

CONCORD COLLEGE

*Combined Financial Statements for the
Years Ended June 30, 2001 and 2000, and
Independent Auditors' Reports*

CONCORD COLLEGE

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INDEPENDENT AUDITORS' REPORT

To the Concord College Governing Board:

We have audited the accompanying combined financial statements of Concord College (the "College") as of June 30, 2001 and 2000, and for the years then ended, listed in the foregoing Table of Contents. These financial statements are the responsibility of the management of the College. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the College at June 30, 2001 and 2000, and the changes in fund balances and the current funds revenues, expenditures, transfers and other changes for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2001, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

DELOITTE & TOUCHE LLP

October 5, 2001

CONCORD COLLEGE

COMBINED BALANCE SHEET JUNE 30, 2001

	<u>Current Funds</u>		Loan Funds	Plant Funds
	Unrestricted	Restricted		
ASSETS:				
Cash and cash equivalents	\$ 6,256,592	\$ 1,133,421	\$ 189,791	\$ 2,599,962
Student accounts receivable - net of allowance for doubtful accounts of \$66,000	53,880			
Grants and contracts receivable		181,176		
Loans receivable - net of allowance for doubtful accounts of \$268,000			2,245,620	
Accounts receivable - other, net of allowance of \$58,000	62,588			
Due from the Commission	72,799			102,661
Other assets	59,371			
Inventories	417,471			
Investment in plant				38,175,906
	<u>\$ 6,922,701</u>	<u>\$ 1,314,597</u>	<u>\$ 2,435,411</u>	<u>\$40,878,529</u>
LIABILITIES AND FUND BALANCES:				
Accounts payable	\$ 203,773	\$ 58,672		\$ 198,550
Accrued liabilities	1,183,184	16,479		
Deposits	57,103			
Deferred revenue	152,052			
Compensated absences	1,802,411	55,738		
Due to the Commission	29,541	4,807		
Fund balances:				
College funds	3,494,637	1,178,901		2,504,073
Loan funds			\$ 2,435,411	
Net investment in plant				38,175,906
	<u>\$ 6,922,701</u>	<u>\$ 1,314,597</u>	<u>\$ 2,435,411</u>	<u>\$40,878,529</u>

See notes to combined financial statements.

CONCORD COLLEGE

COMBINED BALANCE SHEET JUNE 30, 2000

	<u>Current Funds</u>		Loan Funds	Endowment and Similar Funds	Plant Funds
	Unrestricted	Restricted			
ASSETS:					
Cash and cash equivalents	\$ 5,366,866	\$ 946,550	\$ 390,547		\$ 2,550,634
Investments				\$ 38,549	
Student accounts receivable - net of allowance for doubtful accounts of \$123,000	72,342				
Grants and contracts receivable		97,034			
Loans receivable - net of allowance for doubtful accounts of \$254,000			2,040,555		
Accounts receivable - other, net of allowance of \$38,000	113,971				
Due from the Board	49,272				100,720
Other assets	50,442	1,016			
Inventories	356,289				
Investment in plant					<u>36,759,706</u>
	<u>\$ 6,009,182</u>	<u>\$ 1,044,600</u>	<u>\$ 2,431,102</u>	<u>\$ 38,549</u>	<u>\$ 39,411,060</u>
LIABILITIES AND FUND BALANCES:					
Accounts payable	\$ 629,906	\$ 47,428			
Accrued liabilities	518,509	28,762			
Deposits	52,623				
Deferred revenue	206,756				
Compensated absences	1,713,449	40,641			
Due to the Board	60,314				
Fund balances:					
College funds	2,827,625	927,769		\$ 38,549	\$ 2,651,354
Loan funds			\$ 2,431,102		
Net investment in plant					<u>36,759,706</u>
	<u>\$ 6,009,182</u>	<u>\$ 1,044,600</u>	<u>\$ 2,431,102</u>	<u>\$ 38,549</u>	<u>\$ 39,411,060</u>

See notes to combined financial statements.

CONCORD COLLEGE

COMBINED STATEMENT OF CHANGES IN FUND BALANCES YEAR ENDED JUNE 30, 2001

	Current Funds		Loan Funds	Endowment and Similar Funds	Plant Funds
	Unrestricted	Restricted			
FUND BALANCE, BEGINNING OF YEAR	\$ 2,827,625	\$ 927,769	\$ 2,431,102	\$ 38,549	\$ 39,411,060
REVENUES AND OTHER ADDITIONS:					
Unrestricted current fund revenues	18,642,569				
Auxiliary enterprise revenues	6,450,770				
Contracts and grants - restricted	100,361	7,383,225			90,000
Investment income		89,062	3,335	699	102,979
Interest on loans receivable			52,199		
Expended for plant facilities					1,776,547
Total revenues and other additions	25,193,700	7,472,287	55,534	699	1,969,526
EXPENDITURES AND OTHER DEDUCTIONS:					
Educational and general expenditures	15,363,586	7,058,721		39,248	
Auxiliary enterprise expenditures - including expenditures for capitalized items of \$460,344	7,881,687	154,578			
Loan cancellations and write-offs			51,225		
Fees retained by the Commission	778,266				
Expended for plant facilities					750,904
Disposal of plant facilities					360,347
Indirect cost recovery		100,361			
Total expenditures and other deductions	24,023,539	7,313,660	51,225	39,248	1,111,251
TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS):					
Mandatory transfers- College Work Study	(92,505)	92,505			
Nonmandatory transfers: Capital improvements	(127,384)				127,384
Building and campus renewal	(283,260)				283,260
Total transfers	(503,149)	92,505			410,644
NET INCREASE (DECREASE)	667,012	251,132	4,309	(38,549)	1,268,919
FUND BALANCE, END OF YEAR	\$ 3,494,637	\$ 1,178,901	\$ 2,435,411	\$ -	\$ 40,679,979

See notes to combined financial statements.

CONCORD COLLEGE

COMBINED STATEMENT OF CHANGES IN FUND BALANCES YEAR ENDED JUNE 30, 2000

	Current Funds		Loan Funds	Endowment and Similar Funds	Plant Funds
	Unrestricted	Restricted			
FUND BALANCE, BEGINNING OF YEAR	\$ 3,285,955	\$ 936,141	\$ 2,340,895	\$ 36,924	\$ 37,841,424
REVENUES AND OTHER ADDITIONS:					
Unrestricted current fund revenues	16,870,188				
Auxiliary enterprise revenues	5,841,159				
Contracts and grants - restricted		5,780,324			
Investment income		52,776	2,805	1,625	107,844
Interest on loans receivable			59,706		
Reduction of loan cancellations and write-offs			27,696		
Expended for plant facilities					2,673,592
Total revenues and other additions	22,711,347	5,833,100	90,207	1,625	2,781,436
EXPENDITURES AND OTHER DEDUCTIONS:					
Educational and general expenditures	14,522,879	5,789,796			
Auxiliary enterprise expenditures - including expenditures for capitalized items of \$1,623,369	7,886,395	144,862			
Fees retained by the Board	590,337				
Expended for plant facilities					1,152,891
Disposal of plant facilities					135,789
Total expenditures and other deductions	22,999,611	5,934,658			1,288,680
TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS):					
Mandatory transfers- College work study	(93,186)	93,186			
Nonmandatory transfers- Plant renewal and capital improvements	(76,880)				76,880
Total transfers	(170,066)	93,186			76,880
NET INCREASE (DECREASE)	(458,330)	(8,372)	90,207	1,625	1,569,636
FUND BALANCE, END OF YEAR	\$ 2,827,625	\$ 927,769	\$ 2,431,102	\$ 38,549	\$ 39,411,060

See notes to combined financial statements.

CONCORD COLLEGE

COMBINED STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, TRANSFERS AND OTHER CHANGES YEAR ENDED JUNE 30, 2001

	Unrestricted	Restricted	Total
REVENUES:			
Tuition and fees	\$ 7,987,932		\$ 7,987,932
Government appropriations - state	9,618,778		9,618,778
Government contracts and grants:			
Federal	100,361	\$ 5,055,348	5,155,709
State	49,150	1,282,204	1,331,354
Private gifts, grants and contracts	103,907	390,258	494,165
Income from investments	346,312	89,062	435,374
Sales and services of auxiliary enterprises	6,450,770		6,450,770
Sales and services of educational activities	51,611		51,611
Other sources	<u>484,879</u>	<u>396,427</u>	<u>881,306</u>
TOTAL REVENUES	<u>25,193,700</u>	<u>7,213,299</u>	<u>32,406,999</u>
EXPENDITURES, TRANSFERS AND OTHER CHANGES:			
Educational and general:			
Instruction	7,214,967	2,507,613	9,722,580
Public service	176,228	167,490	343,718
Academic support	979,228	25,614	1,004,842
Student services	1,634,929	31,056	1,665,985
Operations and maintenance of plant	1,713,893		1,713,893
General institutional support	1,975,358	20,689	1,996,047
Scholarships and fellowships	<u>1,668,983</u>	<u>4,306,259</u>	<u>5,975,242</u>
Total educational and general expenditures	<u>15,363,586</u>	<u>7,058,721</u>	<u>22,422,307</u>
Transfers and other deductions:			
Mandatory transfers	92,505	(92,505)	
Nonmandatory transfers	410,644		410,644
Net tuition and fees retained by Commission	<u>778,266</u>		<u>778,266</u>
Total transfers and other deductions	<u>1,281,415</u>	<u>(92,505)</u>	<u>1,188,910</u>
Total educational and general, transfers and other deductions	<u>16,645,001</u>	<u>6,966,216</u>	<u>23,611,217</u>
Auxiliary enterprises -			
Expenditures - including expenditures for capitalized items of \$460,344	<u>7,881,687</u>	<u>154,578</u>	<u>8,036,265</u>
Total auxiliary enterprises	<u>7,881,687</u>	<u>154,578</u>	<u>8,036,265</u>
TOTAL EXPENDITURES, TRANSFERS AND OTHER CHANGES	<u>24,526,688</u>	<u>7,120,794</u>	<u>31,647,482</u>
OTHER RESTRICTED RECEIPTS - Less recognized revenues		<u>158,627</u>	<u>158,627</u>
NET INCREASE IN FUND BALANCE	<u>\$ 667,012</u>	<u>\$ 251,132</u>	<u>\$ 918,144</u>

See notes to combined financial statements.

CONCORD COLLEGE

COMBINED STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, TRANSFERS AND OTHER CHANGES YEAR ENDED JUNE 30, 2000

	Unrestricted	Restricted	Total
REVENUES:			
Tuition and fees	\$ 7,294,344		\$ 7,294,344
Government appropriations - state	8,548,435		8,548,435
Government contracts and grants:			
Federal		\$ 4,117,000	4,117,000
State	201,841	1,001,435	1,203,276
Local		350	350
Private gifts, grants and contracts	116,879	609,770	726,649
Income from investments	218,271	52,776	271,047
Sales and services of auxiliary enterprises	5,841,159		5,841,159
Sales and services of educational activities	60,145		60,145
Other sources	<u>430,273</u>	<u>153,327</u>	<u>583,600</u>
TOTAL REVENUES	<u>22,711,347</u>	<u>5,934,658</u>	<u>28,646,005</u>
EXPENDITURES, TRANSFERS AND OTHER CHANGES:			
Educational and general:			
Instruction	6,598,790	1,570,035	8,168,825
Public service	161,025	116,561	277,586
Academic support	936,281	34,407	970,688
Student services	1,587,383	30,781	1,618,164
Operations and maintenance of plant	1,831,849		1,831,849
General institutional support	1,830,206	18,234	1,848,440
Scholarships and fellowships	<u>1,577,345</u>	<u>4,019,778</u>	<u>5,597,123</u>
Total educational and general expenditures	<u>14,522,879</u>	<u>5,789,796</u>	<u>20,312,675</u>
Transfers and other deductions:			
Mandatory transfers	93,186	(93,186)	
Nonmandatory transfers	76,880		76,880
Net tuition and fees retained by Board	<u>590,337</u>		<u>590,337</u>
Total transfers and other deductions	<u>760,403</u>	<u>(93,186)</u>	<u>667,217</u>
Total educational and general, transfers and other deductions	<u>15,283,282</u>	<u>5,696,610</u>	<u>20,979,892</u>
Auxiliary enterprises -			
Expenditures - including expenditures for capitalized items of \$1,623,369	<u>7,886,395</u>	<u>144,862</u>	<u>8,031,257</u>
Total auxiliary enterprises	<u>7,886,395</u>	<u>144,862</u>	<u>8,031,257</u>
TOTAL EXPENDITURES, TRANSFERS AND OTHER CHANGES	<u>23,169,677</u>	<u>5,841,472</u>	<u>29,011,149</u>
OTHER RESTRICTED RECEIPTS - Less recognized revenues		<u>(101,558)</u>	<u>(101,558)</u>
NET DECREASE IN FUND BALANCE	<u>\$ (458,330)</u>	<u>\$ (8,372)</u>	<u>\$ (466,702)</u>

See notes to combined financial statements.

CONCORD COLLEGE

NOTES TO COMBINED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2001 AND 2000

1. ORGANIZATION

Concord College (the “College”) was governed by the Board of Directors of the State College System of West Virginia (the “Board”). The Board was an agency of the State of West Virginia (the “State”) and was responsible for the general determination, control, supervision and management of the financial, business and educational policies and affairs of the State’s higher education institutions within the State College System of West Virginia, of which the College is one.

Effective July 1, 2000, the West Virginia Legislature made changes to the governance and structure of West Virginia higher education. On March 19, 2000, the West Virginia Legislature enacted Senate Bill No. 653 (“S.B. 653”), which restructured public higher education in West Virginia. S.B. 653 abolished the Board effective June 30, 2000, and replaced it with a transition year board, the West Virginia Higher Education Interim Governing Board (the “Interim Governing Board”). The Interim Governing Board is granted all powers, duties, and authorities of the Board and is transferred each valid agreement and obligation previously transferred to or vested in the Board. The Interim Governing Board is comprised of nine persons appointed by the Governor with the advice and consent of the Senate.

S.B. 653 also created the West Virginia Higher Education Policy Commission (the “Commission”), which will be responsible for developing, gaining consensus around and overseeing the implementation and development of a higher education public policy agenda. Effective July 1, 2001, certain powers transferred to the Interim Governing Board will be transferred to the newly created Governing Boards of each of the institutions of higher education.

Each Governing Board shall have certain powers and duties including but not limited to, the power to determine, control, supervise and manage the financial, business and educational policies and affairs of the institution(s) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The combined financial statements of the College have been prepared in accordance with the accounting guidance and reporting practices applicable to public colleges and universities, as outlined in the accounting pronouncements issued by the Governmental Accounting Standards Board (“GASB”), the American Institute of Certified Public Accountants Industry Audit Guide *Audits of Colleges and Universities*, the *College and University Business Administration*, published by the National Association of College and University Business Officers. The College follows all GASB pronouncements as well as Financial Accounting Standards Board (“FASB”) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, and has elected not to apply the FASB Statements and Interpretations issued after November 30, 1989, to its financial statements. The accompanying combined financial statements have been prepared on the accrual basis of accounting with a flow of economic resources measurement focus. Accordingly, revenues are recognized when earned and expenditures are recognized when incurred.

- a. *Reporting Entity* - The College is an operating unit of the West Virginia Higher Education Fund and represents separate funds of the State that are not included in the State's general fund. The College is a separate entity which, along with all State institutions of higher education, the Higher Education Central Office and the West Virginia Network for Educational Telecomputing ("WVNET"), form the Higher Education Fund of the State. The Higher Education Fund of the State is considered a component unit of the State, and is discretely presented in the State's comprehensive annual financial report.

The accompanying combined financial statements present all funds under the authority of the College, including its component unit, Concord College Research and Development Corporation (the "Research Corporation"), which was formed on July 28, 1999 as a non-profit, non-stock corporation. All intercompany balances and transactions have been eliminated in combination. The Research Corporation is included on the Blended Method. The basic criterion for inclusion in the accompanying combined financial statements is the exercise of oversight responsibility derived from the College's ability to significantly influence operations and accountability for fiscal matters of related entities. A related Foundation and Alumni Association of the College are not part of the College reporting entity and are not included in the accompanying combined financial statements as the College, has no ability to designate management, cannot significantly influence operations of these entities, and is not accountable for the fiscal matters of the Foundation and Alumni Association.

- b. *Basis of Accounting* - The financial statements of the College have been prepared on the accrual basis of accounting. Revenues are reported when earned and expenditures are reported when materials or services are received. The statement of current funds revenues, expenditures, transfers and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the year as would a statement of income or a statement of revenues and expenses.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal replacement of library books and moveable equipment; (2) mandatory transfers, in the case of required provisions for debt amortization and interest, and equipment renewal and replacement; and (3) transfers of a nonmandatory nature for all other cases.

- c. *Fund Accounting* - The accounts of the College are maintained in accordance with the principles of fund accounting for educational organizations to reflect the limitations and restrictions on the use of available resources. The accounts relating to specified activities or objectives have been classified into separate funds. Similar funds have been combined for financial reporting purposes.

Within each fund group, resources restricted as to use by outside sources are distinguished from unrestricted resources allocated or designated to specific purposes by the College president or the Board. Restricted resources may only be used for the purpose established by the source of such funds. Restricted current funds are recorded in the restricted fund balance until they are reported as revenues and expenditures when expended for current operating purposes.

Loan funds are used to account for resources that may be lent to students. These funds are provided by various sources, including the U.S. government, private donors or by the transfer of College funds. Generally, student loan funds are operated on a revolving fund basis with principal and interest payments remaining in the loan funds for future lending.

Endowment and similar funds are subject to the restrictions of gift instruments requiring that the principal be permanently invested.

Plant funds are used to account for unexpended plant funds, long-lived assets, related indebtedness and retirement of indebtedness. Maintenance and repairs are recorded as current funds expenditures.

- d. *Cash and Cash Equivalents* - Cash and cash equivalent balances on deposit with the West Virginia Treasurer's Office (the "Treasurer") are pooled by the Treasurer with other available funds of the State for investment by the West Virginia Investment Management Board (the "IMB"). These funds are transferred to the IMB, and the IMB is directed by the Treasurer to invest these funds in specific external investment pools. Balances in the investment pools are recorded at fair value, which is determined by a third party pricing service based on asset portfolio pricing models and other sources, in accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments for External Investment Pools." The IMB 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 pool based upon the funds that have been invested. The amounts on deposit with the Treasurer are available for immediate withdrawal and, accordingly, are presented as cash and cash equivalents in the accompanying combined financial statements.
- e. *Investments* - The College's investments are comprised of certificates of deposit with local banks and are recorded at amortized cost which approximates fair value. Such certificates of deposit are fully insured.
- f. *Allowance for Doubtful Accounts* - It is the College's policy to provide for future losses on uncollectible accounts and loans receivable based on an evaluation of the underlying accounting and loan balances, the historical collectibility experienced by the College on such balances and such other factors which, in the judgment of management, require consideration in estimating doubtful accounts.
- g. *Inventories* - Inventories are stated at the lower-of-cost or market, cost being determined on the first-in, first-out method.
- h. *Property, Plant and Equipment* - Property, plant and equipment and books and materials, which are part of a catalogued library, 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. Consistent with accounting principles generally accepted in the United States of America for public colleges and universities, depreciation on plant assets is not recorded. The College capitalizes items over \$1,000.
- i. *Compensated Absences* - The College accounts for compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." This statement requires entities to accrue for employees' rights to receive compensation for vacation leave or payments in lieu of accrued vacation or sick leave as such benefits are earned and payment becomes probable.

The College's full-time employees earn up to two vacation leave days for each month of service and are entitled to compensation for accumulated, unpaid vacation leave upon termination. Full-time employees also earn 1-1/2 sick leave days for each month of service and are entitled to extend their health or life insurance coverage upon retirement in lieu of accumulated, unpaid sick leave. Generally, two days of accrued sick leave extends health insurance for one month of single coverage and three days extends health insurance for one month of family coverage. (For employees hired after 1988, the employee shares in the cost of the extended benefit coverage to the extent of 50% of the premium required for the extended coverage.)

Certain faculty employees (generally those contracted employees with less than a 12-month contract) earn a similar extended health or life insurance coverage retirement benefit based on years of service. Generally 3-1/3 years of teaching service extends health insurance for one year of single coverage and five years extends health insurance for one year of family coverage.

The estimate of the liability for the extended health or life insurance benefit has been calculated using the vesting method in accordance with the provisions of GASB Statement No. 16. Under that method, the College has identified the accrued sick leave benefit earned to date by each employee, determined the cost of that benefit by reference to the benefit provisions and the current cost experienced by the College for such coverage and estimated the probability of the payment of that benefit to employees upon retirement.

The estimated liability for vacation leave, sick leave or extended health or life insurance retirement payments are recorded within the College's current funds.

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

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

- k. *Student Aid* - The College makes loans to students under the Federal Stafford Loan Program. The activity of this program is not recorded in the accompanying combined financial statements. The College received and disbursed approximately \$3.9 million in 2001 and \$3.8 million in 2000 under the Federal Stafford Loan Program on behalf of the U.S. Department of Education.

The College also distributes other student financial assistance funds on behalf of the federal government to students under the Pell Grant, Supplemental Education Opportunity Grant and Federal Work Study Programs. The activity of these programs is recorded in the accompanying combined financial statements as current restricted funds revenues and expenditures. The College received and disbursed approximately \$2.7 million in 2001 and \$2.6 million in 2000 under these federal student aid programs.

- l. *Government Grants and Contracts* - Government grants and contracts normally provide for the recovery of direct and indirect costs, subject to audit. The College 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 three years.
- m. *Income Taxes* - The College is exempt from income taxes, except for unrelated business income, as a nonprofit organization under federal income tax laws and regulations of the Internal Revenue Service.
- n. *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.
- o. *Reclassification* - Certain amounts in the 2000 presentation have been reclassified to conform with the 2001 presentation.
- p. *Recent Issued Statements* - The colleges and universities of the West Virginia Higher Education Fund adopted GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," as amended by GASB No. 36, in the year ended June 30, 2001. The effect of the adoption of these statements did not have a material impact on the College's combined financial statements. GASB has also issued Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments," and Statement No. 35, "Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities." These statements are effective for periods beginning after June 15, 2001. The College has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 34 and No. 35. These statements, when adopted, will substantially alter the appearance of the College's combined financial statements.

3. CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents was as follows at June 30, 2001 and 2000:

	2001			
	Current Funds		Loan Funds	Plant Funds
	Unrestricted	Restricted		
Cash on deposit with the Treasurer:				
College	\$ 5,862,087	\$ 913,584		\$ 819,017
Municipal Bond Commission				1,780,945
Cash in bank	<u>394,505</u>	<u>219,837</u>	<u>\$ 189,791</u>	
	<u><u>\$ 6,256,592</u></u>	<u><u>\$ 1,133,421</u></u>	<u><u>\$ 189,791</u></u>	<u><u>\$ 2,599,962</u></u>
	2000			
	Current Funds		Loan Funds	Plant Funds
	Unrestricted	Restricted		
Cash on deposit with the Treasurer:				
College	\$ 5,099,074	\$ 764,528		\$ 872,668
Municipal Bond Commission				1,677,966
Cash in bank	<u>267,792</u>	<u>182,022</u>	<u>\$ 390,547</u>	
	<u><u>\$ 5,366,866</u></u>	<u><u>\$ 946,550</u></u>	<u><u>\$ 390,547</u></u>	<u><u>\$ 2,550,634</u></u>

Cash shown above as held by the Municipal Bond Commission represents repair and replacement reserve funds.

The combined carrying amount of cash in the bank at June 30, 2001 and 2000 was \$804,133 and \$840,361, respectively, as compared with the combined bank balances of \$873,370 and \$929,100, respectively. The difference is primarily caused by outstanding checks and items in transit. The bank balances were covered by federal depository insurance or were secured by securities held as collateral by the State's agent. Cash on deposit with the Treasurer is a noncategorized deposit in accordance with GASB Statement No. 3.

4. INVESTMENT IN PLANT

The composition of investment in plant was as follows at June 30, 2001 and 2000:

	2001	2000
Land and land improvements	\$ 194,303	\$ 194,303
Buildings and building improvements	32,767,945	31,930,351
Equipment	3,914,955	3,317,600
Library books	1,195,408	1,201,255
Construction in progress	<u>103,295</u>	<u>116,197</u>
	<u>\$ 38,175,906</u>	<u>\$ 36,759,706</u>

5. OPERATING LEASE OBLIGATIONS

The College leases various equipment, automobiles, and facilities under operating lease agreements. Aggregate payments under these agreements approximated \$83,000 and \$70,000 for the years ended June 30, 2001 and 2000, respectively. Future minimum rental commitments are as follows as of June 30, 2001:

2002	\$ 62,251
2003	26,340
2004	13,080
2005	1,540

6. STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

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

The State has chartered the University System of West Virginia and the State College System of West Virginia (collectively the "Systems") with the responsibility to construct or renovate, finance and maintain various academic and other facilities of the State's universities and colleges, including certain facilities of the College. Financing for these facilities was provided through revenue bonds issued by the Commission. These obligations are the direct and total responsibility of the Commission.

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

The amounts of tuition and fees remitted by the College to the Commission and the amounts returned or due back from the Commission to the College are summarized as follows for the years ended June 30, 2001 and 2000:

	2001	2000
Tuition and fees contractually required to be remitted by the College to the Commission (mandatory transfers)	\$ 1,386,771	\$ 1,364,308
Less amounts returned or due back from the Commission to the College for plant renewal and maintenance purposes (including \$174,000 for special capital distribution in 2000)	<u>608,505</u>	<u>773,971</u>
Net amount retained by the Commission	<u>\$ 778,266</u>	<u>\$ 590,337</u>

The tuition and fees earned by the College from its students are recorded as unrestricted current fund revenues of the College. The net amount retained by the Commission is recorded as an unrestricted current fund deduction to the College.

Plant Renewal and Capital Improvement Funds returned or due back from the Commission to the College are not currently expended, they are transferred to the plant fund for plant fund purposes (i.e., plant additions and debt retirement).

The Commission debt information cannot be extracted so as to present the College's portion of the Commission's bond indebtedness outstanding. It cannot be assumed that the amount of the tuition and fees contractually assessed and collected from College students, or that the net amount retained by the Commission, bears any relationship to the College's portion of the Commission's debt service.

7. RETIREMENT PLANS

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

The STRS is a cost sharing, defined benefit public employee retirement system. Employer and employee contribution rates are established annually by the State Legislature. The College accrued and paid its contribution to the STRS at the rate of and 15% of each enrolled employee's total annual salary for both of the years ended June 30, 2001 and 2000. Required employee contributions were at the rate of 6% of total annual salary in both 2001 and 2000. Participants in the STRS may retire with full benefits upon reaching age 60 with five years of service, age 55 with 30 years of service, or any age with 35 years of service. Lump-sum withdrawal of employee contributions is available upon termination of employment. Pension benefits are based upon 2% of final average salary (the highest five years salary out of the last 15 years) multiplied by the number of years of service.

The TIAA-CREF is a defined contribution benefit plan in which benefits are based solely upon amounts contributed plus investment earnings. Employees who elect to participate in this plan are required to make a contribution equal to 6% of total annual compensation. The College matches the employees' 6% contribution. Contributions are immediately and fully vested.

Total contributions to the STRS for the years ended June 30, 2001, 2000 and 1999 were \$436,262, \$445,697 and \$410,237, respectively, which consisted of \$311,616, \$318,276 and \$284,010 from the College, and \$124,646, \$127,421 and \$126,227 from the covered employees in 2001, 2000 and 1999, respectively.

The contribution rate is set by the State Legislature on an overall basis, and the STRS does not perform a calculation of the contribution requirement for individual employers, such as the College. Historical trend and net pension obligation information is available from the annual financial report of the Consolidated Public Retirement Board. A copy of the report may be obtained by writing to the Consolidated Public Retirement Board, Building 5, Room 1000 Charleston, WV 25305.

Total contributions to the TIAA-CREF for the years ended June 30, 2001, 2000 and 1999 were \$910,050, \$843,348 and \$799,657, respectively, which consisted of contributions of \$455,041, \$421,300 and \$400,019 from the College and \$455,009, \$422,048 and \$399,638 from the covered employees in 2001, 2000 and 1999, respectively.

The College's total payroll for the years ended June 30, 2001 and 2000 was \$11,032,658 and \$10,777,655, respectively; total covered employees' salaries in the STRS and TIAA-CREF were \$2,077,428 and \$7,583,493 in 2001 and \$2,123,673 and \$7,034,136 in 2000, respectively.

8. COMPENSATED ABSENCES LIABILITY

The composition of the compensated absences liability was as follows at June 30, 2001 and 2000:

	2001	2000
Health or life insurance benefits	\$ 1,222,478	\$ 1,183,972
Accrued vacation leave	<u>635,671</u>	<u>570,118</u>
	<u>\$ 1,858,149</u>	<u>\$ 1,754,090</u>

For the years ended June 30, 2001 and 2000, the amount paid by the College for extended health or life insurance coverage retirement benefits totaled \$49,308 and \$26,911, respectively. As of June 30, 2001 and 2000, there were 31 and 30 retirees, respectively, currently eligible for these benefits.

9. FOUNDATION (UNAUDITED)

The Concord College Foundation, Inc. (the "Foundation") is a separate nonprofit organization incorporated in the State and has as its purpose, ". . . to aid, strengthen and further in every proper and useful way, the work and services of the College and its affiliated nonprofit organizations . . ." Oversight of the Foundation is the responsibility of a separate and independently elected Board of Directors, not otherwise affiliated with the College. 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. Accordingly, the financial statements of the Foundation are not included in the accompanying combined financial statements.

The Foundation's net assets, all of which are principally restricted, totaled approximately \$14,684,000 and \$14,991,000 at June 30, 2001 and 2000, respectively. The net assets include amounts which are restricted by donors to use for specific projects or departments of the College and its affiliated organizations. Contributions to the Foundation, which are not reflected in the accompanying combined financial statements, totaled approximately \$696,000 and \$828,500 for the years ended June 30, 2001 and 2000, respectively. During the years ended June 30, 2001 and 2000, the Foundation contributed approximately \$196,000 and \$166,000, respectively, to the College for scholarships. In addition, the Foundation contributed approximately \$151,000 and \$76,000 for the years ended June 30, 2001 and 2000, respectively, to the College for other administrative purposes.

10. AFFILIATED ORGANIZATION

The College has a separately incorporated affiliated organization, the Concord College Alumni Association. Oversight responsibility for this entity rests with an independent board and management not otherwise affiliated with the College. Accordingly, the financial statements of this organization are not included in the College's accompanying combined financial statements.

11. CONTINGENCIES

The nature of the educational industry is such that, from time-to-time, claims will be presented against colleges on account of alleged negligence, acts of discrimination, breach of contract or disagreements arising from the interpretation of laws or regulations. While some of these claims may be for substantial amounts, they are not unusual in the ordinary course of providing educational services in a higher education system.

In the opinion of management, all known claims are covered by insurance or are such that an award against the College 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. The College's management believes disallowances, if any, will not have a significant financial impact on the College's financial position.

The College owns various buildings which are known to contain asbestos. The College is not required by federal, state or local law to remove the asbestos from its buildings. The College is required under Federal Environmental, Health and Safety Regulations to manage the presence of asbestos in its buildings in a safe condition. The College addresses its responsibility to manage the presence of asbestos in its buildings on a case by case basis. Significant problems of dangerous asbestos conditions are abated as the condition becomes known. The College 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.

12. NONMANDATORY TRANSFERS

During the year ended June 30, 2001, the College, did not have any nonmandatory transfers other than transfers required by the source of funds:

Building and campus renewal fund	\$ 283,260
Capital improvements fund	<u>127,384</u>
	<u>\$ 410,644</u>

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

To Concord College Governing Board:

We have audited the combined financial statements of Concord College (the "College") as of and for the year ended June 30, 2001, and have issued our report thereon dated October 5, 2001. 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.

Compliance

As part of obtaining reasonable assurance about whether the College's combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the combined financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the College's internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the College in a separate letter dated October 5, 2001.

This report is intended solely for the information and use of the Concord College Governing Board, management of the College and West Virginia Higher Education Policy Commission, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

DELOITTE & TOUCHE LLP

October 5, 2001