
Fairmont State University

Financial Statements
Years Ended June 30, 2023 and 2022

and

Independent Auditor's Reports



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FAIRMONT STATE UNIVERSITY

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INDEPENDENT AUDITOR'S REPORT

Board of Governors
Fairmont State University
Fairmont, 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 Fairmont State University (Fairmont State), a component unit of the West Virginia Higher Education Policy Commission, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise Fairmont State's financial statements as listed in the table of contents.

In our opinion, based on our audits, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of Fairmont State, as of June 30, 2023 and 2022, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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. We are required to be independent of Fairmont State and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the Fairmont State Foundation, Inc., a discretely presented component unit of Fairmont State, were not audited in accordance with *Government Auditing Standards*.

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Change in Accounting Principle

As described in Note 3 to the financial statements, during fiscal year 2023, Fairmont State implemented Governmental Auditing Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. Our opinion is not modified with respect to this matter.

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 Fairmont State'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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 the Fairmont State'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 Fairmont State'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 on pages 7 through 20, the schedule of proportionate share of the net pension liability, the schedule of pension contributions, the schedule of proportionate share of the net OPEB liability (asset), the schedule of OPEB contributions, and related footnotes on pages 97 through 105, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fairmont State's basic financial statements. The additional information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2023, on our consideration of Fairmont State'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fairmont State's internal control over financial reporting and compliance.

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

Charleston, West Virginia
October 12, 2023

(Includes the following Internal Funds: Unrestricted, Restricted, and Other Fund, Auxiliary Fund, and Board of Governors Support Fund)

Management's Discussion and Analysis (Unaudited)

Fiscal Year Ended June 30, 2023

About Fairmont State University

Fairmont State University was founded in 1865 as the West Virginia Normal School at Fairmont, a private institution dedicated to educating teachers. The Normal School at Fairmont was eventually purchased by the State and, in 1917, moved to its hilltop location on Locust Avenue and the building we now call Hardway Hall. The name was changed to Fairmont State Teachers College in 1930 and to Fairmont State College in 1943-44. Fairmont State Community and Technical College was founded in 1974 and was renamed Pierpont Community & Technical College (Pierpont) effective July 1, 2006. Fairmont State College was recognized as a University and renamed Fairmont State University on April 7, 2004.

Fairmont State University (Fairmont State) is governed by a 12-member Board of Governors that determines, controls, supervises, and manages the financial, business, and educational policies and affairs of Fairmont State.

Total enrollment of Fairmont State is approximately 2,860 full-time equivalent students. The student to faculty ratio is 14:1. Approximately 69% of our students receive some form of scholarship and/or financial aid. Campus activities include more than 50 clubs, organizations, student publications, honoraries, sororities and fraternities, and intramural sports. Fairmont State is a member of the NCAA Division II and the Mountain East Conference.

Overview

This section of the annual financial report focuses on an overview of Fairmont State's financial performance during the fiscal year ended June 30, 2023, with comparisons to the previous year.

Fairmont State's audited financial report includes additional information for Unrestricted, Restricted, and Other Funds, Auxiliary Funds, and the BOG Support Fund. The supplemental schedules were developed to show the component parts of Fairmont State and may be found in the additional information section of this report.

The Fairmont State Foundation, Inc. (the Foundation) meets the criteria noted in GASB Statements No. 39 and 61 to be presented as a component unit of Fairmont State. As such, the Foundation's audited financial statements are discretely presented as part of Fairmont State's financial statements. The assets of the Foundation are controlled by an independent board.

Fairmont State's annual report consists of three financial statements: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. These statements focus on Fairmont State's financial condition, results of operations, and cash flows as a whole. Each of these statements is discussed below.

Financial Highlights

Financial highlights of fiscal year 2023 include an increase in cash and net position, decreases in capital assets and bonds payable, and implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*.

- Cash increased by \$1,561,190 from \$48,782,465 in fiscal year 2022 to \$50,343,655 in fiscal year 2023.
- Total net position increased by \$8,669,100 or 7.07%.
- Capital assets, net of accumulated depreciation and amortization, decreased by \$3,206,997 during fiscal year 2023, primarily related to depreciation and amortization expense exceeding capital asset additions.
- Bonds payable (both current and noncurrent) decreased by \$5,442,737 during fiscal year 2023 due to principal payments and the early payoff of the 2006 Series Bonds in December 2022.
- During fiscal year 2023, Fairmont State implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, requiring a restatement of certain prior year balances. See additional information in note 3 to the financial statements.

Statement of Net Position

The Statement of Net Position presents the assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources, and net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources) of Fairmont State as of the fiscal year end. Assets denote the resources available to continue the operations of Fairmont State. Deferred outflows of resources represent the consumption of net position that is applicable to a future fiscal year. Liabilities indicate how much Fairmont State owes its vendors, employees, and lenders. Deferred inflows of resources represent an acquisition of net position that is applicable to a future fiscal year. Net position provides a way to measure the financial position of Fairmont State.

Net position is divided into three major categories:

1. **Net investment in capital assets.** This category represents Fairmont State's total investment in capital assets, net of depreciation and outstanding debt obligations related to those capital assets.
2. **Restricted net position.** This category includes net position whose use is restricted either due to externally imposed constraints or restrictions imposed by law. It is further divided into two additional components -- expendable and nonexpendable. **Expendable restricted net position** includes resources for which Fairmont State is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties. **Nonexpendable restricted net position** includes endowment and similar type funds for which donors or other outside sources have stipulated, as a condition of the gift instruments, 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. Fairmont State has no nonexpendable net position.

3. **Unrestricted net position.** This category includes resources that are not subject to externally imposed stipulations. Such resources are derived from tuition and fees (not restricted as to use), state appropriations, sales and services of educational activities, and auxiliary enterprises. Unrestricted net position is used for transactions related to the educational and general operations of Fairmont State and may be designated for specific purposes by action of management or the Board of Governors.

Condensed Schedules of Net Position

June 30:

| | <u>2023</u> | (Restated) <u>2022</u> | <u>2021</u> |
|---------------------------------------|-----------------------|---------------------------|-----------------------|
| Assets | | | |
| Current Assets | \$ 54,033,494 | \$ 51,798,776 | \$ 45,952,735 |
| Noncurrent Assets | <u>143,706,029</u> | <u>148,554,714</u> | <u>153,580,171</u> |
| Total Assets | <u>197,739,523</u> | <u>200,353,490</u> | <u>199,532,906</u> |
| Deferred Outflows of Resources | <u>935,076</u> | <u>871,598</u> | <u>1,997,324</u> |
| Total | <u>\$ 198,674,599</u> | <u>\$ 201,225,088</u> | <u>\$ 201,530,230</u> |
| Liabilities | | | |
| Current Liabilities | \$ 12,776,783 | \$ 15,388,250 | \$ 13,664,955 |
| Noncurrent Liabilities | <u>51,687,684</u> | <u>56,895,345</u> | <u>63,051,563</u> |
| Total Liabilities | <u>64,464,467</u> | <u>72,283,595</u> | <u>76,716,518</u> |
| Deferred Inflows of Resources | <u>2,894,955</u> | <u>6,295,416</u> | <u>7,891,233</u> |
| Net Position | | | |
| Net Investment in Capital Assets | 76,889,132 | 73,902,868 | 74,645,333 |
| Restricted for: | | | |
| Expendable: | | | |
| Scholarships | 143,275 | - | - |
| Capital Projects | 10,103,580 | 6,684,290 | 4,946,739 |
| Debt Service | <u>13,562,446</u> | <u>15,005,049</u> | <u>16,308,816</u> |
| Total Restricted | 23,809,301 | 21,689,339 | 21,255,555 |
| Unrestricted | <u>30,616,744</u> | <u>27,053,870</u> | <u>21,021,591</u> |
| Total Net Position | <u>131,315,177</u> | <u>122,646,077</u> | <u>116,922,479</u> |
| Total | <u>\$ 198,674,599</u> | <u>\$ 201,225,088</u> | <u>\$ 201,530,230</u> |

- Total current assets increased by \$2,234,718 or 4.31%, resulting primarily from an increase in current cash and cash equivalents of \$1,534,457. The increase in cash was made up of increases in the BOG Support fund of \$3,759,446 and Auxiliary fund of \$1,184,445, which was offset by a decrease in cash in the Unrestricted, Restricted, and Other fund of \$3,409,434.
- Total noncurrent assets, comprised primarily of capital assets including buildings and equipment, decreased by \$4,848,685 or 3.26%. Capital assets, net of depreciation and amortization, decreased by \$3,206,997, primarily related to depreciation and amortization of capital assets. The noncurrent portion of amounts due from Pierpont decreased by \$1,500,000.

- Total deferred outflows of resources increased by \$63,478 or 7.28%, primarily due to an increase in the deferred outflows related to OPEB.
- Total current liabilities decreased by \$2,611,467 or 16.97%. This decrease is primarily related to a decrease in unearned revenue of \$1,799,301 and accrued payroll liabilities of \$795,641.
- Total noncurrent liabilities decreased by \$5,207,661 or 9.15%. The decrease is due primarily to principal payments made on existing bond debt and the early payoff of the 2006 Series Bonds in December 2022.
- Total deferred inflows of resources decreased by \$3,400,461 or 54.01%. The decrease is primarily related to a decrease in deferred inflows related to OPEB.
- The total assets and deferred outflows of resources of Fairmont State exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$131,315,177 (net position). Of this amount, \$30,616,744 (unrestricted net position) may be used to meet the educational and general operations of Fairmont State. Unrestricted net position by component part was as follows at June 30, 2023:

| | |
|-------------------|----------------------|
| ▪ Auxiliary funds | \$ 8,422,687 |
| ▪ Fund managers | 5,475,116 |
| ▪ Undesignated | <u>16,718,941</u> |
| | <u>\$ 30,616,744</u> |
- Fairmont State's total net position increased by \$8,669,100. The increase is made up of an increase of \$3,562,874 in unrestricted net position, an increase of \$2,119,962 in restricted expendable net position, and an increase of \$2,986,264 in net investment in capital assets.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the operating results of Fairmont State for the fiscal year. The purpose of the statement is to present Fairmont State's revenues (operating and nonoperating), expenses (operating and nonoperating), and any other revenues, expenses, gains, losses, and transfers. State appropriations, while budgeted for operations, are considered and reported as nonoperating revenues. This is because State appropriations are provided by the Legislature to Fairmont State without providing specific services in exchange. Likewise, Pell grants are reported as nonoperating because of specific guidance in the AICPA industry audit guide. Student tuition and fees are reported net of scholarship discounts and allowances. Financial aid to students is reported using the alternative method. Under this method, certain aid, such as loans and Federal Direct Lending, is accounted for as third-party payment, while all other aid is reflected either as operating expenses or scholarship allowances, which reduce revenues. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

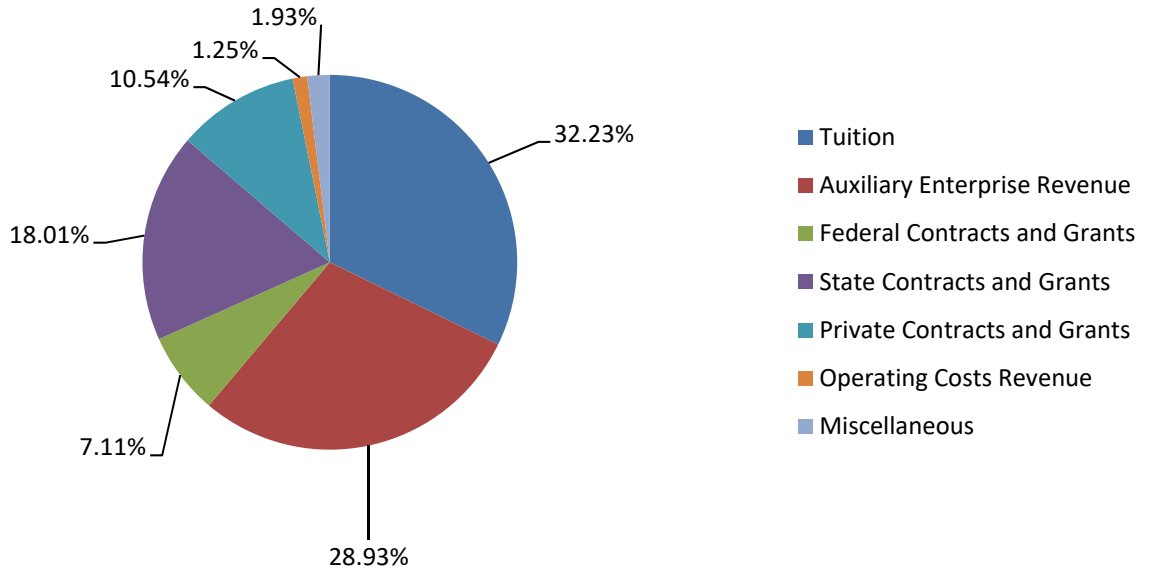
Condensed Schedule of Revenues, Expenses, and Changes in Net Position
Year Ended June 30:

| | (Restated) | | |
|--|----------------------------------|----------------------------------|----------------------------------|
| | <u>2023</u> | <u>2022</u> | <u>2021</u> |
| Operating Revenues | \$ 36,110,284 | \$ 33,534,055 | \$ 36,840,785 |
| Operating Expenses | <u>58,101,268</u> | <u>60,012,305</u> | <u>58,248,016</u> |
| Operating Loss | (21,990,984) | (26,478,250) | (21,407,231) |
| Total Net Nonoperating Revenues | <u>30,932,164</u> | <u>32,125,536</u> | <u>25,857,396</u> |
| Change in Net Position before Other Revenues, Expenses, Gains, and Losses | 8,941,180 | 5,647,286 | 4,450,165 |
| Payments Made and Expenses Incurred by the Commission on Behalf of Fairmont State | - | - | 10,935 |
| Payments Made and Expenses Incurred (Offset) on Behalf of Fairmont State | (272,080) | 76,312 | 470,482 |
| Capital Bond Proceeds from the State | - | - | 270,559 |
| Gain on Final Separation from Pierpont | <u>-</u> | <u>-</u> | <u>27,872,673</u> |
| Change in Net Position | 8,669,100 | 5,723,598 | 33,074,814 |
| Net Position – Beginning of Year | 122,646,077 | 116,922,479 | 83,890,370 |
| Net Effect of Change in Accounting Policy | <u>-</u> | <u>-</u> | <u>(42,705)</u> |
| Net Position – Beginning of Year (Restated) | <u>122,646,077</u> | <u>116,922,479</u> | <u>83,847,665</u> |
| Net Position – End of Year | <u><u>\$ 131,315,177</u></u> | <u><u>\$ 122,646,077</u></u> | <u><u>\$ 116,922,479</u></u> |

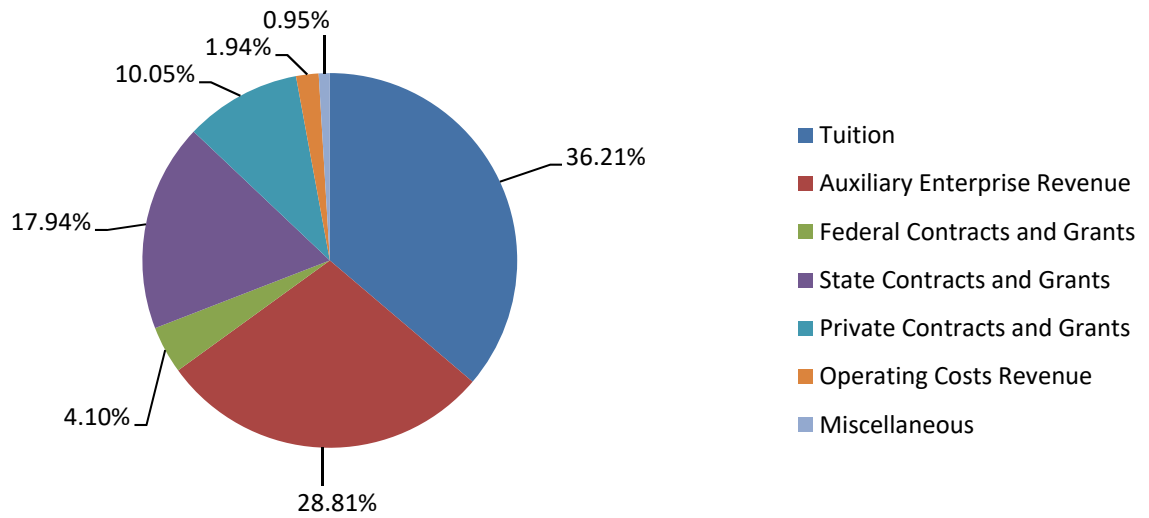
Operating Revenues:

The following are graphic illustrations of Fairmont State’s operating revenues by source.

2023



2022



Highlights of the information presented on the Statements of Revenues, Expenses, and Changes in Net Position are as follows:

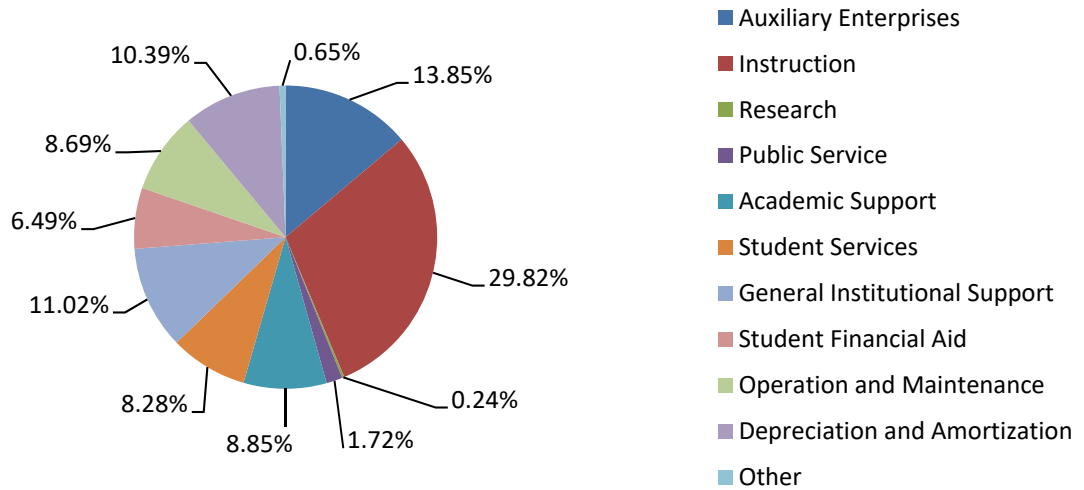
- Tuition and fees revenue, after adjustment for scholarship allowance of \$15,353,213, decreased by \$501,761 or 4.13%. Scholarship allowance increased by \$868,631. The Board of Governors increased Tuition and Required E&G fees for fiscal year 2023 by 4.00% for the resident and nonresident undergraduate level, 4.97% at the resident graduate level, and 4.99% at the nonresident graduate level. The 4.00% increase for was also applied to the metro rate, which is only offered to undergraduate students.
- Auxiliary enterprise revenue increased by \$787,437 or 8.15%. The increase is attributed to auxiliary operations continuing to open back up after the impact of the COVID-19 pandemic and an increase in on-campus students.
- Federal grant revenues increased by \$1,190,912 or 86.58%. Federal grants active during fiscal year 2023 included the NASA Educator Resource Center (ERC) grant, National Science Foundation grant, Governor's Honor Academy grant, and the Nursing Program Expansion grant.
- State contracts and grants increased by \$485,486 or 8.07%. State contracts and grants include institutional grants from other State agencies and state-funded student financial aid.
- Private contracts and grants increased by \$436,871 or 12.96%. The increase was primarily in alternative student loans, which increased by \$463,908. This increase was offset by a decline in Foundation scholarships and awards.
- Operating costs revenue decreased by \$200,000 or 30.77% due to a decrease in the fee for service amounts paid by Pierpont to Fairmont State during fiscal year 2023.
- State appropriations were \$19,273,190, an increase of \$172,849 from the prior year.
- Fairmont State recognized revenue of \$5,696,935 related to the Federal Higher Education Emergency Relief Funds (HEERF) program in response to the COVID-19 pandemic. This is a decrease from the prior year of \$3,679,417 or 39.24%.
- Fairmont State recognized revenue of \$15,030 related to the Federal Governor's Emergency Education Relief (GEER) program in response to the COVID-19 pandemic. This is a decrease from the prior year of \$520,261 or 97.19%.
- Investment income increased by \$1,512,437 or 2,182.64% due to an increase in interest rates during the fiscal year.
- Interest expense increased by \$214,032 or 14.54%.
- Fairmont State recognized a gain on disposal of capital assets of \$38,503.

FUNCTIONAL CLASSIFICATION CHART

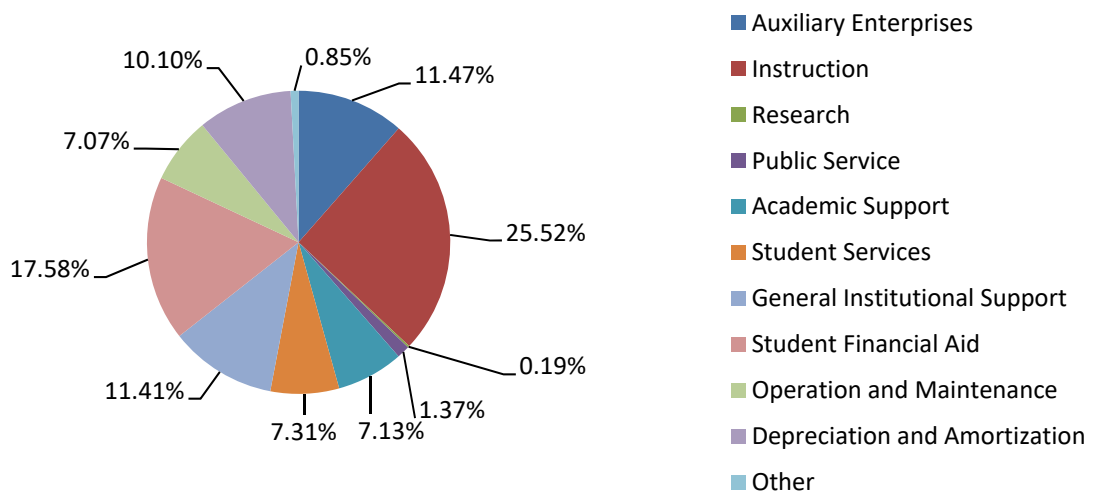
Operating Expenses:

The following is a graphic illustration of operating expenses by function.

2023



**(Restated)
2022**



Breakdown of Expense by Functional Classification:

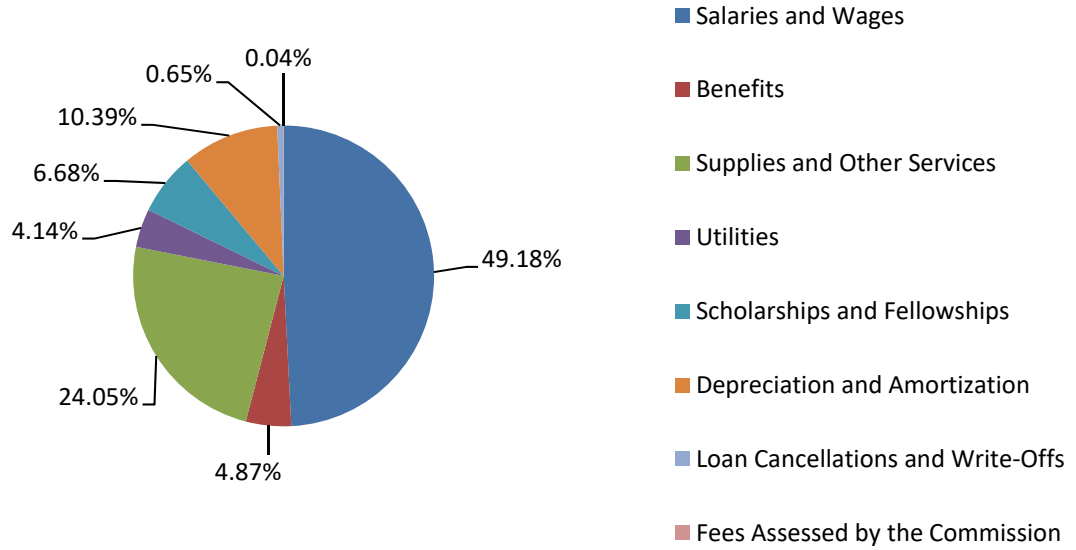
For fiscal year 2023, Fairmont State's total operating expenses were \$58,101,268. Instruction expenses totaled \$17,330,014 or 29.82% of the total operating budget. The following reflects the amounts and percentages for these expenses:

| | <u>2023</u> | <u>%</u> | <u>(Restated)</u> <u>2022</u> | <u>(Restated)</u> <u>%</u> | <u>2021</u> | <u>%</u> |
|-------------------------------|----------------------|----------------|----------------------------------|-------------------------------|----------------------|----------------|
| Auxiliary enterprises | \$ 8,045,179 | 13.85% | \$ 6,880,932 | 11.47% | \$ 6,582,805 | 11.30% |
| Instruction | 17,330,014 | 29.82% | 15,310,276 | 25.52% | 17,498,527 | 30.04% |
| Research | 141,685 | 0.24% | 116,518 | 0.19% | 70,560 | 0.12% |
| Public service | 999,120 | 1.72% | 824,360 | 1.37% | 767,271 | 1.32% |
| Academic support | 5,140,256 | 8.85% | 4,281,015 | 7.13% | 4,439,329 | 7.62% |
| Student services | 4,810,234 | 8.28% | 4,384,678 | 7.31% | 4,639,357 | 7.96% |
| General institutional support | 6,402,568 | 11.02% | 6,849,190 | 11.41% | 7,226,320 | 12.41% |
| Student financial aid | 3,768,297 | 6.49% | 10,546,382 | 17.58% | 7,299,750 | 12.53% |
| Operation and maintenance | 5,049,093 | 8.69% | 4,243,469 | 7.07% | 4,181,681 | 7.18% |
| Depreciation and amortization | 6,036,886 | 10.39% | 6,062,658 | 10.10% | 5,269,329 | 9.05% |
| Other | 377,936 | 0.65% | 512,827 | 0.85% | 273,087 | 0.47% |
| Total | <u>\$ 58,101,268</u> | <u>100.00%</u> | <u>\$ 60,012,305</u> | <u>100.00%</u> | <u>\$ 58,248,016</u> | <u>100.00%</u> |

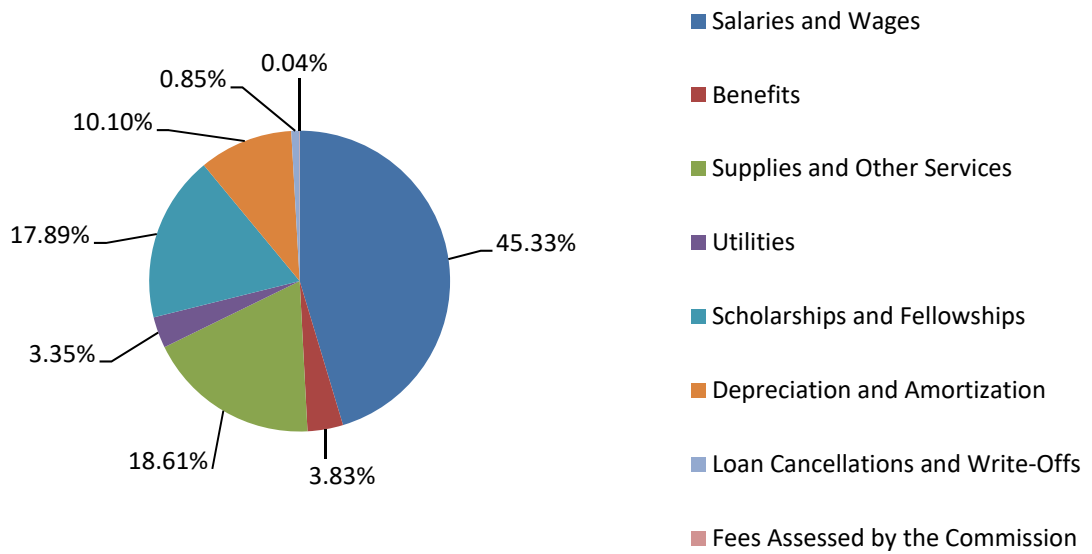
NATURAL CLASSIFICATION CHARTS

The following is a graphic illustration of operating expenses by natural classification:

2023



**(Restated)
2022**



Breakdown of Expenses by Natural Classification:

For fiscal year 2023, Fairmont State's total operating expenses were \$58,101,268. A major portion of the total operating expenses is for salaries, wages, and benefits amounting to \$31,404,880 or 54.05%. The following reflects the amounts and percentages for the expenses:

| | <u>2023</u> | <u>%</u> | <u>(Restated)</u> <u>2022</u> | <u>(Restated)</u> <u>%</u> | <u>2021</u> | <u>%</u> |
|-----------------------------------|----------------------|----------------|----------------------------------|-------------------------------|----------------------|----------------|
| Salaries and wages | \$ 28,573,398 | 49.18% | \$ 27,204,740 | 45.33% | \$ 26,664,667 | 45.77% |
| Benefits | 2,831,482 | 4.87% | 2,299,558 | 3.83% | 6,479,203 | 11.12% |
| Supplies and other services | 13,973,120 | 24.05% | 11,166,023 | 18.61% | 10,278,995 | 17.65% |
| Utilities | 2,404,548 | 4.14% | 2,008,187 | 3.35% | 2,052,185 | 3.52% |
| Scholarships and fellowships | 3,882,375 | 6.68% | 10,736,460 | 17.89% | 7,215,557 | 12.39% |
| Depreciation and amortization | 6,036,886 | 10.39% | 6,062,658 | 10.10% | 5,269,329 | 9.05% |
| Loan cancellations and write-offs | 377,936 | 0.65% | 512,827 | 0.85% | 273,087 | 0.47% |
| Fees assessed by the Commission | 21,523 | 0.04% | 21,852 | 0.04% | 14,993 | 0.03% |
| Total | <u>\$ 58,101,268</u> | <u>100.00%</u> | <u>\$ 60,012,305</u> | <u>100.00%</u> | <u>\$ 58,248,016</u> | <u>100.00%</u> |

- Salaries and wages increased by \$1,368,658 or 5.03%.
- Benefits increased by \$531,924 or 23.13%.
- Supplies and other services expense increased by \$2,807,097 or 25.14%.
- Utilities increased by \$396,361 or 19.74%.
- Student financial aid expense decreased by \$6,854,085 or 63.84%. Gross scholarships and fellowships decreased by \$5,985,454.
- Depreciation and amortization expense decreased by \$25,772 or 0.43% and was 10.39% of total operating expenses.
- Loan cancellations and write-offs decreased by \$134,891 or 26.30%.

Statements of Cash Flows

The Statement of Cash Flows provides information about the cash receipts, cash payments, and net change in cash resulting from the operating, investing, and financing activities during the year. This statement helps users assess Fairmont State's ability to generate net cash flows, its ability to meet obligations as they come due, and its need for external financing.

The Statement of Cash Flows is divided into five parts:

1. **Cash flows from operating activities.** This section shows the net cash used by the operating activities.
2. **Cash flows from noncapital financing activities.** This section reflects the cash received and paid for nonoperating, noninvesting, and noncapital financing purposes.
3. **Cash flows from capital and related financing activities.** This section includes cash used for the acquisition and construction of capital and related items.
4. **Cash flows from investing activities.** This section shows the purchases, proceeds, and interest received from investing activities.
5. **Reconciliation of net cash provided by (used in) operating activities.** This section provides a schedule that reconciles the accrual-based operating income (loss) and net cash used in operating activities.

Condensed Schedules of Cash Flows For the Fiscal Year Ended June 30:

| | <u>2023</u> | (Restated) <u>2022</u> | <u>2021</u> |
|--|----------------------|---------------------------|----------------------|
| Cash Provided By (Used In) | | | |
| Operating Activities | \$ (21,653,164) | \$ (21,028,145) | \$ (15,901,966) |
| Noncapital Financing Activities | 32,145,053 | 35,680,630 | 30,644,254 |
| Capital and Financing Related Activities | (10,512,430) | (8,444,374) | (7,551,169) |
| Investing Activities | <u>1,581,731</u> | <u>67,470</u> | <u>54,415</u> |
| Net Change in Cash and Cash Equivalents | 1,561,190 | 6,275,581 | 7,245,534 |
| Cash - Beginning of Year | <u>48,782,465</u> | <u>42,506,884</u> | <u>35,261,350</u> |
| Cash - End of Year | <u>\$ 50,343,655</u> | <u>\$ 48,782,465</u> | <u>\$ 42,506,884</u> |

Major sources of funds included in operating activities consist of tuition and fees of \$10,934,625, contracts and grants of \$11,394,475, and auxiliary enterprise charges of \$10,162,728. Major uses of funds under this category were payments made to and on behalf of employees for salaries and benefits amounting to \$35,475,645, payments to suppliers amounting to \$13,352,878, and payments for scholarships and fellowships of \$3,882,375.

Major sources of cash flow provided by noncapital financing activities consist of State appropriations amounting to \$19,273,190, Federal Pell grant revenues of \$5,228,987, Federal HEERF revenues of \$5,696,935, and payments from Pierpont of \$1,500,000.

The major uses of funds in capital financing activities were for the purchase of capital assets in the amount of \$2,679,559 and payment of principal and interest on bonds of \$4,812,063 and \$2,226,611, respectively.

Capital Asset and Long-Term Debt Activity

Fairmont State has significant outstanding debt from bond issuances. Four bond series were issued in fiscal year 2003. The bonds were issued to acquire an apartment complex and for the construction of a parking garage, 400-suite dormitory, student activity center, and infrastructure improvements. The four bond issues were refinanced in fiscal year 2012 into one bond issuance with two Series. The two bond issues in 2012 were refunded in fiscal year 2022 with one Series. During fiscal year 2006, Fairmont State issued Series 2006 revenue bonds for the construction and improvements to the main campus. During fiscal year 2015, Fairmont State issued Series 2015A revenue bonds for the construction of a new apartment complex.

The 2015 bond issue is supported by housing fund user fees only. The 2021 bond issue is supported by auxiliary and infrastructure fund student and user fees and payments received from Pierpont under the Final Separation Agreement. The auxiliary fund budgets that support the bonds (which include interest and principal debt service payments) transferred excess revenues to plant reserves of approximately \$520,000 in fiscal year 2023.

The 2006 bonds are payable over twenty years from the time of issuance, but were paid off early in December 2022. The 2015 bonds are payable over thirty years from the time of issuance, and the 2021 bonds are payable over eleven years from the time of issuance. The total principal repayments made during fiscal year 2023 amounted to \$4,812,063. The current portion of bonds payable due in fiscal year 2023 is \$3,420,675 and the noncurrent portion of bonds payable is \$49,904,712.

The 2015A and 2021A bond series do not require a separate audit on the modified cash basis of accounting as previously required. The audited financial statements of Fairmont State include bond segment reporting, which is used to calculate the debt service coverage ratio. Fairmont State complied with the debt service coverage ratio requirements of the 2015 bonds and 2021 bonds.

Economic Outlook

Considering continued challenges associated with the COVID-19 pandemic, mental health crisis, and enrollment, Fairmont State remains on steady ground. Fall 2024 enrollment is trending just below enrollment from Fall 2023, and revenues are within a reasonable amount of projections. Fairmont State underwent a budget stabilization in the second half of fiscal year 2023, due to the end of the HEERF support. Mammoth efforts made by the recruiting team have minimized the effects of continued losses for fiscal year 2024. Fairmont State has opted to discontinue its 5-week, fully virtual, winter term as enrollments show the sustainability of the term is not viable. Fairmont State is currently reviewing its institutional scholarship awards and expects to roll out a new set of offerings to replace existing offerings next fall to bring our requirements in line with national trends by excluding test scores as a determining factor.

Fairmont State bonded auxiliary facilities revenue generation levels remain modest from enrollment declines and as the pandemic continues to affect our everyday lives. Despite hurdles, Fairmont State has maintained a healthy needed debt coverage ratio. Challenges continue to affect the auxiliaries this fiscal year, but shifts in operations to reduce expenses will ensure the auxiliaries remain stable. Reserves provide the ability to support the continued repair and maintenance of facilities; although long term, additional funds to support repair and maintenance beyond reserves will be needed. The debt service coverage ratio for the 2015 and 2021 bonds combined is required to be 100% of the maximum annual debt service of \$4,875,856. The debt service coverage ratio at the end of fiscal year 2023 and 2022 and ending net position balances of the 2015 and 2021 segments are listed below:

| | <u>Debt Coverage Ratios</u> | <u>Ending Net Position Balance</u> |
|---------------|-----------------------------|------------------------------------|
| June 30, 2023 | 206% | \$41,855,930 |
| June 30, 2022 | 190% | \$39,860,763 |

As a result of the Final Separation Agreement, Pierpont committed to pay Fairmont State a total of \$16,300,000 through 2032 for a portion of the debt service on the 2012 Bonded Indebtedness. Pierpont paid \$1,500,000 to Fairmont State in fiscal year 2023, and the remaining amount due from Pierpont at June 30, 2023 is \$13,500,000. The 2012 Series bonds were refunded in fiscal year 2022, removing Pierpont as a joint issuer of the debt. The issuance of the Revenue Refunding Bonds, 2021 Series A resulted in a gain of \$130,650 and an economic gain of \$5,283,238. (see note 8 for more information). Additionally, Fairmont State paid the remaining amount due on the 2006 Series bonds in December 2022, redeeming the bonds fully.

Fairmont State continues to focus its efforts on retention and success of returning students as well as continuing to find new and innovative ways to attract new students. Fairmont State strives to respond to the needs of today's job market by investing in relevant and desirable programs, such as national security and intelligence and a certified police academy, which enrolled its inaugural class in Spring 2023. A second, larger class of cadets is actively enrolled in Fall 2023. Through this new certification program, criminal justice students will be able to graduate fully certified and able to work as a full law enforcement officer.

Fairmont State operates under a balanced budget in fiscal year 2024. We continue to monitor enrollments and expenses to maintain a healthy E&G unrestricted net position reserve. Fairmont State also plans to reimagine its strategic plan through the Fall of 2023 and Spring of 2024. We expect that the new plan will include efforts to utilize our strong financial position to reinvest in the future of our institution.

FAIRMONT STATE UNIVERSITY

STATEMENTS OF NET POSITION

JUNE 30, 2023 AND 2022

| | 2023 | (Restated) 2022 |
|---------------------------------------|-----------------------|-----------------------|
| ASSETS AND DEFERRED OUTFLOWS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 50,314,754 | \$ 48,780,297 |
| Accounts receivable — net | 2,114,367 | 1,373,977 |
| Due from Pierpont — current portion | 1,500,000 | 1,500,000 |
| Inventories | 88,890 | 92,104 |
| Other current assets | 15,483 | 52,398 |
| Total current assets | <u>54,033,494</u> | <u>51,798,776</u> |
| NONCURRENT ASSETS: | | |
| Cash and cash equivalents | 28,901 | 2,168 |
| Due from Pierpont | 12,000,000 | 13,500,000 |
| Other noncurrent assets | 162,724 | 201,680 |
| Net OPEB asset | - | 129,465 |
| Capital assets — net | 131,514,404 | 134,721,401 |
| Total noncurrent assets | <u>143,706,029</u> | <u>148,554,714</u> |
| DEFERRED OUTFLOWS OF RESOURCES: | | |
| Deferred outflows related to pensions | 44,011 | 50,762 |
| Deferred outflows related to OPEB | 891,065 | 820,836 |
| Total deferred outflows of resources | <u>935,076</u> | <u>871,598</u> |
| TOTAL | <u>\$ 198,674,599</u> | <u>\$ 201,225,088</u> |

(Continued)

FAIRMONT STATE UNIVERSITY

STATEMENTS OF NET POSITION
JUNE 30, 2023 AND 2022

| | 2023 | (Restated) 2022 |
|--|-----------------------|-----------------------|
| LIABILITIES, DEFERRED INFLOWS, AND NET POSITION | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 1,433,177 | \$ 941,045 |
| Accrued liabilities — payroll | 3,168,287 | 3,963,928 |
| Accrued interest payable | 216,085 | 247,099 |
| Unearned revenue and deposits | 2,966,218 | 4,765,519 |
| Compensated absences — current portion | 1,099,253 | 1,052,650 |
| Lease liability — current portion | 104,937 | 195,317 |
| Subscription liability — current portion | 368,151 | 407,901 |
| Bonds payable — current portion | 3,420,675 | 3,814,791 |
| Total current liabilities | <u>12,776,783</u> | <u>15,388,250</u> |
| NONCURRENT LIABILITIES: | | |
| Net OPEB liability | 451,496 | - |
| Compensated absences | 471,273 | 478,311 |
| Lease liability | 102,744 | 373,855 |
| Subscription liability | 617,899 | 954,119 |
| Bonds payable | 49,904,712 | 54,953,333 |
| Net pension liability | 139,560 | 135,727 |
| Total noncurrent liabilities | <u>51,687,684</u> | <u>56,895,345</u> |
| DEFERRED INFLOWS OF RESOURCES: | | |
| Deferred inflows related to pensions | 220,634 | 356,701 |
| Deferred inflows related to OPEB | 2,568,167 | 5,819,498 |
| Deferred gain on refunding | 106,154 | 119,217 |
| Total deferred inflows of resources | <u>2,894,955</u> | <u>6,295,416</u> |
| NET POSITION: | | |
| Net investment in capital assets | 76,889,132 | 73,902,868 |
| Restricted for — expendable: | | |
| Scholarships | 143,275 | - |
| Capital projects | 10,103,580 | 6,684,290 |
| Debt service | 13,562,446 | 15,005,049 |
| Total restricted | <u>23,809,301</u> | <u>21,689,339</u> |
| Unrestricted | <u>30,616,744</u> | <u>27,053,870</u> |
| Total net position | <u>131,315,177</u> | <u>122,646,077</u> |
| TOTAL | <u>\$ 198,674,599</u> | <u>\$ 201,225,088</u> |

(Concluded)

FAIRMONT STATE UNIVERSITY
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2023 AND 2022**

| | 2023 | (Restated) 2022 |
|--|---------------------|---------------------|
| OPERATING REVENUES: | | |
| Student tuition and fees — net of scholarship allowance of \$15,353,213 and \$14,484,582 in 2023 and 2022, respectively | \$ 11,640,992 | \$ 12,142,753 |
| Auxiliary enterprise revenue | 10,447,162 | 9,659,725 |
| Contracts and grants: | | |
| Federal | 2,566,434 | 1,375,522 |
| State | 6,501,940 | 6,016,454 |
| Private | 3,807,446 | 3,370,575 |
| Operating costs revenue | 450,000 | 650,000 |
| Miscellaneous — net | 696,310 | 319,026 |
| Total operating revenues | <u>36,110,284</u> | <u>33,534,055</u> |
| OPERATING EXPENSES: | | |
| Salaries and wages | 28,573,398 | 27,204,740 |
| Benefits | 2,831,482 | 2,299,558 |
| Supplies and other services | 13,973,120 | 11,166,023 |
| Utilities | 2,404,548 | 2,008,187 |
| Student financial aid — scholarships and fellowships | 3,882,375 | 10,736,460 |
| Depreciation and amortization | 6,036,886 | 6,062,658 |
| Loan cancellations and write-offs | 377,936 | 512,827 |
| Fees assessed by the Commission for operations | 21,523 | 21,852 |
| Total operating expenses | <u>58,101,268</u> | <u>60,012,305</u> |
| OPERATING LOSS | <u>(21,990,984)</u> | <u>(26,478,250)</u> |

(Continued)

FAIRMONT STATE UNIVERSITY
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2023 AND 2022**

| | 2023 | (Restated) 2022 |
|--|-----------------------|-----------------------|
| NONOPERATING REVENUES (EXPENSES): | | |
| State appropriations | 19,273,190 | 19,100,341 |
| Pell grant revenues | 5,228,987 | 5,159,419 |
| Federal HEERF revenue | 5,696,935 | 9,376,352 |
| Federal GEER revenue | 15,030 | 535,291 |
| Other Federal ESF revenue | 102,500 | - |
| Investment income | 1,581,731 | 69,294 |
| Gifts | 328,411 | 209,227 |
| Insurance proceeds | 353,203 | - |
| Interest expense | (1,686,326) | (1,472,294) |
| Bond issuance costs | - | (220,687) |
| Gain (loss) on disposal of capital assets | 38,503 | (631,407) |
| | <u>30,932,164</u> | <u>32,125,536</u> |
| Net nonoperating revenues (expenses) | | |
| | <u>30,932,164</u> | <u>32,125,536</u> |
| CHANGE IN NET POSITION BEFORE OTHER REVENUES, EXPENSES, GAINS, AND LOSSES | 8,941,180 | 5,647,286 |
| PAYMENTS MADE AND EXPENSES INCURRED (OFFSET) ON BEHALF OF FAIRMONT STATE | <u>(272,080)</u> | <u>76,312</u> |
| CHANGE IN NET POSITION | <u>8,669,100</u> | <u>5,723,598</u> |
| NET POSITION — Beginning of year | <u>122,646,077</u> | <u>116,922,479</u> |
| NET POSITION — End of year | <u>\$ 131,315,177</u> | <u>\$ 122,646,077</u> |

(Concluded)

FAIRMONT STATE UNIVERSITY

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

| | 2023 | (Restated) 2022 |
|--|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Student tuition and fees | \$ 10,934,625 | \$ 11,857,849 |
| Contracts and grants | 11,394,475 | 11,924,481 |
| Payments to and on behalf of employees | (35,475,645) | (32,734,797) |
| Payments to suppliers | (13,352,878) | (10,079,890) |
| Payments to utilities | (2,404,548) | (2,008,187) |
| Payments for scholarships and fellowships | (3,882,375) | (10,736,460) |
| Auxiliary enterprise charges | 10,162,728 | 9,627,393 |
| Fees assessed by the Commission | (21,523) | (21,852) |
| Other receipts — net | 541,977 | 493,318 |
| Operating support services revenue | <u>450,000</u> | <u>650,000</u> |
| Net cash used in operating activities | <u>(21,653,164)</u> | <u>(21,028,145)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | |
| State appropriations | 19,273,190 | 19,100,341 |
| Pell grant revenues | 5,228,987 | 5,159,419 |
| Federal HEERF revenue | 5,696,935 | 9,376,352 |
| Federal GEER revenue | 15,030 | 535,291 |
| Other Federal ESF revenue | 102,500 | - |
| Payments from Pierpont | 1,500,000 | 1,300,000 |
| Gift receipts | 328,411 | 209,227 |
| William D. Ford direct lending receipts | 12,051,927 | 12,706,440 |
| William D. Ford direct lending payments | <u>(12,051,927)</u> | <u>(12,706,440)</u> |
| Net cash provided by noncapital financing activities | <u>32,145,053</u> | <u>35,680,630</u> |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES: | | |
| Purchases of capital assets | (2,679,559) | (1,226,065) |
| Proceeds from sale capital assets | 62,454 | 5,119 |
| Insurance proceeds | 159,861 | - |
| Payments on leases | (375,044) | (369,917) |
| Payments on SBITAs | (641,468) | (538,601) |
| Proceeds from bond issuance | - | 32,484,024 |
| Principal paid on bonds | (4,812,063) | (35,245,114) |
| Interest paid on bonds | (2,226,611) | (3,334,957) |
| Bond issuance costs | - | (220,687) |
| Bond interest income | <u>-</u> | <u>1,824</u> |
| Net cash used in capital financing activities | <u>(10,512,430)</u> | <u>(8,444,374)</u> |

(Continued)

FAIRMONT STATE UNIVERSITY

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

| | 2023 | (Restated) 2022 |
|---|------------------------|------------------------|
| CASH FLOWS FROM INVESTING ACTIVITY — Interest on investments | <u>1,581,731</u> | <u>67,470</u> |
| CHANGE IN CASH AND CASH EQUIVALENTS | 1,561,190 | 6,275,581 |
| CASH AND CASH EQUIVALENTS — Beginning of year | <u>48,782,465</u> | <u>42,506,884</u> |
| CASH AND CASH EQUIVALENTS — End of year | <u>\$ 50,343,655</u> | <u>\$ 48,782,465</u> |
| RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES: | | |
| Operating loss | \$ (21,990,984) | \$ (26,478,250) |
| Adjustments to reconcile net operating loss to net cash used in operating activities: | | |
| Depreciation and amortization | 6,036,886 | 6,062,658 |
| Pension expense (offset) — special funding situation | 25,726 | (5,167) |
| OPEB expense (offset) — special funding situation | (497,806) | (118,521) |
| Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources: | | |
| Accounts receivable — net | (606,297) | 622,123 |
| Inventories | 3,214 | 58,273 |
| Net OPEB asset | 129,465 | (129,465) |
| Deferred outflows of resources | (63,478) | 1,125,726 |
| Accounts payable | 627,252 | 333,281 |
| Accrued liabilities | (812,274) | 307,071 |
| Retainages payable | - | (33,100) |
| Unearned revenue and deposits | (1,599,301) | 1,004,571 |
| Compensated absences | 39,565 | (45,401) |
| Net OPEB liability | 451,496 | (1,827,622) |
| Net pension liability | 3,833 | (308,505) |
| Deferred inflows of resources | <u>(3,400,461)</u> | <u>(1,595,817)</u> |
| NET CASH USED IN OPERATING ACTIVITIES | <u>\$ (21,653,164)</u> | <u>\$ (21,028,145)</u> |
| NONCASH TRANSACTIONS: | | |
| Right-to-use assets acquired through outstanding SBITAs | <u>\$ 174,281</u> | <u>\$ 1,050,516</u> |
| Insurance proceeds in accounts receivable | <u>\$ 193,342</u> | <u>\$ -</u> |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION: | | |
| Cash and cash equivalents classified as current | \$ 50,314,754 | \$ 48,780,297 |
| Cash and cash equivalents classified as noncurrent | <u>28,901</u> | <u>2,168</u> |
| | <u>\$ 50,343,655</u> | <u>\$ 48,782,465</u> |

(Concluded)

FAIRMONT STATE FOUNDATION, INC.
A COMPONENT UNIT OF FAIRMONT STATE UNIVERSITY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

| ASSETS | | |
|---|----------------------|----------------------|
| | <u>2023</u> | <u>2022</u> |
| Current Assets | | |
| Cash and cash equivalents | \$ 992,848 | \$ 1,418,310 |
| Unconditional promises to give (current portion) | 555,902 | 551,503 |
| Other assets | <u>28,200</u> | <u>52,865</u> |
| Total Current Assets | <u>1,576,950</u> | <u>2,022,678</u> |
| Other Assets | | |
| Investments | 33,698,088 | 31,828,083 |
| Unconditional promises to give (net of current portion) | 399,160 | 821,567 |
| Beneficial interest in perpetual trusts | 3,244,424 | 3,120,594 |
| Property and equipment, net | <u>340,088</u> | <u>346,459</u> |
| Total Other Assets | <u>37,681,760</u> | <u>36,116,703</u> |
| Total Assets | <u>\$ 39,258,710</u> | <u>\$ 38,139,381</u> |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Accounts payable | \$ 2,865 | \$ 88,018 |
| Funds held in custody for others | 423,819 | 426,559 |
| Charitable gift annuities (current portion) | <u>283</u> | <u>551</u> |
| Total Current Liabilities | <u>426,967</u> | <u>515,128</u> |
| Long-Term Liabilities | | |
| Charitable gift annuities (net of current portion) | <u>2,465</u> | <u>2,748</u> |
| Total Liabilities | <u>429,432</u> | <u>517,876</u> |
| Net Assets | | |
| Without donor restrictions | 3,279,639 | 3,437,606 |
| With donor restrictions | <u>35,549,639</u> | <u>34,183,899</u> |
| Total Net Assets | <u>38,829,278</u> | <u>37,621,505</u> |
| Total Liabilities and Net Assets | <u>\$ 39,258,710</u> | <u>\$ 38,139,381</u> |

FAIRMONT STATE FOUNDATION, INC.
A COMPONENT UNIT OF FAIRMONT STATE UNIVERSITY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Totals</u> |
|---|---------------------------------------|------------------------------------|----------------------|
| Support and Revenue | | | |
| Support | | | |
| Gifts and donations | \$ 1,307 | \$ 1,744,876 | \$ 1,746,183 |
| In-kind donations | 50,729 | - | 50,729 |
| Fundraising activities | <u>-</u> | <u>26,875</u> | <u>26,875</u> |
| Total Support | <u>52,036</u> | <u>1,771,751</u> | <u>1,823,787</u> |
| Revenues (Losses) | | | |
| Investment income (loss), net | 95,594 | 2,164,100 | 2,259,694 |
| Change in beneficial interest in perpetual trusts | - | 123,830 | 123,830 |
| Other revenue | <u>33,016</u> | <u>49,573</u> | <u>82,589</u> |
| Net Revenues (Losses) | <u>128,610</u> | <u>2,337,503</u> | <u>2,466,113</u> |
| Net assets released from restrictions | <u>2,252,576</u> | <u>(2,252,576)</u> | <u>-</u> |
| Total Support and Revenues (Losses) | <u>2,433,222</u> | <u>1,856,678</u> | <u>4,289,900</u> |
| Expenses | | | |
| Program Services | | | |
| Scholarships | 1,938,659 | - | 1,938,659 |
| Other | <u>502,777</u> | <u>-</u> | <u>502,777</u> |
| Total Program Services | <u>2,441,436</u> | <u>-</u> | <u>2,441,436</u> |
| Supporting Services | | | |
| Management and general | 311,509 | - | 311,509 |
| Fundraising | <u>331,922</u> | <u>-</u> | <u>331,922</u> |
| Total Supporting Services | <u>643,431</u> | <u>-</u> | <u>643,431</u> |
| Total Expenses | <u>3,084,867</u> | <u>-</u> | <u>3,084,867</u> |
| Reclassifications | <u>493,678</u> | <u>(493,678)</u> | <u>-</u> |
| Change in Net Assets | (157,967) | 1,363,000 | 1,205,033 |
| Adjustment to funds held in custody for others | - | 2,740 | 2,740 |
| Net Assets at Beginning of Year | <u>3,437,606</u> | <u>34,183,899</u> | <u>37,621,505</u> |
| Net Assets at End of Year | <u>\$ 3,279,639</u> | <u>\$ 35,549,639</u> | <u>\$ 38,829,278</u> |

The Accompanying Notes Are An Integral
Part Of These Financial Statements.

FAIRMONT STATE FOUNDATION, INC.
A COMPONENT UNIT OF FAIRMONT STATE UNIVERSITY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Totals</u> |
|---|---------------------------------------|------------------------------------|----------------------|
| Support and Revenue | | | |
| Support | | | |
| Gifts and donations | \$ 773 | \$ 3,067,081 | \$ 3,067,854 |
| In-kind donations | 25,916 | 75,000 | 100,916 |
| Fundraising activities | <u>-</u> | <u>43,706</u> | <u>43,706</u> |
| Total Support | <u>26,689</u> | <u>3,185,787</u> | <u>3,212,476</u> |
| Revenues (Losses) | | | |
| Investment income (loss), net | (159,830) | (4,369,350) | (4,529,180) |
| Change in beneficial interest in perpetual trusts | - | (452,625) | (452,625) |
| Other revenue | <u>60,544</u> | <u>1,658</u> | <u>62,202</u> |
| Net Revenues (Losses) | <u>(99,286)</u> | <u>(4,820,317)</u> | <u>(4,919,603)</u> |
| Net assets released from restrictions | <u>2,371,218</u> | <u>(2,371,218)</u> | <u>-</u> |
| Total Support and Revenues (Losses) | <u>2,298,621</u> | <u>(4,005,748)</u> | <u>(1,707,127)</u> |
| Expenses | | | |
| Program Services | | | |
| Scholarships | 1,984,471 | - | 1,984,471 |
| Other | <u>430,966</u> | <u>-</u> | <u>430,966</u> |
| Total Program Services | <u>2,415,437</u> | <u>-</u> | <u>2,415,437</u> |
| Supporting Services | | | |
| Management and general | 255,639 | - | 255,639 |
| Fundraising | <u>368,382</u> | <u>-</u> | <u>368,382</u> |
| Total Supporting Services | <u>624,021</u> | <u>-</u> | <u>624,021</u> |
| Total Expenses | <u>3,039,458</u> | <u>-</u> | <u>3,039,458</u> |
| Reclassifications | <u>168,923</u> | <u>(168,923)</u> | <u>-</u> |
| Change in Net Assets | (571,914) | (4,174,671) | (4,746,585) |
| Adjustment to funds held in custody for others | - | 78,656 | 78,656 |
| Net Assets at Beginning of Year | <u>4,009,520</u> | <u>38,279,914</u> | <u>42,289,434</u> |
| Net Assets at End of Year | <u>\$ 3,437,606</u> | <u>\$ 34,183,899</u> | <u>\$ 37,621,505</u> |

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

1. ORGANIZATION

Fairmont State University (Fairmont State) is governed by the Fairmont State University Board of Governors (the Board). The Board was established by Senate Bill (S.B.) 653, which was enacted by the West Virginia State Legislature (the Legislature) on March 19, 2000 and restructured higher education in West Virginia.

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

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 (GASB), Fairmont State has included information from the Fairmont State Foundation, Inc. (the Foundation).

Although Fairmont State benefits from the activities of the Foundation, the Foundation is independent of Fairmont State in all respects. The Foundation is not a subsidiary of Fairmont State and is not directly or indirectly controlled by Fairmont State. 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 Fairmont State. Fairmont State is not accountable for, and does not have ownership of, any of the financial and capital resources of the Foundation. Fairmont State 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 Fairmont State. 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 Fairmont State. Third parties dealing with Fairmont State, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity - Fairmont State 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. Fairmont State is a separate entity that, along with all State institutions of higher education and the Commission (which includes the 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 annual comprehensive financial report.

The accompanying financial statements present all funds under the authority of Fairmont State. The basic criterion for inclusion in the accompanying financial statements is the exercise of oversight responsibility derived from Fairmont State's ability to significantly influence operations and accountability for fiscal matters of related entities.

The audited financial statements of the Foundation are presented here as a discrete component unit with Fairmont State's financial statements in accordance with GASB. The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's audited financial information as it is presented herein except that in accordance with governmental accounting standards, the Foundation's statements of cash flows and statements of functional expenses are not presented.

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

Net investment in capital assets - This represents Fairmont State's total investment in capital assets, net of depreciation and outstanding debt obligations related to those capital assets.

Restricted net position - expendable - This includes assets for which Fairmont State is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted net position - nonexpendable - This includes endowment and similar-type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to principal. Fairmont State does not have any restricted nonexpendable net position at June 30, 2023 and 2022.

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 Fairmont State and may be used at the discretion of the Board to meet current expenses for any purpose.

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

Cash and Cash Equivalents - For purposes of the statements of net position, Fairmont State 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 were 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 State Code, policies set by the BTI, provisions of bond indentures, and provisions of 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 West Virginia State Legislature and is subject to oversight by the West Virginia State Legislature. Fair value and investment income are allocated to participants in the pools based upon the funds that have been invested. The amounts on deposit are available for immediate withdrawal or on the first day of each month for the WV Short Term Bond Pool and, accordingly, are presented as cash and cash equivalents in the accompanying financial statements.

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Permissible investments for all agencies include those guaranteed by the United States of America, its agencies, and its 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; 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.

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

Allowance for Doubtful Accounts - It is Fairmont State'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 Fairmont State on such balances; and such other factors that, in Fairmont State'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 and cash equivalents that are (1) externally restricted to make debt service payments and long-term loans to students or to maintain sinking or reserve funds; (2) to purchase capital or other noncurrent assets or settle long-term liabilities; and (3) permanently restricted net position are classified as noncurrent assets in the accompanying statements of net position.

Capital Assets - Capital assets consists primarily of property, plant, and equipment; books and materials that are part of a catalogued library; and infrastructure assets. Capital assets are stated at cost at the date of acquisition or construction, or at fair value at the date of donation in the case of gifts. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and infrastructure, 15 years for land improvements, 7 years for library books, and 3 to 10 years for furniture and equipment.

Capital assets also include intangible right-to-use lease assets and intangible right-to-use subscription assets, initially measured at the present value of payments expected to be made during the lease or subscription term, plus certain other costs. Lease and subscription assets are amortized in a systematic and rational manner over the shorter of the lease or subscription term or the estimated useful life of the underlying asset, unless the lease or subscription-based information technology arrangement (SBITA) contains a purchase option. Fairmont State's agreements meeting the definition of a lease or SBITA do not contain purchase options.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unearned Revenue and Deposits - 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, football ticket sales, and room and board. Financial aid and other deposits are separately classified as deposits.

Compensated Absences and Other Postemployment Benefits - GASB provides standards for the measurement, recognition, and display of other postemployment benefit (OPEB) expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. During fiscal year 2006, House Bill No. 4654 was established to create a trust fund for postemployment benefits for the State. Effective July 1, 2007, Fairmont State was required to participate in this multiple-employer cost-sharing plan, the West Virginia Retiree Health Benefit Trust Fund, sponsored by the State. Details regarding this plan and its stand-alone financial statements can be obtained by contacting West Virginia Public Employees Insurance Agency (PEIA), 601 57th Street SE, Charleston, West Virginia 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. Fairmont State's full-time employees earn up to two vacation leave days for each month of service and are entitled to compensation for accumulated, unpaid vacation leave upon termination.

For purposes of measuring the net OPEB liability (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/reductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the 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 11 for further discussion.

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

Net Pension Liability - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the West Virginia Teachers' Retirement System (STRS), administered by the West Virginia Consolidated Public Retirement Board (CPRB), and additions to/reductions from the STRS fiduciary net position have been determined on the same basis as they are reported in the STRS financial statements, which can be found at <https://www.wvretirement.com/Publications.html#AnnualReport>. The plan schedules of STRS are prepared using the accrual basis of accounting and economic resources measurement focus in accordance with U.S. GAAP as prescribed by GASB. Employer contributions are recognized when due and when the employer has a legal requirement to provide the contributions. Investments are reported at fair value. Detailed information on investment valuation can be found in the STRS financial statements. Management of STRS has made certain estimates and assumptions relating to employer allocation schedules, and actual results could differ. See note 12 for further discussion.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Risk Management - The State's Board of Risk and Insurance Management (BRIM) provides general, property, and casualty liability coverage to Fairmont State and its employees. Such coverage may be provided to Fairmont State 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 Fairmont State or other participants in BRIM's insurance programs. As a result, management does not expect significant differences between the premiums Fairmont State is currently charged by BRIM and the ultimate cost of that insurance based on Fairmont State's actual loss experience. In the event that such differences arise between estimated premiums currently charged by BRIM to Fairmont State and Fairmont State's ultimate actual loss experience, the difference will be recorded as the change in estimate becomes known.

In addition, through its participation in PEIA and a third-party insurer, Fairmont State has obtained health insurance, life insurance, 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, Fairmont State has transferred its risks related to health insurance, life insurance, prescription drug coverage, and job-related injuries coverage.

Classification of Revenues - Fairmont State 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, Federal Pell grants, investment income, and sale of capital assets (including natural resources).

Other revenues - Other revenues consist primarily of capital gifts and payments made on behalf of Fairmont State.

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal Financial Assistance Programs - Fairmont State makes loans to students under the Federal Direct Student Loan Program. Under this program, the U.S. Department of Education makes interest-subsidized and non-subsidized loans directly to students through universities such as Fairmont State. Direct student loan receivables are not included in Fairmont State's statements of net position as the loans are repayable directly to the U.S. Department of Education. In 2023 and 2022, Fairmont State received and disbursed approximately \$12.1 million and \$12.7 million, respectively, under the Federal Direct Student Loan Program on behalf of the U.S. Department of Education, which is not included as revenue and expense in the statements of revenues, expenses, and changes in net position.

Fairmont State also distributes other student financial assistance funds on behalf of the federal government to students under the Federal Pell Grant, Supplemental Educational Opportunity Grant, and College Work-Study programs. The activity of these programs is recorded in the accompanying financial statements. In 2023 and 2022, Fairmont State received and disbursed \$5.5 million and \$5.4 million, respectively, under these federal student aid programs.

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

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

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Newly Adopted Statements Issued by GASB – Fairmont State implemented GASB Statement No. 91, *Conduit Debt Obligations*, which is effective for fiscal years beginning after December 15, 2021. The requirements of this Statement eliminate 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 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 or inconsistency. This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period. The adoption of GASB Statement No. 91 did not have a significant impact on the financial statements.

Fairmont State implemented GASB 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 provide 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. The adoption of GASB Statement No. 94 did not have a significant impact on the financial statements.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fairmont State implemented GASB 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 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. The adoption of GASB Statement No. 96 resulted in the recognition of a subscription liability and an intangible right-to-use subscription asset. See additional information in notes 3, 6, 7, and 10.

Fairmont State implemented GASB 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 during the current fiscal year did not have an impact on the financial statements.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Statements Issued by GASB - 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. Fairmont State 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, 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. Fairmont State has not yet determined the effect that the adoption of GASB Statement No. 101 may have on its financial statements.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

3. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT

During fiscal year 2023, Fairmont State implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. It establishes requirements for SBITA accounting based on the principle that SBITAs are financings of the right to use an underlying asset. A lessee is required to recognize a subscription liability and an intangible right-to-use subscription asset. The financial statements for the prior period have been restated to reflect the implementation as of July 1, 2021. The implementation had no impact on beginning net position for fiscal year 2022 since the intangible right-to-use subscription asset equaled the subscription liability. Fairmont State recognized \$844,986 as an intangible right-to-use subscription asset and subscription liability as of July 1, 2021.

The implementation of GASB Statement No. 96 had the following effect on the fiscal year ended June 30, 2022:

| | As Previously Reported | 7/1/2021 Adjustment Plus Restatement | Restated |
|--|-----------------------------------|--|-----------------|
| From the Statement of Net Position | | | |
| Capital assets — net | \$ 133,115,648 | \$ 1,605,753 | \$ 134,721,401 |
| Accrued interest payable | 191,150 | 55,949 | 247,099 |
| Subscription liability — current portion | - | 407,901 | 407,901 |
| Subscription liability — noncurrent portion | - | 954,119 | 954,119 |
| Net investment in capital assets | 73,659,135 | 243,733 | 73,902,868 |
| Unrestricted | 27,109,819 | (55,949) | 27,053,870 |
| | | | |
| From the Statement of Revenues, Expenses, and Changes in Net Position | As Previously Reported | Restatement | Restated |
| Supplies and other services | \$ 11,704,624 | \$ (538,601) | \$ 11,166,023 |
| Depreciation and amortization | 5,772,909 | 289,749 | 6,062,658 |
| Interest expense | 1,411,226 | 61,068 | 1,472,294 |
| Net change in net position | 5,535,814 | 187,784 | 5,723,598 |

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

4. CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents at June 30, 2023 and 2022, was held as follows:

| | 2023 | | |
|---------------------|----------------------|-------------------|----------------------|
| | Current | Noncurrent | Total |
| State Treasurer/BTI | \$ 50,086,188 | \$ - | \$ 50,086,188 |
| Trustee | - | 28,901 | 28,901 |
| In bank | 226,066 | - | 226,066 |
| On hand | <u>2,500</u> | <u>-</u> | <u>2,500</u> |
| | <u>\$ 50,314,754</u> | <u>\$ 28,901</u> | <u>\$ 50,343,655</u> |
| | 2022 | | |
| | Current | Noncurrent | Total |
| State Treasurer/BTI | \$ 48,632,464 | \$ - | \$ 48,632,464 |
| Trustee | - | 2,168 | 2,168 |
| In bank | 145,333 | - | 145,333 |
| On hand | <u>2,500</u> | <u>-</u> | <u>2,500</u> |
| | <u>\$ 48,780,297</u> | <u>\$ 2,168</u> | <u>\$ 48,782,465</u> |

Cash held by the Treasurer includes no restricted cash at June 30, 2023 and 2022.

The combined carrying amount of cash in the bank at June 30, 2023 and 2022 was \$226,066 and \$145,333, respectively, as compared with the combined bank balance of \$345,388 and \$363,669, respectively. The difference is primarily caused by outstanding checks and items in transit. The Federal Deposit Insurance Corporation (FDIC) coverage is \$250,000 for interest and non-interest bearing deposits. From time to time, Fairmont State may carry deposit balances in individual financial institutions exceeding this limit.

Amounts with the State Treasurer were \$50,086,188 and \$48,632,464 as of June 30, 2023 and 2022, respectively. Of these amounts, \$43,092,240 and \$34,759,457 were invested in the WV Money Market Pool and the WV Short Term Bond Pool as of June 30, 2023 and 2022, respectively. The remainder of the cash held with the State Treasurer was not invested as of June 30, 2023 and 2022.

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 | 2023 | | 2022 | |
|-------------------------|----------------|--------------|----------------|--------------|
| | Carrying Value | S & P Rating | Carrying Value | S & P Rating |
| WV Money Market Pool | \$ 42,114,984 | AAAm | \$ 33,953,465 | AAAm |
| WV Short Term Bond Pool | 977,256 | Not Rated | 805,992 | Not Rated |

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

4. CASH AND CASH EQUIVALENTS (CONTINUED)

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 | 2023 | | 2022 | |
|----------------------|----------------|---------------|----------------|---------------|
| | Carrying Value | WAM (Days) | Carrying Value | WAM (Days) |
| WV Money Market Pool | \$ 42,114,984 | 29 | \$ 33,953,465 | 21 |

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

| External Pool | 2023 | | 2022 | |
|-------------------------|----------------|---------------------------------|----------------|---------------------------------|
| | Carrying Value | Effective Duration (Days) | Carrying Value | Effective Duration (Days) |
| WV Short Term Bond Pool | \$ 977,256 | 609 | \$ 805,992 | 584 |

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, Fairmont State will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

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

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

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

5. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2023 and 2022, are as follows:

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|---------------------|
| Student tuition and fees - net of allowance for doubtful accounts of \$4,703,238 and \$4,325,300, respectively | \$ 1,487,168 | \$ 961,111 |
| Grants and contracts receivable | 137,112 | 291,329 |
| Due from the Commission | 187,282 | 53,501 |
| Due from other State agencies | 34,247 | - |
| Other accounts receivable | <u>268,558</u> | <u>68,036</u> |
| | <u>\$ 2,114,367</u> | <u>\$ 1,373,977</u> |

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

6. CAPITAL ASSETS

Capital asset activities for the years ended June 30, 2023 and 2022 are as follows:

| | 2023 | | | |
|---|------------------------------|-----------------------|-----------------------|---------------------------|
| | Beginning Balance | Additions | Reductions | Ending Balance |
| Capital assets not being depreciated: | | | | |
| Land | \$ 5,947,875 | \$ - | \$ - | \$ 5,947,875 |
| Construction in progress | 788,845 | 1,445,768 | (1,531,757) | 702,856 |
| Total capital assets not being depreciated | <u>\$ 6,736,720</u> | <u>\$ 1,445,768</u> | <u>\$ (1,531,757)</u> | <u>\$ 6,650,731</u> |
| Other capital assets being depreciated: | | | | |
| Land improvements | \$ 5,761,284 | \$ - | \$ - | \$ 5,761,284 |
| Infrastructure | 16,142,215 | - | - | 16,142,215 |
| Buildings | 187,396,164 | 1,178,365 | - | 188,574,529 |
| Equipment | 7,417,325 | 1,744,111 | (46,795) | 9,114,641 |
| Computer software | 161,256 | - | - | 161,256 |
| Library books | 3,693,564 | 4,237 | (5,459) | 3,692,342 |
| Total other capital assets being depreciated | <u>220,571,808</u> | <u>2,926,713</u> | <u>(52,254)</u> | <u>223,446,267</u> |
| Lease assets being amortized: | | | | |
| Equipment | 940,579 | - | (443,797) | 496,782 |
| Total lease assets being amortized | <u>940,579</u> | <u>-</u> | <u>(443,797)</u> | <u>496,782</u> |
| Subscription assets being amortized | <u>1,895,502</u> | <u>174,281</u> | <u>-</u> | <u>2,069,783</u> |
| Less accumulated depreciation for other capital assets: | | | | |
| Land improvements | 3,997,501 | 218,007 | - | 4,215,508 |
| Infrastructure | 15,252,022 | 183,817 | - | 15,435,839 |
| Buildings | 65,917,760 | 4,400,933 | - | 70,318,693 |
| Equipment | 5,755,331 | 515,481 | (22,967) | 6,247,845 |
| Computer software | 160,518 | 738 | - | 161,256 |
| Library books | 3,663,784 | 9,712 | (5,459) | 3,668,037 |
| Total accumulated depreciation | <u>94,746,916</u> | <u>5,328,688</u> | <u>(28,426)</u> | <u>100,047,178</u> |
| Less accumulated amortization for lease and subscription assets: | | | | |
| Lease assets - equipment | 386,543 | 195,585 | (282,509) | 299,619 |
| Subscription assets | 289,749 | 512,613 | - | 802,362 |
| Total accumulated amortization | <u>676,292</u> | <u>708,198</u> | <u>(282,509)</u> | <u>1,101,981</u> |
| Other capital assets, lease assets, and subscription assets - net | <u>\$ 127,984,681</u> | <u>\$ (2,935,892)</u> | <u>\$ (185,116)</u> | <u>\$ 124,863,673</u> |
| Capital asset summary: | | | | |
| Capital assets not being depreciated | \$ 6,736,720 | \$ 1,445,768 | \$ (1,531,757) | \$ 6,650,731 |
| Other capital assets | 220,571,808 | 2,926,713 | (52,254) | 223,446,267 |
| Lease assets | 940,579 | - | (443,797) | 496,782 |
| Subscription assets | 1,895,502 | 174,281 | - | 2,069,783 |
| Total cost of capital assets | 230,144,609 | 4,546,762 | (2,027,808) | 232,663,563 |
| Less accumulated depreciation and amortization | <u>95,423,208</u> | <u>6,036,886</u> | <u>(310,935)</u> | <u>101,149,159</u> |
| Capital assets - net | <u>\$ 134,721,401</u> | <u>\$ (1,490,124)</u> | <u>\$ (1,716,873)</u> | <u>\$ 131,514,404</u> |

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

6. CAPITAL ASSETS (CONTINUED)

| | (Restated) 2022 | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | Beginning Balance | Additions | Reductions | Ending Balance |
| Capital assets not being depreciated: | | | | |
| Land | \$ 5,999,878 | \$ - | \$ (52,003) | \$ 5,947,875 |
| Construction in progress | <u>1,134,170</u> | <u>1,045,328</u> | <u>(1,390,653)</u> | <u>788,845</u> |
| Total capital assets not being depreciated | <u>\$ 7,134,048</u> | <u>\$ 1,045,328</u> | <u>\$ (1,442,656)</u> | <u>\$ 6,736,720</u> |
| Other capital assets being depreciated: | | | | |
| Land improvements | \$ 5,761,284 | \$ - | \$ - | \$ 5,761,284 |
| Infrastructure | 16,138,857 | 282,164 | (278,806) | 16,142,215 |
| Buildings | 187,003,891 | 1,108,487 | (716,214) | 187,396,164 |
| Equipment | 7,508,092 | 174,615 | (265,382) | 7,417,325 |
| Computer software | 216,031 | - | (54,775) | 161,256 |
| Library books | <u>3,687,452</u> | <u>6,112</u> | <u>-</u> | <u>3,693,564</u> |
| Total other capital assets being depreciated | <u>220,315,607</u> | <u>1,571,378</u> | <u>(1,315,177)</u> | <u>220,571,808</u> |
| Lease assets being amortized: | | | | |
| Buildings | 340,863 | - | (340,863) | - |
| Equipment | <u>940,579</u> | <u>-</u> | <u>-</u> | <u>940,579</u> |
| Total lease assets being amortized | <u>1,281,442</u> | <u>-</u> | <u>(340,863)</u> | <u>940,579</u> |
| Subscription assets being amortized | <u>844,986</u> | <u>1,050,516</u> | <u>-</u> | <u>1,895,502</u> |
| Less accumulated depreciation for other capital assets: | | | | |
| Land improvements | 3,723,046 | 274,455 | - | 3,997,501 |
| Infrastructure | 15,296,125 | 234,703 | (278,806) | 15,252,022 |
| Buildings | 61,633,461 | 4,416,002 | (131,703) | 65,917,760 |
| Equipment | 5,540,078 | 480,635 | (265,382) | 5,755,331 |
| Computer software | 208,906 | 6,387 | (54,775) | 160,518 |
| Library books | <u>3,653,579</u> | <u>10,205</u> | <u>-</u> | <u>3,663,784</u> |
| Total accumulated depreciation | <u>90,055,195</u> | <u>5,422,387</u> | <u>(730,666)</u> | <u>94,746,916</u> |
| Less accumulated amortization for lease and subscription assets: | | | | |
| Lease assets - buildings | 185,925 | 154,938 | (340,863) | - |
| Lease assets - equipment | 190,959 | 195,584 | - | 386,543 |
| Subscription assets | <u>-</u> | <u>289,749</u> | <u>-</u> | <u>289,749</u> |
| Total accumulated amortization | <u>376,884</u> | <u>640,271</u> | <u>(340,863)</u> | <u>676,292</u> |
| Other capital assets, lease assets, and subscription assets - net | <u>\$ 132,009,956</u> | <u>\$ (3,440,764)</u> | <u>\$ (584,511)</u> | <u>\$ 127,984,681</u> |
| Capital asset summary: | | | | |
| Capital assets not being depreciated | \$ 7,134,048 | \$ 1,045,328 | \$ (1,442,656) | \$ 6,736,720 |
| Other capital assets | 220,315,607 | 1,571,378 | (1,315,177) | 220,571,808 |
| Lease assets | 1,281,442 | - | (340,863) | 940,579 |
| Subscription assets | <u>844,986</u> | <u>1,050,516</u> | <u>-</u> | <u>1,895,502</u> |
| Total cost of capital assets | 229,576,083 | 3,667,222 | (3,098,696) | 230,144,609 |
| Less accumulated depreciation and amortization | <u>90,432,079</u> | <u>6,062,658</u> | <u>(1,071,529)</u> | <u>95,423,208</u> |
| Capital assets - net | <u>\$ 139,144,004</u> | <u>\$ (2,395,436)</u> | <u>\$ (2,027,167)</u> | <u>\$ 134,721,401</u> |

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

6. CAPITAL ASSETS (CONTINUED)

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

Fairmont State's construction commitments were \$1,574,125 and \$516,081 as of June 30, 2023 and 2022, respectively.

7. LONG-TERM LIABILITIES

Long-term obligation activities for the years ended June 30, 2023, and 2022 are as follows:

| | 2023 | | | | |
|------------------------------|------------------------------|----------------------|------------------------|---------------------------|----------------------------|
| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Current Portion</u> |
| Bonds payable | \$ 52,837,063 | \$ - | \$ (4,812,063) | \$ 48,025,000 | \$ 2,790,000 |
| Add (less) deferred amounts: | | | | | |
| Premium on issuance | <u>5,931,061</u> | <u>-</u> | <u>(630,674)</u> | <u>5,300,387</u> | <u>630,675</u> |
| Total bonds payable - net | 58,768,124 | - | (5,442,737) | 53,325,387 | 3,420,675 |
| Other long-term liabilities: | | | | | |
| Compensated absences | 1,530,961 | 1,067,896 | (1,028,331) | 1,570,526 | 1,099,253 |
| Lease liability | 569,172 | - | (361,491) | 207,681 | 104,937 |
| Subscription liability | <u>1,362,020</u> | <u>31,931</u> | <u>(407,901)</u> | <u>986,050</u> | <u>368,151</u> |
| Total long-term liabilities | <u>\$ 62,230,277</u> | <u>\$ 1,099,827</u> | <u>\$ (7,240,460)</u> | <u>\$ 56,089,644</u> | <u>\$ 4,993,016</u> |
| | | | | | |
| | (Restated) 2022 | | | | |
| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Current Portion</u> |
| Bonds payable | \$ 61,777,177 | \$ 26,305,000 | \$ (35,245,114) | \$ 52,837,063 | \$ 3,184,116 |
| Add (less) deferred amounts: | | | | | |
| Premium on issuance | <u>1,697,841</u> | <u>6,179,024</u> | <u>(1,945,804)</u> | <u>5,931,061</u> | <u>630,675</u> |
| Total bonds payable - net | 63,475,018 | 32,484,024 | (37,190,918) | 58,768,124 | 3,814,791 |
| Other long-term liabilities: | | | | | |
| Compensated absences | 1,576,362 | 1,007,727 | (1,053,128) | 1,530,961 | 1,052,650 |
| Lease liability | 916,139 | - | (346,967) | 569,172 | 195,317 |
| Subscription liability | <u>844,986</u> | <u>749,448</u> | <u>(232,414)</u> | <u>1,362,020</u> | <u>407,901</u> |
| Total long-term liabilities | <u>\$ 66,812,505</u> | <u>\$ 34,241,199</u> | <u>\$ (38,823,427)</u> | <u>\$ 62,230,277</u> | <u>\$ 5,470,659</u> |

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

8. BONDS PAYABLE

Bonds payable at June 30, 2023 and 2022, are summarized as follows (in thousands):

| | Interest Rates | Annual Principal Installments | 2023 Principal Outstanding | 2022 Principal Outstanding |
|--|---------------------|-------------------------------------|----------------------------------|----------------------------------|
| Facilities Improvement Revenue Bonds | | | | |
| 2006 Series, paid off in December 2022 | 1.74% (10-yr reset) | \$343 - \$611 | \$ - | \$ 2,152 |
| Revenue Refunding Bonds | | | | |
| 2015, Series A, due through 2045 | 1.75 - 5.00 | 580 - 1,665 | 25,685 | 26,415 |
| Revenue Refunding Bonds | | | | |
| 2021, Series A, due through 2032 | 5.00 | 1,930 - 2,995 | <u>22,340</u> | <u>24,270</u> |
| Total outstanding principal | | | 48,025 | 52,837 |
| Add unamortized bond premium | | | <u>5,300</u> | <u>5,931</u> |
| Total | | | <u>\$ 53,325</u> | <u>\$ 58,768</u> |
| Current | | | \$ 3,420 | \$ 3,815 |
| Noncurrent | | | <u>49,905</u> | <u>54,953</u> |
| Total | | | <u>\$ 53,325</u> | <u>\$ 58,768</u> |

Fairmont State has issued the following revenue bonds:

- a. *Facilities Improvement Revenue Bonds, 2006 Series* - On May 9, 2006, Fairmont State issued Facilities Improvement Bonds, 2006 Series (the 2006 Bonds) amounting to \$8,500,000. The 2006 Bonds were issued to (1) finance the costs of the design, acquisition, construction, and equipping of certain necessary improvements in the facilities of the main campus shared by Fairmont State and Pierpont, including, but not limited to, a technology wing addition/renovation and elevator/heating, ventilation, and air-conditioning (HVAC) improvements to infrastructure improvements, all of which will be owned by the Board, and (2) pay the costs of issuance of the 2006 Bonds and related costs.
- b. *Facilities Construction Revenue Bonds, 2015 Series A* - On April 7, 2015, Fairmont State issued Revenue Bonds Series A (the 2015A Bonds) amounting to \$30,200,000. The 2015A Bonds were issued to (1) finance the costs of planning, designing, constructing, acquiring, and equipping new student housing facilities; (2) provide payment of capitalized interest on the Series 2015 Bonds; (3) reimburse certain previously incurred expenditures related to the 2015 Project; and (4) pay the costs of issuance of the Series 2015 Bonds and related costs.
- c. *Revenue Refunding Bonds, 2021 Series A* - On July 27, 2021, Fairmont State issued Revenue Bonds Series A (the 2021 Bonds) amounting to \$26,305,000. The 2021 Bonds were issued to (1) currently refund in full the previously outstanding 2012A and 2012B Bonds and (2) pay the costs of issuance of the 2021 Bonds and related costs. The issuance of the 2021 Bonds resulted in a gain of \$130,650 and an economic gain of \$5,283,238.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

8. BONDS PAYABLE (CONTINUED)

The bond issues are special obligations of Fairmont State and are secured by and payable from certain pledge revenues held under the Bond Indenture (the Indenture). The bonds shall not be deemed to be general obligations or debts of the State within the meaning of the Constitution of the State; neither the credit nor the taxing power of the State is pledged for the payment of the bonds.

The 2015 and 2021 Bonds' covenants require that the schedules of rent, charges, and fees shall at all times be adequate to produce revenues from the auxiliary facilities sufficient to pay operating expenses and, when combined with infrastructure fees (as defined in the Indenture), to make the prescribed payments into the funds and accounts created hereunder, and that such schedule or schedules of rents, charges, and fees, that shall be revised from time to time to provide for all reasonable operating expenses and leave gross revenues, when combined with other monies legally available to be used for such purposes, each year equal at least 100% of the maximum annual debt service of the 2015 and 2021 Bonds of \$4,875,856.

For the years ended June 30, 2023 and 2022, Fairmont State had gross revenues that approximated 206% and 190%, respectively, of the maximum annual debt service of the 2015 and 2021 Bonds of \$4,875,856.

Future debt service requirements to maturity for the revenue bonds at June 30, 2023, are as follows:

| <u>Years Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------------|----------------------|----------------------|----------------------|
| 2024 | \$ 2,790,000 | \$ 2,080,356 | \$ 4,870,356 |
| 2025 | 2,935,000 | 1,940,856 | 4,875,856 |
| 2026 | 3,075,000 | 1,794,106 | 4,869,106 |
| 2027 | 3,225,000 | 1,640,356 | 4,865,356 |
| 2028 | 3,375,000 | 1,496,806 | 4,871,806 |
| 2029-2033 | 16,175,000 | 5,039,431 | 21,214,431 |
| 2034-2038 | 5,990,000 | 2,646,781 | 8,636,781 |
| 2039-2043 | 7,190,000 | 1,441,688 | 8,631,688 |
| 2044-2045 | <u>3,270,000</u> | <u>185,063</u> | <u>3,455,063</u> |
| Total | <u>\$ 48,025,000</u> | <u>\$ 18,265,443</u> | <u>\$ 66,290,443</u> |

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

9. LEASES

Fairmont State leases equipment and buildings for various terms under long-term, noncancelable lease agreements. The leases have monthly installments ranging between \$1,357 and \$5,065 plus interest ranging between 1.99% and 3.76% with due dates ranging from June 2023 to July 2025.

Future annual minimum lease payments on leases for years subsequent to June 30, 2023, are as follows:

| <u>Fiscal Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total Payments</u> |
|-----------------------------------|-------------------|-----------------|-----------------------|
| 2024 | \$ 104,937 | \$ 6,013 | \$ 110,950 |
| 2025 | 97,695 | 2,103 | 99,798 |
| 2026 | <u>5,049</u> | <u>16</u> | <u>5,065</u> |
| | <u>\$ 207,681</u> | <u>\$ 8,132</u> | <u>\$ 215,813</u> |

10. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

Fairmont State has entered into SBITAs with various terms under long-term, noncancelable agreements. The SBITAs have annual installments ranging between \$9,000 and \$151,431 plus interest at 6.50% with due dates ranging from September 2022 to June 2027.

Future annual minimum subscription payments on SBITAs for years subsequent to June 30, 2023, are as follows:

| <u>Fiscal Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total Payments</u> |
|-----------------------------------|-------------------|-------------------|-----------------------|
| 2024 | \$ 368,151 | \$ 66,038 | \$ 434,189 |
| 2025 | 338,758 | 41,382 | 380,140 |
| 2026 | 270,135 | 18,694 | 288,829 |
| 2027 | <u>9,006</u> | <u>603</u> | <u>9,609</u> |
| | <u>\$ 986,050</u> | <u>\$ 126,717</u> | <u>\$ 1,112,767</u> |

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

11. OTHER POSTEMPLOYMENT BENEFITS

As related to GASB 75, following are Fairmont State's net OPEB liability (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, 2023 and 2022:

| | 2023 | 2022 |
|--------------------------------------|-------------|--------------|
| Net OPEB liability (asset) | \$ 451,496 | \$ (129,465) |
| Deferred outflows of resources | 891,065 | 820,836 |
| Deferred inflows of resources | 2,568,167 | 5,819,498 |
| Revenues | (497,806) | (118,521) |
| OPEB expense | (2,874,463) | (3,121,333) |
| Contributions made by Fairmont State | 363,859 | 477,005 |

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 57th Street SE, Suite 2, Charleston, West Virginia 25304-2345, or by calling (888) 680-7342.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

11. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Benefits Provided

The Plan provides the following benefits:

- Medical and prescription drug insurance
- Life insurance

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

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

Contributions

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

Paygo premiums are established by the PEIA Finance Board annually. All participating employers are required by statute to contribute this premium to the RHBT at the established rate for every active policyholder per month. The paygo rates related to the measurement date of June 30, 2022 and 2021 were:

| | February 2022-June 2022 2022 | July 2021-January 2022 2022 | July 2020-June 2021 2021 |
|---------------|---------------------------------|--------------------------------|-----------------------------|
| Paygo premium | \$ 48 | \$ 116 | \$ 160 |

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.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

11. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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.

Fairmont State's contributions to the OPEB plan for the years ended June 30, 2023, 2022, and 2021, were \$363,859, \$477,005, and \$793,996, respectively.

Assumptions

The June 30, 2023 OPEB liability (asset) for financial reporting purposes was determined by an actuarial valuation as of June 30, 2021 and a measurement date of June 30, 2022. The following actuarial assumptions were used and applied to all periods included in the measurement, unless otherwise specified:

- Inflation rate: 2.25%.
- Salary increase: Specific to the OPEB covered group. Ranging from 2.75% to 5.18%, including inflation.
- Investment rate of return: 6.65%, net of OPEB plan investment expense, including inflation.
- Healthcare cost trend rates: Trend rate for pre-Medicare per capita costs of 7.0% for plan year end 2023, decreasing by 0.50% for two years 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 8.83% for plan year end 2023, decreasing ratably each year thereafter, until ultimate trend rate of 4.25% is reached in plan year end 2032.
- Actuarial cost method: Entry age normal cost method.
- Amortization method: Level percentage of payroll over a 20-year closed period beginning June 30, 2017.
- Wage inflation: 2.75%.
- Retirement age: Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the June 30, 2020 actuarial valuation.
- Aging factors: Based on the 2013 SOA Study "Health Care Costs – From Birth to Death".
- Expenses: Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of the annual expense.
- Mortality post retirement: Pub-2010 General Healthy Retiree Mortality Tables projected with MP-2021 and scaling factors of 100% for males and 108% for females.
- Mortality pre-retirement: Pub-2010 General Employee Mortality Tables projected with MP-2021 and scaling factors of 100% for males and 100% for females.

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

11. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The actuarial valuation as of June 30, 2021 reflects updates to the following assumptions which are reviewed at each measurement date:

- Projected capped subsidies;
- Per capita claim costs;
- Healthcare trend rates;
- Coverage and continuance;
- Percentage eligible for tobacco-free premium discount; and
- Retired employee assistance program participation

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

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

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

Single discount rate. A single discount rate of 6.65% was used to measure the total OPEB liability (asset). 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 liability (asset).

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

11. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the net OPEB liability (asset) to changes in the discount rate. The following presents the net OPEB liability (asset) of the Plan as of June 30, 2023 and 2022 calculated using a discount rate that is one percentage point lower (5.65%) or one percentage point higher (7.65%) than the current rate.

| | 1% Decrease (5.65%) | Current Discount Rate (6.65%) | 1% Increase (7.65%) |
|----------------------------|------------------------|----------------------------------|------------------------|
| Net OPEB liability (asset) | | | |
| 2023 | \$ 1,160,514 | \$ 451,496 | \$ (156,763) |
| 2022 | 694,730 | (129,465) | (813,784) |

Sensitivity of the net OPEB liability (asset) to changes in the healthcare cost trend rate. The following presents Fairmont State's proportionate share of the net OPEB liability (asset) as of June 30, 2023 and 2022 calculated using the healthcare cost trend rate, as well as what Fairmont State's net OPEB liability (asset) would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate.

| | 1% Decrease | Current Healthcare Cost Trend Rate | 1% Increase |
|----------------------------|--------------|---------------------------------------|--------------|
| Net OPEB liability (asset) | | | |
| 2023 | \$ (256,685) | \$ 451,496 | \$ 1,289,457 |
| 2022 | (955,910) | (129,465) | 877,236 |

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

The June 30, 2023 net OPEB liability (asset) was measured as of June 30, 2022, and the total OPEB liability (asset) was determined by an actuarial valuation as of June 30, 2021, rolled forward to the measurement date of June 30, 2022. The June 30, 2022 net OPEB liability (asset) was measured as of June 30, 2021, and the total OPEB liability (asset) was determined by an actuarial valuation as of June 30, 2020, rolled forward to the measurement date of June 30, 2021.

At June 30, 2023, Fairmont State's proportionate share of the net OPEB liability (asset) was \$606,161. Of this amount, Fairmont State recognized \$451,496 as its proportionate share on the statement of net position. The remainder of \$154,665 denotes Fairmont State's proportionate share of net OPEB liability (asset) attributable to the special funding situation.

At June 30, 2022, Fairmont State's proportionate share of the net OPEB liability (asset) was \$(154,957). Of this amount, Fairmont State recognized \$(129,465) as its proportionate share on the statement of net position. The remainder of \$(25,492) denotes Fairmont State's proportionate share of net OPEB liability (asset) attributable to the special funding situation.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

11. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The allocation percentage assigned to each participating employer and non-employer contributing entity is based on its proportionate share of employer and non-employer contributions to OPEB for each of the fiscal years ended June 30, 2022 and 2021. Employer contributions are recognized when due. At the June 30, 2022 measurement date, Fairmont State's proportion was 0.405660040%, a decrease of 0.029744313% from its proportion of 0.435404353% calculated as of June 30, 2021. At the June 30, 2021 measurement date, Fairmont State's proportion was 0.435404353%, an increase of 0.021626848% from its proportion of 0.413777505% calculated as of June 30, 2020.

For the year ended June 30, 2023, Fairmont State recognized OPEB expense of \$(2,874,463). Of this amount, \$(2,376,657) was recognized as Fairmont State's proportionate share of OPEB expense and \$(497,806) as the amount of OPEB expense attributable to special funding from a non-employer contributing entity. Fairmont State also recognized revenue of \$(497,806) for support provided by the State.

For the year ended June 30, 2022, Fairmont State recognized OPEB expense of \$(3,121,333). Of this amount, \$(3,002,812) was recognized as Fairmont State's proportionate share of OPEB expense and \$(118,521) as the amount of OPEB expense attributable to special funding from a non-employer contributing entity. Fairmont State also recognized revenue of \$(118,521) for support provided by the State.

At June 30, 2023, and 2022, deferred outflows of resources and deferred inflows of resources related to OPEB are as follows.

| <u>June 30, 2023</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ - | \$ 575,971 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 167,580 | 842,355 |
| Net difference between projected and actual investment earnings | 70,081 | - |
| Changes in assumptions | 289,545 | 1,147,170 |
| Reallocation of opt-out employer change in proportionate share | - | 2,671 |
| Contributions after the measurement date | <u>363,859</u> | <u>-</u> |
| Total | <u>\$ 891,065</u> | <u>\$ 2,568,167</u> |

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

11. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

| <u>June 30, 2022</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ - | \$ 891,829 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 343,831 | 1,238,299 |
| Net difference between projected and actual investment earnings | - | 893,483 |
| Changes in assumptions | - | 2,739,564 |
| Reallocation of opt-out employer change in proportionate share | - | 56,323 |
| Contributions after the measurement date | <u>477,005</u> | <u>-</u> |
| Total | <u>\$ 820,836</u> | <u>\$ 5,819,498</u> |

Fairmont State will recognize the \$363,859 reported as deferred outflows of resources resulting from OPEB contributions after the measurement date as a reduction (increase) of the net OPEB liability (asset) in the year ended June 30, 2024. 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> |
|-----------------------------------|-----------------------|
| 2024 | \$ (2,016,769) |
| 2025 | (98,640) |
| 2026 | (112,304) |
| 2027 | <u>186,752</u> |
| | <u>\$ (2,040,961)</u> |

Payables to the OPEB Plan

Fairmont State had amounts payable for normal contributions to the OPEB plan of \$15,300 and \$23,628, respectively, as of June 30, 2023 and 2022.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

12. RETIREMENT PLANS

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

Effective January 1, 2003, higher education employees enrolled in the basic 401(a) retirement plan with TIAA-CREF.

DEFINED BENEFIT PENSION PLAN

Some employees of Fairmont State are enrolled in a defined benefit pension plan, the STRS plan, which is administered by the CPRB.

As related to GASB 68, following are Fairmont State's net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, revenues, and the pension expense and expenditures for the fiscal years ended June 30, 2023 and 2022:

| STRS | <u>2023</u> | <u>2022</u> |
|--------------------------------------|--------------------|--------------------|
| Net pension liability | \$ 139,560 | \$ 135,727 |
| Deferred outflows of resources | 44,011 | 50,762 |
| Deferred inflows of resources | 220,634 | 356,701 |
| Revenues | 25,726 | (5,167) |
| Pension expense | (71,735) | (149,289) |
| Contributions made by Fairmont State | 24,670 | 22,856 |

Plan Description

STRS is a multiple employer defined benefit cost-sharing public employee retirement system providing retirement benefits as well as death and disability benefits. It covers all full-time employees of the 55 county public school systems in the State of West Virginia (the State) and certain personnel of the 13 State-supported institutions of higher education, State Department of Education, and the Higher Education Policy Commission hired prior to July 1, 1991. Employees of the State-supported institutions of higher education and the Higher Education Policy Commission hired after June 30, 1991 are required to participate in the Higher Education Retirement System. STRS closed membership to new hires effective July 1, 1991. However, effective July 1, 2005, all new employees hired for the first time are required to participate in STRS.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

12. RETIREMENT PLANS (CONTINUED)

STRS 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. STRS issues a publicly available annual comprehensive financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained from the STRS website at <https://www.wvretirement.com/Publications.html#AnnualReport>.

Benefits Provided

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

Contributions

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

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

Employer Contributions: The State (including institutions of higher education) contributes:

- 15% of gross salary of their State-employed members hired prior to July 1, 1991;
- 7.5% of the gross salary of their STRS covered employees hired for the first time after July 1, 2005 and for those TDCRS members who elected to transfer to TRS effective July 1, 2008;
- a certain percentage of fire insurance premiums paid by State residents; and
- under WV State code section 18-9-A-6a, an amount determined by the State Actuary as being needed to eliminate the STRS unfunded liability within 40 years of June 30, 1994. As of June 30, 2023 and 2022, Fairmont State's proportionate share attributable to this special funding subsidy was \$25,726 and \$(5,167), respectively.

Fairmont State's contributions to STRS for the years ended June 30, 2023, 2022, and 2021, were \$24,670, \$22,856, and \$37,624, respectively.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

12. RETIREMENT PLANS (CONTINUED)

Assumptions

The total pension liabilities for financial reporting purposes were determined by actuarial valuations as of July 1, 2021 and 2020 and rolled forward to June 30, 2022 and 2021, respectively. The following actuarial assumptions were used and applied to the current period measurement:

- Actuarial cost method: Entry age normal cost with level percentage of payroll.
- Asset valuation method: Investments are reported at fair (market) value.
- Amortization method and period: Level dollar, fixed period over 40 years, from July 1, 1994 through fiscal year 2034.
- Investment rate of return: 7.25%, net of pension plan administrative and investment expenses.
- Projected salary increases: Teachers 2.75-5.90% and non-teachers 2.75-6.50%, based on age.
- Inflation rate: 2.75%.
- Discount rate: 7.25%.
- Mortality rates based on Pub-2010 Mortality Tables.
- Withdrawal rates: State 7.00-35.00% and nonstate 2.30-18.00%.
- Disability rates: 0.004-0.563%.
- Retirement age: An age-related assumption is used for participants not yet receiving payments.
- Retirement rates: 15.00-100.00%.
- Ad hoc cost-of-living increases in pensions are periodically granted by the Legislature. However, the retirement system makes no automatic provision for such increases.

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

The long-term expected rate of return on pension plan investments was determined using the building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the long-term geometric real rates of return for each major asset class included in STRS' target asset allocation as of June 30, 2022 and 2021, are summarized below.

| Asset Class | June 30, 2022 | |
|----------------------|--|-------------------|
| | Long-term Expected Real Rate of Return | Target Allocation |
| Domestic equity | 5.3% | 27.5% |
| International equity | 6.1% | 27.5% |
| Fixed income | 2.2% | 15.0% |
| Real estate | 6.5% | 10.0% |
| Private equity | 9.5% | 10.0% |
| Hedge funds | 3.8% | 10.0% |

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

12. RETIREMENT PLANS (CONTINUED)

| Asset Class | June 30, 2021 | |
|----------------------|--|-------------------|
| | Long-term Expected Real Rate of Return | Target Allocation |
| Domestic equity | 5.5% | 27.5% |
| International equity | 7.0% | 27.5% |
| Fixed income | 2.2% | 15.0% |
| Real estate | 6.6% | 10.0% |
| Private equity | 8.5% | 10.0% |
| Hedge funds | 4.0% | 10.0% |

Discount rate. The discount rate used to measure the total STRS pension liability was 7.25% for fiscal years 2023 and 2022. The projection of cash flows used to determine the discount rate assumed that State contributions will continue to follow the current funding policy. Based on those assumptions, STRS' 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 STRS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following presents Fairmont State's proportionate share of the STRS net pension liability as of June 30, 2023 and 2022 calculated using the discount rate of 7.25%, as well as what Fairmont State's STRS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

| | 1% Decrease | Current Discount Rate | 1% Increase |
|-----------------------|-------------|-----------------------|-------------|
| Net pension liability | | | |
| 2023 | \$ 205,276 | \$ 139,560 | \$ 83,748 |
| 2022 | 239,840 | 135,727 | 47,258 |

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

The June 30, 2023 STRS net pension liability was measured as of June 30, 2022, and the total pension liability was determined by an actuarial valuation as of July 1, 2021, rolled forward to the measurement date of June 30, 2022. The June 30, 2022 STRS net pension liability was measured as of June 30, 2021, and the total pension liability was determined by an actuarial valuation as of July 1, 2020, rolled forward to the measurement date of June 30, 2021.

At June 30, 2023, Fairmont State's proportionate share of the STRS net pension liability was \$450,492. Of this amount, Fairmont State recognized \$139,560 as its proportionate share on the statement of net position. The remainder of \$310,932 denotes Fairmont State's proportionate share of net pension liability attributable to the special funding situation.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

12. RETIREMENT PLANS (CONTINUED)

At June 30, 2022, Fairmont State's proportionate share of the STRS net pension liability was \$439,199. Of this amount, Fairmont State recognized \$135,727 as its proportionate share on the statement of net position. The remainder of \$303,472 denotes Fairmont State's proportionate share of net pension liability attributable to the special funding situation.

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 STRS for each of the fiscal years ended June 30, 2022 and 2021. Employer contributions are recognized when due. At the June 30, 2022 measurement date, Fairmont State's proportion was 0.005426%, a decrease of 0.003259% from its proportion of 0.008685% calculated as of June 30, 2021. At the June 30, 2021 measurement date, Fairmont State's proportion was 0.008685%, a decrease of 0.005107% from its proportion of 0.013792% calculated as of June 30, 2020.

For the year ended June 30, 2023, Fairmont State recognized STRS pension expense of \$(71,735). Of this amount, \$(97,461) was recognized as Fairmont State's proportionate share of the STRS expense and \$25,726 as the amount of pension expense attributable to special funding from a non-employer contributing entity. Fairmont State also recognized revenue of \$25,726 for support provided by the State.

For the year ended June 30, 2022, Fairmont State recognized STRS pension expense of \$(149,289). Of this amount, \$(144,122) was recognized as Fairmont State's proportionate share of the STRS expense and \$(5,167) as the amount of pension expense attributable to special funding from a non-employer contributing entity. Fairmont State also recognized revenue of \$(5,167) for support provided by the State.

At June 30, 2023 and 2022, deferred outflows of resources and deferred inflows of resources related to the STRS pension are as follows.

| <u>June 30, 2023</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ 5,795 | \$ 1,138 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | - | 219,496 |
| Net difference between projected and actual investment earnings | 5,661 | - |
| Changes in assumptions | 7,885 | - |
| Contributions after the measurement date | <u>24,670</u> | <u>-</u> |
| Total | <u>\$ 44,011</u> | <u>\$ 220,634</u> |

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

12. RETIREMENT PLANS (CONTINUED)

| <u>June 30, 2022</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ 11,057 | \$ 3,974 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | - | 244,251 |
| Net difference between projected and actual investment earnings | - | 108,476 |
| Changes in assumptions | 16,849 | - |
| Contributions after the measurement date | <u>22,856</u> | <u>-</u> |
| Total | <u>\$ 50,762</u> | <u>\$ 356,701</u> |

Fairmont State will recognize the \$24,670 reported as deferred outflows of resources resulting from pension contributions after the measurement date as a reduction of the STRS net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in STRS pension expense as follows:

| <u>Fiscal Year Ended June 30,</u> | <u>Amortization</u> |
|-----------------------------------|---------------------|
| 2024 | \$ (91,951) |
| 2025 | (51,133) |
| 2026 | (60,482) |
| 2027 | <u>2,273</u> |
| | <u>\$ (201,293)</u> |

Payables to the Pension Plan

Fairmont State did not report any amounts payable for normal contributions to the STRS as of June 30, 2023 and 2022.

DEFINED CONTRIBUTION BENEFIT PLANS

The TIAA-CREF is a defined contribution benefit plan in which benefits are based solely upon amounts contributed, plus investment earnings. Employees who elect to participate in this plan are required to make a contribution equal to 6% of total annual compensation for the years ended June 30, 2023, 2022, and 2021. Fairmont State matches the employees' 6% contribution. Contributions are immediately and fully vested. In addition, employees may elect to make additional contributions to TIAA-CREF, which are not matched by Fairmont State.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

12. RETIREMENT PLANS (CONTINUED)

Total contributions to the TIAA-CREF for the years ended June 30, 2023, 2022, and 2021, were \$2,978,848, \$2,812,610, and \$2,851,650, respectively, which consisted of equal contributions from Fairmont State and covered employees of \$1,489,424, \$1,406,305, and \$1,425,825, respectively.

Fairmont State's total payroll for the year ended June 30, 2023 was \$28,573,398, and total covered employees' salaries in STRS and TIAA-CREF were \$164,464 and \$24,823,727, respectively.

Fairmont State's total payroll for the year ended June 30, 2022 was \$27,204,740, and total covered employees' salaries in STRS and TIAA-CREF were \$152,372 and \$23,438,418, respectively.

Fairmont State's total payroll for the year ended June 30, 2021 was \$26,664,667, and total covered employees' salaries in STRS and TIAA-CREF \$250,828 and \$23,763,744, respectively.

13. FAIRMONT STATE FOUNDATION, INC.

The Foundation is a separate nonprofit organization incorporated in the State whose purpose is to benefit the work and services of Fairmont State and its affiliated nonprofit organizations. 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 Fairmont State 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 is restricted to the activities of Fairmont State by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, Fairmont State, the Foundation is considered a component unit of Fairmont State and is discretely presented with Fairmont State's financial statements in accordance with GASB.

Total funds expended by the Foundation in support of Fairmont State activities totaled \$3,055,664 and \$3,028,557 during 2023 and 2022, respectively.

14. AFFILIATED ORGANIZATIONS AND OTHER STATE AGENCIES

Fairmont State has a separately incorporated affiliated organization, the Fairmont State Alumni Association. Oversight responsibility for this entity rests with an independent board and management not otherwise affiliated with Fairmont State. Accordingly, the financial statements of this organization are not included in Fairmont State's accompanying financial statements under the blended component unit requirements. It is not included in Fairmont State's accompanying financial statements under the discretely presented component unit requirements as it is not material.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

14. AFFILIATED ORGANIZATIONS AND OTHER STATE AGENCIES (CONTINUED)

In addition to the relationships and transactions previously described, Fairmont State receives funding or grants from and provides services to other state agencies, and utilizes services, supplies, and equipment provided by other state agencies. Amounts due from and due to other state agencies at June 30, are as follows:

| | <u>2023</u> | <u>2022</u> |
|---|------------------|-------------------|
| Due from: | | |
| West Virginia University (Research Corporation) | \$ 13,441 | \$ - |
| Division of Rehabilitation | <u>20,806</u> | <u>-</u> |
| | <u>\$ 34,247</u> | <u>\$ -</u> |
| Due to: | | |
| WVNET | \$ 19,235 | \$ 93,288 |
| Department of Administration | 196 | - |
| State Attorney General | 347 | 555 |
| State Treasurer's Office | 2,455 | 3,021 |
| HEPC | - | 13,204 |
| West Virginia Center for Nursing | 20,000 | - |
| West Virginia State Tax Department | 2,649 | - |
| RHBT | 15,300 | 23,628 |
| PEIA | <u>-</u> | <u>1,690</u> |
| | <u>\$ 60,182</u> | <u>\$ 135,386</u> |

15. RELATED-PARTY TRANSACTIONS

During fiscal years 2023 and 2022, Fairmont State and Pierpont entered into a fee for service agreement that establishes the amount Pierpont will pay Fairmont State toward the costs of operation for shared ownership campuses. For fiscal year 2022, Pierpont paid Fairmont State \$650,000 under the fee for service agreement in accordance with the Final Separation Agreement. For fiscal year 2023, Pierpont paid Fairmont State \$450,000 to cover facility-related costs for Pierpont's Aviation program. For fiscal year 2024, Pierpont's Aviation program will continue at Fairmont State's National Aerospace Education Center, and the fee for service agreement will require Pierpont to pay Fairmont State \$450,000.

In accordance with the Final Separation Agreement, Pierpont shall pay Fairmont State a total of \$16,300,000 through 2032 for a portion of the debt service on the 2012 Bonded Indebtedness (now the Series 2021 Bonds after refunding of the Series 2012 Bonds). Pierpont paid Fairmont State \$1,300,000 in fiscal year 2022. For fiscal years 2023 through 2032, Pierpont shall pay Fairmont State \$1,500,000 per year. As of June 30, 2023 and 2022, the amount due from Pierpont is \$13,500,000 and \$15,000,000, respectively.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

16. CONTINGENCIES

The nature of the educational industry is such that, from time to time, claims will be presented against Fairmont State 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 Fairmont State would not seriously affect the financial position of Fairmont State. Fairmont State was involved in litigation during and prior to fiscal year 2023. Subsequent to June 30, 2023, certain litigation was settled in Fairmont State's favor, which will result in a gain of \$825,000 in fiscal year 2024.

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

The Internal Revenue Code of 1986 establishes rules and regulations for arbitrage rebates. There are no arbitrage rebate liabilities that have been recorded in the financial statements as of June 30, 2023 and 2022, respectively.

Fairmont State owns various buildings that are known to contain asbestos. Fairmont State is not required by federal, state, or local laws to remove the asbestos from its buildings. Fairmont State is required by federal environmental, health, and safety regulations to manage the presence of asbestos in its buildings in a safe condition. Fairmont State 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. Fairmont State also addresses the presence of asbestos as building renovation or demolition projects are undertaken and through asbestos operation and maintenance programs directed at containing, managing, or operating with the asbestos in a safe condition.

17. COMPONENT UNIT DISCLOSURES

The following are the notes taken directly from the Foundation's financial statements starting on the following page.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

1. Organization and nature of activities:

Fairmont State Foundation, Inc. (the "Foundation") was established on December 12, 1960 as a nonprofit, tax-exempt corporation to solicit, receive, manage, and administer gifts on behalf of Fairmont State University (FSU). It is a Section 501(c)(3) organization with public charity status under Section 170(b)(1)(A)(vi) of the Internal Revenue Code.

Oversight of the Foundation is the responsibility of an independently elected Board of Directors not otherwise affiliated with FSU. 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. The Statements of Financial Position include all assets under the control of the Foundation's Board of Directors.

2. Summary of significant accounting policies:**A. Basis of accounting:**

The financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

B. Cash equivalents:

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

C. Investments:

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. Other investments are reported at the lower of cost or fair value. Cash and cash equivalents are carried at cost which approximates fair value. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is reported as an increase or decrease in net assets without donor restrictions on the Statements of Activities, unless the income or loss is restricted by donor or law.

D. Property and equipment:

The Foundation capitalizes all expenditures for property and equipment in excess of \$500. Property and equipment is carried at cost or, if donated, at the approximate value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of five to forty years. Depreciation expense was \$9,898 and \$7,905 for the years ended June 30, 2023 and 2022, respectively.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

2. Summary of significant accounting policies (Continued):

E. Net assets:

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

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

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

F. Support and revenue:

Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions.

Unconditional promises to give are reported at net realizable value if, at the time the promise is made, payment is expected to be received in one year or less. Unconditional promises for the support of future operations, programs, and activities are recorded at the present value of the estimated future cash flows. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management’s judgment, including such factors as prior collection history, type of contribution, and nature of fundraising activity.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

2. Summary of significant accounting policies (Continued):

G. Functional expense and cost allocation:

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

| <u>Expense</u> | <u>Method of Allocation</u> |
|------------------------|-----------------------------|
| Salaries and wages | Time and effort |
| Employee benefits | Time and effort |
| Payroll taxes | Time and effort |
| Copying and printing | Time and effort |
| Dues and subscriptions | Time and effort |
| Insurance | Time and effort |
| Meetings | Time and effort |
| Merchant fees | Time and effort |
| Miscellaneous | Time and effort |
| Office supplies | Time and effort |
| Occupancy | Time and effort |
| Software maintenance | Time and effort |
| Telephone and internet | Time and effort |
| Training and education | Time and effort |
| Travel | Time and effort |
| Depreciation | Square footage and usage |

H. Beneficial interest in perpetual trusts:

The Foundation has been named as a beneficiary to three irrevocable perpetual trusts created under the estates of multiple donors. In accordance with the trust agreements, the Foundation will receive fixed percentages of the annual net income generated from trust assets and has no variance power over the assets held in trust. In accordance with Financial Accounting Standards Board (FASB) ASC 958-605-35-3, the Foundation measures the fair value of the initial contribution and subsequent fair value of the beneficial interest using the fair value of the assets held in trust. Distributions from the trust are recorded as investment income in the year received.

I. Income tax status:

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

2. Summary of significant accounting policies (Continued):

I. Income tax status (Continued):

All required federal information returns for the Foundation have been filed up to and including the tax year ended June 30, 2022. The Foundation's federal information returns for the tax years ended June 30, 2020, 2021 and 2022, remain subject to examination by the Internal Revenue Service.

J. Retirement plan:

The Foundation has a 401(k) Plan covering substantially all employees. Retirement plan expense was \$13,957 and \$10,959 for the years ended June 30, 2023 and 2022, respectively.

K. Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to use estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

L. Donated use of facilities, materials, and services:

Donated assets or use of assets are reflected as contributions in the accompanying statements at their estimated fair value at date of receipt or over the period of use. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. Volunteers have donated significant amounts of time for the Foundation's programs that are not recognized as contributions in the financial statements since the recognition criteria were not met.

M. Endowment funds:

The State of West Virginia enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective June 3, 2008, the provisions of which apply to endowment funds existing on or established after that date. The Board of Directors has determined that the majority of the Foundation's net assets with donor restrictions meet the definition of endowment funds under UPMIFA; therefore, the Foundation classifies donor-restricted endowment funds of perpetual duration as net assets with restrictions.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

2. Summary of significant accounting policies (Continued):

N. Advertising:

The Foundation expenses advertising production costs as they are incurred and advertising communication costs the first time the advertising takes place.

O. Accounting for uncertain tax positions:

The Foundation has adopted the provisions of Accounting Standards Codification (ASC) Topic 740, *Income Taxes*, relating to unrecognized tax benefits. This standard requires an entity to recognize a liability for tax positions when there is a 50% or greater likelihood that the position will not be sustained upon examination. The Foundation is liable for taxes to the extent of any unrelated business income as defined by IRS regulations. The Foundation believes that it has not engaged in any unrelated business income as defined by IRS regulations and that it is more likely than not that this position would be sustained upon examination. As such, there were no liabilities recorded for uncertain tax positions as of June 30, 2023 and 2022.

3. Liquidity and availability:

Financial assets available for general expenditure, that is, without donor restrictions limiting their use within one year of the Statements of Financial Position date, comprise the following as of June 30, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|--|---------------------|---------------------|
| Cash and cash equivalents | \$ 992,848 | \$ 1,418,310 |
| Unconditional promises to give | 955,062 | 1,373,070 |
| Investments | 33,698,088 | 31,828,083 |
| Beneficial interest in perpetual trusts | <u>3,244,424</u> | <u>3,120,594</u> |
| | 38,890,422 | 37,740,057 |
| Less financial assets held to meet donor-imposed restrictions: | | |
| Donor-restricted net assets (Note 11) | <u>(35,549,639)</u> | <u>(34,183,899)</u> |
| Amount available for general expenditures within one year | <u>\$ 3,340,783</u> | <u>\$ 3,556,158</u> |

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

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

4. Concentrations of credit risk:

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

The Foundation maintains cash balances at local financial institutions. Accounts at the institutions are insured by the FDIC. The Foundation's cash deposits exceeded the FDIC limits at various times during the fiscal year ended June 30, 2023. The amounts on deposit at June 30, 2023 exceeded the federally insured limit by \$310,451.

5. Unconditional promises to give:

Unconditional promises to give at June 30, 2023 and 2022 consist of the following:

| | <u>2023</u> | <u>2022</u> |
|--|-------------------|-------------------|
| Receivable in less than one year | \$ 563,730 | \$ 551,503 |
| Receivable in one to five years | 428,300 | 874,203 |
| Receivable in six to ten years | <u>-</u> | <u>1,000</u> |
| Total unconditional promises to give | 992,030 | 1,426,706 |
| Less discounts to net present value | (26,739) | (43,407) |
| Less allowance for uncollectible receivables | <u>(10,229)</u> | <u>(10,229)</u> |
| Net unconditional promises to give | 955,062 | 1,373,070 |
| Less current portion | <u>(555,902)</u> | <u>(551,503)</u> |
| Long-term portion | <u>\$ 399,160</u> | <u>\$ 821,567</u> |

When estimating the fair value of unconditional promises to give, management considers promises of \$100,000 or more individually. The relationship with the donor, the donor's past history of making timely payments, and the donor's overall creditworthiness are considered and incorporated into a fair value measurement computed using present value techniques. Unconditional promises to give less than \$100,000 are measured in the aggregate using present value techniques that consider historical trends of collection, the type of donor, general economic conditions in the geographic area in which the majority of the Foundation's donors live, the Foundation's policies concerning enforcement of promises to give, and market interest rate assumptions. The average discount rates used on promises to give less than \$100,000 that are expected to be collected in more than one year was 5.30% and 2.95% at June 30, 2023 and 2022, respectively. The interest element resulting from amortization of the discount for the time value of money, computed using the effective interest rate method, is reported as contribution revenue.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

6. Investments:

Investments are carried at market value at June 30, 2023 as follows:

| <u>Securities</u> | <u>Cost</u> | <u>Fair Value</u> | <u>Unrealized Gain (Loss)</u> |
|--|----------------------|----------------------|-----------------------------------|
| Investments – Truist Bank Holdings | | | |
| Cash equivalents | \$ 2,327,282 | \$ 2,327,282 | \$ - |
| Mutual funds | 16,082,744 | 16,396,470 | 313,726 |
| Bond mutual funds | 5,951,152 | 5,387,898 | (563,254) |
| Corporate bonds | 239,983 | 234,134 | (5,849) |
| Government bonds | 990,872 | 972,752 | (18,120) |
| Private equity and alternatives | <u>4,358,594</u> | <u>4,416,324</u> | <u>57,730</u> |
| Total Investments – Truist Bank Holdings | <u>29,950,627</u> | <u>29,734,860</u> | <u>(215,767)</u> |
| Investments – Gift Annuities | | | |
| Cash equivalents | 1,234 | 1,234 | - |
| Mutual funds | 20,035 | 19,444 | (591) |
| Bond mutual funds | 7,149 | 6,494 | (655) |
| Private equity and alternatives | <u>2,235</u> | <u>2,143</u> | <u>(92)</u> |
| Total Investments – Gift Annuities | <u>30,653</u> | <u>29,315</u> | <u>(1,338)</u> |
| Investments – Other (Pioneer) | | | |
| Cash equivalents | 40,841 | 40,841 | - |
| Mutual funds | <u>694,318</u> | <u>646,787</u> | <u>(47,531)</u> |
| Total Investments – Other (Pioneer) | <u>735,159</u> | <u>687,628</u> | <u>(47,531)</u> |
| Investments – Other (Business) | | | |
| Cash equivalents | 73,273 | 73,273 | - |
| Mutual funds | 2,499,721 | 2,799,729 | 300,008 |
| Municipal bonds | 45,172 | 43,791 | (1,381) |
| Corporate bonds | <u>20,348</u> | <u>24,464</u> | <u>4,116</u> |
| Total Investments – Other (Business) | <u>2,638,514</u> | <u>2,941,257</u> | <u>302,743</u> |
| Investments – Other (Student Fund) | | | |
| Cash equivalents | 28,390 | 28,390 | - |
| Mutual funds | 19,617 | 22,010 | 2,393 |
| Stocks | <u>62,557</u> | <u>73,463</u> | <u>10,906</u> |
| Total Investments – Other (Student Fund) | <u>110,564</u> | <u>123,863</u> | <u>13,299</u> |
| Investments – Other | | | |
| Cash equivalents | 4,340 | 4,340 | - |
| Mutual funds | <u>194,933</u> | <u>176,825</u> | <u>(18,108)</u> |
| Total Investments – Other | <u>199,273</u> | <u>181,165</u> | <u>(18,108)</u> |
| Total Investments | <u>\$ 33,664,790</u> | <u>\$ 33,698,088</u> | <u>\$ 33,298</u> |

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

6. Investments (Continued):

Investments are carried at market value at June 30, 2022 as follows:

| <u>Securities</u> | <u>Cost</u> | <u>Fair Value</u> | <u>Unrealized Gain (Loss)</u> |
|--|----------------------|----------------------|-----------------------------------|
| Investments – Truist Bank Holdings | | | |
| Cash equivalents | \$ 625,524 | \$ 625,524 | \$ - |
| Mutual funds | 18,749,507 | 17,021,908 | (1,727,599) |
| Bond mutual funds | 5,170,923 | 4,724,157 | (446,766) |
| Corporate bonds | 400,324 | 397,471 | (2,853) |
| Government bonds | 1,038,404 | 1,033,675 | (4,729) |
| Private equity and alternatives | <u>4,254,351</u> | <u>4,203,736</u> | <u>(50,615)</u> |
| Total Investments – Truist Bank Holdings | <u>30,239,033</u> | <u>28,006,471</u> | <u>(2,232,562)</u> |
| Investments – Gift Annuities | | | |
| Cash equivalents | 576 | 576 | - |
| Mutual funds | 23,429 | 20,000 | (3,429) |
| Bond mutual funds | 8,348 | 7,806 | (542) |
| Private equity and alternatives | <u>2,397</u> | <u>2,289</u> | <u>(108)</u> |
| Total Investments – Gift Annuities | <u>34,750</u> | <u>30,671</u> | <u>(4,079)</u> |
| Investments – Other (Pioneer) | | | |
| Mutual funds | <u>706,313</u> | <u>645,271</u> | <u>(61,042)</u> |
| Investments – Other (Business) | | | |
| Cash equivalents | 43,487 | 43,487 | - |
| Mutual funds | 2,499,088 | 2,729,279 | 230,191 |
| Municipal bonds | 60,498 | 59,605 | (893) |
| Corporate bonds | <u>20,348</u> | <u>27,260</u> | <u>6,912</u> |
| Total Investments – Other (Business) | <u>2,623,421</u> | <u>2,859,631</u> | <u>236,210</u> |
| Investments – Other (Student Fund) | | | |
| Cash equivalents | 22,230 | 22,230 | - |
| Mutual funds | 19,617 | 21,209 | 1,592 |
| Stocks | <u>64,647</u> | <u>73,822</u> | <u>9,175</u> |
| Total Investments – Other (Student Fund) | <u>106,494</u> | <u>117,261</u> | <u>10,767</u> |
| Investments – Other | | | |
| Cash equivalents | 4,213 | 4,213 | - |
| Mutual funds | <u>188,924</u> | <u>164,565</u> | <u>(24,359)</u> |
| Total Investments – Other | <u>193,137</u> | <u>168,778</u> | <u>(24,359)</u> |
| Total Investments | <u>\$ 33,903,148</u> | <u>\$ 31,828,083</u> | <u>\$ (2,075,065)</u> |

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

6. Investments (Continued):

The following schedule summarizes the investment income and its classification in the Statements of Activities for the years ended June 30, 2023 and 2022.

June 30, 2023

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|---------------------|
| Interest | \$ 35,632 | \$ - | \$ 35,632 |
| Dividends | 47,070 | 1,013,869 | 1,060,939 |
| Realized and unrealized gains (losses) | 19,153 | 1,200,012 | 1,219,165 |
| Proceeds from perpetual trusts | - | 8,703 | 8,703 |
| Investment fees | <u>(6,261)</u> | <u>(58,484)</u> | <u>(64,745)</u> |
| Total investment income | <u>\$ 95,594</u> | <u>\$ 2,164,100</u> | <u>\$ 2,259,694</u> |

June 30, 2022

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|-----------------------|
| Interest | \$ 4,834 | \$ - | \$ 4,834 |
| Dividends | 103,698 | 475,167 | 578,865 |
| Realized and unrealized gains (losses) | (300,315) | (4,854,910) | (5,155,225) |
| Proceeds from perpetual trusts | 38,005 | 72,501 | 110,506 |
| Investment fees | <u>(6,052)</u> | <u>(62,108)</u> | <u>(68,160)</u> |
| Total investment income | <u>\$ (159,830)</u> | <u>\$ (4,369,350)</u> | <u>\$ (4,529,180)</u> |

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the Foundation's investment policy limits the Foundation's investment in fixed-income securities to those with average maturities of 5 - 7 years, with no maturity exceeding 10 years. The Foundation also has donated investments with maturities ranging from 1 - 26 years.

Credit Risk - It is the Foundation's policy to limit its investments in fixed-income securities to not less than investment grade. As of June 30, 2023 and 2022, the Foundation's investments in government bonds were rated AAA and investments in corporate bonds were rated from A1 to BAA1 by nationally recognized statistical rating organizations. The Foundation's mutual bond fund investments were of investment grade.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

6. Investments (Continued):

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2023 and 2022, the Foundation's investments evidenced by securities were 100% insured by brokerage insurance and were not subject to custodial credit risk.

Commitments - The Foundation has committed \$2,340,000 (\$1,397,950 contributed and \$942,050 unfunded) to Private Equity funds. The source of these funds will come from equities currently invested with Truist Bank.

7. Fair value measurements:

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

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

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

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

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

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

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis. There have been no changes in the methodologies used at June 30, 2023.

Equity securities and mutual funds: The fair value of equity securities and mutual funds classified as Level 1 has been measured by reference to quoted market prices.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

7. Fair value measurements (Continued):

Promises to give: The fair values of assets in this category, classified as Level 2, are determined by discounting expected future cash flows using US Treasury yield curve rates and life expectancy tables published by the Internal Revenue Service.

Beneficial interest in perpetual trusts: The fair values of assets in this category, classified as Level 3, are determined using the fair value of the assets held in trust.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Fair values of assets measured on a recurring basis at June 30, 2023 is as follows:

| <u>June 30, 2023</u> | Quoted Prices In Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | <u>Total</u> |
|---|--|---|--|----------------------|
| Investments | | | | |
| Mutual funds | \$ 20,061,265 | \$ - | \$ - | \$ 20,061,265 |
| Bond mutual funds | 5,394,392 | - | - | 5,394,392 |
| Stocks | 73,463 | - | - | 73,463 |
| Private equity and alternatives | - | 4,418,467 | - | 4,418,467 |
| Government bonds | - | 972,752 | - | 972,752 |
| Corporate bonds | - | 258,598 | - | 258,598 |
| Municipal bonds | - | 43,791 | - | 43,791 |
| Promises to give | - | 955,062 | - | 955,062 |
| Beneficial interest in perpetual trusts | - | - | 3,244,424 | 3,244,424 |
| Total | <u>\$ 25,529,120</u> | <u>\$ 6,648,670</u> | <u>\$ 3,244,424</u> | <u>\$ 35,422,214</u> |

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

7. Fair value measurements (Continued):

Fair values of assets measured on a recurring basis at June 30, 2022 is as follows:

| <u>June 30, 2022</u> | Quoted Prices In Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | <u>Total</u> |
|---|--|---|--|----------------------|
| Investments | | | | |
| Mutual funds | \$ 20,602,232 | \$ - | \$ - | \$ 20,602,232 |
| Bond mutual funds | 4,731,963 | - | - | 4,731,963 |
| Stocks | 73,822 | - | - | 73,822 |
| Private equity and alternatives | - | 4,206,025 | - | 4,206,025 |
| Government bonds | - | 1,033,675 | - | 1,033,675 |
| Corporate bonds | - | 424,731 | - | 424,731 |
| Municipal bonds | - | 59,605 | - | 59,605 |
| Promises to give | - | 1,373,070 | - | 1,373,070 |
| Beneficial interest in perpetual trusts | - | - | 3,120,594 | 3,120,594 |
| Total | <u>\$ 25,408,017</u> | <u>\$ 7,097,106</u> | <u>\$ 3,120,594</u> | <u>\$ 35,625,717</u> |

8. Property and equipment, net:

A summary of property and equipment at June 30, 2023 and 2022 is as follows:

| | <u>2023</u> | <u>2022</u> |
|--|-------------------|-------------------|
| Land | \$ 68,000 | \$ 68,000 |
| Buildings | 272,000 | 272,000 |
| Furniture, equipment, and improvements | <u>57,295</u> | <u>53,769</u> |
| | 397,295 | 393,769 |
| Less accumulated depreciation | <u>(57,207)</u> | <u>(47,310)</u> |
| | <u>\$ 340,088</u> | <u>\$ 346,459</u> |

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

9. Funds held in custody for others:

The Foundation holds assets of \$423,819 and \$426,559 as of June 30, 2023 and 2022, respectively, for the benefit of Pierpont Foundation, Inc., another unrelated 501(c)(3) organization.

10. Charitable gift annuities:

The Foundation has entered into several charitable gift annuity agreements with a number of donors. These agreements require the Foundation to pay the donor a rate of return on his/her contribution until his/her death. The present value of the estimated future payments is computed by Truist Bank at the origination of the annuity. The present value of those estimated future payments is recorded in the restricted operating fund at June 30, 2023 and 2022, as follows:

| | <u>2023</u> | <u>2022</u> |
|----------------------|-----------------|-----------------|
| Lifetime annuities | \$ 2,748 | \$ 3,299 |
| Less current portion | <u>(283)</u> | <u>(551)</u> |
| Non-current portion | <u>\$ 2,465</u> | <u>\$ 2,748</u> |

Expected future payments by year are as follows:

| <u>Fiscal year ending June 30,</u> | <u>Interest</u> | <u>Principal</u> | <u>Total Payments</u> |
|------------------------------------|-----------------|------------------|---------------------------|
| 2024 | \$ 292 | \$ 283 | \$ 575 |
| 2025 | 292 | 283 | 575 |
| 2026 | 1,456 | 1,417 | 2,873 |
| 2027-2031 | <u>640</u> | <u>765</u> | <u>1,405</u> |
| | <u>\$ 2,680</u> | <u>\$ 2,748</u> | <u>\$ 5,428</u> |

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

11. Net assets:

Net assets without donor restrictions at June 30, 2023 and 2022 consist of the following:

| | <u>2023</u> | <u>2022</u> |
|----------------------------------|---------------------|---------------------|
| Without donor restrictions | | |
| Undesignated | \$ 2,765,874 | \$ 2,997,118 |
| Board-designated endowment funds | <u>513,765</u> | <u>440,488</u> |
| | <u>\$ 3,279,639</u> | <u>\$ 3,437,606</u> |

Net assets with donor restrictions at June 30, 2023 and 2022 consist of the following:

| | <u>2023</u> | <u>2022</u> |
|---|----------------------|----------------------|
| With donor restrictions | | |
| Various education purposes | \$ 2,327,973 | \$ 2,592,953 |
| Scholarships | 1,651,626 | 1,356,578 |
| Beneficial interest in perpetual trusts | 3,244,424 | 3,120,594 |
| Promises to give to endowed scholarship funds | 466,975 | 547,307 |
| For subsequent periods | <u>27,858,641</u> | <u>26,566,467</u> |
| | <u>\$ 35,549,639</u> | <u>\$ 34,183,899</u> |

12. Endowment funds:

The Foundation's endowment consists of 240 individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. 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.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

12. Endowment funds (Continued):

The Board of Directors of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

Investment Return Objectives, Risk Parameters and Strategies. The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets which create the framework for a well-diversified asset mix that can be expected to generate long-term returns at a level of risk suitable to the Foundation. Accordingly, the Foundation takes a total return approach with regard to endowment assets. The assets are to be invested for the long-term, and a higher short-term volatility in these assets is to be expected and accepted. The total return approach is designed to give the Foundation financial flexibility with regard to ongoing capital structure decisions. The Foundation has a tolerance to accept short-term volatility in the value of the funds in line with the market fluctuations to seek long-term capital growth. Domestic and International Market equities of large, mid, and small capitalization, Emerging Markets, fixed-income, Private Equity/Venture and Hedge Strategies, and cash equivalents have been determined to be acceptable vehicles for Foundation funds. Additional asset classes and style strategies may be incorporated into the investment philosophy in the future.

Spending Policy. The Foundation has a policy for appropriating for distribution up to 4% of the value of the endowment assets. This amount will be calculated using a rolling three year moving average of the market value of the funds at December 31. In extreme market conditions, the Foundation may opt to suspend or alter distributions as appropriate.

Endowment net asset composition by type of fund is set forth below.

June 30, 2023

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|----------------------------------|---------------------------------------|------------------------------------|----------------------|
| Donor-restricted endowment funds | \$ - | \$ 28,407,939 | \$ 28,407,939 |
| Board-designated endowment funds | <u>513,765</u> | <u>1,036,097</u> | <u>1,549,862</u> |
| | <u>\$ 513,765</u> | <u>\$ 29,444,036</u> | <u>\$ 29,957,801</u> |

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

12. Endowment funds (Continued):

June 30, 2022

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|----------------------------------|---------------------------------------|------------------------------------|----------------------|
| Donor-restricted endowment funds | \$ - | \$ 26,967,262 | \$ 26,967,262 |
| Board-designated endowment funds | <u>440,488</u> | <u>1,036,097</u> | <u>1,476,585</u> |
| | <u>\$ 440,488</u> | <u>\$ 28,003,359</u> | <u>\$ 28,443,847</u> |

Changes in endowment net assets are as follows:

For Year Ended June 30, 2023

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|----------------------|
| Endowment net assets, beginning of year | \$ 440,488 | \$ 28,003,359 | \$ 28,443,847 |
| Contributions | - | 595,784 | 595,784 |
| Investment income (loss) | 121,666 | 2,139,796 | 2,261,462 |
| Amounts appropriated for expenditure | <u>(48,389)</u> | <u>(1,294,903)</u> | <u>(1,343,292)</u> |
| Endowment net assets, end of year | <u>\$ 513,765</u> | <u>\$ 29,444,036</u> | <u>\$ 29,957,801</u> |

For Year Ended June 30, 2022

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|----------------------|
| Endowment net assets, beginning of year | \$ 696,793 | \$ 31,044,796 | \$ 31,741,589 |
| Contributions | - | 2,055,875 | 2,055,875 |
| Investment income (loss) | (161,580) | (3,142,160) | (3,303,740) |
| Amounts appropriated for expenditure | <u>(94,725)</u> | <u>(1,955,152)</u> | <u>(2,049,877)</u> |
| Endowment net assets, end of year | <u>\$ 440,488</u> | <u>\$ 28,003,359</u> | <u>\$ 28,443,847</u> |

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

13. Conditional promises to give:

In the normal course of operations, the Foundation has been notified as being designated to receive various deferred gifts from alumni and friends in support of FSU that are not recorded in the financial statements because of their contingent nature. The Foundation facilitates tracking deferred gifts through the use of memorandums of understanding (MOU) and other documentation detailing the donor's intent and stipulations for administration of gifts such as bequests. The balance of these gifts at June 30, 2023 and 2022 totaled \$3,340,615 and \$3,155,615, respectively. All of the gifts are to be received at the death of the donor.

14. Related party transactions:

Although independently governed, the Foundation raised and managed funds that benefited Pierpont Community and Technical College (PCTC) for the fiscal year ended June 30, 2021. Effective July 1, 2013, by agreement, the Foundation ceased soliciting on behalf of PCTC, but continued to manage select endowment funds. Effective September 30, 2021 the MOU agreement with PCTC terminated. PCTC paid the Foundation \$0 and \$2,000 for these services during the years ended June 30, 2023 and 2022, respectively.

15. Correction of error related to comparative year:

The accompanying financial statements for the year ended June 30, 2022 have been restated to correct an error (liabilities overstated). The effect of the restatement was to increase net assets with donor restrictions by \$78,656 and decrease funds held in custody for others by \$78,656.

16. Reclassifications:

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

17. Subsequent events:

The Foundation has evaluated all subsequent events through September 28, 2023, the date the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

18. SEGMENT INFORMATION

Under the auspices of the State and the Board of Governors of Fairmont State (formerly Fairmont State College), Fairmont State issued revenue bonds to finance certain of its auxiliary enterprise and facilities improvement activities. Investors in the auxiliary bonds rely solely on the revenues generated by the activities of the auxiliaries for repayment. The Board of Governors of Fairmont State recognizes that it is bound by all bond covenants and is legally obligated for the bond debt payments. The facilities improvement bonds are special obligations of Fairmont State and payable from system fees held under the Indenture. Although Pierpont is no longer bound through the bond indenture to provide pledged revenues through direct student fees, the Final Separation Agreement obligates Pierpont to make payments to Fairmont State that Fairmont State will use to support the debt service.

Descriptive information for each of Fairmont State's segments is shown below:

a. Board of Governors of Fairmont State, Facilities Improvement Revenue Bonds, 2006 Series

On May 9, 2006, Fairmont State issued Facilities Improvement Revenue Bonds (the 2006 Bonds) amounting to \$8,500,000. The 2006 Bonds were issued to (1) finance the design, acquisition, construction, and equipping of certain necessary improvements in the facilities of the main campus, including, but not limited to, a technology wing addition/renovation and elevator/HVAC improvements to infrastructure improvements, all of which will be owned by the Boards, and (2) pay the costs of issuance of the 2006 Bonds and related costs.

The 2006 Bonds outstanding are \$0 at June 30, 2023. The 2006 Bonds incurred interest at the rate of 4.18% until (but not including) May 1, 2016. On May 1, 2016, the interest rate on the 2006 Bonds automatically adjusted to the reset rate of 1.74% and shall bear the reset rate from May 1, 2016 to maturity. In accordance with the Final Separation Agreement, Fairmont State accepted full legal and sole financial responsibility for the 2006 Bonds outstanding at June 30, 2021. The bonds were fully paid off in December 2022.

b. Board of Governors of Fairmont State, Facilities Construction Revenue Bonds, 2015A Series

On April 7, 2015, Fairmont State issued Facilities Construction Revenue Bonds Series A (the 2015A Bonds) amounting to \$30,200,000. The 2015A Bonds were issued to (1) finance the costs of planning, designing, constructing, acquiring, and equipping new student housing facilities; (2) provide payment of capitalized interest on the Series 2015 Bonds; (3) reimburse certain previously incurred expenditures related to the 2015 Project; and (4) pay the costs of issuance of the Series 2015 Bonds and related costs.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

18. SEGMENT INFORMATION (CONTINUED)

The 2015A Bonds outstanding consist of \$6,115,000 serial bonds with varying interest rates from 3.00% to 5.00%, which mature serially through June 1, 2030, and term bonds as follows:

| Principal Amount | Maturity Date | Interest Rate |
|---------------------|------------------|------------------|
| \$ 2,045,000 | June 1, 2032 | 3.500% |
| \$ 3,345,000 | June 1, 2035 | 3.625% |
| \$ 14,180,000 | June 1, 2045 | 3.750% |

c. Revenue Refunding Bonds 2021, Series A

On July 27, 2021, Fairmont State issued Revenue Bonds Series A (the 2021 Bonds) amounting to \$26,305,000. The 2021 Series A Bonds were issued to (1) currently refund in full the previously outstanding 2012A and 2012B Bonds and (2) pay the costs of issuance of the 2021 Series A Bonds and related costs.

The 2021A Bonds outstanding consist of \$22,340,000 serial bonds with interest rates of 5.00%, which mature serially through June 1, 2032.

Fairmont State has fixed, and will maintain, just and equitable rules, regulations, rents, charges, and fees for the use and occupancy of apartments, housing, and parking facilities, and the student activities center. Fairmont State must fix rents, charges, and fees to produce revenues from these sufficient to pay operating expenses and to make the prescribed payments into the funds and accounts created under the Indenture, and such schedule of rents, charges, and fees shall be revised from time to time to provide for all reasonable operating expenses and provide gross operating revenues equal to at least 100% of maximum annual debt service for the 2015 and 2021 Bonds combined. For the years ended June 30, 2023 and 2022, Fairmont State had gross revenues that approximated 206% and 190%, respectively, of the maximum annual debt service of the 2015 and 2021 Bonds of \$4,875,856.

Fairmont State has pledged all university fees as defined in the Indenture. University fees are the amounts remaining from the system fees after Fairmont State has fulfilled their debt obligations of the Series 2006 bonds. All remaining university fees are allocated for the repair and replacement of the facilities financed with the system bonds.

Condensed financial information for each of Fairmont State's segments as of and for the years ended June 30, 2023 and 2022 follows:

FAIRMONT STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

18. SEGMENT INFORMATION (CONTINUED)

| | 2023 | |
|--|--|--|
| | Facilities Improvement Bonds 2006, As of/Year Ended June 30, 2023 | Housing Construction Bonds 2015 and Revenue Refunding Bonds 2021 As of/Year Ended June 30, 2023 |
| CONDENSED SCHEDULE OF NET POSITION | | |
| Assets: | | |
| Current assets | \$ 19,021 | \$ 26,752,235 |
| Noncurrent and capital assets | 4,942,201 | 69,050,377 |
| Total assets | 4,961,222 | 95,802,612 |
| Deferred outflows of resources | - | - |
| Liabilities: | | |
| Current liabilities | - | 3,935,817 |
| Noncurrent liabilities | - | 49,904,711 |
| Total liabilities | - | 53,840,528 |
| Deferred inflows of resources | - | 106,154 |
| Net position: | | |
| Net investment in capital assets | 4,961,222 | 15,474,376 |
| Restricted/expendable | - | 26,381,554 |
| Total net position | \$ 4,961,222 | \$ 41,855,930 |
| CONDENSED SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION | | |
| Operating revenues | \$ - | \$ 8,524,603 |
| Operating expenses | - | (4,907,091) |
| Operating income | - | 3,617,512 |
| Net nonoperating revenues (expenses) | 2,174,701 | 380,201 |
| Depreciation | (248,238) | (2,002,546) |
| Increase in net position | 1,926,463 | 1,995,167 |
| Net position — beginning of year | 3,034,759 | 39,860,763 |
| Net position — end of year | \$ 4,961,222 | \$ 41,855,930 |
| CONDENSED SCHEDULE OF CASH FLOWS | | |
| Net cash provided by operating activities | \$ 2,194,451 | \$ 5,709,879 |
| Net cash used in capital and related financing activities | (2,194,451) | (4,413,522) |
| Net cash provided by investing activities | - | 375,813 |
| Increase in cash and cash equivalents | - | 1,672,170 |
| Cash and cash equivalents — beginning of year | - | 10,428,129 |
| Cash and cash equivalents — end of year | \$ - | \$ 12,100,299 |

Note 1: Pursuant to debt service requirements, the activities of the 2015 Series and 2021 Series Bonds have been combined for segment reporting.

Note 2: For purposes of the maximum annual debt service calculation, payments received from Pierpont in line with the Final Separation Agreement of \$1,500,000 during fiscal year 2023 are added to operating revenues. This amount is not included in operating revenues noted above.

FAIRMONT STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

18. SEGMENT INFORMATION (CONTINUED)

| | 2022 | |
|--|--|--|
| | Facilities Improvement Bonds 2006, As of/Year Ended June 30, 2022 | Housing Construction Bonds 2015 and Revenue Refunding Bonds 2021 As of/Year Ended June 30, 2022 |
| CONDENSED SCHEDULE OF NET POSITION | | |
| Assets: | | |
| Current assets | \$ 2,624 | \$ 26,747,428 |
| Noncurrent and capital assets | 1,190,439 | 70,426,932 |
| Total assets | <u>5,193,063</u> | <u>97,174,360</u> |
| Deferred outflows of resources | - | - |
| Liabilities: | | |
| Current liabilities | 530,357 | 3,868,992 |
| Noncurrent liabilities | 1,627,947 | 53,325,387 |
| Total liabilities | <u>2,158,304</u> | <u>57,194,379</u> |
| Deferred inflows of resources | - | 119,218 |
| Net position: | | |
| Net investment in capital assets | 3,034,759 | 13,618,371 |
| Restricted/ expendable | - | 26,242,392 |
| Total net position | <u>\$ 3,034,759</u> | <u>\$ 39,860,763</u> |
| CONDENSED SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION | | |
| Operating revenues | \$ - | \$ 7,974,189 |
| Operating expenses | - | (4,650,800) |
| Operating income | - | 3,323,389 |
| Net nonoperating revenues (expenses) | 512,188 | (852,129) |
| Depreciation | (256,735) | (2,026,281) |
| Increase in net position | 255,453 | 444,979 |
| Net position — beginning of year | <u>2,779,306</u> | <u>39,415,784</u> |
| Net position — end of year | <u>\$ 3,034,759</u> | <u>\$ 39,860,763</u> |
| CONDENSED SCHEDULE OF CASH FLOWS | | |
| Net cash provided by operating activities | \$ 559,292 | \$ 5,374,495 |
| Net cash used in capital and related financing activities | (559,292) | (5,184,144) |
| Net cash provided by investing activities | - | 11,210 |
| Increase in cash and cash equivalents | - | 201,561 |
| Cash and cash equivalents — beginning of year | - | 10,226,568 |
| Cash and cash equivalents — end of year | <u>\$ -</u> | <u>\$ 10,428,129</u> |

Note 1: Pursuant to debt service requirements, the activities of the 2015 Series and 2021 Series Bonds have been combined for segment reporting.

Note 2: For purposes of the maximum annual debt service calculation, payments received from Pierpont in line with the Final Separation Agreement of \$1,300,000 during fiscal year 2022 are added to operating revenues. This amount is not included in operating revenues noted above.

FAIRMONT STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

19. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

Operating expenses within both natural and functional classifications for the years ended June 30, 2023 and 2022, are represented as follows:

| 2023 | | | | | | | | | |
|-----------------------------------|-----------------------------------|----------------------------|------------------------------------|----------------------------|----------------------------|--|-------------------------------|--|-----------------------------|
| | Salaries and Wages | Benefits | Supplies and Others | Utilities | Scholarships | Depreciation and Amortization | Loan Cancellations | Fees Assessed by the Commission | Function Total |
| Auxiliary enterprises | \$ 3,431,353 | \$ 284,202 | \$ 3,269,179 | \$ 1,060,445 | \$ - | \$ - | \$ - | \$ - | \$ 8,045,179 |
| Instruction | 13,618,859 | 1,410,264 | 2,146,591 | 3,226 | 151,074 | - | - | - | 17,330,014 |
| Research | 43,078 | 3,780 | 87,827 | - | 7,000 | - | - | - | 141,685 |
| Public service | 512,786 | 59,374 | 420,330 | - | 6,630 | - | - | - | 999,120 |
| Academic support | 3,298,339 | 487,335 | 1,220,082 | - | 134,500 | - | - | - | 5,140,256 |
| Student services | 3,238,609 | 346,086 | 1,223,189 | - | 2,350 | - | - | - | 4,810,234 |
| General institutional support | 3,038,086 | 129,401 | 3,211,939 | 1,619 | - | - | - | 21,523 | 6,402,568 |
| Student financial aid | 163,482 | 23,984 | 10 | - | 3,580,821 | - | - | - | 3,768,297 |
| Operation and maintenance | 1,228,806 | 87,056 | 2,393,973 | 1,339,258 | - | - | - | - | 5,049,093 |
| Depreciation and amortization | - | - | - | - | - | 6,036,886 | - | - | 6,036,886 |
| Loan cancellations and write-offs | - | - | - | - | - | - | 377,936 | - | 377,936 |
| TOTAL | <u>\$ 28,573,398</u> | <u>\$ 2,831,482</u> | <u>\$ 13,973,120</u> | <u>\$ 2,404,548</u> | <u>\$ 3,882,375</u> | <u>\$ 6,036,886</u> | <u>\$ 377,936</u> | <u>\$ 21,523</u> | <u>\$ 58,101,268</u> |

| (Restated) | | | | | | | | | |
|-----------------------------------|-----------------------------------|----------------------------|------------------------------------|----------------------------|-----------------------------|--|-------------------------------|--|-----------------------------|
| 2022 | | | | | | | | | |
| | Salaries and Wages | Benefits | Supplies and Others | Utilities | Scholarships | Depreciation and Amortization | Loan Cancellations | Fees Assessed by the Commission | Function Total |
| Auxiliary enterprises | \$ 3,070,230 | \$ 211,511 | \$ 2,710,524 | \$ 888,667 | \$ - | \$ - | \$ - | \$ - | \$ 6,880,932 |
| Instruction | 12,705,063 | 973,173 | 1,466,572 | 14,238 | 151,230 | - | - | - | 15,310,276 |
| Research | 30,642 | 2,717 | 83,159 | - | - | - | - | - | 116,518 |
| Public service | 395,642 | 65,749 | 362,969 | - | - | - | - | - | 824,360 |
| Academic support | 2,918,562 | 492,379 | 870,074 | - | - | - | - | - | 4,281,015 |
| Student services | 2,988,720 | 292,733 | 1,100,627 | - | 2,598 | - | - | - | 4,384,678 |
| General institutional support | 3,841,449 | 154,982 | 2,629,847 | 1,215 | 199,845 | - | - | 21,852 | 6,849,190 |
| Student financial aid | 132,802 | 30,793 | - | - | 10,382,787 | - | - | - | 10,546,382 |
| Operation and maintenance | 1,121,630 | 75,521 | 1,942,251 | 1,104,067 | - | - | - | - | 4,243,469 |
| Depreciation and amortization | - | - | - | - | - | 6,062,658 | - | - | 6,062,658 |
| Loan cancellations and write-offs | - | - | - | - | - | - | 512,827 | - | 512,827 |
| TOTAL | <u>\$ 27,204,740</u> | <u>\$ 2,299,558</u> | <u>\$ 11,166,023</u> | <u>\$ 2,008,187</u> | <u>\$ 10,736,460</u> | <u>\$ 6,062,658</u> | <u>\$ 512,827</u> | <u>\$ 21,852</u> | <u>\$ 60,012,305</u> |

ADDITIONAL INFORMATION

FAIRMONT STATE UNIVERSITY

SCHEDULE OF NET POSITION INFORMATION
JUNE 30, 2023

| ALL FUNDS | Board of Governors Support Fund | Auxiliary Funds | Unrestricted, Restricted, and Other Funds | Internal Fund Eliminations | Total Institution |
|--|--|----------------------|--|----------------------------------|-----------------------|
| ASSETS AND DEFERRED OUTFLOWS | | | | | |
| CURRENT ASSETS: | | | | | |
| Cash and cash equivalents | \$ 10,012,333 | \$ 11,412,830 | \$ 28,889,591 | \$ - | \$ 50,314,754 |
| Accounts receivable — net | 229,760 | 325,553 | 2,100,892 | (541,838) | 2,114,367 |
| Due from Pierpont — current portion | 202,333 | 1,297,667 | - | - | 1,500,000 |
| Inventories | - | - | 88,890 | - | 88,890 |
| Other current assets | - | - | 15,483 | - | 15,483 |
| Total current assets | 10,444,426 | 13,036,050 | 31,094,856 | (541,838) | 54,033,494 |
| NONCURRENT ASSETS: | | | | | |
| Cash and cash equivalents | 2,413 | 26,488 | - | - | 28,901 |
| Due from Pierpont | 2,106,000 | 9,894,000 | - | - | 12,000,000 |
| Other noncurrent assets | - | 1,752 | 160,972 | - | 162,724 |
| Capital assets — net | 50,215,759 | 73,764,126 | 7,534,519 | - | 131,514,404 |
| Total noncurrent assets | 52,324,172 | 83,686,366 | 7,695,491 | - | 143,706,029 |
| DEFERRED OUTFLOWS OF RESOURCES: | | | | | |
| Deferred outflows related to pensions | - | - | 44,011 | - | 44,011 |
| Deferred outflows related to OPEB | - | 67,127 | 823,938 | - | 891,065 |
| Total deferred outflows of resources | - | 67,127 | 867,949 | - | 935,076 |
| TOTAL | \$ 62,768,598 | \$ 96,789,543 | \$ 39,658,296 | \$ (541,838) | \$ 198,674,599 |
| LIABILITIES, DEFERRED INFLOWS, AND NET POSITION | | | | | |
| CURRENT LIABILITIES: | | | | | |
| Accounts payable | \$ 88,748 | \$ 779,174 | \$ 1,107,093 | \$ (541,838) | \$ 1,433,177 |
| Accrued liabilities — payroll | - | 194,532 | 2,973,755 | - | 3,168,287 |
| Accrued interest payable | 12,512 | 163,949 | 39,624 | - | 216,085 |
| Unearned revenue and deposits | - | 2,083,857 | 882,361 | - | 2,966,218 |
| Compensated absences — current portion | - | 111,113 | 988,140 | - | 1,099,253 |
| Lease liability — current portion | - | 104,937 | - | - | 104,937 |
| Subscription liability — current portion | - | 22,235 | 345,916 | - | 368,151 |
| Bonds payable — current portion | 355,264 | 3,065,411 | - | - | 3,420,675 |
| Total current liabilities | 456,524 | 6,525,208 | 6,336,889 | (541,838) | 12,776,783 |
| NONCURRENT LIABILITIES: | | | | | |
| Net OPEB liability | - | 34,178 | 417,318 | - | 451,496 |
| Compensated absences | - | 38,310 | 432,963 | - | 471,273 |
| Lease liability | - | 102,744 | - | - | 102,744 |
| Subscription liability | - | 41,173 | 576,726 | - | 617,899 |
| Bonds payable | 3,322,576 | 46,582,136 | - | - | 49,904,712 |
| Net pension liability | - | - | 139,560 | - | 139,560 |
| Total noncurrent liabilities | 3,322,576 | 46,798,541 | 1,566,567 | - | 51,687,684 |
| DEFERRED INFLOWS OF RESOURCES: | | | | | |
| Deferred inflows related to pensions | - | - | 220,634 | - | 220,634 |
| Deferred inflows related to OPEB | - | 194,410 | 2,373,757 | - | 2,568,167 |
| Deferred gain on refunding | 67,898 | 28,036 | 10,220 | - | 106,154 |
| Total deferred inflows of resources | 67,898 | 222,446 | 2,604,611 | - | 2,894,955 |
| NET POSITION: | | | | | |
| Net investment in capital assets | 46,470,021 | 23,817,454 | 6,601,657 | - | 76,889,132 |
| Restricted for — expendable: | | | | | |
| Scholarships | 3,709 | - | 139,566 | - | 143,275 |
| Capital projects | 10,103,580 | - | - | - | 10,103,580 |
| Debt service | 2,344,290 | 11,218,156 | - | - | 13,562,446 |
| Total restricted | 12,451,579 | 11,218,156 | 139,566 | - | 23,809,301 |
| Unrestricted E&G Plant and President's Control | - | - | 16,718,941 | - | 16,718,941 |
| Unrestricted Auxiliary and Fund Manager Funds | - | 8,207,738 | 5,690,065 | - | 13,897,803 |
| Total unrestricted | - | 8,207,738 | 22,409,006 | - | 30,616,744 |
| Total net position | 58,921,600 | 43,243,348 | 29,150,229 | - | 131,315,177 |
| TOTAL | \$ 62,768,598 | \$ 96,789,543 | \$ 39,658,296 | \$ (541,838) | \$ 198,674,599 |

See note to schedules.

FAIRMONT STATE UNIVERSITY

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION INFORMATION
YEAR ENDED JUNE 30, 2023

| ALL FUNDS | Board of Governors Support Fund | Auxiliary Funds | Unrestricted, Restricted, and Other Funds | Internal Fund Eliminations | Total Institution |
|---|--|----------------------|--|----------------------------------|-----------------------|
| OPERATING REVENUES: | | | | | |
| Student tuition and fees — net | \$ - | \$ - | \$ 11,640,992 | \$ - | \$ 11,640,992 |
| Student activity support revenue | - | - | 310,805 | (310,805) | - |
| Auxiliary enterprise revenue | - | 6,040,127 | 4,407,035 | - | 10,447,162 |
| Auxiliary support services revenue | - | 4,789,758 | - | (4,789,758) | - |
| Contracts and grants: | | | | | |
| Federal | - | - | 2,566,434 | - | 2,566,434 |
| State | - | - | 6,501,940 | - | 6,501,940 |
| Private | - | - | 3,807,446 | - | 3,807,446 |
| Operating costs revenue | - | - | 450,000 | - | 450,000 |
| Miscellaneous — net | 1,703 | 142,305 | 552,302 | - | 696,310 |
| Total operating revenues | 1,703 | 10,972,190 | 30,236,954 | (5,100,563) | 36,110,284 |
| OPERATING EXPENSES: | | | | | |
| Salaries and wages | - | 2,421,351 | 26,152,047 | - | 28,573,398 |
| Benefits | - | 240,820 | 2,590,662 | - | 2,831,482 |
| Supplies and other services | 521,417 | 3,383,717 | 10,067,986 | - | 13,973,120 |
| Utilities | - | 816,909 | 1,587,639 | - | 2,404,548 |
| Student financial aid — scholarships and fellowships | - | 442,000 | 3,440,375 | - | 3,882,375 |
| Depreciation and amortization | 2,647,408 | 2,397,711 | 991,767 | - | 6,036,886 |
| Assessment for student activity costs | - | - | 310,805 | (310,805) | - |
| Assessment for auxiliary fees and debt service | - | - | 4,789,758 | (4,789,758) | - |
| Loan cancellations and write-offs | - | 54,567 | 323,369 | - | 377,936 |
| Fees assessed by the Commission for operations | 21,523 | - | - | - | 21,523 |
| Total operating expenses | 3,190,348 | 9,757,075 | 50,254,408 | (5,100,563) | 58,101,268 |
| OPERATING (LOSS) INCOME | (3,188,645) | 1,215,115 | (20,017,454) | - | (21,990,984) |
| NONOPERATING REVENUES (EXPENSES): | | | | | |
| State appropriations | - | - | 19,273,190 | - | 19,273,190 |
| Pell grant revenues | - | - | 5,228,987 | - | 5,228,987 |
| Federal HEERF revenue | - | - | 5,696,935 | - | 5,696,935 |
| Federal GEER revenue | - | - | 15,030 | - | 15,030 |
| Other Federal ESF revenue | - | - | 102,500 | - | 102,500 |
| E&G capital and debt service support revenue | 1,731,486 | - | - | (1,731,486) | - |
| Investment income | 196,220 | 393,779 | 991,732 | - | 1,581,731 |
| Gifts | - | 72,370 | 256,041 | - | 328,411 |
| Insurance proceeds | 193,342 | 159,861 | - | - | 353,203 |
| Interest expense | (106,769) | (1,503,265) | (76,292) | - | (1,686,326) |
| Gain (loss) on disposal of capital assets | - | - | 38,503 | - | 38,503 |
| Assessment for E&G capital and debt service costs | - | - | (1,731,486) | 1,731,486 | - |
| Total net nonoperating revenues (expenses) | 2,014,279 | (877,255) | 29,795,140 | - | 30,932,164 |
| CHANGE IN NET POSITION BEFORE OTHER REVENUES, EXPENSES, GAINS, LOSSES, AND TRANSFERS | (1,174,366) | 337,860 | 9,777,686 | - | 8,941,180 |
| PAYMENTS MADE AND EXPENSES INCURRED (OFFSET) ON BEHALF OF FAIRMONT STATE | - | 162,764 | (434,844) | - | (272,080) |
| CHANGE IN NET POSITION BEFORE TRANSFERS | (1,174,366) | 500,624 | 9,342,842 | - | 8,669,100 |
| TRANSFERS | 5,040,802 | 1,337,089 | (6,377,891) | - | - |
| CHANGE IN NET POSITION | 3,866,436 | 1,837,713 | 2,964,951 | - | 8,669,100 |
| NET POSITION — Beginning of year | 55,055,164 | 41,405,635 | 26,185,278 | - | 122,646,077 |
| NET POSITION — End of year | \$ 58,921,600 | \$ 43,243,348 | \$ 29,150,229 | \$ - | \$ 131,315,177 |

See note to schedules.

FAIRMONT STATE UNIVERSITY

SCHEDULE OF CASH FLOW INFORMATION
YEAR ENDED JUNE 30, 2023

| | Board of Governors Support Fund | Auxiliary Funds | Unrestricted, Restricted, and Other Funds | Internal Fund Eliminations | Total Institution |
|--|--|----------------------|--|----------------------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | |
| Student tuition and fees | \$ - | \$ - | \$ 10,934,625 | \$ - | \$ 10,934,625 |
| Contracts and grants | - | - | 11,394,475 | - | 11,394,475 |
| Payments to and on behalf of employees | - | (2,913,434) | (32,562,211) | - | (35,475,645) |
| Payments to suppliers | (530,645) | (3,159,284) | (9,662,949) | - | (13,352,878) |
| Payments to utilities | - | (816,909) | (1,587,639) | - | (2,404,548) |
| Payments for scholarships and fellowships | - | (442,000) | (3,440,375) | - | (3,882,375) |
| Auxiliary enterprise charges | - | 5,755,693 | 4,407,035 | - | 10,162,728 |
| Fees assessed by the Commission | (21,523) | - | - | - | (21,523) |
| Other receipts — net | 1,703 | (12,028) | 552,302 | - | 541,977 |
| Student activity support revenue | - | - | 310,805 | (310,805) | - |
| Auxiliary fees and debt service support revenue | - | 4,789,758 | - | (4,789,758) | - |
| Assessment for student activity costs | - | - | (310,805) | 310,805 | - |
| Assessment for auxiliary fees and debt service | - | - | (4,789,758) | 4,789,758 | - |
| Operating support services revenue | - | - | 450,000 | - | 450,000 |
| | <u>(550,465)</u> | <u>3,201,796</u> | <u>(24,304,495)</u> | <u>-</u> | <u>(21,653,164)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | | |
| State appropriations | - | - | 19,273,190 | - | 19,273,190 |
| Pell grant revenues | - | - | 5,228,987 | - | 5,228,987 |
| Federal HEERF revenue | - | - | 5,696,935 | - | 5,696,935 |
| Federal GEER revenue | - | - | 15,030 | - | 15,030 |
| Other Federal ESF revenue | - | - | 102,500 | - | 102,500 |
| Payments from Pierpont | 201,816 | 1,298,184 | - | - | 1,500,000 |
| Gift receipts | - | 72,370 | 256,041 | - | 328,411 |
| William D. Ford direct lending receipts | - | - | 12,051,927 | - | 12,051,927 |
| William D. Ford direct lending payments | - | - | (12,051,927) | - | (12,051,927) |
| Transfers | 5,040,802 | 1,337,089 | (6,377,891) | - | - |
| | <u>5,242,618</u> | <u>2,707,643</u> | <u>24,194,792</u> | <u>-</u> | <u>32,145,053</u> |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES: | | | | | |
| E&G capital and debt service support revenue | 1,731,486 | - | - | (1,731,486) | - |
| Purchases of capital assets | (256,830) | (679,524) | (1,743,205) | - | (2,679,559) |
| Proceeds from sale of capital assets | - | - | 62,454 | - | 62,454 |
| Insurance proceeds | - | 159,861 | - | - | 159,861 |
| Payments on leases | - | (110,949) | (264,095) | - | (375,044) |
| Payments on SBITAs | - | (26,337) | (615,131) | - | (641,468) |
| Assessment for E&G capital and debt service costs | - | - | (1,731,486) | 1,731,486 | - |
| Principal paid on bonds | (2,411,497) | (2,400,566) | - | - | (4,812,063) |
| Interest paid on bonds | (189,828) | (2,036,783) | - | - | (2,226,611) |
| | <u>(1,126,669)</u> | <u>(5,094,298)</u> | <u>(4,291,463)</u> | <u>-</u> | <u>(10,512,430)</u> |
| CASH FLOW FROM INVESTING ACTIVITY — Interest on investments | | | | | |
| | <u>196,220</u> | <u>393,779</u> | <u>991,732</u> | <u>-</u> | <u>1,581,731</u> |
| CHANGE IN CASH AND CASH EQUIVALENTS | 3,761,704 | 1,208,920 | (3,409,434) | - | 1,561,190 |
| CASH AND CASH EQUIVALENTS — Beginning of year | 6,253,042 | 10,230,398 | 32,299,025 | - | 48,782,465 |
| CASH AND CASH EQUIVALENTS — End of year | \$ 10,014,746 | \$ 11,439,318 | \$ 28,889,591 | \$ - | \$ 50,343,655 |

(Continued)

FAIRMONT STATE UNIVERSITY

SCHEDULE OF CASH FLOW INFORMATION
YEAR ENDED JUNE 30, 2023

| | Board of Governors Support Fund | Auxiliary Funds | Unrestricted, Restricted, and Other Funds | Total Institution |
|---|--|----------------------|--|------------------------|
| RECONCILIATION OF NET OPERATING (LOSS) INCOME TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES: | | | | |
| Operating (loss) income | \$ (3,188,645) | \$ 1,215,115 | \$ (20,017,454) | \$ (21,990,984) |
| Adjustments to reconcile net operating (loss) income to net cash (used in) provided by operating activities: | | | | |
| Depreciation and amortization | 2,647,408 | 2,397,711 | 991,767 | 6,036,886 |
| Pension expense (offset) — special funding situation | - | - | 25,726 | 25,726 |
| OPEB expense (offset) — special funding situation | - | (37,236) | (460,570) | (497,806) |
| Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources: | | | | |
| Accounts receivable — net | (32,926) | (223,900) | (349,471) | (606,297) |
| Inventories | - | - | 3,214 | 3,214 |
| Net OPEB asset | - | 9,800 | 119,665 | 129,465 |
| Deferred outflows of resources | - | (2,844) | (60,634) | (63,478) |
| Accounts payable | 39,376 | 237,193 | 350,683 | 627,252 |
| Accrued liabilities | (7,322) | (67,716) | (737,236) | (812,274) |
| Unearned revenue and deposits | - | (154,333) | (1,444,968) | (1,599,301) |
| Compensated absences | - | 43,402 | (3,837) | 39,565 |
| Net OPEB liability | - | 34,178 | 417,318 | 451,496 |
| Net pension liability | - | - | 3,833 | 3,833 |
| Deferred inflows of resources | (8,356) | (249,574) | (3,142,531) | (3,400,461) |
| NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES | <u>\$ (550,465)</u> | <u>\$ 3,201,796</u> | <u>\$ (24,304,495)</u> | <u>\$ (21,653,164)</u> |
| NONCASH TRANSACTIONS: | | | | |
| Right-to-use assets acquired through outstanding SBITAs | \$ - | \$ 40,931 | \$ 133,350 | \$ 174,281 |
| Insurance proceeds in accounts receivable | <u>\$ 193,342</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 193,342</u> |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION: | | | | |
| Cash and cash equivalents classified at current | \$ 10,012,333 | \$ 11,412,830 | \$ 28,889,591 | \$ 50,314,754 |
| Cash and cash equivalents classified at noncurrent | <u>2,413</u> | <u>26,488</u> | <u>-</u> | <u>28,901</u> |
| | <u>\$ 10,014,746</u> | <u>\$ 11,439,318</u> | <u>\$ 28,889,591</u> | <u>\$ 50,343,655</u> |

(Concluded)

FAIRMONT STATE UNIVERSITY

SCHEDULE OF NATURAL VS. FUNCTIONAL CLASSIFICATIONS INFORMATION
 YEAR ENDED JUNE 30, 2023

INTERNAL FUND: BOG SUPPORT

| Function | Salaries and Wages | Benefits | Supplies and Others | Utilities | Scholarships | Depreciation and Amortization | Loan Cancellations | Fees Assessed by the Commission | Function Total |
|-----------------------------------|--------------------------|-------------|---------------------------|-------------|--------------|-------------------------------------|-----------------------|--|---------------------|
| Auxiliary enterprises | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Instruction | - | - | - | - | - | - | - | - | - |
| Research | - | - | - | - | - | - | - | - | - |
| Public service | - | - | - | - | - | - | - | - | - |
| Academic support | - | - | - | - | - | - | - | - | - |
| Student services | - | - | - | - | - | - | - | - | - |
| General institutional support | - | - | - | - | - | - | - | 21,523 | 21,523 |
| Student financial aid | - | - | - | - | - | - | - | - | - |
| Operation and maintenance | - | - | 521,417 | - | - | - | - | - | 521,417 |
| Depreciation and amortization | - | - | - | - | - | 2,647,408 | - | - | 2,647,408 |
| Loan cancellations and write-offs | - | - | - | - | - | - | - | - | - |
| TOTAL | \$ - | \$ - | \$ 521,417 | \$ - | \$ - | \$ 2,647,408 | \$ - | \$ 21,523 | \$ 3,190,348 |

FAIRMONT STATE UNIVERSITY

SCHEDULE OF NATURAL VS. FUNCTIONAL CLASSIFICATIONS INFORMATION
 YEAR ENDED JUNE 30, 2023

INTERNAL FUND: AUXILIARY

| Function | Salaries and Wages | Benefits | Supplies and Others | Utilities | Scholarships | Depreciation and Amortization | Loan Cancellations | Function Total |
|-----------------------------------|--------------------------|-------------------|---------------------------|-------------------|-------------------|-------------------------------------|-----------------------|---------------------|
| Auxiliary enterprises | \$ 2,262,137 | \$ 196,542 | \$ 3,020,931 | \$ 816,258 | \$ - | \$ - | \$ - | \$ 6,295,868 |
| Instruction | - | - | - | 587 | - | - | - | 587 |
| Research | - | - | - | - | - | - | - | - |
| Public service | 49,205 | 7,362 | 6,216 | - | - | - | - | 62,783 |
| Academic support | - | - | - | - | - | - | - | - |
| Student services | 30,573 | 8,627 | 10,150 | - | - | - | - | 49,350 |
| General institutional support | 36,025 | 4,112 | 102,608 | - | - | - | - | 142,745 |
| Student financial aid | - | - | - | - | 442,000 | - | - | 442,000 |
| Operation and maintenance | 43,411 | 24,177 | 243,812 | 64 | - | - | - | 311,464 |
| Depreciation and amortization | - | - | - | - | - | 2,397,711 | - | 2,397,711 |
| Loan cancellations and write-offs | - | - | - | - | - | - | 54,567 | 54,567 |
| TOTAL | <u>\$ 2,421,351</u> | <u>\$ 240,820</u> | <u>\$ 3,383,717</u> | <u>\$ 816,909</u> | <u>\$ 442,000</u> | <u>\$ 2,397,711</u> | <u>\$ 54,567</u> | <u>\$ 9,757,075</u> |

FAIRMONT STATE UNIVERSITY

SCHEDULE OF NATURAL VS. FUNCTIONAL CLASSIFICATIONS INFORMATION
 YEAR ENDED JUNE 30, 2023

INTERNAL FUND: UNRESTRICTED, RESTRICTED, AND OTHER FUNDS

| Function | Salaries and Wages | Benefits | Supplies and Others | Utilities | Scholarships | Depreciation and Amortization | Assessment for Student Activity Costs | Assessment for Auxiliary Fees and Debt Service | Loan Cancellations | Function Total |
|-----------------------------------|----------------------|---------------------|----------------------|---------------------|---------------------|-------------------------------|---------------------------------------|--|--------------------|----------------------|
| Auxiliary enterprises | \$ 1,169,216 | \$ 87,660 | \$ 248,248 | \$ 244,187 | \$ - | \$ - | \$ - | \$ 4,789,758 | \$ - | \$ 6,539,069 |
| Instruction | 13,618,859 | 1,410,264 | 2,146,591 | 2,639 | 151,074 | - | - | - | - | 17,329,427 |
| Research | 43,078 | 3,780 | 87,827 | - | 7,000 | - | - | - | - | 141,685 |
| Public service | 463,581 | 52,012 | 414,114 | - | 6,630 | - | - | - | - | 936,337 |
| Academic support | 3,298,339 | 487,335 | 1,220,082 | - | 134,500 | - | - | - | - | 5,140,256 |
| Student services | 3,208,036 | 337,459 | 1,213,039 | - | 2,350 | - | 310,805 | - | - | 5,071,689 |
| General institutional support | 3,002,061 | 125,289 | 3,109,331 | 1,619 | - | - | - | - | - | 6,238,300 |
| Student financial aid | 163,482 | 23,984 | 10 | - | 3,138,821 | - | - | - | - | 3,326,297 |
| Operation and maintenance | 1,185,395 | 62,879 | 1,628,744 | 1,339,194 | - | - | - | - | - | 4,216,212 |
| Depreciation and amortization | - | - | - | - | - | 991,767 | - | - | - | 991,767 |
| Loan cancellations and write-offs | - | - | - | - | - | - | - | - | 323,369 | 323,369 |
| TOTAL | <u>\$ 26,152,047</u> | <u>\$ 2,590,662</u> | <u>\$ 10,067,986</u> | <u>\$ 1,587,639</u> | <u>\$ 3,440,375</u> | <u>\$ 991,767</u> | <u>\$ 310,805</u> | <u>\$ 4,789,758</u> | <u>\$ 323,369</u> | <u>\$ 50,254,408</u> |

REQUIRED SUPPLEMENTARY INFORMATION

**FAIRMONT STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2023**

**State Teachers' Retirement System
Last 10 Fiscal Years***

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------|
| Fairmont State's proportion of the net pension liability (asset) (percentage) | 0.005426% | 0.008685% | 0.013792% | 0.014369% | 0.019626% | 0.021664% | 0.024067% | 0.032680% | 0.040054% | |
| Fairmont State's proportionate share of the net pension liability (asset) | \$ 139,560 | \$ 135,727 | \$ 444,232 | \$ 427,502 | \$ 612,774 | \$ 748,485 | \$ 989,102 | \$ 1,132,445 | \$ 1,381,799 | |
| State's proportionate share of the net pension liability (asset) | <u>310,932</u> | <u>303,472</u> | <u>965,233</u> | <u>956,671</u> | <u>1,587,733</u> | <u>1,655,218</u> | <u>1,883,975</u> | <u>2,583,977</u> | <u>3,122,299</u> | |
| Total proportionate share of the net pension liability (asset) | <u>\$ 450,492</u> | <u>\$ 439,199</u> | <u>\$ 1,409,465</u> | <u>\$ 1,384,173</u> | <u>\$ 2,200,507</u> | <u>\$ 2,403,703</u> | <u>\$ 2,873,077</u> | <u>\$ 3,716,422</u> | <u>\$ 4,504,098</u> | |
| Fairmont State's covered payroll | \$ 152,372 | \$ 250,828 | \$ 380,750 | \$ 430,279 | \$ 576,374 | \$ 597,892 | \$ 622,017 | \$ 988,972 | \$ 1,226,834 | |
| Fairmont State's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 91.59% | 54.11% | 116.67% | 99.35% | 106.32% | 125.19% | 159.02% | 114.51% | 112.63% | |
| Plan fiduciary net position as a percentage of the total pension liability | 77.78% | 86.38% | 70.89% | 72.64% | 71.20% | 67.85% | 61.42% | 66.25% | 65.95% | |

* - 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, Fairmont State should present information for those years for which information is available.

**FAIRMONT STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
JUNE 30, 2023**

**State Teachers' Retirement System
Last 10 Fiscal Years**

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|-------------|
| Contractually required contribution | \$ 24,670 | \$ 22,856 | \$ 37,624 | \$ 57,411 | \$ 63,581 | \$ 86,001 | \$ 89,684 | \$ 93,303 | \$ 148,605 | |
| Contributions in relation to the contractually required contribution | <u>(24,670)</u> | <u>(22,856)</u> | <u>(37,624)</u> | <u>(57,411)</u> | <u>(63,581)</u> | <u>(86,001)</u> | <u>(89,684)</u> | <u>(93,303)</u> | <u>(148,605)</u> | |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Fairmont State's covered payroll | \$ 164,464 | \$ 152,372 | \$ 250,828 | \$ 380,750 | \$ 430,279 | \$ 576,374 | \$ 597,892 | \$ 622,017 | \$ 988,972 | |
| Contributions as a percentage of covered payroll | 15.00% | 15.00% | 15.00% | 15.00% | 15.00% | 15.00% | 15.00% | 15.00% | 15.00% | 15.00% |

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

FAIRMONT STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)
JUNE 30, 2023

Last 10 Fiscal Years*

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|-------------------|---------------------|---------------------|---------------------|----------------------|----------------------|-------------|-------------|-------------|-------------|
| Fairmont State's proportion of the net OPEB liability (asset) (percentage) | 0.405660040% | 0.435404353% | 0.413777505% | 0.384685313% | 0.387761292% | 0.369685982% | | | | |
| Fairmont State's proportionate share of the net OPEB liability (asset) | \$ 451,496 | \$ (129,465) | \$ 1,827,622 | \$ 6,382,441 | \$ 8,319,171 | \$ 9,090,538 | | | | |
| State's proportionate share of the net OPEB liability (asset) | <u>154,665</u> | <u>(25,492)</u> | <u>394,010</u> | <u>1,306,132</u> | <u>1,719,350</u> | <u>1,867,207</u> | | | | |
| Total proportionate share of the net OPEB liability (asset) | <u>\$ 606,161</u> | <u>\$ (154,957)</u> | <u>\$ 2,221,632</u> | <u>\$ 7,688,573</u> | <u>\$ 10,038,521</u> | <u>\$ 10,957,745</u> | | | | |
| Fairmont State's covered-employee payroll | \$ 19,705,710 | \$ 20,061,628 | \$ 19,723,043 | \$ 19,895,139 | \$ 19,811,760 | \$ 20,782,693 | | | | |
| Fairmont State's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll | 2.29% | (0.65)% | 9.27% | 32.08% | 41.99% | 43.74% | | | | |
| Plan fiduciary net position as a percentage of the total OPEB liability | 93.59% | 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, Fairmont State should present information for those years for which information is available.

**FAIRMONT STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS
JUNE 30, 2023**

Last 10 Fiscal Years

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|------------------|------------------|------------------|------------------|------------------|------------------|-------------|-------------|-------------|-------------|
| Statutorily required contribution | \$ 363,859 | \$ 477,005 | \$ 793,996 | \$ 799,951 | \$ 826,561 | \$ 827,995 | | | | |
| Contributions in relation to the statutorily required contribution | <u>(363,859)</u> | <u>(477,005)</u> | <u>(793,996)</u> | <u>(799,951)</u> | <u>(826,561)</u> | <u>(827,995)</u> | | | | |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | | | | |
| Fairmont State's covered-employee payroll | \$ 19,959,454 | \$ 19,705,710 | \$ 20,061,628 | \$ 19,723,043 | \$ 19,895,139 | \$ 19,811,760 | | | | |
| Contributions as a percentage of covered-employee payroll | 1.82% | 2.42% | 3.96% | 4.06% | 4.15% | 4.18% | | | | |

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

FAIRMONT STATE UNIVERSITY
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION
YEARS ENDED JUNE 30, 2023 AND 2022

Amounts reported reflect changes in assumptions to more closely reflect actual experience. Significant changes in assumptions are related to projected salary increases, inflation rate, and mortality tables.

| | <u>Inflation</u> | <u>Salary Increases</u> | <u>Investment Rate of Return</u> | <u>Mortality</u> | <u>Discount Rate</u> |
|--------------------|------------------|---|---|--|----------------------|
| <u>2022</u> | 2.75% | For teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 2.75 to 5.90%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 2.75 to 6.50%. | 7.25%, net of pension plan investment expense, including inflation. | Active: Pub-2010, General Employees table, headcount weighted, projected generationally with scale MP-2019. Retired: Healthy males – 100% of Pub-2010 General Retiree Male table, headcount weighted, projected generationally with scale MP-2019; Retired healthy females – 112% of Pub-2010 General Retiree Female table, headcount weighted, projected generationally with scale MP-2019; Disabled males – 107% of Pub-2010 General/Teacher Disabled Male table, headcount weighted, projected generationally with scale MP-2019; Disabled females – 113% of Pub-2010 General/Teacher Disabled Female table, headcount weighted, projected generationally with scale MP-2019; Beneficiary males-101% of Pub-2010 Contingent Survivor Male table, headcount weighted, projected generationally with Scale MP-2019; Beneficiary females-113% of Pub-2010 Contingent Survivor Female table, headcount weighted, projected generationally with Scale MP-2019. | 7.25% |
| <u>2021</u> | 2.75% | For teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 2.75 to 5.90%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 2.75 to 6.50%. | 7.25%, net of pension plan investment expense, including inflation. | Active: Pub-2010, General Employees table, headcount weighted, projected generationally with scale MP-2019. Retired: Healthy males – 100% of Pub-2010 General Retiree Male table, headcount weighted, projected generationally with scale MP-2019; Retired healthy females – 112% of Pub-2010 General Retiree Female table, headcount weighted, projected generationally with scale MP-2019; Disabled males – 107% of Pub-2010 General/Teacher Disabled Male table, headcount weighted, projected generationally with scale MP-2019; Disabled females – 113% of Pub-2010 General/Teacher Disabled Female table, headcount weighted, projected generationally with scale MP-2019. | 7.25% |

FAIRMONT STATE UNIVERSITY
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION
YEARS ENDED JUNE 30, 2023 AND 2022

| | <u>Inflation</u> | <u>Salary Increases</u> | <u>Investment Rate of Return</u> | <u>Mortality</u> | <u>Discount Rate</u> |
|--------------------|------------------|---|--|---|----------------------|
| <u>2020</u> | 3.0% | For teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.16%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.75%. | 7.5%, net of pension plan investment expense, including inflation. | Active: Pub-2010, General Employees table, headcount weighted, projected generationally with scale MP-2019. Retired healthy males – 108% of Pub-2010 General Retiree Male table, headcount weighted, projected generationally with scale MP-2019; Retired healthy females – 112% of Pub-2010 General Retiree Female table, headcount weighted, projected generationally with scale MP-2019; Disabled males – 107% of Pub-2010 General/Teacher Disabled Male table, headcount weighted, projected generationally with scale MP-2019; Disabled females – 113% of Pub-2010 General/Teacher Disabled Female table, headcount weighted, projected generationally with scale MP-2019. | 7.5% |
| <u>2019</u> | 3.0% | For teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.00%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.50%. | 7.5%, net of pension plan investment expense, including inflation. | Active: RP2000, non-annuitant table, projected with Scale AA on a fully generational basis. Retired: Healthy males – 97% of RP2000 healthy annuitant table, projected with Scale AA on a fully generational basis; Healthy females – 94% of RP2000 healthy annuitant table, projected with Scale AA on a fully generational basis; Disabled males – 96% of RP2000 disabled annuitant table, projected with Scale AA on a fully generational basis; Disabled females – 101% of RP2000 disabled annuitant table, projected with Scale AA on a fully generational basis. | 7.5% |
| <u>2018</u> | 3.0% | For teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.00%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.50%. | 7.5%, net of pension plan investment expense, including inflation. | Active: RP2000, non-annuitant table, projected with Scale AA on a fully generational basis. Retired: healthy males – 97% of RP2000 healthy annuitant table, projected with Scale AA on a fully generational basis; healthy females – 94% of RP2000 healthy annuitant table, projected with Scale AA on a fully generational basis; disabled males – 96% of RP2000 disabled annuitant table, projected with Scale AA on a fully generational basis; disabled females – 101% of RP2000 disabled annuitant table, projected with Scale AA on a fully generational basis. | 7.5% |

FAIRMONT STATE UNIVERSITY
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION
YEARS ENDED JUNE 30, 2023 AND 2022

| | <u>Inflation</u> | <u>Salary Increases</u> | <u>Investment Rate of Return</u> | <u>Mortality</u> | <u>Discount Rate</u> |
|--------------------|------------------|---|--|---|----------------------|
| <u>2017</u> | 3.0% | For teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.00%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.50%. | 7.5%, net of pension plan investment expense, including inflation. | Active: RP2000, non-annuitant table, projected with Scale AA on a fully generational basis. Retired: healthy males – 97% of RP2000 healthy annuitant table, projected with Scale AA on a fully generational basis; healthy females – 94% of RP2000 healthy annuitant table, projected with Scale AA on a fully generational basis; disabled males – 96% of RP2000 disabled annuitant table, projected with Scale AA on a fully generational basis; disabled females – 101% of RP2000 disabled annuitant table, projected with Scale AA on a fully generational basis. | 7.5% |
| <u>2016</u> | 3.0% | For teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.00%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.50%. | 7.5%, net of pension plan investment expense, including inflation. | Active: RP2000, non-annuitant table, projected with Scale AA on a fully generational basis. Retired: healthy males – 97% of RP2000 healthy annuitant table, projected with Scale AA on a fully generational basis; healthy females – 94% of RP2000 healthy annuitant table, projected with Scale AA on a fully generational basis; disabled males – 96% of RP2000 disabled annuitant table, projected with Scale AA on a fully generational basis; disabled females – 101% of RP2000 disabled annuitant table, projected with Scale AA on a fully generational basis. | 7.5% |
| <u>2015</u> | 3.0% | For teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.75 to 5.25%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.40 to 6.50%. | 7.5%, net of pension plan investment expense, including inflation. | Active: RP2000, non-annuitant monthly mortality table. Retired: RP2000 healthy annuitant, scale AA; Disabled: RP2000 disabled annuitant mortality table, scale AA. | 7.5% |

FAIRMONT STATE UNIVERSITY
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION
YEARS ENDED JUNE 30, 2023 AND 2022

| | <u>Inflation</u> | <u>Salary Increases</u> | <u>Investment Rate of Return</u> | <u>Mortality</u> | <u>Discount Rate</u> |
|--------------------|------------------|---|--|--|----------------------|
| <u>2014</u> | 3.0% | For teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.75 to 5.25%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.40 to 6.50%. | 7.5%, net of pension plan investment expense, including inflation. | Active: RP2000, non-annuitant monthly mortality table; Retired: RP2000 healthy annuitant, scale AA; Disabled: RP2000 disabled annuitant mortality table, scale AA. | 7.5% |

There are no other significant factors that affect trends in the amounts reported, such as a change of benefit terms or other assumptions. Additional information, if necessary, can be obtained from the CPRB Annual Comprehensive Financial Report for the corresponding year.

FAIRMONT STATE UNIVERSITY
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB
YEARS ENDED JUNE 30, 2023 AND 2022

Actuarial Changes Other Postemployment Benefits Plan

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

| | <u>Inflation Rate</u> | <u>Salary Increases</u> | <u>Wage Inflation Rate</u> | <u>Investment Rate of Return & Discount Rate</u> | <u>Mortality</u> | <u>Retirement Age</u> | <u>Aging Factors</u> | <u>Expenses</u> | <u>Healthcare Cost Trend Rates</u> |
|-------------|-----------------------|--|----------------------------|---|---|---|--|---|---|
| 2022 | 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-2021 and scaling factors of 100% for males and 108% for females; Pre-Retirement: Pub-2010 General Employee Mortality Tables projected with MP-2021 | 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 2023, decreasing by 0.50% for two years 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 8.83% for plan year end 2023, decreasing ratably each year thereafter, until ultimate trend rate of 4.25% is reached in plan year end 2032. |
| 2021 | 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. |
| 2020 | 2.25% | Specific to the OPEB covered group. Ranging from 2.75% to 5.18%, including inflation | 2.75% | 6.65%, net of OPEB plan investment expense, including inflation | Post-Retirement: Pub-2010 General Healthy Retiree Mortality Tables projected with MP-2019 and scaling factors of 100% for males and 108% for females; Pre-Retirement: Pub-2010 General Employee Mortality Tables projected with MP-2019 | Experience-based table of rates that are specific to the type of eligibility condition | 2013 SOA study "Health Care Costs - From Birth to Death" | Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of annual expense. | Trend rate for pre-Medicare per capita costs of 7.0% for plan year end 2022, 6.5% for plan year end 2023, decreasing by 0.25% each year thereafter, until ultimate trend rate of 4.25% is reached in plan year 2032. Trend rate for Medicare per capita costs of 31.11% for plan year end 2022, 9.15% for plan year end 2023, 8.40% for plan year end 2024, decreasing gradually each year thereafter, until ultimate trend rate of 4.25% is reached in plan year end 2036. |
| 2019 | 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. |
| 2018 | 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. |
| 2017 | 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
Fairmont State University
Fairmont, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Fairmont State University (Fairmont State), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Fairmont State's financial statements, and have issued our report thereon dated October 12, 2023. The financial statements of the Fairmont State Foundation, Inc. (the Foundation), a discretely presented component unit of Fairmont State, were not audited in accordance with *Government Auditing Standards*. Accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation. Our report also includes an emphasis of matter paragraph for the adoption of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. Our opinion is not modified with respect to this matter.

Report on Internal Control over Financial Reporting

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

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

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

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The Somerville Building
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Huntington, WV 25701

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fairmont State'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.



Charleston, West Virginia
October 12, 2023