

---

# West Virginia School of Osteopathic Medicine

Financial Statements  
Years Ended June 30, 2022 and 2021

and

Independent Auditor's Reports



**Suttle &  
Stalnaker**

Certified  
Public  
Accountants

A Professional Limited Liability Company



## TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	3 - 5
MANAGEMENT'S DISCUSSION AND ANALYSIS (RSI) (UNAUDITED)	6 - 13
FINANCIAL STATEMENTS	
Statements of Net Position	14
Statements of Revenues, Expenses, and Changes in Net Position	15
Statements of Cash Flows	16
Component Unit - Statements of Financial Position	17
Component Unit - Statements of Activities and Changes in Net Assets	18 - 19
Notes to Financial Statements	20 - 59
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Proportionate Share of the Net OPEB Liability	60
Schedule of OPEB Contributions	61
Note to Required Supplementary Information	62
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	63 - 64

## INDEPENDENT AUDITOR'S REPORT

Board of Governors  
West Virginia School of Osteopathic Medicine  
Lewisburg, 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 the West Virginia School of Osteopathic Medicine (WVSOM), a component unit of the West Virginia Higher Education Policy Commission, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise WVSOM's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of WVSOM, as of June 30, 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 the West Virginia School of Osteopathic Medicine Foundation, Inc. (the Foundation), the discretely presented component unit of WVSOM. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditor.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*. We are required to be independent of WVSOM, 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 opinion.

The Virginia Center  
1411 Virginia Street, East  
Suite 100  
Charleston, WV 25301

MAIN (304) 343-4126  
FAX (304) 343-8008

The Rivers Office Park  
200 Star Avenue | Suite 220  
PO Box 149  
Parkersburg, WV 26102

MAIN (304) 485-6584  
FAX (304) 485-0971

Suncrest Towne Centre  
453 Suncrest Towne Centre Drive  
Suite 201  
Morgantown, WV 26505

MAIN (304) 554-3371  
FAX (304) 554-3410

suttlecpas.com  
cpa@suttlecpas.com

### ***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 WVSOM'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.

### ***Auditor's 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 auditor's report that includes our opinion. 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 generally accepted auditing standards 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 generally accepted auditing standards 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 WVSOM'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 WVSOM'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 audit, 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 pages 6 through 13, the schedule of proportionate share of the net OPEB liability and schedule of OPEB contributions, and related footnote on pages 60 through 62 be presented to supplement the basic financial statements. Such information 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2022 on our consideration of WVSOM's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of WVSOM'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 WVSOM's internal control over financial reporting and compliance.

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

Charleston, West Virginia  
September 30, 2022



# West Virginia School of Osteopathic Medicine

400 North Lee Street  
Lewisburg, West Virginia 24901

## Management's Discussion and Analysis Fiscal Year 2022 Financial Statements

### Overview of the Financial Statements and Financial Analysis

West Virginia School of Osteopathic Medicine (WVSOM) is proud to present its financial statements for fiscal year 2022, with fiscal year 2021 prior year data presented for comparative purposes. The emphasis of discussions about these statements will be on current year data. There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. This discussion and analysis of WVSOM's financial statements provides an overview of its financial activities for the year and its required supplemental information.

As of July 1, 2003, WVSOM adopted GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, as an amendment to GASB No. 14. As a result, the audited financial statements of the West Virginia School of Osteopathic Medicine Foundation, Incorporated (WVSOM Foundation, Inc.) are discretely presented as part of WVSOM's financial statements for the fiscal years ended June 30, 2022 and 2021.

### Statement of Net Position

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of WVSOM as of the end of the fiscal year. The Statement of Net Position is a point of time financial statement. The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snapshot of WVSOM. The Statement of Net Position presents end-of-year data concerning Assets (current and noncurrent), Deferred Outflows of Resources, Liabilities (current and noncurrent), Deferred Inflows of Resources, and Net Position (Assets plus Deferred Outflows minus Liabilities minus Deferred Inflows). The difference between current and noncurrent assets and liabilities are discussed in the footnotes to the financial statements.

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

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

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2022**

7

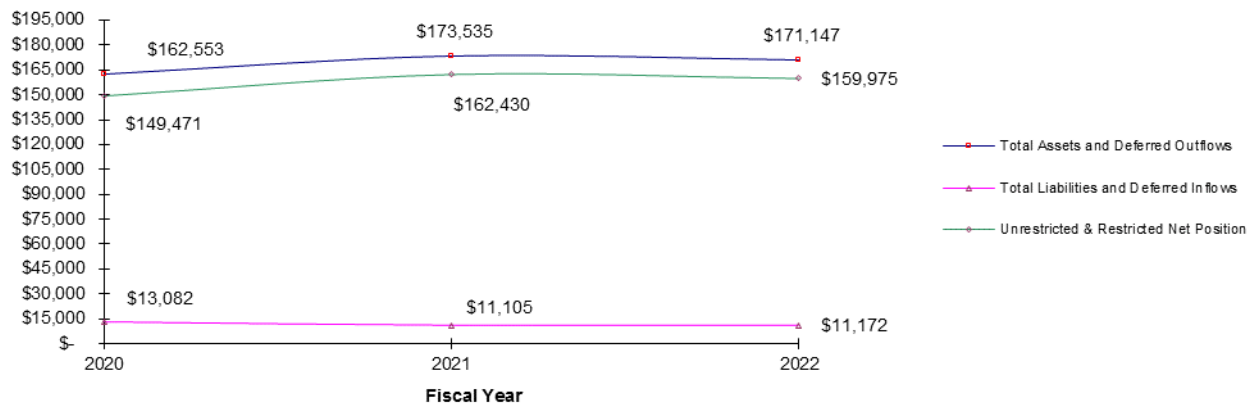
Net position is divided into three major categories. The first category, net investment in capital assets, represents equity in the property, plant and equipment owned by WVSOM. The next category is restricted net position, which is divided into two categories, nonexpendable (permanently restricted)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

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Current assets	\$ 88,981	\$ 93,127	\$ 81,463
Other noncurrent assets	4,667	4,724	4,892
Capital assets, net	<u>76,871</u>	<u>74,645</u>	<u>75,020</u>
<b>Total assets</b>	<u>170,519</u>	<u>172,496</u>	<u>161,375</u>
Employer OPEB contributions	<u>628</u>	<u>1,039</u>	<u>1,178</u>
<b>Total deferred outflows of resources</b>	<u>628</u>	<u>1,039</u>	<u>1,178</u>
<b>Total assets and deferred outflows of resources</b>	<u>171,147</u>	<u>173,535</u>	<u>162,553</u>
Current liabilities	6,731	4,572	4,907
Noncurrent liabilities	<u>1,377</u>	<u>2,714</u>	<u>6,210</u>
<b>Total liabilities</b>	<u>8,108</u>	<u>7,286</u>	<u>11,117</u>
Deferred inflows relating to net OPEB liability	<u>3,064</u>	<u>3,819</u>	<u>1,965</u>
<b>Total deferred inflows of resources</b>	<u>3,064</u>	<u>3,819</u>	<u>1,965</u>
<b>Total liabilities and deferred inflows of resources</b>	<u>11,172</u>	<u>11,105</u>	<u>13,082</u>
Net investment in capital assets	76,871	74,645	75,020
Restricted - expendable	10,974	10,578	11,378
Unrestricted	<u>72,130</u>	<u>77,207</u>	<u>63,073</u>
<b>Total net position</b>	<u>\$ 159,975</u>	<u>\$ 162,430</u>	<u>\$ 149,471</u>

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

8



In fiscal years 2022 and 2021, the total assets and deferred outflows of resources decreased by approximately \$2.4 million and increased by approximately \$10.9 million, respectively. The changes described below represent the majority of the decrease in 2022:

- Cash and cash equivalents, decreased by approximately \$2.2 million.
- Investments decreased by approximately \$2.3 million.
- Appropriations due from primary government increased by approximately \$0.57 million due to Senate Bill 2017.
- Noncurrent assets increased by approximately \$2.2 million due primarily to an increase in Capital Assets, net of accumulated depreciation.
- Deferred outflows of resources decreased by \$0.41 million due to a change in the actuarial assumption that affected OPEB.

In fiscal year 2022, total liabilities and deferred inflows of resources increased by approximately \$0.67 million. In fiscal year 2021, total liabilities and deferred inflows of resources decreased by approximately \$2.0 million. The changes described below represent the majority of the decrease in 2022:

- Current liabilities increased by approximately \$2.2 million because of an increase in accounts payable and unearned revenue.
- Noncurrent liabilities decreased by approximately \$1.3 million because of a decrease in the net OPEB liability and a decrease in advances from federal sponsors.
- Deferred inflows of resources decreased by approximately \$0.75 million due to a change in the actuarial assumptions that affected OPEB.

The ratio of current assets to current liabilities for fiscal year 2022 was 13.22:1 and fiscal year 2021 was 20.37:1.

For fiscal year 2022, net position decreased approximately \$2.45 million and in fiscal year 2021 increased \$13.0 million.



**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2022**

9

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

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

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

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

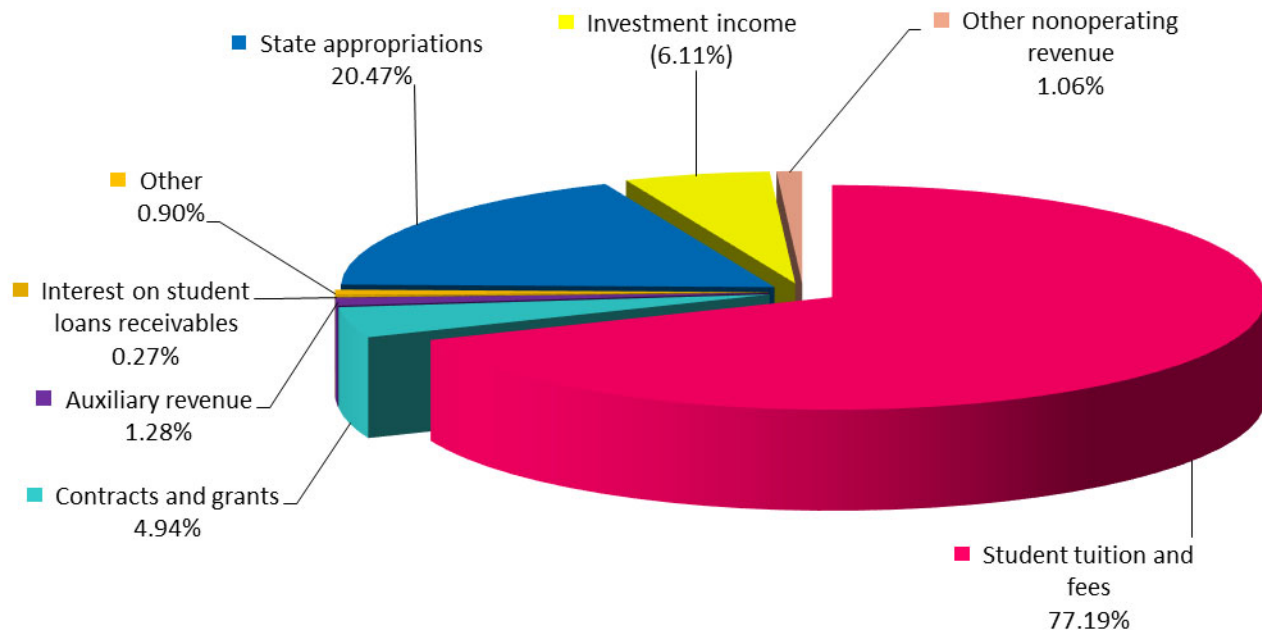
	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating revenues	\$ 39,113	\$ 40,236	\$ 40,451
Operating expenses	<u>48,695</u>	<u>45,986</u>	<u>45,451</u>
Operating income (loss)	(9,582)	(5,750)	(5,000)
Nonoperating revenues, net	<u>7,127</u>	<u>18,709</u>	<u>10,661</u>
Change in net position	<u>(2,455)</u>	<u>12,959</u>	<u>5,661</u>
Net position, beginning of year	<u>162,430</u>	<u>149,471</u>	<u>143,810</u>
Net position, end of year	<u>\$ 159,975</u>	<u>\$ 162,430</u>	<u>\$ 149,471</u>

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

10

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

**FY 2022 Total Revenues: Operating,  
Nonoperating, and Capital**



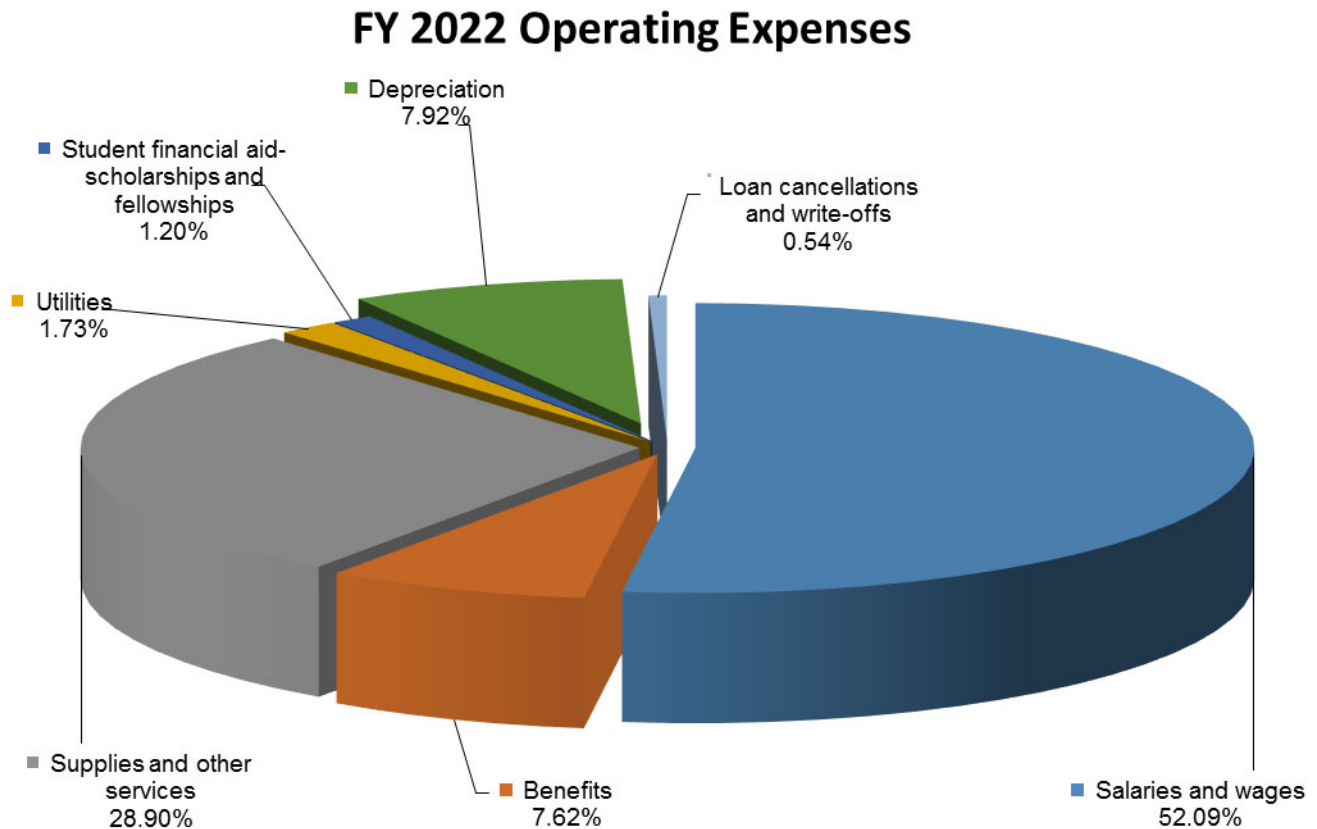
In fiscal year 2022 and 2021, total operating revenues decreased by approximately \$1.12 million and \$0.20 million, respectively. The following explains the net change in operating revenues in fiscal year 2022:

- Tuition and fees decreased by approximately \$1.0 million due primarily to an increase in in-state students being accepted and a slight increase in tuition waivers. Other Operating Revenues decreased by approximately \$0.06 million. These other operating revenue sources comprise 8.74% of WVSOM's operating revenues and 7.38% of total revenues. In fiscal year 2022, nonoperating revenues decreased by approximately \$11.6 million and in fiscal year 2021, increased by \$8.0 million. The decrease in fiscal year 2022 was primarily due to a decrease in investment income of approximately \$11.0 million and state appropriations decreased by \$0.27 million. State appropriations accounted for 20.47% of total revenues, and were used to support the operations of WVSOM. WVSOM participates in the WV State investment pool along with investing funds with Morgan Stanley through the WVSOM Foundation, Inc.

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

11

In fiscal year 2022, net position decreased approximately \$2.45 million while, in fiscal year 2021, the increase was approximately \$13.0 million.



Total operating expenses for fiscal year 2022 and 2021 increased by approximately \$2.7 million and approximately \$0.5 million, respectively. The following explains the increase in operating expenses:

- The salaries and wages and employee benefits categories increased by approximately \$1.37 million. Salary and wages and employee benefits made up approximately 59.71% of the operating expenses of WVSOM.
- Supplies and other services increased by approximately \$0.75 million primarily due to an increase in contracts and general operating supplies. Supplies and other services account for approximately 28.90% of the operating expenses of WVSOM.
- All other operating expenses make up 11.39% of the total operating expenses as indicated on the pie chart above.

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2022**

12

**Statement of Cash Flows**

The Statement of Cash Flows presents detailed information about the cash activities of WVSOM during the year. The statement is divided into five parts. The first section deals with operating cash flows and shows the net cash used in the operating activities of WVSOM. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital assets and related items, and related funding received. The fourth section reflects the cash flows from investing activities and shows interest received from investing activities. The fifth section reconciles the net cash used in operating activities to the operating income or loss reflected in the SRECNP. Overall, cash and cash equivalents decreased by approximately \$2.2 million in fiscal year 2022. This decrease is primarily due to an increase in capital asset purchases.

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Cash provided by (used in):			
Operating activities	\$ (5,516)	\$ (3,601)	\$ (1,265)
Noncapital financing activities	9,273	10,089	8,776
Capital financing activities	(5,459)	(3,125)	(3,247)
Investing activities	<u>(517)</u>	<u>541</u>	<u>1,599</u>
Increase/(Decrease) in cash and cash equivalents	(2,219)	3,904	5,863
Cash and cash equivalents, beginning of year	<u>43,087</u>	<u>39,183</u>	<u>33,320</u>
Cash and cash equivalents, end of year	<u>\$ 40,868</u>	<u>\$ 43,087</u>	<u>\$ 39,183</u>

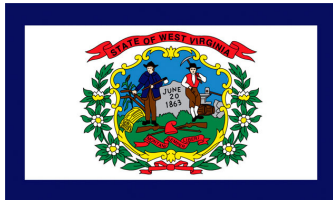
**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

13

**Capital Asset and Debt Administration**

WVSOM began four new capital projects in 2021-22 which are the Student Center tower repair, the New Testing Center construction, the Main Building Roof Replacement Project, and the campus network upgrade. In addition, the school plans to replace the roof of the Robert C. Byrd Clinic original section in 2022-2023. The anticipated cost for the five projects is \$ 9.6 million.

As of June 30, 2022, WVSOM had no existing capital debt and does not expect to have to incur debt to complete the capital projects planned in fiscal year 2022-23.



**Economic Outlook**

Though the economic impact of COVID-19 is expected to continue in 2022-23 with employee and student outages, the school has protocols in place to minimize its impact. West Virginia State officials are optimistic that the tax collections will remain stable in the 2022-23 fiscal year. WVSOM's financial position is closely tied to the financial position of the State of West Virginia, and WVSOM is always at some risk that State appropriations will be reallocated away from higher education and WVSOM. The State's appropriation is important to WVSOM's financial condition. The appropriation is expected to remain at its current level.

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

For the 2022-23 academic year, the school will not increase its tuition and fees. WVSOM anticipates the 2022-23 fiscal year to be a difficult operational year due to continuing pandemic concerns. WVSOM will continue to maintain a close watch over institutional resources to maintain WVSOM's ability to react to unknown internal and external issues.

**Requests for Information**

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

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2022 AND 2021**

14

	<b>2022</b>	<b>2021</b>
<b>ASSETS AND DEFERRED OUTFLOWS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 40,867,864	\$ 43,087,476
Investments	44,186,763	46,518,284
Appropriations due from primary government	853,562	276,461
Accounts receivable	1,941,591	2,250,074
Due from Commission	21,777	674
Loans to students - current portion	655,687	571,783
Prepaid expenses	290,158	281,077
Inventories	163,898	141,414
Total current assets	<u>88,981,300</u>	<u>93,127,243</u>
<b>NONCURRENT ASSETS:</b>		
Other accounts receivable - noncurrent	59,662	81,261
Loans to students, net of allowance of \$684,081 and \$523,482 in 2022 and 2021, respectively	4,521,296	4,642,266
Net other post employment benefit asset	85,943	-
Capital assets, net of accumulated depreciation	76,870,971	74,645,161
Total noncurrent assets	<u>81,537,872</u>	<u>79,368,688</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Employer OPEB contributions	627,633	1,038,866
Total deferred outflows of resources	<u>627,633</u>	<u>1,038,866</u>
<b>TOTAL</b>	<u><u>\$ 171,146,805</u></u>	<u><u>\$ 173,534,797</u></u>
<b>LIABILITIES, DEFERRED INFLOWS, AND NET POSITION</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 2,014,187	\$ 907,782
Due to other state agencies	12,770	21,777
Accrued liabilities	2,258,189	2,103,995
Compensated absences - current portion	1,482,071	1,428,217
Unearned revenue	963,649	109,886
Total current liabilities	<u>6,730,866</u>	<u>4,571,657</u>
<b>NONCURRENT LIABILITIES:</b>		
Advances from federal sponsors	109,326	299,408
Compensated absences	1,267,265	1,183,425
Other post employment benefit liability	-	1,230,803
Total noncurrent liabilities	<u>1,376,591</u>	<u>2,713,636</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Deferred inflows relating to net OPEB liability	3,063,650	3,818,918
Total deferred inflows of resources	<u>3,063,650</u>	<u>3,818,918</u>
<b>NET POSITION</b>		
Net investment in capital assets	76,870,971	74,645,161
Restricted for - expendable - research	2,307,690	1,790,612
Restricted for - expendable - capital projects	2,669,756	2,670,483
Restricted for - expendable - loans	5,996,796	6,117,131
Unrestricted	72,130,485	77,207,199
Total net position	<u>159,975,698</u>	<u>162,430,586</u>
<b>TOTAL</b>	<u><u>\$ 171,146,805</u></u>	<u><u>\$ 173,534,797</u></u>

The Accompanying Notes Are An Integral  
Part Of These Financial Statements

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

15

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES:		
Student tuition and fees, net of scholarship allowance of \$903,174 and \$871,912 in 2022 and 2021, respectively	\$ 35,695,249	\$ 36,757,159
Contracts and grants:		
Federal	1,252,296	706,095
State	929,824	1,684,199
Private	101,261	4,500
Interest on student loans receivable	124,187	133,142
Auxiliary enterprise revenue	593,465	507,516
Miscellaneous, net	417,086	443,882
Total operating revenues	<u>39,113,368</u>	<u>40,236,493</u>
OPERATING EXPENSES:		
Salaries and wages	25,367,389	23,837,459
Benefits	3,710,968	3,862,753
Supplies and other services	14,074,257	13,320,709
Utilities	844,650	793,014
Student financial aid - scholarships and fellowships	583,678	297,667
Depreciation	3,855,465	3,769,560
Loan cancellations and write-offs	259,118	105,420
Total operating expenses	<u>48,695,525</u>	<u>45,986,582</u>
OPERATING LOSS	<u>(9,582,157)</u>	<u>(5,750,089)</u>
NONOPERATING REVENUES (EXPENSES):		
State appropriations	9,463,215	9,729,593
Investment income (loss)	(2,827,355)	8,178,828
Federal HEERF Revenue	577,428	695,154
Loss on disposal of capital assets	(37,843)	(16,427)
Net nonoperating revenues	<u>7,175,445</u>	<u>18,587,148</u>
INCREASE IN NET POSITION BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	(2,406,712)	12,837,059
Capital gifts and grants	30,500	5,000
Payments made and expenses incurred by the State on behalf of WVSOM	<u>(78,676)</u>	<u>116,887</u>
INCREASE (DECREASE) IN NET POSITION	(2,454,888)	12,958,946
NET POSITION - Beginning of year	<u>162,430,586</u>	<u>149,471,640</u>
NET POSITION - End of year	<u><u>\$ 159,975,698</u></u>	<u><u>\$ 162,430,586</u></u>

The Accompanying Notes Are An Integral  
Part Of These Financial Statements

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

16

	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Student tuition and fees	\$ 36,575,935	\$ 36,043,431
Contracts and grants	2,574,585	2,488,437
Payments to and on behalf of employees	(30,525,925)	(28,733,819)
Payments to suppliers	(13,717,535)	(13,598,034)
Payments to utilities	(805,359)	(792,292)
Payments for scholarships and fellowships	(583,678)	(297,667)
Loans issued to students	(693,918)	(914,678)
Collection of loans to students	471,866	1,006,727
Auxiliary enterprise charges	597,397	507,207
Interest collected on loans to students	124,187	133,142
Other receipts, net	465,612	556,830
Net cash used in operating activities	<u>(5,516,833)</u>	<u>(3,600,716)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
State appropriations	8,886,114	9,535,835
Federal HEERF Revenue	577,428	695,154
Graduate Plus loan program receipts	16,792,403	16,791,786
Graduate Plus loan program payments	(16,792,403)	(16,791,786)
Federal Stafford loan program direct lending receipts	25,601,916	25,970,021
Federal Stafford loan program direct lending payments	(25,601,916)	(25,970,021)
Federal Perkins loan funds returned	(190,082)	(141,678)
Net cash provided by noncapital financing activities	<u>9,273,460</u>	<u>10,089,311</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>		
Purchases of capital assets	(5,466,554)	(3,125,955)
Proceeds from sale of capital assets	7,252	766
Net cash used in capital financing activities	<u>(5,459,302)</u>	<u>(3,125,189)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest on investments	(2,848,458)	8,196,671
Purchase of investments	-	(7,656,014)
Proceeds from investments	2,331,521	-
Net cash (used in) provided by investing activities	<u>(516,937)</u>	<u>540,657</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(2,219,612)</b>	<b>3,904,063</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	<b>43,087,476</b>	<b>39,183,413</b>
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<b><u>\$ 40,867,864</u></b>	<b><u>\$ 43,087,476</u></b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</b>		
Operating loss	\$ (9,582,157)	\$ (5,750,089)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	3,855,465	3,769,560
OPEB (revenue)/expense - special funding situation	(78,676)	116,887
Loan cancellations and write-offs	259,118	105,420
Changes in assets and liabilities:		
Accounts receivable, net	332,235	132,662
Loans to students, net	(222,052)	92,049
Other receivables	38,348	7,328
Prepaid expenses	(9,080)	(75,343)
Inventories	(22,483)	23,518
Deferred outflows of resources	411,233	139,117
Accounts payable	436,586	(148,567)
Due to other state agencies	(9,007)	(76,213)
Accrued liabilities	154,194	162,573
Compensated absences	137,694	129,326
Unearned revenue	853,763	(647,433)
Net other postemployment benefits liability	(1,316,746)	(3,435,569)
Deferred inflows of resources	(755,268)	1,854,058
Net cash used in operating activities	<u>\$ (5,516,833)</u>	<u>\$ (3,600,716)</u>
<b>NONCASH TRANSACTIONS:</b>		
(Gain) loss on disposal of capital assets	\$ 37,843	\$ 16,427
Capital expenses in accounts payable	<u>\$ 1,034,633</u>	<u>\$ 364,817</u>

The Accompanying Notes Are An Integral  
Part Of These Financial Statements



WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE  
WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE FOUNDATION, INC.  
A COMPONENT UNIT OF WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2022 AND 2021

17

<u>ASSETS</u>		
	<u>2022</u>	<u>2021</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 410,947	\$ 400,222
Accounts receivable	12,307	5,492
Current portion of pledges receivable, net	71,655	65,417
Prepaid expenses	7,782	5,282
Loans receivable	10,400	2,000
<b>TOTAL CURRENT ASSETS</b>	<u>513,091</u>	<u>478,413</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	40,000	60,000
<b>INVESTMENTS</b>		
Assets held in trust	250,000	250,000
Marketable securities	52,342,758	54,302,179
<b>TOTAL INVESTMENTS</b>	<u>52,592,758</u>	<u>54,552,179</u>
<b>NON-CURRENT PLEDGES RECEIVABLE, NET</b>	<u>106,370</u>	<u>76,160</u>
<b>TOTAL ASSETS</b>	<u>\$ 53,252,219</u>	<u>\$ 55,166,752</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<b>CURRENT LIABILITIES</b>		
Accounts payable		
Accounts payable	\$ -	\$ 1,506
Custodial liabilities	46,694,059	48,113,371
<b>TOTAL CURRENT LIABILITIES</b>	<u>46,694,059</u>	<u>48,114,877</u>
<b>TOTAL LIABILITIES</b>	<u>46,694,059</u>	<u>48,114,877</u>
<b>NET ASSETS</b>		
Without donor restrictions	1,524,731	1,806,883
With donor restrictions	5,033,429	5,244,992
<b>TOTAL NET ASSETS</b>	<u>6,558,160</u>	<u>7,051,875</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 53,252,219</u>	<u>\$ 55,166,752</u>

The Accompanying Notes Are An Integral  
Part Of These Financial Statements

WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE  
WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE FOUNDATION, INC.  
A COMPONENT UNIT OF WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE  
STATEMENTS OF ACTIVITY AND CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2022

18

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES &amp; OTHER SUPPORT</b>			
Contributed services	\$ 356,595	\$ -	\$ 356,595
Contributions	58,894	385,106	444,000
Facility rental revenue	23,158	-	23,158
Investment income			
Interest and dividends	27,876	123,532	151,408
Realized gain (loss)	41,061	203,587	244,648
Unrealized gain (loss)	(257,848)	(728,554)	(986,402)
Investment management fees	(12,283)	(33,759)	(46,042)
Other revenue	3,154	-	3,154
Net assets released from restrictions	161,475	(161,475)	-
<b>TOTAL REVENUES &amp; OTHER SUPPORT</b>	<u>402,082</u>	<u>(211,563)</u>	<u>190,519</u>
<b>EXPENSES</b>			
School and student support activities	366,056	-	366,056
Management and general	140,537	-	140,537
Fundraising	177,641	-	177,641
<b>TOTAL EXPENSES</b>	<u>684,234</u>	<u>-</u>	<u>684,234</u>
<b>CHANGE IN NET ASSETS</b>	(282,152)	(211,563)	(493,715)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	1,806,883	5,244,992	7,051,875
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 1,524,731</u>	<u>\$ 5,033,429</u>	<u>\$ 6,558,160</u>

The Accompanying Notes Are An Integral  
Part Of These Financial Statements

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

19

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

The Accompanying Notes Are An Integral  
Part Of These Financial Statements

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

20

**NOTE 1 - ORGANIZATION**

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

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

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

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

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

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

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

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

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2022 AND 2021**

21

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

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

The audited financial statements of the Foundation are presented here as a discrete component unit with the WVSOM financial statements in accordance with GASB. The Foundation is a private non-profit organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's audited financial information as it is presented herein (see also Notes 12, 13, and 15).

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

- *Net investment in capital assets* - This represents WVSOM's total investment in capital assets, net of depreciation and outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.
- *Restricted net position - expendable* - This includes resources for which WVSOM is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

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

- *Restricted net position - nonexpendable* - These include endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.
- *Unrestricted net position* - Unrestricted net position represents resources derived from student tuition and fees, State appropriations, and sales and services of educational activities. These resources are used for transactions relating to the educational and general operations of WVSOM, and may be used at the discretion of the Board of Governors to meet current expenses for any purpose.

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

22

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

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

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

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

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

Permissible investments for all agencies include those guaranteed by the United States of America, its agencies and instrumentalities (U.S. Government obligations); corporate debt obligations, including commercial paper, which meet certain ratings; certain money market funds; repurchase agreements; reverse repurchase agreements; asset-backed securities; certificates of deposit; state and local government securities (SLGS); and other investments. Other investments consist primarily of investments in accordance with the Linked Deposit Program, a program using financial institutions in West Virginia to obtain certificates of deposit, loans approved by the legislature, and any other program investments authorized by the legislature. The WV Legislature amended state code 12-1-12d in 2020 which allows WVSOM to invest funds outside the WV State Treasurer's office through its Foundation.

**Investments** - WVSOM had investments in five funds with Morgan Stanley at June 30, 2022, comprised of Money Market Funds, Common Stocks, U.S. Government Securities, and Corporate Bonds. The Foundation acts as the investment agent and manages these investments.

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

23

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

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

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

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

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

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

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

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

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

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

24

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

**Capital Assets** - Capital assets include property, plant, equipment, and books and materials that are part of a catalogued library. Capital assets are stated at cost at the date of acquisition or construction, or fair market value at the date of donation in the case of gifts. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, 50 years for buildings and building improvements, 15 years for land improvements, 7 years for library books, and 4 to 12 years for furniture and equipment. WVSOM's capitalization thresholds are \$15,000 for land and building improvements and \$5,000 for equipment. There was no interest capitalized during 2022 and 2021. The accompanying financial statements reflect all adjustments required by GASB.

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

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

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

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

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

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

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



**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

25

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

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

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

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

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

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

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

**Use of Restricted Net Position** - WVSOM has not adopted a formal policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available. Generally, WVSOM attempts to utilize restricted net position first, when practicable.

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

26

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

**Federal Financial Assistance Programs** - WVSOM, through financial institutions, makes loans to students under the Federal Stafford Loan Program and Graduate Plus Loan Program. These loans are not included as receivable on WVSOM's statements of net position as the loans are repayable directly to the U.S. Department of Education. WVSOM has awarded \$25,601,916 and \$25,970,021 in 2022 and 2021, respectively, under the Federal Stafford Loan Program and \$16,792,403 and \$16,791,786 in 2022 and 2021, respectively, under the Graduate Plus Loan Program, which are not included as revenue and expense on the statements of revenues, expenses, and changes in net position. Both programs are from the U.S. Department of Education.

WVSOM also distributes other student financial assistance funds on behalf of the federal government to students under the Federal Perkins Loan, Health Professions Student Loan, and College Work Study programs. The activity of these programs are recorded in the accompanying financial statements. In 2022 and 2021, WVSOM received and disbursed \$348,289 and \$331,004, respectively, under these federal student aid programs.

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

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

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

**Income Taxes** - WVSOM is exempt from income taxes, except for unrelated business income, as a governmental instrumentality under federal income tax laws and regulations of the Internal Revenue Service as described in Section 115 of the Internal Revenue Code.

**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.

WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2022 AND 2021

27

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

**Cash Flows** - Any cash and cash equivalents escrowed, restricted for noncurrent assets, or in funded reserves have been included as cash and cash equivalents for the purpose of the statements of cash flows.

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

**Newly Adopted Statements Issued by the Governmental Accounting Standards Board** - WVSOM implemented GASB Statement No. 87, *Leases*, which is effective for fiscal years beginning after June 15, 2021. This Statement requires lessees and lessors to report leases under a single model. Under this Statement, 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 for each lease. This Statement also requires additional notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The adoption of GASB Statement No. 87 did not have a significant impact on the financial statements.

WVSOM implemented GASB Statement No. 92, *Omnibus 2020*, which is effective for fiscal years beginning after June 15, 2021. The requirements of this Statement address a variety of items, including specific provisions regarding the following topics: (1) GASB Statement No. 87 Implementation; (2) intra-entity transfers of assets; (3) postemployment benefits; (4) government acquisitions; (5) risk financing and insurance related activities of public entity risk pools; and (6) fair value measurements and derivative instruments. The adoption of GASB Statement No. 92 did not have a significant impact on the financial statements.

WVSOM implemented GASB Statement No. 93, *Replacement of Interbank Offered Rates*. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021. This Statement removes LIBOR as an appropriate benchmark to coincide with its cessation at the end of calendar year 2021. The new guidance also addresses accounting and financial reporting implications that result from a change or replacement of any interbank offered rate (IBOR) in both hedging derivative instruments and leases. The standard also identifies appropriate benchmark interest rates for hedging derivatives. The adoption of GASB Statement No. 93. did not have a significant impact on the financial statements.

WVSOM implemented GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.*, parts of which were effective immediately, while other provisions are effective for reporting periods beginning after June 15, 2021. The provisions that were immediately effective required that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or an other employee benefit plan that the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform and limits the applicability of the financial burden criterion in GASB Statement No. 84 to defined benefit pension plans and defined OPEB plans administered through trusts. This Statement also requires that an IRC Section 457 Plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

28

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

meets the definition of a pension plan and clarifies that arrangements under IRC Section 457 should be assessed as a potential fiduciary activity under GASB Statement No. 84. As part of the supersession of GASB Statement No. 32, this Statement also requires that investments of all Section 457 plans should be measured as of the end of the plan's reporting period in all circumstances. The portion of GASB Statement No. 97 that was effective immediately did not have a significant impact on the financial statements. The adoption of the remaining portions of GASB Statement No. 97 did not have a significant impact on the financial statements.

WVSOM implemented GASB Statement No. 98, *The Annual Comprehensive Financial Report* which is effective for fiscal years ending after December 15, 2021. This Statement establishes the term *annual comprehensive financial report* and its acronym *ACFR*. That new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. The adoption of GASB Statement No. 98 did not have a significant impact on the financial statements.

***Recent Statements Issued by the Governmental Accounting Standards Board*** - GASB has issued Statement No. 91, *Conduit Debt Obligations*, which is effective for fiscal years beginning after December 15, 2022. The requirements of this Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is, in fact, a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity, thereby improving comparability in reporting by issuers. Revised disclosure requirements will provide financial statement users with better information regarding the commitments issuers extend and the likelihood that they will fulfill those commitments. That information will inform users of the potential impact of such commitments on the financial resources of issuers and help users assess issuers' roles in conduit debt obligations. WVSOM has not yet determined the effect that the adoption of GASB Statement No. 91 may have on its financial statements.

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

GASB has issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, which is effective for fiscal years beginning after June 15, 2022. The requirements of this Statement establish a definition for SBITA, which is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

29

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

transaction. Generally, this Statement will require a government to recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. The Statement also establishes guidance for the treatment of costs related to SBITA activities other than subscription payments. Those activities are: Preliminary Project Stage, Initial Implementation Stage, and Operation and Additional Implementation Stage. This Statement also requires a government to disclose essential information about the arrangement such as the amount of the subscription asset, accumulated amortization, other payments not included in the measurement of a subscription liability, principal and interest requirements for the subscription liability. WVSOM has not yet determined the effect that the adoption of GASB Statement No. 96 may have on its financial statements.

GASB has issued Statement No. 99, *Omnibus 2022*, with varying effective dates based upon each provision ranging from being effective immediately to fiscal years beginning after June 15, 2023. The requirements of this Statement address a variety of items, including specific provisions regarding the following topics: (1) guidance and terminology updates on reporting derivative instruments that do not meet the definition of either an investment derivative or hedging derivative, but are within the scope of GASB Statement No. 53; (2) clarification of provisions of GASB Statement Nos. 87, 94, and 96; (3) extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate; (4) accounting for Supplemental Nutrition Assistance Program (SNAP) benefits; (5) non-monetary transactions; (6) clarification related to the focus of government-wide financial statements under GASB Statement No. 34; and (7) terminology updates related to GASB Statement No. 63. The provisions effective immediately did not have an impact on the financial statements, and WVSOM has not yet determined the effect of the remaining provisions.

GASB has issued Statement No. 100, *Accounting Changes and Error Corrections- an Amendment of GASB Statement No. 62*, which is effective for fiscal years beginning after June 15, 2023. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. Those changes include things like: certain changes in accounting principles, certain changes in estimates that result from a justified or preferable change in measurement or new methodology. This statement requires that changes in accounting principles and error corrections be reported retroactively by restating prior periods; changes to or within the reporting entity be reported by adjusting beginning balances of the current period; and changes in accounting estimates be reported prospectively by recognizing the change in the current period. If the change in accounting principle is the result of a new pronouncement the requirements only apply absent specific transition guidance in the pronouncement. Under this standard it is also necessary to display the total adjustment to beginning net position, fund balance, or fund net position on the face of the financial statements, by reporting unit. This statement also specifies both qualitative and quantitative disclosure requirements. Lastly, this statement provides guidance for if and how these changes should be reflected in required supplementary information and supplementary information. WVSOM has not yet determined the effect that the adoption of GASB Statement No. 100 may have on its financial statements.

GASB has issued Statement No. 101, *Compensated Absences*, which is effective for fiscal years beginning after December 15, 2023. This statement modifies the criteria requiring a liability for compensated absences to be recognized. Under this statement a liability must be recognized for leave that has not been used, or leave that has been used but not yet paid in cash or settled through noncash means. Furthermore, the liability for leave that has not been used is recognized if the leave is attributed to services already rendered, that accumulates,

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

30

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

and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. If the leave is considered more likely than not to be settled through conversion to a defined benefit post-employment benefit it should not be included in the liability for compensated absences. This statement also specifies certain types of benefits where the liability is not recognized until leave commences or where the liability is not recognized until the leave is used. The statement also provides guidance for measuring the liability and modifies the disclosure requirements allowing for disclosure of only the net change in the liability, and no longer requiring disclosure of which governmental funds have been used to liquidate the liabilities. WVSOM has not yet determined the effect that the adoption of GASB Statement No. 101 may have on its financial statements.

**NOTE 3 - CASH AND CASH EQUIVALENTS**

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

	2022		
	Current	Noncurrent	Total
Cash on deposit with the State Treasurer/BTI	\$ 39,011,155	\$ -	\$ 39,011,155
Cash in money market funds	1,604,764	-	1,604,764
Cash in bank	243,952	-	243,952
Cash on hand	7,993	-	7,993
	<u>\$ 40,867,864</u>	<u>\$ -</u>	<u>\$ 40,867,864</u>

	2021		
	Current	Noncurrent	Total
Cash on deposit with the State Treasurer/BTI	\$ 40,189,228	\$ -	\$ 40,189,228
Cash in money market funds	2,598,100	-	2,598,100
Cash in bank	268,751	-	268,751
Cash on hand	31,397	-	31,397
	<u>\$ 43,087,476</u>	<u>\$ -</u>	<u>\$ 43,087,476</u>

Cash held by the Treasurer includes \$4,300,413 and \$3,738,849 of restricted cash classified as current, at June 30, 2022 and 2021, respectively.

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

31

**NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)**

The combined carrying amount of cash in the bank at June 30, 2022 and 2021 was \$243,952 and \$268,751, respectively, as compared with the combined bank balance of \$1,343,123 and \$1,441,798 for the years ended June 30, 2022 and 2021, respectively. The difference is primarily caused by outstanding checks and items in transit. The bank balances were covered by federal depository insurance as noted below or were collateralized by securities held by the State's agent. Regarding federal depository insurance, interest-bearing accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Non-interest bearing accounts are fully insured through December 31, 2022.

Amounts with the State Treasurer were \$39,011,155 and \$40,189,228 as of June 30, 2022 and 2021, respectively. Of these amounts \$27,870,743 and \$32,761,136 were invested in the WV Money Market Pool and the WV Short Term Bond Pool as of June 30, 2022 and 2021, respectively. The remainder of the cash held with the State Treasurer was not invested at June 30, 2022 and 2021.

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

External Pool	2022		2021	
	Carrying Value	S & P Rating	Carrying Value	S & P Rating
WV Money Market Pool	\$ 27,224,484	AAAm	\$ 31,973,490	AAAm
WV Short Term Bond Pool	646,259	Not Rated	787,646	Not Rated

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

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

External Pool	2022		2021	
	Carrying Value	WAM (Days)	Carrying Value	WAM (Days)
WV Money Market Pool	\$ 27,224,484	21	\$ 31,973,490	52

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

32

**NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)**

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

	2022		2021	
	Carrying Value	WAM (Days)	Carrying Value	WAM (Days)
External Pool				
WV Short Term Bond Pool	\$ 646,259	584	\$ 787,646	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.

*Custodial Credit Risk* - Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, WVSOM will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Repurchase agreements are required to be collateralized by at least 102% of their value, and the collateral is held in the name of BTI. The BTI or its agent does not release cash or securities until the counterparty delivers its side of the transaction.

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

*Foreign Currency Risk* - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. WVSOM has no securities with foreign currency risk.



**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

33

**NOTE 4 - INVESTMENTS**

WVSOM categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. WVSOM had the following recurring fair value measurements comprised of investments as of June 30, 2022 and 2021.

2022				
	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment by Fair Value Level				
Morgan Stanley Private Wealth Management:				
Common stock	\$ 17,775,282	\$ 17,775,282	\$ -	\$ -
U.S. treasury securities	9,367,466	9,367,466	-	-
Corporate bonds	6,828,325	6,828,325	-	-
Total	<u>\$ 33,971,073</u>	<u>\$ 33,971,073</u>	<u>\$ -</u>	<u>\$ -</u>
Investments Measured at Net Asset Value (NAV)				
Morgan Stanley Private Wealth Management:				
Alternative investments	10,215,690			
Total Investments Measured at the NAV	<u>10,215,690</u>			
Total Investments Measured at Fair Value	<u>\$ 44,186,763</u>			
Total		<u>\$ 33,971,073</u>	<u>\$ -</u>	<u>\$ -</u>
2021				
	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment by Fair Value Level				
Morgan Stanley Private Wealth Management:				
Common stock	\$ 20,560,246	\$ 20,560,246	\$ -	\$ -
U.S. treasury securities	8,853,292	8,853,292	-	-
Corporate bonds	6,784,836	6,784,836	-	-
Total	<u>36,198,374</u>	<u>\$ 36,198,374</u>	<u>\$ -</u>	<u>\$ -</u>
Investments Measured at Net Asset Value (NAV)				
Morgan Stanley Private Wealth Management:				
Alternative investments	10,319,910			
Total Investments Measured at the NAV	<u>10,319,910</u>			
Total Investments Measured at Fair Value	<u>\$ 46,518,284</u>			
Total		<u>\$ 36,198,374</u>	<u>\$ -</u>	<u>\$ -</u>

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

34

**NOTE 4 - INVESTMENTS (Continued)**

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

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

2022				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Morgan Stanley Private Wealth Management:				
Renaissance Institutional Equities Fund	\$ 2,398,912	n/a	Monthly	60 Days
HP Millennium International Fund	632,330	n/a	Quarterly	30 Days
Mudrick Distressed Opportunity Fund	5,304,315	n/a	Quarterly	90 Days
KKR Dislocation Fund	1,880,133	\$ 769,460	n/a	n/a
Total Investments Measured at the NAV	<u>\$ 10,215,690</u>	<u>\$ 769,460</u>		
2021				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Morgan Stanley Private Wealth Management:				
Renaissance Institutional Equities Fund	\$ 1,996,032	n/a	Monthly	60 Days
HP Millennium International Fund	1,130,007	n/a	Quarterly	30 Days
Mudrick Distressed Opportunity Fund	5,906,273	n/a	Quarterly	90 Days
KKR Dislocation Fund	1,287,598	\$ 1,625,000	n/a	n/a
Total Investments Measured at the NAV	<u>\$ 10,319,910</u>	<u>\$ 1,625,000</u>		

**Credit Risk**

WVSOM's investment policy adheres to fiduciary responsibilities in accordance with the provisions of the Uniform Prudent Investor Act (WV State Code 44-6C-1 Prudent Investor Rule). At June 30, 2022, the RNC Capital Management fund had a Bond Maturity Schedule and Bond Quality of:

Bond Maturity	Market Value	% of Bond Market Value
Less than 1 year	\$ 2,441,748	15.08%
1 to 5 years	13,754,043	84.92%
6 to 10 years	-	0.00%
Over 10 years	-	0.00%
Total	<u>\$ 16,195,791</u>	<u>100.00%</u>

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

35

**NOTE 4 - INVESTMENTS (Continued)**

Security Description	Bond Quality		Market Value	% of Bond Market Value
	Moody's	S&P		
Bank of America Corp	A2	A-	\$ 817,513	5.05%
JP Morgan Chase & Co	A2	A-	407,118	2.50%
Goldman Sachs Group Inc	A2	BBB+	778,300	4.80%
Morgan Stanley	A1	A-	823,572	5.09%
Wells Fargo & Co	A1	BBB+	411,636	2.54%
US Treasury Note	AAA		9,367,466	57.84%
Western Digital Corp	BAA3	BB+	394,779	2.44%
General Motors Co	BAA3	BBB	814,612	5.03%
Energy Transfer LP	BAA3	BBB-	786,686	4.86%
Utah Acquisition Sub Inc	BAA3	BBB-	781,511	4.83%
Discovery Communications LLC	BAA3	BBB-	412,579	2.55%
Cheniere Corpus Christi Holdings LLC	BAA3	BBB-	400,019	2.47%
			<u>\$ 16,195,791</u>	<u>100.00%</u>

**Concentration of Credit Risk**

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

**Interest Rate Risk**

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

**NOTE 5 - ACCOUNTS RECEIVABLE**

Accounts receivable are as follows at June 30:

	2022	2021
Grants and contracts receivable	\$ 288,315	\$ 669,606
Grants receivable - West Virginia University Research Corporation	145,269	160,050
Grants receivable - Marshall University Research Corporation	80,607	14,786
Other accounts receivable	<u>1,427,400</u>	<u>1,405,632</u>
	<u>\$ 1,941,591</u>	<u>\$ 2,250,074</u>

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

36

**NOTE 5 - ACCOUNTS RECEIVABLE (Continued)**

Noncurrent receivables were as follows at June 30:

	2022	2021
Arrears Pay Conversion	\$ 59,662	\$ 81,261
	<u>\$ 59,662</u>	<u>\$ 81,261</u>

**NOTE 6 - CAPITAL ASSETS**

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

	2022			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,633,095	\$ -	\$ -	\$ 1,633,095
Construction in progress	1,645,059	5,791,250	(1,588,156)	5,848,153
Total capital assets not being depreciated	<u>\$ 3,278,154</u>	<u>\$ 5,791,250</u>	<u>\$(1,588,156)</u>	<u>\$ 7,481,248</u>
Other capital assets:				
Land improvements	\$ 3,690,174	\$ -	\$ -	\$ 3,690,174
Buildings	99,004,311	1,417,032	-	100,421,343
Equipment	10,854,972	511,134	(753,787)	10,612,319
Library books	81,416	3,624	(44,694)	40,346
Total other capital assets	<u>113,630,873</u>	<u>1,931,790</u>	<u>(798,481)</u>	<u>114,764,182</u>
Less accumulated depreciation for:				
Land improvements	(2,669,060)	(88,199)	-	(2,757,259)
Buildings	(31,987,273)	(2,793,885)	-	(34,781,158)
Equipment	(7,549,365)	(961,233)	700,178	(7,810,420)
Library books	(58,168)	(12,148)	44,694	(25,622)
Total accumulated depreciation	<u>(42,263,866)</u>	<u>(3,855,465)</u>	<u>744,872</u>	<u>(45,374,459)</u>
Other capital assets, net	<u>\$ 71,367,007</u>	<u>\$ (1,923,675)</u>	<u>\$ (53,609)</u>	<u>\$ 69,389,723</u>
Capital asset summary:				
Capital assets not being depreciated	\$ 3,278,154	\$ 5,791,250	\$(1,588,156)	\$ 7,481,248
Other capital assets	<u>113,630,873</u>	<u>1,931,790</u>	<u>(798,481)</u>	<u>114,764,182</u>
Total cost of capital assets	116,909,027	7,723,040	(2,386,637)	122,245,430
Less accumulated depreciation	<u>(42,263,866)</u>	<u>(3,855,465)</u>	<u>744,872</u>	<u>(45,374,459)</u>
Capital assets, net	<u>\$ 74,645,161</u>	<u>\$ 3,867,575</u>	<u>\$ (1,641,765)</u>	<u>\$ 76,870,971</u>

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

37

**NOTE 6 - CAPITAL ASSETS (Continued)**

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

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

At June 30, 2022, WVSOM had outstanding contractual commitments of \$1,034,633 for property, plant, and equipment expenditures.

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

38

**NOTE 7 - LONG-TERM LIABILITIES**

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

	2022				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Advances from federal sponsors	\$ 299,408	\$ -	\$ (190,082)	\$ 109,326	\$ -
Compensated absences	2,611,642	137,694	-	2,749,336	1,482,071
Net other postemployment benefits (asset)/liability	<u>1,230,803</u>	<u>388,798</u>	<u>(1,705,544)</u>	<u>(85,943)</u>	<u>-</u>
Total long-term liabilities	<u>\$ 4,141,853</u>	<u>\$ 526,492</u>	<u>\$ (1,895,626)</u>	<u>\$ 2,772,719</u>	<u>\$ 1,482,071</u>
	2021				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Advances from federal sponsors	\$ 441,086	\$ -	\$ (141,678)	\$ 299,408	\$ -
Compensated absences	2,482,316	129,326	-	2,611,642	1,428,217
Net other postemployment benefits (asset)/liability	<u>4,666,372</u>	<u>324,968</u>	<u>(3,760,537)</u>	<u>1,230,803</u>	<u>-</u>
Total long-term liabilities	<u>\$ 7,589,774</u>	<u>\$ 454,294</u>	<u>\$ (3,902,215)</u>	<u>\$ 4,141,853</u>	<u>\$ 1,428,217</u>

**NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS**

As related to the implementation of GASB 75, following are WVSOM's net OPEB liability, net OPEB asset, deferred outflows of resources and deferred inflows of resources related to OPEB, revenues, and the OPEB expense and expenditures for the fiscal years ended June 30, 2022 and 2021:

	2022	2021
Net OPEB (asset)/liability	\$ (85,943)	\$ 1,230,803
Deferred outflows of resources	627,633	1,038,866
Deferred inflows of resources	3,063,650	3,818,918
Revenues	(78,676)	116,887
OPEB expense	(1,447,462)	(798,366)
Contributions made by WVSOM	305,235	527,074

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

39

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

***Plan Description***

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

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

RHBT is considered a component unit of the State of West Virginia for financial reporting purposes, and, as such, its financial report is also included in the State of West Virginia's Annual Comprehensive Financial Report. RHBT issues publicly available financial statements and required supplementary information for the OPEB plan. Details regarding this plan and a copy of the RHBT financial report may be obtained by contacting PEIA at 601 57<sup>th</sup> Street SE, Suite 2, Charleston, West Virginia 25304-2345, or by calling (888) 680-7342.

***Benefits Provided***

The Plan provides the following benefits:

- Medical and prescription drug insurance
- Life insurance

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

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

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

40

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

***Contributions***

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

Paygo premiums are established by the PEIA Finance Board annually. All participating employers are required by statute to contribute this premium to the RHBT at the established rate for every active policyholder per month. The paygo rates related to the measurement dates of June 30, 2021 and 2020 were:

	<u>2021</u>	<u>2020</u>
Paygo premium	\$ 160	\$ 168

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

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

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

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

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

WVSOM's contributions to the OPEB plan for the years ended June 30, 2022, 2021, and 2020, were \$305,235, \$527,074, and \$538,872, respectively.

***Assumptions***

The June 30, 2022 OPEB (asset)/liability for financial reporting purposes was determined by an actuarial valuation as of June 30, 2020, and a measurement date of June 30, 2021. The following actuarial assumptions were used and applied to all periods included in the measurement, unless otherwise specified:



**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

41

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

- Inflation rate: 2.25%.
- Salary increase: Specific to the OPEB covered group. Ranging from 2.75% to 5.18%, including inflation
- Investment rate of return: 6.65%, net of OPEB plan investment expense, including inflation.
- Healthcare cost trend rates: Trend rate for pre-Medicare per capita costs of 7.0% 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 end 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 in plan year end 2036
- Actuarial cost method: Entry age normal cost method.
- Amortization method: Level percentage of payroll over a 20-year closed period beginning June 30, 2017.
- Wage inflation rate: 2.75%.
- Retirement age: Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the June 30, 2020 actuarial valuation.
- Aging factors: Based on the 2013 SOA Study "Health Care Costs – From Birth to Death"
- Expenses: Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of the annual expense.
- Mortality Post Retirement:
  - Pub-2010 General Healthy Retiree Mortality Tables projected with MP-2019 and scaling factors of 100% for males and 108% for females.
- Mortality Pre-Retirement:
  - Pub-2010 General Employee Mortality Tables projected with MP-2019.
- Expenses: Health administrative expenses are included in the development of the per capita claims costs. Operating expenses are included as a component of the annual expense.

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

There were no assumption changes from the actuarial valuation as of June 30, 2020, measured at June 30, 2020 and rolled forward to a measurement date of June 30, 2021.

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

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

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

42

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	55%	4.8%
Core plus fixed income	15%	2.1%
Core real estate	10%	4.1%
Hedge fund	10%	2.4%
Private equity	10%	6.8%

**Single discount rate.** A single discount rate of 6.65% was used to measure the total OPEB (asset)/liability. This single discount rate was based on the expected rate of return on OPEB plan investments of 6.65%. 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.

Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB (asset)/liability. Discount rates are subject to change between measurement dates.

**Sensitivity of the net OPEB (asset)/liability to changes in the discount rate.** The following presents WVSOM's proportionate share of the net OPEB (asset)/liability as of June 30, 2022 and 2021 calculated using the discount rate of 6.65%, as well as what WVSOM's net OPEB (asset)/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.

Net OPEB (Asset)/Liability	1% Decrease (5.65%)	Current Discount Rate (6.65%)	1% Increase (7.65%)
2022	\$ 461,179	\$ (85,943)	\$ (520,210)
2021	\$ 1,755,288	\$ 1,230,803	\$ 791,739

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

43

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

**Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate.** The following presents WVSOM's proportionate share of the net OPEB liability as of June 30, 2022 and 2021 calculated using the healthcare cost trend rate, as well as what WVSOM's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate.

Net OPEB (Asset)/Liability	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
2022	\$ (634,557)	\$ (85,943)	\$ 582,331
2021	\$ 740,585	\$ 1,230,803	\$ 1,822,886

***OPEB (Assets)/Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

The June 30, 2022 net OPEB (asset)/liability was measured as of June 30, 2021, and the total OPEB (asset)/liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to the measurement date of June 30, 2021. The June 30, 2021 net OPEB (asset)/liability was measured as of June 30, 2020, and the total OPEB (asset)/liability was determined by an actuarial valuation as of June 30, 2020, which was the measurement date.

At June 30, 2022, WVSOM's proportionate share of the net OPEB (asset)/liability was \$(102,865). Of this amount, WVSOM recognized \$(85,943) as its proportionate share on the statement of net position. The remainder of \$(16,922) denotes WVSOM's proportionate share of net OPEB (asset)/liability attributable to the special funding.

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

The allocation percentage assigned to each participating employer and non-employer contributing entity is based on its proportionate share of employer and non-employer contributions to OPEB for each of the fiscal years ended June 30, 2021 and 2020. Employer contributions are recognized when due. At the June 30, 2021 measurement date, WVSOM's proportion was 0.289%, an increase of 0.010% from its proportion of 0.279% calculated as of June 30, 2020. At the June 30, 2020 measurement date, WVSOM's proportion was 0.279%, a decrease of 0.002% from its proportion of 0.281% calculated as of June 30, 2019.

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

44

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

For the year ended June 30, 2022, WVSOM recognized OPEB expense of \$(1,447,462). Of this amount, (\$1,368,786) was recognized as WVSOM's proportionate share of OPEB expense and \$(78,676) as the amount of OPEB expense attributable to special funding from a non-employer contributing entity. WVSOM also recognized revenue of \$(78,676) for support provided by the State.

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

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

<u>June 30, 2022</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 592,018
Changes in proportion and difference between employer contributions and proportionate share of contributions	322,398	29,002
Net difference between expected and actual investment earnings		593,116
Reallocation of Opt-Out Employer Change in Proportionate Share		30,922
Changes in assumptions		1,818,592
Contributions after the measurement date	<u>305,235</u>	<u>-</u>
Total	<u>\$ 627,633</u>	<u>\$ 3,063,650</u>
<u>June 30, 2021</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 798,030
Changes in proportion and difference between employer contributions and proportionate share of contributions	418,366	167,453
Net difference between expected and actual investment earnings	93,426	-
Reallocation of Opt-Out Employer Change in Proportionate Share	-	75,257
Changes in assumptions	-	2,778,178
Contributions after the measurement date	<u>527,074</u>	<u>-</u>
Total	<u>\$ 1,038,866</u>	<u>\$ 3,818,918</u>

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

45

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

WVSOM will recognize the \$305,235 reported as deferred outflows of resources resulting from OPEB contributions after the measurement date as a reduction of the net OPEB (asset)/liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Amortization</u>
2023	\$ (1,350,252)
2024	(1,044,413)
2025	(175,673)
2026	(170,914)
	<u>\$ (2,741,252)</u>

***Payables to the OPEB Plan***

WVSOM did not report any amounts payable for normal contributions to the OPEB plan as of June 30, 2022 and 2021.

**NOTE 9 - STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS**

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

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

The Municipal Bond Commission has the authority to assess each public institution of higher education for payment of debt service on these system bonds. The tuition and registration fees of the members of the former State University System (the System) are generally pledged as collateral for the Commission's bond indebtedness. Student fees collected by the institution in excess of the debt service allocation are retained by the institution for internal funding of capital projects and maintenance. Although the bonds remain as a capital obligation of the Commission, an estimate of the obligation of each institution is reported as a long-term payable by each institution and as a receivable by the Commission. No amount of the System debt has been assessed by the Commission to WVSOM as of June 30, 2022 and 2021.

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

46

**NOTE 10 - UNRESTRICTED NET POSITION**

WVSOM's unrestricted net position at June 30, 2022 and 2021 includes certain designated net position amounts, as follows:

	2022	2021
Designated for auxiliaries	\$ 238,589	\$ 51,097
Undesignated	71,805,953	78,386,905
Total unrestricted net position before OPEB liability	72,044,542	78,438,002
OPEB asset/(liability)	85,943	(1,230,803)
Total unrestricted net position	\$ 72,130,485	\$ 77,207,199

**NOTE 11 - RETIREMENT PLANS**

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

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

Total contributions to the TIAA-CREF for the years ended June 30, 2022, 2021, and 2020 were \$2,872,728, \$2,741,058, and \$2,660,618, respectively, which consisted of equal contributions from WVSOM and covered employees of \$1,436,364, \$1,370,529, and \$1,330,309, in 2022, 2021, and 2020, respectively.

WVSOM's total benefits-eligible payroll for the years ended June 30, 2022, 2021, and 2020 was \$24,009,671, \$22,897,509, and \$22,235,325, respectively; total covered employees' salaries in TIAA-CREF were \$24,009,671, in 2022, \$22,897,509, in 2021, and \$22,235,325 in 2020.

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

The Educators Money is a defined contribution plan in which benefits are based solely upon amounts contributed plus investment earnings. Each employee who elects to participate in this plan is required to make a contribution equal to 6% of total annual compensation. WVSOM matches the employees' 6% contributions. Contributions are immediately and fully vested. Employees may elect to make additional contributions to the Educators Money, which are not matched by WVSOM. As of June 30, 2022, no employees were enrolled in the Educators Money 401(a) basic retirement plan.

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

47

**NOTE 12 - FOUNDATION**

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

Gifts, grants, pledges, bequests, and other revenue contributed to the Foundation totaled \$444,000 and \$270,335 for the years ended June 30, 2022 and 2021, respectively.

WVSOM provided direct financial support of \$366,056 and \$361,230 for the years ended June 30, 2022 and 2021, respectively.

**NOTE 13 - AFFILIATED ORGANIZATIONS (UNAUDITED)**

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

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

In addition, WVSOM and the Clinic have agreements whereby WVSOM pays the Clinic for medical education services for students of WVSOM, certain office expenses and equipment rentals, and health services for students enrolled at WVSOM. For each of the years ended June 30, 2022 and 2021, the amount paid by WVSOM for instruction, office expenses, utilities, and equipment rental totaled approximately \$937,565 and approximately \$882,284, respectively. WVSOM made payments totaling approximately \$125,000 and approximately \$125,000 for the years ended June 30, 2022 and 2021, respectively, to the Clinic for providing health services to WVSOM students. The financial statements of the Clinic are available at [www.guidestar.org](http://www.guidestar.org).

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

48

**NOTE 13 - AFFILIATED ORGANIZATIONS (Continued)**

The Mountain State Osteopathic Postdoctoral Training Institutions, Inc. (MSOPTI) is a medical education consortium formed in 1998 through affiliation agreements among MSOPTI, WVSOM (central partner), and partner training institutions (hospitals, teaching health centers) in the States of West Virginia, Ohio, Pennsylvania, and Maryland which provide postdoctoral training to medical residents. The affiliation agreements are renewed annually and are executed among each training institution, WVSOM and MSOPTI. As of June 30, 2022 MSOPTI, had the Central Partner (WVSOM) and seven (7) Members, which paid an annual Affiliate Member fee. All Members have voting privileges on the MSOPTI Board. MSOPTI also has three (3) Supporters: The Beckley (WV) VA Hospital, Mon General Hospital (WV), and the Southeastern Area Health Education Center (SEAHEC) which do not pay membership fees. MSOPTI serves as the grant's administrator for SEAHEC.

Although MSOPTI is a consortium created for the purpose of assisting WVSOM in achieving its mission, it is a separate 501(c) (3) non-profit organization incorporated in the State of West Virginia. Oversight of MSOPTI is the responsibility of a Governing Board of Directors, as specified in the MSOPTI by-laws. The MSOPTI Governing Board of Directors is made up of three voting members from WVSOM and one voting member from each of the Member institutions. In carrying out its responsibilities, the MSOPTI Governing Board of Directors directs management, forms policy, and maintains fiscal accountability over funds administered by MSOPTI. MSOPTI is audited annually by an independent CPA through a written letter of engagement. Accordingly, the financials statements of MSOPTI are not included in the accompanying financial statements because they did not meet the criterion as indicated in GASB. For each of the years ended June 30, 2022 and 2021, WVSOM contributed \$21,000 and \$21,000 to MSOPTI. In addition, WVSOM incurred \$161,475 and \$270,240 of personnel costs on MSOPTI's behalf and was reimbursed for these costs in the years ended June 30, 2022 and 2021, respectively. The financial statements of MSOPTI are available at [www.guidestar.org](http://www.guidestar.org).

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

	2022	2021
Due to:		
WV University - Housing	\$ 946	\$ -
Marshall University	1,498	-
Attorney General	39	-
Department of Administration	2,693	125
State Treasurer's Office	1,388	1,749
State Police	4,725	18,360
State Tax Department	1,481	1,543
	<u>\$ 12,770</u>	<u>\$ 21,777</u>



**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

49

**NOTE 14 - CONTINGENCIES**

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

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

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

Beginning in the first quarter of 2021, the nation and WVSOM's primary market area was affected by the consequences from the COVID-19 (coronavirus) pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economies of many states, including the geographical area in which WVSOM operates. It is unknown how long these conditions will last and what the complete financial effect will be to WVSOM. Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, adversely impacted in the near-term as a result of these conditions.

**NOTE 15 - COMPONENT UNIT DISCLOSURES**

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

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

50

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

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

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

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

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

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

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

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

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

51

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

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

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

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

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

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

**Property and equipment** – Property and equipment are reported at historical cost and depreciated using the straight-line method over the lesser of the estimated useful lives of the assets or the lease period. Contributed assets are recorded as revenue and capitalized at fair market value at the date the asset is received. The Foundation had \$100,000 and \$100,000 of leasehold improvements as of June 30, 2022 and 2021 with accumulated amortization of \$60,000 and \$40,000, respectively. Amortization expense for the years ended June 30, 2022 and 2021 was \$20,000 and \$20,000, respectively.

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

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

**Advertising** – Costs incurred for advertising are charged to expense as incurred. For the years ended June 30, 2022 and 2021, total advertising costs were \$26,752 and \$33,308, respectively.

**Concentration of credit risk** – The Foundation maintains cash on deposit at federally insured financial institutions; bank balances did not exceed federally insured limit at June 30, 2022.

**Subsequent events** – The Foundation evaluated subsequent events for recognition or disclosure through August 30, 2022, the date the financial statements were available to be issued.

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

52

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

**Reclassifications** – Certain amounts relating to 2021 have been reclassified to conform to the 2022 reporting format.

Accounting Pronouncement Adopted – The Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, to improve transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The ASU is applicable for the Foundation's fiscal year ended June 30, 2022. The new standard requires that contributed nonfinancial assets are presented separately in the statement of activities. New disclosures are also required to disaggregate contributed nonfinancial assets by category type and other qualitative information about utilization, policies, and valuation techniques.

**NOTE 2 – PLEDGES RECEIVABLE**

Pledges receivable consist of the following at June 30:

	2022	2021
Pledges collectible within one year	\$ 71,655	\$ 65,417
Pledges collectible in one to five years	117,421	91,471
Pledges collectible in more than five years	-	-
Total pledges receivable, gross	189,076	156,888
Less allowance for uncollectible pledges	(7,500)	(7,500)
Less unamortized discount	(3,551)	(7,811)
Total pledges receivable, net	178,025	141,577
Less current portion of pledges receivable, net	(71,655)	(65,417)
Non-current portion of pledges receivable, net	\$ 106,370	\$ 76,160

**NOTE 3 – LOANS RECEIVABLE**

Loans receivable in the amounts of \$10,400 and \$2,000 at June 30, 2022 and 2021, respectively represent loans made to current students, faculty and staff of WVSOM which are payable within 90 days of their issuance and accrue interest at the rate of 6 percent per annum. If the loans remain unpaid in excess of 90 days, the rate of interest payable on the loan increases to 10 percent per annum. The majority of these loans are typically made in order to provide certain students with temporary source of funding until such time as their respective long-term funding for tuition or other living expenses becomes available. No interest accrual has been reflected in the accompanying financial statements as it is undeterminable as to the ultimate amount collectable.

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

53

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

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

	<u>2022</u>	<u>2021</u>
Financial assets at year-end	\$ 53,212,219	\$ 55,106,752
Less those unavailable for general expenditures within one year, due to:		
Pledges receivable not expected to be received within one year	106,370	76,160
Assets held in trust	250,000	250,000
Custodial liabilities	46,694,059	48,113,371
Future lease payments	30,000	30,000
Donor-restricted for capital projects	1,524,900	1,666,804
Donor-restricted for future scholarship awards	253,915	653,012
Donor-restricted to maintain as an endowment	<u>3,004,614</u>	<u>2,675,176</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,348,361</u>	<u>\$ 1,642,229</u>

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

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

**NOTE 5 – INVESTMENTS**

Investments consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,782,776	\$ 830,512
Common stocks	18,559,704	21,114,077
Federal government and agency securities	9,370,237	8,857,516
Corporate bonds	9,589,685	9,555,489
Alternative investments	9,886,450	10,319,910
Real estate investment trusts	<u>3,153,906</u>	<u>3,624,675</u>
Total	<u>\$ 52,342,758</u>	<u>\$ 54,302,179</u>

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

54

**NOTE 5 – INVESTMENTS (Continued)**

Total investment return is comprised of the following for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 151,408	\$ 144,275
Unrealized and realized gains and (losses), net	(741,754)	995,433
Investment management fees	<u>(46,042)</u>	<u>(45,921)</u>
Total	<u>\$ (636,388)</u>	<u>\$ 1,093,787</u>

**NOTE 6 – CUSTODIAL LIABILITIES**

The Foundation entered into an Investment Management Agency Agreement with the WVSOM on June 21, 2014. In accordance with the terms of this agreement, the WVSOM has transferred \$35,400,000 to the Foundation, who serves as the investment agent for the funds. The Foundation recognizes a custodial liability in an amount equal to the funds held under the terms of this agreement including all subsequent earnings thereon. Also, the Foundation recognizes custodial liabilities for additional funds held on behalf of various student, faculty, and alumni organizations. These liabilities amounted to \$46,694,059 and \$48,113,371 at June 30, 2022 and 2021, respectively.

**NOTE 7 – RELATED PARTY TRANSACTIONS**

The WVSOM provides all the pay and employee benefits for the personnel who operate the Foundation as well as assistance with certain operating costs. For the years ended June 30, 2022 and 2021, the WVSOM paid \$299,271 and \$235,493 for payroll and employee benefits, respectively. For the years ended June 30, 2022 and 2021, the WVSOM paid \$50,824 and \$24,892 to cover expenses incurred on behalf of the Foundation, respectively. On November 12, 2011, the Foundation sold the office building from which it operates to the WVSOM. Subsequently, the WVSOM provides this office space to the Foundation without charge. The fair market value of the office spaces was \$6,500 for the years ended June 30, 2022 and 2021.

The costs associated with the office space, the operational expenses, and the wages and benefits paid by the WVSOM are recorded as contributed services and operational expenses in the accompanying statement of activities. The Foundation measures these expenses at the cost recognized by the WVSOM for the personnel providing the services and the fair value of the office space occupied. The total amount of the services and operating costs provided were \$356,595 and \$266,885 for the years ended June 30, 2022 and 2021, respectively. As a part of a Memorandum of Understanding with the WVSOM signed concurrent with the sale of the building, the Foundation will be able to continue to collect revenues from the rental of a conference room contained within the office building. As the fair value of this arrangement is not readily determinable, no reflection of it has been recorded in the accompanying financial statements.

The Foundation holds and disburses funds at the discretion of the WVSOM and various student, faculty, and alumni organizations. See Note 6 for a more complete description of these custodial arrangements and the balances held under these arrangements at June 30, 2022 and 2021.

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

55

**NOTE 8 – ENDOWMENT FUNDS**

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

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

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

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

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

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or WVUPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature exist in nine donor-restricted endowment funds, which together have an original gift value of \$303,480, a current fair value of \$292,673, and a deficiency of \$10,807 as of June 30, 2022. These deficiencies result from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and/or continued appropriation for certain programs that was deemed prudent by the Board of Trustees.

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

56

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

The composition and the changes in endowment net assets for the fiscal years ended June 30, 2022 and 2021, consisted of the following:

	Without Donor Restrictions	With donor Restrictions	Total
Endowment net assets, June 30, 2020	\$ -	\$ 2,978,890	\$ 2,978,890
Investment return			
Investment income, net of fees	-	51,707	51,707
Net appreciation (depreciation)	-	427,390	427,390
Contributions	-	169,111	169,111
Scholarships and awards	-	(93,424)	(93,424)
Endowment net assets, June 30, 2021	-	3,533,674	3,533,674
Investment return			
Investment income (loss), net of fees	-	61,360	61,360
Net appreciation (depreciation)	-	(364,148)	(364,148)
Contributions	-	348,661	348,661
Scholarships and awards	-	(118,418)	(118,418)
Endowment net assets, June 30, 2022	\$ -	\$ 3,461,129	\$ 3,461,129

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

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

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

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

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

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



**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

57

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

**Fair Value Measurements**

The following is a description of the valuation methodologies used for assets measured at fair value and for financial instruments disclosed at fair value. There have been no changes in methodologies used at June 30, 2022 and 2021.

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

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

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

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

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

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

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

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

	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
June 30, 2022:				
Cash and cash equivalents	\$ 1,782,776	\$ 1,782,776	\$ -	\$ -
Common stocks	18,559,704	18,559,704	-	-
Federal government and agency securities	9,370,237	-	9,370,237	-
Corporate bonds	9,589,685	-	9,589,685	-
Alternative investments	9,886,450	-	9,886,450	-
Real estate investment trusts	3,153,906	3,153,906	-	-
Total	\$ 52,342,758	\$ 23,496,386	\$ 28,846,372	\$ -

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

58

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

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

**NOTE 10 – OPERATING LEASE**

Beginning in July 2019, the Foundation entered into a noncancelable operating lease of a building for the purpose of operating a new rental facility. The initial term of the lease is 60 months ending June 30, 2025. Lease payments over the next three years are expected to be \$30,000 annually. Lease payments of \$30,000 and \$30,000 were made for the years ended June 30, 2022 and 2021, respectively. Under the terms of the lease, work necessary to renovate the building for rental purposes are to be paid primarily by the Foundation. Leasehold improvements of \$100,000 were made to the facility during the year ended June 30, 2020 and are being amortized over the life of the lease.

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

**NOTE 16 - NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS**

<b>2022</b>								
	Salaries and <u>Wages</u>	<u>Benefits</u>	Supplies and <u>Other Services</u>	<u>Utilities</u>	Scholarships And <u>Fellowships</u>	<u>Depreciation</u>	Loan Cancellations and <u>Write-offs</u>	<u>Total</u>
Instruction	\$ 12,682,699	\$ 1,607,671	\$ 4,880,891	\$ -	\$ -	\$ -	\$ -	\$ 19,171,261
Research	944,229	163,999	441,373	1,365	-	-	-	1,550,966
Public service	283,544	56,592	282,239	4,079	-	-	-	626,454
Academic support	2,275,944	402,024	1,716,641	-	-	-	-	4,394,609
Student services	2,189,039	428,807	2,105,540	20,014	-	-	-	4,743,400
General institutional support	5,430,573	792,135	2,648,222	-	-	-	-	8,870,930
Operations and maintenance of plant	1,446,850	246,864	1,624,041	819,192	-	-	-	4,136,947
Student financial aid	-	-	-	-	583,678	-	-	583,678
Auxiliary enterprises	114,511	12,876	307,515	-	-	-	-	434,902
Depreciation	-	-	-	-	-	3,855,465	-	3,855,465
Other	-	-	67,795	-	-	-	259,118	326,913
Total	<u>\$ 25,367,389</u>	<u>\$ 3,710,968</u>	<u>\$ 14,074,257</u>	<u>\$ 844,650</u>	<u>\$ 583,678</u>	<u>\$ 3,855,465</u>	<u>\$ 259,118</u>	<u>\$ 48,695,525</u>

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

WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
JUNE 30, 2022

Last 10 Fiscal Years\*

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
WVSOM's proportion of the net OPEB liability (asset) (percentage)	0.289032187%	0.278656463%	0.281253727%	0.263280098%	0.238788192%						
WVSOM's proportionate share of the net OPEB liability (asset)	\$ (85,943)	\$ 1,230,803	\$ 4,666,372	\$ 5,652,797	\$ 5,871,776						
State's proportionate share of the net OPEB liability (asset)	<u>(16,922)</u>	<u>272,148</u>	<u>954,948</u>	<u>1,168,282</u>	<u>1,206,069</u>						
Total proportionate share of the net OPEB liability (asset)	<u>\$ (102,865)</u>	<u>\$ 1,502,951</u>	<u>\$ 5,621,320</u>	<u>\$ 6,821,079</u>	<u>\$ 7,077,845</u>						
WVSOM's covered-employee payroll	\$ 20,473,363	\$ 20,100,996	\$ 19,049,066	\$ 18,131,416	\$ 17,906,099						
WVSOM's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	0.42%	6.12%	24.50%	31.18%	32.79%						
Plan fiduciary net position as a percentage of the total OPEB liability	101.81%	73.49%	39.69%	30.98%	25.10%						

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

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

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF OPEB CONTRIBUTIONS  
JUNE 30, 2022**

**Last 10 Fiscal Years**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 305,235	\$ 527,074	\$ 538,872	\$ 579,462	\$ 540,335					
Contributions in relation to the statutorily required contribution	<u>(305,235)</u>	<u>(527,074)</u>	<u>(538,872)</u>	<u>(579,462)</u>	<u>(540,335)</u>					
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>					
WVSOM's covered-employee payroll	\$ 26,210,600	\$ 20,473,363	\$ 20,100,996	\$ 19,049,066	\$ 18,131,416					
Contributions as a percentage of covered-employee payroll	1.16%	2.57%	2.68%	3.04%	2.98%					

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

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2022**

**NOTE IV - OPEB**

Actuarial Changes Other Postemployment Benefits Plan

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

	Inflation Rate	Salary Increases	Wage Inflation Rate	Investment Rate of Return & Discount Rate	Mortality	Retirement Age	Aging Factors	Expenses	Healthcare Cost Trend Rates
<b><u>2021</u></b>	2.25%	Specific to the OPEB covered group. Ranging from 2.75% to 5.18%, including inflation	2.75%	6.65%, net of OPEB plan investment expense, including inflation	Post-Retirement: Pub-2010 General Healthy Retiree Mortality Tables projected with MP-2019 and scaling factors of 100% for males and 108% for females; Pre-Retirement: Pub-2010 General Employee Mortality Tables projected with MP-2019	Experience-based table of rates that are specific to the type of eligibility condition	2013 SOA study "Health Care Costs - From Birth to Death"	Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of annual expense.	Trend rate for pre-Medicare per capita costs of 7.0% for plan year end 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 in plan year end 2036.
<b><u>2020</u></b>	2.25%	Specific to the OPEB covered group. Ranging from 2.75% to 5.18%, including inflation	2.75%	6.65%, net of OPEB plan investment expense, including inflation	Post-Retirement: Pub-2010 General Healthy Retiree Mortality Tables projected with MP-2019 and scaling factors of 100% for males and 108% for females; Pre-Retirement: Pub-2010 General Employee Mortality Tables projected with MP-2019	Experience-based table of rates that are specific to the type of eligibility condition	2013 SOA study "Health Care Costs - From Birth to Death"	Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of annual expense.	Trend rate for pre-Medicare per capita costs of 7.0% for plan year end 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, 8.40% for plan year end 2024, decreasing gradually each year thereafter, until ultimate trend rate of 4.25% is reached in plan year end 2036.
<b><u>2019</u></b>	2.75%	Dependent upon pension system. Ranging from 3.0% to 6.5%, including inflation	4.00%	7.15%, net of OPEB plan investment expense, including inflation	Post-Retirement: RP-2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis; Pre-Retirement: RP-2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis	Experience-based table of rates that are specific to the type of eligibility condition	2013 SOA study "Health Care Costs - From Birth to Death"	Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of annual expense.	Trend rate for pre-Medicare per capita costs of 8.5% for plan year end 2020, decreasing by 0.5% each year thereafter, until ultimate trend rate of 4.5% is reached in plan year 2028. Trend rate for Medicare per capita costs of 3.1% for plan year end 2020. 9.5% for plan year end 2021, decreasing by 0.5% each year thereafter, until ultimate trend rate of 4.5% is reached in plan year end 2031.
<b><u>2018</u></b>	2.75%	Dependent upon pension system. Ranging from 3.0% to 6.5%, including inflation	4.00%	7.15%, net of OPEB plan investment expense, including inflation	Post-Retirement: RP-2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis; Pre-Retirement: RP-2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis	Experience-based table of rates that are specific to the type of eligibility condition.	2013 SOA study "Health Care Costs - From Birth to Death"	Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of annual expense.	Actual trend used for fiscal year 2018. For fiscal years on and after 2019, trend starts at 8.0% and 10.0% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend rate of 4.50%. Excess trend rate of 0.13% and 0.00% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2022 to account for the Excise Tax.
<b><u>2017</u></b>	2.75%	Dependent upon pension system. Ranging from 3.0% to 6.5%, including inflation	4.00%	7.15%, net of OPEB plan investment expense, including inflation	Post-Retirement: RP-2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis; Pre-Retirement: RP-2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis	Experience-based table of rates that are specific to the type of eligibility condition.	2013 SOA study "Health Care Costs - From Birth to Death"	Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of annual expense.	Actual trend used for fiscal year 2017. For fiscal years on and after 2018, trend starts at 8.5% and 9.75% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend rate of 4.50%. Excess trend rate of 0.14% and 0.29% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2020 to account for the Excise Tax.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and discretely presented component unit of the West Virginia School of Osteopathic Medicine (WVSOM), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise WVSOM's basic financial statements, and have issued our report thereon dated September 30, 2022. Our report includes a reference to another auditor who audited the financial statements of the West Virginia School of Osteopathic Medicine Foundation, Inc. (the Foundation), as described in our report on WVSOM's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by that auditor. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

**Report on Internal Control Over Financial Reporting**

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

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

The Virginia Center  
1411 Virginia Street, East  
Suite 100  
Charleston, WV 25301

MAIN (304) 343-4126  
FAX (304) 343-8008

The Rivers Office Park  
200 Star Avenue | Suite 220  
PO Box 149  
Parkersburg, WV 26102

MAIN (304) 485-6584  
FAX (304) 485-0971

Suncrest Towne Centre  
453 Suncrest Towne Centre Drive  
Suite 201  
Morgantown, WV 26505

MAIN (304) 554-3371  
FAX (304) 554-3410

suttlecpas.com  
cpa@suttlecpas.com

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 have not been identified.

### **Report on Compliance and Other Matters**

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

### **Purpose of this Report**

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

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

Charleston, West Virginia  
September 30, 2022