West Virginia State University

Financial Statements as of and for the Years Ended June 30, 2021 and 2020, and Independent Auditors' Reports

WEST VIRGINIA STATE UNIVERSITY

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INDEPENDENT AUDITORS' REPORT

Board of Governors
West Virginia State University
Institute, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of West Virginia State University and it's discretely presented component unit, 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 the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the West Virginia State University Foundation, a discretely presented component unit of West Virginia State University, which represents 100% of the assets, net position, and revenues of the discretely presented component unit. Additionally, we did not audit the financial statements of the West Virginia State University Research and Development Corporation, a blended component unit of West Virginia State University, which represent 4%, 4%, and 30%, respectively, of the assets, net position, and revenues of the statements of West Virginia State University. Those statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as it relates to the amounts included for West Virginia State University and the discretely presented component unit, are based solely on the reports of the other auditors. We and the auditors of the West Virginia State University Research and Development Corporation, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the West Virginia State University Foundation, which were audited by other auditors, were not audited in accordance with *Government Auditing Standards*.

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

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

Board of Governors
West Virginia State University

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the financial statements of West Virginia State University and its discretely presented component unit 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.

Emphasis-of-Matter

As discussed in Note 1, the financial statements present only West Virginia State University and do not purport to, and do not present fairly the financial position of the West Virginia Higher Education Policy Commission as of June 30, 2021 and 2020, the changes in its financial position, or cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2021, on our consideration of the West Virginia State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of 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 West Virginia State University's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 15, 2021

West Virginia State University

Management's Discussion and Analysis (Unaudited)

For the Year Ended June 30, 2021

HISTORY OF WEST VIRGINIA STATE UNIVERSITY

West Virginia State University was founded under the provisions of the Second Morrill Act of 1890 as the West Virginia Colored Institute, one of 17 land-grant institutions authorized by Congress and designated by the states to provide for the education of black citizens in agriculture and the mechanical arts. West Virginia was one of the states that maintained segregated educational systems at that time.

From 1891 to 1915, the original Institute offered the equivalent of a high school education, vocational training and teacher preparation. In 1915 the West Virginia Collegiate Institute began to offer college degrees. Under the leadership of President John W. Davis, the academic program was expanded and new buildings were constructed, and in 1927 the institution was accredited by the North Central Association. In 1929, it became West Virginia State College ("WVSC"). Over the next decades, WVSC became recognized as one of the leading public institutions of higher education for blacks in the country.

In 1954 the United States Supreme Court gave its historic decision in Brown vs. Board of Education outlawing school segregation. The consequence of this decision for West Virginia State College was a rapid transition to an integrated institution serving a multiracial, multi-generational commuting student population. This shift in student population and mission occurred in part due to demographics and in part due to efforts made by the college administration to reverse a decline in enrollment during the early 1950's. Enrollment quadrupled during the following decades.

Meanwhile, by a decision of the West Virginia Board of Education, WVSC was compelled to surrender its land-grant status, the only one of the 1890 institutions to do so. Only after a 12-year quest was the college's land-grant status fully restored, in 2001 by act of Congress signed by President Bill Clinton.

In 2004, WVSC was granted university status by the West Virginia Legislature along with three other public four-year colleges and renamed West Virginia State University. The same piece of legislation (SB 448) also called for re-organization of community and technical colleges throughout the state which eventually led to WVSC's community and technical college component becoming a separate institution, Kanawha Valley Community and Technical College, now BridgeValley Community and Technical College.

The first half-century of the history of WVSU epitomizes the long struggle of African-Americans for educational opportunity and political, social and economic equality. While desegregation changed the racial proportions of the student body, faculty and staff, WVSU still emphasizes the diversity of its people and derives important values and elements of its mission from its tradition as a historically black college. The motto "A Living Laboratory of Human Relations" is still a relevant depiction of West Virginia State University.

OVERVIEW OF THE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS

West Virginia State University (the "University") is pleased to present the financial statements for the year ended June 30, 2021. The information also includes the West Virginia State University Research and Development Corporation (the "Corporation"). The West Virginia State University Foundation is included as a discretely presented component unit.

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.

The required, supplementary information in the form of a narrative analysis or management discussion and analysis offers an overview of the financial activities for the fiscal year ended June 30, 2021.

The Governmental Accounting Standards Board ("GASB") has issued directives for the presentation of financial statements for colleges and universities in the United States. Previously, the reporting had presented financial information in the format of fund groups. The revised GASB format focuses on reporting the overall economic resources of the University.

STATEMENTS OF NET POSITION

The purpose of the University's Statements of Net Position is to take a snapshot of the financial statements at a point in time. This statement shows the assets, deferred outflows, liabilities, deferred inflows, and net position of the University as of June 30, 2021.

The year-end data regarding assets (current and noncurrent) and deferred outflows, liabilities (current and noncurrent) and deferred inflows of resources and net position (assets and deferred outflows minus liabilities and deferred inflows) is also presented in the financial statements. The difference between current and noncurrent assets, deferred outflows, liabilities, and deferred inflows of resources are discussed in the note section of the financial statements.

By reviewing the Statement of Net Position, the reader is able to ascertain the assets available to continue the operations of the University. Also, readers can see data presented in a way to discern how much the institution owes vendors, employees and lending institutions. In addition, the Statement of Net Position offers an overview picture of the net position (assets and deferred outflows of resources minus liabilities and deferred inflow of resources) and the availability of the assets to utilize for future expenditure by the University.

Net position is divided into four major types:

- Net Investment in Capital Assets: net book value of the University's capital assets less any related debt.
- Restricted Net Position — The restricted component of net position consists of restricted assets and deferred outflows of resources reduced by liabilities and deferred inflows of resources related to those assets. This includes amounts restricted for use in capital projects and for loans to students by various agreements, as well as amounts required to be held for use in debt service on outstanding bonds as outlined in Bond Trust Indenture.
    a. Nonexpendable — The nonexpendable component of net position is permanently restricted, and only the income from such resources can be used. The University does not have such assets as of June 30, 2021 or 2020.
    b. Expendable — The expendable component of net position is available for expenditures as determined by donors and/or external entities in regard to time or purpose.
- Unrestricted: The unrestricted component of net position is the net amount of assets available to this institution to utilize for any lawful purpose.

Condensed Schedules of Net Position

Assets	**2021**	**2020**	**Difference**	**2019**
Total Current Assets	$ 11,150,784	$ 6,640,921	$ 4,509,863	$ 5,561,912
Total Non Current Assets	75,945,590	77,946,423	(2,000,833)	79,566,443
Total Assets	87,096,374	84,587,344	2,509,030	85,128,355
Deferred Outflows	8,567,291	992,286	7,575,005	1,161,297
Total Assets and Deferred Outflows	**$ 95,663,665**	**$ 85,579,630**	**$ 10,084,035**	**$ 86,289,652**
Liabilities				
Total Current Liabilities	$ 13,592,853	$ 11,495,369	$ 2,097,484	$ 10,268,353
Total Non Current Liabilities	42,216,039	38,772,940	3,443,099	41,252,154
Total Liabilities	55,808,892	50,268,309	5,540,583	51,520,507
Deferred Inflows	5,303,224	3,226,791	2,076,433	2,491,077
Total Liabilities and Deferred Inflows	**$ 61,112,116**	**$ 53,495,100**	**$ 7,617,016**	**$ 54,011,584**
Net Position				
Net Investment in Capital Assets	$ 35,934,236	$ 45,435,003	$ (9,500,767)	$ 46,261,064
Restricted Expendable Debt Service	-	259,929	(259,929)	256,830
Restricted Expendable Other	-	(305,633)	305,633	(360,305)
Unrestricted deficit	(1,382,687)	(13,304,769)	11,922,082	(13,879,521)
Total Net Postion	**34,551,549**	**32,084,530**	**2,467,019**	**32,278,068**
Total Liabilities and Net Postion	**$ 95,663,665**	**$ 85,579,630**	**$ 10,084,035**	**$ 86,289,652**

Assets:

Total assets for fiscal year 2021 increased from fiscal year 2020 by $2.5 million. This was caused by the increase in cash and accounts receivable. Total current liabilities of $13.6 million exceeded total current assets of $11.1 million, for a net working capital of $(2.5) million.

Total assets for fiscal year 2020 decreased from fiscal year 2019 by $0.7 million. This was caused by the decrease in accounts receivable. Total current liabilities of $11.5 million exceeded total current assets of $6.6 million, for a net working capital of $(4.9) million.

Liabilities:

Total liabilities for fiscal year 2021 increased by $5.5 million over fiscal year 2020. The difference is an increase in bonds payable offset by a decrease in capital leases.

Total liabilities for fiscal year 2020 decreased by $1.2 million over fiscal year 2019. The difference is a decrease in accounts payable, net pension liability and OPEB liability.

Net Position:

The largest difference in net position for fiscal year 2021 is the Unrestricted Net Asset category as a result of a decrease in the OPEB liability and an increase in cash compared to 2020.

The largest difference in net position for fiscal year 2020 is the Unrestricted Net Assets category as a result of decrease for OPEB liability and in Net Pension Liability compared to 2019.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The purpose of the Statements of Revenues, Expenses and Changes in Net Position is to present the operating and non-operating revenues earned and expenses incurred by the University and any other revenues, expenses, gains and losses of the University.

Operating revenues are earned by providing goods and services to the various customers and constituencies of the University. Operating expenses are those incurred to acquire or produce the goods and services provided in return for the operating revenues and to fulfill the mission of the University.

Revenues for which goods and services are not provided are reported as non-operating revenues. For example, State of West Virginia (the "State") appropriations are non-operating revenues because they are provided by the Legislature to the University without the Legislature directly receiving commensurate goods and services for those revenues.

Condensed Schedules of Revenues, Expenses and Changes in Net Position

	2021	2020	Difference	2019
Operating Revenues	$ 21,760,606	$ 27,402,863	$ (5,642,257)	$29,515,256
Operating Expenses	47,608,900	49,132,271	(1,523,371)	46,429,842
Operating Loss	(25,848,294)	(21,729,408)	(4,118,886)	(16,914,586)
Nonoperating Revenues Net	25,513,573	18,651,451	6,862,122	14,028,113
Income (loss) Before Other Revenue, Expenses, Gains or Losses	(334,718)	(3,077,957)	2,743,239	(2,886,473)
Capital Gifts and Grants	2,309,090	2,010,221	298,869	2,120,701
Capital Payment on Behalf	492,647	874,198	(381,551)	882,331
Increase (Decrease) in Net Position	2,467,019	(193,538)	2,660,557	116,559
Net Position, Beginning of Year	32,084,530	32,278,068	(193,538)	32,161,509
Net Position, End of Year	**$ 34,551,549**	**$ 32,084,530**	**$ 2,467,019**	**$32,278,068**

Operating Revenues:

Operating revenues decreased by $5.6 million for fiscal year 2021 as a result of a decrease in federal grants (recognized as operating revenue) and auxiliary revenue.

Operating revenues decreased by $2.1 million for fiscal year 2020 as a result of a decrease of federal grants and auxiliary revenue.

Operating Expenses:

Operating expenses decreased in 2021 by approximately $1.5 million. The decrease in fiscal year 2021 in salaries and wages of $0.8 million, a decrease in benefits of $1.1 million, a decrease in student financial aid expense of $2.2 million and an increase in supplies and other services of $3.9 million, were the significant changes for operating expenses.

Operating revenues in fiscal year 2021 of $21.8 million compared to operating expenses of $47.6 million resulted in an operating loss of $25.5 million. Although State Appropriations of $14.2 million, Pell Grants of $3.4 million and HEERF revenues of $9.5 million are counted as non-operating revenues, we should point out that they should be added to the operating revenues when comparing operating revenues against operating expenses.

Operating revenues in fiscal year 2020 of $27.4 million compared to operating expenses of $49.1 million resulted in an operating loss of $21.7 million. Although State Appropriations of $14.2 million and Pell Grants of $4.2 million are counted as non-operating revenues, we should point out that they should be added to the operating revenues when comparing operating revenues against operating expenses.

STATEMENTS OF CASH FLOWS

The final statement presented by the University is the Statements of Cash Flows. The statement of cash flows presents detailed information about the cash activity of the University during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the University. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for non-operating, non-investing, and noncapital financing purposes. The third section reflects the cash flows from investing activities and shows the purchases, proceeds and interest received from investing activities. The fourth section deals with the cash used for the acquisition and construction of capital and related items. The fifth section reconciles the net cash used to the operating loss reflected on the Statement of Revenues, Expenses and Changes in Net Position.

Condensed Schedules of Cash Flows

	FY2021	**FY2020**	**Difference**	**FY 2019**
Cash provided by (used in):				
Operating activities	$(24,819,610)	$(16,565,135)	$(8,254,475)	$(15,078,039)
Noncapital financing activities	27,182,657	20,790,025	6,392,632	16,094,662
Capital financing activities	619,196	(2,611,234)	3,230,430	(2,151,339)
Interest on investments	3,400	37,951	(34,551)	65,386
Increase (decrease) in cash and cash equivalents	**2,985,643**	**1,651,607**	**1,334,036**	**(1,069,330)**
Cash - beginning of the year	3,123,431	1,471,824		2,541,154
Cash - end of the year	**$6,109,074**	**$3,123,431**		**$1,471,824**

The major difference between fiscal year 2021 and fiscal year 2020 included in operating activities consists of auxiliary enterprise charges decrease of $(2.0) million, a decrease in tuition and fees of $(2.2) million, a decrease in contracts and grants of $(2.8) million, an increase in payments to suppliers of $2.7 million, and a decrease in payments for scholarships of $(2.2) million.

The major difference between fiscal year 2020 and fiscal year 2019 included in operating activities consists of auxiliary enterprise charges increase of $0.5 million, increase in tuition and fees of $1.3 million, increase in grants and contracts of $1.2 million, decrease in payment to employees of $(1.3) million, and a decrease in payments for scholarships of $(1.4) million.

Major difference between fiscal year 2021 and fiscal year 2020 in funding included is noncapital financing is primarily an increase in HEERF revenues of $7.1 million.

Major difference between fiscal year 2020 and fiscal year 2019 in funding included is noncapital financing is primarily an increase in state appropriations of $2.8 million compared to last year’s receipts, and decrease in Pell Grant receipts of $(0.5) million.

Major differences between fiscal year 2021 and fiscal year 2020 in capital financing activities included, the refinancing of the outstanding bonds.

Major differences between fiscal year 2020 and fiscal year 2019 in capital finance activities included, withdrawals from non-current cash and cash equivalents $(0.11) million and principal paid on notes and bonds $(0.33) million.

CAPITAL ASSETS

In FY 2021, West Virginia State University exercised frugal management in regard to capital improvements. The purchase, renovation and restoration of capital assets, such as land and/or buildings, educational and scientific equipment, renovation of classroom and research facilities remain essential for the forward movement of the University.

Some of the capital projects for FY 2022 include the following.

- Turf project at Lakin-Ray Field.

ECONOMIC OUTLOOK

West Virginia State University, under the new leadership of Interim President, Dr. Ericke Cage, is focused on the advancement of the University's future by positioning the University for future strategic growth opportunities. An emphasis on hiring highly qualified personnel to fill top executive leadership positions, will provide the University with a sound and stable leadership team focused on implementing strategies and solutions that improve operations, invest in our people, launch big ideas, and build bridges and relationships which connect the University to emerging markets and elevate the WVSU brand. The University continues to be determined to counter the financial obstacles through a regime of operational efficiencies, bond refinancing savings, proactively seeking additional sources and forms of revenue, as well as efforts to increase recruitment, student enrollment, and student retention.

The growth of strategic and novel academic offerings, responsive to market needs, is linked to the research and public service missions and key to the overall advancement of the University and aim at increasing student enrollment and retention. In Fall of 2020, a new Bachelor of Science in Nursing "(BSN") rolled out, as well as, the expansion of educational opportunities in food, agriculture, and natural resources with increased scholarship funding and additional degree opportunities for students interested in agricultural careers.

West Virginia Research and Development Corporation will continue supporting and playing a vital role, as the designated fiscal manager of external resources, in the administration and advancement of research, teaching, and public service for the University. West Virginia State University, as a Historically Black and 1890 Land-Grant Institution, receives through the Corporation, federal and state appropriations, competitive grants and contracts, and county, local, foundation and private support invested to build capacity and strengthen its tripartite missions, including research, public service, and instruction. Due to decreasing investments by federal, state and local governments, associated with research and educational programs in the last decade, these external resources have been more competitive and difficult to attain. Furthermore, caused by an unprecedented and unexpected challenge in the form of a continuing global pandemic, fiscal year 2021 brought about an even greater uncertainty in terms of the economic outlook. In spite of the aforementioned economic challenges, the University and Corporation continues to maintain a strong financial position.

Overall, the outlook of West Virginia State University, through new and invigorated leadership, fiscal management, and an enrollment and retention driven growth strategy creates a bright and positive future for FY 2022 and beyond.

WEST VIRGINIA STATE UNIVERSITY

STATEMENTS OF NET POSITION
AS OF JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 6,109,074	$ 2,863,502
Accounts receivable — net	4,604,678	3,156,066
Loans to students — current portion	2,099	33,853
Inventories	164,649	366,300
Prepaid expenses	270,284	221,200
Total current assets	11,150,784	6,640,921
NONCURRENT ASSETS:		
Restricted cash and cash equivalents	-	259,929
Other Receivables	73,666	83,366
Capital assets — net	75,871,924	77,603,128
Total noncurrent assets	75,945,590	77,946,423
Deferred Outflows of Resources:		
Deferred outflows related to bond refinancing	7,497,656	-
Deferred outflows related to OPEB	968,972	904,197
Deferred outflows related to pensions	100,663	88,089
Total deferred outflows of resources	8,567,291	992,286
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 95,663,665	$ 85,579,630

(Continued)

WEST VIRGINIA STATE UNIVERSITY

STATEMENTS OF NET POSITION
AS OF JUNE 30, 2021 AND 2020

LIABILITIES, DEFERRED INFLOWS AND NET POSITION	2021	2020
CURRENT LIABILITIES:		
Accounts payable	$ 4,630,896	$ 3,993,788
Accrued liabilities	3,927,773	3,278,758
Compensated absences — current portion	693,058	865,818
Unearned revenue	3,379,910	2,550,005
Leases payable - current portion	-	315,000
Bonds payable — current portion	608,802	390,000
Notes payable — current portion	352,414	102,000
Total current liabilities	13,592,853	11,495,369
NONCURRENT LIABILITIES:		
Deposits	98,950	93,200
Compensated absences	558,241	491,636
Bonds payable	36,252,886	8,855,000
Notes payable	2,723,586	2,075,999
Capital leases payable	-	20,428,032
Advances from federal sponsors	579,122	579,122
Net pension liability	443,395	468,976
Other post employment benefits liability	1,559,859	5,780,975
Total noncurrent liabilities	42,216,039	38,772,940
TOTAL LIABILITIES	55,808,892	50,268,309
Deferred Inflows of Resources:		
Deferred inflows related to OPEB	4,978,065	2,819,261
Deferred inflows related to pensions	325,159	407,530
Total deferred inflows of resources	5,303,224	3,226,791
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	61,112,116	53,495,100
NET POSITION:		
Net investment in capital assets	35,934,236	45,435,003
Restricted - Expendable Loans	-	(305,633)
Restricted - Expendable Debt service	-	259,929
Total restricted	-	(45,704)
Unrestricted deficit	(1,382,687)	(13,304,769)
TOTAL NET POSITION	$ 34,551,549	$ 32,084,530

See notes to combined financial statements. (Concluded)

WEST VIRGINIA STATE UNIVERSITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
OPERATING REVENUES:		
Student tuition and fees — net of scholarship allowance of $4,893,330 and $8,375,639 in 2021 and 2020, respectively	$ 10,154,108	$ 10,943,694
Contracts and grants:	5,043,294	7,963,352
State	3,491,506	3,013,168
Private	182,940	314,838
Sales and services of educational activities	-	3,065
Auxiliary enterprise revenue — net of scholarship allowance of $2,615,959 and $1,768,187 in 2021 and 2020, respectively	2,157,729	4,167,435
Miscellaneous — net	610,764	877,955
Fees charged to the students of Bridge Valley Community and Technical College	120,265	119,356
Total operating revenues	21,760,606	27,402,863
OPERATING EXPENSES:		
Salaries and wages	21,533,219	22,362,136
Benefits	3,883,607	4,942,863
Supplies and other services	14,516,729	10,657,438
Utilities	2,116,260	2,178,407
Student financial aid — scholarships and fellowships	3,043,820	5,277,880
Depreciation and amortization	2,515,265	3,713,547
Total operating expenses	47,608,900	49,132,271
OPERATING LOSS	(25,848,294)	(21,729,408)
NONOPERATING REVENUES (EXPENSES):		
State appropriations	14,292,704	14,292,704
Federal Pell Grants	3,441,322	4,157,958
CARES Act revenue	9,464,102	2,355,420
Investment income	3,400	37,951
Interest on indebtedness	(1,665,777)	(2,177,025)
(Loss) gain on fixed asset disposal	(6,704)	500
Fees assessed by the Commission	(15,471)	(16,057)
Net nonoperating revenues	25,513,573	18,651,451
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	(334,718)	(3,077,957)
PAYMENTS MADE ON BEHALF OF WV STATE UNIVERSITY	492,647	874,198
CAPITAL GRANTS AND GIFTS	2,309,090	2,010,221
CHANGE IN NET POSITION	2,467,019	(193,538)
NET POSITION — Beginning of year	32,084,530	32,278,068
NET POSITION — End of year	$ 34,551,549	$ 32,084,530

See notes to combined financial statements.

WEST VIRGINIA STATE UNIVERSITY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	$ 9,871,540	$ 12,076,533
Contracts and grants	8,463,544	11,291,358
Payments to and on behalf of employees	(27,760,894)	(27,255,148)
Payments to suppliers	(13,078,039)	(10,426,906)
Payments to utilities	(2,116,260)	(2,178,407)
Payments for scholarships and fellowships	(3,043,820)	(5,277,880)
Collection of loans to students	31,754	31,754
Sales and service of educational activities	-	3,065
Auxiliary enterprise charges	2,157,729	4,173,185
Fees charged to Bridge Valley Community and Technical College students	120,265	119,356
Other receipts — net	534,571	877,955
Net cash used in operating activities	(24,819,610)	(16,565,135)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	14,292,704	14,292,704
CARES Act revenue	9,464,102	2,355,420
William D. Ford direct lending receipts	8,093,938	10,059,743
William D. Ford direct lending payments	(8,093,938)	(10,059,743)
Federal Pell grants	3,441,322	4,157,958
Fees assessed by the Commission	(15,471)	(16,057)
Net cash provided by noncapital financing activities	27,182,657	20,790,025
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Capital grants and gifts received	2,309,090	2,010,221
Capital payments made on behalf of WVSU	249,201	874,198
Purchases of capital assets	(790,765)	(2,099,628)
Principal paid on notes and bonds	(29,988,031)	(1,219,000)
Interest paid on notes, bonds, and leases	(1,440,475)	(2,177,025)
Deferred outflows – bond refinancing	(7,497,656)	-
Direct placement proceeds	37,861,688	-
Net cash provided by (used in) capital financing activities	703,052	(2,611,234)
CASH FLOWS FROM INVESTING ACTIVITY — Interest on investments	3,400	37,951
INCREASE IN CASH AND CASH EQUIVALENTS	2,985,643	1,651,607
CASH AND CASH EQUIVALENTS — Beginning of year	3,123,431	1,471,824
CASH AND CASH EQUIVALENTS — End of year	$ 6,109,074	$ 3,123,431

WEST VIRGINIA STATE UNIVERSITY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (25,848,294)	$ (21,729,408)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation and amortization expense	2,515,265	3,713,547
Effect of change operating assets and liabilities:		
Receivables — net	(1,438,912)	639,444
Loans to students — net	31,754	31,754
Prepaid expenses	(49,084)	3,998
Inventories	201,651	(95,997)
Accounts payable and accrued liabilities	1,286,123	1,211,220
Compensated absences	(2,127,087)	210,359
OPEB	(106,155)	(936,775)
Unearned revenue	829,905	493,395
Defined benefit pension plans	(120,526)	(112,422)
Deposits held in custody for others	5,750	5,750
NET CASH USED IN OPERATING ACTIVITIES	$ (24,819,610)	$ (16,565,135)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:		
Cash and cash equivalents classified as current	$ 6,109,074	$ 2,863,502
Cash and cash equivalents classified as noncurrent	-	259,929
	$ 6,109,074	$ 3,123,431

See notes to combined financial statements.

(Concluded)

WEST VIRGINIA STATE UNIVERSITY

THE WEST VIRGINIA STATE UNIVERSITY FOUNDATION, INCORPORATED, A COMPONENT UNIT OF WEST VIRGINIA STATE UNIVERSITY
STATEMENTS OF NET ASSETS
AS OF JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
ASSETS		
Cash and cash equivalents	$ 1,016,551	$ 734,402
Cash and cash equivalents - restricted funds	2,093,803	1,844,026
Unconditional promises to give (less allowance for doubtful accounts of $150,000)	1,285,600	1,773,910
Other receivables	30,970	32,623
Investments	12,174,215	9,294,966
Other Investments, bond reserve funds	-	3,364,137
Beneficial interest in trusts	291,636	236,613
Note Receivable	1,000,000	-
Lease Receivable	-	20,742,032
Deferred bond issuance cost	-	343,345
Property and equipment, net	353,131	379,782
TOTAL ASSETS	$ 18,245,906	$ 38,745,836
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 79,442	$ 42,850
Bonds payable	-	24,512,929
	79,442	24,555,779
NET ASSETS		
Without donor restrictions	821,178	853,328
With donor restrictions	17,345,286	13,336,729
Total net assets	18,166,464	14,190,057
	$ 18,245,906	$ 38,745,836

See notes to combined financial statements.

WEST VIRGINIA STATE UNIVERSITY

THE WEST VIRGINIA STATE UNIVERSITY FOUNDATION, INCORPORATED, A COMPONENT UNIT OF WEST VIRGINIA STATE UNIVERSITY STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Contributions and gifts	$ 165,018	$ 1,696,255	$ 1,861,273
Administrative fees (expenses)	137,424	(137,424)	-
Rental income	430	520	950
Investment income	563	3,535,565	3,536,128
Other Income	1,840	342,511	344,351
Net assets released from restrictions	1,483,892	(1,483,892)	-
	1,789,167	3,953,535	5,742,702
EXPENSES			
Program services			
Scholarships	486,765	-	486,765
University support	997,127	-	997,127
Total program services	1,483,892	-	1,483,892
Supporting services			
Management and general	240,875	-	240,875
Fundraising	96,550	-	96,550
Total supporting services	337,425	-	337,425
Total Expenses	1,821,317	-	1,821,317
NET INCREASE (DECREASE)	(32,150)	3,953,535	3,921,385
Change in Value of Perpetual Trust	-	55,022	55,022
Capital Lease Interest Income	1,482,403	-	1,482,403
Bond Interest Expense	(1,482,403)	-	(1,482,403)
Change in Net Assets	(32,150)	4,008,557	3,976,407
Net Assets at Beginning of Year	853,328	13,336,729	14,190,057
Net Assets at End of Year	$ 821,178	$ 17,345,286	$ 18,166,464

See notes to combined financial statements.

WEST VIRGINIA STATE UNIVERSITY

THE WEST VIRGINIA STATE UNIVERSITY FOUNDATION, INCORPORATED, A COMPONENT UNIT OF WEST VIRGINIA STATE UNIVERSITY STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Contributions and gifts	$ 249,552	$ 902,132	$ 1,151,684
Administrative fees (expenses)	146,384	(146,384)	-
Rental income	1,859	8,804	10,663
Investment income	669	(441,356)	(440,687)
Other Income	643	695,529	696,172
Net assets released from restrictions	2,540,755	(2,540,755)	-
	2,939,862	(1,522,030)	1,417,832
EXPENSES			
Program services			
Scholarships	696,511	-	696,511
University support	1,844,244	-	1,844,244
Total program services	2,540,755	-	2,540,755
Supporting services			
Management and general	251,706	-	251,706
Fundraising	110,187	-	110,187
Total supporting services	361,893	-	361,893
Total Expenses	2,902,648	-	2,902,648
NET INCREASE (DECREASE)	37,214	(1,522,030)	(1,484,816)
Change in Value of Perpetual Trust	-	(27,756)	(27,756)
Capital Lease Interest Income	1,632,444	-	1,632,444
Bond Interest Expense	(1,632,444)	-	(1,632,444)
Gain on Sale of Fixed Assets	-	-	-
Change in Net Assets	37,214	(1,549,786)	(1,512,572)
Net Assets at Beginning of Year	816,114	14,886,515	15,702,629
Net Assets at End of Year	$ 853,328	$ 13,336,729	$ 14,190,057

See notes to combined financial statements.

1. ORGANIZATION

West Virginia State University (the "University") is governed by the West Virginia State University 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 University under its jurisdiction, the duty to develop a master plan for the University, the power to prescribe the specific functions and the University's budget request, the duty to review, at least every five years, all academic programs offered at the University, and the power to fix tuition and other fees for the different classes or categories of students enrolled at the University.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The accompanying financial statements present all funds under the authority of the University, including its blended component unit, the West Virginia State University Research and Development Corporation (the "Research and Development Corporation"), a nonprofit, nonstock corporation. The basic criteria for inclusion in the accompanying financial statements is the exercise of oversight responsibility derived from the University's ability to significantly influence operations and accountability for fiscal matters of the Research and Development Corporation.

The related organization, Alumni Association, is not part of the University reporting entity and is not included in the accompanying financial statements, as the University has no ability to designate management, cannot significantly influence operations of these entities, and is not accountable for the fiscal matters of the West Virginia State University Alumni Association under GASB.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In accordance with GASB, the audited financial statements of the "Foundation" are discretely presented here with the University's financial statements. The Foundation is a private nonprofit organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's audited financial information, as it is presented herein (see also Note 18).

Financial Statement Presentation — GASB establishes standards for external financial reporting for public colleges and universities and requires that financial statements be presented on a basis to focus on the University as a whole. The University's net position is classified into three categories according to external donor restrictions or availability of resources for satisfaction of University obligations. The components of the University's net position are classified as follows:

- *Net Investment in Capital Assets* — This represents the University's total investment in capital assets, net of depreciation and outstanding debt obligations related to those capital assets. To the extent 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*— This includes amounts restricted for use in capital projects and for loans to students by various agreements, as well as amounts required to be held for use in debt service on outstanding bonds as outline in Bond Trust Indenture. See Footnote 3 for details on debt service deposits.

    - *Restricted — Expendable* — This includes resources in which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. The West Virginia State Legislature (the "State Legislature"), as a regulatory body outside the reporting entity, has restricted the use of certain funds by Article 10, *Fees and Other Money Collected at State Institutions of Higher Education* of the West Virginia State Code. House Bill No. 101 passed in March 2004 simplified the tuition and fee restrictions to auxiliaries and capital items. These activities are fundamental to the normal ongoing operations of the institution. These restrictions are subject to change by future actions of the State Legislature.

    - *Restricted — Nonexpendable* —This includes endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The University does not have any nonexpendable funds or components of net position of this type as of June 30, 2021 and 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *Unrestricted* — This represents resources derived from student tuition and fees, state appropriations, and sales and services of educational activities. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the Board to meet current expenses for any purpose. These resources also include resources of auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

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

Cash and Cash Equivalents — For purposes of the statements of net position, the University considers all highly liquid investments with an original maturity of three months or less at the time of purchase to be cash equivalents.

Cash on deposit with the West Virginia Treasurer's Office (the "Treasurer") is deposited into the WV Money Market Pool, the WV Government Money Market Pool and the WV Short Term Bond Pool with the West Virginia Board of Treasury Investments (BTI). The amounts on deposit are available for immediate withdrawal and, accordingly, are presented as cash and cash equivalents in the accompanying financial statements.

Cash and cash equivalents also include cash in bank accounts and cash on hand.

Accounts Receivable – Accounts receivable include primarily amounts due from students for tuition and fees, amounts due from sponsoring agencies for grants and contracts, and other miscellaneous receivables.

Allowance for Doubtful Accounts — It is the University's policy to provide for future losses on uncollectible accounts, contracts, grants, and loans receivable based on an evaluation of the underlying account, contract, grant, and loan balances, the historical collectability experienced by the University on such balances, and such other factors which, in the University's judgment, require consideration in estimating doubtful accounts.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets — Capital assets include property, plant, equipment, books and materials that are part of a catalogued library, and infrastructure assets. Capital assets are stated at cost at the date of acquisition or construction, or acquisition value at the date of donation in the case of gifts. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 20 to 50 years for buildings and infrastructure, 20 years for land improvements and library books, and 3 to 10 years for furniture and equipment. Land is not depreciated as it is considered to have an indefinite useful life. The University's threshold for capitalizing capital assets is $5,000. The financial statements reflect all adjustments required by GASB.

Impairment of Capital Assets – Management reviews capital assists for impairment whenever events or changes in circumstances indicate that the service utility of an asset has declined significantly and unexpectedly. Any writedowns due to impairment are charged to operations at the time of the impairment is identified. No writedown of capital assets was required for the years ended June 30, 2021 or 2020.

Unearned Revenue — Revenues received 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, football ticket sales, and room and board. Financial aid and other deposits are separately classified as deposits.

Compensated Absences and Other Postemployment Benefits — GASB provides standards for the measurement, recognition, and display of other postemployment benefit ("OPEB") expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. During fiscal year 2006, House Bill No. 4654 was established to create a trust fund for postemployment benefits for the State. Effective July 1, 2007, the University was 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 financial statements can be obtained by contacting West Virginia Public Employees Insurance Agency ("PEIA"), 601 57th Street Southeast Suite 2, Charleston, WV 25304 or www.peia.wv.gov.

These statements require entities to accrue for employees' rights to receive compensation for vacation leave or payments in lieu of accrued vacation or sick leave as such benefits are earned and payment becomes probable. The University's full-time employees earn up to two vacation leave days for each month of service and are entitled to compensation for accumulated, unpaid vacation leave upon termination. Full-time employees also earn 1-1/2 sick leave days for each month of service and are entitled to extend their health or life insurance coverage upon retirement in lieu of accumulated, unpaid sick leave. Generally, two days of accrued sick leave extend health insurance for one month of single coverage and three days extend health insurance for one month of family coverage. For employees hired after 1988, the employee shares in the cost of the extended benefit coverage to the extent of 50% of the premium required for the extended coverage. Employees hired July 1, 2001, or later, will no longer receive sick leave credit toward insurance premiums when they retire. This liability is now provided for under the multiple employer cost-sharing plans sponsored by the State.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Other Postemployment Benefits – For purposes of measuring the net other postemployment benefits ("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 West Virginia Postemployment Benefit Plan (the "OPEB plan"), which is administered by a combination of the West Virginia Public Employees Insurance Agency ("PEIA") and the West Virginia Health Benefit Plan (the "RHBT"), additions to/reductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported in the RHBT's financial statements which can be found at www.peia.wv.gov. The OPEB plan schedules are prepared using the accrual basis of accounting in accordance with U.S. GAAP as prescribed by GASB.

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

Deferred Outflows of Resources – Consumption of net position by the University that is applicable to a future fiscal year is reported as a deferred outflow of resources on the Statement of Net Position. As of June 30, 2021 and 2020, the University had deferred outflows of resources related to pensions of $100,663 and $88,089, respectively (see Note 13). As of June 30, 2021 and 2020, the University had deferred outflows of resources related to OPEB of $968,972 and $904,197, respectively. As of June 30, 2021 the University had deferred outflows of resources related to bond refinancing of $7,497,656.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows of Resources – Acquisition of net position by the University that is applicable to a future fiscal year is reported as a deferred inflow of resources on the Statement of Net Position. As of June 30, 2021 and 2020, the University had deferred inflows related to pensions of $325,159 and $407,530, respectively (see Note 13). As of June 30, 2021 and 2020, the University had deferred inflows related to OPEB of $4,978,065 and $2,819,261, respectively.

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

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

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

Classification of Revenues — The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

- *Operating Revenues* — Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state, local, and nongovernmental grants and contracts, and (4) sales and services of educational activities.

- *Nonoperating Revenues* — Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenues that are defined as nonoperating revenues by GASB, such as state appropriations, Federal Pell Grants, HEERF Grants, investment income, and sale of capital assets (including natural resources). Nonoperating revenues also exclude student fees which were billed for capital improvements.

- *Other Revenues* — Other revenues consist primarily of capital grants and gifts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Restricted Component of Net Position — The University has not adopted a formal policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available. Generally, the University attempts to utilize restricted resources first when practical.

Alternative Loans — Students apply for Alternative Loans through lenders who participate in the Alternative Loan Program when they have exhausted their Federal Loan Eligibility or need extra money to fill the gap of their cost of attendance. The University will certify these loans and, if approved by the lender, will receive the funds to disburse to the student accounts. Under this program, banks and loan companies make loans directly to students, via a guarantor. The University uses Sallie Mae as its guarantor. Student loan receivables are not included in the University's statements of net position, as the loans are repayable directly to the bank or loan company. For the years ended June 30, 2021 and 2020, the University received and disbursed approximately $154,424 and $398,368, respectively, which is not included as revenue and expense in the statement of revenues, expenses, and changes in net position.

Direct Lending — The University facilitates loans to students under the Direct Lending Program ("DL"). Under this program, the U.S. Department of Education makes interest-subsidized and nonsubsidized loans directly to students, via a guarantor. The University uses Sallie Mae as its guarantor. Direct Lending student loan receivables are not included in the University's statements of net position, as the loans are repayable directly to the U.S. Department of Education. In the years ended June 30, 2021 and 2020, the University received and disbursed approximately $8.9 million and $10.1 million, respectively, on behalf of the U.S. Department of Education, which is not included as revenue and expense in the statement of revenues, expenses, and changes in net position.

The University also distributes other student financial assistance funds on behalf of the federal government to students under the federal Pell Grant, Supplemental Educational Opportunity Grant, and College Work Study programs. The activity of these programs is recorded in the accompanying financial statements. In the years ended June 30, 2021 and 2020, the University received and disbursed approximately $3.7 million and $4.2 million, respectively, under these federal student aid programs.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Certain aid such as loans, funds provided to students as awarded by third parties and Federal Direct Lending are accounted for as a third-party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a University basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third-party aid.

Government Grants and Contracts — Government grants and contracts normally provide for the recovery of direct and indirect costs, subject to an audit. The University recognizes revenue associated with direct costs as the related costs are incurred. Recovery of related indirect costs is generally recorded at fixed rates negotiated for a period of one to five years.

Service Concession Arrangements — The University has a service concession arrangement for the operation of food services.

Income Taxes — The University is exempt from income taxes as a governmental entity. The component units are exempt from income taxes, except for unrelated business income, as nonprofit organizations under federal income tax laws and regulations of the Internal Revenue Service.

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

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. A national emergency was declared in the U.S. concerning the COVID-19 outbreak on March 13, 2020. As a result, economic uncertainties have arisen which may materially affect the amounts reported in the financial statements and in the footnotes. The financial impact of these uncertainties cannot be determined at this time.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Newly Adopted Statements Issued by the Governmental Accounting Standards Board (GASB) - 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)- 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. The University has not yet determined the effect that the adoption of GASB Statement No. 87 may have on its financial statements.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. The University 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. The University 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. The University 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 Arrangement*s* (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. The University has not yet determined the effect that the adoption of GASB Statement No. 96 may have on its financial statements.

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. The University has not yet determined the effect that the adoption of the remaining portions of GASB Statement No. 97 may have on its financial statements.

3. CASH AND CASH EQUIVALENTS

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

	2021		
	Current	**Noncurrent**	**Total**
State Treasurer	$ 1,939,058	$ -	$ 1,939,058
Trustee	-	-	-
In bank	4,170,016	-	4,170,016
	$ 6,109,074	$ -	$ 6,109,074

	2020		
	Current	**Noncurrent**	**Total**
State Treasurer	$ 840,279	$ -	$ 840,279
Trustee	-	259,929	259,929
In bank	2,023,223	-	2,023,223
	$ 2,863,502	$ 259,929	$ 3,123,431

Cash on deposit with trustee escrow consists of Huntington National Bank for Bond Series 2012 and 2013 and it held funds for principal, and interest payments as described in Note 7. The deposits with trustee escrows were covered by federal depository insurance as noted below. Regarding federal depository

3. CASH AND CASH EQUIVALENTS (CONTINUED)

insurance, interest-bearing accounts are insured by the Federal Deposit Insurance Corporation up to $250,000.

Custodial credit risk for deposits is the risk that, in the event of the failure of the counterparty to a transaction, the University will not be able to recover the value of the deposits that are in the possession of an outside party. The combined carrying amount of cash in bank at June 30, 2021 and 2020 was $4,170,016, and $3,123,134 as compared with the combined bank balance of $4,599,591 and $1,546,849, 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 up to $250,000.

Amounts with the State Treasurer as of June 30, 2021 and 2020, are comprised of three investment pools, the WV Money Market Pool, the WV Government Money Market Pool and the WV Short Term Bond Pool.

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

	2021		2020	
External Pool	Carrying Value	S & P Rating	Carrying Value	S & P Rating
WV Money Market Pool	$ 1,569,869	AAAm	$ 770,726	AAAm
WV Short Term Bond Pool	38,673	Not Rated	18,715	Not Rated
	$ 1,608,542		$ 789,441	

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:

	2021		2020	
External Pool	Carrying Value	WAM (Days)	Carrying Value	WAM (Days)
WV Money Market Pool	$ 1,569,869	52	$ 770,726	44

3. CASH AND CASH EQUIVALENTS (CONTINUED)

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

External Pool	2021 Carrying Value (in Thousands)	2021 Effective Duration (Days)	2020 Carrying Value (in Thousands)	2020 Effective Duration (Days)
WV Short Term Bond Pool	$ 38,673	638	$ 18,715	723

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

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

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a Consolidated Fund poll 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. The University has no securities with foreign currency risk.

4. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2021 and 2020, are as follows:

	2021	**2020**
Student tuition and fees — net of allowance for doubtful accounts of $1,197,842 and $950,478 in 2021 and 2020, respectively	$ 758,383	$ 475,815
Grants and contracts receivable	3,753,046	2,663,195
Due from the Commission	9,328	1,392
Other accounts receivable	83,921	15,664
	$ 4,604,678	$ 3,156,066

5. CAPITAL ASSETS

Summary of capital asset transactions for the University for the years ended June 30, 2021 and 2020 are as follows:

	2021			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	$ 8,628,563	$ -	$ -	$ 8,628,563
Construction in progress	765,185	-	-	765,185
Total capital assets not being depreciated	$ 9,393,748	$ -	$ -	$ 9,393,748
Capital assets being depreciated:				
Land improvements	$ 2,164,557	$ 33,125	$ -	$ 2,197,682
Infrastructure	5,533,519	17,210	-	5,550,729
Buildings	98,907,714	89,362	-	98,997,076
Equipment	9,822,771	275,147	(146,128)	9,951,790
Motor vehicles	739,987	26,660	(18,279)	748,368
Software	192,180	-	-	192,180
License	18,750	-	-	18,750
Library books	5,639,239	349,261	-	5,988,500
Total capital assets being depreciated	123,018,717	790,765	(164,407)	123,645,075
Less accumulated depreciation for:				
Land improvements	1,129,492	71,717	-	1,201,209
Infrastructure	4,227,755	129,056	-	4,356,811
Buildings	36,593,384	1,294,549	-	37,887,933
Equipment	7,115,549	641,877	(139,424)	7,618,002
Motor vehicles	550,205	58,870	(18,279)	590,796
Software	192,179	-	-	192,179
License	18,750	-	-	18,750
Library books	4,982,023	319,196	-	5,301,219
Total accumulated depreciation	54,809,337	2,515,265	(157,703)	57,166,899
Capital assets being depreciated — net	$ 68,209,380	$ (1,724,500)	$ (6,704)	$ 66,478,176
Capital asset summary:				
Capital assets not being depreciated	$ 9,393,748	$ -	$ -	$ 9,393,748
Capital assets being depreciated	123,018,717	790,765	(164,407)	123,645,075
Total cost of capital assets	132,412,465	790,765	(164,407)	133,038,823
Less accumulated depreciation	54,809,337	2,515,265	(157,703)	57,166,899
Capital assets — net	$ 77,603,128	$ (1,724,500)	$ (6,704)	$ 75,871,924

5. CAPITAL ASSETS (CONTINUED)

	2020			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	$ 8,628,563	$ -	$ -	$ 8,628,563
Construction in progress	177,454	587,731	-	765,185
Total capital assets not being depreciated	$ 8,806,017	$ 587,731	$ -	$ 9,393,748
Capital assets being depreciated:				
Land improvements	$ 1,851,470	$ 313,087	$ -	$ 2,164,557
Infrastructure	5,325,130	208,389	-	5,533,519
Buildings	98,737,382	170,332	-	98,907,714
Equipment	9,382,376	440,395	-	9,822,771
Motor vehicles	631,212	230,664	(121,889)	739,987
Software	192,180	-	-	192,180
License	18,750	-	-	18,750
Library books	5,489,711	149,528	-	5,639,239
Total capital assets being depreciated	121,628,211	1,512,395	(121,889)	123,018,717
Less accumulated depreciation for:				
Land improvements	1,058,143	71,349	-	1,129,492
Infrastructure	4,075,860	151,895	-	4,227,755
Buildings	33,989,599	2,603,785	-	36,593,384
Equipment	6,459,481	656,068	-	7,115,549
Motor vehicles	607,094	65,000	(121,889)	550,205
Software	192,179	-	-	192,179
License	18,750	-	-	18,750
Library books	4,816,573	165,450	-	4,982,023
Total accumulated depreciation	51,217,679	3,713,547	(121,889)	54,809,337
Capital assets being depreciated — net	$ 70,410,532	$ (2,201,152)	$ -	$ 68,209,380
Capital asset summary:				
Capital assets not being depreciated	$ 8,806,017	$ 587,731	$ -	$ 9,393,748
Capital assets being depreciated	121,628,211	1,512,395	(121,889)	123,018,717
Total cost of capital assets	130,434,228	2,100,126	(121,889)	132,412,465
Less accumulated depreciation	51,217,679	3,713,547	(121,889)	54,809,337
Capital assets — net	$ 79,216,549	$ (1,613,421)	$ -	$ 77,603,128

5. CAPITAL ASSETS (CONTINUED)

Capital assets include buildings acquired by capital lease in the amount of $20,743,032 at June 30, 2020; related accumulated depreciation totaled $4,270,404 at June 30, 2020. The capital lease was paid off during the year ended June 30, 2021, during the bond refunding transaction, see Note 7. The University maintains various collections of inexhaustible assets to which no value can be determined. Such collections include contributed works of art, historical treasures, and literature that are held for exhibition, education, research, and public service. These collections are neither disposed of for financial gain nor encumbered in any means. Accordingly, such collections are not capitalized or recognized for financial statement purposes.

6. NONCURRENT LIABILITIES

Summaries of noncurrent obligation transactions for the University for the years ended June 30, 2021 and 2020 are as follows:

	2021				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Note payable	$ 2,178,000	$ 1,000,000	$ 102,000	$ 3,076,000	$ 352,414
Bonds payable	9,245,000	-	9,245,000	-	-
Direct placement	-	36,861,688	-	36,861,688	608,802
Other noncurrent liabilities:					
Deposits held in custody for others	93,200	5,750	-	98,950	-
Accrued compensated absences	1,357,454	-	106,155	1,251,299	693,058
Advances from Federal Sponsors	579,122	-	-	579,122	-
Capital Leases Payable	20,743,032	-	20,743,032	-	-
Net pension liability	468,976	117,081	142,662	443,395	-
Other post employment benefits liability	5,780,975	573,867	4,794,983	1,559,859	-
Total noncurrent liabilities	$ 40,445,759	$ 38,558,386	$ 35,133,832	$ 43,870,313	$ 1,654,274

6. NONCURRENT LIABILITIES (CONTINUED)

	2020				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Note payable	$ 2,773,000	$ -	$ 595,000	$ 2,178,000	$ 102,000
Bonds payable	9,625,000	-	380,000	9,245,000	390,000
Other noncurrent liabilities:					
Deposits held in custody for others	65,158	28,042	-	93,200	-
Accrued compensated absences	1,047,844	309,610	-	1,357,454	865,818
Advances from Federal Sponsors	579,122	-	-	579,122	-
Capital Leases Payable	20,987,032	-	244,000	20,743,032	315,000
Net pension liability	718,868	-	249,892	468,976	-
Other post employment benefits liability	7,485,005	-	1,704,030	5,780,975	-
Total noncurrent liabilities	$ 43,281,029	$ 337,652	$ 3,172,922	$ 40,445,759	$ 1,672,818

Additional information regarding noncurrent debt is included in Notes 7 and 8.

7. BONDS PAYABLE

In December 2012, the West Virginia State University Board of Governors (the "Board") sold $8,930,000 of University Refunding and Improvement Revenue Bonds, Series 2012 (the "2012 Bonds"), with interest rates from 2.5% to 4.50% and maturing October 2037. The 2012 Bonds were issued under the authority contained in Article 10, Chapter 18B of the Code of West Virginia, 1931, as amended, and the 2012 Bonds will be secured pursuant to an Indenture dated as of December 1, 2012, by and between the University and Huntington National Bank, as the Trustee. The 2012 Bonds are secured by and payable from auxiliary fees and auxiliary capital fees as defined in the Indenture. The proceeds from the 2012 Bonds were used to (1) refund the Eddie Mac Note, (2) fund the design, acquisition, construction and equipping of various capital projects and (3) pay the costs of issuance of the 2012 Bonds.

In March 2013, the Board sold $2,815,000 of University Refunding Revenue Bonds, Series 2013 (the "2013 Bonds"), with interest rates of 1.50% to 3.00%, maturing October 2021. The 2013 Bonds were issued under the authority contained in Article 10, Chapter 18B of the Code of West Virginia, 1931, as amended, and the 2013 Bonds will be secured pursuant to an Indenture dated as of March 1, 2013, by and between the University and Huntington National Bank, as the Trustee. The 2013 Bonds are secured by and payable from auxiliary fees and auxiliary capital fees as defined in the Indenture. The proceeds from the 2013 Bonds were used to (1) refund the 2002 Series A Bonds and (2) pay the costs of issuance of the 2013 Bonds.

7. BONDS PAYABLE (CONTINUED)

In May 2021, the Board entered into a Capital Project Loan Agreement with Rice Capital Access Program, LLC for up to $40,500,000 for the purpose of financing or refinancing the costs of capital projects. The proceeds from the direct placement were used to repay the outstanding balances of the 2012 Bonds, the 2013 Bonds, and the capital lease. The direct placement matures on August 1, 2045 with debt service payments due starting February 1, 2022. Interest on the direct placement will be equal to and payable at the same time as interest due on the Series A 2021-1 Bonds. The University will need to make monthly deposits forprincipal and interest as well as pro rate fees starting in July 2021. The full amount of the principal and interest due on for each payment must be on hand with the Trustee two months before the payment is due. The direct placement requires the University to expend not less than the annual Replacement Fund Reserve Requirement on capital improvements. The initial Replacement Fund Reserve Requirement is $550,000 and will increase on July 1st each year by 3%. The University has a rate covenant that pledged revenues (auxiliary capital fees and gross operating revenues) will be equal to 120% of the maximum annual debt service on the 2021 loan and any additional long-term debt. Failure to meet this rate covenant during any fiscal year, will cause the University to immediately fund a separate and dedicated West Virginia State University Liquidity Reserve Account maintained and held by the Trustee. As of June 30, 2021, the University was in compliance with the rate covenants. A loss on refinancing was recorded as a deferred outflow in the amount of $7,497,656 at June 30, 2021. The principal on the direct placement that was outstanding at June 30, 2021 was $36,861,688. Principal and interest maturities for the years ending after June 30, 2021, are as follows:

Years Ending June 30	Direct Placement		
	Principal	Interest	Total
2022	608,802	351,330	960,132
2023	1,459,881	460,383	1,920,264
2024	1,478,668	441,596	1,920,264
2025	1,497,698	422,566	1,920,264
2026	1,516,972	403,292	1,920,264
2027-2031	7,882,763	1,718,557	9,601,320
2032-2036	8,403,209	1,198,111	9,601,320
2037-2041	8,958,017	643,303	9,601,320
2042-2046	5,055,678	74,224	5,129,902
Future payments	$ 36,861,688	$ 5,713,362	$ 42,575,050

8. NOTE PAYABLE

During February 2014, the University signed a promissory note with Capital One Equipment Finance Corp borrowing $2,700,000 at an interest rate of 6.65% to be used to partially finance the construction of a new athletic complex. The note matures in 2033, with principal payments due annually on October 1 starting in 2014. Interest payments are due annually on April 1 and October 1 starting April 2014. In February 2016, the Board of WVSU Foundation voted to submit $55,000 for an extra payment of principal.

Principal and interest maturities for the year ending after June 30, 2021, are as follows:

Years Ending June 30	Principal	Interest	Total
2022	108,000	134,463	242,463
2023	116,000	127,015	243,015
2024	123,000	119,068	242,068
2025	131,000	110,623	241,623
2026	140,000	101,612	241,612
2027-2031	853,000	350,156	1,203,156
2032-2033	605,000	58,553	663,553
Future payments	$ 2,076,000	$ 1,001,490	$ 3,077,490

On December 10, 2020, the University signed a promissory note with the WVSU Foundation borrowing $1,000,000 at an interest rate of 1.50% calculated annually. The note matures on April 10, 2025, with principal and interest payments due quarterly beginning on July 10, 2021.

Years Ending June 30	Principal	Interest	Total
2022	244,414	18,254	262,668
2023	248,101	9,943	258,044
2024	251,843	6,200	258,043
2025	255,642	2,401	258,043
	$ 1,000,000	$ 36,798	$ 1,036,798

9. OTHER POST EMPLOYMENT BENEFITS

As related to the implementation of GASB 75, following are the University'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	$ 1,559,859	$ 5,780,975
Deferred Outflows of Resources	968,972	904,197
Deferred Inflows of Resources	4,978,065	2,819,261
Revenues	148,138	350,479
OPEB Expense	(1,369,009)	96,312
Contributions made by the University	605,661	682,609

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, TRS, 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.

9. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

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 57th 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

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.

9. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

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.

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

The University's contributions to the OPEB plan for the years ended June 30, 2021, 2020, and 2019, were $605,661, $682,609, and $714,402, 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:

- 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.

9. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

- Healthcare cost trend rates: Trend rate for pre-Medicare per capita costs of 7.0% 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 Medicate 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: 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 for the period July 1, 2015 − June 30, 2020.

Certain assumptions have been changed since the prior actuarial valuation as 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 the assumption changes 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.

9. OTHER POST EMPLOYMENT 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 was determined using a building block method in which estimates of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. Target asset allocations, capital market assumptions ("CMA"), and forecast returns were provided by the Plan's investment advisors, including West Virginia Investment Management Board ("WV-BTI"). The projected return for the Money Market Pool held with the BTI was estimated based on the 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 Return
Global equity	55.0%	6.8%
Core plus fixed income	15.0%	4.1%
Core real estate	10.0%	6.1%
Hedge fund	10.0%	4.4%
Private equity	10.0%	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.

9. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the Plan as of June 30, 2021 calculated using a discount rate that is one percentage point lower (5.65%) or one percentage point higher (7.65%) than the current rate.

	1% Decrease (5.65%)	Current Discount Rate (6.65%)	1% Increase (7.65%)
Net OPEB liability 2021	$ 2,224,566	$ 1,559,859	$ 1,003,411

The following presents the net OPEB liability of the Plan as of June 30, 2020 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	$ 6,899,436	$ 5,780,975	$ 4,845,033

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate. The following presents the University's proportionate share of the net OPEB liability as of June 30, 2021 and 2020 calculated using the healthcare cost trend rate, as well as what the University'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	$ 938,581	$ 1,559,859	$ 2,310,237
Net OPEB liability 2020	4,661,530	5,780,975	5,246,853

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, the University's proportionate share of the net OPEB liability was $1,904,768. Of this amount, the University recognized $1,559,859 as its proportionate share on the statement of net position. The remainder of $319,147 denotes the University's proportionate share of net OPEB liability attributable to the special funding.

9. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

At June 30, 2020, the University's proportionate share of the net OPEB liability was $5,744,413. Of this amount, the University recognized $4,768,552 as its proportionate share on the statement of net position. The remainder of $975,861 denotes the University's proportionate share of net OPEB liability attributable to the special funding.

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, the University's proportion was 0.353155587%, an increase of 0.004703530% from its proportion of 0.348452057% calculated as of June 30, 2019. At the June 30, 2019 measurement date, the University's proportion was 0.348452057%, a decrease of 0.000428341% from its proportion of 0.348880398% calculated as of June 30, 2018.

For the year ended June 30, 2021, the University's recognized OPEB expense of $(1,369,009). Of this amount, $(1,517,147) was recognized as the University's proportionate share of OPEB expense and $148,138 as the amount of OPEB expense attributable to special funding from a non-employer contributing entity. The University also recognized revenue of $148,138 for support provided by the State.

For the year ended June 30, 2020, the University's recognized OPEB expense of $(189,500). Of this amount, $99,600 was recognized as the University's proportionate share of OPEB expense and $289,100 as the amount of OPEB expense attributable to special funding from a non-employer contributing entity. The University also recognized revenue of $289,100 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.

June 30, 2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual non-investment experience	$ -	$ 1,011,384
Changes in proportion and difference between employer contributions and proportionate share of contributions	244,907	352,521
Net difference between projected and actual investment earnings	118,404	-
Changes in assumptions	-	3,520,928
Reallocation of opt-out employer change in proportionate share	-	93,232
Contributions after the measurement date	605,661	-
Total	$ 968,972	$ 4,978,065

9. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

June 30, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual non-investment experience	$ -	$ 674,227
Changes in proportion and difference between employer contributions and proportionate share of contributions	214,405	748,953
Net difference between projected and actual investment earnings	5,746	68,120
Changes in assumptions	-	1,172,429
Reallocation of opt-out employer change in proportionate share	1,427	155,532
Contributions after the measurement date	682,609	-
Total	$ 904,197	$ 2,819,261

The University will recognize the $605,661 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:

Fiscal Year Ended June 30,	Amortization
2022	$ (1,989,201)
2023	(1,595,512)
2024	(1,057,491)
2025	24,450
	$ (4,614,754)

Payables to the OPEB Plan

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

10. OPERATING LEASES

Future scheduled annual lease payments for years subsequent to June 30, 2021, are as follows:

Years Ending June 30	
2022	$ 17,943
2023	9,600
Total	$ 27,543

Total rental expense for the years ended June 30, 2021 and 2020, was $399,758 and $192,478, respectively. The University does not have any non-cancelable leases.

11. STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

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

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

Students of the State's universities and colleges, including students of the University, are assessed certain tuition charges and fees, which must be remitted by the universities and the colleges to the Commission for use in repayment of the bonds so issued. Any shortfalls between such tuition and fees remitted and actual debt service obligations are the responsibility of the Boards. To the extent that tuition charges and fees so collected by the Commission exceed debt service obligations, the Commission may remit funds back to the universities and colleges for renewal and replacement or maintenance and repair of the facilities so financed. These obligations administered by the Commission are the direct and total responsibility of the Commission, as successor to the former Boards.

11. STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS (CONTINUED)

The Commission has the authority to assess each public institution of higher education for payment of debt service on these system bonds. The tuition and registration fees of the members of the former State University System are generally pledged as collateral for the Commission's bond indebtedness. Student fees collected by the institution in excess of the debt service allocation are retained by the institution for internal funding of capital projects and maintenance. Although the bonds remain as capital obligations 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. During 2021, the University paid $0, to the Commission against the debt obligation. The amount due to the Commission at June 30, 2021 and 2020 is $0 and $0, respectively.

During the year ended June 30, 2005, the Commission issued $167 million of 2004 Series B 30-year Revenue Bonds to fund capital projects at various higher education institutions in the State. The University has been approved to receive $1,350,000 of these funds. The University had drawn the entire allotment by June 30, 2010. State lottery funds will be used to repay the debt, although University revenues are pledged if lottery funds prove insufficient.

During December 2010, the Commission issued $76,865,000 of the State of West Virginia Higher Education Policy Commission Revenue Series 2010 Bonds to fund Bond projects approved by the Commission. The University has been authorized to receive $1,135,000 of these proceeds to be specifically used for upgrades to Wallace Hall roof, windows and HVAC system. As of June 30, 2015, $892,887 of such proceeds have been received. The University began drawing the bond proceeds for this project in FY 2012; eighty-five percent of these bond proceeds must be spent by December 2013. The West Virginia Higher Education Policy Commission is responsible for repayment of this debt.

12. UNRESTRICTED COMPONENTS OF NET POSITION

At June 30, 2021 and 2020 the University has no designated components of net position.

	2021	2020
Total unrestricted net position before OPEB liability and pension items	$ 4,854,156	$ (4,820,313)
Less: OPEB liability	1,559,859	5,780,975
Less: Net Pension Liability	443,395	468,976
Less: Deferred Inflows of Resources	5,303,224	3,226,791
Add: Deferred Outflows of Resources	(1,069,635)	(992,286)
Total unrestricted net position	$ (1,382,687)	$ (13,304,769)

13. RETIREMENT PLANS

Substantially, all full-time employees of the University participate in either the West Virginia Teachers' Retirement System (the "TRS") or the Teachers' Insurance and Annuities Association — College Retirement Equities Fund (the "TIAA-CREF"). Previously, upon full-time employment, all employees were required to make an irrevocable selection between the TRS and TIAA-CREF. Effective July 1, 1991, the TRS was closed to new participants. Current participants in the STRS are permitted to make a one-time election to cease their participation in that plan and commence contributions to the West Virginia Teachers' Defined Contribution Plan. Contributions to and participation in the West Virginia Teachers' Defined Contribution Plan by University employees have not been significant to date.

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. New hires have the choice of either plan. As of June 30, 2021 and 2020, respectively, zero employees were enrolled in the Educator's Money 401(a) basic retirement plan.

Total contributions to the Educators Money 401(a) for the years ended June 30, 2021, 2020 and 2019, were \$0, \$0 and \$12,067, respectively, which consisted of \$0, \$0 and \$6,033, respectively, from the University, and \$0, \$0 and \$6,033, respectively, from the covered employees for 2021, 2020 and 2019.

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

Total contributions to the TIAA-CREF for the years ended June 30, 2021, 2020 and 2019, were \$2,182,986, \$1,808,616 and \$2,147,795, respectively, which consisted of contributions of \$913,823, \$904,308 and \$1,073,897, respectively, from the University and \$1,091,493, \$1,073,897 and \$1,078,040, respectively, from the covered employees in 2021, 2020 and 2019.

The University's total payroll for the years ended June 30, 2021, 2020 and 2019, was \$21,322,424, \$16,805,622, and \$20,700,601, respectively; total covered employees' salaries in the TRS, Educator's Money, and TIAA-CREF were \$321,606, \$0, and \$18,168,940; \$379,988, \$0, and \$15,701,824; \$455,247, \$100,558, and \$17,889,631, respectively, in 2021, 2020 and 2019.

13. RETIREMENT PLANS (CONTINUED)

DEFINED BENEFIT PENSION PLAN

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

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

	2021	2020
Net Pension Liability	443,395	468,976
Deferred Outflows of Resources	100,663	88,089
Deferred Inflow of Resources	325,159	407,530
Revenues	101,063	136,553
Pension Expense	35,631	24,132

TRS
Plan Description

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

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

13. RETIREMENT PLANS (CONTINUED)

Benefits Provided

TRS provides retirement, death, and disability benefits. A member is eligible for normal retirement at age 60 with 5 years of service, age 55 with 30 years of service or any age with 35 years of service. A member may retire with 30 years of credited service at any age with the pension reduced actuarially if the member retires before age 55. Terminated members with at least five, but less than 20, years of credited service who do not withdraw their accumulated contributions are entitled to a deferred retirement commencing at age 62. Retirement benefits are equivalent to 2% of average annual salary multiplied by years of service. Average salary is the average of the 5 highest fiscal years of earnings during the last 15 fiscal years of earnings. Chapter 18, Article 7A of the West Virginia State Code assigns the authority to establish and amend the provisions of the plan, including contribution rates, to the State Legislature.

Contributions

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

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

Employer Contributions: Employers make the following contributions:

The State (including institutions of higher education) contributes:

1. 15% of gross salary of their State-employed members hired prior to July 1, 1991;
2. 15% of School Aid Formula ("SAF") covered payroll of county-employed members;
3. 7.5% of SAF-covered payroll od members of the TDCRS;
4. a certain percentage of fire insurance premiums paid by State residents; and
5. under WV State code section 18-9-A-6a, beginning in fiscal year 1996, an amount determined by the State Actuary as being needed to eliminate the TRS unfunded liability within 40 years of June 30, 1994. As of June 30, 2020 and 2019, the University's proportionate share attributable to this special funding subsidy was $101,063 and $136,553, respectively.

The University's contributions to TRS for the years ended June 30, 2021, 2020, and 2019 were approximately $48,241, $56,998, and $95,572, respectively.

13. RETIREMENT PLANS (CONTINUED)

Assumptions

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

- Actuarial cost method: Entry age normal cost with level percentage of payroll.
- Asset valuation method: Investments are reported at fair (market) value.
- Amortization method and period: Level dollar, fixed period over 40 years, from July 1, 1994 through fiscal year 2034.
- Investment rate of return of 7.50%, net of pension plan administrative and investment expenses.
- Projected salary increases: Teachers 3.00-6.16% and non-teachers 3.00–6.75%, based on age.
- Inflation rate of 3.00%.
- Discount rate of 7.50%.
- Mortality rates based on Pub-2010 Mortality Tables.
- Withdrawal rates: State 7.00-35.00% and Nonstate 2.33-18.00%.
- Disability rates: 0.004-0.563%.
- Retirement age: An age-related assumption is used for participants not yet receiving payments.
- Retirement rates: 15-100%.
- *Ad hoc* cost-of-living increases in pensions are periodically granted by the State Legislature. However, the retirement system makes no automatic provision for such increases.

Experience studies are performed at least once in every five-year period. The most recent experience study covered the period from July 1, 2014 to June 30, 2019. These assumptions will remain in effect for valuation purposes until such time as the CPRB adopts revised assumptions.

13. RETIREMENT PLANS (CONTINUED)

The long-term expected rate of return on pension plan investments was determined using the building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the long-term geometric real rates of return for each major asset class included in TRS' target asset allocation as of June 30, 2020 and 2019, are summarized below.

June 30, 2020		
Asset Class	Long-term Expected Real Rate of Return	Target Allocation
Domestic equity	5.5%	27.5%
International equity	7.0%	27.5%
Fixed income	2.2%	15.0%
Real estate	6.6%	10.0%
Private equity	8.5%	10.0%
Hedge funds	4.0%	10.0%

June 30, 2019		
Asset Class	Long-term Expected Real Rate of Return	Target Allocation
Domestic equity	5.8%	27.5%
International equity	7.7%	27.5%
Fixed income	3.3%	15.0%
Real estate	6.1%	10.0%
Private equity	8.8%	10.0%
Hedge funds	4.4%	10.0%

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

13. RETIREMENT PLANS (CONTINUED)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the University's proportionate share of the TRS net pension liability as of June 30, 2021 and 2020 calculated using the discount rate of 7.50%, as well as what the University's TRS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability 2021	$ 598,988	$ 443,395	$ 310,818
Net Pension Liability 2020	640,108	468,976	322,590

13. RETIREMENT PLANS (CONTINUED)

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

At June 30, 2021, the University's proportionate share of the TRS net pension liability was $963,406. Of this amount, the University recognized $443,395 as its proportionate share on the statement of net position. The remainder of $520,011 denotes the University's proportionate share of net pension liability attributable to the special funding.

At June 30, 2020, the University's proportionate share of the TRS net pension liability was $1,132,229. Of this amount, the University recognized approximately $468,976 as its proportionate share on the Statement of Net Position. The remainder of $1,132,229 denotes the University's proportionate share of net pension liability attributable to the special funding.

The allocation percentage assigned to each participating employer and non-employer contributing entity is based on their proportionate share of employer and non-employer contributions to TRS for each of the fiscal years ended June 30, 2020 and 2019. Employer contributions are recognized when due. At June 30, 2020, the University's proportion was 0.013766%, a decrease of 0.001997% from its proportion of 0.015763% calculated as of June 30, 2019. At the June 30, 2019 measurement date, the University's proportion was 0.015763%, a decrease of 0.007261% from its proportion of 0.023024% calculated as of June 30, 2018.

For the year ended June 30, 2021, the University recognized TRS pension expense of $35,631. Of this amount, $(65,432) was recognized as the University's proportionate share of the TRS expense and $101,063 as the amount of pension expense attributable to special funding from nonemployer contributing entity. The University also recognized revenue of $101,063 for support provided by the State.

For the year ended June 30, 2020, the University recognized TRS pension expense of $24,132. Of this amount, $52,391 was recognized as the University's proportionate share of the TRS expense and $136,553 as the amount of pension expense attributable to special funding from nonemployer contributing entity. The University also recognized revenue of $136,553 for support provided by the State.

13. RETIREMENT PLANS (CONTINUED)

At June 30, 2021 and 2020, deferred outflows of resources and deferred inflows of resources related to the TRS pension are as follows:

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Proportion and Difference between Employer Contributions and Proportionate Share of Contributions	$ 9,121	$ 315,423
Differences between Expected and Actual Experience	10,188	9,736
Net Difference between Projected and Actual Investment Earnings	26,865	-
Changes in Assumptions	6,248	-
Contributions after the Measurement Date	48,241	-
Total	$ 100,663	$ 325,159

	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Proportion and Difference between Employer Contributions and Proportionate Share of Contributions	$ 18,622	$ 378,746
Differences between Expected and Actual Experience	2,343	16,029
Net Difference between Projected and Actual Investment Earnings	-	12,755
Changes in Assumptions	10,126	-
Contributions after the Measurement Date	56,998	-
Total	$ 88,089	$ 407,530

13. RETIREMENT PLANS (CONTINUED)

The University will recognize the $48,241 reported as deferred outflows of resources resulting from pension contributions after the measurement date as a reduction of the TRS net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in TRS pension expense as follows:

Fiscal Year Ended June 30:	Amortization
2022	$ (108,931)
2023	(100,101)
2024	(64,939)
2025	1,234
2026	-
	$ (272,737)

Payables to the Pension Plan

The University did not report any amounts payable for normal contributions to the TRS as of June 30, 2021 and 2020.

14. FOUNDATION

The Foundation is a separate nonprofit organization incorporated in the State and has as its purpose "…to aid, strengthen, and further in every proper and useful way, the work and services of the University and its affiliated nonprofit organizations…" Oversight of the Foundation is the responsibility of a separate and independently elected board of directors, not otherwise affiliated with the University. In carrying out its responsibilities, the board of directors of the Foundation employs management, forms policy, and maintains fiscal accountability over funds administered by the Foundation. Although the University does not control the timing or the amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests, are restricted to the activities by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the University, the Foundation is considered a component unit of the University and is therefore discretely presented with the University's financial statements in accordance with GASB. Based on the Foundation's audited financial statements as of June 30, 2021 and 2020, the Foundation's net position (including unrealized gains) totaled $18,166,464 and $14,190,057, respectively, on the accrual basis of accounting.

During the years ended June 30, 2021 and 2020, the Foundation contributed $486,765 and $695,511, respectively, to the University for scholarships. Program expenses of the Foundation are used to provide support to students of the University, for projects that benefit the University and for other activities that support the Foundations mission.

15. AFFILIATED ORGANIZATION

The University has a separately incorporated affiliated organization, the Alumni Association. Oversight responsibility for this entity rests with an independent board and management not otherwise affiliated with the University. Accordingly, the financial statements of this organization are not included in the University's accompanying financial statements under the blended component unit requirements. They are not included in the University's accompanying financial statements under the discretely presented component unit requirements as they are not significant to the University.

16. CONTINGENCIES

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

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

The Internal Revenue Code of 1986 establishes rules and regulations for arbitrage rebates. There are no arbitrage rebate liabilities that have been recorded in the financial statements as of June 30, 2021 and 2020.

During August 2021, the University received a proposed penalty letter from the IRS regarding the late filing of certain 2019 information returns. The returns were due March 31, 2020, during the COVID-19 shutdown. The University filed the returns in August 2021 at the time the oversight was noted. A letter of abatement has been sent to the IRS and the University has contacted its attorney and contracted with a third party to handle the filing of these returns going forward. The University does not anticipate having to pay any penalty for the oversight.

The University owns various buildings, which are known to contain asbestos. The University is not required by federal, state, or local law to remove the asbestos from its buildings. The University is required under federal environmental, health, and safety regulations to manage the presence of asbestos in its buildings in a safe condition. The University addresses its responsibility to manage the presence of asbestos in its buildings on a case-by-case basis. Significant problems of dangerous asbestos conditions are abated as the condition becomes known. The University also addresses the presence of asbestos as building renovation or demolition projects are undertaken and through asbestos operation and maintenance programs directed at containing, managing, or operating with the asbestos in a safe condition.

17. EAST BONDS

The University has been approved to receive $15,000,000 of Education, Arts, Science, and Tourism ("EAST") bond proceeds issued by the West Virginia Development Office during August 2010. As of June 30, 2014, $15,000,000 of such proceeds has been received. The West Virginia Development Office is responsible for repayment of the debt.

18. COMPONENT UNIT DISCLOSURES

The following are the notes taken directly from the Foundation's financial statements as follows:
Summary of Significant Accounting Policies:

Organization and Nature of Activities — West Virginia State University Foundation, Inc. and Subsidiary (the "Foundation") was established to provide support for the private fundraising efforts of the West Virginia State University (the "University") and to manage privately donated funds on behalf of the University. The Foundation is a nonprofit corporation organized in accordance with the laws of the State of West Virginia and managed by a volunteer Board of Directors.

The private fundraising efforts of the University result in the Foundation receiving gifts and pledges for the benefit of the University. Such gifts and pledges include endowment gifts to be invested in perpetuity, remainder interests in charitable remainder trusts, gift annuities, and other gifts for the benefit of the University and its affiliates. The Foundation also receives gifts and pledges to be used to fund current Foundation activities.

Basis of Accounting — The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Consolidation Policy — The accompanying consolidated financial statements include the accounts of the Foundation and its wholly owned subsidiary, West Virginia State University Foundation Properties, Inc. Intercompany transactions and balances have been eliminated in the consolidation.

Cash equivalents —For purposes of the Consolidated Statements of Cash Flows, the Foundation considers all liquid investments having initial maturities of three (3) months or less to be cash equivalents.

Investments —Investments are reported at fair value based on quoted prices in active markets. Investment income consists of interest income, dividend income, realized gains (losses), and unrealized gains (losses) less any related fees, and is included in the Consolidated Statements of Activities.

18. COMPONENT UNIT DISCLOSURES (CONTINUED)

Property and Equipment — The Foundation capitalizes all expenditures in excess of $500 for property and equipment at cost. All donated assets are stated at the fair market value at the time of donation. Depreciation is provided on the straight line method over the estimated useful lives of the assets as follows:

Buildings and improvements	31.5–39 years
Furniture and equipment	3–7 years

Note receivable—Note receivable represents funds advanced to the University. Loans are stated at unpaid principal balances.

Net Assets — The Foundation presents its net assets and all balances and transactions based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

- Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objective of the Foundation. These net assets may be used at the discretion of the Foundation's management and Board of Directors.
- Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Contributions — Contributions are recognized as revenues in the period received. Unconditional promises to give (pledges) are recognized as revenues when the commitment is communicated to the Foundation. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Pledges for the support of future operations, programs and activities are recorded at the present value of the estimated future cash flows. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of fundraising activity.

Outstanding Legacies — The Foundation is the beneficiary under various wills and trust agreements, the total realizable amounts of which are not presently determinable. The Foundation's share of such bequests is recorded when the probate court has declared the testamentary instrument valid and the proceeds are measurable.

18. COMPONENT UNIT DISCLOSURES (CONTINUED)

Beneficial Interest in Trusts — The Foundation receives contributions of property in which the donor or donor-designated beneficiary may retain a life interest. The assets are invested and administered by a trustee and distributions are made to the beneficiaries during the term of the agreement. These funds are invested in debt and equity securities or property, and the Foundation records its interest in these trusts at fair value based on estimated future cash receipts. Initial recognition and subsequent adjustments to the assets' carrying values are reported as a change in the value of perpetual trusts in the accompanying consolidated financial statements and are classified without donor restrictions or with donor restrictions depending on the existence of donor-imposed purpose or time restrictions, if any.

Functional expense and cost allocation—The costs of providing program and other activities have been listed on a function basis in the Consolidated Statements of Functional Expenses. Accordingly, certain costs have been allocated among program, management and general, and fundraising expenses. The expenses that are allocated include the following:

Expense	Method of Allocation
Meeting expense	Time and effort
Office expense	Time and effort
Printing	Time and effort
Salaries and benefits	Time and effort
Supplies	Time and effort
Travel	Time and effort

In-Kind Contributions — The Foundation receives contributed services from a large number of volunteers who assist in fundraising efforts through their participation in a range of activities. The value of such services, which the Foundation considers not practicable to estimate, have not been recognized in the Consolidated Statements of Activities.

Spending Policy — Effective July 2004, the Foundation's Board of Trustees implemented a revised spending policy with the dual objectives of preserving the real value of its current and subsequently acquired assets and providing the maximum flow of funds for current Foundation activities.

The revised spending policy provides that the amount which the Foundation makes available for scholarships, operating expenses and fees will be calculated by multiplying a Percentage by a Base. This computation will be made at the beginning of each fiscal year.

The Base for scholarship distributions will be an average of the market value of the Foundation's investments. The Foundation recognizes that certain circumstances may call for a different Base to be used. In such instances, the President of the Foundation, after consultation with the Investment Committee, may adjust the period of time used for the Base.

18. COMPONENT UNIT DISCLOSURES (CONTINUED)

The determination of the Percentage factor for scholarship distributions will be reviewed periodically in the light of evolving trends with respect to investment returns and the rate of inflation, and adjustment will be made when it is considered appropriate. Should the total market value of any fund fall below the initial corpus plus additional contributions to the corpus, no distributions will be made unless authorized by the fund agreement or the Board of Trustees.

The Foundation recognizes that extremely unusual circumstances with respect either to financial markets or the needs of the communities it serves may, in rare instances, require temporary departures from the strict application of these Investment and/or spending policies.

Use of Estimates — The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. In the opinion of the Foundation's management, such differences would not be significant.

Advertising and Promotional Expenses — Advertising and promotional costs are charged to expense as they are incurred.

Accounting for Uncertain Tax Positions — The Foundation has adopted the provisions of Accounting Standards Codification ("ASC") Topic 740, *Income Taxes*, relating to unrecognized tax benefits. This standard requires an entity to recognize a liability for tax positions when there is a 50% or greater likelihood that the position will not be sustained upon examination. The Foundation is liable for taxes to the extent of any unrelated business income as defined by IRS regulations. The Foundation believes that it has not engaged in any unrelated business income as defined by IRS regulations and that it is more likely than not that this position would be sustained upon examination. As such, there were no liabilities recorded for uncertain tax positions as of June 30, 2021 and 2020.

Adoption of accounting pronouncement—In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, "Revenue from Contracts with Customers." This standard, along with its related amendments, requires organizations to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This update is implemented by the Foundation beginning on July 1, 2020. The adoption of this standard did not have a material effect on the Foundation's financial statements. The Foundation transitioned to ASU No. 2014-09 in accordance with the modified retrospective approach. The prior-year figures were not adjusted.

18. COMPONENT UNIT DISCLOSURES (CONTINUED)

Liquidity and availability:

Financial assets available for general expenditure, that is, without donor restrictions limiting their use within one year of the Statements of Financial Position date, consist of the following at June 30, 2021 and 2020:

	2021	2020
Cash and cash equivalents	$ 1,016,551	$ 734,402
Unconditional promises to give (current portion)	10,500	4,500
Note receivable (current portion)	240,614	-
Lease receivable (current portion)	-	315,000
	$ 1,267,665	$ 1,053,902

The Foundation's endowment funds consist of donor-restricted endowments. Donor-restricted endowment funds are not available for general expenditure.

As part of the Foundation's liquidity management plan, cash in excess of daily requirements is invested in money market funds, short-term investments, and long-term investments.

Concentrations of Credit Risk — The Foundation's investments consist primarily of financial instruments including cash equivalents, equity securities, fixed income securities, certificates of deposit, and money market funds. These financial instruments may subject the Foundation to concentrations of credit risk as, from time to time, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation. In addition, the market value of securities are dependent on the ability of the issuer to honor its contractual commitments, and the investments are subject to changes in market values. Certain receivables also subject the Foundation to concentrations of credit risk. Management believes that risk with respect to these balances is minimal, due to the high credit quality of the institutions used.

The Foundation maintains cash balances at a local financial institution. Accounts at the institution are insured by the Federal Deposit Insurance Corporation an Irrevocable Standby Letter of Credit. Operating cash exceeding insured limits totaled $794,276 at June 30, 2021.

18. COMPONENT UNIT DISCLOSURES (CONTINUED)

Unconditional Promises to Give — Unconditional promises to give at June 30, 2021 and 2020 consist of the following:

	2021	2020
Pledge receivables – without donor restrictions		
Receivable in less than one year	$ 10,500	$ 4,500
Receivable in one to five years	10,000	-
Receivable in six to ten years	-	-
Pledge receivables – with donor restrictions		
Receivable in less than one year	863,415	1,236,475
Receivable in one to five years	489,889	677,964
Receivable in six to ten years	63,697	7,350
Total unconditional promises to give	1,437,501	1,926,289
Less discounts to net present value	(1,901)	(2,379)
Less allowance for uncollectible contributions	(150,000)	(150,000)
Net unconditional promises to give	$ 1,285,600	$ 1,773,910

Unconditional promises to give are measured in the aggregate using present value techniques that consider historical trends of collection, the type of donor, general economic conditions in the geographic area in which the majority of the Foundation's donors live, the Foundation's policies concerning enforcement of promises to give, and market interest rate assumptions. The average discount rates used on promises to give that are expected to be collected in more than one year were .97% and .38% at June 30, 2021 and 2020, respectively. The interest element resulting from amortization of the discount for the time value of money, computed using the effective interest rate method, is reported as contribution revenue.

18. COMPONENT UNIT DISCLOSURES (CONTINUED)

Investments — Investments are carried at market value at June 30, 2021 as follows:

	Cost	Fair Value	Unrealized Gain (Loss)
Mutual funds	$ 7,001,036	$ 10,048,027	$ 3,046,991
Corporate obligations	1,476,269	1,558,122	81,853
Bonds	425,332	450,374	25,042
Cash equivalents	117,692	117,692	-
	$ 9,020,329	$ 12,174,215	$ 3,153,886

Investments are carried at market value at June 30, 2020 as follows:

	Cost	Fair Value	Unrealized Gain (Loss)
Mutual funds	$ 6,022,127	$ 5,846,794	$ (175,333)
Corporate obligations	2,197,294	2,342,227	144,933
Bonds	701,220	735,723	34,503
Cash equivalents	370,222	370,222	-
	$ 9,290,863	$ 9,294,966	$ 4,103

Investment return and fees for the years ended June 30, 2021 and 2020 is summarized as follows:

	2021	2020
Interest and dividends	$ 240,756	$ 344,732
Realized gains	104,886	62,079
Unrealized gains (losses)	3,149,783	(897,824)
Investment management fees	(52,429)	(48,437)
Investment income, net	$ 3,442,996	$ (539,450)

FASB ASC 958-205 provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). FASB ASC 958-205 also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

18. COMPONENT UNIT DISCLOSURES (CONTINUED)

The State of West Virginia enacted UPMIFA effective March 5, 2008, the provisions of which apply to endowment funds existing on or established after that date. The Board of Directors determined that the Foundation's net assets with donor restrictions met the definition of endowment funds under UPMIFA.

The Foundation's endowment consists of funds established for a variety of purposes. Its endowment includes donor-restricted funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's Board of Directors has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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 gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is held until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, 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 various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

Investment Return Objectives, Risk Parameters and Strategies. The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 4%, while growing the funds if possible. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy. The Foundation has a policy of appropriating for distribution each year 4% of its endowment fund's fair value. In establishing this policy, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Foundation expects the current spending policy to allow its endowment funds to grow at a nominal rate,

18. COMPONENT UNIT DISCLOSURES (CONTINUED)

which is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

Other investments, bond reserve funds:

Other investments, bond reserve funds are carried at market value at June 30, 2021 as follows:

	Cost	Fair Value	Unrealized Gain
Cash equivalents	$ -	$ -	$ -
Corporate bonds	-	-	-
	$ -	$ -	$ -

Other investments, bond reserve funds are carried at market value at June 30, 2020 as follows:

	Cost	Fair Value	Unrealized Gain
Cash equivalents	$ 2,277,201	$ 2,277,201	$ -
Corporate bonds	1,059,102	1,086,936	27,834
	$ 3,336,303	$ 3,364,137	$ 27,834

Investment return and fees for the years ended June 30, 2021 and 2020 are summarized as follows:

	2021	2020
Net investment income, bond reserve funds	$ 93,132	$ 98,763

18. COMPONENT UNIT DISCLOSURES (CONTINUED)

Fair Value Measurements — Fair values of assets measured on a recurring basis at June 30, 2021 and 2020 are as follows:

		Fair Value Measurements at Reporting Date Using:		
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2021				
Mutual funds	$ 10,048,027	$ 10,048,027	-	-
Corporate obligations	1,558,122	1,558,122	-	-
Bonds	450,374	450,374	-	-
Bond reserve funds	-	-	-	-
Beneficial interest in charitable trusts	291,636	291,636	-	-
Total	$ 12,348,159	$ 12,348,159	$ -	$ -
June 30, 2020				
Mutual funds	$ 5,846,794	$ 5,846,794	-	-
Corporate obligations	2,342,227	2,342,227	-	-
Bonds	735,723	735,723	-	-
Bond reserve funds	1,086,936	1,086,936	-	-
Beneficial interest in charitable trusts	236,613	236,613	-	-
Total	$ 10,248,293	$ 10,248,293	$ -	$ -

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Financial assets valued using Level 3 inputs are based on unobservable inputs. There were no Level 2 or Level 3 inputs for the years ended June 30, 2021 and 2020.

18. COMPONENT UNIT DISCLOSURES (CONTINUED)

Beneficial Interest in Trusts — The Foundation was the beneficiary of certain charitable trusts. The value of such trusts at June 30, 2021 and 2020 are as follows:

	2021	2020
Charitable trust	$ 291,636	$ 236,613

Note receivable— The Foundation advanced $1,000,000 to the University on December 10, 2020 with an interest rate of 1.5%. The note will be repaid in consecutive quarterly installments of principal and interest on the tenth day of the first month of each quarter, with the first payment due July 10, 2021 and continuing until April 10, 2025.

Lease receivable — The Foundation's leasing activity includes leasing property under a direct financing capital lease arrangement. This direct financing capital lease arrangement was refinanced by West Virginia State University on May 6, 2021. The component of the Foundation's investment in the capital lease at June 30, 2021 and 2020 is as follows:

	2021	2020
Total lease receivable	$ -	$ 20,742,032

Property and Equipment, Net — A summary of property and equipment as of June 30, 2021 and 2020 is as follows:

	2021	2020
Buildings and improvements	$ 1,039,064	$ 1,039,064
Furniture and equipment	17,015	17,015
	1,056,079	1,056,079
Less accumulated depreciation	(702,948)	(676,297)
	$ 353,131	$ 379,782

18. COMPONENT UNIT DISCLOSURES (CONTINUED)

Bonds Payable — A summary of long term debt as of June 30, 2021 and 2020 is as follows:

	2021	2020
The County Commission of Kanawha County, Charleston, West Virginia		
Student Housing Revenue Bonds Series 2013		
Series 2013 AR-1 (5.75%, matures 2023)	$ -	$ 1,610,000
Series 2013 AR-2 (6.50%, matures 2033)	-	6,655,000
Series 2013 AR-3 (6.75%, matures 2045)	-	16,300,000
	-	24,565,000
Less unamortized bond discount/escrow	-	(52,071)
	-	24,512,929
Less current portion	-	(315,000)
Long-term debt	$ -	$ 24,197,929

During the year ended June 30, 2014, the County Commission of Kanawha, Charleston, West Virginia issued revenue bonds and loaned the proceeds to the Foundation. The Series 2013 AR-1, AR-2, and AR-3 housing revenue bonds were issued to finance the cost of construction of the Judge Damon J. Keith Scholars Hall, a 291 bed residence hall on the campus of West Virginia State University. The University managed and operated the residence hall for the Foundation, and the bond payments were paid from the revenue generated from student housing fees. These bonds were cash defeased on May 6, 2021.

The bonds were issued in the aggregate principal amount of $25,175,000. The bonds consisted of "Student Housing Revenue Bonds 2013 AR-1" in the amount of $2,220,000, "Student Housing Revenue Bonds 2013 AR-2" in the amount of $6,655,000, and "Student Housing Revenue Bonds 2013 AR-3" in the amount of $16,300,000.

The bonds were sold at a discount of $356,062 and this discount will be amortized over the life of the bonds. For the year ended June 30, 2021, the Foundation recorded discount amortization in the amount of $12,542.

Bond issuance cost amounted to $487,625 and will amortize over the life of the bonds. For the years ended June 30, 2021, the Foundation recorded issuance cost amortization in the amount of $17,176.

18. COMPONENT UNIT DISCLOSURES (CONTINUED)

For the years ended June 30, 2021 and 2020, the Foundation recorded bond interest of $1,482,403 and $1,632,444, respectively.

Net assets—Net assets without donor restrictions at June 30, 2021 and 2020 consist of the following:

	2021	2020
Without donor restrictions		
Undesignated	$ 821,178	$ 853,328

Net assets with donor restrictions at June 30, 2021 and 2020 consist of the following:

	2021	2020
With donor restrictions		
Athletic participation	$ 308,130	$ 258,606
Students' special projects	78,368	62,963
Academic programs	1,360,305	1,364,113
WVSU Foundation programs	1,624,865	1,690,415
General scholarships	1,463,775	1,675,213
Investment income and net appreciation	4,107,242	607,112
Endowment principal	8,402,601	7,678,307
	$ 17,345,286	$ 13,336,729

18. COMPONENT UNIT DISCLOSURES (CONTINUED)

Net assets released from restrictions—Net assets were released throughout the years ended June 30, 2021 and 2020 from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by the donors.

	2021	2020
Athletic complex	$ 243,446	$ 242,996
Bad debt expense	8,353	39,750
Contracted services	175,158	677,530
Equipment and maintenance	105,385	117,154
Grants and awards	104,969	338,024
Insurance	17,712	19,377
Meeting expense	14,411	6,169
Other expenses	85,296	122,383
Printing	20,732	9,508
Salaries and benefits	20,764	21,551
Scholarships	466,001	674,960
Supplies	127,723	159,801
Travel	93,942	111,552
	$ 1,483,892	$ 2,540,755

Endowments—Changes in endowment net assets for the years ended June 30, 2021 and 2020 are as follows:

	With Donor Restrictions	
	2021	2020
Endowment net assets, beginning of year	$ 9,024,889	$ 10,061,759
Contributions	454,392	223,311
Investment income	3,494,862	(540,119)
Amounts appropriated for expenditure	(373,060)	(720,062)
Endowment net assets, end of year	$ 12,601,083	$ 9,024,889

18. COMPONENT UNIT DISCLOSURES (CONTINUED)

Compensated Absences — Compensated absences for sick pay and vacation time have not been accrued since they cannot be reasonably estimated; policy is to recognize these costs when actually paid.

Federal Income Taxes — The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The wholly owned subsidiary, West Virginia State University Foundation Properties, Inc., is exempt from Federal income taxes under Section 501(c)(2) of the Internal Revenue Code.

Retirement Plan — All eligible employees of the Foundation are included in the University's retirement plan.

Advertising Costs — The Foundation uses advertising to promote the Foundation and the University. Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2021 and 2020 was $5,000 and $8,200, respectively.

Conditional Promise to Give — In the normal course of operations, the Foundation has been notified as being designated to receive various deferred gifts from alumni and friends in support of the University that are not recorded in the financial statements because of their contingent nature. However, the Foundation facilitates and does track deferred gifts through the use of pledge agreements detailing the donor's intent and stipulations for administration of gifts such as bequests. The amount of those gifts at June 30, 2021 and 2020 is $6,901,942 and $6,346,942, respectively. All of the gifts are to be received at the death of the donor.

Life Insurance Policies — The Foundation has been named as the beneficiary of various life insurance policies. These policies had face amounts at June 30, 2021 and 2020 of $233,343 and $245,008, respectively.

Related Parties — Various investment advice and custodial services, insurance services, and other professional services are performed for the Foundation by entities that have close relationships with various members of the Board of Directors.

Although independently governed, the Foundation raised and managed funds that benefited the University for the fiscal years ended June 30, 2021 and 2020. The Foundation and the University are involved in various other activities with the intent of benefiting the University and its mission.

Reclassifications — Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

Risks and uncertainties—During 2020, the World Health Organization declared the spread of COVID-19 a worldwide pandemic. COVID-19 continues to have significant effects on global markets, supply chains, businesses, and communities. COVID-19 may still impact the Foundation’s future operations and financial results, including, but not limited to, loss of revenue due to reductions in certain revenue streams and fair value of investment holdings. The Foundation has

18. COMPONENT UNIT DISCLOSURES (CONTINUED)

adapted to this new reality and has taken the proper steps to continue business as usual, including maintaining controls that support the financial statements. However, the full impact of COVID-19 is still unknown and cannot be reasonably estimated.

Subsequent Events — The Foundation has evaluated all subsequent events through October 5, 2021, the date the consolidated financial statements were available to be issued.

The Foundation borrowed funds to install artificial turf on Lakin-Ray Field at Dickerson Stadium with the approval of the Foundation Board of Directors during a Special Called Meeting on July 16, 2021. The Foundation made a down payment of $257,887 through a combination of unrestricted and restricted funds, and borrowed an additional $1,030,298, which is secured through the Foundation's unrestricted and restricted assets. The loan will be fully paid within three years by the Honey Bear Project, a charitable foundation, and no interest will be charged on the loan.

WEST VIRGINIA STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

19. NATURAL CLASSIFICATIONS WITHIN FUNCTIONAL CLASSIFICATIONS

For the years ended June 30, 2021 and 2020, the following table represents operating expenses within both natural and functional classifications:

2021

	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation and Amortization	Loan Cancellations and Write-Off	Fees Assessed by the Commission	Total
Instruction	$ 9,442,083	$ 3,068,100	$ 3,368,955	$ 370,731	$ -	$ -	$ -	$ -	$ 16,249,869
Research	1,895,654	406,516	2,555,735	131,345	-	-	-	-	4,989,250
Public service	1,782,162	503,691	2,821,451	43,324	-	-	-	-	5,150,628
Academic support	758,175	42,589	476,222	44,482	-	-	-	-	1,321,468
Student services	1,234,645	295,821	377,097	51,562	-	-	-	-	1,959,125
General institutional support	4,318,007	(910,085)	2,338,314	59,919	-	-	-	-	5,806,155
Operations maintenance of plant	928,680	227,327	1,914,012	927,882	-	-	-	-	3,997,901
Scholarship and fellowship	-	-	-	-	3,043,820	-	-	-	3,043,820
Auxiliary enterprises	1,173,813	249,648	664,943	487,015	-	-	-	-	2,575,419
Depreciation and amortization expens	-	-	-	-	-	2,515,265	-	-	2,515,265
Total	$ 21,533,219	$ 3,883,607	$ 14,516,729	$ 2,116,260	$ 3,043,820	$ 2,515,265	$ -	$ -	$ 47,608,900

2020

	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation and Amortization	Loan Cancellations and Write-Off	Fees Assessed by the Commission	Total
Instruction	$ 9,599,484	$ 2,244,914	$ 374,317	$ -	$ -	$ -	$ -	$ -	$ 12,218,715
Research	2,073,199	439,526	2,294,881	158,716	-	-	-	-	4,966,322
Public service	1,805,842	469,496	3,167,966	41,871	-	-	-	-	5,485,175
Academic support	882,080	420,496	526,474	52,874	-	-	-	-	1,881,924
Student services	1,223,191	342,069	493,117	53,368	-	-	-	-	2,111,745
General institutional support	4,417,037	392,411	1,930,975	55,070	-	-	-	-	6,795,493
Operations maintenance of plant	1,125,968	347,934	450,524	1,238,000	-	-	-	-	3,162,426
Scholarship and fellowship	-	-	-	-	5,277,880	-	-	-	5,277,880
Auxiliary enterprises	1,235,337	286,016	1,419,183	578,508	-	-	-	-	3,519,044
Depreciation and amortization expens	-	-	-	-	-	3,713,547	-	-	3,713,547
Total	$ 22,362,138	$ 4,942,862	$ 10,657,437	$ 2,178,407	$ 5,277,880	$ 3,713,547	$ -	$ -	$ 49,132,271

20. SERVICE CONCESSION ARRANGEMENTS

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

For the period starting August 1, 2014 of the fiscal year ended June 30, 2014, the University has a contract with Thompson Hospitality who manages its dining services. The contract started August 1, 2013 and allows for six 1-year renewals. Thompson Hospitality provides meal plans to student through the University as well as offering cash sales to the University community. The University receives annual commission payments from Thompson calculated as a contractually agreed percentage of cash and credit sales and the University pays Thompson Hospitality for the meal plans based on contractually agreed upon rates from fees collected by the University from students. In FY 2021 and 2020, the University received $756 and $9,295, respectively in commissions. Initial capital investment and contributions totaling $1,043,204 were made by Thompson Hospitality and will be billed to the University over the contract periods.

21. DONATION OF ASSETS

The University received a donation of assets (land and buildings) from the WV Department of Administration on June 28, 2013. The net book value of the assets totaled $52,000 – the historical cost of the land. The buildings donated to the University were condemned by the WV Department of Rehabilitation Services before being turned over to the Department of Administration in FY 2012.

There were no donated assets during the years ended June 30, 2021 and 2020.

22. OIL & GAS LEASE

The University entered into a lease agreement with Reserve Oil and Gas Company in August 2013. The lease allows for the company to drill up to three wells on campus with 15% royalty to be paid to the University. Royalties in the amount of $8,125 and $6,296 were received by the University in FY21 and FY20, respectively.

WEST VIRGINIA STATE UNIVERSITY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND CONTRIBUTIONS

Schedule of Proportionate Share of TRS Net Pension Liability

Measurement Date	University's Proportionate Share as a Percentage of Net Pension Liability	University's Proportionate Share	State's Proportionate Share	Total Proportionate Share	University's Covered Employee Payroll	University's Proportionate Share as a Percentage of Covered Payroll	University's Plan Fiduciary Net Position as a Percentage of Total Pension
June 30, 2020	0.03%	$ 443,395	$ 963,406	$ 1,406,801	$ 321,606	137.87%	71%
June 30, 2019	0.03%	$ 468,976	$ 1,132,229	$ 1,601,205	$ 555,805	84.38%	71%
June 30, 2018	0.03%	718,868	1,862,585	2,581,453	749,627	95.90%	71%
June 30, 2017	0.03%	936,039	2,075,280	3,011,319	747,829	125.17%	68%
June 30, 2016	0.03%	1,288,208	2,453,693	3,741,901	810,120	159.01%	61%

Schedule of Employer Contributions

Measurement Date	Actuarial Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a percentage of Covered Payroll
June 30, 2020	$ 63,850	$ 63,850	$ -	$ 321,606	19.85%
June 30, 2019	95,572	95,572	-	555,805	17.20%
June 30, 2018	112,444	112,444	-	749,627	15.00%
June 30, 2017	112,174	112,174	-	747,829	15.00%
June 30, 2016	112,518	112,518	-	810,120	13.89%
June 30, 2015	135,463	135,463	-	903,085	15.00%
June 30, 2014	159,923	159,964	(41)	1,066,427	15.00%

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

Notes to Required Supplementary Information
For the Year Ended June 30, 2021

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

WEST VIRGINIA STATE UNIVERSITY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF PROPORTIONATE SHARE OF NET OPEB LIABILITY AND CONTRIBUTIONS

Schedule of Proportionate Share of Net OPEB Liability

Measurement Date	University's Proportionate Share as a Percentage of Net OPEB Liability	University's Proportionate Share	State's Proportionate Share	Total Proportionate Share	University's Covered Employee Payroll	University's Proportionate Share as a Percentage of Covered Payroll	University's Plan Fiduciary Net Position as a Percentage of Total OPEB
June 30, 2020	0.353155587%	$ 1,559,859	$ 344,909	$ 1,904,768	$ 13,007,894	11.99%	73.49%
June 30, 2019	0.287413078%	4,768,552	975,861	5,744,413	12,038,919	39.61%	39.69%
June 30, 2018	0.348880398%	7,485,005	1,553,307	9,038,312	12,519,915	59.78%	30.48%
June 30, 2017	0.335916772%	8,260,158	1,696,646	9,956,804	11,918,745	69.30%	25.10%

Schedule of Employer Contributions

Measurement Date	Actuarial Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Actual Contribution as a percentage of Covered Payroll
June 30, 2020	$ 605,661	$ 605,661	$ -	$ 13,007,894	4.66%
June 30, 2019	568,237	568,237	-	12,038,919	4.72%
June 30, 2018	590,940	590,940	-	12,519,915	4.72%
June 30, 2017	560,181	560,181	-	11,918,745	4.70%

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

Notes to Required Supplementary Information
For the Year Ended June 30, 2021

There are no factors that trends in the amounts reported, such as changes in benefits or assumptions. Information, if necessary can be obtained from the RHBT and PEIA at peia.wv.gov.

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

Board of Governors
West Virginia State University
Charleston, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, and the aggregate discretely presented component unit of West Virginia State University, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise West Virginia State University's basic financial statements, and have issued our report thereon dated October 15, 2021. Our report includes a reference to other auditors who audited the financial statements of West Virginia State University Foundation, Inc. and Subsidiary, as described in our report on West Virginia State University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of West Virginia State University Foundation, Inc. and Subsidiary were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with West Virginia State University Foundation, Inc. and Subsidiary.

Internal Control Over Financial Reporting

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

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

Board of Governors
West Virginia State University

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 West Virginia State University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 15, 2021