,074	538,872

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

***Plan Description***

The West Virginia Other Postemployment Benefit (OPEB) Plan (the Plan) is a cost-sharing, multiple employer, defined benefit other postemployment benefit plan and covers the retirees of State agencies, colleges and universities, county boards of education, and other government entities as set forth in the West Virginia Code. Financial activities of the Plan are accounted for in the West Virginia Retiree Health Benefit Trust Fund (RHBT), a fiduciary fund of the State established July 1, 2006 as an irrevocable trust. The Plan is administered by a combination of the West Virginia Public Employees Insurance Agency (PEIA) and the RHBT staff. Plan benefits are established and revised by PEIA and the RHBT management with the approval of the PEIA Finance Board. The plan provides medical and prescription drug insurance, as well as life insurance, benefits to certain retirees of State agencies, colleges and universities, county boards of education, and other government entities who receive pension benefits under the PERS, STRS, TDCRS, TIAA-CREF, Plan G, Troopers Plan A, or Troopers Plan B pension systems, as administered by the West Virginia Consolidated Public Retirement Board (CPRB). The plan is closed to new entrants.

The Plan's fiduciary net position has been determined on the same basis used by the Plan. The RHBT is accounted for as a fiduciary fund, and its financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in conformity with GAAP for fiduciary funds as prescribed or permitted by the GASB. The primary sources of revenue are plan members and employer contributions. Members' contributions are recognized in the period in which the contributions are due. Employer contributions and related receivables to the trust are recognized pursuant to a formal commitment from the employer or statutory or contractual requirement, when there is a reasonable expectation of collection. Benefits and refunds are recognized when due and payable.

RHBT 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. RHBT issues publicly available financial statements and required supplementary information for the OPEB plan. Details regarding this plan and a copy of the RHBT financial report may be obtained by contacting PEIA at 601 57<sup>th</sup> Street SE, Suite 2, Charleston, West Virginia 25304-2345, or by calling (888) 680-7342.

***Benefits Provided***

The Plan provides the following benefits:

- Medical and prescription drug insurance
- Life insurance

The medical and prescription drug insurance is provided through two options:

- Self-Insured Preferred Provider Benefit Plan - primarily for non-Medicare-eligible retirees and spouses
- External Managed Care Organizations - primarily for Medicare-eligible retirees and spouses

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**NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

***Contributions***

Employer contributions from the RHBT billing system represent what the employer was billed during the respective year for its portion of the pay-as-you-go (paygo) premiums, retiree leave conversion billings, and other matters, including billing adjustments.

Paygo premiums are established by the PEIA 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 paygo rates related to the measurement dates of June 30, 2020 and 2019 were:

	2020	2019	
Paygo premium	\$ 168	\$ 183	

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 after July 1, 1997 or hired before 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 annual leave days into 100% of the required retiree healthcare contribution.
- Members hired from July 1, 1988 to June 30, 2001 may convert accrued sick or annual leave days into 50% of the required retiree healthcare contribution.

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

WVSOM's contributions to the OPEB plan for the years ended June 30, 2021, 2020, and 2019, were \$527,074, \$538,872, and \$579,462, respectively.

***Assumptions***

The June 30, 2021 OPEB liability for financial reporting purposes was determined by an actuarial valuation as of June 30, 2020, which is the measurement date. The following actuarial assumptions were used and applied to all periods included in the measurement, unless otherwise specified:

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**NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

- Inflation rate: 2.25%.
- Salary increase: Specific to the OPEB covered group. Ranging from 2.75% to 5.18%, including inflation
- Investment rate of return: 6.65%, net of OPEB plan investment expense, including inflation.
- Healthcare cost trend rates: Trend rate for pre-Medicare per capita costs of 7.00% for plan year end 2022, 6.50% for plan year end 2023, decreasing by 0.25% each year thereafter, until ultimate trend rate of 4.25% is reached in plan year end 2032. Trend rate for Medicare per capita costs of 31.11% for plan year end 2022. 9.15% for plan year end 2023, 8.40% for plan year end 2024, decreasing gradually each year thereafter, until ultimate trend rate of 4.25% is reached in plan year end 2036
- Actuarial cost method: Entry age normal cost method.
- Amortization method: Level percentage of payroll over a 20-year closed period beginning June 30, 2017.
- Wage inflation rate: 2.75%.
- Retirement age: Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the June 30, 2020 actuarial valuation.
- Aging factors: Based on the 2013 SOA Study "Health Care Costs – From Birth to Death"
- Expenses: Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of the annual expense.
- Mortality Post Retirement:
  - Pub-2010 General Healthy Retiree Mortality Tables projected with MP-2019 and scaling factors of 100% for males and 108% for females.
- Mortality Pre-Retirement:
  - Pub-2010 General Employee Mortality Tables projected with MP-2019.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study from the period July 1, 2015 to June 30, 2020.

Certain assumptions have been changed since the prior actuarial valuation of June 30, 2018 and a measurement date of June 30, 2020 as reflected in the footnote *Reconciliation of the Total OPEB Liability between Valuation Dates*. The net effect of assumption changes to the State OPEB plan was approximately \$1,147 million.

- General/Price inflation – Decrease price inflation rate from 2.75% to 2.25%.
- Discount Rate – Decrease discount rate from 7.15% to 6.65%.
- Wage inflation – Decrease wage inflation rate from 4.00% to 2.75%.
- OPEB Retirement – Develop explicit retirement rates for members who are eligible to retire with healthcare benefits and elect healthcare coverage.
- Waived Annuitant Termination – Develop explicit waived termination rates for members who are eligible to retire with healthcare benefits but waive healthcare coverage.
- SAL Conversion – Develop explicit SAL conversion rates for members who are eligible to convert sick and annual leave (SAL) balances at retirement and convert SAL balances into OPEB benefits.
- Lapse/Re-entry – Develop net lapse/re-entry rates for members who either lapse coverage after electing healthcare coverage or elect healthcare coverage after waiving coverage.
- Other demographic assumptions – develop termination, disability, and mortality rates based on experience specific to OPEB covered group.
- Salary increase – develop salary increase assumptions based on experience specific to the OPEB covered group.



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**NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

The long-term expected rate of return of 6.65% on OPEB plan investments was determined by a combination of an expected long-term rate of return of 7.00% for long-term assets invested with the WV Investment Management Board and an expected short-term rate of return of 2.50% for assets invested with the BTI.

The long-term rates of return on OPEB plan investments are 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 percentage. Target asset allocations, capital market assumptions (CMA), and forecast returns were provided by the Plan's investment advisors, including the West Virginia Investment Management Board (WV-IMB). The projected return for the Money Market Pool held with the BTI was estimated based on WV-IMB assumed inflation of 2.0% plus a 25-basis point spread.

The target allocation and estimates of annualized long-term expected returns assuming a 10-year horizon are summarized below:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	55%	6.8%
Core plus fixed income	15%	4.1%
Core real estate	10%	6.1%
Hedge fund	10%	4.4%
Private equity	10%	8.8%

**Single discount rate.** A single discount rate of 6.65% was used to measure the total OPEB liability. This single discount rate was based on the expected rate of return on OPEB plan investments of 6.65% and a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date to the extent benefits are effectively financed on a pay-as-you-go basis. The long-term municipal bond rate used to develop the single discount rate was 3.13% as of the beginning of the year and 2.45% as of the end of the year. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made in accordance with the prefunding and investment policies.

Future pre-funding assumptions include a \$30 million annual contribution from the State through 2037. Based on those assumptions, and that the Plan is expected to be fully funded by fiscal year ended June 30, 2025, 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 OPEB liability to changes in the discount rate.** The following presents WVSOM's proportionate share of the net OPEB liability as of June 30, 2021 calculated using the discount rate of 6.65%, as well as what WVSOM's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.65%) or one percentage point higher (7.65%) than the current rate.

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**NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

	1% Decrease (5.65%)	Current Discount Rate (6.65%)	1% Increase (7.65%)
Net OPEB liability 2021	\$ 1,755,288	\$ 1,230,803	\$ 791,739

The following presents WVSOM's proportionate share of the net OPEB liability as of June 30, 2020 calculated using the discount rate of 7.15%, as well as what WVSOM'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.

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Net OPEB liability 2020	\$ 5,569,176	\$ 4,666,372	\$ 3,910,876

**Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate.** The following presents WVSOM's proportionate share of the net OPEB liability as of June 30, 2021 and 2020 calculated using the healthcare cost trend rate, as well as what WVSOM's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB liability 2021	\$ 740,585	\$ 1,230,803	\$ 1,822,886
Net OPEB liability 2020	3,762,754	4,666,372	5,762,911

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

The June 30, 2021 net OPEB liability was measured as of June 30, 2020, and the total OPEB liability was determined by an actuarial valuation as of June 30, 2020, which is the measurement date. The June 30, 2020 net OPEB liability was measured as of June 30, 2019, and the total OPEB liability was determined by an actuarial valuation as of June 30, 2018, rolled forward to the measurement date of June 30, 2019.

At June 30, 2021, WVSOM's proportionate share of the net OPEB liability was \$1,502,951. Of this amount, WVSOM recognized \$1,230,803 as its proportionate share on the statement of net position. The remainder of \$272,148 denotes WVSOM's proportionate share of net OPEB liability attributable to the special funding.

At June 30, 2020, WVSOM's proportionate share of the net OPEB liability was \$5,621,320. Of this amount, WVSOM recognized \$4,666,372 as its proportionate share on the statement of net position. The remainder of \$954,948 denotes WVSOM's proportionate share of net OPEB liability attributable to the special funding.

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
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**NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

The allocation percentage assigned to each participating employer and non-employer contributing entity is based on its proportionate share of employer and non-employer contributions to OPEB for each of the fiscal years ended June 30, 2020 and 2019. Employer contributions are recognized when due. At the June 30, 2020 measurement date, WVSOM's proportion was 0.279%, a decrease of 0.002% from its proportion of 0.281% calculated as of June 30, 2019. At the June 30, 2019 measurement date, WVSOM's proportion was 0.281%, an increase of 0.018% from its proportion of 0.263% calculated as of June 30, 2018.

For the year ended June 30, 2021, WVSOM recognized OPEB expense of \$(798,366). Of this amount, (\$915,253) was recognized as WVSOM's proportionate share of OPEB expense and \$116,887 as the amount of OPEB expense attributable to special funding from a non-employer contributing entity. WVSOM also recognized revenue of \$116,887 for support provided by the State.

For the year ended June 30, 2020, WVSOM recognized OPEB expense of \$228,502. Of this amount, (\$54,402) was recognized as WVSOM's proportionate share of OPEB expense and \$282,904 as the amount of OPEB expense attributable to special funding from a non-employer contributing entity. WVSOM also recognized revenue of \$282,904 for support provided by the State.

At June 30, 2021 and 2020, deferred outflows of resources and deferred inflows of resources related to OPEB are as follows.

<u>June 30, 2021</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 798,030
Changes in proportion and difference between employer contributions and proportionate share of contributions	418,366	167,453
Net difference between expected and actual investment earnings	93,426	-
Reallocation of Opt-Out Employer Change in Proportionate Share	-	75,257
Changes in assumptions	-	2,778,178
Contributions after the measurement date	527,074	-
Total	<u>\$ 1,038,866</u>	<u>\$ 3,818,918</u>

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
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**NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

<u>June 30, 2020</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 544,231
Changes in proportion and difference between employer contributions and proportionate share of contributions	637,959	298,367
Net difference between expected and actual investment earnings	-	50,340
Reallocation of Opt-Out Employer Change in Proportionate Share	1,152	125,545
Changes in assumptions	-	946,377
Contributions after the measurement date	<u>538,872</u>	<u>-</u>
Total	<u>\$ 1,177,983</u>	<u>\$ 1,964,860</u>

WVSOM will recognize the \$527,074 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Amortization</u>
2022	\$ (1,354,919)
2023	(1,145,178)
2024	(836,359)
2025	29,330
2026	<u>-</u>
	<u>\$ (3,307,126)</u>

***Payables to the OPEB Plan***

WVSOM did not report any amounts payable for normal contributions to the OPEB plan as of June 30, 2021 and 2020.

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
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**NOTE 9 - LEASES**

WVSOM leases various equipment under agreements reported as operating leases. WVSOM has no non-cancelable leases. As of June 30, 2021, the future annual minimum lease payments are as follows:

<u>Year Ending June 30,</u>		
2022	\$	135,867
2023		75,078
2024		<u>4,011</u>
	<u>\$</u>	<u>214,956</u>

The total rent expense for this equipment for the years ended June 30, 2021 and 2020 was \$131,856 and \$60,654 respectively.

**NOTE 10 - STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS**

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

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

The Municipal Bond Commission has the authority to assess each public institution of higher education for payment of debt service on these system bonds. The tuition and registration fees of the members of the former State University System (the System) are generally pledged as collateral for the Commission's bond indebtedness. Student fees collected by the institution in excess of the debt service allocation are retained by the institution for internal funding of capital projects and maintenance. Although the bonds remain as a capital obligation of the Commission, an estimate of the obligation of each institution is reported as a long-term payable by each institution and as a receivable by the Commission. No amount of the System debt has been assessed by the Commission to WVSOM as of June 30, 2021 and 2020.

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**NOTE 11 - UNRESTRICTED NET POSITION**

WVSOM's unrestricted net position at June 30, 2021 and 2020 includes certain designated net position amounts, as follows:

	2021	2020
Designated for auxiliaries	\$ 51,097	\$ 203,199
Undesignated	78,386,905	67,536,724
Total unrestricted net position before OPEB liability	78,438,002	67,739,923
Less: OPEB liability	(1,230,803)	(4,666,372)
Total unrestricted net position	\$ 77,207,199	\$ 63,073,551

**NOTE 12 - RETIREMENT PLANS**

Substantially all full-time employees of WVSOM participate in the Teachers' Insurance and Annuities Association - College Retirement Equities Fund (the TIAA-CREF).

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

Total contributions to the TIAA-CREF for the years ended June 30, 2021, 2020, and 2019 were \$2,741,058, \$2,660,618, and \$2,512,848, respectively, which consisted of equal contributions from WVSOM and covered employees of \$1,370,529, \$1,330,309, and \$1,256,424, in 2021, 2020, and 2019, respectively.

WVSOM's total benefits-eligible payroll for the years ended June 30, 2021, 2020, and 2019 was \$22,897,509, \$22,235,325, and \$21,039,914, respectively; total covered employees' salaries in TIAA-CREF were \$22,897,509, in 2021, \$22,235,325, in 2020, and \$21,039,914 in 2019.

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

The Educators Money is a defined contribution plan in which benefits are based solely upon amounts contributed plus investment earnings. Each employee who elects to participate in this plan is required to make a contribution equal to 6% of total annual compensation. WVSOM matches the employees' 6% contributions. Contributions are immediately and fully vested. Employees may elect to make additional contributions to the Educators Money, which are not matched by WVSOM. As of June 30, 2021, no employees were enrolled in the Educators Money 401(a) basic retirement plan.

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
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**NOTE 13 - FOUNDATION**

The West Virginia School of Osteopathic Medicine Foundation, Incorporated (the Foundation) is a separate non-profit organization incorporated in the State of West Virginia. Oversight of the Foundation is the responsibility of an independently elected Board of Directors, not otherwise affiliated with WVSOM. In carrying out its responsibilities, the Board of Directors of the Foundation employs management, forms policy, and maintains fiscal accountability over funds administered by the Foundation. Although WVSOM does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon that the Foundation holds and invests, are restricted to the activities of WVSOM by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, WVSOM, the Foundation is considered a component unit of WVSOM and therefore, is discretely presented in accordance with GASB. Complete financial statements of the Foundation can be obtained by writing to 400 North Lee Street, Lewisburg, West Virginia 24901.

Gifts, grants, pledges, bequests, and other revenue contributed to the Foundation totaled \$270,335 and \$243,165 for the years ended June 30, 2021 and 2020, respectively.

WVSOM provided direct financial support of \$361,230 and \$428,661 for the years ended June 30, 2021 and 2020, respectively.

**NOTE 14 - AFFILIATED ORGANIZATIONS (UNAUDITED)**

The West Virginia School of Osteopathic Medicine Robert C. Byrd Clinic, Inc. (the Clinic) operates a health center located in Lewisburg, West Virginia. The Clinic, opened in January of 1997, was established to provide health care to the community and to serve as a laboratory for the students of WVSOM. Although the Clinic was created for the purpose of assisting WVSOM in achieving its missions, it is a separate non-profit organization incorporated in the State of West Virginia. Oversight of the Clinic is the responsibility of an independently elected Board of Directors, not otherwise affiliated with WVSOM. The Board of Directors employs management, forms policy, and maintains fiscal accountability over the financial affairs of the Clinic. The financial statements of the Clinic are not included in the accompanying financial statements because they did not meet the criterion as indicated in GASB.

WVSOM owns the building in which the Clinic is operated and the cost of the building is recognized in WVSOM's financial statements. WVSOM has an operating lease with the clinic under which it charges the Clinic \$1 each month for rental of the office space and certain furniture and equipment.

In addition, WVSOM and the Clinic have agreements whereby WVSOM pays the Clinic for medical education services for students of WVSOM, certain office expenses and equipment rentals, and health services for students enrolled at WVSOM. For each of the years ended June 30, 2021 and 2020, the amount paid by WVSOM for instruction, office expenses, utilities, and equipment rental totaled approximately \$882,284 and approximately \$942,510, respectively. WVSOM made payments totaling approximately \$125,000 and approximately \$125,000 for the years ended June 30, 2021 and 2020, respectively, to the Clinic for providing health services to WVSOM students. The financial statements of the Clinic are available at [www.guidestar.org](http://www.guidestar.org).

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
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**NOTE 14 - AFFILIATED ORGANIZATIONS (Continued)**

The Mountain State Osteopathic Postdoctoral Training Institutions, Inc. (MSOPTI) is a medical education consortium formed in 1998 through affiliation agreements among MSOPTI, WVSOM (central partner), and partner training institutions (hospitals, teaching health centers) in the States of West Virginia, Ohio, Pennsylvania, and Maryland which provide postdoctoral training to medical residents. MSOPTI is accredited by the Accreditation Council for Graduate Medical Education (ACGME). The affiliation agreements are renewed annually and are executed among each training institution, WVSOM and MSOPTI. As of June 30, 2021 MSOPTI had four (4) Full Partner members, paying Full Partner membership dues, in addition to the Central Partner and three (3) Affiliate Members, which paid an annual Affiliate Member fee. For 2020-2021, Full Partner membership dues were waived by the MSOPTI Governing Board of Directors. Only Full Partners and the Central Partner have voting privileges on the MSOPTI Board. MSOPTI also has three (3) Supporters: The Beckley (WV) VA Hospital, Mon General Hospital (WV), and the Southeastern Area Health Education Center (SEAHEC) which do not pay membership fees. MSOPTI serves as the grants administrator for SEAHEC.

Although MSOPTI is a consortium created for the purpose of assisting WVSOM in achieving its mission, it is a separate 501(c) (3) non-profit organization incorporated in the State of West Virginia. Oversight of MSOPTI is the responsibility of a Governing Board of Directors, as specified in the MSOPTI by-laws. The MSOPTI Governing Board of Directors is made up of three voting members from WVSOM and one voting member from each of the four Full Partner training institutions. In carrying out its responsibilities, the MSOPTI Governing Board of Directors directs management, forms policy, and maintains fiscal accountability over funds administered by MSOPTI. MSOPTI is audited annually by an independent CPA through a written letter of engagement. Accordingly, the financials statements of MSOPTI are not included in the accompanying financial statements because they did not meet the criterion as indicated in GASB. For each of the years ended June 30, 2021 and 2020, WVSOM contributed \$21,000 and \$50,000 to MSOPTI. In addition, WVSOM incurred \$270,240 and \$273,287 of personnel costs on MSOPTI's behalf and was reimbursed for these costs in the years ended June 30, 2021 and 2020, respectively. The financial statements of MSOPTI are available at [www.guidestar.org](http://www.guidestar.org).

In addition to the relationships and transactions previously described, WVSOM utilizes services, supplies and equipment provided by other state agencies. Amounts due to other state agencies recorded in Due to Other State Agencies on the Statement of Net Position at June 30, are as follows:

	2021	2020
Due to:		
WV University - Housing	\$ -	\$ 2,199
Department of Administration	125	6,944
State Treasurer's Office	1,749	1,570
State Police	18,360	9,720
State Tax Department	1,543	78
	\$ 21,777	\$ 20,511



**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
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**NOTE 15 - CONTINGENCIES**

The nature of the educational industry is such that, from time to time, claims will be presented against educational institutions 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 WVSOM would not impact seriously on the financial status of the institution.

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. WVSOM's management believes that disallowances, if any, will not have a significant financial impact on WVSOM's financial position.

WVSOM owns various buildings which are known to contain asbestos. WVSOM is not required by federal, state, or local law to remove the asbestos from its buildings. WVSOM is required under federal environmental health and safety regulations to manage the presence of asbestos in its buildings in a safe condition. WVSOM addresses its responsibility to manage the presence of asbestos in its buildings on a case by case basis. Significant problems of dangerous asbestos conditions are abated as the conditions become known. WVSOM 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.

Beginning in the first quarter of 2020, the nation and WVSOM's primary market area was affected by the consequences from the COVID-19 (coronavirus) pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economies of many states, including the geographical area in which WVSOM operates. It is unknown how long these conditions will last and what the complete financial effect will be to WVSOM. Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, adversely impacted in the near-term as a result of these conditions.

**NOTE 16 - COMPONENT UNIT DISCLOSURES**

On the following pages are the notes taken directly from the audited financial statements of the Foundation. Questions concerning any of the information provided in the following pages or requests for additional financial information should be addressed to West Virginia School of Osteopathic Medicine Foundation, Inc. at 400 North Lee Street, Lewisburg, West Virginia 24901.

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of organization** – The West Virginia School of Osteopathic Medicine Foundation, Inc. (the “Foundation”) is a West Virginia not-for-profit corporation established for the purpose of promoting and advancing educational and fraternal opportunities for current students, faculty, staff, and alumni of the West Virginia School of Osteopathic Medicine (“WVSOM”), located in Lewisburg, West Virginia. It is the Foundation’s mission to serve the WVSOM, its faculty, staff, students, and alumni as an additional funding source through fundraising, managing funds, and overseeing the distribution of these funds. The Foundation accomplishes this by engaging in the following principal activities:

- Solicitation of restricted and unrestricted charitable contributions;
- Investment of available liquid assets;
- Awarding to qualified students, faculty, or staff of WVSOM certain grants, scholarships, or enhancements to their job performance;
- Rental of a conference/meeting/event facility located on the WVSOM campus.

**Basis of presentation** – The financial statements are presented in accordance with the Financial Accounting Standards Board Accounting Standards Codification 958 (FASB ASC 958), *Financial Statements of Not-for-Profit Organizations*, which requires the Foundation to report net assets based on the existence or absence of donor-imposed restrictions. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. The Foundation does not imply time restrictions on gifts of long-lived assets. In the absence of explicit donor stipulation as to how long an asset must be held, the Foundation releases any purpose restrictions when the asset is placed in service for the use stipulated by the donor.

**Net Assets** – Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for operating and administrative reserves.

*Net Assets With Donor Restrictions* - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**Use of estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates used in preparing these financial statements include those used in determining the allowance for uncollectable pledges receivable. It is at least reasonably possible that the significant estimates used will change within the next year.

**Income tax status** – The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, no provision for federal or state income taxes has been recorded. There was no interest or penalties to the Internal Revenue Service included in these financial statements. The Foundation’s tax returns are generally subject to examination by the Internal Revenue Service for a period of three years from the date they are to be filed.

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash and cash equivalents** – For purposes of financial statement presentation, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**Investments and investment risk** – Investments in marketable securities with readily determinable fair values and all investments in debt securities are measured at their fair values in the statement of financial position. Cash and cash equivalents are carried at cost which approximates fair value. The Foundation's investments are comprised of a variety of financial instruments and are managed by investment advisors. The fair values reported in the statement of financial position are exposed to various risks including changes in the equity markets, the interest rate environment, and general economic conditions. Due to the level of risk associated with certain investment securities, it is reasonably possible that the amounts reported in the accompanying financial statements could change materially in the near term.

**Pledges receivable** – Unconditional pledges to contribute cash and other assets are reported at their estimated fair value at the date the promise is received. Pledges receivable that are expected to be collected within one year are recorded at the net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of estimated net realizable future cash flows. An annual rate of four percent was used to discount those pledges receivable that are expected to be collected in excess of one year.

The Foundation annually evaluates the collectability of its pledges receivable and either reserves for or writes off pledges when they are determined to be uncollectable. Recoveries of accounts previously written off are recorded as a reduction to bad debt expense when received.

**Property and equipment** – Property and equipment are reported at historical cost and depreciated using the straight-line method over the lesser of the estimated useful lives of the assets or the lease period. Contributed assets are recorded as revenue and capitalized at fair market value at the date the asset is received. The Foundation had \$100,000 and \$100,000 of leasehold improvements as of June 30, 2021 and 2020 with accumulated amortization of \$40,000 and \$20,000, respectively. Amortization expense for the years ended June 30, 2021 and 2020 was \$20,000 and \$20,000, respectively.

**Contributions** – Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the absence or existence and nature of any donor restrictions. The Foundation does not engage in exchange transactions.

**Cost allocation** – The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, which are allocated on the basis of estimates of time and effort, as well as occupancy, which are allocated on a square footage basis.

**Advertising** – Costs incurred for advertising are charged to expense as incurred. For the years ended June 30, 2021 and 2020, total advertising costs were \$33,308 and \$59,567, respectively.

**Concentration of credit risk** – The Foundation maintains cash on deposit at federally insured financial institutions; bank balances did not exceed federally insured limit at June 30, 2021.

**Subsequent events** – The Foundation evaluated subsequent events for recognition or disclosure through August 26, 2021, the date the financial statements were available to be issued.

**Reclassifications** – Certain amounts relating to 2020 have been reclassified to conform to the 2021 reporting format.

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

**NOTE 2 – PLEDGES RECEIVABLE**

Pledges receivable consist of the following at June 30:

	2021	2020
Pledges collectible within one year	\$ 65,417	\$ 70,737
Pledges collectible in one to five years	91,471	112,546
Pledges collectible in more than five years	-	-
Total pledges receivable, gross	156,888	183,283
Less allowance for uncollectible pledges	(7,500)	(7,500)
Less unamortized discount	(7,811)	(9,879)
Total pledges receivable, net	141,577	165,904
Less current portion of pledges receivable, net	(65,417)	(70,737)
Non-current portion of pledges receivable, net	\$ 76,160	\$ 95,167

**NOTE 3 – LOANS RECEIVABLE**

Loans receivable in the amounts of \$2,000 and \$5,500 at June 30, 2021 and 2020, respectively represent loans made to current students, faculty and staff of WVSOM which are payable within 90 days of their issuance and accrue interest at the rate of 6 percent per annum. If the loans remain unpaid in excess of 90 days, the rate of interest payable on the loan increases to 10 percent per annum. The majority of these loans are typically made in order to provide certain students with temporary source of funding until such time as their respective long-term funding for tuition or other living expenses becomes available. No interest accrual has been reflected in the accompanying financial statements as it is undeterminable as to the ultimate amount collectible.

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

**NOTE 4 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Foundation's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

	<u>2021</u>	<u>2020</u>
Financial assets at year-end	\$ 55,106,752	\$ 46,192,673
Less those unavailable for general expenditures within one year, due to:		
Pledges receivable not expected to be received within one year	76,160	95,167
Assets held in trust	250,000	250,000
Custodial liabilities	48,113,371	40,251,259
Future lease payments and leasehold improvements	30,000	30,000
Donor-restricted for capital projects	1,636,804	1,426,713
Donor-restricted for future scholarship awards	653,012	298,738
Donor-restricted to maintain as an endowment	<u>2,675,176</u>	<u>2,504,628</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,672,229</u>	<u>\$ 1,336,168</u>

The Foundation's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure.

As a part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Foundation maintains a significant cash position and holds a portion of investments in equities that have an active market that can be liquidated if necessary.

**NOTE 5 – INVESTMENTS**

Investments consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 830,512	\$ 1,396,662
Common stocks	21,114,077	16,365,764
Federal government and agency securities	8,857,516	8,418,503
Corporate bonds	9,555,489	9,301,900
Alternative investments	10,319,910	7,801,702
Real estate investment trusts	<u>3,624,675</u>	<u>2,182,309</u>
Total	<u>\$ 54,302,179</u>	<u>\$ 45,466,840</u>

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

**NOTE 5 – INVESTMENTS (Continued)**

Total investment return is comprised of the following for the years ended June 30, 2021 and 2020:

	2021	2020
Interest and dividends	\$ 144,275	\$ 162,589
Unrealized and realized gains and (losses), net	995,433	(152,011)
Investment management fees	(45,921)	(37,116)
Total	\$ 1,093,787	\$ (26,538)

**NOTE 6 – CUSTODIAL LIABILITIES**

The Foundation entered into an Investment Management Agency Agreement with the WVSOM on June 21, 2014. In accordance with the terms of this agreement, the WVSOM has transferred \$35,400,000 to the Foundation, who serves as the investment agent for the funds. The Foundation recognizes a custodial liability in an amount equal to the funds held under the terms of this agreement including all subsequent earnings thereon. Also, the Foundation recognizes custodial liabilities for additional funds held on behalf of various student, faculty, and alumni organizations. These liabilities amounted to \$48,113,371 and \$40,251,259 at June 30, 2021 and 2020, respectively.

**NOTE 7 – RELATED PARTY TRANSACTIONS**

The WVSOM provides all the pay and employee benefits for the personnel who operate the Foundation as well as assistance with certain operating costs. On November 12, 2011, the Foundation sold the office building from which it operates to the WVSOM. Subsequently, the WVSOM provides this office space to the Foundation without charge. The costs associated with the office space, the operational expenses, and the wages and benefits paid by the WVSOM are recorded as contributed services and operational expenses in the accompanying statement of activities. The Foundation measures these expenses at the cost recognized by the WVSOM for the personnel providing the services and the fair value of the office space occupied. The total amount of the services and operating costs provided were \$266,885 and \$314,930 for the years ended June 30, 2021 and 2020, respectively. The WVSOM also made a \$48,750 contribution to the Foundation during the year ended June 30, 2020. As a part of a Memorandum of Understanding with the WVSOM signed concurrent with the sale of the building, the Foundation will be able to continue to collect revenues from the rental of a conference room contained within the office building. As the fair value of this arrangement is not readily determinable, no reflection of it has been recorded in the accompanying financial statements.

The Foundation holds and disburses funds at the discretion of the WVSOM and various student, faculty, and alumni organizations. See Note 6 for a more complete description of these custodial arrangements and the balances held under these arrangements at June 30, 2021 and 2020.

**NOTE 8 – ENDOWMENT FUNDS**

Permanent endowments consist of twenty-seven individual funds established primarily for funding academic scholarships for WVSOM students. Contributions to the endowment funds are subject to donor restrictions that may stipulate the original principal balance of the contribution be held and invested by the Foundation indefinitely and income from the endowment fund be expended for scholarships and awards. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

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***NOTE 8 – ENDOWMENT FUNDS (Continued)***

The Board of Directors has interpreted the State of West Virginia Uniform Prudent Management of Institutional Funds Act (WVUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of the gifts donated to the permanent endowment, (b) the original value of the subsequent gifts to the permanent endowment, (c) accumulations to the permanent endowment made in accordance with direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with WVUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

The Foundation monitors investment returns and spending activity within the endowment investment accounts in an attempt to provide a predictable stream of scholarship funding while seeking to maintain purchasing power of the endowment assets. The endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment management fees, sufficient to at least meet the intended annual scholarship awards of each endowment.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and/or continued appropriation for certain programs that was deemed prudent by the Board of Trustees. Deficiencies of this nature which are reported in net assets without donor restrictions as of June 30, 2021 and 2020 totaled \$0.

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

**NOTE 8 – ENDOWMENT FUNDS (Continued)**

The composition and the changes in endowment net assets for the fiscal years ended June 30, 2021 and 2020, consisted of the following:

	<u>Without Donor Restrictions</u>	<u>With donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2019	\$ -	\$ 2,951,190	\$ 2,951,190
Investment return			
Investment income, net of fees	-	63,462	63,462
Net appreciation (depreciation)	-	(31,280)	(31,280)
Contributions	-	131,236	131,236
Scholarships and awards	-	(135,718)	(135,718)
Endowment net assets, June 30, 2020	-	2,978,890	2,978,890
Investment return			
Investment income (loss), net of fees	-	51,707	51,707
Net appreciation (depreciation)	-	427,390	427,390
Contributions	-	169,111	169,111
Scholarships and awards	-	(93,424)	(93,424)
Endowment net assets, June 30, 2021	<u>\$ -</u>	<u>\$ 3,533,674</u>	<u>\$ 3,533,674</u>

**NOTE 9 – FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Foundation adopted the Financial Accounting Standards Board (FASB) Accounting Standards Codification for financial instruments measured at fair value on a recurring basis. The standard defines the fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States and expands disclosures about fair value measurements.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework establishes a three-tier fair value hierarchy that prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). These tiers include:

**Level 1**, defined as observable inputs such as quoted prices for identical instruments in active markets;

**Level 2**, defined as inputs other than quoted prices, such as quoted prices in active markets that are directly or indirectly observable such as quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active; and

**Level 3**, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from valuation techniques in which one or more significant value drivers are observable.



**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

**NOTE 9 – FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

**Fair Value Measurements**

The following is a description of the valuation methodologies used for assets measured at fair value and for financial instruments disclosed at fair value. There have been no changes in methodologies used at June 30, 2021 and 2020.

Cash and cash equivalents: carrying amounts approximate fair value because of the short maturity of these financial instruments.

Corporate stocks: valued at quoted prices in active markets for the common stock.

U.S. Treasury & Agency obligations and corporate bonds: fair value is based on pricing provided by an independent pricing vendor, broker/dealer, or model-based technique for which the inputs for the valuation are based upon readily observable pricing information.

Certificates of deposit: valued at amortized cost, which approximates fair value.

Mutual funds, exchange-traded funds, and real estate investment trusts: valued at the net asset values available in observable markets for the shares held by the fund.

Alternative assets: valued at the net asset values of the funds based on the subscription and redemption activity pursuant to the funds' governing documents.

**Assets and Liabilities Recorded at Fair Value on a Recurring Basis**

The following table presents the recorded amount of assets measured at fair value on a recurring basis.

	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
June 30, 2021:				
Cash and cash equivalents	\$ 830,512	\$ 830,512	\$ -	\$ -
Common stocks	21,114,077	21,114,077	-	-
Federal government and agency securities	8,857,516	-	8,857,516	-
Corporate bonds	9,555,489	-	9,555,489	-
Alternative investments	10,319,910	-	10,319,910	-
Real estate investment trusts	3,624,675	3,624,675	-	-
Total	<u>\$ 54,302,179</u>	<u>\$ 25,569,264</u>	<u>\$ 28,732,915</u>	<u>\$ -</u>

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

**NOTE 9 – FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
June 30, 2020:				
Cash and cash equivalents	\$ 1,396,662	\$ 1,396,662	\$ -	\$ -
Common stocks	16,365,764	16,365,764	-	-
Federal government and agency securities	8,418,503	-	8,418,503	-
Corporate bonds	9,301,900	-	9,301,900	-
Alternative investments	7,801,702	-	7,801,702	-
Real estate investment trusts	2,182,309	2,182,309	-	-
Total	\$ 45,466,840	\$ 19,944,735	\$ 25,522,105	\$ -

**NOTE 10 – OPERATING LEASE**

Beginning in July 2019, the Foundation entered into a noncancelable operating lease of a building for the purpose of operating a new rental facility. The initial term of the lease is 60 months ending June 30, 2025. Lease payments over the next three years are expected to be \$30,000 annually. Lease payments of \$30,000 and \$30,000 were made for the years ended June 30, 2021 and 2020, respectively. Under the terms of the lease, work necessary to renovate the building for rental purposes are to be paid primarily by the Foundation. Leasehold improvements of \$100,000 were made to the facility during the year ended June 30, 2020 and are being amortized over the life of the lease.

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2021 AND 2020**

**NOTE 17 - NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS**

<b>2021</b>								
	Salaries and <u>Wages</u>	<u>Benefits</u>	Supplies and <u>Other Services</u>	<u>Utilities</u>	Scholarships And <u>Fellowships</u>	<u>Depreciation</u>	Loan Cancellations and <u>Write-offs</u>	<u>Total</u>
Instruction	\$ 11,881,159	\$ 1,615,513	\$ 4,311,332	\$ -	\$ -	\$ -	\$ -	\$ 17,808,004
Research	996,755	170,137	362,961	2,982	-	-	-	1,532,835
Public service	183,776	53,341	771,007	6,533	-	-	-	1,014,657
Academic support	2,175,002	382,930	1,826,419	-	-	-	-	4,384,351
Student services	1,877,202	464,409	1,452,483	16,961	-	-	-	3,811,055
General institutional support	5,287,988	825,391	2,695,003	-	-	-	-	8,808,382
Operations and maintenance of plant	1,368,083	331,985	1,594,774	766,538	-	-	-	4,061,380
Student financial aid	-	-	-	-	297,667	-	-	297,667
Auxiliary enterprises	67,494	19,047	306,730	-	-	-	-	393,271
Depreciation	-	-	-	-	-	3,769,560	-	3,769,560
Other	-	-	-	-	-	-	105,420	105,420
<b>Total</b>	<b>\$ 23,837,459</b>	<b>\$ 3,862,753</b>	<b>\$ 13,320,709</b>	<b>\$ 793,014</b>	<b>\$ 297,667</b>	<b>\$ 3,769,560</b>	<b>\$ 105,420</b>	<b>\$ 45,986,582</b>

<b>2020</b>								
	Salaries and <u>Wages</u>	<u>Benefits</u>	Supplies and <u>Other Services</u>	<u>Utilities</u>	Scholarships And <u>Fellowships</u>	<u>Depreciation</u>	Loan Cancellations and <u>Write-offs</u>	<u>Total</u>
Instruction	\$ 10,832,343	\$ 2,234,541	\$ 4,358,718	\$ 63	\$ -	\$ -	\$ -	\$ 17,425,665
Research	933,971	237,522	354,560	6,896	-	-	-	1,532,949
Public service	185,238	30,280	364,501	5,002	-	-	-	585,021
Academic support	2,255,788	617,384	1,667,704	-	-	-	-	4,540,876
Student services	1,839,217	558,513	1,370,650	14,746	-	-	-	3,783,126
General institutional support	5,090,269	1,033,318	2,344,113	-	-	-	-	8,467,700
Operations and maintenance of plant	1,394,018	461,327	1,553,463	766,992	-	-	-	4,175,800
Student financial aid	-	-	-	-	713,209	-	-	713,209
Auxiliary enterprises	115,506	22,827	279,348	-	-	-	-	417,681
Depreciation	-	-	-	-	-	3,667,305	-	3,667,305
Other	-	-	4,070	-	-	-	137,881	141,951
<b>Total</b>	<b>\$ 22,646,350</b>	<b>\$ 5,195,712</b>	<b>\$ 12,297,127</b>	<b>\$ 793,699</b>	<b>\$ 713,209</b>	<b>\$ 3,667,305</b>	<b>\$ 137,881</b>	<b>\$ 45,451,283</b>

WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
 JUNE 30, 2021

Last 10 Fiscal Years\*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
WVSOM's proportion of the net OPEB liability (asset) (percentage)	0.278656463%	0.281253727%	0.263280098%	0.238788192%							
WVSOM's proportionate share of the net OPEB liability (asset)	\$ 1,230,803	\$ 4,666,372	\$ 5,652,797	\$ 5,871,776							
State's proportionate share of the net OPEB liability (asset)	<u>272,148</u>	<u>954,948</u>	<u>1,168,282</u>	<u>1,206,069</u>							
Total proportionate share of the net OPEB liability (asset)	<u>\$ 1,502,951</u>	<u>\$ 5,621,320</u>	<u>\$ 6,821,079</u>	<u>\$ 7,077,845</u>							
WVSOM's covered-employee payroll	\$ 20,100,996	\$ 19,049,066	\$ 18,131,416	\$ 17,906,099							
WVSOM's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	6.12%	24.50%	31.18%	32.79%							
Plan fiduciary net position as a percentage of the total OPEB liability	73.49%	39.69%	30.98%	25.10%							

\* - The amounts presented for each fiscal year were determined as of June 30th of the previous year (measurement date).

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, WVSOM should present information for those years for which information is available.

WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF OPEB CONTRIBUTIONS  
 JUNE 30, 2021

Last 10 Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Statutorily required contribution	\$ 527,074	\$ 538,872	\$ 579,462	\$ 540,335						
Contributions in relation to the statutorily required contribution	<u>(527,074)</u>	<u>(538,872)</u>	<u>(579,462)</u>	<u>(540,335)</u>						
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>						
WVSOM's covered-employee payroll	\$ 20,473,363	\$ 20,100,996	\$ 19,049,066	\$ 18,131,416						
Contributions as a percentage of covered-employee payroll	2.57%	2.68%	3.04%	2.98%						

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, WVSOM should present information for those years for which information is available.

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2021**

**NOTE IV - OPEB**

Actuarial Changes Other Postemployment Benefits Plan

The actuarial assumptions used in the total OPEB liability calculation can change from year to year. Please see table below which summarizes the actuarial assumptions used for the respective measurement dates.

	<u>Inflation Rate</u>	<u>Salary Increases</u>	<u>Wage Inflation Rate</u>	<u>Investment Rate of Return &amp; Discount Rate</u>	<u>Mortality</u>	<u>Retirement Age</u>	<u>Aging Factors</u>	<u>Expenses</u>	<u>Healthcare Cost Trend Rates</u>
<b><u>2020</u></b>	2.25%	Specific to the OPEB covered group. Ranging from 2.75% to 5.18%, including inflation	2.75%	6.65%, net of OPEB plan investment expense, including inflation	Post-Retirement: Pub-2010 General Healthy Retiree Mortality Tables projected with MP-2019 and scaling factors of 100% for males and 108% for females; Pre-Retirement: Pub-2010 General Employee Mortality Tables projected with MP-2019	Experience-based table of rates that are specific to the type of eligibility condition	2013 SOA study "Health Care Costs - From Birth to Death"	Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of annual expense.	Trend rate for pre-Medicare per capita costs of 7.0% for plan year end 2022, 6.5% for plan year end 2023, decreasing by 0.25% each year thereafter, until ultimate trend rate of 4.25% is reached in plan year 2032. Trend rate for Medicare per capita costs of 31.11% for plan year end 2022, 9.15% for plan year end 2023, 8.40% for plan year end 2024, decreasing gradually each year thereafter, until ultimate trend rate of 4.25% is reached in plan year end 2036.
<b><u>2019</u></b>	2.75%	Dependent upon pension system. Ranging from 3.0% to 6.5%, including inflation	4.00%	7.15%, net of OPEB plan investment expense, including inflation	Post-Retirement: RP-2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis; Pre-Retirement: RP-2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis	Experience-based table of rates that are specific to the type of eligibility condition	2013 SOA study "Health Care Costs - From Birth to Death"	Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of annual expense.	Trend rate for pre-Medicare per capita costs of 8.5% for plan year end 2020, decreasing by 0.5% 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 end 2021, decreasing by 0.5% each year thereafter, until ultimate trend rate of 4.5% is reached in plan year end 2031.
<b><u>2018</u></b>	2.75%	Dependent upon pension system. Ranging from 3.0% to 6.5%, including inflation	4.00%	7.15%, net of OPEB plan investment expense, including inflation	Post-Retirement: RP-2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis; Pre-Retirement: RP-2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis	Experience-based table of rates that are specific to the type of eligibility condition.	2013 SOA study "Health Care Costs - From Birth to Death"	Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of annual expense.	Actual trend used for fiscal year 2018. For fiscal years on and after 2019, trend starts at 8.0% and 10.0% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend rate of 4.50%. Excess trend rate of 0.13% and 0.00% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2022 to account for the Excise Tax.
<b><u>2017</u></b>	2.75%	Dependent upon pension system. Ranging from 3.0% to 6.5%, including inflation	4.00%	7.15%, net of OPEB plan investment expense, including inflation	Post-Retirement: RP-2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis; Pre-Retirement: RP-2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis	Experience-based table of rates that are specific to the type of eligibility condition.	2013 SOA study "Health Care Costs - From Birth to Death"	Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of annual expense.	Actual trend used for fiscal year 2017. For fiscal years on and after 2018, trend starts at 8.5% and 9.75% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend rate of 4.50%. Excess trend rate of 0.14% and 0.29% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2020 to account for the Excise Tax.

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

Board of Governors  
West Virginia School of Osteopathic Medicine  
Lewisburg, 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 discretely presented component unit of the West Virginia School of Osteopathic Medicine (WVSOM), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise WVSOM's basic financial statements, and have issued our report thereon dated October 4, 2021. Our report includes a reference to another auditor who audited the financial statements of the West Virginia School of Osteopathic Medicine Foundation, Inc. (the Foundation), as described in our report on WVSOM's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by that auditor. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered WVSOM's internal control over financial reporting (internal control) as a basis for designing 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 WVSOM's internal control. Accordingly, we do not express an opinion on the effectiveness of WVSOM's internal control.

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

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether WVSOM'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

A handwritten signature in cursive script that reads "Suttle & Stalaker, PLLC".

Charleston, West Virginia  
October 4, 2021