
West Virginia School of Osteopathic Medicine

Financial Statements
Years Ended June 30, 2023 and 2022

and

Independent Auditor's Reports



**Suttle &
Stalnaker** | Certified
Public
Accountants

A Professional Limited Liability Company



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the West Virginia School of Osteopathic Medicine (WVSOM), a component unit of the West Virginia Higher Education Policy Commission, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise WVSOM's basic financial statements as listed in the table of contents.

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

We did not audit the financial statements of the West Virginia School of Osteopathic Medicine Foundation, Inc. (the Foundation), the discretely presented component unit of WVSOM. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditor.

Basis for Opinions

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

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Change in Accounting Principle

As described in Note 15 to the financial statements, in 2023, WVSOM adopted new accounting guidance, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, with an effective date of July 1, 2022. 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 WVSOM's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WVSOM's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about WVSOM's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis pages 6 through 13, the schedule of proportionate share of the net OPEB liability and schedule of OPEB contributions, and related footnote on pages 61 through 63 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2023 on our consideration of WVSOM's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of WVSOM's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering WVSOM's internal control over financial reporting and compliance.



Charleston, West Virginia
October 12, 2023



West Virginia School of Osteopathic Medicine

400 North Lee Street
Lewisburg, West Virginia 24901

Management's Discussion and Analysis Fiscal Year 2023 Financial Statements

Overview of the Financial Statements and Financial Analysis

West Virginia School of Osteopathic Medicine (WVSOM) is proud to present its financial statements for fiscal year 2023, with fiscal year 2022 prior year data presented for comparative purposes. The emphasis of discussions about these statements will be on current year data. There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. This discussion and analysis of WVSOM's financial statements provides an overview of its financial activities for the year and its required supplemental information.

As of July 1, 2003, WVSOM adopted GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, as an amendment to GASB No. 14. As a result, the audited financial statements of the West Virginia School of Osteopathic Medicine Foundation, Incorporated (WVSOM Foundation, Inc.) are discretely presented as part of WVSOM's financial statements for the fiscal years ended June 30, 2023 and 2022.

Statement of Net Position

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

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

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

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

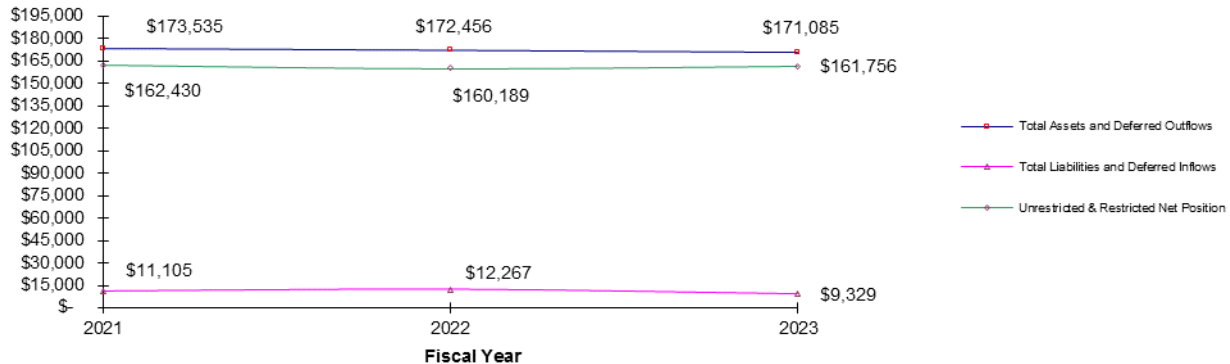
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Net position is divided into three major categories. The first category, net investment in capital assets, represents equity in the property, plant and equipment owned by WVSOM. The next category is restricted net position, which is divided into two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

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

	2023	2022 (Restated)	2021
Current assets	\$ 86,360	\$ 88,981	\$ 93,127
Other noncurrent assets	4,490	4,667	4,724
Capital assets, net	<u>79,655</u>	<u>78,180</u>	<u>74,645</u>
Total assets	<u>170,505</u>	<u>171,828</u>	<u>172,496</u>
Employer OPEB contributions	<u>580</u>	<u>628</u>	<u>1,039</u>
Total deferred outflows of resources	<u>580</u>	<u>628</u>	<u>1,039</u>
Total assets and deferred outflows of resources	<u>171,085</u>	<u>172,456</u>	<u>173,535</u>
Current liabilities	5,480	7,193	4,572
Noncurrent liabilities	<u>2,515</u>	<u>2,010</u>	<u>2,714</u>
Total liabilities	<u>7,995</u>	<u>9,203</u>	<u>7,286</u>
Deferred inflows relating to net OPEB liability	<u>1,334</u>	<u>3,064</u>	<u>3,819</u>
Total deferred inflows of resources	<u>1,334</u>	<u>3,064</u>	<u>3,819</u>
Total liabilities and deferred inflows of resources	<u>9,329</u>	<u>12,267</u>	<u>11,105</u>
Net investment in capital assets	78,375	77,095	74,645
Restricted - expendable	10,882	10,974	10,578
Unrestricted	<u>72,499</u>	<u>72,120</u>	<u>77,207</u>
Total net position	<u>\$ 161,756</u>	<u>\$ 160,189</u>	<u>\$ 162,430</u>

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**



In fiscal years 2023 and 2022, the total assets and deferred outflows of resources decreased by approximately \$1.4 million and \$1.08 million, respectively. The changes described below represent the majority of the decrease in 2023:

- Cash and cash equivalents decreased by approximately \$3.4 million with \$1.1 million of the decrease due to a receivable from Robert C. Byrd Clinic.
- Accounts Receivable increased by \$1.4 million due to an increase of approximately \$0.17 million in grants and approximately \$1.1 million in Robert C. Byrd clinic receivables.
- Appropriations due from primary government decreased by approximately \$0.65 million due to Senate Bill 2017 being applied in FY22.
- Due from Commission increased by \$0.1 million due to an increase in the stock market yield.
- Noncurrent assets increased by approximately \$1.3 million due primarily to an increase in Capital Assets, net of accumulated depreciation and Subscription Based Information Technology Arrangements (SBITA) GASB 96 requirement.
- Deferred outflows of resources decreased by \$0.05 million due to a change in the actuarial assumption that affected OPEB.

In fiscal year 2023, total liabilities and deferred inflows of resources decreased by approximately \$2.9 million. In fiscal year 2022, total liabilities and deferred inflows of resources increased by approximately \$1.2 million. The changes described below represent the majority of the decrease in 2023:

- Current liabilities decreased by approximately \$1.7 million because of a decrease in accounts payable and accrued liabilities.
- Noncurrent liabilities increased by approximately \$0.5 million due primarily to an increase in Net OPEB liability and Subscription (SBITA) Liability – long term.
- Deferred inflows of resources decreased by approximately \$1.7 million due to a change in the actuarial assumptions that affected OPEB.

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

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The ratio of current assets to current liabilities for fiscal year 2023 was 15.76:1 and fiscal year 2022 was 12.37:1.

For fiscal year 2023, net position increased approximately \$1.6 million and in fiscal year 2022 decreased \$2.2 million.

Statement of Revenues, Expenses, and Changes in Net Position

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

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

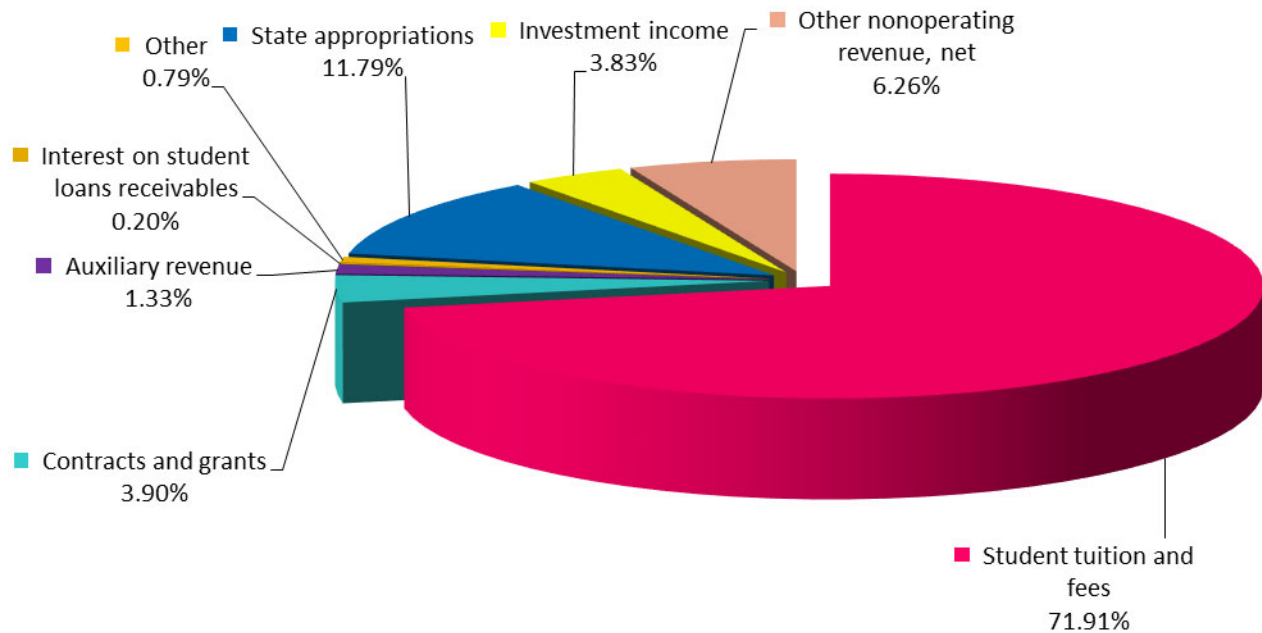
**Condensed Schedules of Revenues, Expenses, and Changes in Net Position
Years Ended June 30,
(In thousands of dollars)**

	<u>2023</u>	<u>2022</u> <u>(Restated)</u>	<u>2021</u>
Operating revenues	\$ 39,594	\$ 39,113	\$ 40,236
Operating expenses	<u>49,110</u>	<u>48,467</u>	<u>45,986</u>
Operating income (loss)	(9,516)	(9,354)	(5,750)
Nonoperating revenues, net	<u>11,083</u>	<u>7,113</u>	<u>18,709</u>
Change in net position	<u>1,567</u>	<u>(2,241)</u>	<u>12,959</u>
Net position, beginning of year	<u>160,189</u>	<u>162,430</u>	<u>149,471</u>
Net position, end of year	<u><u>\$ 161,756</u></u>	<u><u>\$ 160,189</u></u>	<u><u>\$ 162,430</u></u>

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

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

FY 2023 Total Revenues: Operating, Nonoperating, and Capital

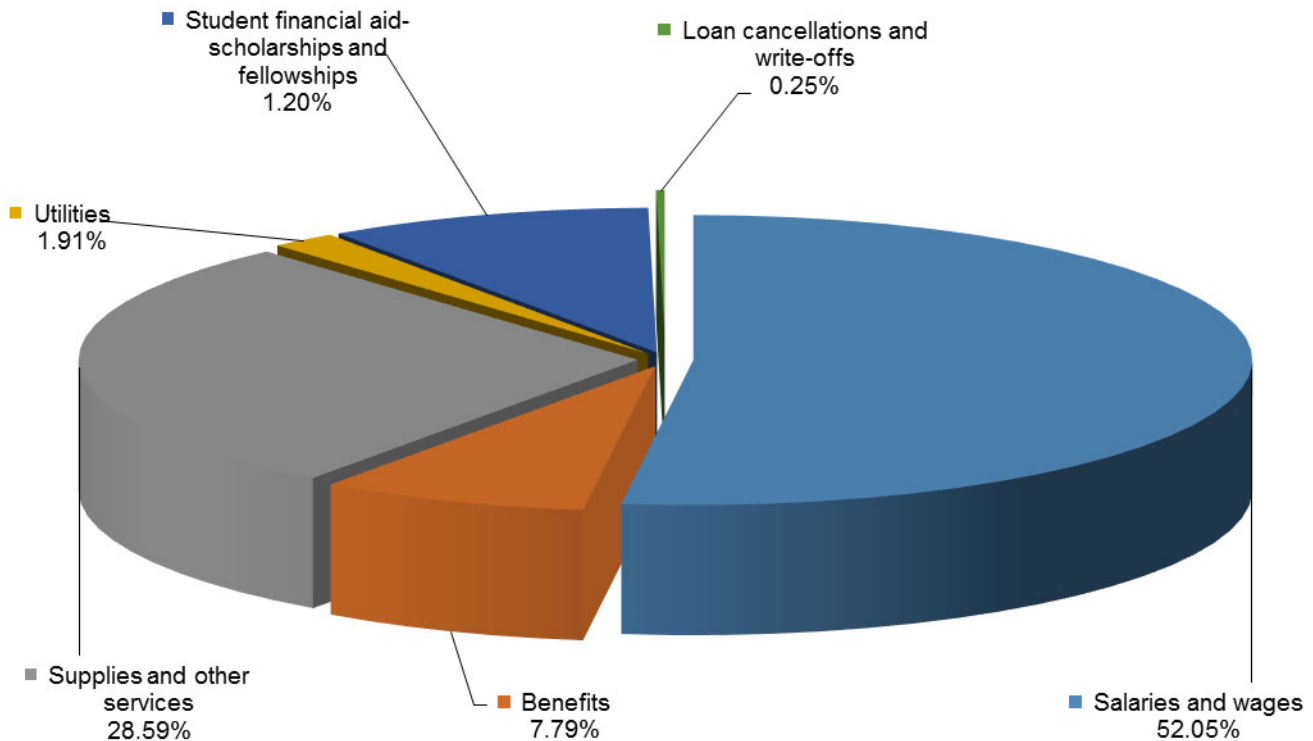


In fiscal year 2023 and 2022, total operating revenues increased by approximately \$0.48 million and decreased \$1.12 million, respectively. The following explains the net change in operating revenues in fiscal year 2023:

- Tuition and fees increased by approximately \$0.75 million due primarily to an increase in out of state students. Other Operating Revenues decreased by approximately \$0.27 million. These other operating revenue sources comprise 7.96% of WVSOM's operating revenues and 6.22% of total revenues. In fiscal year 2023, nonoperating revenues increased by approximately \$4 million and in fiscal year 2022, decreased by \$11.6 million. The increase in fiscal year 2023 was primarily due to an increase in investment income of approximately \$4.8 million. State appropriations accounted for 11.79% of total revenues and were used to support the operations of WVSOM. WVSOM participates in the WV State investment pool along with investing funds with Morgan Stanley through the WVSOM Foundation, Inc.

In fiscal year 2023, net position increased approximately \$1.6 million while, in fiscal year 2022, net position decreased approximately \$2.2 million.

FY 2023 Operating Expenses



Total operating expenses for fiscal year 2023 increased by approximately \$0.6 million and for fiscal year 2022 increased by approximately \$2.48 million, respectively. The following explains the increase in operating expenses:

- The salaries and wages and employee benefits categories increased by approximately \$0.3 million. Salary and wages and employee benefits made up approximately 59.84% of the operating expenses of WVSOM.
- Supplies and other services increased by approximately \$0.6 million primarily due to an increase in contracts, employee travel, and general operating supplies. Supplies and other services account for approximately 28.59% of the operating expenses of WVSOM.
- All other operating expenses make up 11.56% of the total operating expenses as indicated on the pie chart above.

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

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Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the cash activities of WVSOM during the year. The statement is divided into five parts. The first section deals with operating cash flows and shows the net cash used in the operating activities of WVSOM. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital assets and related items, and related funding received. The fourth section reflects the cash flows from investing activities and shows interest received from investing activities. The fifth section reconciles the net cash used in operating activities to the operating income or loss reflected in the SRECNP. Overall, cash and cash equivalents decreased by approximately \$3.4 million in fiscal year 2023. This decrease is primarily due to an increase in capital asset purchases.

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

	<u>2023</u>	<u>2022 (Restated)</u>	<u>2021</u>
Cash provided by (used in):			
Operating activities	\$ (8,593)	\$ (4,842)	\$ (3,601)
Noncapital financing activities	10,351	9,273	10,089
Capital financing activities	(6,850)	(6,134)	(3,125)
Investing activities	<u>1,688</u>	<u>(517)</u>	<u>541</u>
Increase/(Decrease) in cash and cash equivalents	(3,404)	(2,220)	3,904
Cash and cash equivalents, beginning of year	<u>40,867</u>	<u>43,087</u>	<u>39,183</u>
Cash and cash equivalents, end of year	<u>\$ 37,463</u>	<u>\$ 40,867</u>	<u>\$ 43,087</u>

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

Capital Asset and Debt Administration

WVSOM began four new capital projects in 2021-22 which were the Student Center tower repair, the New Testing Center construction, the Main Building Roof Replacement Project, and the campus network upgrade. The Student Center Tower repair and Main Building Roof Replacement Project were completed in 2022-23 at a cost of \$1,482,971. In addition, the school started and completed the roof replacement on the original section of Robert C. Byrd Clinic in 2022-2023 at a cost of \$563,398.



The New Testing Center construction and Network Upgrade Project are expected to be completed in Fall 2023 with a combined estimated cost of \$10.6 million.

As of June 30, 2023, WVSOM had no existing capital debt and does not expect to have to incur debt to complete the capital projects planned in fiscal year 2023-24.



Economic Outlook

West Virginia State officials are optimistic that the tax collections will remain stable in the 2023-24 fiscal year. WVSOM's financial position is closely tied to the financial position of the State of West Virginia, and WVSOM is always at some risk that State appropriations will be reallocated away from higher education and

WVSOM. The State's appropriation is important to WVSOM's financial condition. The appropriation is expected to increase minimally due to mandated raises approved during the legislative session. In addition, WVSOM was appropriated \$29 million for the planning, design, and construction of an addition to the Science building starting in 2023-24.

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

For the 2023-24 academic year, the school will not increase its tuition and fees. WVSOM will continue to maintain a close watch over institutional resources to maintain WVSOM's ability to react to unknown internal and external issues.

Requests for Information

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

WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE
STATEMENTS OF NET POSITION
JUNE 30, 2023 AND 2022

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	2023	2022 (Restated)
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 37,463,599	\$ 40,867,864
Investments	44,331,917	44,186,763
Appropriations due from primary government	205,652	853,562
Accounts receivable	3,354,211	1,941,591
Due from Commission	127,497	21,777
Loans to students - current portion	534,104	655,687
Prepaid expenses	191,221	290,158
Inventories	151,634	163,898
Total current assets	86,359,835	88,981,300
NONCURRENT ASSETS:		
Other accounts receivable - noncurrent	49,205	59,662
Loans to students, net of allowance of \$745,484 and \$684,081 in 2023 and 2022, respectively	4,441,015	4,521,296
Net other post employment benefit asset	-	85,943
Capital assets, net of accumulated depreciation and amortization	79,654,741	78,180,122
Total noncurrent assets	84,144,961	82,847,023
DEFERRED OUTFLOWS OF RESOURCES:		
Employer OPEB contributions	580,004	627,633
Total deferred outflows of resources	580,004	627,633
 TOTAL	 \$ 171,084,800	 \$ 172,455,956
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	\$ 955,882	\$ 2,014,187
Due to other state agencies	17,801	12,770
Accrued liabilities	1,371,267	2,268,666
Compensated absences - current portion	1,488,597	1,482,071
Subscription liability - short term	581,682	451,436
Unearned revenue	1,065,244	963,649
Total current liabilities	5,480,473	7,192,779
NONCURRENT LIABILITIES:		
Advances from federal sponsors	199,465	109,326
Subscription liability - long term	698,212	633,904
Compensated absences	1,328,423	1,267,265
Other post employment benefit liability	288,804	-
Total noncurrent liabilities	2,514,904	2,010,495
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows relating to net OPEB liability	1,333,665	3,063,650
Total deferred inflows of resources	1,333,665	3,063,650
NET POSITION		
Net investment in capital assets	78,374,847	77,094,782
Restricted for - expendable - research	2,237,502	2,307,690
Restricted for - expendable - capital projects	2,971,253	2,669,756
Restricted for - expendable - loans	5,672,973	5,996,796
Unrestricted	72,499,183	72,120,008
Total net position	161,755,758	160,189,032
 TOTAL	 \$ 171,084,800	 \$ 172,455,956

The Accompanying Notes Are An Integral
Part Of These Financial Statements

WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2023 AND 2022

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	<u>2023</u>	<u>2022 (Restated)</u>
OPERATING REVENUES:		
Student tuition and fees, net of scholarship allowance of \$934,352 and \$903,174 in 2023 and 2022, respectively	\$ 36,441,089	\$ 35,695,249
Contracts and grants:		
Federal	1,359,149	1,252,296
State	518,621	929,824
Private	97,981	101,261
Interest on student loans receivable	101,969	124,187
Auxiliary enterprise revenue	672,464	593,465
Miscellaneous, net	402,275	417,086
Total operating revenues	<u>39,593,548</u>	<u>39,113,368</u>
OPERATING EXPENSES:		
Salaries and wages	25,565,255	25,367,389
Benefits	3,824,322	3,710,968
Supplies and other services	14,042,908	13,399,701
Utilities	935,796	844,650
Student financial aid - scholarships and fellowships	-	583,678
Depreciation and amortization	4,620,171	4,302,585
Loan cancellations and write-offs	121,445	259,118
Total operating expenses	<u>49,109,897</u>	<u>48,468,089</u>
OPERATING LOSS	<u>(9,516,349)</u>	<u>(9,354,721)</u>
NONOPERATING REVENUES (EXPENSES):		
State appropriations	5,972,974	9,463,215
Special Revenue	3,900,000	-
Investment income (loss)	1,938,964	(2,827,355)
Interest expense	(333,065)	(14,102)
Federal HEERF Revenue	-	577,428
Loss on disposal of capital assets	(76,311)	(37,843)
Net nonoperating revenues	<u>11,402,562</u>	<u>7,161,343</u>
INCREASE (DECREASE) IN NET POSITION BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	1,886,213	(2,193,378)
Capital gifts and grants	(1,064)	30,500
Payments made and expenses incurred by the State on behalf of WVSOM	(318,423)	(78,676)
INCREASE (DECREASE) IN NET POSITION	1,566,726	(2,241,554)
NET POSITION - Beginning of year	<u>160,189,032</u>	<u>162,430,586</u>
NET POSITION - End of year	<u>\$ 161,755,758</u>	<u>\$ 160,189,032</u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements

WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

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	<u>2023</u>	<u>2022</u> <u>(Restated)</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	\$ 36,380,003	\$ 36,575,935
Contracts and grants	1,912,037	2,574,585
Payments to and on behalf of employees	(31,867,208)	(30,525,925)
Payments to suppliers	(14,081,337)	(13,042,978)
Payments to utilities	(966,501)	(805,359)
Payments for scholarships and fellowships	-	(583,678)
Loans issued to students	(639,639)	(693,918)
Collection of loans to students	720,057	471,866
Auxiliary enterprise charges	675,862	597,397
Interest collected on loans to students	101,969	124,187
Other receipts, net	(827,956)	465,612
Net cash used in operating activities	<u>(8,592,713)</u>	<u>(4,842,276)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	6,620,884	8,886,114
Federal HEERF Revenue	-	577,428
Special Revenue	3,900,000	-
Interest Expense	(260,445)	-
Graduate Plus loan program receipts	19,053,552	16,792,403
Graduate Plus loan program payments	(19,053,552)	(16,792,403)
Federal Stafford loan program direct lending receipts	24,635,189	25,601,916
Federal Stafford loan program direct lending payments	(24,635,189)	(25,601,916)
Federal Perkins loan funds returned	90,139	(190,082)
Net cash provided by noncapital financing activities	<u>10,350,578</u>	<u>9,273,460</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Purchases of capital assets	(6,071,197)	(5,466,554)
Proceeds from sale of capital assets	-	7,252
Payments on SBITA's	(779,023)	(674,557)
Net cash used in capital financing activities	<u>(6,850,220)</u>	<u>(6,133,859)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	1,833,244	(2,848,458)
Purchase of investments	(145,154)	-
Proceeds from investments	-	2,331,521
Net cash provided by (used in) investing activities	<u>1,688,090</u>	<u>(516,937)</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,404,265)	(2,219,612)
CASH AND CASH EQUIVALENTS - Beginning of year	<u>40,867,864</u>	<u>43,087,476</u>
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 37,463,599</u>	<u>\$ 40,867,864</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (9,516,349)	\$ (9,354,721)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	4,620,171	4,302,586
OPEB (revenue)/expense - special funding situation	(318,423)	(78,676)
Loan cancellations and write-offs	121,445	259,118
Changes in assets and liabilities:		
Accounts receivable, net	(1,465,645)	332,235
Loans to students, net	80,418	(222,052)
Other receivables	12,417	38,348
Prepaid expenses	98,935	(9,080)
Inventories	12,263	(22,483)
Deferred outflows of resources	47,629	411,233
Accounts payable	(185,364)	436,586
Due to other state agencies	5,032	(9,007)
Accrued liabilities	(919,283)	154,194
Compensated absences	67,684	137,694
Unearned revenue	101,595	853,763
Net other postemployment benefits liability	374,747	(1,316,746)
Deferred inflows of resources	(1,729,985)	(755,268)
Net cash used in operating activities	<u>\$ (8,592,713)</u>	<u>\$ (4,842,276)</u>
NONCASH TRANSACTIONS:		
(Gain) loss on disposal of capital assets	\$ 76,311	\$ 37,843
Capital expenses in accounts payable	<u>\$ 161,703</u>	<u>\$ 1,034,633</u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements

WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE
WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE FOUNDATION, INC.
A COMPONENT UNIT OF WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

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<u>ASSETS</u>	<u>2023</u>	<u>2022</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 390,299	\$ 410,947
Accounts receivable	7,824	12,307
Current portion of pledges receivable, net	93,312	71,655
Prepaid expenses	5,239	7,782
Loans receivable	6,066	10,400
TOTAL CURRENT ASSETS	<u>502,740</u>	<u>513,091</u>
PROPERTY AND EQUIPMENT, NET	20,000	40,000
INVESTMENTS		
Assets held in trust	450,000	250,000
Marketable securities	53,430,295	52,342,758
TOTAL INVESTMENTS	<u>53,880,295</u>	<u>52,592,758</u>
NON-CURRENT PLEDGES RECEIVABLE, NET	<u>145,058</u>	<u>106,370</u>
TOTAL ASSETS	<u>\$ 54,548,093</u>	<u>\$ 53,252,219</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 46	\$ -
Custodial liabilities	47,066,981	46,694,059
TOTAL CURRENT LIABILITIES	<u>47,067,027</u>	<u>46,694,059</u>
TOTAL LIABILITIES	<u>47,067,027</u>	<u>46,694,059</u>
NET ASSETS		
Without donor restrictions	1,522,441	1,524,731
With donor restrictions	5,958,625	5,033,429
TOTAL NET ASSETS	<u>7,481,066</u>	<u>6,558,160</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 54,548,093</u>	<u>\$ 53,252,219</u>

The Accompanying Notes Are An Integral
 Part Of These Financial Statements

WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE
WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE FOUNDATION, INC.
A COMPONENT UNIT OF WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE
STATEMENTS OF ACTIVITY AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES & OTHER SUPPORT			
Contributed services	\$ 333,502	\$ -	\$ 333,502
Contributions	61,919	825,224	887,143
Facility rental revenue	46,188	-	46,188
Investment income			
Interest and dividends	32,380	145,840	178,220
Realized gain (loss)	(17,721)	(61,566)	(79,287)
Unrealized gain (loss)	76,812	314,331	391,143
Investment management fees	(10,787)	(31,898)	(42,685)
Other revenue	(2,500)	-	(2,500)
Net assets released from restrictions	266,735	(266,735)	-
TOTAL REVENUES & OTHER SUPPORT	<u>786,528</u>	<u>925,196</u>	<u>1,711,724</u>
EXPENSES			
School and student support activities	514,745	-	514,745
Management and general	124,979	-	124,979
Fundraising	149,094	-	149,094
TOTAL EXPENSES	<u>788,818</u>	<u>-</u>	<u>788,818</u>
CHANGE IN NET ASSETS	(2,290)	925,196	922,906
NET ASSETS AT BEGINNING OF YEAR	1,524,731	5,033,429	6,558,160
NET ASSETS AT END OF YEAR	<u>\$ 1,522,441</u>	<u>\$ 5,958,625</u>	<u>\$ 7,481,066</u>

The Accompanying Notes Are An Integral
 Part Of These Financial Statements

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

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

The Accompanying Notes Are An Integral
 Part Of These Financial Statements

WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 1 - ORGANIZATION

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

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The audited financial statements of the Foundation are presented here as a discrete component unit with the WVSOM financial statements in accordance with GASB. The Foundation is a private non-profit organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's audited financial information as it is presented herein (see also Notes 12, 13, and 17).

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

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

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

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

WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

Investments - WVSOM had investments in five funds with Morgan Stanley at June 30, 2023, comprised of Money Market Funds, Common Stocks, U.S. Government Securities, and Corporate Bonds. The Foundation acts as the investment agent and manages these investments.

WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets - Capital assets include property, plant, equipment, and books and materials that are part of a catalogued library. Capital assets are stated at cost at the date of acquisition or construction, or fair market value at the date of donation in the case of gifts. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, 50 years for buildings and building improvements, 15 years for land improvements, 7 years for library books, and 4 to 12 years for furniture and equipment. WVSOM's capitalization thresholds are \$15,000 for land and building improvements and \$5,000 for equipment. There was no interest capitalized during 2023 and 2022. The accompanying financial statements reflect all adjustments required by GASB.

Capital assets also include Intangible right-to-use subscription-based information technology arrangement ("SBITA") assets, initially measured at the present value of payments expected to be made during the term of the agreement. SBITA assets are amortized on a straight-line basis over the term of the agreement.

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

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

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

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

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

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

WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Federal Financial Assistance Programs - WVSOM, through financial institutions, makes loans to students under the Federal Stafford Loan Program and Graduate Plus Loan Program. These loans are not included as receivable on WVSOM's statements of net position as the loans are repayable directly to the U.S. Department of Education. WVSOM has awarded \$24,635,189 and \$25,601,916 in 2023 and 2022, respectively, under the Federal Stafford Loan Program and \$19,053,552 and \$16,792,403 in 2023 and 2022, respectively, under the Graduate Plus Loan Program, which are not included as revenue and expense on the statements of revenues, expenses, and changes in net position. Both programs are from the U.S. Department of Education.

WVSOM also distributes other student financial assistance funds on behalf of the federal government to students under the Federal Perkins Loan, Health Professions Student Loan, and College Work Study programs. The activity of these programs are recorded in the accompanying financial statements. In 2023 and 2022, WVSOM received and disbursed \$275,294 and \$348,289, respectively, under these federal student aid programs.

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

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

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

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

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

WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

WVSOM 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 providing uniform guidance on accounting and financial reporting for transactions that meet those definitions, but are outside of the scope of Lease or Service Concession Arrangement Guidance. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. This Statement will require governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPPs. The adoption of GASB Statement No. 94 did not have a significant impact on the financial statements.

WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

WVSOM 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 SBITA liability and an intangible right-of-use SBITA assets. See additional information in notes 15 and 16.

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

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

WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. WVSOM has not yet determined the effect that the adoption of GASB Statement No. 101 may have on its financial statements.

NOTE 3 - CASH AND CASH EQUIVALENTS

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

	2023		
	Current	Noncurrent	Total
Cash on deposit with the State Treasurer/BTI	\$ 35,566,304	\$ -	\$ 35,566,304
Cash in money market funds	1,588,491	-	1,588,491
Cash in bank	300,782	-	300,782
Cash on hand	8,022	-	8,022
	<u>\$ 37,463,599</u>	<u>\$ -</u>	<u>\$ 37,463,599</u>
	2022		
	Current	Noncurrent	Total
Cash on deposit with the State Treasurer/BTI	\$ 39,011,155	\$ -	\$ 39,011,155
Cash in money market funds	1,604,764	-	1,604,764
Cash in bank	243,952	-	243,952
Cash on hand	7,993	-	7,993
	<u>\$ 40,867,864</u>	<u>\$ -</u>	<u>\$ 40,867,864</u>

Cash held by the Treasurer includes \$4,473,119 and \$4,300,413 of restricted cash classified as current, at June 30, 2023 and 2022, respectively.

WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

The combined carrying amount of cash in the bank at June 30, 2023 and 2022 was \$300,782 and \$243,952, respectively, as compared with the combined bank balance of \$1,394,876 and \$1,343,123 for the years ended June 30, 2023 and 2022, respectively. The difference is primarily caused by outstanding checks and items in transit. The bank balances were covered by federal depository insurance as noted below or were collateralized by securities held by the State’s agent. Regarding federal depository insurance, interest-bearing accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Non-interest bearing accounts are fully insured through December 31, 2023.

Amounts with the State Treasurer were \$35,566,304 and \$39,011,155 as of June 30, 2023 and 2022, respectively. Of these amounts \$30,141,027 and \$27,870,743 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 at 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	\$ 29,457,481	AAAm	\$ 27,224,484	AAAm
WV Short Term Bond Pool	683,546	Not Rated	646,259	Not Rated

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

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

External Pool	2023		2022	
	Carrying Value	WAM (Days)	Carrying Value	WAM (Days)
WV Money Market Pool	\$ 29,457,481	29	\$ 27,224,484	21

WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

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

	2023		2022	
	Carrying Value	WAM (Days)	Carrying Value	WAM (Days)
External Pool				
WV Short Term Bond Pool	\$ 683,546	609	\$ 646,259	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, WVSOM will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Repurchase agreements are required to be collateralized by at least 102% of their value, and the collateral is held in the name of BTI. The BTI or its agent does not release cash or securities until the counterparty delivers its side of the transaction.

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

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

WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 4 - INVESTMENTS

WVSOM categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. WVSOM had the following recurring fair value measurements comprised of investments as of June 30, 2023 and 2022.

	2023			
	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment by Fair Value Level				
Morgan Stanley Private Wealth Management:				
Common stock	\$ 17,521,800	\$ 17,521,800	\$ -	\$ -
U.S. treasury securities	10,961,971	10,961,971	-	-
Corporate bonds	5,251,496	5,251,496	-	-
Total	<u>\$ 33,735,267</u>	<u>\$ 33,735,267</u>	<u>\$ -</u>	<u>\$ -</u>
Investments Measured at Net Asset Value (NAV)				
Morgan Stanley Private Wealth Management:				
Alternative investments	<u>\$ 10,596,650</u>			
Total Investments Measured at the NAV	<u>10,596,650</u>			
Total Investments Measured at Fair Value	<u>\$ 44,331,917</u>			
Total		<u>\$ 33,735,267</u>	<u>\$ -</u>	<u>\$ -</u>
	2022			
	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment by Fair Value Level				
Morgan Stanley Private Wealth Management:				
Common stock	\$ 17,775,282	\$ 17,775,282	\$ -	\$ -
U.S. treasury securities	9,367,466	9,367,466	-	-
Corporate bonds	6,828,325	6,828,325	-	-
Total	<u>\$ 33,971,073</u>	<u>\$ 33,971,073</u>	<u>\$ -</u>	<u>\$ -</u>
Investments Measured at Net Asset Value (NAV)				
Morgan Stanley Private Wealth Management:				
Alternative investments	<u>10,215,690</u>			
Total Investments Measured at the NAV	<u>10,215,690</u>			
Total Investments Measured at Fair Value	<u>\$ 44,186,763</u>			
Total		<u>\$ 33,971,073</u>	<u>\$ -</u>	<u>\$ -</u>

WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 4 - INVESTMENTS (Continued)

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

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

	2023			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Morgan Stanley Private Wealth Management:				
Renaissance Institutional Equities Fund	\$ 2,504,309	n/a	Monthly	60 Days
HP Millennium International Fund	676,637	n/a	Quarterly	30 Days
Mudrick Distressed Opportunity Fund	5,534,502	n/a	Quarterly	90 Days
Owl Rock Tech FC II	270,103	\$ 1,880,254	n/a	n/a
KKR Dislocation Fund	1,611,099	525,494	n/a	n/a
Total Investments Measured at the NAV	<u>\$ 10,596,650</u>	<u>\$ 2,405,748</u>		
	2022			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Morgan Stanley Private Wealth Management:				
Renaissance Institutional Equities Fund	\$ 2,398,912	n/a	Monthly	60 Days
HP Millennium International Fund	632,330	n/a	Quarterly	30 Days
Mudrick Distressed Opportunity Fund	5,304,315	n/a	Quarterly	90 Days
KKR Dislocation Fund	1,880,133	\$ 769,460	n/a	n/a
Total Investments Measured at the NAV	<u>\$ 10,215,690</u>	<u>\$ 769,460</u>		

WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 4 - INVESTMENTS (Continued)

Credit Risk

WVSOM's investment policy adheres to fiduciary responsibilities in accordance with the provisions of the Uniform Prudent Investor Act (WV State Code 44-6C-1 Prudent Investor Rule). At June 30, 2023, the RNC Capital Management fund had a Bond Maturity Schedule and Bond Quality of:

<u>Bond Maturity</u>	<u>Market Value</u>	<u>% of Bond Market Value</u>
Less than 1 year	\$ -	0.00%
1 to 5 years	15,017,862	92.60%
6 to 10 years	1,195,605	7.40%
Over 10 years	-	0.00%
 Total	 <u>\$ 16,213,467</u>	 <u>100.00%</u>

<u>Security Description</u>	<u>Bond Quality</u>		<u>Market Value</u>	<u>% of Bond Market Value</u>
	<u>Moody's</u>	<u>S&P</u>		
Goldman Sachs Group Inc	A2	BBB+	\$ 782,054	4.81%
Pfizer Investment Enterprises PTE LTD	A1	A+	433,646	2.67%
JP Morgan Chase & Co	A1	A-	407,368	2.51%
Meta Platforms Inc.	A1	AA-	408,439	2.52%
US Treasury Note	AAA		8,080,924	49.85%
US Treasury Note – Floating Rate	AAA		2,881,047	17.77%
TransCanada Pipelines LTD	BAA1	BBB+	408,380	2.52%
Cheniere Corpus Christi Holdings LLC	BAA3	BBB-	787,448	4.86%
Discovery Communications LLC	BAA3	BBB-	399,945	2.47%
Energy Transfer LP	BAA3	BBB-	815,049	5.03%
Utah Acquisition Sub Inc	BAA3	BBB-	809,167	4.99%
			 <u>\$ 16,213,467</u>	 <u>100.00%</u>

Concentration of Credit Risk

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

Interest Rate Risk

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

WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable are as follows at June 30:

	2023	2022
Grants and contracts receivable	\$ 29,371	\$ 288,315
Grants receivable - West Virginia University Research Corporation	126,910	145,269
Grants receivable - Marshall University Research Corporation	26,195	80,607
Grants receivable - West Virginia Department of Health and Human Resources	497,801	-
Other accounts receivable	2,673,934	1,427,400
	\$ 3,354,211	\$ 1,941,591

Noncurrent receivables were as follows at June 30:

	2023	2022
Arrears Pay Conversion	\$ 49,205	\$ 59,662
	\$ 49,205	\$ 59,662

WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 6 - CAPITAL ASSETS

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

	2023			Ending Balance
	Beginning Balance	Additions	Reductions	
Capital assets not being depreciated:				
Land	\$ 1,633,095	\$ -	\$ (9,200)	\$ 1,623,895
Construction in progress	5,848,153	4,205,346	(9,426,521)	626,978
Total capital assets not being depreciated	\$ 7,481,248	\$ 4,205,346	\$ (9,435,721)	\$ 2,250,873
Other capital assets:				
Land improvements	\$ 3,690,174	\$ -	\$ -	\$ 3,690,174
Buildings	100,421,343	10,023,413	-	110,444,756
Equipment	10,612,319	454,173	(517,629)	10,548,863
Library books	40,346	5,984	(12,804)	33,526
Total other capital assets	114,764,182	10,483,570	(530,433)	124,717,319
Right-to-use assets being amortized:				
SBITA - IT software	1,576,081	922,842	(258,711)	2,240,212
Total right-to-use assets being amortized	1,576,081	922,842	(258,711)	2,240,212
Total other capital assets and right-to-use assets being amortized	116,340,263	11,406,412	(789,144)	126,957,531
Less accumulated depreciation for:				
Land improvements	(2,757,259)	(88,199)	-	(2,845,458)
Buildings	(34,781,158)	(2,899,336)	-	(37,680,494)
Equipment	(7,810,420)	(917,311)	436,384	(8,291,347)
Library books	(25,622)	(6,619)	12,804	(19,437)
Total accumulated depreciation	(45,374,459)	(3,911,465)	449,188	(48,836,736)
Less accumulated amortization for:				
SBITA - IT software	(266,930)	(708,706)	258,709	(716,927)
Total accumulated amortization	(266,930)	(708,706)	258,709	(716,927)
Total accumulated depreciation and amortization	(45,641,389)	(4,620,171)	707,897	(49,553,663)
Other capital assets and right-to-use assets being amortized, net	\$ 70,698,874	\$ 6,786,241	\$ (81,247)	\$ 77,403,868
Capital asset summary:				
Capital assets not being depreciated	\$ 7,481,248	\$ 4,205,346	\$ (9,435,721)	\$ 2,250,873
Other capital assets and right-to-use assets being amortized	116,340,263	11,406,412	(789,144)	126,957,531
Total cost of capital assets	123,821,511	15,611,758	(10,224,865)	129,208,404
Less accumulated depreciation and amortization	(45,641,389)	(4,620,171)	707,897	(49,553,663)
Capital assets, net	\$ 78,180,122	\$ 10,991,587	\$ (9,516,968)	\$ 79,654,741

WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 6 - CAPITAL ASSETS (Continued)

	2022 (Restated)			Ending Balance
	Beginning Balance	Additions	Reductions	
Capital assets not being depreciated:				
Land	\$ 1,633,095	\$ -	\$ -	\$ 1,633,095
Construction in progress	1,645,059	5,791,250	(1,588,156)	5,848,153
Total capital assets not being depreciated	\$ 3,278,154	\$ 5,791,250	\$(1,588,156)	\$ 7,481,248
Other capital assets:				
Land improvements	\$ 3,690,174	\$ -	\$ -	\$ 3,690,174
Buildings	99,004,311	1,417,032	-	100,421,343
Equipment	10,854,972	511,134	(753,787)	10,612,319
Library books	81,416	3,624	(44,694)	40,346
Total other capital assets	113,630,873	1,931,790	(798,481)	114,764,182
Right-to-use assets being amortized:				
SBITA - IT software	-	1,756,272	(180,191)	1,576,081
Total right-to-use assets being amortized	-	1,756,272	(180,191)	1,576,081
Total other capital assets and right-to-use assets being amortized	113,630,873	3,688,062	(978,672)	116,340,263
Less accumulated depreciation for:				
Land improvements	(2,669,060)	(88,199)	-	(2,757,259)
Buildings	(31,987,273)	(2,793,885)	-	(34,781,158)
Equipment	(7,549,365)	(961,233)	700,178	(7,810,420)
Library books	(58,168)	(12,148)	44,694	(25,622)
Total accumulated depreciation	(42,263,866)	(3,855,465)	744,872	(45,374,459)
Less accumulated amortization for:				
SBITA - IT software	-	(447,120)	180,190	(266,930)
Total accumulated amortization	-	(447,120)	180,190	(266,930)
Total accumulated depreciation and amortization	(42,263,866)	(4,302,585)	925,062	(45,641,389)
Other capital assets and right-to-use assets being amortized, net	\$ 71,367,007	\$ (614,524)	\$ (53,609)	\$ 70,698,874
Capital asset summary:				
Capital assets not being depreciated	\$ 3,278,154	\$ 5,791,250	\$(1,588,156)	\$ 7,481,248
Other capital assets and right-to-use assets being amortized	113,630,873	3,688,062	(978,672)	116,340,263
Total cost of capital assets	116,909,027	9,479,312	(2,566,828)	123,821,511
Less accumulated depreciation and amortization	(42,263,866)	(4,302,585)	925,062	(45,641,389)
Capital assets, net	\$ 74,645,161	\$ 5,176,727	\$ (1,641,766)	\$ 78,180,122

WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 6 - CAPITAL ASSETS (Continued)

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

At June 30, 2023, WVSOM had outstanding contractual commitments of \$161,703 for property, plant, and equipment expenditures.

NOTE 7 - LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	2023		Ending Balance	Current Portion
			Reductions			
Advances from federal sponsors	\$ 109,326	\$ 90,139	\$ -		\$ 199,465	\$ -
Compensated absences	2,749,336	67,684	-		2,817,020	1,488,597
Subscription liability	1,085,340	645,990	(451,436)		1,279,894	581,682
Net other postemployment benefits (asset)/liability	(85,943)	2,160,662	(1,785,915)		288,804	-
Total long-term liabilities	\$ 3,858,059	\$ 2,964,475	\$ (2,237,351)		\$ 4,585,183	\$ 2,070,279
			2022 (Restated)			
	Beginning Balance	Additions	Reductions		Ending Balance	Current Portion
Advances from federal sponsors	\$ 299,408	\$ -	\$ (190,082)		\$ 109,326	\$ -
Compensated absences	2,611,642	137,694	-		2,749,336	1,482,071
Subscription liability	-	1,548,531	(463,191)		1,085,340	451,436
Net other postemployment benefits (asset)/liability	1,230,803	388,798	(1,705,544)		(85,943)	-
Total long-term liabilities	\$ 4,141,853	\$ 2,075,023	\$ (2,358,817)		\$ 3,858,059	\$ 1,933,507

WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS

As related to GASB 75, following are WVSOM’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:

	<u>2023</u>	<u>2022</u>
Net OPEB (asset)/liability	\$ 288,804	\$ (85,943)
Deferred outflows of resources	580,004	627,633
Deferred inflows of resources	1,333,665	3,063,650
Revenues	(318,423)	(78,676)
OPEB expense	(1,382,230)	(1,447,462)
Contributions made by WVSOM	243,859	305,235

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.

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 8 - 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 2022
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.

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.

WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

WVSOM's contributions to the OPEB plan for the years ended June 30, 2023, 2022, and 2021, were \$243,859, \$305,235, and \$527,074, 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 108% for females.

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

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

WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

The long-term 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 these 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).

Sensitivity of the net OPEB (asset)/liability to changes in the discount rate. The following presents WVSOM's proportionate share of the net OPEB liability (asset) 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.

Net OPEB (Asset)/Liability	1% Decrease (5.65%)	Current Discount Rate (6.65%)	1% Increase (7.65%)
2023	\$ 742,336	\$ 288,804	\$ 100,275
2022	\$ 461,179	\$ (85,943)	\$ (520,210)

WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Sensitivity of the net OPEB liability (asset) to changes in the healthcare cost trend rate. The following presents WVSOM’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 the Authority’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.

<u>Net OPEB Liability (Asset)</u>	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
2023	\$ (164,191)	\$ 288,804	\$ 824,816
2022	\$ (634,557)	\$ (85,943)	\$ 582,331

OPEB (Assets)/Liabilities, 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, WVSOM’s proportionate share of the net OPEB liability (asset) was \$387,736. Of this amount, WVSOM recognized \$288,804 as its proportionate share on the statement of net position. The remainder of \$98,932 denotes WVSOM’s proportionate share of net OPEB liability (asset) attributable to the special funding.

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

The allocation percentage assigned to each participating employer and non-employer contributing entity is based on its proportionate share of employer and non-employer contributions to OPEB for each of the fiscal years ended June 30, 2022 and 2021. Employer contributions are recognized when due. At the June 30, 2022 measurement date, WVSOM’s proportion was 0.259%, a decrease of 0.030% from its proportion of 0.289% calculated as of June 30, 2021. At the June 30, 2021 measurement date, WVSOM’s proportion was 0.289%, an increase of 0.010% from its proportion of 0.279% calculated as of June 30, 2020.

WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

For the year ended June 30, 2023, WVSOM recognized OPEB expense of \$(1,382,230). Of this amount, \$(1,063,807) was recognized as WVSOM's proportionate share of OPEB expense and \$(318,423) as the amount of OPEB expense attributable to special funding from a non-employer contributing entity. WVSOM also recognized revenue of \$(318,423) for support provided by the State.

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

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	\$ -	\$ 368,426
Changes in proportion and difference between employer contributions and proportionate share of contributions	106,106	229,640
Net difference between expected and actual investment earnings	44,828	-
Reallocation of Opt-Out Employer Change in Proportionate Share	-	1,799
Changes in assumptions	185,211	733,800
Contributions after the measurement date	243,859	-
	<u>\$ 580,004</u>	<u>\$ 1,333,665</u>
Total		
	<u>\$ 580,004</u>	<u>\$ 1,333,665</u>
<u>June 30, 2022</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 592,018
Changes in proportion and difference between employer contributions and proportionate share of contributions	322,398	29,002
Net difference between expected and actual investment earnings	-	593,116
Reallocation of Opt-Out Employer Change in Proportionate Share	-	30,922
Changes in assumptions	-	1,818,592
Contributions after the measurement date	305,235	-
	<u>\$ 627,633</u>	<u>\$ 3,063,650</u>
Total		
	<u>\$ 627,633</u>	<u>\$ 3,063,650</u>

WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

WVSOM will recognize the \$243,859 reported as deferred outflows of resources resulting from OPEB contributions after the measurement date as a reduction 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:

Fiscal Year Ended June 30,	Amortization
2024	\$ (953,460)
2025	(86,076)
2026	(81,318)
2027	123,334
	\$ (997,520)

Payables to the OPEB Plan

WVSOM did not report any amounts payable for normal contributions to the OPEB plan as of June 30, 2023 and 2022.

NOTE 9 - STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

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

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

The Municipal Bond Commission has the authority to assess each public institution of higher education for payment of debt service on these system bonds. The tuition and registration fees of the members of the former State University System (the System) are generally pledged as collateral for the Commission's bond indebtedness. Student fees collected by the institution in excess of the debt service allocation are retained by the institution for internal funding of capital projects and maintenance. Although the bonds remain as a capital obligation of the Commission, an estimate of the obligation of each institution is reported as a long-term payable by each institution and as a receivable by the Commission. No amount of the System debt has been assessed by the Commission to WVSOM as of June 30, 2023 and 2022.

WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 10 - UNRESTRICTED NET POSITION

WVSOM's unrestricted net position at June 30, 2023 and 2022 includes certain designated net position amounts, as follows:

	2023	2022 (Restated)
Designated for auxiliaries	\$ 290,761	\$ 238,589
Undesignated	72,497,226	71,795,476
Total unrestricted net position before OPEB liability	72,787,987	72,034,065
OPEB asset/(liability)	(288,804)	85,943
Total unrestricted net position	\$ 72,499,183	\$ 72,120,008

NOTE 11 - RETIREMENT PLANS

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

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

Total contributions to the TIAA-CREF for the years ended June 30, 2023, 2022, and 2021 were \$3,076,252, \$2,872,728, and \$2,741,058, respectively, which consisted of equal contributions from WVSOM and covered employees of \$1,538,126, \$1,436,364, and \$1,370,529, in 2023, 2022, and 2021, respectively.

WVSOM's total benefits-eligible payroll for the years ended June 30, 2023, 2022, and 2021 was \$25,822,364, \$24,009,671, and \$22,897,509, respectively; total covered employees' salaries in TIAA-CREF were \$25,822,364, in 2023, \$24,009,671, in 2022, and \$22,897,509, in 2021.

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

The Educators Money is a defined contribution plan in which benefits are based solely upon amounts contributed plus investment earnings. Each employee who elects to participate in this plan is required to make a contribution equal to 6% of total annual compensation. WVSOM matches the employees' 6% contributions. Contributions are immediately and fully vested. Employees may elect to make additional contributions to the Educators Money, which are not matched by WVSOM. As of June 30, 2023, no employees were enrolled in the Educators Money 401(a) basic retirement plan.

WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 12 - FOUNDATION

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

Gifts, grants, pledges, bequests, and other revenue contributed to the Foundation totaled \$887,143 and \$444,000 for the years ended June 30, 2023 and 2022, respectively.

WVSOM provided direct financial support of \$514,745 and \$366,056 for the years ended June 30, 2023 and 2022, respectively.

NOTE 13 - AFFILIATED ORGANIZATIONS (UNAUDITED)

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

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

In addition, WVSOM and the Clinic have agreements whereby WVSOM pays the Clinic for medical education services for students of WVSOM, certain office expenses and equipment rentals, and health services for students enrolled at WVSOM. For each of the years ended June 30, 2023 and 2022, the amount paid by WVSOM for instruction, office expenses, utilities, and equipment rental totaled approximately \$934,960 and approximately \$937,565, respectively. WVSOM made payments totaling approximately \$125,000 and approximately \$125,000 for the years ended June 30, 2023 and 2022, respectively, to the Clinic for providing health services to WVSOM students. The financial statements of the Clinic are available at www.guidestar.org.

WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE
NOTES TO FINANCIAL STATEMENTS
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NOTE 13 - AFFILIATED ORGANIZATIONS (Continued)

The Mountain State Osteopathic Postdoctoral Training Institutions, Inc. (MSOPTI) is a medical education consortium formed in 1998 through affiliation agreements among MSOPTI, WVSOM (central partner), and partner training institutions (hospitals, teaching health centers) in the States of West Virginia, Ohio, Pennsylvania, and Maryland which provide postdoctoral training to medical residents. The affiliation agreements are renewed annually and are executed among each training institution, WVSOM and MSOPTI. As of June 30, 2023 MSOPTI, had the Central Partner (WVSOM) and seven (7) Members, which paid an annual Affiliate Member fee. All Members have voting privileges on the MSOPTI Board. MSOPTI also has three (3) Supporters: The Beckley (WV) VA Hospital, Mon General Hospital (WV), and the Southeastern Area Health Education Center (SEAHEC) which do not pay membership fees. MSOPTI serves as the grant’s administrator for SEAHEC.

Although MSOPTI is a consortium created for the purpose of assisting WVSOM in achieving its mission, it is a separate 501(c) (3) non-profit organization incorporated in the State of West Virginia. Oversight of MSOPTI is the responsibility of a Governing Board of Directors, as specified in the MSOPTI by-laws. The MSOPTI Governing Board of Directors is made up of three voting members from WVSOM and one voting member from each of the Member institutions. In carrying out its responsibilities, the MSOPTI Governing Board of Directors directs management, forms policy, and maintains fiscal accountability over funds administered by MSOPTI. MSOPTI is audited annually by an independent CPA through a written letter of engagement. Accordingly, the financials statements of MSOPTI are not included in the accompanying financial statements because they did not meet the criterion as indicated in GASB. For each of the years ended June 30, 2023 and 2022, WVSOM contributed \$21,000 and \$21,000 to MSOPTI. In addition, WVSOM incurred \$137,992 and \$161,475 of personnel costs on MSOPTI’s behalf and was reimbursed for these costs in the years ended June 30, 2023 and 2022, respectively. The financial statements of MSOPTI are available at www.guidestar.org.

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

	2023	2022
Due to:		
WV University - Housing	\$ -	\$ 946
Marshall University	-	1,498
Attorney General	39	39
Department of Administration	2,578	2,693
State Treasurer’s Office	1,234	1,388
State Police	12,960	4,725
State Tax Department	990	1,481
	\$ 17,801	\$ 12,770

WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 14 - CONTINGENCIES

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

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

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

NOTE 15 - CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT

During fiscal year 2023, WVSOM implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. It establishes requirements for SBITA accounting based on the principle that SBITAs are financing of the right to use IT software. The lessee in the arrangement is required to recognize a SBITA liability and an intangible right-to-use SBITA 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 SBITA asset equaled the SBITA liability. WVSOM recognized \$618,119 as an intangible right-to-use SBITA asset and SBITA liability as of July 1, 2021.

The implementation of GASB Statement No. 96 has the following effect on the fiscal year ended June 30, 2021:

From the Statement of Net Position	As Previously Reported	7/1/2021 Adjustment Plus Restatement	Restated
Capital assets	\$ 76,870,971	\$ 1,309,151	\$ 78,180,122
Accrued liabilities	2,258,189	10,477	2,268,666
Subscription liability - short term	-	451,436	451,436
Subscription liability - long term	-	633,904	633,904
Net investment in capital assets	76,870,971	223,811	77,094,782
Net investment in capital assets - Unrestricted	72,130,485	(10,477)	72,120,008

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NOTE 15 - CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT (Continued)

From the Statement Revenues, Expenses, and Changes in Net Position	As Previously Reported	7/1/2021 Adjustment Plus Restatement	Restated
Supplies and other services	\$ 14,074,257	\$ (674,556)	\$ 13,399,701
Depreciation	3,855,465	447,120	4,302,585
Interest expense - SBITA	-	14,102	14,102

NOTE 16 - SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS

WVSOM has agreements for various terms under long-term, noncancelable subscription-based information technology arrangements (SBITAs). The SBITAs have annual payments ranging from \$23,166 to \$228,910 plus interest at 4.75% with due dates ranging from June 2024 to May 2027.

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

Fiscal Year Ended June 30,	Principal	Interest	Total Payments
2024	\$ 581,682	\$ 60,181	\$ 641,863
2025	361,047	31,942	392,989
2026	231,866	14,414	246,280
2027	105,299	3,157	108,456
	<u>\$ 1,279,894</u>	<u>\$ 109,694</u>	<u>\$ 1,389,588</u>

NOTE 17 - COMPONENT UNIT DISCLOSURES

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

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NOTES TO FINANCIAL STATEMENTS
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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NOTES TO FINANCIAL STATEMENTS
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

Property and equipment – Property and equipment are reported at historical cost and depreciated using the straight-line method over the lesser of the estimated useful lives of the assets or the lease period. Contributed assets are recorded as revenue and capitalized at fair market value at the date the asset is received. The Foundation had \$100,000 and \$100,000 of leasehold improvements as of June 30, 2023 and 2022 with accumulated amortization of \$80,000 and \$60,000, respectively. Amortization expense for the years ended June 30, 2023 and 2022 was \$20,000 and \$20,000, respectively.

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

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

Advertising – Costs incurred for advertising are charged to expense as incurred. For the years ended June 30, 2023 and 2022, total advertising costs were (\$151) and \$26,752, respectively.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of credit risk – The Foundation maintains cash on deposit at federally insured financial institutions; bank balances did not exceed federally insured limit at June 30, 2023.

Subsequent events – The Foundation evaluated subsequent events for recognition or disclosure through September 8, 2023, the date the financial statements were available to be issued.

Reclassifications – Certain amounts relating to 2022 have been reclassified to conform to the 2023 reporting format.

Accounting Pronouncement Adopted – In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, Leases (Topic 842). This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Foundation adopted the requirements of the guidance effective July 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption.

The Foundation has elected to adopt the package of practical expedients available in the year of adoption. The Foundation has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Foundation’s ROU assets.

The Foundation will make the accounting policy election not to separate lease components from nonlease components. The Foundation will also make the accounting policy election for short-term leases for existing and future short-term leases for all classes of underlying assets.

NOTE 2 – PLEDGES RECEIVABLE

Pledges receivable consist of the following at June 30:

	2023	2022
Pledges collectible within one year	\$ 93,312	\$ 71,655
Pledges collectible in one to five years	155,200	117,421
Pledges collectible in more than five years	-	-
Total pledges receivable, gross	248,512	189,076
Less allowance for uncollectible pledges	(7,500)	(7,500)
Less unamortized discount	(2,642)	(3,551)
Total pledges receivable, net	238,370	178,025
Less current portion of pledges receivable, net	(93,312)	(71,655)
Non-current portion of pledges receivable, net	\$ 145,058	\$ 106,370

WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE FOUNDATION
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NOTE 3 – LOANS RECEIVABLE

Loans receivable in the amounts of \$6,066 and \$10,400 at June 30, 2023 and 2022, respectively represent loans made to current students, faculty and staff of WVSOM which are payable within 90 days of their issuance and accrue interest at the rate of 6 percent per annum. If the loans remain unpaid in excess of 90 days, the rate of interest payable on the loan increases to 10 percent per annum. The majority of these loans are typically made in order to provide certain students with temporary source of funding until such time as their respective long-term funding for tuition or other living expenses becomes available. No interest accrual has been reflected in the accompanying financial statements as it is undeterminable as to the ultimate amount collectable.

NOTE 4 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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

	2023	2022
Financial assets at year-end	\$ 54,528,093	\$ 53,212,219
Less those unavailable for general expenditures within one year, due to:		
Pledges receivable not expected to be received within one year	145,058	106,370
Assets held in trust	450,000	250,000
Custodial liabilities	47,066,981	46,694,059
Future lease payments	30,000	30,000
Donor-restricted for capital projects	1,647,073	1,524,900
Donor-restricted for future scholarship awards	415,183	253,915
Donor-restricted to maintain as an endowment	3,446,369	3,004,614
Financial assets available to meet general expenditures within one year	\$ 1,327,429	\$ 1,348,361

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

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

WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE FOUNDATION
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NOTE 5 – INVESTMENTS

Investments consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 2,030,832	\$ 1,782,776
Common stocks	20,143,803	18,559,704
Federal government and agency securities	10,961,971	9,370,237
Corporate bonds	8,327,769	9,589,685
Alternative investments	10,548,074	9,886,450
Real estate investment trusts	<u>1,417,846</u>	<u>3,153,906</u>
 Total	 <u>\$ 53,430,295</u>	 <u>\$ 52,342,758</u>

Total investment return is comprised of the following for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 178,220	\$ 151,408
Unrealized and realized gains and (losses), net	311,856	(741,754)
Investment management fees	<u>(42,685)</u>	<u>(46,042)</u>
 Total	 <u>\$ 447,391</u>	 <u>\$ (636,388)</u>

NOTE 6 – CUSTODIAL LIABILITIES

The Foundation entered into an Investment Management Agency Agreement with the WVSOM on June 21, 2014. In accordance with the terms of this agreement, the WVSOM has transferred \$35,400,000 to the Foundation, who serves as the investment agent for the funds. The Foundation recognizes a custodial liability in an amount equal to the funds held under the terms of this agreement including all subsequent earnings thereon. Also, the Foundation recognizes custodial liabilities for additional funds held on behalf of various student, faculty, and alumni organizations. These liabilities amounted to \$47,066,981 and \$46,694,059 at June 30, 2023 and 2022, respectively.

NOTE 7 – RELATED PARTY TRANSACTIONS

The WVSOM provides all the pay and employee benefits for the personnel who operate the Foundation as well as assistance with certain operating costs. For the years ended June 30, 2023 and 2022, the WVSOM paid \$286,894 and \$299,271 for payroll and employee benefits, respectively. For the years ended June 30, 2023 and 2022 the WVSOM paid \$40,108 and \$50,824 to cover expenses incurred on behalf of the Foundation, respectively. On November 12, 2011, the Foundation sold the office building from which it operates to the WVSOM. Subsequently, the WVSOM provides this office space to the Foundation without charge. The fair market value of the office spaces was \$6,500 for the years ended June 30, 2023 and 2022.

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NOTE 7 – RELATED PARTY TRANSACTIONS (Continued)

The costs associated with the office space, the operational expenses, and the wages and benefits paid by the WVSOM are recorded as contributed services and operational expenses in the accompanying statement of activities. The Foundation measures these expenses at the cost recognized by the WVSOM for the personnel providing the services and the fair value of the office space occupied. The total amount of the services and operating costs provided were \$333,502 and \$356,595 for the years ended June 30, 2023 and 2022, respectively. As a part of a Memorandum of Understanding with the WVSOM signed concurrent with the sale of the building, the Foundation will be able to continue to collect revenues from the rental of a conference room contained within the office building. As the fair value of this arrangement is not readily determinable, no reflection of it has been recorded in the accompanying financial statements.

The Foundation holds and disburses funds at the discretion of the WVSOM and various student, faculty, and alumni organizations. See Note 6 for a more complete description of these custodial arrangements and the balances held under these arrangements at June 30, 2023 and 2022.

NOTE 8 – ENDOWMENT FUNDS

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

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

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

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

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

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NOTE 8 – ENDOWMENT FUNDS (Continued)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or WVUPMIFA requires the Foundation to retain as a fund of perpetual duration.

Deficiencies of this nature exist in nine donor-restricted endowment funds, which together have an original gift value of \$126,125, a current fair value of \$125,721, and a deficiency of \$404 as of June 30, 2023. These deficiencies result from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and/or continued appropriation for certain programs that was deemed prudent by the Board of Trustees.

The composition and the changes in endowment net assets for the fiscal years ended June 30, 2023 and 2022, consisted of the following:

	Without Donor Restrictions	With donor Restrictions	Total
Endowment net assets, June 30, 2021	\$ -	\$ 3,533,674	\$ 3,533,674
Investment return			
Investment income, net of fees	-	61,360	61,360
Net appreciation (depreciation)	-	(364,148)	(364,148)
Contributions	-	348,661	348,661
Scholarships and awards	-	(118,418)	(118,418)
Endowment net assets, June 30, 2022	-	3,461,129	3,461,129
Investment return			
Investment income (loss), net of fees	-	81,202	81,202
Net appreciation (depreciation)	-	167,508	167,508
Contributions	-	662,126	662,126
Scholarships and awards	-	(118,093)	(118,093)
Endowment net assets, June 30, 2023	<u>\$ -</u>	<u>\$ 4,253,872</u>	<u>\$ 4,253,872</u>

NOTE 9 – FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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NOTE 9 – FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

Fair Value Measurements

The following is a description of the valuation methodologies used for assets measured at fair value and for financial instruments disclosed at fair value. There have been no changes in methodologies used at June 30, 2023 and 2022.

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

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

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

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

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

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

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

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

	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
June 30, 2023:				
Cash and cash equivalents	\$ 2,030,832	\$ 2,030,832	\$ -	\$ -
Common stocks	20,143,803	20,143,803	-	-
Federal government and agency securities	10,961,971	-	10,961,971	-
Corporate bonds	8,327,769	-	8,327,769	-
Alternative investments	10,548,074	-	10,548,074	-
Real estate investment trusts	1,417,846	1,417,846	-	-
Total	\$ 53,430,295	\$ 23,592,481	\$ 29,837,814	\$ -

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NOTE 9 – FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

NOTE 10 – OPERATING LEASE

Beginning in July 2019, the Foundation entered into a noncancelable operating lease of a building for the purpose of operating a new rental facility. The initial term of the lease is 60 months ending June 30, 2025. Lease payments over the next two years are expected to be \$30,000 annually. Lease payments of \$30,000 and \$30,000 were made for the years ended June 30, 2023 and 2022, respectively. Under the terms of the lease, work necessary to renovate the building for rental purposes are to be paid primarily by the Foundation. Leasehold improvements of \$100,000 were made to the facility during the year ended June 30, 2020 and are being amortized over the life of the lease.

Management of the Foundation has classified this lease as an operating lease and has accounted for it under the short-term lease exception by not recognizing it on the statements of financial position. While the term of the lease is more than 12 months, management of the Foundation does not believe that it is material to the statements of financial position.

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NOTE 18 - NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

2023								
	Salaries and <u>Wages</u>	<u>Benefits</u>	Supplies and <u>Other Services</u>	<u>Utilities</u>	Scholarships And <u>Fellowships</u>	<u>Depreciation</u>	Loan Cancellations and <u>Write-offs</u>	<u>Total</u>
Instruction	\$ 12,868,409	\$ 1,746,401	\$ 4,681,341	\$ -	\$ -	\$ -	\$ -	\$ 19,296,151
Research	980,014	187,718	402,118	1,435	-	-	-	1,571,285
Public service	343,701	53,207	639,274	6,801	-	-	-	1,042,983
Academic support	2,523,749	405,932	1,481,380	-	-	-	-	4,411,061
Student services	2,330,341	427,260	2,063,286	20,503	-	-	-	4,841,390
General institutional support	4,906,593	667,789	2,803,473	-	-	-	-	8,377,855
Operations and maintenance of plant	1,489,196	316,416	1,651,763	907,057	-	-	-	4,364,432
Student financial aid	-	-	-	-	-	-	-	-
Auxiliary enterprises	123,252	19,599	263,145	-	-	-	-	405,996
Depreciation	-	-	-	-	-	4,620,171	-	4,620,171
Other	-	-	57,128	-	-	-	121,445	178,573
Total	\$ 25,565,255	\$ 3,824,322	\$ 14,042,908	\$ 935,796	\$ -	\$ 4,620,171	\$ 121,445	\$ 49,109,897

2022 (Restated)								
	Salaries and <u>Wages</u>	<u>Benefits</u>	Supplies and <u>Other Services</u>	<u>Utilities</u>	Scholarships And <u>Fellowships</u>	<u>Depreciation</u>	Loan Cancellations and <u>Write-offs</u>	<u>Total</u>
Instruction	\$ 12,682,699	\$ 1,607,671	\$ 4,788,432	\$ -	\$ -	\$ -	\$ -	\$ 19,078,802
Research	944,229	163,999	441,373	1,365	-	-	-	1,550,966
Public service	283,544	56,592	282,239	4,079	-	-	-	626,454
Academic support	2,275,944	402,024	1,395,611	-	-	-	-	4,073,579
Student services	2,189,039	428,807	1,973,058	20,014	-	-	-	4,610,918
General institutional support	5,430,573	792,135	2,519,637	-	-	-	-	8,742,345
Operations and maintenance of plant	1,446,850	246,864	1,624,041	819,192	-	-	-	4,136,947
Student financial aid	-	-	-	-	583,678	-	-	583,678
Auxiliary enterprises	114,511	12,876	307,515	-	-	-	-	434,902
Depreciation	-	-	-	-	-	4,302,585	-	4,302,585
Other	-	-	67,795	-	-	-	259,118	326,913
Total	\$ 25,367,389	\$ 3,710,968	\$ 13,399,701	\$ 844,650	\$ 583,678	\$ 4,302,585	\$ 259,118	\$ 48,468,089

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
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>	<u>2013</u>
WVSOM's proportion of the net OPEB liability (asset) (percentage)	0.259485030%	0.289032187%	0.278656463%	0.281253727%	0.263280098%	0.238788192%					
WVSOM's proportionate share of the net OPEB liability (asset)	\$ 288,804	\$ (85,943)	\$ 1,230,803	\$ 4,666,372	\$ 5,652,797	\$ 5,871,776					
State's proportionate share of the net OPEB liability (asset)	<u>98,932</u>	<u>(16,922)</u>	<u>272,148</u>	<u>954,948</u>	<u>1,168,282</u>	<u>1,206,069</u>					
Total proportionate share of the net OPEB liability (asset)	<u>\$ 387,736</u>	<u>\$ (102,865)</u>	<u>\$ 1,502,951</u>	<u>\$ 5,621,320</u>	<u>\$ 6,821,079</u>	<u>\$ 7,077,845</u>					
WVSOM's covered-employee payroll	\$ 26,210,600	\$ 20,473,363	\$ 20,100,996	\$ 19,049,066	\$ 18,131,416	\$ 17,906,099					
WVSOM's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	-1.10%	0.42%	6.12%	24.50%	31.18%	32.79%					
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, WVSOM should present information for those years for which information is available.

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS
JUNE 30, 2023**

Last 10 Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 243,859	\$ 305,235	\$ 527,074	\$ 538,872	\$ 579,462	\$ 540,335				
Contributions in relation to the statutorily required contribution	<u>(243,859)</u>	<u>(305,235)</u>	<u>(527,074)</u>	<u>(538,872)</u>	<u>(579,462)</u>	<u>(540,335)</u>				
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				
WVSOM's covered-employee payroll	\$ 22,313,017	\$ 26,210,600	\$ 20,473,363	\$ 20,100,996	\$ 19,049,066	\$ 18,131,416				
Contributions as a percentage of covered-employee payroll	1.09%	1.16%	2.57%	2.68%	3.04%	2.98%				

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

**WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2023**

NOTE - OPEB

Actuarial Changes Other Postemployment Benefits Plan

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

	<u>Inflation Rate</u>	<u>Salary Increases</u>	<u>Wage Inflation Rate</u>	<u>Investment Rate of Return & 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
West Virginia School of Osteopathic Medicine
Lewisburg, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and discretely presented component unit of the West Virginia School of Osteopathic Medicine (WVSOM), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise WVSOM’s basic financial statements, and have issued our report thereon dated October 12, 2023. Our report includes a reference to another auditor who audited the financial statements of the West Virginia School of Osteopathic Medicine Foundation, Inc. (the Foundation), as described in our report on WVSOM’s financial statements. This report does not include the results of the other auditor’s testing of internal control over financial reporting or compliance and other matters that are reported on separately by that auditor. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

Report on Internal Control Over Financial Reporting

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

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

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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 have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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



Charleston, West Virginia
October 12, 2023