

Shepherd University

Financial Statements as of and for the Years Ended
June 30, 2022 and 2021, and Independent Auditors'
Reports

SHEPHERD UNIVERSITY

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INDEPENDENT AUDITORS' REPORT

Board of Governors
Shepherd University
Shepherdstown, West Virginia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities, and the discretely presented component unit of Shepherd University (the University) (a component unit of the West Virginia Higher Education Fund), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and the discretely presented component unit of the University, as of June 30, 2022 and 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Shepherd University Foundation, Inc. (the Foundation), which represent 100% and 100%, respectively, of the assets and revenues of the discretely presented component unit as of June 30, 2022 and 2021. 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 the Foundation, are based solely on the report of the other auditors.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-13, the Schedule of Proportionate Share of Net OPEB liability and Contributions on page 82, and the Schedule of Proportionate Share of Net Pension Liability and Contributions on page 83-84 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 audits 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 14, 2022, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
October 14, 2022

Shepherd University

Management Discussion and Analysis

Fiscal Years 2022 and 2021

About Shepherd University

Shepherd University (the “University”) is a state-supported institution within the West Virginia system of higher education. The University was founded in 1871.

The University offers Bachelor of Arts, Bachelor of Fine Arts, and Bachelor of Science degrees in a wide range of fields, encompassing the liberal arts, business administration, teacher education, the social and natural sciences, and other career-oriented areas. Graduate programs include the Master of Arts in Teaching, Master of Arts in Curriculum and Instruction, Master of Business Administration, Master of Arts in College Student Development and Administration, Master of Arts in Appalachian Studies, and the Master of Science in Data Analytics and Information Systems, as well as the Doctoral program in Nursing Practice. Shepherd continues to enhance and support our online degrees. The Masters of Arts in Curriculum and Instruction, the Masters of Business Administration, the Masters of Science in Data Analytics and Information Systems and the RN to BSN program are the first fully online degrees. Shepherd is accredited by the Higher Learning Commission (HLC), with the next Reaffirmation of Accreditation in 2031-32.

Overview of the Financial Statements and Financial Analysis

This discussion will emphasize significant changes reflected in the FY2022 data compared to the financial statements presented for FY2021 and the FY2021 data compared to the financial statements presented for FY2020. There are three financial statements presented: Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows. This discussion and analysis of the University’s financial statements provides an overview of its financial activities for the year and its required supplemental information.

The University is continuing to make a concerted effort to return to a more traditional campus model. Many challenges associated with the COVID-19 pandemic and its residual effects will continue to be addressed as the University proceeds in the most responsible way to protect our students, staff and faculty, while providing the most reasonable and safe learning environment on and off of our campus.

Statement of Net Position

The Statement of Net Position presents end-of-year data concerning assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources and net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources) of the University as of June 30, 2022 and 2021. The difference between current and noncurrent assets and liabilities is discussed in the footnotes to the financial statements.

From the data presented, readers of the Statement of Net Position can determine the assets available to continue the operations of the institution. They may further determine how much the institution owes vendors and lending institutions. Finally, the Statement of Net Position provides a picture of net position and the availability of carryover funds for use by the University in future years.

Components of net position are divided into three major categories. The first category, net investment in capital assets, provides the institution's equity in property, plant, and equipment owned by the institution, net of any accumulated depreciation and related debts. The second asset category is restricted, which is divided into two categories, nonexpendable and expendable. Shepherd University does not currently have nonexpendable restricted resources since all funds of this nature are directed to the Shepherd University Foundation. The corpus of nonexpendable restricted resources would be available only for investment purposes. Expendable restricted resources are available for expenditure by the institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The third category is unrestricted net position. Unrestricted net position is available for any lawful purpose of the institution.

Condensed Schedules of Net Position

(In thousands)

	June 30		
	2022	2021	2020
Assets:			
Cash	\$ 14,104	\$ 10,390	\$ 10,018
Other Current Assets	3,039	2,040	1,847
Noncurrent Assets	105,182	105,750	109,360
Total Assets	122,325	118,180	121,225
Total Deferred Outflows of Resources	466	991	1,023
Total Assets and Deferred Outflow of Resources	122,791	119,171	122,248
Liabilities:			
Current Liabilities	9,423	8,117	7,622
Noncurrent Liabilities	38,047	35,756	41,786
Total Liabilities	47,470	43,873	49,408
Total Deferred Inflows of Resources	4,224	5,390	3,088
Total Liabilities and Deferred Inflows of Resources	51,694	49,263	52,496
Net Position:			
Net Investment in Capital Assets	65,978	70,113	72,350
Restricted - Expendable	2,951	(170)	469
Unrestricted	2,169	(35)	(3,068)
Total Net Position	\$ 71,098	\$ 69,908	\$ 69,751

Assets

Total Assets for FY2022 increased 3.5 percent to \$122 million compared to \$118 million for FY2021 and more aligns with the total assets of \$121 million for FY2020. The total increase from FY2021 to FY2022 is a combination of three components. The first component is an increase of \$3.7 million in cash, which is related to monies the University received in December 2021 from a financing arrangement entered into to provide resources to fund much needed capital projects across campus. These projects include LED lighting, building control upgrades, HVAC upgrades and water meter optimization. At the end of June 2022, there was approximately \$3 million remaining in a restricted cash account for these projects. It is anticipated that these projects will be completed by the fall 2022. The second component is an increase of \$1.0 million in other current assets, which is comprised mostly of accounts receivable. The increase of accounts receivable in year-over-year comparison is related to the balance owed from the federal government for the final phase of the HEERF grant funds the University received to help combat the expenses associated with COVID-19. The third component is an overall decrease in capital and leased assets of \$.6 million.

Deferred Outflows of Resources:

Deferred Outflows of Resources represent the consumption of Net Position by the University that is applicable to future years. The University combined both the deferred outflows of resources related to pensions and other postemployment benefits of \$.5 million in FY2022. This is a decrease of about \$.5 million from FY2021. These deferred outflows of resources directly relate to the required contributions the University has made on behalf of employees enrolled in the defined benefit pension plan (GASB 68) and contributions the University has made on behalf of employees eligible to receive other postemployment benefits (GASB 75). The footnotes to these financial statements describe in further detail, the actuarial calculations and assumptions made in determining these values.

Liabilities:

Total Liabilities for FY2022 increased approximately 8.0 percent to \$47 million compared to \$44 million for FY2021. The total increase from FY2021 to FY2022 is comprised of approximately \$1 million in current liabilities and \$2 million in noncurrent liabilities. The main components of current liabilities include, accounts payable, accrued liabilities, unearned revenues and current portion of long-term debt. Most of the \$1 million increase in current liabilities stems from two areas, accounts payable and unearned revenues. The increase of \$.3 million in accounts payable is related to resuming more activities on campus for both students and employees, resembling the levels of activity prior to the pandemic. In addition, during FY2022, the University received some significant state grants to help deal with the effects of COVID-19; there were balances in unearned revenue for these grants as of June 30, 2022.

The main components of noncurrent liabilities include net pension and other postemployment liability, and long-term debt. Both of these areas had significant variances during FY2022. The pension and postemployment liabilities decreased approximately \$2 million from FY2021. This reduction is directly related to the actuarial calculations performed by the State for Shepherd's liability portion. The long-term debt experienced a net increase of \$4.1 million. As noted previously, the University entered into a financing arrangement in January 2022 with a third party to help with capital projects to enhance energy efficiencies.

Deferred Inflows of Resources:

Deferred Inflows of Resources are the acquisition of net position by the University that are applicable to future years. In FY2021, the University had deferred inflows of resources related to pensions and other postemployment benefits of \$4.2 million. This is a direct result of the ongoing actuarial calculations provided by the State as they pertain to GASB Statement No. 68 and to GASB Statement No. 75.

Net Position:

From FY2021 to FY2022 Total Net Position increased by \$1.2 million. Unrestricted portion of net increased again this fiscal year by \$2.2 million as a continued result of GASB No. 68 and GASB No. 75 requirements to record the unfunded pension liabilities and the other post-employment benefit liabilities based on actuarial calculations provided by the State. In addition, the restricted portion of net position also increased year over year by \$3.1 million, which is a direct result of the unspent monies received from the third party in a financing arrangement for capital projects. This correlates with the increase in cash by approximately the same amount. This also contributes to the reduction in the last portion of net position, net investment in capital assets, of \$4.1 million in FY2022 when compared to FY2021. Since the majority of the capital additions were funded by financing arrangements, the University did not have to contribute own resources and therefore, the depreciation associated with all assets was essentially the only reduction in net investment in capital assets.

The overall increase in net position over the last 3 years continues to be positive for the University.

Statement of Revenues, Expenses, and Changes in Net Position

Changes in Total Net Position on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the revenues received and expenses paid by the institution, both operating and non-operating, and any other revenues, expenses, gains, and losses received or expended by the University.

Operating revenues are received to provide goods and services to the various customers and constituencies of the University. Operating Expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the institution. Revenues received for which goods and services are not provided are reported as non-operating revenues. For example, State appropriations are non-operating because they are provided by the State to the institution without the State directly receiving commensurate goods and services for those revenues.

Condensed Schedules of Revenues, Expenses, and Changes in Net Position

(In thousands)

	Years Ended June 30,		
	2022	2021	2020
Operating Revenues	\$ 30,779	\$ 29,022	\$ 32,310
Operating Expenses	54,153	51,754	54,033
Operating Loss	(23,374)	(22,732)	(21,723)
Nonoperating Revenues - Net	24,563	22,910	21,056
Capital Grants	-	-	44
Increase (Decrease) in Net Position	1,189	178	(623)
Net Position - Beginning of Year	69,930	69,752	70,375
Cummulative effect of change in accounting principle	(22)	-	-
Net Position - End of Year	<u>\$ 71,097</u>	<u>\$ 69,930</u>	<u>\$ 69,752</u>

Operating Revenues:

Operating Revenues consist of student tuition and fees, contracts and grants, interest on student loans receivable, sales and services of educational activities, auxiliary enterprise revenue and other operating revenues. Total operating revenues for FY2022 increased by \$1.8 million or 6.1 percent compared to FY2021.

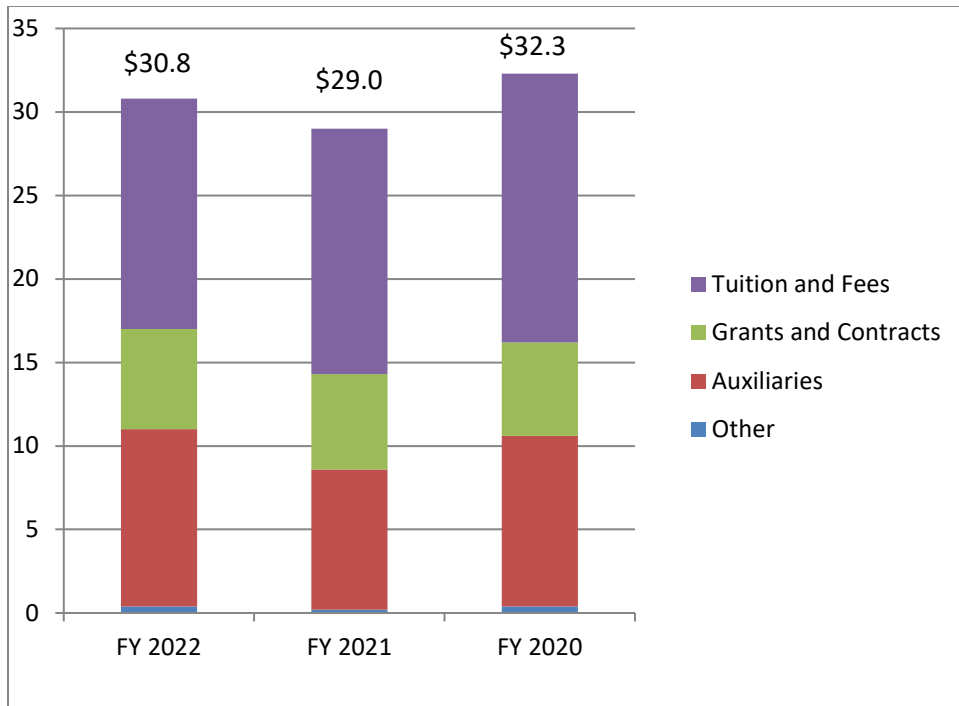
Student tuition and fees revenue represents approximately 44.9 percent of total operating revenues and shows a decrease by \$.9 million in FY2022, which is due to a decline in enrollment. The University recognizes the impact that COVID-19 has had on students and their families and has maintained the same

undergraduate tuition rates as FY2021 and FY2020. Shepherd continues to explore new marketing strategies to enhance student enrollment in broader areas.

Auxiliary Enterprise Revenue, which includes resources generated by the operation of the wellness center, dining services and residence halls, experienced an increase of \$2.2 million or 25.8 percent in FY2022. The increase is largely due the ability having students residing on campus without having to reduce density in the residence halls. In addition, the wellness center was able to remain open throughout FY2022 with fewer restrictions than the year before.

Operating Revenues – FY 2022-2020

(In millions)



Operating Expenses:

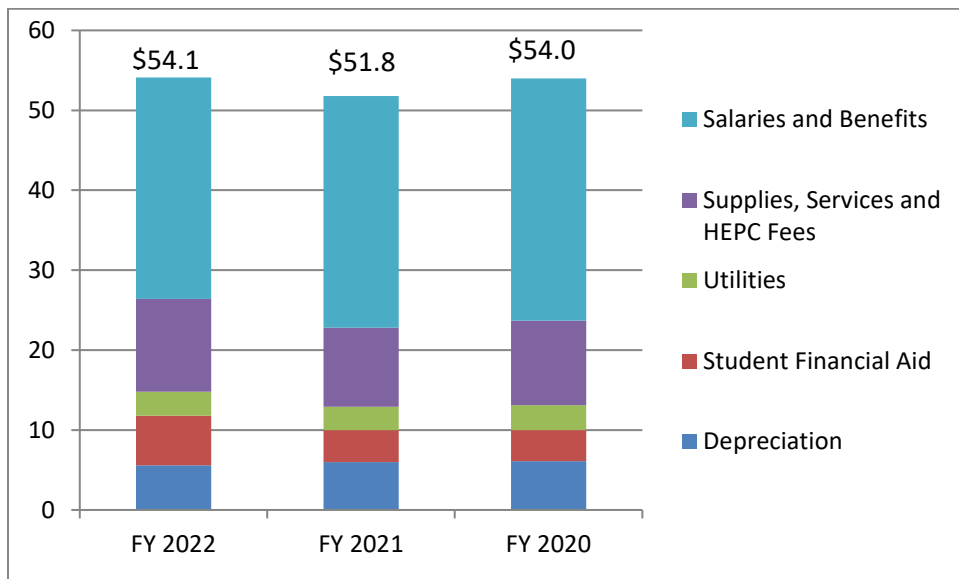
Overall, FY2022 operating expenses of \$54.2 million increased \$2.4 million over the FY2021 amount of \$51.8, but is aligned more with FY2020 totals of \$54.0 million. This up and down trend represents that the operations are getting back to the levels of pre-COVID-19.

Employee compensation, including benefits, represents a significant portion of FY2022 operating expenses, \$27.7 million or 51.2 percent. This total is approximately \$1.2 million less than personnel costs for FY2021. This decline is due to the turnover in staff and not getting applicants to fill those vacancies as well as adjustments made to reduce the net pension and other postemployment benefits liability per the GASB 68 and 75 standards.

Supplies and student financial aid show an increase of \$1.7 million and \$2.2 million, respectively, year-over-year from FY2021. These increases are attributed to the ability to have student events, travel for the athletic teams, and employee travel to conferences, which were not allowed in the prior year because of the pandemic. In addition, the last round of HEERF grant funds was fully disbursed during FY2022. These grant funds provided student awards, paid off student account balances, and provided a credit to students to get the COVID testing.

Operating Expenses – FY 2022-2020

(In millions)



Non-operating Revenues (Expenses):

Net Nonoperating Revenues significantly increased by \$1.7 million, 7.2 percent in FY2022. The majority of this increase is related to several factors including an increase of HEERF grants of \$3.1 million, state appropriations being reduced by \$.4 million, a decrease in PELL revenue of \$.5 million and gift income being reduced by \$.3 million. FY 2022 is the last year that the University will recognize HEERF grant funds which have been instrumental in maintaining financial stability in a very unsteady environment.

The end result of all operating and non-operating revenues and expenses for FY2022 was an increase in net position of \$1.2 million, which is the second year in a row with a positive increase.

Statement of Cash Flows

The final statement presented by the University is the Statement 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 institution. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for non-operating, non-investing, and non-capital financing purposes. The third section deals with cash flows from capital and related financing activities. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

Cash inflows from operating activities include tuition and fees, auxiliary enterprise charges, contracts and grants, and other receipts for a combined total of \$30.4 million for FY2022. Major cash outlays in operating activities include payments to and on behalf of employees, payments to suppliers, utilities and student scholarships for a combined total of \$51.1 million. Net cash used in operating activities for FY2022 is \$20.7 million, which is an additional outlay of cash of \$2.8 million over FY2021. The increase in cash outlay correlates with the increase in student financial aid and supplies noted in the operating expense section.

State appropriations, Federal PELL and HEERF grants and Direct Loans are the primary sources of non-capital financing activities on the cash flow statement. Generally Accepted Accounting Principles require the University to reflect this State revenue as non-operating revenue even though the University's budget depends on this revenue to sustain the current level of operations. There was approximately a \$2.4 million increase in cash from non-capital financing activities in a year-over-year comparison. This increase is due to an increase in HEERF funds of \$3.1 million offset by decreases in PELL revenue of \$.5 million and gift revenue by \$.2 million.

Capital financing activities represent funds that were used to purchase or add value to capital assets and any long-term debt proceeds and payments. During FY2022, the University secured two sources of financing to pay for several capital projects that have been deferred for several years. This financing allowed the University to help maintain their cash while also addressing deferred maintenance concerns. The total amount of financing received was \$6.7 million.

Overall cash at FY2022 increased \$3.7 million.

Condensed Schedules of Cash Flows

(In thousands)

	Years Ended June 30,		
	2022	2021	2020
Net cash (used in) provided by:			
Operating activities	\$ (20,700)	\$ (17,933)	\$ (17,369)
Noncapital financing activities	26,236	23,805	21,827
Capital and related financing activities	(1,837)	(5,515)	(4,180)
Investing activities	15	15	165
Increase (decrease) in Cash	3,714	372	443
Cash and cash equivalents - beginning of year	10,390	10,018	9,575
Cash and cash equivalents - end of year	\$ 14,104	\$ 10,390	\$ 10,018

Economic Outlook

Shepherd's financial strength and capabilities continue to be challenged by declining enrollment that is evidenced throughout the country. These declining enrollment trends are indicators that additional efforts are needed in marketing and student outreach to stabilize and grow enrollment. Therefore, during FY2022, the University partnered with a third party vendor to strategize and put a plan in place to achieve growth. Those efforts paid off with the University realizing their largest incoming first year students for fall 2022 since fall 2018. The University will continue these marketing efforts in this current academic year to continue to grow the student pipeline. However, the COVID-19 factor has created a new challenge to reaching the enrollment growth that is both desirable and necessary. Shepherd will strive to focus on dual strategic collaborative efforts to both enhance enrollment through recruitment of both in-state and out-of-state students and to retain current students. During FY2020, the Board of Governors Task Force provided support with focused meetings, resulting in financial decisions in all areas to reduce excessive spending and control the cost of personnel and operational expenses. This positive result is evidenced in the year-end net position results reported herein for FY2021 and FY2022.

The Shepherd University Advancement Office in partnership with the Shepherd University Foundation continues to increase efforts to raise funds to provide sustaining support for academic, scholarship, cultural and athletic programs; faculty and staff development; campus renewal and beautification; and other department programs and initiatives. Outreach to alumni and regional business leaders continues, not only for financial assistance but also for ongoing assessment of existing academic programs and development of new programmatic initiatives.

Management recommendations for setting tuition rates will continue to be focused and strategic to balance student affordability with the need for increased revenue for operations and to keep Shepherd competitive in our market area. Significant marketing efforts are being developed to expand focus on a specific population in the surrounding counties in Virginia, Maryland and Pennsylvania. In consideration of the continuing enrollment decline, the focus in the upcoming years will be to control costs to students, while attracting additional residential and out-of-state students, both undergraduate and graduate.

The University staff and Board of Governors is focused on financial stability in conjunction with improving the value to our students for a quality educational experience. Development and

implementation of new strategies and initiatives to sustain programs and activities, focusing on our core strengths, planning for future challenges and providing a combination of quality and growth will enhance the institution's financial position.

Contacting The University's Financial Management

This financial report is designed to provide a general overview of the University's finances and to demonstrate the University's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the University's Vice President for Finance / Administration at (304) 876-5490, or by mail at:

Shepherd University
Vice President for Finance / Administration
P. O. Box 5000
Shepherdstown, WV 25443

SHEPHERD UNIVERSITY

STATEMENTS OF NET POSITION AS OF JUNE 30, 2022 AND 2021

	2022	2021
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 14,104,020	\$ 10,389,857
Accounts receivable — net	2,959,292	1,809,570
Due from Primary Government	-	190,257
Due from Commission	25,164	604
Prepaid expense	18,586	3,936
Loans to students — current portion	35,100	35,100
Inventories	477	734
Total current assets	<u>17,142,639</u>	<u>12,430,058</u>
NONCURRENT ASSETS:		
Other receivable	112,833	132,366
Loans to students — net of allowance of \$36,235 and \$113,024 in 2022 and 2021, respectively	98,520	151,482
Other postemployment benefits asset	105,526	-
Capital assets — net	104,117,507	104,553,752
Right-to-use leased assets — net	747,990	934,662
Total noncurrent assets	<u>105,182,376</u>	<u>105,772,262</u>
TOTAL ASSETS	<u>122,325,015</u>	<u>118,202,320</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows related to pensions and OPEB	<u>466,402</u>	<u>990,990</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 122,791,417</u>	<u>\$ 119,193,310</u>

(Continued)

SHEPHERD UNIVERSITY

STATEMENTS OF NET POSITION AS OF JUNE 30, 2022 AND 2021

	2022	2021
LIABILITIES, DEFERRED INFLOWS AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,062,944	\$ 716,763
Accrued liabilities	2,334,061	2,355,219
Due to Commission	32,768	-
Compensated absences — current portion	710,059	737,235
Unearned revenues	2,620,862	1,816,786
Deposits held in custody for others	178,555	165,756
Bonds payable — current portion	1,924,923	1,862,349
Note payable — current portion	401,290	135,276
Note payable — due to Commission	-	175,000
Leases payable — current portion	157,883	152,366
Total current liabilities	<u>9,423,345</u>	<u>8,116,750</u>
NONCURRENT LIABILITIES:		
Advances from federal sponsors	187,127	298,623
Compensated absences	621,705	564,892
Other postemployment benefits liability	-	1,618,601
Net pension liability	47,790	245,983
Bonds payable, net of current portion	29,198,751	31,125,878
Notes payable, net of current portion	7,361,503	1,122,793
Leases payable, net of current portion	629,851	779,222
Total noncurrent liabilities	<u>38,046,727</u>	<u>35,755,992</u>
TOTAL LIABILITIES	<u>47,470,072</u>	<u>43,872,742</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows related to pensions and OPEB	<u>4,223,766</u>	<u>5,390,277</u>
NET POSITION:		
Net investment in capital assets	<u>65,977,971</u>	<u>70,113,567</u>
Restricted — expendable:		
Debt service	2,891,726	(78,584)
Loans	19,609	(36,916)
Other restricted	39,329	(33,026)
Total restricted - expendable	<u>2,950,664</u>	<u>(148,526)</u>
Unrestricted	<u>2,168,944</u>	<u>(34,750)</u>
TOTAL NET POSITION	<u>71,097,579</u>	<u>69,930,291</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 122,791,417</u>	<u>\$ 119,193,310</u>

See notes to financial statements.

(Concluded)

SHEPHERD UNIVERSITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
OPERATING REVENUES:		
Student tuition and fees — net of scholarship allowance of \$10,568,958 and \$11,008,917 in 2022 and 2021, respectively	\$ 13,829,085	\$ 14,679,216
Contracts and grants:		
Federal	2,448,504	2,059,732
State	3,533,884	3,570,655
Private	30,125	101,531
Interest on student loans receivable	48,550	7,564
Sales and services of educational activities	29,331	216
Auxiliary enterprise revenue — net of scholarship allowance of \$748,132 and \$744,457 in 2022 and 2021, respectively	10,537,478	8,376,074
Other operating revenues	<u>322,407</u>	<u>227,133</u>
 Total operating revenues	 <u>30,779,364</u>	 <u>29,022,121</u>
OPERATING EXPENSES:		
Salaries and wages	24,957,478	25,392,155
Benefits	2,756,098	3,546,943
Supplies and other services	11,637,646	9,920,871
Utilities	3,026,776	2,876,018
Student financial aid — scholarships and fellowships	6,189,884	3,992,170
Depreciation and amortization	<u>5,607,324</u>	<u>6,025,951</u>
 Total operating expenses	 <u>54,175,206</u>	 <u>51,754,108</u>
 OPERATING LOSS	 <u>\$ (23,395,842)</u>	 <u>\$ (22,731,987)</u>

(Continued)

SHEPHERD UNIVERSITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
NONOPERATING REVENUES (EXPENSES):		
State appropriations	\$ 12,493,572	\$ 12,874,086
Payments on behalf of the University	(98,424)	213,616
Federal Pell grants	3,779,768	4,282,423
Federal HEERF Grants	8,083,510	4,977,081
Investment income	15,779	15,268
Interest expense	(1,299,101)	(1,267,139)
Fees assessed by the Commission for debt service	(16,334)	(16,321)
Gifts	1,606,295	1,848,005
Loss on disposal of equipment	(1,935)	(16,736)
	<u>24,563,130</u>	<u>22,910,283</u>
Net nonoperating revenues		
	<u>24,563,130</u>	<u>22,910,283</u>
INCREASE IN NET POSITION	1,167,288	178,295
NET POSITION — Beginning of year	<u>69,930,291</u>	<u>69,751,996</u>
NET POSITION — End of year	<u>\$ 71,097,579</u>	<u>\$ 69,930,291</u>

See notes to financial statements.

(Concluded)

SHEPHERD UNIVERSITY

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	\$ 13,855,770	\$ 15,080,995
Contracts and grants	5,544,346	5,572,733
Payments to and on behalf of employees	(30,349,886)	(30,886,777)
Payments to suppliers	(11,673,944)	(9,465,476)
Payments to utilities	(2,889,753)	(2,890,213)
Payments for scholarships and fellowships	(6,189,884)	(3,992,170)
Loans issued to students	-	(3,000)
Collection of loans to students	101,512	77,341
Sales and service of educational activities	29,331	216
Auxiliary enterprise charges	10,550,277	8,346,573
Other receipts — net	322,406	227,133
Net cash used in operating activities	<u>(20,699,825)</u>	<u>(17,932,645)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	12,683,829	12,683,829
Federal Pell grants	3,779,768	4,282,423
Federal HEERF Grants	8,083,510	4,977,081
Gifts	1,606,295	1,848,005
Federal student loan program — direct lending receipts	11,102,953	11,815,060
Federal student loan program — direct lending payments	<u>(11,020,889)</u>	<u>(11,802,004)</u>
Net cash provided by noncapital financing activities	<u>26,235,466</u>	<u>23,804,394</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Interest paid on capital debt and leases	(1,299,101)	(1,267,139)
Purchases of capital assets	(4,845,343)	(2,027,384)
Proceeds from note payable	6,640,000	-
Principal paid on capital debt and leases	(2,316,479)	(2,204,247)
Fees assessed by the Commission	<u>(16,334)</u>	<u>(16,321)</u>
Net cash used in capital financing activities	<u>(1,837,257)</u>	<u>(5,515,091)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	<u>15,779</u>	<u>15,268</u>
Net cash provided by investing activities	<u>15,779</u>	<u>15,268</u>
INCREASE IN CASH AND CASH EQUIVALENTS	3,714,163	371,926
CASH AND CASH EQUIVALENTS — Beginning of year	<u>10,389,857</u>	<u>10,017,931</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 14,104,020</u>	<u>\$ 10,389,857</u>

(Continued)

SHEPHERD UNIVERSITY

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (23,395,842)	\$ (22,731,987)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation and amortization expense	5,585,361	6,025,951
Net accretion of premiums/discounts on bonds payable	(2,204)	(2,204)
Effect of changes in operating assets, deferred outflows, liabilities and deferred inflows:		
Accounts receivables — net	(1,231,786)	(74,045)
Other receivable	19,533	31,856
Prepaid expense	(14,650)	36,164
Loans to students — net	52,962	66,777
Due from the Commission	(24,560)	21,564
Inventories	257	152
Deferred outflows	524,588	(22,756)
Accounts payable	205,181	186,716
Accrued liabilities	(21,156)	111,480
Compensated absences	29,637	8,952
Other postemployment benefits liability	(1,724,127)	(4,635,383)
Net pension liability	(198,193)	(5,359)
Due to other State agencies	32,766	(5,726)
Unearned revenue	804,076	553,543
Deposits held in custody for others	12,799	(29,500)
Advances from federal sponsors	(111,496)	(39,449)
Deferred inflows	<u>(1,264,934)</u>	<u>2,570,609</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (20,721,788)</u>	<u>\$ (17,932,645)</u>
NONCASH TRANSACTIONS		
Property additions in accounts payable	\$ 208,011	\$ 67,011
Property additions acquired under capital leases	\$ -	\$ -
See notes to financial statements.		(Concluded)

SHEPHERD UNIVERSITY

SHEPHERD UNIVERSITY FOUNDATION, INC. AND SUPPORTING ORGANIZATION CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 4,416,083	\$ 4,222,505
Pledges receivable, net of present value adjustment	470,232	1,275,317
Accounts receivable	33,705	23,481
Due from Shepherd University	4,507	694
Accrued interest receivable	30,420	30,638
Prepaid expenses	25,424	27,621
Investments	31,881,937	34,809,456
Interest in life estate	445,804	425,812
Property and equipment, net	<u>17,630,731</u>	<u>18,335,734</u>
TOTAL ASSETS	<u>\$ 54,938,843</u>	<u>\$ 59,151,258</u>
LIABILITIES		
Accounts payable	\$ 5,802	\$ 2,632
Due to Shepherd University	682,252	102,736
Accrued interest	39,638	-
Custodial liabilities	1,329,446	1,170,776
Gift annuities payable	61,048	73,277
Loans payable, net	<u>20,922,819</u>	<u>20,982,364</u>
TOTAL LIABILITIES	<u>23,041,005</u>	<u>22,331,785</u>
NET ASSETS		
Net assets without donor restriction		
Undesignated (deficit)	(4,177,720)	(3,453,406)
Designated	107,572	132,043
Net assets with donor restriction		
Restricted for a specific purpose	9,740,022	16,296,534
Restricted in perpetuity	<u>26,227,964</u>	<u>23,844,302</u>
TOTAL NET ASSETS	<u>31,897,838</u>	<u>36,819,473</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 54,938,843</u>	<u>\$ 59,151,258</u>

See notes to financial statements.

SHEPHERD UNIVERSITY

SHEPHERD UNIVERSITY FOUNDATION, INC. AND SUPPORTING ORGANIZATION CONSOLIDATED STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
SUPPORT AND REVENUE		
Potomac Place rental income, net of waivers	\$ 1,758,619	\$ 1,330,847
Nonfinancial contributions	12,600	12,600
Other revenue	16,704	12,751
Net investment return	909	619
Transfers for SUF management fees earned	806,981	758,592
Other transfers	2,368	(63,839)
Net assets released from restrictions	<u>1,980,053</u>	<u>1,725,839</u>
Total revenue and other support	<u>4,578,234</u>	<u>3,777,409</u>
EXPENSES		
Program expenses	4,642,384	3,746,527
General and administrative:	<u>684,618</u>	<u>601,370</u>
Total expenses	<u>5,327,002</u>	<u>4,347,897</u>
Change in net assets without donor restrictions	<u>(748,768)</u>	<u>(570,488)</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
SUPPORT AND REVENUE		
Cash contributions	2,098,725	1,727,858
Stock contributions	1,567,302	380,618
Other non-cash contributions	9,100	117,944
Other revenue	19,416	66,874
Net investment return	(5,078,008)	7,734,889
Transfers for SUF management fees earned	(806,981)	(758,592)
Other transfers	(2,368)	63,839
Net assets released from restrictions	<u>(1,980,053)</u>	<u>(1,725,839)</u>
Change in net assets with donor restrictions	<u>(4,172,867)</u>	<u>7,607,591</u>
INCREASE IN NET ASSETS	(4,921,635)	7,037,103
NET ASSETS, BEGINNING OF YEAR	<u>36,819,473</u>	<u>29,782,370</u>
NET ASSETS, END OF YEAR	<u>\$ 31,897,838</u>	<u>\$ 36,819,473</u>

See notes to financial statements.

SHEPHERD UNIVERSITY

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

1. ORGANIZATION

Shepherd University (the “University”) is governed by the Shepherd 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 institution; 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 its institution.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the University have been prepared in accordance with generally accepted accounting principles 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, deferred inflows and outflows of resources, 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 (WVEF) and represents separate funds of the WVEF that are not included in the WVEF’s general fund. The University is a separate entity which, along with all the higher education institutions in the State of West Virginia, the Commission, and West Virginia Council for Community and Technical College Education, form the WVEF. The WVEF 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 Shepherd University Research Corporation (the “Research Corporation”), a nonprofit, nonstock corporation. The basic criterion for inclusion in the accompanying financial statements is the exercise of oversight responsibility derived from the University’s ability to significantly influence operations and accountability for fiscal matters of the Research Corporation.

The audited financial statements of Shepherd University Foundation, Incorporated (the Foundation) are discretely presented here with the University’s financial statements for the fiscal years ended June 30, 2022 and 2021, in accordance with GASB, as a benefit/burden relationship exists between the University and the Foundation. The Foundation is a private nonprofit organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's audited financial information as it is presented herein (see also Notes 15 and 21).

Financial Statement Presentation — GASB establishes standards for external financial reporting for public colleges and universities and requires that financial statements be presented 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 assets for satisfaction of the University's obligations. The University's components of 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.

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 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 restricted nonexpendable component of net position at June 30, 2022 or 2021.

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.

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 basic financial statements have been prepared on the accrual basis of accounting with a flow of economic resources measurement focus. Revenues are reported when earned and expenses when materials or services are received. All intercompany 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 acquisition to be cash and cash equivalents.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

provisions of bond indentures and trust agreements, when applicable. Balances in the investment pools are recorded at fair value or amortized cost, which approximates fair value. Fair value is determined by a third-party pricing service based on asset portfolio pricing models and other sources in accordance with GASB. The BTI was established by the State Legislature and is subject to oversight by the State Legislature. Fair value and investment income are allocated to participants in the pools based upon the funds that have been invested. The amounts on deposit are available for immediate withdrawal and, accordingly, are presented as cash and cash equivalents in the accompanying financial statements.

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

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 and long-term loans to students, or to maintain sinking or reserve funds, (2) to purchase capital or other noncurrent assets or settle long-term liabilities, and (3) permanently restricted components of net position, are classified as noncurrent assets in the accompanying statements of net position. There were no noncurrent cash, cash equivalents and investments at June 30, 2022 or 2021.

Capital Assets — Capital assets include property, plant, and equipment, books and materials that are part of a catalogued library, and infrastructure assets. Capital assets are stated at cost at the date of acquisition or construction, or acquisition value at the date of donation in the case of gifts. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and infrastructure, 20 years for land improvements and library books, and 3 to 10 years for furniture and equipment. The University capitalizes all purchases of library books using group depreciation and uses a capitalization threshold of \$1,000 for other capital assets.

Unearned Revenue — Receipts received for programs or activities to be conducted primarily in the next fiscal year are classified as unearned revenue, including items such as tuition, football ticket sales, orientation fees, room, and board. Financial aid and other deposits are separately classified as deposits.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

the fiduciary net position of the West Virginia Teachers' Retirement System (TRS), administered by the West Virginia Consolidated Public Retirement Board (CPRB), and additions to/reductions from the TRS fiduciary net position have been determined on the same basis as they are reported in the TRS financial statements, which can be found at <https://www.wvretirement.com/Publications.html#CAFR>. The plan schedules of TRS are prepared using the accrual basis of accounting and economic resources measurement focus in accordance with 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. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms (See Note 14).

Other Postemployment Benefits (OPEB) — GASB provides standards for the measurement, recognition, and display of OPEB expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. During FY 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 (RHBT), sponsored by the State of West Virginia. Details regarding this plan and its stand-alone financial statements can be obtained by contacting the West Virginia Public Employees Insurance Agency (PEIA), State Capitol Complex, Building 5, Room 1001, 1900 Kanawha Boulevard, East, Charleston, WV 25305-0710 or <http://www.wvpeia.com>. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the RHBT and additions to/deductions from the RHBT's fiduciary net position have been determined on the same basis as they are reported by RHBT. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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, 2022 and 2021, the University had deferred outflows of resources related to pensions and OPEB of \$466,402 and \$990,990, respectively (see Notes 10 and 14).

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, 2022 and 2021, the University had deferred inflows of resources related to pensions and OPEB of \$4,223,766 and \$5,390,277, respectively (see Notes 10 and 14).

Compensated Absences — GASB requires entities to accrue for employees' rights to receive compensation for vacation leave or payments in lieu of accrued vacation or sick leave as such benefits are earned and payment becomes probable. The University's full-time employees earn up to two vacation leave days for each month of service and are entitled to compensation for accumulated, unpaid vacation leave upon termination. Full-time employees also earn 1 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For employees hired after 1988 or who were hired before 1988 but did not choose such coverage until after 1988 but before July 1, 2001, the employee shares in the cost of the extended benefit coverage to the extent of 50% of the premium required for the extended coverage. Employees hired on July 1, 2001, or later will no longer receive sick leave credit toward insurance premiums when they retire. Additionally, all retirees have the option to purchase continued coverage regardless of their eligibility for premium credits. This liability is now provided for under the multiple employer cost-sharing plans approved by the State.

Certain faculty employees (generally those with less than a 12-month contract) earn a similar extended health or life insurance coverage retirement benefit based on years of service. Generally, 3 1/3 years of teaching service extend health insurance for one year of single coverage and five years extend health insurance for one year of family coverage. The same hire date mentioned above also applies to coverage for faculty employees. 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 incurred for the vacation leave or OPEB benefits are recorded as a component of benefits expense in the statements of revenues, expenses, and changes in net position.

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

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 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 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 operating grants and contracts; and (4) sales and services of educational activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, Higher Education Emergency Relief Funds (HEERF) grants, and investment income, and sale of capital assets (including natural resources).

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

Use of Restricted Components 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 practicable.

Federal Financial Assistance Programs — The University makes loans to students under the Federal Direct Student Loan Program. Under this program, the U.S. Department of Education makes interest subsidized and unsubsidized loans directly to students, through entities like the University. Direct 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. The University received and disbursed approximately \$11 million in FY22 and \$12 million in FY21 under the Federal Direct Student Loan Program on behalf of the U.S. Department of Education, which is not included as revenue and expense in the statements of revenues, expenses, and changes in net position.

The University also distributes other student financial assistance funds on behalf of the federal government to students under the federal Pell Grant, HEERF grants, Supplemental Educational Opportunity Grant, SMART Grant, College Work Study programs Grant, and Academic Competitiveness Grant. The activity of these programs is recorded in the accompanying financial statements. In FY21 and FY20, the University received and disbursed \$7,976,278 and \$6,048,763, respectively, under these federal student aid programs.

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

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

Government Grants and Contracts — Government grants and contracts normally provide for the recovery of direct and indirect costs, subject to audit. The University recognizes revenue associated with

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

direct costs as the related costs are incurred. Recovery of related indirect costs is generally recorded at fixed rates negotiated for a period of one to five years.

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

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

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.

Reclassifications — Certain reclassifications have been made to the prior year presentation to conform to the current year presentation. The reclassifications did not affect net position or changes thereon.

Adoption of New Accounting Standards — The University implemented GASB Statement No. 87, *Leases* during the year ended June 30, 2022. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It established a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. With this implementation, there was no impact on the beginning net position.

Recent Statements Issued by the Governmental Accounting Standards Board — The GASB has issued the following which will be effective in future years:

Statement No. 91, *Conduit Debt Obligations*, which is effective for fiscal years beginning after December 15, 2021, as postponed by implementation of GASB No. 95. Statement No. 91 provides a single method for reporting conduit debt obligations and eliminate diversity in practice by clarifying the existing definition of a conduit debt obligation, establishing that a conduit debt obligation is not a liability of the issuer, establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations and improving required note disclosures. The University has not yet determined the effect that the adoption of GASB Statement No. 91 may have on its financial statements.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which is effective for fiscal years beginning after June 15, 2022. Statement No. 94's objective is to improve financial reporting by addressing issues related to public-private or public-public partnerships. The University has not yet determined the effect that the adoption of GASB Statement No. 94 may have on its financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement No. 96, *Subscription-Based Information Technology Arrangements*, which is effective for fiscal years beginning after June 15, 2022. Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITA) for government end users. The statement establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The University has not yet determined the effect that the adoption of GASB No. 96 may have on its financial statements.

Statement No. 99, *Omnibus 2022*, which has various effective dates. The requirements related to Statement 34 and Statement 63 are effective upon issuance. The requirements related to leases, PPP, and SBITAs are effective for fiscal years beginning after June 15, 2022. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning June 15, 2023. Statement No. 99's primary objectives are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues/terminology that have been identified during implementation and application of GASB Statements No. 34, 53, 63, 87, 94, 96; and the accounting and financial reporting for financial guarantees. Statement No. 99 also addresses the extension of the period during which LIBOR is considered an appropriate benchmark, accounting for SNAP benefits, disclosures related to nonmonetary exchanges, and pledges of future revenues when resources are not received by the pledging government. The University has not yet determined the effect that the adoption of GASB Statement No. 99 may have on its financial statements.

3. CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents as of June 30, 2022 and 2021 was as follows:

	<u>2022</u>	<u>2021</u>
State Treasurer	\$ 9,837,396	\$ 9,793,793
Bank	<u>4,266,624</u>	<u>596,064</u>
	<u>\$ 14,104,020</u>	<u>\$ 10,389,857</u>

Cash and cash equivalents with the State Treasurer included \$0 in FY22 and \$129,654 in FY21 of restricted cash for grants.

The combined carrying amount of cash in bank at June 30, 2022 and 2021 was \$4,266,624 and \$596,064 as compared with the combined bank balance of \$4,301,720 and \$659,404, respectively.

The difference is primarily caused by outstanding checks and items in transit. The bank balances are covered by federal depository insurance up to specified amounts. At June 30, 2022 and 2021, the University was exposed to custodial credit risk of \$503,902 and \$19,145, respectively for amounts that are uninsured and uncollateralized.

3. CASH AND CASH EQUIVALENTS (CONTINUED)

Amounts with the State Treasurer as of June 30, 2022 and 2021, are comprised of two investment pools, the WV Money Market Pool and the WV Short Term Bond Pool, both of which are carried at amortized cost. There was \$3,101,752 in FY22 and \$2,019,825 in FY21 of unrestricted cash held for investment.

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 University’s portion of the investment pools as of June 30:

External Pool	2022		2021	
	Carrying Value	S & P Rating	Carrying Value	S & P Rating
WV Money Market	\$ 6,579,460	AAAm	\$ 7,772,748	AAAm
WV Short Term Bond	\$ 156,184	Not Rated	\$ 191,477	Not Rated

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

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

External Pool	2022		2021	
	Carrying Amount	WAM (days)	Carrying Amount	WAM (days)
WV Money Market	\$ 6,579,460	52	\$ 7,772,748	52

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

External Pool	2022		2021	
	Carrying Amount	WAM (days)	Carrying Amount	WAM (days)
WV Short Term Bond	\$ 156,184	638	\$ 191,477	638

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.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Cash in bank with Trustee is governed by provisions of the bond agreement. The objective of the money

3. CASH AND CASH EQUIVALENTS (CONTINUED)

market fund is to increase the current level of income while continuing to maintain liquidity and capital. Assets are invested in high-quality, short-term money market instruments.

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

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University's investment policy limits investment maturities from potential fair value losses due to increasing interest rates. No more than 5% of the money market fund's total market value may be invested in the obligations of a single issuer, with the exception of the U.S. government and its agencies.

Foreign currency risk 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 as of June 30, 2022 and 2021, are as follows:

	<u>2022</u>	<u>2021</u>
Student tuition and fees — net of allowance for doubtful accounts of \$323,957 and \$782,372 in 2022 and 2021, respectively	\$ 502,361	\$ 612,420
Grants and contracts receivable	1,699,541	584,613
Potomac Place Ground Rent and Management operations	683,682	57,700
Research Corporation - Due from Foundation	-	338,001
Other	73,708	216,836
	<u>\$ 2,959,292</u>	<u>\$ 1,809,570</u>

5. CAPITAL ASSETS AND LEASED ASSETS

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.

At June 30, 2022 and 2021, the University had no significant outstanding contractual commitments for property, plant, and equipment.

5. CAPITAL ASSETS AND LEASED ASSETS (CONTINUED)

Summary of capital assets and right-to-use leased assets transactions for the University as of June 30, 2022 and 2021, are as follows:

	2022			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,120,925	\$ -	\$ -	\$ 1,120,925
Construction in progress	947,363	3,960,940	1,003,186	3,905,117
Total capital assets not being depreciated	2,068,288	3,960,940	1,003,186	5,026,042
Capital assets being depreciated:				
Land improvements	7,185,133	-	-	7,185,133
Infrastructure	14,775,654	-	-	14,775,654
Buildings	172,058,551	1,003,187	-	173,061,738
Equipment	17,832,597	956,729	44,950	18,744,376
Library books	4,330,710	59,997	-	4,390,707
Total capital assets being depreciated	216,182,645	2,019,913	44,950	218,157,608
Less accumulated depreciation for:				
Land improvements	4,013,532	507,236	-	4,520,768
Infrastructure	10,028,298	108,201	-	10,136,499
Buildings	81,641,177	3,912,975	-	85,554,152
Equipment	14,113,991	820,635	43,016	14,891,610
Library books	3,900,183	62,931	-	3,963,114
Total accumulated depreciation	113,697,181	5,411,978	43,016	119,066,143
Capital assets being depreciated - net	102,485,464	(3,392,065)	1,934	99,091,465
Total Capital Assets - net	\$ 104,553,752	\$ 568,875	\$ 1,005,120	\$ 104,117,507
Right-to-use leased assets being amortized:				
Buildings	\$ 926,915	\$ -	\$ -	\$ 926,915
Equipment	154,995	8,676	9,988	153,683
Total leased assets being amortized	1,081,910	8,676	9,988	1,080,598
Less accumulated amortization for:				
Buildings	110,177	156,607	-	266,784
Equipment	37,071	38,740	9,987	65,824
Total accumulated amortization	147,248	195,347	9,987	332,608
Total Right-to-use Leased Assets - net	\$ 934,662	\$ (186,671)	\$ 1	\$ 747,990

5. CAPITAL ASSETS AND LEASED ASSETS (CONTINUED)

	2021			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,120,925	\$ -	\$ -	\$ 1,120,925
Construction in progress	<u>633,829</u>	<u>1,113,856</u>	<u>800,322</u>	<u>947,363</u>
Total capital assets not being depreciated	<u>1,754,754</u>	<u>1,113,856</u>	<u>800,322</u>	<u>2,068,288</u>
Capital assets being depreciated:				
Land improvements	7,185,133	-	-	7,185,133
Infrastructure	14,775,654	-	-	14,775,654
Buildings	171,505,667	552,884	-	172,058,551
Equipment	17,395,569	705,983	268,955	17,832,597
Library books	<u>4,284,595</u>	<u>46,115</u>	<u>-</u>	<u>4,330,710</u>
Total capital assets being depreciated	<u>215,146,618</u>	<u>1,304,982</u>	<u>268,955</u>	<u>216,182,645</u>
Less accumulated depreciation for:				
Land improvements	3,503,052	510,480	-	4,013,532
Infrastructure	9,467,738	560,560	-	10,028,298
Buildings	77,614,301	4,026,876	-	81,641,177
Equipment	13,505,184	862,351	253,544	14,113,991
Library books	<u>3,834,499</u>	<u>65,684</u>	<u>-</u>	<u>3,900,183</u>
Total accumulated depreciation	<u>107,924,774</u>	<u>6,025,951</u>	<u>253,544</u>	<u>113,697,181</u>
Capital assets being depreciated - net	<u>107,221,844</u>	<u>(4,720,969)</u>	<u>15,411</u>	<u>102,485,464</u>
Total Capital Assets - net	<u>\$ 108,976,598</u>	<u>\$ (3,607,113)</u>	<u>\$ 815,733</u>	<u>\$ 104,553,752</u>
Right-to-use leased assets being amortized:				
Buildings	\$ 836,772	\$ 90,143	\$ -	\$ 926,915
Equipment	<u>69,772</u>	<u>85,223</u>	<u>-</u>	<u>154,995</u>
Total leased assets being amortized	906,544	175,366		1,081,910
Less accumulated amortization for:				
Buildings	-	110,177	-	110,177
Equipment	<u>-</u>	<u>37,071</u>	<u>-</u>	<u>37,071</u>
Total accumulated amortization		147,248		147,248
Total Right-to-use Leased Assets - net	<u>\$ 906,544</u>	<u>\$ 28,118</u>	<u>\$ -</u>	<u>\$ 934,662</u>

6. LONG-TERM LIABILITIES

Summary of long-term obligation transactions for the University for the years ended June 30, 2022 and 2021 are as follows:

	2022				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds, note and capital leases:					
Bonds payable	\$ 32,960,861	\$ -	\$ 1,862,349	\$ 31,098,512	\$ 1,924,923
Bond premium/discount	27,366	-	2,204	25,162	-
Note payable	1,433,069	6,640,000	310,276	7,762,793	401,290
Lease obligations	<u>931,588</u>	<u>8,676</u>	<u>152,530</u>	<u>787,734</u>	<u>157,883</u>
Total bonds, note and capital leases	<u>35,352,884</u>	<u>6,648,676</u>	<u>2,327,359</u>	<u>39,674,201</u>	<u>2,484,096</u>
Other long-term liabilities:					
Advances from federal sponsors	298,623	-	111,496	187,127	-
Compensated absences	1,302,127	29,637	-	1,331,764	710,059
Net pension liability	245,983	-	198,193	47,790	-
Other postemployment benefits liability (asset)	<u>1,618,601</u>	<u>-</u>	<u>1,724,127</u>	<u>(105,526)</u>	<u>-</u>
Total other long-term liabilities	<u>3,465,334</u>	<u>29,637</u>	<u>2,033,816</u>	<u>1,461,155</u>	<u>710,059</u>
Total long-term liabilities	<u>\$ 38,818,218</u>	<u>\$ 6,678,313</u>	<u>\$ 4,361,175</u>	<u>\$ 41,135,356</u>	<u>\$ 3,194,155</u>

	2021				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds, note and capital leases:					
Bonds payable	\$ 34,757,505	\$ -	\$ 1,796,644	\$ 32,960,861	\$ 1,862,349
Bond premium/discount	29,570	-	2,204	27,366	-
Note payable	1,840,673	-	407,604	1,433,069	310,276
Lease obligations	<u>906,544</u>	<u>175,366</u>	<u>150,322</u>	<u>931,588</u>	<u>152,366</u>
Total bonds, note and capital leases	<u>37,534,292</u>	<u>175,366</u>	<u>2,356,774</u>	<u>35,352,884</u>	<u>2,324,991</u>
Other long-term liabilities:					
Advances from federal sponsors	338,072	5,851	45,300	298,623	-
Compensated absences	1,293,175	8,952	-	1,302,127	737,235
Net pension liability	251,342	-	5,359	245,983	-
Other postemployment benefits liability	<u>6,253,984</u>	<u>-</u>	<u>4,635,383</u>	<u>1,618,601</u>	<u>-</u>
Total other long-term liabilities	<u>8,136,573</u>	<u>14,803</u>	<u>4,686,042</u>	<u>3,465,334</u>	<u>737,235</u>
Total long-term liabilities	<u>\$ 45,670,865</u>	<u>\$ 190,169</u>	<u>\$ 7,042,816</u>	<u>\$ 38,818,218</u>	<u>\$ 3,062,226</u>

7. LEASES

A summary of the University's leases terms and interest rates are as follows:

Leases with options to purchase equipment. Annual installments totaling \$49,167 plus interest at 5.25% and due dates ranging from February 2023 through May 2027.

Building and office space leases. Annual installments totaling \$145,404 plus interest at rates ranging from 3.65% to 5.25%, due dates ranging from December 2022 through June 2028.

The future minimum lease payments under lease agreements are as follows:

	Principal	Interest	Total
June 30, 2023	\$ 157,883	\$ 27,651	\$ 185,534
June 30, 2024	129,675	21,501	151,176
June 30, 2025	126,514	16,470	142,984
June 30, 2026	119,650	11,673	131,323
June 30, 2027	123,654	7,245	130,899
June 30, 2028 and thereafter	<u>130,358</u>	<u>2,610</u>	<u>132,968</u>
Total minimum lease payments:	<u>\$ 787,734</u>	<u>\$ 87,150</u>	<u>\$ 874,884</u>

Some lease require variable payments based on future performance of the lessee or usage of the underlying asset and are not included in the measurement of the lease liability. Those variable payments are recognized as outflows of resources in the periods in which the obligation for those payments is incurred. During the year ended June 30, 2022 the University did not make any variable payments.

8. NOTE PAYABLE

In September 2016, the University received an interest free loan from the West Virginia Higher Education Policy Commission (HEPC) in the amount of \$750,000 for the demolition of the Sara Cree building. This loan was to be paid back in semi-annual payments of \$75,000 for the next 5 years. The loan was paid off in September 2021. In June 2019, the University entered into a financing arrangement for the renovation of the stadium turf. The financing arrangement holds an interest rate of 4.89% and will mature in June 2026. In July 2019, the University received an interest free capital loan from HEPC in the amount of \$1,200,000 for energy efficient capital improvements. This loan is to be paid back in annual payments of \$175,000 for the next 7 years. In December 2021, the University entered into a financing arrangement to cover the costs of energy efficient capital projects in the amount of \$5,640,000. This financing arrangement holds an interest rate of 2.5% and will mature in December 2036. In January 2022, the University received another interest free capital loan from HEPC in the amount of \$1,000,000 for HVAC System upgrades. This loan is to be paid back in annual payments of \$143,000 for the next 7 years.

8. NOTE PAYABLE (CONTINUED)

Future annual payments on all of the notes payable for years subsequent to June 30, 2022, are as follows:

Years Ending June 30,	Principal	Interest	Total
2023	401,290	152,684	553,974
2024	559,455	147,080	706,535
2025	582,779	139,133	721,912
2026	606,269	130,517	736,786
2027	528,000	122,938	650,938
2028 - 2032	2,145,000	500,500	2,645,500
2033 - 2037	2,940,000	191,875	3,131,875
Total	<u>\$ 7,762,793</u>	<u>\$ 1,384,727</u>	<u>\$ 9,147,520</u>

9. BONDS PAYABLE

Bonds payable as of June 30, 2022 and 2021, consisted of the following:

	Interest Rate	Principal Amount Outstanding	
		2022	2021
Refunding Revenue Bonds, due through 2033	3.00% - 4.375%	\$ 3,400,000	\$ 3,835,000
Refunding Revenue Bonds, due through 2037	3.65%	<u>27,698,512</u>	<u>29,125,861</u>
		31,098,512	32,960,861
Bond Premium		<u>25,162</u>	<u>27,366</u>
		<u>\$ 31,123,674</u>	<u>\$ 32,988,227</u>

The Bonds are special obligations of the Board and are secured and payable from fees assessed to students of the University held under the Indenture. The Bonds shall not be deemed to be general obligations or a debt of the State within the meaning of the Constitution of the State and the credit or taxing power of the State or the University shall not be pledged therefore. The University maintains and collects fees from all students enrolled in the University to pay debt service.

Refunding Revenue Bonds – On December 2, 2013, the University issued \$6.7 million in General Obligation Bonds with an average interest rate of 3.69% to advance refund \$7.1 million of outstanding 2003 and 2004 series bonds with an average interest rate of 4.27%.

On March 8, 2017, the University issued \$35.3 million in General Obligation Bonds with a fixed interest rate of 3.65% to advance refund \$35.3 million of the remaining outstanding 2005 and 2007 revenue bonds with an average interest rate of 4.5% and to pay the cost of issuance.

9. BONDS PAYABLE (CONTINUED)

Summary of the annual aggregate principal and interest payments for years subsequent to June 30, 2022, are as follows:

Years Ending June 30	2013		2017		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 445,000	\$ 127,913	\$ 1,479,923	\$ 993,161	\$ 1,924,923	\$ 1,121,074
2024	460,000	114,562	1,531,887	941,038	1,991,887	1,055,600
2025	240,000	99,613	1,590,857	881,889	1,830,857	981,502
2026	245,000	91,813	1,649,453	823,114	1,894,453	914,927
2027-2031	1,375,000	312,481	9,202,491	3,157,431	10,577,491	3,469,912
2032-2036	635,000	42,000	11,027,365	1,326,991	11,662,365	1,368,991
2037	-	-	1,216,536	59,033	1,216,536	59,033
Total	<u>\$ 3,400,000</u>	<u>\$ 788,382</u>	<u>\$ 27,698,512</u>	<u>\$ 8,182,657</u>	<u>\$ 31,098,512</u>	<u>\$ 8,971,039</u>

10. OTHER POSTEMPLOYMENT BENEFITS

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

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

	2022	2021
Net OPEB (Asset) Liability	\$ (105,526)	\$ 1,618,601
Deferred Outflows of Resources	\$ 431,365	\$ 936,865
Deferred Inflows of Resources	\$ 4,048,387	\$ 5,342,207
Revenues	\$ (96,605)	\$ 153,717
Expenses	\$ (2,240,265)	\$ (1,480,852)
Contributions Made by University	\$ 368,787	\$ 653,182

Plan Description

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

10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Active employees who retire are eligible for PEIA health and life benefits, provided they meet the minimum eligibility requirements of the applicable State retirement system and if their last employer immediately prior to retirement: is a participating employer under the Consolidated Public Retirement

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

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

Benefits Provided

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

Contributions

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

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

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

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

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

10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The conversion rate is two days of unused sick and vacation leave days for one month of single healthcare coverage and three days of unused sick and vacation leave days for one month of 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 receives years of service credit toward insurance premiums when they retire. Faculty hired on or after July 1, 2010 receives no health insurance premium subsidy when they retire. Two groups of employees hired after July 1, 2010 will not be required to pay the unsubsidized rate: 1) active employees who were originally hired before July 1, 2010 who have a break in service of fewer than two years after July 1, 2010; and 2) retired employees who had an original hire date prior to July 1, 2010 may return to active employment. In those cases, the original hire date may apply.

Assumptions

The net OPEB liability for financial reporting purposes was measured as of June 30, 2021 and 2020. The liabilities were determined by actuarial valuations as of June 30, 2021 and 2020. The following actuarial assumptions were used and applied to all periods included in the measurement:

- Actuarial cost method: Entry age normal cost method.
- Amortization method and period: Level percentage of payroll over 20 years; closed as of June 30, 2017.
- Investment rate of return: 6.65%, net of OPEB plan investment expense, including inflation.
- Projected salary increases: rates based on 2015-2020 OPEB Experience Study and dependent on pension plan participation and attained age, and range from 2.75% to 5.18%, including inflation. Rates were first applied to the 2020 valuation.
- Healthcare cost trend rates: trend rate for pre-Medicare per capita cost of 7.0% for plan year end 2020, decreasing by 0.50% for one year then by 0.25% each year thereafter, until ultimate trend rate of 4.25% is reached in plan year 2032. Trend rate for Medicare per capita costs of 31.11% for plan year end 2022. 9.15% for plan year end 2023, decreasing ratably each year thereafter, until ultimate trend rate of 4.25% is reached by plan year 2036.
- Inflation rate: 2.25%
- Wage inflation: 2.75% for PERS and TRS, and 3.25% for Troopers
- Discount rate: 6.65%
- Mortality rates Post-Retirement: TRS based on Pub-2010 General Healthy Retiree Mortality Tables projected with MP-2019 and scaling factors of 100% for males and 108% for females. PERS based on Pub-2010 Below-Median Income General Healthy Retiree Mortality Tables projected with MP-2019 and scaling factors of 106% for males and 113% for females. Troopers A and B based on Pub-2010 Public Safety Healthy Retiree Mortality Tables projected with MP-2019 scaling factors of 100% for males and females.

- Mortality rates Pre-Retirement: TRS based on Pub-2010 General Employee Mortality Tables projected with MP-2019. PERS based on Pub-2010 Below-Median Income General Employee

10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

- Mortality Tables projected with MP-2019. Troopers A and B based on Pub-2010 Public Safety Employee Mortality Tables projected with MP-2019.
- Asset valuation method: Market value
- Aging factors: 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.

The long-term investment 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 West Virginia Investment Management Board (“IMB”) and an expected short-term rate of return of 2.5% for assets invested with the WV Board of Treasury Investments (“BTI”).

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which estimates of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. Target asset allocations, capital market assumptions and forecast returns were provided by the Plan’s investment advisors, including West Virginia Investment Management Board (WVIMB). The projected return for the Money Market Pool held with the West Virginia Board of Treasury Investments was estimated based on WVIMB assumed inflation of 2.0% plus a 25 basis point spread. The target allocation and estimates of annualized long-term expected real returns assuming a 10-year horizon are summarized below.

Asset Class	2021		2020	
	Target Allocation	Long-term Expected Real Return	Target Allocation	Long-term Expected Real Return
Global equity	55.0%	4.8%	55.0%	6.8%
Core plus fixed income	15.0%	2.1%	15.0%	4.1%
Core real estate	10.0%	4.1%	10.0%	6.0%
Hedge fund	10.0%	2.4%	10.0%	2.4%
Private equity	10.0%	6.8%	10.0%	6.8%
Target allocation	100.0%		100.0%	

The actuarial assumptions used in the June 30, 2021 valuations were based on the results of an actuarial

experience study for the period July 1, 2015 through June 30, 2021. The actuarial assumptions used in the June 30, 2020 valuations were based on the results of an actuarial experience study for the period July 1, 2010 through June 30, 2015.

10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Discount rate. A single discount rate of 6.65% was used to measure the total OPEB liability. The 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 at \$30 million annual contribution from the State through 2037. Based on those assumptions, and that the Plan is expected to be fully funded by fiscal year ended June 30, 2025, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. Discount rates are subject to change between measurement dates.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the University’s proportionate share of the net OPEB liability as of June 30, 2022 and 2021 calculated using the discount rate of 6.65%, as well as what the University’s net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.65%) or one percentage point higher (7.65%) than the current rate (dollars in thousands):

	1% Decrease (5.65%)	Current Discount Rate (6.65%)	1% increase (7.65%)
Net OPEB (Asset) Liability as of June 30, 2022	\$ 566,265	\$ (105,526)	\$ (663,304)
Net OPEB Liability as of June 30, 2021	\$ 2,308,340	\$ 1,618,601	\$ 1,041,198

Sensitivity of the net OPEB liability to changes in healthcare cost trend rates. The following presents the University’s proportionate share of the net OPEB liability as of June 30, 2022 and 2021 calculated using the current healthcare cost trend rates, as well as what the University’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates (dollars in thousands):

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB (Asset) Liability as of June 30, 2022	\$ (779,149)	\$ (105,526)	\$ 715,023
Net OPEB Liability as of June 30, 2021	\$ 973,926	\$ 1,618,601	\$ 2,397,237

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. The net OPEB liability was measured as of June 30, 2021 and 2020. The total OPEB liability was determined by actuarial valuations as of June 30, 2020 and 2019 and rolled forward to the respective dates.

10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The University's proportionate share of the net OPEB liability as of June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Recognized University Net OPEB Liability	\$ (105,526)	\$ 1,618,601
Nonemployer contributing entity's (State of West Virginia) portion of the collective net OPEB liability	<u>(20,779)</u>	<u>357,898</u>
Total net OPEB (Asset) Liability	<u>\$ (126,305)</u>	<u>\$ 1,976,499</u>

The allocation percentage assigned to each contributing employer is based on the employer's proportionate share of employer contributions to the RHBT for the fiscal years ended June 30, 2021 and June 30, 2020. Employer contributions are recognized when due. At June 30, 2021 and 2020, the University's proportion was .354891992% and .366454900%, respectively.

The University recognized OPEB expense for the years ended June 30, 2022 and 2021 as follows:

	<u>2022</u>	<u>2021</u>
University's proportionate share of OPEB expense	\$ (2,143,660)	\$ (1,634,569)
OPEB expense attributable to special funding from a nonemployer contributing entity	<u>(96,605)</u>	<u>153,717</u>
Total OPEB expense	<u>\$ (2,240,265)</u>	<u>\$ (1,480,852)</u>

The University also recognized revenue of \$(96,605) and \$153,717 for support provided by the State for years ended June 30, 2022 and 2021, respectively.

10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

At June 30, 2022 and 2021, deferred outflows of resources and deferred inflows of resources related to OPEB are as follows:

	<u>2022</u>	<u>2021</u>
Deferred Outflows of Resources		
Changes in proportion and difference between employer contributions and proportionate share of contributions	\$ 62,580	\$ 160,821
Reallocation of Opt-out employer change in proportionate share	-	-
Net difference between projected and actual investment earnings	-	122,862
Contributions after the measurement date	368,787	653,182
Total Deferred Outflows of Resources	<u>\$ 431,367</u>	<u>\$ 936,865</u>
Deferred Inflows of Resources		
Changes in proportion and difference between employer contributions and proportionate share of contributions	\$ 319,132	\$ 538,354
Net difference between projected and actual investment earnings	728,265	-
Changes in assumptions	2,232,982	3,653,520
Reallocation of Opt-out employer change in proportionate share	41,091	100,862
Differences between expected and actual experience	726,917	1,049,471
Total Deferred Inflows of Resources	<u>\$ 4,048,387</u>	<u>\$ 5,342,207</u>

The University will recognize the \$368,787 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	Amortization
June 30, 2023	\$ 1,975,509
June 30, 2024	1,523,535
June 30, 2025	274,112
June 30, 2026	212,651
	<u>\$ 3,985,807</u>

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”). 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, effective as of June 30, 2002.

Debt service assessed for the years ending June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Fees assessed by the Commission for debt service	<u>\$ 16,334</u>	<u>\$ 16,321</u>

12. UNRESTRICTED COMPONENTS OF NET POSITION

The University did not have any board designated unrestricted components of net position as of June 30, 2022 or 2021.

	<u>2022</u>	<u>2021</u>
Total unrestricted net position before OPEB and net pension liability	\$ 2,111,208	\$ 1,829,833
Less Net pension liability	(47,790)	(245,983)
Less OPEB asset (liability)	<u>105,526</u>	<u>(1,618,601)</u>
Total unrestricted component of net position	<u>\$ 2,168,944</u>	<u>\$ (34,751)</u>

13. DEFINED CONTRIBUTION PLANS

Substantially, all full-time employees of the University participate in either the West Virginia Teachers’ retirement System (TRS), the Teachers’ Insurance and Annuities Association — College Retirement Equities Fund (TIAA-CREF), or Great West Retirement Services (the “Great West”). Previously, upon full-time employment, all employees were required to make an irrevocable selection between the TRS and TIAA-CREF. Effective July 1, 1991, the TRS was closed to new participants. Current participants in the TRS are permitted to make a one-time election to cease their participation in that plan and commence contributions to the West Virginia Teachers’ Defined Contribution Plan. 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 Great West basic retirement plan. New hires have the choice of either plan.

13. DEFINED CONTRIBUTION PLANS (CONTINUED)

The TIAA-CREF and Great West are defined contribution benefit plans in which benefits are based solely upon amounts contributed, plus investment earnings. Employees who elect to participate in these plans 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.

The total contributions that the University was required to contribute to the TIAA-CREF for the years ended June 30, 2022, 2021, and 2020, were \$2,560,211, \$2,629,711, and \$2,612,850, respectively, and covered employees in 2022, 2021, and 2020 of \$1,280,105, \$1,314,855, and \$1,306,425, respectively.

The total contributions that the University was required to contribute to the Great West for the years ended June 30, 2022, 2021, and 2020, were \$101,187, \$112,025, and \$120,230, respectively, and the covered employee in 2022, 2021, and 2020 of \$50,593, \$56,012, and \$60,115, respectively.

The University's total payroll for the years ended June 30, 2022 and 2021 was \$24,957,478 and \$25,392,155, respectively, and total covered employees' salaries in TIAA-CREF and Great West were, \$21,335,088 and \$843,221 in 2022, and \$22,081,837 and \$933,536 in 2021, respectively.

14. 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 years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Net Pension Liability	\$ 47,790	\$ 245,983
Deferred Outflows of Resources	\$ 33,898	\$ 54,125
Deferred Inflows of Resources	\$ 175,378	\$ 48,070
Revenues	\$ (1,819)	\$ 59,899
Pension Expense	\$ (52,478)	\$ 41,145
Contributions Made by Shepherd	\$ 12,374	\$ 13,222

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,

14. DEFINED BENEFIT PENSION PLAN (CONTINUED)

1991, are required to participate in the Higher Education Retirement System. TRS closed membership to new hires effective July 1, 1991.

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

<https://www.wvretirement.com/Publications.html#CAFR>

Benefits Provided

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

Contributions

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

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

Employer Contributions: Employers make the following contributions:

The State (including institutions of higher education) contributes:

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

of June 30, 1994. The University's proportionate share attributable to this special funding subsidy was \$(1,819) and \$59,899 as of June 30, 2022 and 2021, respectively.

The University's contributions to TRS for the years ended June 30, 2022, 2021, and 2020, were approximately \$12,374, \$13,222, and \$31,751, respectively.

14. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Assumptions

The total pension liabilities for financial reporting purposes as of June 30, 2022 were determined by actuarial valuation as of July 1, 2020 and rolled forward to June 30, 2021. Total pension liabilities as of June 30, 2021 were determined by actuarial valuation as of July 1, 2019 and rolled forward to June 30, 2020. 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: Fair value
- Amortization method and period: Level dollar, fixed period through fiscal year 2034.
- Investment rate of return of 7.25%,
- Projected salary increases: educators 2.75–5.90% and non-educators 2.75–6.50%,
- Inflation rate of 2.75%.
- Discount rate of 7.25%
- Mortality rates: *Active* – 100% Pub-2010 General Employee Tables, headcount-weighted, projected with Scale MP-2019
Healthy Male Retirees – 100% Pub-2010 General Retiree Male Table, headcount-weighted, projected with Scale MP-2019
Healthy Female Retirees – 112% of Pub-2010 General Retiree Female Table, headcount-weighted, projected with Scale MP-2019
Disabled Males – 107% of Pub-2010 General/Teachers Disabled Male Table, headcount-weighted, projected with Scale MP-2019
Disabled Females – 113% of Pub-2010 General/Teachers Disabled Female Table, headcount-weighted, projected with Scale MP-2019
- Withdrawal rates: educators 7.00-35.00% and non-educators 2.30-18.00%.
- Disability rates: 0.004-0.563%
- Retirement age: An age-related assumption is used for participants not yet receiving payments.
- Retirement rates: 15-100%

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.

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

Best estimates of the long-term arithmetic real rates of return for each major asset class included in TRS target asset allocation are summarized below.

14. **DEFINED BENEFIT PENSION PLAN (CONTINUED)**

Asset Class	2021		2020	
	Long-term Expected Real Return	Target Allocation	Long-term Expected Real Return	Target Allocation
Domestic Equity	5.5%	27.5%	5.5%	27.5%
International Equity	7.0%	27.5%	7.0%	27.5%
Fixed Income	2.2%	15.0%	2.2%	15.0%
Real Estate	6.6%	10.0%	6.6%	10.0%
Private Equity	8.5%	10.0%	8.5%	10.0%
Hedge Funds	4.0%	10.0%	4.0%	10.0%
Target Allocation		100.0%		100.0%

Discount rate. The discount rate used to measure the total TRS pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that State contributions will continue to follow the current funding policy. Based on those assumptions, TRS fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on TRS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the University's proportionate share of the TRS net pension liability as of June 30, 2022 and 2021 calculated using the discount rate of 7.25%, 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 (6.25%) or one percentage point higher (8.25%) than the current rate (dollars in thousands).

	1% Decrease	Current	1% Increase
	(6.25%)	Discount Rate (7.25%)	(8.25%)
Net Pension Liability as of June 30, 2022	\$ 84,448	\$ 47,790	\$ 16,639
Net Pension Liability as of June 30, 2021	\$ 332,302	\$ 245,983	\$ 172,433

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. The TRS net pension liability was measured as of June 30, 2021 and 2020. The total pension liability was determined by actuarial valuations as of June 30, 2020 and 2019 rolled forward to the respective dates.

14. DEFINED BENEFIT PENSION PLAN (CONTINUED)

The University's proportionate share of the TRS net pension liability as of June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Recognized University Net Pension Liability	\$ 47,790	\$ 245,983
University's proportionate share of net pension liability due to special funding situation	<u>(106,856)</u>	<u>534,515</u>
Total University Proportionate Share of TRS Net Pension Liability	<u>\$ (59,066)</u>	<u>\$ 780,498</u>

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, 2021 and 2020. Employer contributions are recognized when due. At June 30, 2021 and 2020, the University's proportion was 0.003058% and 0.007637%, respectively.

The University recognized TRS pension expense for the years ended June 30, 2022 and 2021 as follows:

	<u>2022</u>	<u>2021</u>
University's proportionate share of TRS expense	\$ (50,659)	\$ (18,754)
Pension expense attributable to special funding from a non-employer contributing entity	<u>(1,819)</u>	<u>59,899</u>
Total TRS pension expense	<u>\$ (52,478)</u>	<u>\$ 41,145</u>

The University also recognized revenue (expense) of \$(1,819) and \$59,899 for support provided by the State for years ended June 30, 2022 and 2021, respectively.

The University will recognize the 2022 pension contributions of \$12,374 as a reduction of the TRS net pension liability in the year ended June 30, 2022. Other 2022 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	Amortization
June 30, 2023	\$ (45,972)
June 30, 2024	(31,694)
June 30, 2025	(35,387)
June 30, 2026	(39,297)
June 30, 2027	(1,504)
	<u>\$ (153,854)</u>

14. DEFINED BENEFIT PENSION PLAN (CONTINUED)

At June 30, 2022 and 2021, deferred outflows of resources and deferred inflows of resources related to the TRS pension are as follows:

	<u>2022</u>	<u>2021</u>
Deferred Outflows of Resources		
Differences between expected and Actual Experience	\$ 3,893	\$ 5,652
Changes in Proportion and difference between employer contributions and proportionate share of contributions	11,698	16,881
Net difference between projected and actual earnings	-	14,904
Changes in assumptions	5,933	3,466
Contributions after the measurement date	<u>12,374</u>	<u>13,222</u>
Total Deferred Outflows of Resources	<u>\$ 33,898</u>	<u>\$ 54,125</u>
Deferred Inflows of Resources		
Differences between expected and actual experience	\$ 1,399	\$ 5,401
Changes in Proportion and difference between employer contributions and proportionate share of contributions	135,784	42,669
Net difference between projected and actual investment earnings	<u>38,195</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>\$ 175,378</u>	<u>\$ 48,070</u>

Payables to the pension plan

The University did not report any amounts payable for normal contributions to the TRS as of June 30, 2022 and 2021.

15. 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 its separate and independently elected Board of Directors, not otherwise affiliated with the University. In carrying out its responsibilities, the Board of Directors of the Foundation employs management, forms policy, and maintains fiscal accountability over funds administered by the Foundation. Although the University does not control the timing or amount of receipts from the Foundation, the majority of

resources, or income thereon, which the Foundation holds and invests, are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is therefore discretely presented with the University's financial statements in accordance with GASB.

Based on the Foundation's audited financial statements as of June 30, 2022 and 2021, the Foundation's net assets (including unrealized gains) totaled \$31,897,838 and \$36,819,473, respectively. Complete financial statements of the Foundation can be obtained from The Shepherd University Foundation, Incorporated, P.O. Box 3210, Shepherdstown, West Virginia 25443-3210.

During the years ended June 30, 2022 and 2021, the Foundation contributed \$1,380,529 and \$1,846,785, respectively, to the University for scholarships and awards.

16. AFFILIATED ORGANIZATION

The University has a separately incorporated affiliated organization, the Alumni Association and Friends of Shepherd University. Oversight responsibility for this entity rests with an independent board and management not otherwise affiliated with the University, and a benefit/burden relationship does not exist between them and the University. Therefore, their operations are not listed as a component unit of the University.

17. COMMITMENTS AND CONTINGENCIES

Claims

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 have a significant financial impact on the financial position of the University.

Federal Contracts

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.

Building Codes

The University owns various buildings that 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.

Arbitrage

The Internal Revenue Code of 1986 establishes rules and regulations for arbitrage rebates. There are no arbitrage rebate liabilities as of June 30, 2022 or 2021.

17. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Risk Management

The University is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The University carries commercial insurance to insure against major loss related to these risks. The University also carries commercial insurance for employee health, long-term disability, life, and workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage. There have been no significant reductions in insurance coverage or any settled claims that have exceeded the amount of the coverage in any of the past three years.

COVID-19

The COVID-19 pandemic is continuing to have significant effects on global markets, supply chains, businesses and communities. COVID-19 may impact various parts of the University's operations and financial results in fiscal year 2022, including but not limited to, decline in enrollment, loss of auxiliary revenues, additional bad debts and increased costs for technology. The University is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year end and are still developing.

18. POTOMAC PLACE

Completion of the Potomac Place residence hall occurred in July 2017 and became available for student housing in the Fall Semester of 2017. This 300-bed student housing facility, including the buildings, furniture, fixtures, machinery and equipment and related facilities is subject to a Ground Lease Agreement between the University and the Shepherd University Foundation Supporting Organization (SUFSSO), where the University is the "Lessor" and the SUFSSO is the "Lessee" and a Management Agreement exists between the two entities with the University fulfilling the duties of the "Manager" and the SUFSSO.

The Ground Lease Agreement will expire upon the repayment of all associated outstanding debt borrowed by the Supporting Organization, scheduled for full repayment in approximately forty (40) years. Upon the expiration of the lease, the building and associated equipment and furnishings will be transferred to Shepherd University. The ground lease agreement requires annual rental payments due 30 days after the receipt of the audited financial statements of the SUFSSO, beginning in June, 2019. For the years ending June 30, 2022 and 2021, total ground rent due from SUFSSO was \$683,682 and \$57,701 respectively.

In the Management Agreement, the SUFSO appoints the University as its exclusive agent for the construction, operation, management and maintenance of the Project and the University accepts the appointment, subject to the terms and conditions set forth in this Agreement. The University agrees to comply with the terms and conditions of the Ground Lease; and the University agrees to use its commercially reasonable efforts to manage the Project in accordance with the provisions of the Ground Lease applicable to the operation, use, management, repair, and modification of the Project.

19. SEGMENT INFORMATION

Condensed statements of net position as of June 30, 2022 and 2021:

	Refunding Revenue Bonds 2013		Refunding Revenue Bonds 2017	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Assets:				
Current assets	\$ 5,138,186	\$ 4,661,186	\$ (296,692)	\$ 1,358,158
Noncurrent assets	<u>9,062,257</u>	<u>7,915,417</u>	<u>34,931,013</u>	<u>35,883,200</u>
Total assets	<u>\$ 14,200,443</u>	<u>\$ 12,576,603</u>	<u>\$ 34,634,321</u>	<u>\$ 37,241,358</u>
Liabilities:				
Current liabilities	\$ 653,141	\$ 575,180	\$ 2,838,803	\$ 2,507,127
Noncurrent liabilities	<u>2,980,162</u>	<u>3,427,366</u>	<u>26,218,590</u>	<u>27,698,512</u>
Total liabilities	<u>3,633,303</u>	<u>4,002,546</u>	<u>29,057,393</u>	<u>30,205,639</u>
Net position:				
Net investment in capital assets	5,637,096	4,053,051	7,225,544	6,747,786
Restricted:				
Unrestricted	<u>4,930,044</u>	<u>4,521,006</u>	<u>(1,648,616)</u>	<u>287,932</u>
Total net position	<u>10,567,140</u>	<u>8,574,057</u>	<u>5,576,928</u>	<u>7,035,718</u>
Total net position and liabilities	<u>\$ 14,200,443</u>	<u>\$ 12,576,603</u>	<u>\$ 34,634,321</u>	<u>\$ 37,241,357</u>

19. SEGMENT INFORMATION (CONTINUED)

Condensed statements of revenues, expenses, and changes in net position for the years ended June 30, 2022 and 2021:

	Refunding		Refunding	
	Revenue Bonds 2013		Revenue Bonds 2017	
	2022	2021	2022	2021
Operating:				
Operating revenues	\$ 2,400,980	\$ 1,444,100	\$ 9,810,823	\$ 8,198,590
Operating expenses	<u>(274,741)</u>	<u>(381,010)</u>	<u>(10,796,737)</u>	<u>(9,929,758)</u>
Net operating income	<u>2,126,239</u>	<u>1,063,090</u>	<u>(985,914)</u>	<u>(1,731,168)</u>
Nonoperating:				
Nonoperating revenues	88,070	7,651	580,494	1,576,446
Nonoperating expenses	<u>(221,226)</u>	<u>(168,834)</u>	<u>(1,053,369)</u>	<u>(1,105,691)</u>
Net nonoperating loss	<u>(133,156)</u>	<u>(161,183)</u>	<u>(472,875)</u>	<u>470,755</u>
Increase (decrease) in net assets	1,993,083	901,907	(1,458,789)	(1,260,413)
Net position — beginning of year	<u>8,574,057</u>	<u>7,672,150</u>	<u>7,035,717</u>	<u>8,296,130</u>
Net position — end of year	<u>\$ 10,567,140</u>	<u>\$ 8,574,057</u>	<u>\$ 5,576,928</u>	<u>\$ 7,035,717</u>

Condensed statements of cash flows for the years ended June 30, 2022 and 2021:

	Refunding		Refunding	
	Revenue Bonds 2013		Revenue Bonds 2017	
	2022	2021	2022	2021
Net cash provided by operating activities	\$ 1,856,076	\$ 1,953,174	\$ 446,476	\$ (679,025)
Net cash used in capital and related financing	(1,356,292)	(2,258,333)	(1,991,118)	(1,215,908)
Net cash provided by (used in) investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in cash and cash equivalents	499,784	(305,159)	(1,544,642)	(1,894,933)
Cash and cash equivalents — beginning of year	<u>4,376,222</u>	<u>4,681,381</u>	<u>927,090</u>	<u>2,822,023</u>
Cash and cash equivalents — end of year	<u>\$ 4,876,006</u>	<u>\$ 4,376,222</u>	<u>\$ (617,552)</u>	<u>\$ 927,090</u>

20. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

For the years ended June 30, 2022 and 2021, the following represents operating expenses within both natural and functional classifications:

2022	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 13,097,367	\$ 2,609,563	\$ 1,159,879	\$ 2,974	\$ -	\$ -	\$ 16,869,783
Research	186,843	24,693	61,756	-	-	-	273,292
Public service	117,438	22,414	12,282	-	-	-	152,134
Academic support	1,535,742	318,246	932,440	882	-	-	2,787,310
Student services	2,263,528	531,304	1,027,567	-	-	-	3,822,399
General institutional support	3,498,885	(1,767,882)	2,867,463	-	-	-	4,598,466
Operations and maintenance of plant	1,346,149	363,496	1,036,543	1,638,634	-	-	4,384,822
Student financial aid	-	-	-	-	6,189,884	-	6,189,884
Auxiliary enterprises	2,911,526	654,264	4,539,716	1,384,286	-	-	9,489,792
Depreciation	-	-	-	-	-	5,607,324	5,607,324
Total	\$ 24,957,478	\$ 2,756,098	\$ 11,637,646	\$ 3,026,776	\$ 6,189,884	\$ 5,607,324	\$ 54,175,206

2021	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 13,604,629	\$ 2,785,101	\$ 948,756	\$ 3,112	\$ -	\$ -	\$ 17,341,598
Research	182,712	23,375	85,172	-	-	-	291,259
Public service	109,180	21,819	10,146	-	-	-	141,145
Academic support	1,974,206	393,086	823,521	1,221	-	-	3,192,034
Student services	2,084,280	506,801	648,451	-	-	-	3,239,532
General institutional support	3,018,555	(1,275,439)	2,631,210	-	-	-	4,374,326
Operations and maintenance of plant	1,392,228	370,085	877,804	1,560,905	-	-	4,201,022
Student financial aid	-	-	-	-	3,992,170	-	3,992,170
Auxiliary enterprises	3,026,365	722,114	3,895,811	1,310,781	-	-	8,955,071
Depreciation	-	-	-	-	-	6,025,951	6,025,951
Total	\$ 25,392,155	\$ 3,546,942	\$ 9,920,871	\$ 2,876,019	\$ 3,992,170	\$ 6,025,951	\$ 51,754,108

21. COMPONENT UNIT'S DISCLOSURES

The consolidated notes, taken directly from the audited financial statements of the Shepherd University Foundation, Inc. and Supporting Organization, are as follows:

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Principles

The consolidated financial statements include Shepherd University Foundation, Inc. and Shepherd University Foundation Supporting Organization (collectively referred to as the Foundation). Shepherd University Foundation, Inc. shares a common governing board with and has an ongoing economic interest in the Shepherd University Foundation Supporting Organization (Supporting Organization). As a result, these entities are financially interrelated and consolidation is required under accounting principles generally accepted in the United States. All significant intercompany balances and transactions have been eliminated.

Nature of Operations and Program Activities

The Shepherd University Foundation, Inc., and the Shepherd University Foundation Supporting Organization are nonprofit organizations incorporated in the state of West Virginia and headquartered in Shepherdstown, West Virginia. The primary purpose of the Shepherd University Foundation, Inc. is to provide assistance and support for the students, facilities and programs of Shepherd University. The primary purpose of the Shepherd University Foundation Supporting Organization is to provide financial support and other supporting services to the Shepherd University Foundation, Inc. The major program of the Shepherd University Foundation Supporting Organization is the operation of the Potomac Place residence hall for students attending Shepherd University.

Basis of Accounting

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

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

Custodial accounts representing funds held by the Foundation on behalf of Shepherd University and/or departments of the University or related parties to the University are reported as custodial liabilities. The Foundation is responsible for the management and administration of these funds.

Net Assets

The Foundation is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. A description of the two net asset categories follows:

Net Assets Without Donor Restriction

Net assets that are not subject to donor-imposed stipulations. Net assets without donor imposed restrictions include net assets designated by the board for a specific purpose, namely to provide college support to Shepherd University. Board-designated net assets amounted to \$107,572 and \$132,043 at June 30, 2022 and 2021, respectively, which were made up of cash and cash equivalents.

Nets Assets With Donor Restriction

Net assets whose use by the Foundation is subject to donor-imposed restrictions that can be fulfilled by actions of the Foundation pursuant to those restrictions or that expire by the passage of time, and net assets subject to donor-imposed restrictions that are to be maintained in perpetuity by the Foundation. Generally, restrictions are to provide assistance and support for the students, facilities and programs of Shepherd University.

Investments

The Foundation accounts for its investments in accordance with United States generally accepted accounting principles (U.S. GAAP). Under U.S. GAAP, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the consolidated statements of financial position. Unrealized gains and losses are included in the changes in net assets.

Investments of the Foundation are exposed to various risks, such as interest rate, market, currency and credit risks. Market risks include global events which could impact the value of investment securities, such as a pandemic or international conflict. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect investment assets reported in the consolidated financial statements.

Contributions

Unconditional contributions, including unconditional promises to give, are recognized as revenue in the period received. All contributions are available for unrestricted use unless specifically restricted by the donor. Bequests are recorded as revenue at the time an unassailable right to the gift has been established and the proceeds are measurable. Non-cash contributions received that are retained or passed through to Shepherd University are recorded at their current or appraised value at the date they are contributed. Donated stock is recorded at its fair market value on the date of receipt.

The Foundation does not recognize contributions that are conditional; that is, contributions are recognized at the point in time that any barriers to overcome have been met and when no right of return exists. Conditional contributions not included in the Foundation's financial statements include testamentary gifts and any other contributions contingent on the occurrence of an event that has not yet happened.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges Receivable

Pledges are recorded as revenue when received. It is the Foundation's policy to evaluate individual pledges annually to determine collectability. Pledges deemed uncollectable are written off as part of the change in net assets in the year such determination is made. The present value adjustment for pledges receivable is calculated by determining the present value of the future contributions expected to be received, using a discount rate of 6%.

Property and Equipment

Purchased assets are recorded at cost. Donated assets retained by the Foundation are recorded at their current or appraised value at the date they are donated. Expenditures of \$5,000 or more and having a useful life greater than one year are capitalized. Assets no longer in use are retired. Maintenance and repairs are expensed as incurred. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets as follows:

	Years
Office equipment	3-7
Residence hall building and improvement	40
Residence hall furniture and fixtures	5

Loan Origination Costs

The Foundation has presented all loan origination costs as a direct deduction from loans payable. Amortization of the loan costs is included as a component of interest expense.

In February 2018, the Shepherd University Supporting Organization incurred loan origination costs of \$26,890 associated with the permanent refinancing of the WV Economic Development Authority bond anticipation notes with a USDA loan. In April 2019, an additional \$23,000 loan costs associated with this permanent financing was incurred. These costs are being amortized using the straight-line method over the life of the related debt, which is 40 years.

Advertising

Advertising costs, included as a component of program development, are expensed as incurred and amounted to \$1,410 and \$2,230 for the years ended June 30, 2022 and 2021, respectively.

Functional Expenses

Certain costs have been allocated among the programs and supporting services. Allocation of costs by function is based principally on specific identification of costs to either program or general and administrative expenses. Non-specifically identified costs are based on square footage allocations and on management's allocation of time requirements incurred for the various functions based on their analysis of historical activities. The Foundation did not engage in any material fundraising activities during the years ended 2022 and 2021, respectively.

Residence Hall Revenue, Accounts Receivable and Deferred Revenues

Revenues related to the operation of the Potomac Place residence hall are recognized in the period the related housing and services are provided. To the extent applicable, deferred revenue is recognized for any advanced payments received from students and others prior to the period of the rental. Accounts receivable primarily represents amounts due for residence hall rentals that occurred prior to the financial statement date. Management determines an allowance for doubtful accounts by regularly evaluating the individual receivables and considering the student's financial condition and payment history. Receivables are written off when deemed uncollectible. As of June 30, 2022 and 2021, management feels all receivables will be collected and therefore, has not established an allowance for doubtful accounts.

Revenue Recognition – Exchange Transactions

The Foundation recognized revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606, Revenue from Contracts with Customers (ASC 606), as amended. ASC 606 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

The Foundation's only revenue stream containing exchange transactions with customers that were subject to ASU 2014-09 are the sales of tickets and sponsorships to the annual Scarborough Society Gala. The Scarborough Society Gala ticket and sponsorship sales contain a single performance obligation and revenue is recognized at a single point in time when the Scarborough Society Gala event is held. There are no receivables, contract assets or contract liabilities associated with the Scarborough Society Gala.

Transfers

Transfers reported on the consolidated statement of activities generally represent the movement of a fund's existing net assets to the net assets of another fund with a different level of restriction. Transfers can occur when the donor of a fund changes the associated restriction of an established fund to another purpose, if the donor wishes to distribute available earnings on an existing fund to another fund within the Foundation or when a fund pays their share of management fees due to the Foundation.

Tax Exempt Status

The Internal Revenue Service has determined that the Shepherd University Foundation, Inc. and Shepherd University Foundation Supporting Organization are organizations described in Section 501(c)(3) of the Internal Revenue Code and are therefore exempt from federal income tax. Shepherd University Foundation, Inc. has also been classified as a public charity under Section 509(a)(1) of the Internal Revenue Code and Shepherd University Foundation Supporting Organization has been classified as a public charity under Section 509(a)(3) of the Internal Revenue Code.

The Foundation follows generally accepted accounting principles, which provides guidance on accounting for uncertainty in income taxes recognized in an organization's financial statements. The Foundation's policy is to charge penalties and interest to income tax expense as incurred. The Foundation's federal and state income tax returns are subject to examination by the Internal Revenue Service and state tax authorities, generally for a period of three years after the returns are filed.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates in the Preparation of Consolidated Financial Statements

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

Concentrations of Credit Risk

In the course of conducting its activities the Foundation encourages alumni, local businesses and the general public to support its purposes by regularly soliciting contributions. Many of the contributors pledge their support over several years in the form of pledges. Pledges that are legally enforceable represent extensions of credit by the Foundation to its donors.

Statement of Cash Flows

For purposes of presenting cash flow information, the Foundation has defined cash equivalents as highly liquid debt instruments with original maturities of three months or less.

Reclassifications

Certain reclassifications of amounts previously reported have been made in the accompanying financial statements in order to make them conform to the classifications used for the year ended June 30, 2022.

Risks and Uncertainties

The Foundation places its demand deposits with local banks. At times such balances may be in excess of the Federal Deposit Insurance Corporation insurance limit. Management considers this to be a normal business risk.

Recent Accounting Pronouncements

In February 2016, FASB issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of income. The new standard is effective for the Foundation starting July 1, 2022. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Foundation is currently evaluating the effect that the standard will have on the financial statements.

NOTE 2 CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes restricted cash held in demand accounts at financial institutions or brokerage firms that are associated with custodial liabilities or restricted funds held within the Foundation. Also, in connection with the USDA loan discussed in Note 9, commencing in February 2018, the Foundation is required to maintain a debt service reserve account and property replacement reserve account. The Foundation is required to make monthly deposits of at least \$7,990 to the debt service reserve account until the account balance reaches \$922,092. The Foundation also must make monthly deposits into a property replacement reserve account. The amount of required monthly deposit was \$5,402 at June 30, 2022 and increases by 3% each February until the USDA loan is paid off.

In September 2020, the Foundation received approval from the USDA to defer payments on the USDA loan discussed in Note 9. In conjunction with the loan deferral, the Foundation was instructed by the USDA to stop making monthly payments to the debt service reserve account and the property replacement reserve account from September 2020 until the end of the loan deferral period in October 2022. The available balance in the debt service reserve account had to be applied to principle payments due before the principal deferral period could start.

Cash and cash equivalents consisted of the following at June 30, 2022 and 2021:

	2022	2021
Restricted Cash:		
Cash associated with custodial liabilities	\$ 1,329,446	\$ 1,170,776
Cash associated with restricted funds	2,046,623	2,592,983
Property replacement reserve account	<u>153,208</u>	<u>153,085</u>
Total Restricted Cash	3,529,277	3,916,844
Unrestricted Cash	<u>886,806</u>	<u>305,661</u>
Total Cash and Cash Equivalents	<u>\$ 4,416,083</u>	<u>\$ 4,222,505</u>

NOTE 3 PLEDGES RECEIVABLE

Pledges receivable represent amounts due to the Foundation for legally enforceable pledges. These pledges are payable in full or in part through June 30, 2025.

Pledges receivable as of June 30, 2022 and 2021 consist of net assets with donor restriction. These unconditional promises to give are scheduled to be received by the Foundation over the next several years and are considered to be fully collectible.

	2022	2021
Receivable in less than one year	\$ 452,100	\$ 910,850
Receivable in one to five years	19,333	387,667
Total pledges receivable	471,433	1,298,517
Less discount to net present value	(1,201)	(23,200)
Net Pledges Receivable	<u>\$ 470,232</u>	<u>\$ 1,275,317</u>

NOTE 4 INVESTMENTS

The Foundation maintains investment securities with various brokerage companies. The Foundation also holds investments in real estate, certificates of deposit, and some common stock that are not invested with brokerage companies.

Investment securities at June 30, 2022 and 2021 are composed of the following:

Description	Cost	Market
2022		
Certificates of deposit	\$ 700,275	\$ 700,275
Government securities	1,925,671	1,831,808
Corporate bonds and notes	1,961,326	1,746,406
Mutual funds	19,033,008	21,759,475
Hedge funds	2,360,056	2,458,654
Non-exchange traded REIT	611,807	653,541
Stocks	2,445,144	2,639,044
Investment Securities	<u>\$ 29,037,287</u>	<u>\$ 31,789,203</u>
2021		
Certificates of deposit	\$ 699,087	\$ 699,087
Government securities	1,423,423	1,481,617
Corporate bonds and notes	2,009,689	2,074,206
Mutual funds	18,083,923	25,470,946
Hedge funds	1,690,818	1,818,075
Stocks	1,986,034	3,168,786
Investment Securities	<u>\$ 25,892,974</u>	<u>\$ 34,712,717</u>

NOTE 4 INVESTMENTS (CONTINUED)

At June 30, 2022 and 2021, there was \$1,385,261 and \$1,352,054, respectively, of cash and cash equivalents held in the brokerage accounts available to be invested by the Foundation.

The investment in real estate is included in investments at net book value on the consolidated statement of financial position due to not having a readily available market value. Investment in real estate is comprised of the following:

Description	Cost	Accumulated Depreciation	Net Book Value
2022			
Land	\$ 40,000	\$ -	\$ 40,000
Building	160,202	107,468	52,734
	<u>\$ 200,202</u>	<u>\$ 107,468</u>	<u>\$ 92,734</u>
2021			
Land	\$ 40,000	\$ -	\$ 40,000
Building	160,202	103,463	56,739
	<u>\$ 200,202</u>	<u>\$ 103,463</u>	<u>\$ 96,739</u>

Depreciation expense related to investment in real estate amounted to \$4,005 for each year ended June 30, 2022 and 2021, respectively.

The following is a summary of the Foundation's investments at June 30, 2022 and 2021:

Description	2022	2021
Investment Securities	\$ 31,789,203	\$ 34,712,717
Real estate	92,734	96,739
	<u>\$ 31,881,937</u>	<u>\$ 34,809,456</u>

The risks of economic uncertainty and market volatility underscore the level of investment risk associated with the Foundation's investments.

NOTE 5 INTEREST IN LIFE ESTATE

During the year ended June 30, 2013, a donor established a life estate giving a remainder interest in a residential property to the Foundation, while retaining a life interest in the property. A life estate agreement is an arrangement whereby the donor transfers property to a charity while retaining the right to occupy and otherwise enjoy the full use of the property for the donor's choice of a term of years or the lifetime of the donor. The present commitment value of the property is based on the individual's life expectancy, which provides for a contribution value based upon the fact the donor is

NOTE 5 INTEREST IN LIFE ESTATE (CONTINUED)

making a present commitment to a future charitable gift. The value of the property is based upon a third-party appraisal value at the date of transfer of \$447,500, discounted by the present value of the fair market rental value of the property at the time of the transfer of \$1,700 per month. The present value was calculated based upon the life expectancy of the donor as determined by the Social Security Life Expectancy tables and a 3.25% rate of return per the American Council on Gift Annuities. Assets held in life estates at June 30, 2022 and 2021 were \$445,804 and \$425,812, respectively, and are reported at the calculated present value on the Foundation's consolidated statement of financial position. Changes in the present value of the life estate will be reflected as changes in net assets with donor restriction in the Foundation's consolidated statement of activities.

NOTE 6 PROPERTY AND EQUIPMENT

Equipment consists of the following:

	2022	2021
Office equipment	\$ 20,272	\$ 22,299
Residence hall building and improvements	20,082,300	20,082,300
Residence hall furniture and fixtures	<u>1,012,802</u>	<u>1,012,802</u>
	21,115,374	21,117,401
Less: accumulated depreciation	<u>(3,484,643)</u>	<u>(2,781,667)</u>
Net Book Value	<u>\$ 17,630,731</u>	<u>\$ 18,335,734</u>

Depreciation expense related to property and equipment was \$705,003 and \$708,377 for the years ended June 30, 2022 and 2021, respectively.

The cost, accumulated depreciation and depreciation expense related to investments in real estate, as disclosed in Note 4, are excluded from the above property and equipment disclosure.

NOTE 7 CUSTODIAL LIABILITIES

Generally accepted accounting principles establish standards for transactions in which a foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both, to another entity that is specified by the donor. Specifically, if a not-for-profit organization establishes a fund at a foundation with its own funds and specifies itself or its affiliate as the beneficiary of that fund, the foundation must account for the transfer of such assets as a liability. The liability has been established at the fair market value of the funds, which is generally equivalent to the present value of future payments expected to be made to the not-for-profit organizations.

NOTE 7 CUSTODIAL LIABILITIES (CONTINUED)

The gross receipts and disbursements for the custodial accounts, and the net investment return on investments for the custodial accounts for the years ended June 30, 2022 and 2021 are as follows:

	2022	2021
Custodial receipts	\$ 762,656	\$ 693,922
Custodial payments	(604,077)	(476,193)
Net investment return	91	85
Net Increase in Custodial Liabilities	<u>\$ 158,670</u>	<u>\$ 217,814</u>

NOTE 8 GIFT ANNUITIES

The Foundation has entered into several charitable gift annuity agreements with donors. Charitable gift annuities represent a gift of cash, investments or other assets from a donor. In return, the donor receives a fixed stream of income from the Foundation for the rest of their life. Upon the end of the donor's life, the Foundation takes ownership of the remainder of the gift. Gift annuities are recognized at fair value when received, and the corresponding liabilities are recorded using the present value of future cash flows expected to be paid to the donors and are being amortized over the expected lives of the donors.

The liability associated with gift annuities payable amounted to \$61,048 and \$73,277 for the years ended June 30, 2022 and 2021, respectively.

NOTE 9 LOANS PAYABLE

As disclosed in Note 16, in June 2016 the Shepherd University Foundation Supporting Organization obtained interim financing for their student housing facility project through bond anticipation notes issued by the West Virginia Economic Development Authority. The Shepherd University Foundation Supporting Organization borrowed \$22,035,000 under Series 2016A bond anticipation notes with an interest rate of 1.20% and \$350,000 of Series 2016B taxable bond anticipation notes with an interest rate of 2.45%. The loans matured on February 1, 2018 and required semi-annual interest only payments on August 1 and February 1 of each loan year. On February 1, 2018, all outstanding interest and principal was repaid using the financing provided by the USDA rural development loan noted below. The bond anticipation notes were secured by a leasehold deed of trust on the student housing facility project, which was released upon repayment of the notes.

NOTE 9 LOANS PAYABLE (CONTINUED)

On January 19, 2018, the Shepherd University Supporting Organization borrowed \$21,892,000 under a 40-year USDA rural development loan to finance the Potomac Place student housing facility project. The original USDA loan requires monthly principal and interest payments of \$76,841, including interest fixed at 2.875%. The loan is scheduled to mature on January 19, 2058. The USDA loan is secured by a leasehold deed of trust on the Potomac Place student housing facility, including all real property and any furniture, fixtures and equipment related to the housing facility. In addition, all revenues, accounts receivable and intangibles associated with the Potomac Place student housing facility have been assigned and pledged to the USDA. As disclosed in Note 2, under the USDA loan agreement, the Shepherd University Supporting Organization is required to maintain and make monthly deposits into a debt service reserve bank account and property replacement reserve bank account.

Due to the economic impact caused by the COVID-19 pandemic on Potomac Place revenues, Shepherd University Foundation Supporting Organization applied for loan deferral offered by the USDA. In September 2020, Shepherd University Foundation Supporting Organization received approval from the USDA to defer all loan payments on the above loan after the debt service reserve had been fully depleted and, beginning in September 2020, to cease making the monthly debt service and equipment replacement reserve payments during the deferral period. Shepherd University Foundation Supporting Organization was able to make loan payments through November 2020 using the available balance of the debt service reserve cash account and began deferring loan payments in December 2020. The original loan deferral period expired in September 2021. The USDA approved an extension of the deferral period in December 2021 and waived any principal payments due for October and November 2021. The extended loan deferral period is set to expire in September 2022 with monthly payments to resume in October 2022. At the end of June 2022, Shepherd University Foundation Supporting Organization made a payment for all deferred loan interest that had accrued from the start of the loan deferral period through June 19, 2022. At the end of June 2021, Shepherd University Foundation Supporting Organization made a payment for all deferred loan interest that had accrued from the start of the loan deferral period through June 30, 2021. Commencing with the October 2022 loan payment, the monthly principal and interest payment will increase to \$79,890 to fully amortize the loans by the original maturity date.

The carrying value of the collateral securing the above loans was \$17,630,731 and \$18,335,349 at June 30, 2022 and 2021, respectively. Total interest capitalized during the construction period of the student housing facility project amounted to \$311,669.

The balance of loans payable, net of loan costs, at June 30, 2022 and 2021 is as follows:

	2022	2021
USDA Rural Development Loan	\$ 20,967,795	\$ 21,028,602
Less: loan costs, net of accumulated amortization of \$4,914 and \$3,652, respectively	<u>(44,976)</u>	<u>(46,238)</u>
	<u>\$ 20,922,819</u>	<u>\$ 20,982,364</u>

NOTE 9 LOANS PAYABLE (CONTINUED)

The future required principal payments as of June 30, 2022 are as follows:

Year Ending June 30,	
2023	\$ 270,708
2024	366,824
2025	379,133
2026	390,178
2027	401,645
Thereafter	<u>19,159,307</u>
	<u>\$ 20,967,795</u>

Amortization of loan costs charged to interest expense for the years ended June 30, 2022 and 2021 was \$1,262 for each period.

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2022 and 2021:

	2022	2021
Restricted for a Specific Purpose		
Scholarships, awards and college support	\$ 9,740,022	\$ 16,296,534
Restricted in Perpetuity		
Endowment Funds	<u>26,227,964</u>	<u>23,844,302</u>
	<u>\$ 35,967,986</u>	<u>\$ 40,140,836</u>
Assets		
Cash and equivalents	\$ 2,046,623	\$ 2,592,983
Pledges receivable, net of present value adjustment	470,232	1,275,317
Accrued interest receivable	30,420	30,638
Investments	31,789,203	34,712,717
Interest in life estate	445,804	425,812
	<u>\$ 34,782,282</u>	<u>\$ 39,037,467</u>

At June 30, 2022 and 2021 there were deficits in the amounts of \$1,185,704 and \$1,103,369, respectively, of assets available to cover the balance of non-endowed net assets restricted for a specific purpose. As further disclosed in Note 19, this deficit was a result of expenditures exceeding revenues of the undesignated operating fund, which is reported as net assets without donor restriction.

NOTE 11 ENDOWMENTS

The Foundation's endowments consist of individual donor-restricted funds established to provide scholarships, awards and college support to the students, faculty and programs of Shepherd University. Net assets associated with endowment funds are classified and reported as net assets with donor restriction based on the donor-imposed restrictions. The classification is based on the board's interpretation of West Virginia's statutes that govern such endowments and its interpretations of donor intent and the related endowment bylaws.

The Foundation considers several factors when making a determination to appropriate or accumulate donor-restricted endowment funds. These factors include the duration and preservation of the fund, the mission of the Foundation, the purpose of any donor-restrictions, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, and other resources.

The Board of Trustees of the Foundation 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 restriction – restricted in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment. The net investment return on the endowment funds is classified as net assets with donor restrictions – restricted for a specific purpose until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA.

During the year ended June 30, 2021, the Shepherd University Foundation's Board of Directors revised the Foundation's spending policy. Under the revised policy, annually the Board of Directors will approve a distribution rate with a target rate of 2% and not exceed 3%. New endowments should be given time to appreciate and once the fund has appreciated at least 20% then distributions can be made in an amount equal to the annually approved distribution rate multiplied by the average market value of the fund for the previous 20 calendar quarters. Any undistributed net investment income is added to net assets with donor restrictions – restricted for a specific purpose.

The endowments are invested consistent with an investment policy statement that is monitored by the Foundation's Directors. To satisfy the long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Funds in the endowment are primarily invested in U.S. Government Securities and managed equity funds with several investment managers using an investment philosophy that maintains equities in the range of 39.5% to 79.5% of the total fund, alternatives in the range of 0% to 20%, fixed income securities in the range of 0.5% to 40.5%, and cash in the range of 0% to 20%.

All endowment funds held at the Foundation are donor restricted endowment funds. Donor restricted endowment funds amounted to \$27,298,195 and \$30,505,661 as of June 30, 2022 and 2021, respectively.

NOTE 11 ENDOWMENTS (CONTINUED)

The changes in endowment net assets for the years ended June 30, 2022 and 2021 were as follows:

Endowment Net Assets at July 1, 2020	\$	24,124,439
Net investment return		6,902,894
Contributions		541,449
Transfers of funding with the Foundation		(728,233)
Appropriations of endowment assets for expenditure		<u>(334,888)</u>
Endowment Net Assets at June 30, 2021	\$	30,505,661
Net investment return (loss)		(4,311,234)
Contributions		2,124,843
Transfers of funding within the Foundation		(752,596)
Appropriations of endowment assets for expenditure		<u>(268,479)</u>
Endowment Net Assets at June 30, 2022	\$	<u>27,298,195</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Foundation to retain as a fund of perpetual duration (underwater endowments). At June 30, 2022, thirty-eight endowment funds with original gift values of \$7,428,350, fair values of \$7,074,954 and deficiencies of \$353,396 were reported in net assets with donor restrictions. At June 30, 2021, there were no underwater endowments.

NOTE 12 FAIR VALUE MEASUREMENTS

Accounting Standards Codification (ASC) 820, *Fair Value Measurements*, defines fair value, establishes a framework for measuring fair value, establishes a three-level valuation hierarchy for disclosure of fair value measurement and enhances disclosure requirements for fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- **Level 1** – Represented by quoted prices that are available in an active market. Level 1 securities include liquid government bonds, treasury securities, mortgage products and exchange traded equities.
- **Level 2** – Represented by assets and liabilities similar to Level 1 where quoted prices are not available, but are observable, either directly or indirectly through corroboration with observable market data, such as quoted prices for similar securities and quoted prices in inactive markets and estimated using pricing models or discounted cash flows. Level 2 securities would include U.S. agency securities, mortgage-backed agency securities, obligations of states and political subdivisions and certain corporate, asset backed securities and swap agreements.
- **Level 3** – Represented by financial instruments where there is limited activity or unobservable market prices and pricing models significant to determining the fair value measurement include the reporting entity's own assumptions about the market risk. Level 3 securities would include hedge funds, private equity securities, and private investments in public entities.

NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value of assets measured on a recurring basis at June 30, 2022 and 2021 are as follows:

	Assets at Fair Value			
	Total	Level 1	Level 2	Level 3
2022				
Pledges Receivable	\$ 470,232	\$ -	\$ -	\$ 470,232
Government Securities				
US Treasuries	1,307,860	1,307,860	-	-
Agency Securities	88,189	-	88,189	-
Municipal Bonds	227,790	-	227,790	-
Mortgage Pools	207,969	-	207,969	-
Corporate Bonds	1,746,406	-	1,746,406	-
Mutual Funds				
US Large Cap	8,507,945	8,507,945	-	-
US Small and Mid-Cap	2,052,115	2,052,115	-	-
International Equity	1,351,972	1,351,972	-	-
Inflation-Protected Bond	1,279,607	1,279,607	-	-
Relative Value Arbitrage	508,491	508,491	-	-
Nontraditional Bond	151,959	151,959	-	-
Multisector Bond	318,312	318,312	-	-
High-Yield Bond	1,912,713	1,912,713	-	-
Options-Based Equity	1,683,449	1,683,449	-	-
Diversified Alternatives	2,090,890	2,090,890	-	-
Foreign Large Growth	713,896	713,896	-	-
Energy Limited Partnership	832,123	832,123	-	-
Miscellaneous Sector	356,004	356,004	-	-
Stocks				
US Small and Mid-Cap	798,863	798,863	-	-
US Large Cap	308,077	308,077	-	-
International Equity	<u>1,532,103</u>	<u>1,532,103</u>	-	-
Total Assets in the Fair Value Hierarchy	28,446,965	25,706,379	2,270,354	470,232
Investments Measured at Net Asset Value (a)				
Ironwood Fund	1,529,905	-	-	-
Golub Fund	928,749	-	-	-
Nuveen Global Cities REIT	<u>653,541</u>	-	-	-
	<u>3,112,195</u>	-	-	-
Total Assets at Fair Value	<u>\$ 31,559,160</u>	<u>\$ 25,706,379</u>	<u>\$ 2,270,354</u>	<u>\$ 470,232</u>

NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)

	Assets at Fair Value			
	Total	Level 1	Level 2	Level 3
2021				
Pledges Receivable	\$ 1,275,317	\$ -	\$ -	\$ 1,275,317
Government Securities				
US Treasuries	839,793	839,793	-	-
Agency Securities	85,836	-	85,836	-
Municipal Bonds	304,329	-	304,329	-
Mortgage Pools	251,659	-	251,659	-
Corporate Bonds	2,074,206	-	2,074,206	-
Mutual Funds				
US Large Cap	8,860,063	8,860,061	-	-
US Small and Mid-Cap	2,564,219	2,564,219	-	-
International Equity	1,653,714	1,653,714	-	-
Inflation-Protected Bond	1,251,154	1,251,154	-	-
Relative Value Arbitrage	60,970	60,970	-	-
Nontraditional Bond	1,338,032	1,338,032	-	-
Multisector Bond	252,888	252,888	-	-
High-Yield Bond	1,587,638	1,587,638	-	-
Options-Based Equity	1,863,373	1,863,373	-	-
Diversified Alternatives	2,957,111	2,957,111	-	-
Foreign Large Growth	1,098,033	1,098,033	-	-
Energy Limited Partnership	1,262,755	1,262,755	-	-
REITs	720,996	720,996	-	-
Stocks				
US Small and Mid-Cap	932,602	932,602	-	-
US Large Cap	408,188	408,188	-	-
International Equity	1,827,996	1,827,996	-	-
Total Assets in the Fair Value Hierarchy	33,470,872	29,479,523	2,716,030	1,275,317
Investments Measured at Net Asset Value (a)				
Ironwood Fund	1,202,056			
Golub Fund	616,019	-	-	-
	1,818,075	-	-	-
Total Assets at Fair Value	\$ 35,288,947	\$ 29,479,523	\$ 2,716,030	\$ 1,275,317

- (a) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented on the statements of financial position.

The fair values of Shepherd University Foundation's assets are measured using different techniques. The fair value for pledges receivable is determined by calculating the present value of the pledges expected to be received, using a discount rate of 6%. The fair value measurement for investments is based upon quoted market prices, when available (Level 1). If quoted market prices are not available, fair values are measured utilizing independent valuation techniques of identical or similar securities for which significant assumptions are derived primarily from or corroborated by observable market data (Level 2). In certain cases, where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the hierarchy.

NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) consist of pledges receivable. The changes in Level 3 assets are as follows for the years ended June 30, 2022 and 2021:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Pledges Receivable	
June 30, 2022		
Fair Value as of July 1, 2021	\$	1,275,317
Payments received		(787,083)
Write-off of uncollectible pledges		(40,000)
Change in valuation		21,998
Fair Value as of June 30, 2022	\$	<u>470,232</u>
June 30, 2021		
Fair Value as of July 1, 2020	\$	2,174,919
New pledges		10,000
Payments received		(955,821)
Write-off of uncollectible pledges		(20,000)
Change in valuation		66,219
Fair Value as of June 30, 2021	\$	<u>1,275,317</u>

Investments Measured Using the Net Asset Value per Share Practical Expedient

The following table summarizes investments for which fair value is measured using the net asset value per share practical expedient as of June 30, 2022 and 2021.

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
June 30, 2022				
Ironwood Fund (a)	\$ 1,529,905	N/A	Semi-Annually	95 days
Golub Fund (b)	928,749	\$ 71,251	Not Eligible	N/A
Nuveen Global Cities REIT ©	653,541	N/A	Monthly	15 days
	<u>\$ 3,112,195</u>			
June 30, 2021				
Ironwood Fund (a)	\$ 1,202,056	N/A	Semi-Annually	95 days
Golub Fund (b)	616,019	\$ 383,981	Not Eligible	N/A
	<u>\$ 1,818,075</u>			

NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)

- (a) The Ironwood Institutional Multi-Strategy Fund, LLC (Ironwood Fund) is a speculative fund of funds. The Ironwood Fund's investment objective is capital appreciation with limited variability of returns. The Ironwood Fund attempts to achieve this objective by allocating capital among a number of pooled investment vehicles that are generally organized in non-U.S. jurisdictions and classified as corporations for U.S. federal income tax purposes. Each investment vehicle is managed by an independent investment manager pursuant to various alternative investment strategies, including relative value; market neutral and low net equity; event-driven; and distressed and credit securities.
- (b) The investment in Golub Capital Partners International 12, L.P. (Golub Fund) represents a limited partnership interest in a privately held speculative hedge fund. The Golub Fund's investment objective is to achieve attractive risk-adjusted returns relative to more liquid fixed income alternatives, with emphasis on current income and preservation of capital. The Golub Fund attempts to achieve this objective primarily by investing in senior secured, floating rate middle market loans, through wholly and partially owned holding companies and other investment vehicles. Most investment assets will be leveraged in the form of collateralized loan obligations and credit facilities. The Golub Fund plans to continue until July 1, 2028 and return all capital prior to that date at the general partner's discretion. Withdrawals of partnership interests generally are not permitted except in limited circumstances.

The Foundation has committed to a total maximum investment in the Golub Fund of \$1,000,000 of which \$928,749 has been invested as of June 30, 2022. The remaining commitment is due to Golub Fund on demand, and earnings of the fund may be applied as a reduction of the commitment.

- (c) The investment in Nuveen Global Cities REIT Fund (Nuveen Fund) represents an investment in a real estate investment trust that is not actively traded. The Nuveen Fund's primary investment objectives are to 1) provide regular, stable cash distribution, (2) target institutional quality, stabilize commercial real estate to achieve an attractive distribution yield, (3) preserve and protect stockholders' invested capital, (3) realize appreciation from proactive investment management and asset management, and (4) seek diversification by investing across leading global cities and across real estate sectors, including office, industrial, multifamily, and retail properties, as well as alternative property types. The Nuveen Fund attempts to achieve this objective primarily by affiliation with Nuveen Real Estate, who manages, buys, and sells properties in the Nuveen Fund's portfolio on their behalf, with oversight and supervision provided by Nuveen Fund's board of directors. Nuveen Real Estate has designed its own investment strategy from long-term structural growth research that is focused on commercial real estate investments in or around a universe of cities Nuveen Real Estate believes are well positioned in North America, Europe, and the Asia-Pacific region. Investors can request redemption of their investment on a monthly basis by submitting a redemption request five business days prior to month end for processing at the beginning of the following month. The Nuveen fund can limit the total amount that is redeemed to 2% of the net asset value monthly and 5% quarterly of the aggregate investment. A redemption within the first year of an investor's holding will be subject to a 5% penalty.

NOTE 13 EMPLOYEE RETIREMENT PLAN

The Foundation participates in the TIAA - CREF retirement plan. The Foundation contributes to the plan based on a dollar for dollar match of the contributions of full time employees up to 6%. The cost recognized during the years ended June 30, 2022 and 2021 was \$13,649 and \$13,116, respectively.

NOTE 14 CONDITIONAL PROMISES 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 Shepherd University that are not recorded in the consolidated financial statements because of their contingent nature. However, the Foundation facilitates and monitors deferred gifts through the use of Memorandums of Understanding detailing the donor's intent and stipulations for administration of the gift for such items as bequests, charitable remainder trusts and insurance policies.

NOTE 15 RELATED PARTY TRANSACTIONS – SHEPHERD UNIVERSITY

The Foundation is a component unit of Shepherd University (University). The Shepherd University Foundation, Inc. provides scholarships and support for the students, facilities and programs of the University. Total scholarships, awards and college support provided to the University and students attending the University amounted to \$2,213,103 and \$1,888,719 for the years ended June 30, 2022 and 2021, respectively.

The Foundation utilizes space owned by the University but does not pay rent. In-kind revenue and expense of \$12,600 has been recorded for the use of this space for the years ended June 30, 2022 and 2021, respectively.

In August 2017, the Shepherd University Foundation Supporting Organization entered into an agreement to lease 1,490 square feet on the ground floor of the Potomac Place student housing facility to the University for the purpose of operating a food service market to serve the students of the facility. The original lease agreement expired on June 30, 2020. Due to COVID-19, the housing facility was closed and the space was not leased from July 1, 2020 until a new lease agreement was executed in August 2020. The new lease commenced on August 10, 2020 and is scheduled to end on June 30, 2023. The required monthly payments under both of the above leases was \$2,700. Total rental revenue from this lease agreement amounted to \$32,400 and \$28,980 for the years ended June 30, 2022 and 2021, respectively.

As disclosed in Note 16, the Shepherd University Foundation Supporting Organization has entered into a ground lease agreement and management agreement with the University as part of the student housing facilities project. Total expense incurred under these agreements amounted to \$635,619 and \$57,701 for the years ended June 30, 2022 and 2021, respectively. As part of the management agreement, the University acts as the Supporting Organization's exclusive agent for the operation, management and maintenance of the student housing facility project. As a result, the University collects payments from students and pays operating expenses associated with the student housing facility project on behalf of the Supporting Organization. Amounts due from the University related to the collection of student receivables amounted to \$4,507 and \$694, respectively. Amounts due to the University for reimbursement of operating expenses, reimbursements of credits paid to students and payment of the ground lease fee noted above amounted to \$682,252 and \$102,736 respectively.

NOTE 16 POTOMAC PLACE STUDENT HOUSING FACILITY PROJECT

Shepherd University Foundation Supporting Organization designed and constructed Potomac Place, a 298 bed student housing facility on the Shepherd University campus. As disclosed in Note 9, the Supporting Organization permanently financed the construction costs of Potomac Place with a 40-year rural development loan from the United States Department of Agriculture. The Supporting Organization owns the building and associated equipment and furnishings and has entered into a ground lease with Shepherd University. The ground lease will expire upon the repayment of all associated outstanding debt borrowed by the Supporting Organization. Upon the expiration of the lease, the building and associated equipment and furnishings will be transferred to Shepherd University. The ground lease agreement requires annual rental payments due 30 days after the receipt of the Supporting Organization's audited financial statements.

Rental payments will equal the net available cash flow generated from the operations of Potomac Place. Rent expense due to Shepherd University for the ground lease amounted to \$635,619 and \$57,701 for the years ended June 30, 2022 and 2021, respectively. Cumulative cash payments made to Shepherd University for ground lease rental payments since the residence hall became operational amounted to \$1,405,533 as of June 30, 2022.

The Supporting Organization has entered into a management agreement with Shepherd University. The management agreement appointed Shepherd University as the Supporting Organization's exclusive agent for the construction, operation, management and maintenance of Potomac Place. No additional fees, outside of the ground lease payments, are payable to Shepherd University for these services.

The residence hall room rental fee rates, number of students served per semester and total fees collected on student residence hall room rentals are noted below for the years ending June 30, 2022 and 2021.

	2022	2021
Single Bed Rate - Term	\$ 4,603.00	\$ 3,317.00
Double Bed Rate - Term	\$ 3,409.00	\$ 3,317.00
Single Bed Rate - Daily	\$ 40.38	\$ 29.10
Double Bed Rate - Daily	\$ 20.90	\$ 29.10
Total Students Served - Fall Semester	253	214
Total Students Served - Spring Semester	234	197
Student Residence Hall Room Revenue During School Year	\$ 1,768,507	\$ 1,347,439
Residence Hall Rental for Summer Conferences	4,556	-
Rental Revenue from SU for Food Market	32,400	28,980
Late Fees and Fees for Damages	4,291	866
Less: Student Residence Hall Room Waivers	(51,135)	(46,438)
Total Net Residence Hall Room Rental for Fiscal Year	<u>\$ 1,758,619</u>	<u>\$ 1,330,847</u>
Total Cash Collected on Current Year Accounts	<u>\$ 1,726,431</u>	<u>\$ 1,307,453</u>

NOTE 17 FUNCTIONAL EXPENSES

The allocation of the Foundation's expenses between program activities and support activities for the years ending June 30, 2022 and 2021 is as follows:

	Program Activities			Support Activities		Total
	Scholarships and College Support	Dormitory Operations	Total Program Expense	General and Administrative Expenses		
2022						
Scholarships and awards	\$ 2,098,882	\$ -	\$ 2,098,882	\$ -	\$ -	\$ 2,098,882
College support	114,221	-	114,221	-	-	114,221
Salaries	40,633	108,851	149,484	357,110	-	506,594
Payroll taxes and benefits	5,547	18,242	23,789	63,775	-	87,564
Student activities	-	1,220	1,220	-	-	1,220
Equipment and supplies	-	981	981	-	-	981
Depreciation	-	704,618	704,618	4,390	-	709,008
Insurance	-	68,753	68,753	7,142	-	75,895
Contractual services	-	12,233	12,233	-	-	12,233
Telephone	-	2,442	2,442	1,470	-	3,912
Repairs and maintenance	-	31,648	31,648	-	-	31,648
Utilities	-	193,331	193,331	-	-	193,331
Ground rental	-	635,619	635,619	-	-	635,619
Interest expense	-	605,163	605,163	-	-	605,163
Printing and reproduction expense	-	-	-	33,747	-	33,747
Bank fees and administrative expenses	-	-	-	19,885	-	19,885
Rent	-	-	-	12,600	-	12,600
Office supplies and postage	-	-	-	13,119	-	13,119
Changes in gift annuities	-	-	-	12,487	-	12,487
Professional fees	-	-	-	60,536	-	60,536
Staff training	-	-	-	200	-	200
Program development	-	-	-	49,178	-	49,178
Technology	-	-	-	4,956	-	4,956
Write-off of uncollectible pledge	-	-	-	40,000	-	40,000
Miscellaneous	-	-	-	4,023	-	4,023
Total Expenses	\$ 2,259,283	\$ 2,383,101	\$ 4,642,384	\$ 684,618	\$ -	\$ 5,327,002

NOTE 17 FUNCTIONAL EXPENSES (CONTINUED)

Scholarships and awards	\$ 1,844,838	\$ -	\$ 1,844,838	\$ -	\$ 1,844,838
College support	43,881	-	43,881	-	43,881
Salaries	40,633	111,988	152,621	349,047	501,668
Payroll taxes and benefits	5,499	21,839	27,338	63,703	91,041
Student activities	-	1,343	1,343	-	1,343
Equipment and supplies	-	1,530	1,530	-	1,530
Depreciation	-	704,618	704,618	7,764	712,382
Insurance	-	63,968	63,968	6,869	70,837
Contractual services	-	14,818	14,818	-	14,818
Telephone	-	2,461	2,461	1,470	3,931
Repairs and maintenance	-	46,157	46,157	-	46,157
Utilities	-	178,188	178,188	-	178,188
Ground rental	-	57,701	57,701	-	57,701
Interest expense	-	606,656	606,656	-	606,656
Printing and reproduction expense	-	-	-	24,800	24,800
Bank fees and administrative expenses	-	-	-	10,571	10,571
Rent	-	-	-	12,600	12,600
Office supplies and postage	-	-	-	10,631	10,631
Changes in gift annuities	-	-	-	10,631	10,631
Professional fees	-	-	-	57,558	57,558
Staff training	-	-	-	-	-
Program development	-	-	-	19,024	19,024
Technology	-	-	-	4,761	4,761
Write-off of uncollectible pledge	-	-	-	20,000	20,000
Miscellaneous	-	361	361	1,989	2,350
Total Expenses	<u>\$ 1,934,851</u>	<u>\$ 1,811,628</u>	<u>\$ 3,746,479</u>	<u>\$ 601,418</u>	<u>\$ 4,347,897</u>

NOTE 18 LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limited their use, within one year of the consolidated statement of financial position date, are as follows:

	2022	2021
Unrestricted cash	886,806	305,661
Accounts receivable	33,705	23,481
Due from Shepherd University	4,507	694
	<u>\$ 925,018</u>	<u>\$ 329,836</u>

NOTE 18 LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Foundation has sources of liquidity at its disposal, including accounts receivable and amounts due from Shepherd University. Total cash of \$153,208 and \$153,085 at June 30, 2022 and 2021, respectively, is excluded due to the fact that it represents debt service and property replacement reserves requires to be maintained under the Foundation's USDA loan agreement. Also cash in the amounts of \$3,376,069 and \$3,763,759 at June 30, 2022 and 2021, respectively, is excluded due to it being restricted for custodial liabilities and donor-restricted funds held at the Foundation. Accrued interest receivable in the amounts of \$30,420 and \$30,638 at June 30, 2022 and 2021, respectively and investments in the amounts of \$31,789,203 and \$34,712,717 at June 30, 2022 and 2021, respectively, are excluded due to the fact that these funds are the restricted portion of the donor-restricted funds held at the Foundation. The remaining \$92,734 and \$96,739 at June 30, 2022 and 2021, respectively, of investments excluded represents an investment in real estate that is not readily marketable.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considered all expenditures related to its ongoing activity of providing assistance and support to the students, facilities and programs of Shepherd University, and the Supporting Organization considered all expenditures related to its ongoing activity of operating the Potomac Place residence hall, as well as the types of services undertaken to support these activities, to be general expenditures.

In addition to the financial assets available to meet general expenditures over the next 12 months, the Foundation operated with a Board approved budget and anticipates collection sufficient revenue to cover general expenditures.

NOTE 19 DEFICIT OF UNDESIGNATED NET ASSETS WITHOUT DONOR RESTRICTION

The deficit in undesignated net assets without donor restrictions of the Foundation is primarily the result of cumulative unrealized and realized losses not being allocated as a reduction to net assets with donor restriction in fiscal years prior to 2018, scholarship disbursements from funds in excess of the actual unrealized and realized investment earnings and operating expenses exceeding support and revenue without donor restriction. In addition, excess of expenses over revenues generated from the Potomac Place student facility project has contributed to the net assets without donor restriction deficit. In order to reduce the deficit and generate positive net assets without donor restriction, the Foundation will need to generate gains on their investments for consecutive years, reduce the level of annual fund disbursements, reduce operating expenses or generate revenues from another outside source. The balance of net assets without donor restriction deficit was \$(4,177,720) and \$(3,453,406) for the years ended June 30, 2022 and 2021, respectively. Of this deficit \$(1,260,723) and \$(1,207,528) related to Shepherd University Foundation Inc. for the years ended June 30, 2022 and 2021 respectively and \$(2,916,997) and \$(2,245,878) related to the Shepherd University Foundation Supporting Organization for the years ended June 30, 2022 and 2021, respectively.

NOTE 20 ADOPTION OF NEW ACCOUNTING STANDARD – CONTRIBUTED NONFINANCIAL ASSETS

On July 1, 2021, the Foundation adopted the Financial Standards Board (FASB) ASU 2020-07, Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets, which clarifies the presentation and disclosure of contributed nonfinancial assets with an intention to provide the reader of the financial statements a clearer understanding of what type of nonfinancial assets were received and how they are used and recognized by the not-for-profit. The standard was applied using a full retrospective transition method. Implementation of this standard did not result in any change to beginning or ending net asset balances previously reported. As a result of adopting the standard, nonfinancial contributions, previously reported as component of other revenue were segregated and reported as a separate line item on the consolidated statement of activities for the year ended June 30, 2021.

Nonfinancial contributions received by the Foundation for the years ended June 30, 2022 and 2021 are as follows:

	2022	2021
Furniture, equipment and supplies	9,100	117,944
Use of facilities	12,600	12,600
	<u>\$ 21,700</u>	<u>\$ 130,544</u>

Donated furniture, equipment and supplies were received by the Foundation to be passed along to the beneficiaries of the Foundations various scholarship and college support programs. All donations received were distributed to the designated beneficiaries during the year received. Donated furniture, equipment and supplies are valued using estimates based on prices of identical or similar products.

Contributed use of facilities represents the value of rent-free office space provided by Shepherd University. The office space is utilized by the Foundation to provide supporting services and is reported as a component of general and administrative expenses. There were no donor-imposed restrictions associated with donated office space. Donated office space is valued using rental rates charged for similar rental properties available in the surrounding area.

NOTE 21 SUBSEQUENT EVENTS

The Foundation has evaluated events and transactions subsequent to June 30, 2022 through September 1, 2022, the date these financial statements were available to be issued. Based on the definitions and requirements of generally accepted accounting principles, management has not identified any events that require recognition or disclosure in the financial statements.

SHEPHERD UNIVERSITY

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF PROPORTIONATE SHARE AND CONTRIBUTIONS

1. NET PENSION LIABILITY

Schedule of Proportionate Share

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 Payroll	University's Proportionate Share as a percentage of Covered Payroll	University's Plan Fiduciary Net Position as a percentage of Total Pension Liability
June 30, 2014	0.01302%	\$ 449,352	\$ 1,015,266	\$ 1,464,618	\$ 486,027	92.45412%	65.95%
June 30, 2015	0.00945%	\$ 327,328	\$ 692,199	\$ 1,019,527	\$ 375,501	87.17101%	66.25%
June 30, 2016	0.00952%	\$ 391,112	\$ 744,964	\$ 1,136,076	\$ 478,614	81.71763%	61.42%
June 30, 2017	0.00773%	\$ 266,966	\$ 590,374	\$ 857,340	\$ 271,237	98.42536%	67.85%
June 30, 2018	0.00764%	\$ 238,603	\$ 618,206	\$ 856,809	\$ 111,355	214.27237%	71.20%
June 30, 2019	0.00845%	\$ 251,342	\$ 606,786	\$ 858,128	\$ 118,659	211.84874%	72.64%
June 30, 2020	0.00764%	\$ 245,983	\$ 534,515	\$ 780,498	\$ 115,279	213.38000%	70.89%
June 30, 2021	0.00306%	\$ 47,790	\$ (106,856)	\$ (59,066)	\$ 49,068	97.40000%	86.38%

Schedule of Employer Contributions of TRS

Fiscal Year End	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contributions as a percentage of Covered Payroll
June 30, 2014	\$ 59,257	\$ 59,998	\$ (741)	\$ 486,027	12.34458%
June 30, 2015	\$ 42,953	\$ 42,953	\$ (0)	\$ 375,501	11.43885%
June 30, 2016	\$ 36,894	\$ 36,894	\$ -	\$ 478,614	7.70851%
June 30, 2017	\$ 31,988	\$ 34,322	\$ (2,334)	\$ 271,237	12.65388%
June 30, 2018	\$ 33,914	\$ 35,214	\$ (1,300)	\$ 111,355	31.62319%
June 30, 2019	\$ 36,597	\$ 36,597	\$ -	\$ 118,659	30.84216%
June 30, 2020	\$ 31,598	\$ 31,751	\$ (153)	\$ 115,279	27.54274%
June 30, 2021	\$ 12,763	\$ 13,222	\$ (459)	\$ 49,068	26.94628%
June 30, 2022	\$ 12,374	\$ 12,374	\$ -	\$ 58,922	21.00064%

These schedules are intended to show information for ten years and are updated as information becomes available.

2. NET OPEB LIABILITY

Schedule of Proportionate Share

Measurement Date	University's Proportionate Share as a Percentage of Net OPEB	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 Employee Payroll	Plan Fiduciary Net Position as a Percentage of Total OPEB Liability
June 30, 2017	0.36628143%	\$ 9,006,820	\$ 1,850,010	\$ 10,856,830	\$ 8,054,749	111.82%	25.10%
June 30, 2018	0.36628143%	\$ 8,255,790	\$ 1,706,251	\$ 9,962,041	\$ 7,890,987	104.62%	30.98%
June 30, 2019	0.37694305%	\$ 6,253,984	\$ 1,279,844	\$ 7,533,828	\$ 7,257,036	86.18%	39.69%
June 30, 2020	0.36645490%	\$ 1,618,601	\$ 357,898	\$ 1,976,499	\$ 6,275,250	25.79%	73.49%
June 30, 2021	0.35489199%	\$ (105,526)	\$ (20,779)	\$ (126,305)	\$ 5,900,237	-1.79%	101.81%

Schedule of Contributions

Fiscal Year End	Actuarily Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Actual Contributions as a Percentage of Covered Employee Payroll
June 30, 2017	\$ 752,336	\$ 752,336	\$ -	\$ 8,054,749	9.34%
June 30, 2018	\$ 786,351	\$ 798,039	\$ (11,688)	\$ 7,890,987	10.11%
June 30, 2019	\$ 776,609	\$ 775,781	\$ 828	\$ 7,257,036	10.69%
June 30, 2020	\$ 708,314	\$ 701,898	\$ 6,416	\$ 6,275,250	11.19%
June 30, 2021	\$ 647,175	\$ 653,182	\$ (6,007)	\$ 5,900,237	11.07%
June 30, 2022	\$ 368,787	\$ 368,787	\$ -	\$ 5,900,237	6.25%

These schedules are intended to show information for ten years and are updated as information becomes available.

Notes to Required Supplementary Information

For the Years Ended June 30, 2022 and 2021

Change of assumptions

In the June 30, 2021 actuarial valuation, there were significant changes in capped subsidy rates, per capita costs, and trend rates. The key reason is due to significant decreases in the Medicare Advantage

prescription drug (MAPD) per member per month rates and the resulting decrease in capped subsidy. Information, if necessary, can be obtained from the CPRB Comprehensive Annual Financial Report and the West Virginia Retiree Health Benefit Trust Fund Annual Financial Report.



**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
Shepherd University
Shepherdstown, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, and the discretely presented component unit of Shepherd University, (the University) (a component unit of the West Virginia Higher Education Fund), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 14, 2022. The financial statements of the Shepherd University Foundation, Inc. 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 the Shepherd University Foundation, Inc.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 University's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 University'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 University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
October 14, 2022