

Concord University
(Formerly Concord College)

Combined Financial Statements and
Additional Information as of and for the
Years Ended June 30, 2005 and 2004,
and Independent Auditors' Reports

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INDEPENDENT AUDITORS' REPORT

Concord University Governing Board
Athens, West Virginia

We have audited the accompanying combined financial statements of the business-type activities and discretely presented component unit of Concord University (formerly Concord College) (the "University"), a component unit of the West Virginia Higher Education Policy Commission and the State of West Virginia, as of June 30, 2005, and for the year then ended, which collectively comprise the University's basic financial statements as listed in the Table of Contents. These combined financial statements are the responsibility of the management of the University. Our responsibility is to express an opinion on the respective financial statements based on our audit. We did not audit the discretely presented financial statements of The Concord University Foundation, Inc. (a component unit of the University) for the year ended June 30, 2005. Those statements were audited by other auditors whose report has been furnished to us, and our opinion for 2005, insofar as it relates to the discretely presented financial statements of The Concord University Foundation, Inc., is based solely on the report of the other auditors. The financial statements of the University and Foundation as of June 30, 2004, were audited by other auditors whose reports dated September 28, 2004, and August 10, 2005, respectively expressed an unqualified opinion on these statements.

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. The financial statements of the Concord University Foundation, Inc., which were audited by other auditors, were not audited in accordance with *Government Auditing Standards*. 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 audit provides a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, such financial statements present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of the University as of June 30, 2005, and the respective changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 5 to 13 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the University's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2005, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

 J. Stalaker, P.C.C.

September 16, 2005



Concord University

Management's Discussion & Analysis

For the Years Ended June 30, 2005 and 2004

Introduction

Concord University, (the "University") is pleased to present its combined financial statements for the years ended June 30, 2005 and 2004. The University's financial statements are presented in a combined format as required by the Governmental Accounting Standards Board (GASB). This format requires that all restricted funds, unrestricted funds, operating funds, dedicated funds, loan funds, plant funds and endowment funds be combined into a single set of accrual basis statements. Depreciation of capital assets is included as an expense, and State appropriations are shown as non-operating revenue.

During the fiscal year 2004, the University adopted GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. As a result, the financial statements of The Concord University Foundation, Inc. (the "Foundation") are discretely presented following the University's financial statements. The Foundation is a private nonprofit organization. No modifications have been made to the Foundation's audited financial information as it is presented herein. The Concord University Research and Development Corporation, Inc. is presented as a blended component entity of the University.

Financial Highlights

In Fiscal year 2005 the University recorded an increase in combined net assets of 6.51%. Fall enrollment remained nearly constant at 2,873 full-time equivalent students; total revenue increased by 4.99% due to tuition and fee increases and capital grant funds provided by the Higher Education Policy Commission. State funding was reduced by 3.05% from the approved state appropriation for Fiscal 2004.

Financial Statements

The three statements reporting the financial results of the University are the Statements of Net Assets; the Statements of Revenues, Expenses and Changes in Net Assets; and the Statements of Cash Flows. Each of these statements is discussed below.

Statement of Net Assets

The Statement of Net Assets presents the Assets (current and non-current), Liabilities (current and non-current), and Net Assets (assets minus liabilities) of the University as of the end of the fiscal year. Assets denote the resources available to continue the operations of the University. Liabilities indicate how much the University owes vendors, employees and lenders. Net Assets provide a way to measure the financial position of the University.

The Statement of Net Assets is similar to a balance sheet in format. It presents information about the resources available to the University and claims against those resources. Both resources and claims are classified in a format that segregates assets that are not, or are not intended to be available within the next year for operations, and liabilities which are not expected to be due within the next year.

Net Assets are displayed in three major categories:

- 1) *Invested in capital assets, net of related debt.* This category represents the University's total investment in capital assets, net of 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 invested in capital assets, net of related debt.
- 2) *Restricted Net Assets.* This category includes net assets whose use is restricted either due to externally imposed constraints or because of restrictions imposed by law. They are further divided into two additional components - expendable and nonexpendable. **Expendable restricted net assets** include resources in which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. **Nonexpendable restricted net assets** 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.
- 3) *Unrestricted Net Assets.* This category represents the resources derived primarily from tuition and fees, state appropriations and sales and services of educational activities that are not restricted. These resources are used for transactions related to educational and general operations of the University.

Net Assets				
For the Years Ended June 30:				
	2005	2004	2003	Change
				FY 05 - FY 04
Assets				
Current assets	\$ 11,430,188	\$ 10,504,849	\$ 10,090,766	8.81%
Non-current assets	<u>27,669,764</u>	<u>27,105,707</u>	<u>27,076,879</u>	2.08%
Total Assets	<u>\$ 39,099,952</u>	<u>\$ 37,610,556</u>	<u>\$ 37,167,645</u>	3.96%
Liabilities				
Current liabilities	\$ 3,770,565	\$ 3,771,408	\$ 3,779,740	(0.02)%
Non-current liabilities	<u>4,408,276</u>	<u>4,807,662</u>	<u>4,766,045</u>	(8.31)%
Total Liabilities	<u>\$ 8,178,841</u>	<u>\$ 8,579,070</u>	<u>\$ 8,545,785</u>	(4.67)%
Net Assets				
Invested in capital assets, Net of related debt	\$ 22,167,117	\$ 21,587,520	\$ 21,660,024	2.68%
Restricted				
Expendable	2,469,119	2,312,466	4,229,210	6.77%
Non-expendable	239,580	239,580	239,580	0.00%
Unrestricted	<u>6,045,295</u>	<u>4,891,920</u>	<u>2,493,046</u>	23.58%
Total Net Assets	<u>\$ 30,921,111</u>	<u>\$ 29,031,486</u>	<u>\$ 28,621,860</u>	6.51%

An indicator of the short-term financial health of the University is the ratio of current assets to current liabilities (current ratio). The current ratio was 3.03 to 1.00 and 2.79 to 1.00, as of June 30, 2005 and 2004, respectively. These indicate that the University has sufficient available resources to meet its obligations.

As of June 30, 2005, the total assets of the University had increased by 3.96% while total liabilities decreased by 4.67% from the balances as of June 30, 2004. The decrease in total liabilities in FY 2005 is due to the relinquishing of certain Perkins student loans, a reduction in the debt due to the West Virginia Higher Education Policy Commission (Commission), and a reduction in compensated absences. The net assets increased 6.51% during the same time period.

The University's total liabilities were approximately \$8.2 million as of June 30, 2005. This represents a decrease of \$400,220 over June 30, 2004. Non-current liabilities were approximately \$4.4 and approximately \$4.8 million as of June 30, 2005 and 2004, respectively. The non-current liabilities consist of advances from federal sponsors, compensated absences, and debt obligations.

The increase in unrestricted net assets during FY 2005 is largely due to the influx of grant funds for the Rahall Technology Center.

Significant Changes in Net Assets

During the fiscal year 2004, House Bill 101, ("H.B. 101") was passed. H.B. 101 consolidated many fees and removed restrictions previously imposed on them. The removal of these restrictions reclassified the net assets related to these fees from "Restricted-Expendable" to "Unrestricted" in the Net Asset section of the Combined Statement of Net Assets as of June 30, 2004. This created the appearance of significant growth in unrestricted net assets compared to the previous year between 2004 and 2003.

Unrestricted net assets comprised 19.6% and 16.9% of the total net assets of the University as of June 30, 2005 and 2004, respectively. The University's Board of Governors has designated approximately \$2 million in unrestricted net assets to be used for the construction of the Rahall Technology Center and the University Point Chapel facility, and the repair and replacement of property to comply with federal ADA requirements. Expendable restricted net assets for auxiliary capital projects of \$1.9 million include a reserve for contingent legal liabilities of \$530,000, and \$1.38 million for future use in the repair and replacement of certain auxiliary property. The unrestricted net assets available for use in operations amounted to \$4.04 million and \$4.9 million as of June 30, 2005 and 2004, respectively.

Depreciation expense has been recorded for the years ended June 30, 2005 and 2004 in the amount of \$1.2 million and \$1.1 million respectively.

The Debt Obligation Due Commission as of June 30, 2002 was the result of the assignment of long-term system debt by the Commission during the year ended June 30, 2002. The total net assets of the University were reduced and no new assets received in exchange. This Debt Obligation Due Commission is debt for bonds issued previously by the Commission. The University recorded a liability of \$.8 million for Concord's share of this debt. This debt was recorded as a transfer, which resulted in a decrease in net assets invested in capital assets as of June 30, 2002. The principal payment for this debt for the fiscal years ended June 30, 2005 and 2004, amounted to \$73,768 and \$115,331, respectively, as determined by the Commission. The principal payment due during FY 2006 is \$75,037.

During the year ended June 30, 2003, the University borrowed \$350,000 from the Commission to aid in financing a mold remediation project in the Science Building. The loan is payable in semi-annual payments over a five-year term. The loan increased the debt obligation due the commission during fiscal year 2003. Principal payments of \$70,000 were made during both fiscal years ended 2005 and 2004. The outstanding principal balance of the debt is \$210,000. The principal payment due during FY 2006 is \$70,000.

Statement of Revenues, Expenses and Changes in Net Assets

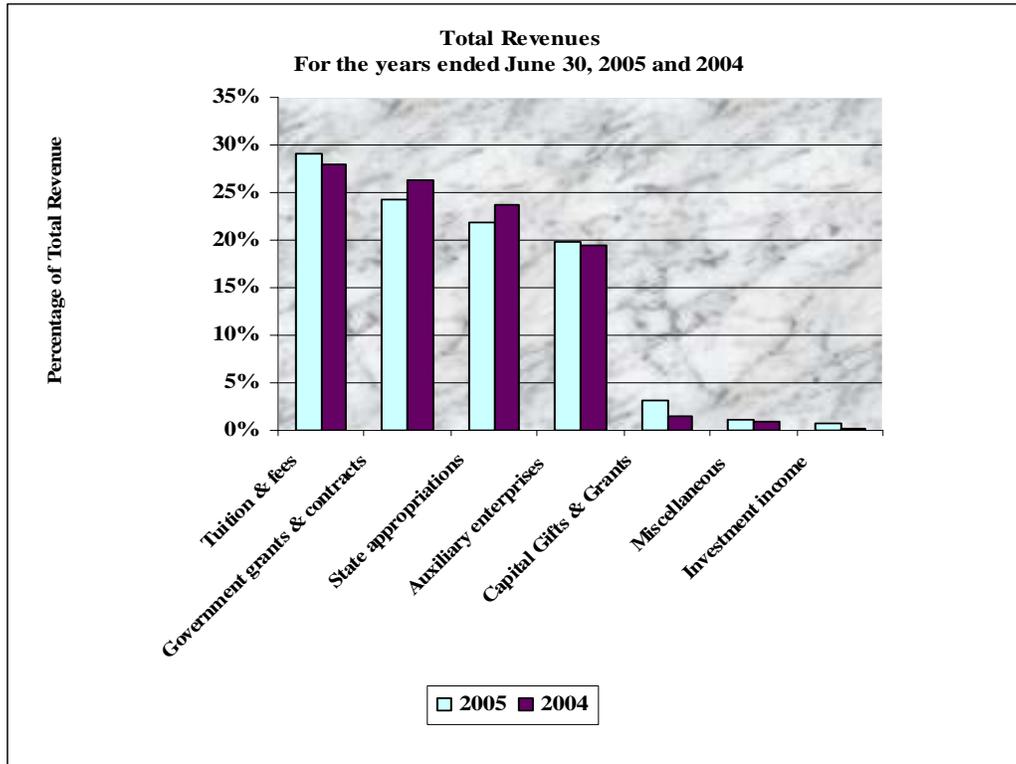
The Statement of Revenues, Expenses and Changes in Net Assets presents revenues of the University (operating and non-operating), the expenses of the University (operating and non-operating), and any other revenues, expenses, gains and losses of the University for the years ended June 30, 2005 and 2004. State Appropriations, while budgeted for operations, must be reported as non-operating revenues as required by GASB. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

Revenues, Expenses and Changes in Net Assets For the Years Ended June 30:				
	2005	2004	2003	Change FY 05 - FY 04
Operating Revenues	\$ 21,991,335	\$ 21,172,300	\$ 19,586,194	3.87%
Operating Expenses	<u>29,569,199</u>	<u>29,545,558</u>	<u>29,799,853</u>	0.08%
Operating Loss	<u>(7,577,864)</u>	<u>(8,373,258)</u>	<u>(10,213,659)</u>	(9.50)%
Non-operating Revenues	8,541,316	8,643,715	10,113,079	(1.18)%
Non-operating Expenses	<u>287,166</u>	<u>381,923</u>	<u>429,741</u>	(24.81)%
Net Non-operating Revenues	<u>8,254,150</u>	<u>8,261,792</u>	<u>9,683,338</u>	(0.09)%
Income before other Revenues, Expenses, Gains or Losses	676,286	(111,466)	(530,321)	706.72%
Other Revenues, Expenses, Gains or Losses	1,213,339	535,845	855,959	126.43%
Transfer of Funds (Liability) from the Commission	<u>-</u>	<u>(14,753)</u>	<u>145,000</u>	(100.0)%
Increase in Net Assets	1,889,625	409,626	470,638	361.30%
Net Assets at Beginning of Year	<u>29,031,486</u>	<u>28,621,860</u>	<u>28,151,222</u>	1.43%
Net Assets at End of Year	<u>\$ 30,921,111</u>	<u>\$ 29,031,486</u>	<u>\$ 28,621,860</u>	6.51%

Major sources of revenue for the University are program and general revenues. The following is a list of the sources of the total revenue reported for the years ended June 30:

	2005	2004	2003	Change as a % of Total Revenues FY 05 - FY 04
Program revenues (by major source)				
Tuition & fees before allowances	\$ 11,093,373	\$ 10,124,106	\$ 9,161,080	3.23%
Less:				
Institutional scholarship discounts & allowances	-	-	-	
State & Federal Student Aid	<u>(6,189,384)</u>	<u>(5,822,726)</u>	<u>(5,016,830)</u>	(1.22)%
Tuition & fees, net	4,903,989	4,301,380	4,144,250	2.01%
Government grants, contracts & student aid	9,267,597	9,484,504	8,187,739	(0.72)%
Auxiliary enterprise sales & services	7,534,783	7,060,982	6,929,767	1.58%
Miscellaneous	448,042	325,434	324,438	0.41%
General revenues (by major source)				
State appropriations	8,294,215	8,555,536	9,659,746	(0.87)%
Fees to the Commission and Other	(280,930)	(381,923)	(429,741)	0.34%
Investment income	247,101	88,179	453,333	0.53%
Capital project proceeds	-	-	267,690	0.00%
Capital grants and gifts	<u>1,213,339</u>	<u>535,845</u>	<u>588,269</u>	2.26%
Total revenues	<u>\$ 31,628,136</u>	<u>\$ 29,969,937</u>	<u>\$ 30,125,491</u>	5.53%

The following is a graphic illustration of revenues by source and the percentage distribution of these revenues for the years ended June 30, 2005 and 2004:



The major sources of revenue include tuition and fees, government grants & contracts, state appropriations, and auxiliary revenues. State appropriations comprised 21.77% and 23.65% of the total revenue during the years ended June 30, 2005 and June 30, 2004, respectively. Tuition and fees accounted for 29.12% and 27.99% for the years ended June 30, 2005 and 2004, respectively. The percentages for FY 2005 and 2004 are calculated using the total revenues generated without regard to the adjustment for scholarship discounts and allowances reported in the Statement of Revenues, Expenses, and Changes in Net Assets.

The total revenue increased during the year ended June 30, 2005 by \$1.68 million or 5.53% from the year ended June 30, 2004. Tuition and fee rates were increased in FY 05 by 12.20% over the prior year, financial aid was also increased, resulting in a net tuition and fee revenue increase of 2.01%. The 12.20% increase consisted of a 9.44% increase in base tuition and fees and the balance, 2.76%, was comprised of a special gender equity fee and a deferred maintenance fee. Tuition and fee rates were increased in FY 05 by 9.44% over the prior year; financial aid was also increased, resulting in a net tuition and fee revenue increase of 2.01%. A capital campaign is underway to raise private funds to help support the institutional scholarship program.

The Income (Loss) Before Other Revenues, Expenses, Gains or Losses for the years ended June 30, 2005 and 2004 was \$676,286 and \$(111,466), respectively. The relative improvement is the result of an increase in tuition and fee revenue and reductions in upper level administrative positions.

For the year ended June 30, 2005 fall enrollment of full-time-equivalent students remained approximately equal to the same period in the previous year.

Operating Expenses:

The operating expenses of the University by natural classification are as follows:

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>Change FY 05 - FY 04</u>
Salaries	\$ 12,134,202	\$ 11,793,425	\$ 12,253,622	2.89%
Benefits	3,125,469	3,409,919	3,262,120	(8.34)%
Contractual, Maintenance & Other	9,015,057	8,278,357	8,626,920	8.90%
Utilities	1,485,989	1,542,483	1,418,337	(3.66)%
Student financial aid	2,501,106	3,189,782	2,765,380	(21.59)%
Depreciation	1,199,186	1,116,126	1,145,375	7.44%
Fees to Commission & Miscellaneous	<u>271,266</u>	<u>215,466</u>	<u>328,099</u>	25.90%
Total Operating Expenses	<u>\$ 29,732,275</u>	<u>\$ 29,545,558</u>	<u>\$ 29,799,853</u>	0.63%

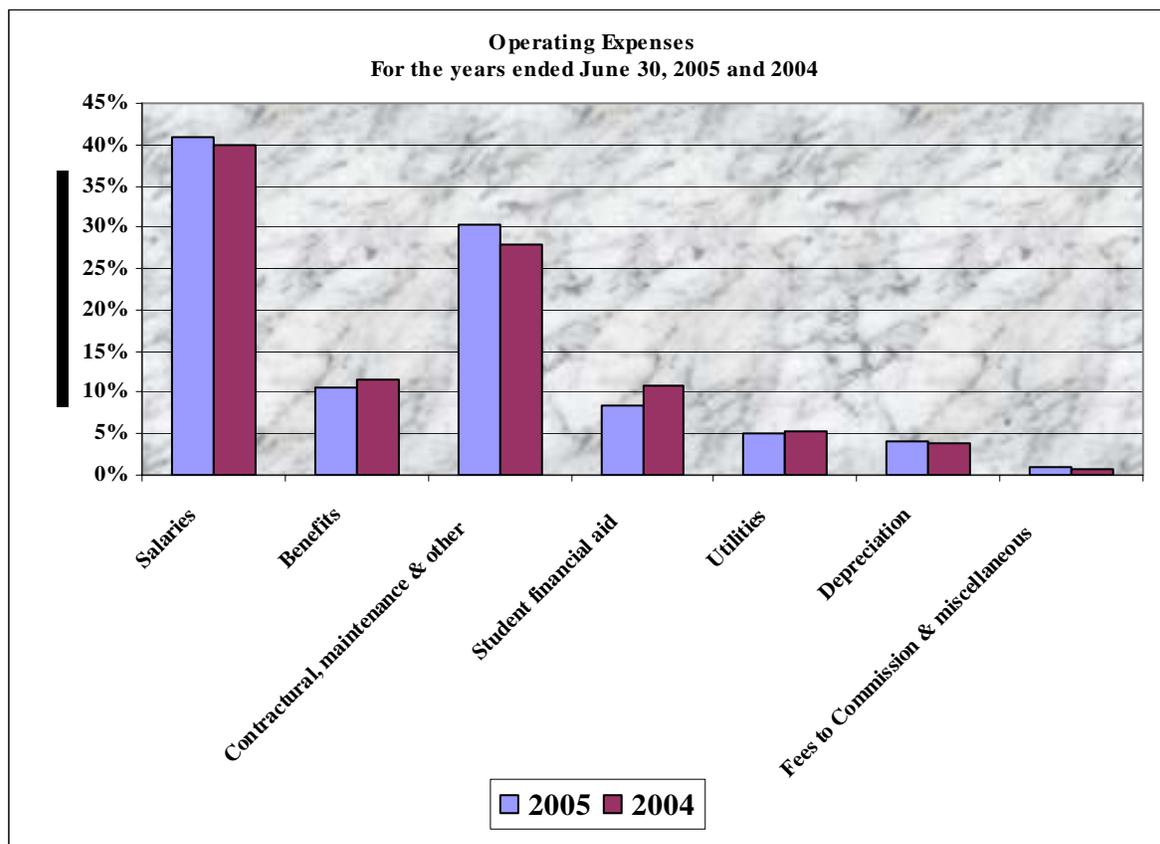
Salary and benefit costs comprised 51.6% and 51.5% of the total operating expenses of the University for the years ended June 30, 2005 and 2004, respectively. Increases in supplies, contractual and other amounted to 8.9% in FY 2005. All other operating expenses remained at or near the 2004 spending level.

The expenses included in Contractual, Maintenance & Other include the operating costs of the University except for those identified above. The increase in these expenses during FY 2005 was due primarily to increases in the following costs:

Capital Repairs & Maintenance	\$ 181,223
Computer and small equipment purchases	116,040
Merchandise for resale	99,398
Information technology related costs	96,943
Liability insurance	84,103
Advertising	64,333
All other costs	<u>94,660</u>
	<u>\$ 736,700</u>

The utilities cost reduction in FY 2005 was due primarily to a reduction in the telephone expense. All other utility costs increased slightly from FY 2004.

The following is a graphic illustration of operating expense:



Statement of Cash Flows:

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

The Statement of Cash Flows is divided into five parts:

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

Cash Flows
For the Years Ended June 30:

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>Change</u> <u>FY 05 - FY 04</u>
Cash Provided (Used) By:				
Operating Activities	\$ (6,532,502)	\$ (6,947,422)	\$ (8,913,185)	(5.97)%
Non-capital Financing Activities	8,271,256	8,522,355	9,941,616	(2.95)%
Investing Activities	(1,102,930)	(1,352,273)	(1,056,986)	(18.44)%
Capital and Financing Related Activities	<u>247,101</u>	<u>88,179</u>	<u>453,333</u>	180.23%
Increase in Cash	882,925	310,839	424,778	184.05%
Cash, Beginning of Year	<u>8,811,702</u>	<u>8,500,863</u>	<u>8,076,085</u>	3.66%
Cash, End of Year	<u>\$ 9,694,627</u>	<u>\$ 8,811,702</u>	<u>\$ 8,500,863</u>	10.02%

The University generated a positive cash flow for the years ended June 30, 2005 and 2004. The 10.02% improvement in FY 05 was due primarily to the capital project revenues and grant funds of \$639,500 that were retained for delayed capital improvements, and tuition and fee increases. The State appropriations are reported as non-capital financing activities. The balance reported in the Statements of Cash Flows, accounts for current cash and cash equivalents.

Capital Asset and Long Term Debt Activity

The University's capital asset additions for the fiscal years ended June 30, 2005 and 2004 totaled \$1.6 million and \$.9 million, respectively. During the year ended June 30, 2005 plant improvements were made in several areas including ADA upgrades and the Rahall Technology Center.

The University began the renovation of White Hall in FY 04, which will transform the structure into a new technology center. The \$10 million project is being funded with federal and state grants, higher education revenue bonds and University operating and capital funds. The project will take approximately two years to complete.

The University has no bond issues outstanding nor has it liquidated any bond issues during the fiscal year ended June 30, 2005. Subsequent to June 30, 2004, the Higher Education Policy Commission issued 30-year revenue bonds in the amount of \$167 million to fund capital projects at various institutions in the State. The University is scheduled to receive \$4.6 million of these funds to complete the financing of the Academic Technology Center. State lottery funds will be used to repay the debt, although University revenues are pledged if lottery funds prove insufficient.

The long-term debt reported on the Statement of Net Assets includes Debt Obligation transferred from the Commission during the year ended June 30, 2002. The 2005 payment for the University that was applied to its portion of the capital debt is \$97,727, including interest of \$22,929. The 2004 payment for the University that was applied to its portion of the capital debt was \$132,176, including interest of \$16,244. In addition, the University paid \$257,973 and \$345,752 for the years ended June 30, 2005 and 2004, respectively, to the Commission to finance debt of other state institutions.

During the year ended June 30, 2003, the University borrowed \$350,000 from the Commission to aid in financing the cost of a mold remediation project in the Science Building. The loan is payable in semi-annual payments over a five-year period. The Commission is charging no interest for this loan. The University paid \$70,000 to the Commission during both years ended 2005 and 2004. The current portion of this debt related to borrowing is \$70,000.

There have been no significant changes in the credit rating or the availability of credit for the University during the fiscal years ended June 30, 2005 and 2004.

Readers interested in more detailed information regarding capital assets and debt administration should review the accompanying notes 5 and 6 to the financial statements.

Economic Outlook

In Fiscal 2004 Concord University met the criteria to become a university. Effective July 1, 2004 Concord College became “Concord University.”

Concord University’s financial position is closely tied to that of the State of West Virginia and is therefore subject to the ups and downs of the State’s economy. State appropriations contributed approximately 26% of all revenues for Fiscal 2005, which was a 3% decrease from 2004. State funding for FY 2006 will increase by 3.8% from FY 2005. Financial aid to students is at the highest level in history for both state and federal programs.

In FY 04 the University was accredited by the North Central Association of Universities and Schools to offer graduate degrees. The new Masters Degree program in education should enable Concord University to serve new markets with courses that are delivered both on line and in the classroom. Tuition remains below the range of peer averages, and Concord University continues to offer an exceptional educational value in the marketplace.

Requests for Information

The financial report is designed to provide an overview of the finances of the University 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 Concord University at Post Office Box 1000, Athens, West Virginia 24712.

CONCORD UNIVERSITY
(Formerly Concord College)
COMBINED STATEMENTS OF NET ASSETS
JUNE 30, 2005 AND 2004

14

	<u>2005</u>	<u>2004</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 9,694,627	\$ 8,811,702
Due from Commission	22,839	30,482
Accounts receivable-net	615,737	612,141
Loans to students-current portion	415,435	617,860
Prepaid expenses	63,169	44,597
Inventories	<u>618,381</u>	<u>388,067</u>
Total current assets	<u>11,430,188</u>	<u>10,504,849</u>
NONCURRENT ASSETS:		
Cash and cash equivalents	3,163,381	3,141,590
Loans to students, net of allowance of \$103,999 and \$137,646	1,615,270	1,508,833
Capital assets-net	<u>22,891,113</u>	<u>22,455,284</u>
Total noncurrent assets	<u>27,669,764</u>	<u>27,105,707</u>
TOTAL ASSETS	<u>39,099,952</u>	<u>37,610,556</u>
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	606,315	529,125
Accrued liabilities	1,429,584	1,462,574
Due to the Commission	7,873	65,254
Deferred revenue	884,979	895,104
Compensated absences-current portion	639,730	618,255
Deposits	57,047	57,328
Debt obligations due Commission-current portion	<u>145,037</u>	<u>143,768</u>
Total current liabilities	<u>3,770,565</u>	<u>3,771,408</u>
NONCURRENT LIABILITIES:		
Advances from federal sponsors	2,232,418	2,365,318
Compensated absences-noncurrent portion	1,596,899	1,718,348
Debt obligations due Commission	<u>578,959</u>	<u>723,996</u>
Total noncurrent liabilities	<u>4,408,276</u>	<u>4,807,662</u>
Total liabilities	<u>8,178,841</u>	<u>8,579,070</u>
NET ASSETS		
INVESTED IN CAPITAL ASSETS-net of related debt	<u>22,167,117</u>	<u>21,587,520</u>
RESTRICTED FOR:		
Nonexpendable-scholarships and fellowships	<u>239,580</u>	<u>239,580</u>
Expendable:		
Loans	551,719	431,138
Auxiliary capital projects	<u>1,917,400</u>	<u>1,881,328</u>
Total expendable	<u>2,469,119</u>	<u>2,312,466</u>
UNRESTRICTED	<u>6,045,295</u>	<u>4,891,920</u>
Total net assets	<u>\$ 30,921,111</u>	<u>\$ 29,031,486</u>

CONCORD UNIVERSITY
(Formerly Concord College)
THE CONCORD UNIVERSITY FOUNDATION, INC.
A COMPONENT UNIT OF CONCORD UNIVERSITY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
ASSETS:		
Cash and cash equivalents	\$ 1,919,258	\$ 1,791,306
Receivables:		
Contributions-net of \$4,500 allowance for 2005 and 2004	1,211,475	940,385
Dividends and interest	87,558	86,585
Student loans and advances	13,102	8,607
Other current assets	32,393	3,516
Investments	<u>17,475,416</u>	<u>15,287,462</u>
TOTAL ASSETS	<u>\$ 20,739,202</u>	<u>\$ 18,117,861</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and other	\$ 202,322	\$ 6,473
Amounts held on behalf of others	1,214,221	828,556
Annuity obligations	<u>244,623</u>	<u>206,415</u>
 Total liabilities	<u>1,661,166</u>	<u>1,041,444</u>
NET ASSETS:		
Unrestricted	725,714	639,375
Temporarily restricted	4,863,662	3,096,241
Permanently restricted	<u>13,488,660</u>	<u>13,340,801</u>
 Total net assets	<u>19,078,036</u>	<u>17,076,417</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 20,739,202</u>	<u>\$ 18,117,861</u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements

CONCORD UNIVERSITY
(Formerly Concord College)
COMBINED STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
OPERATING REVENUES:		
Student tuition and fees, net of scholarship allowance of \$6,189,384 and \$5,822,726	\$ 4,903,989	\$ 4,301,380
Contracts and grants:		
Federal	6,126,908	6,124,512
State	2,944,701	3,040,880
Private	195,988	319,112
Interest on student loans receivable	44,804	51,078
Sales and services of education activities	5,210	14,250
Auxiliary enterprise revenue, net of scholarship allowance of \$0 and \$0	7,534,783	7,060,982
Miscellaneous-net	<u>398,028</u>	<u>260,106</u>
Total operating revenues	<u>22,154,411</u>	<u>21,172,300</u>
OPERATING EXPENSES:		
Salaries and wages	12,134,202	11,793,425
Benefits	3,125,469	3,409,919
Supplies	9,015,057	8,278,357
Utilities	1,485,989	1,542,483
Student financial aid-scholarships and fellowships	2,501,106	3,189,782
Depreciation	1,199,186	1,116,126
Loan cancellations and write-offs	118,588	80,946
Fees assessed by Commission for operations	<u>152,678</u>	<u>134,520</u>
Total operating expenses	<u>29,732,275</u>	<u>29,545,558</u>
OPERATING LOSS	<u>(7,577,864)</u>	<u>(8,373,258)</u>
NONOPERATING REVENUES (EXPENSES):		
State appropriations	8,294,215	8,555,536
Investment income	247,101	88,179
Fees assessed by the Commission for debt service	(280,930)	(361,996)
Other nonoperating expenses-net	<u>(6,236)</u>	<u>(19,927)</u>
Net nonoperating revenues	<u>8,254,150</u>	<u>8,261,792</u>
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	676,286	(111,466)
CAPITAL GRANTS AND GIFTS	<u>1,213,339</u>	<u>535,845</u>
INCREASE IN NET ASSETS BEFORE TRANSFERS	1,889,625	424,379
TRANSFER OF LIABILITY FROM THE COMMISSION	<u>-</u>	<u>(14,753)</u>
INCREASE IN NET ASSETS	1,889,625	409,626
NET ASSETS-Beginning of year	<u>29,031,486</u>	<u>28,621,860</u>
NET ASSETS-End of year	<u>\$ 30,921,111</u>	<u>\$ 29,031,486</u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements

CONCORD UNIVERSITY
(Formerly Concord College)
THE CONCORD UNIVERSITY FOUNDATION, INC.
A COMPONENT UNIT OF CONCORD UNIVERSITY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT:				
Net gifts, grants, pledges, and other	\$ 331,449	\$ 1,004,829	\$ 781,132	\$ 2,117,410
Interest and dividends	17,317	275,822	193,738	486,877
Net realized and unrealized gains (losses)	<u>8,366</u>	<u>375,533</u>	<u>211,191</u>	<u>595,090</u>
	357,132	1,656,184	1,186,061	3,199,377
Net assets released from restrictions and reclassifications	<u>926,965</u>	<u>(587,380)</u>	<u>(339,585)</u>	<u>-</u>
Total revenues, gains, and other other support	<u>1,284,097</u>	<u>1,068,804</u>	<u>846,476</u>	<u>3,199,377</u>
EXPENSES AND SUPPORT:				
College support:				
Student support	492,415	-	-	492,415
Faculty and staff development	21,136	-	-	21,136
Conferences, meetings, and travel	5,335	-	-	5,335
Compensation for services	130,584	-	-	130,584
Other expenses	<u>204,857</u>	<u>-</u>	<u>-</u>	<u>204,857</u>
	854,327	-	-	854,327
Financial management expenses	189,920	-	-	189,920
Foundation fund raising expenses	<u>153,511</u>	<u>-</u>	<u>-</u>	<u>153,511</u>
	<u>1,197,758</u>	<u>-</u>	<u>-</u>	<u>1,197,758</u>
CHANGE IN NET ASSETS	86,339	1,068,804	846,476	2,001,619
NET ASSETS-Beginning of year	<u>639,375</u>	<u>3,794,858</u>	<u>12,642,184</u>	<u>17,076,417</u>
NET ASSETS-End of year	<u>\$ 725,714</u>	<u>\$ 4,863,662</u>	<u>\$ 13,488,660</u>	<u>\$ 19,078,036</u>

CONCORD UNIVERSITY
(Formerly Concord College)
THE CONCORD UNIVERSITY FOUNDATION, INC.
A COMPONENT UNIT OF CONCORD UNIVERSITY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT:				
Net gifts, grants, pledges, and other	\$ 340,159	\$ 990,518	\$ 204,377	\$ 1,535,054
Interest and dividends	16,472	137,536	243,366	397,374
Net realized and unrealized gains (losses)	<u>(1,735)</u>	<u>546,938</u>	<u>616,457</u>	<u>1,161,660</u>
	354,896	1,674,992	1,064,200	3,094,088
Net assets released from restrictions and reclassifications	<u>793,624</u>	<u>(618,180)</u>	<u>(175,444)</u>	<u>-</u>
Total revenues, gains, and other other support	<u>1,148,520</u>	<u>1,056,812</u>	<u>888,756</u>	<u>3,094,088</u>
EXPENSES AND SUPPORT:				
College support:				
Student support	451,568	-	-	451,568
Faculty and staff development	16,908	-	-	16,908
Conferences, meetings, and travel	2,791	-	-	2,791
Compensation for services	62,861	-	-	62,861
Other expenses	<u>113,116</u>	<u>-</u>	<u>-</u>	<u>113,116</u>
	647,244	-	-	647,244
Financial management expenses	180,337	-	-	180,337
Foundation fund raising expenses	<u>265,372</u>	<u>-</u>	<u>-</u>	<u>265,372</u>
	<u>1,092,953</u>	<u>-</u>	<u>-</u>	<u>1,092,953</u>
CHANGE IN NET ASSETS	55,567	1,056,812	888,756	2,001,135
NET ASSETS-Beginning of year	<u>583,808</u>	<u>2,738,046</u>	<u>11,753,428</u>	<u>15,075,282</u>
NET ASSETS-End of year	<u>\$ 639,375</u>	<u>\$ 3,794,858</u>	<u>\$ 12,642,184</u>	<u>\$ 17,076,417</u>

CONCORD UNIVERSITY
(Formerly Concord College)
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2005 AND 2004

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	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	\$ 10,302,640	\$ 9,616,682
Contracts and grants	9,302,706	9,196,082
Payments to and on behalf of employees	(15,392,634)	(15,019,494)
Payments to suppliers	(9,112,394)	(8,102,286)
Payments to utilities	(1,560,349)	(1,495,327)
Payments for scholarships and fellowships	(7,806,543)	(8,285,599)
Loans issued to students	(407,428)	(241,825)
Collection of loans to students	503,416	361,188
Sales and service of educational activities	5,210	14,250
Auxiliary enterprise charges	7,342,720	6,884,820
Fees assessed by Commission	(152,678)	(134,520)
Other receipts-net	442,832	258,607
	<u>(6,532,502)</u>	<u>(6,947,422)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	8,294,215	8,555,536
Advances from federal sponsor	-	1,499
Other-net	(22,959)	(34,680)
	<u>8,271,256</u>	<u>8,522,355</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital grants and gifts received	859,839	535,845
Capital projects proceeds from the Commission	353,500	-
Purchases of capital assets	(1,892,739)	(937,739)
Increase in noncurrent cash and cash equivalents	(21,791)	(403,051)
Principal payments on debt obligations due Commission	(143,768)	(185,332)
Fees assessed by Commission	(257,971)	(361,996)
	<u>(1,102,930)</u>	<u>(1,352,273)</u>
CASH FLOWS FROM INVESTING ACTIVITIES-Interest on investments		
	<u>247,101</u>	<u>88,179</u>
Cash provided by investing activities	<u>247,101</u>	<u>88,179</u>
INCREASE IN CASH AND CASH EQUIVALENTS		
	882,925	310,839
CASH AND CASH EQUIVALENT-Beginning of year	<u>8,811,702</u>	<u>8,500,863</u>
CASH AND CASH EQUIVALENTS-End of year	<u>\$ 9,694,627</u>	<u>\$ 8,811,702</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (7,577,864)	\$ (8,373,258)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation expense	1,199,186	1,116,126
Changes in assets and liabilities:		
Accounts receivables-net	(3,596)	(124,315)
Loans to students-net	214,576	198,810
Prepaid expenses	(18,572)	10,858
Inventories	(230,315)	28,725
Due from Commission	7,643	49,041
Accounts payable	77,191	49,280
Accrued liabilities	(32,990)	132,153
Compensated absences	(99,973)	186,060
Due to Commission	(57,381)	-
Deferred revenue	(10,125)	(220,686)
Deposits held in custody for others	(282)	(216)
	<u>(282)</u>	<u>(216)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (6,532,502)</u>	<u>\$ (6,947,422)</u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements

CONCORD UNIVERSITY
(Formerly Concord College)
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2005 AND 2004

NOTE 1. ORGANIZATION

Concord University (formerly Concord College) (the “University”) is governed by the Concord University Board of Governors (the “Board”). The Board was established by Senate Bill 653 (“S.B. 653”).

These powers and duties include, but are not limited to, the power to determine, control, supervise and manage the financial, business and educational policies and affairs of 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.

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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The combined financial statements of the University have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (“GASB”), including 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 (an Amendment of GASB Statement No. 34). The financial statement presentation required by GASB Statements No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the University’s assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows.

The University 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 combined financial statements.

Reporting Entity - The University is an operating 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. The University is a separate entity which, along with all State institutions of higher education, the West Virginia Council of Community and Technical Colleges, and the Commission (which includes West Virginia Network for Educational Telecomputing), form the Higher Education Fund of the State. The Higher Education Fund is considered a component unit of the State, and its financial statements are discretely presented in the State’s comprehensive annual financial report.

CONCORD UNIVERSITY
(Formerly Concord College)
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2005 AND 2004

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The accompanying combined financial statements present all funds under the authority of the University, including its blended component unit, Concord University Research and Development Corporation (the "Research Corporation"), which was formed on July 28, 1999 as a non-profit, non-stock corporation. The Research Corporation is included on the Blended Method as defined by GASB Statement No. 14. The basic criterion for inclusion in the accompanying combined financial statements is the exercise of oversight responsibility derived from the University's ability to significantly influence operations and accountability for fiscal matters of related entities. A related Foundation and Alumni Association of the University are not part of the University reporting entity and are not included in the accompanying combined financial statements as the University, 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 under GASB Statement No. 14, The Financial Reporting Entity.

As of July 1, 2003, the University adopted GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units, an amendment to GASB Statement No. 14. As a result, the audited financial statements of The Concord University Foundation, Inc. (the "Foundation") are presented here as a discrete component unit with the University's financial statements for the fiscal years ended June 30, 2005 and 2004. The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, Financial Reporting for Not-for-Profit Organization. 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 as required by GASB No. 39 (see also Notes 12 and 15).

Financial Statement Presentation - GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, as amended by GASB Statements No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, and No. 38, *Certain Financial Statement Note Disclosures* establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a basis to focus on the University as a whole. Previously, financial statements focused on the accountability of individual fund groups rather than on the University as a whole. GASB Statements No. 34 and No. 35 reports equity as "net assets" rather than "fund balance." Net assets are classified into four categories according to external donor restrictions or availability of assets for satisfaction of University obligations. The University's net assets are classified as follows:

Invested in capital assets, net of related debt - This represents the University's total investment in capital assets, net of 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 invested in capital assets, net of related debt.

CONCORD UNIVERSITY
(Formerly Concord College)
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2005 AND 2004

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted net assets, expendable - This includes resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

The West Virginia 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 Code. House Bill 101 passed in March 2004 simplified the tuition and fee structure and removed the restrictions but included designations associated with auxiliaries and capital items. These activities are fundamental to the normal ongoing operations of the institution. These restrictions are subject to change by future actions of the West Virginia Legislature.

Restricted net assets, nonexpendable - This includes endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted net assets - Unrestricted net assets represent resources derived from student tuition and fees, State appropriations and sales and services of educational activities. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the Board of Governors to meet current expenses for any purpose. These resources also include resources of auxiliary enterprises, which are substantially self-supporting activities, that provide services for students, faculty and staff.

Basis of Accounting - For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's 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 assets, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

CONCORD UNIVERSITY
(Formerly Concord College)
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2005 AND 2004

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Investment Management Board (the "IMB"). These funds are transferred to the IMB and the IMB is directed by the State Treasurer to invest the funds in specific external investment pools in accordance with West Virginia Code §12-1-12A, policies set by the IMB, and by bond indentures and trust agreements, when applicable. 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 pools based upon the funds that have been invested. The amounts on deposit with the State Treasurer are available for immediate withdrawal and, accordingly, are presented as cash and cash equivalents in the accompanying financial statements.

The IMB maintains the Consolidated Fund investment fund which consists of five investment pools and participant-directed accounts, in which the state and local governmental agencies invest. The IMB also manages other investment pools which include amounts invested by pension funds of the State, as well as certain operating funds of the Workers' Compensation Fund and other funds. 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 IMB's investment operations pool can be found in the IMB's annual report. A copy of the IMB's annual report can be obtained from the following address: 500 Virginia Street East, Suite 200, Charleston, WV 25301 or <http://www.wvimb.org>.

Permissible investments for all agencies include those guaranteed by the United States of America, its agencies and instrumentalities (U.S. Government obligations); equities; corporate debt obligations, including commercial paper, which meet certain ratings; certain money market funds; investment agreements with certain financial institutions; repurchase agreements; state and local government securities (SLGS); and other investments. Other investments consist primarily of single family mortgage loans and collateralized mortgage obligations. SLGS are direct obligations of the U.S. Government, issued to state and local government entities to provide those governments with required cash flows at yields which do not exceed IRS arbitrage limits.

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

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

CONCORD UNIVERSITY
(Formerly Concord College)
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2005 AND 2004

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Noncurrent Cash and Cash Equivalents - Cash, that is (1) externally restricted to make debt service payments, long-term loans to students or to maintain sinking or reserve funds, and (2) to purchase capital or other noncurrent assets, and (3) permanently restricted net assets are classified as a noncurrent asset in the statements of net assets.

Capital Assets - Capital assets include property, plant, and equipment, books and materials that are part of a catalogued library, and infrastructure assets. Capital assets are stated at cost at the date of acquisition or construction, or fair market value at the date of donation in the case of gifts. There was no interest capitalized as part of the cost of capital assets for the year ended June 30, 2005. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and infrastructure, 20 years for land improvements and library books, and 3 to 10 years for furniture and equipment. The University's capitalization threshold is \$5,000.

Deferred Revenue - Revenues for programs or activities to be conducted primarily in the next fiscal year are classified as deferred revenue, including items such as football ticket sales, orientation fees, room and board. Financial aid and other deposits are separately classified as deposits.

Compensated Absences - The University 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 University's full-time employees earn up to two vacation leave days for each month of service and are entitled to compensation for accumulated, unpaid vacation leave upon termination. Full-time employees also earn 1-1/2 sick leave days for each month of service and are entitled to extend their health or life insurance coverage upon retirement in lieu of accumulated, unpaid sick leave. Generally, two days of accrued sick leave extend health insurance for one month of single coverage and three days extend health insurance for one month of family coverage. 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. Employees hired July 1, 2001 or later will no longer receive sick leave credit toward insurance premiums when they retire.

Certain faculty employees (generally those with less than a 12-month contract) earn a similar extended health or life insurance coverage retirement benefit based on years of service. Generally 3-1/3 years of teaching service 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 University 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 University for such coverage, and estimated the probability of the payment of that benefit to employees upon retirement.

CONCORD UNIVERSITY
(Formerly Concord College)
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2005 AND 2004

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The estimated expense incurred for the vacation leave, sick leave or extended health or life insurance benefits are recorded as a component of benefits expense on the statement of revenues, expenses and changes in net assets.

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

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

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

- **Operating revenues** - Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state, local, and nongovernmental grants and contracts, and (4) sales and services of educational activities.
- **Nonoperating revenues** - Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenues that are defined as nonoperating revenues by GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting and GASB Statement No. 34, such as state appropriations and investment income.
- **Other revenues** - Other revenues consist primarily of capital grants and gifts.

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

Federal Financial Assistance Programs - The University, through financial institutions, 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 University made awards of approximately \$3.0 million and \$2.9 million in 2005 and 2004, respectively, under the Federal Stafford Loan Program of the U.S. Department of Education.

CONCORD UNIVERSITY
(Formerly Concord College)
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2005 AND 2004

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The University also distributes other student financial assistance funds on behalf of the federal government to students under the federal Pell Grant, Supplemental Educational Opportunity Grant and College Work Study programs. The activity of these programs is recorded in the accompanying combined financial statements. In 2005 and 2004, the University received and disbursed approximately \$3.4 million and \$3.7 million, respectively, under these federal student aid programs.

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

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

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

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

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

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

CONCORD UNIVERSITY
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NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2005 AND 2004

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 combined financial statements.

Recent Statements Issued By the Governmental Accounting Standards Board - The GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures*. This statement was adopted by the University during the fiscal year ended June 30, 2005; however, the statement did not have a significant effect on the operation of the University. The statement resulted in additional disclosure in the University's financial statements regarding custodial credit risk, concentration of credit risk, and interest rate risk related to deposits and investments.

The GASB has issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, effective for fiscal years beginning after December 15, 2004. This statement requires the University to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred and record impaired assets and impairment losses accordingly. This statement also addresses the appropriate recording of an insurance recovery associated with events or changes in circumstances resulting in impairment of capital assets. The University has not yet determined the effect that the adoption of GASB Statement No. 42 may have on the financial statements.

The GASB has also issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, effective for fiscal years beginning after December 15, 2006. This statement provides standards for the measurement, recognition and display of other postemployment benefit expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. The University has not yet determined the effect that the adoption of GASB Statement No. 45 may have on the financial statements.

The GASB has also issued Statement No. 46, *Net Assets Restricted by Enabling Legislation* (an amendment of GASB Statement No. 34), effective for fiscal years beginning after June 15, 2005. This statement provides guidance clarifying the meaning of the phrase "legally enforceable" as it applies restrictions imposed on net asset use by enabling legislation. The University has not yet determined the effect, if any, that the adoption of GASB Statement No. 46 may have on its financial statements.

The GASB has also issued Statement No. 47, *Accounting for Termination Benefits*, effective for fiscal years beginning after June 15, 2005. This statement provides standards for the measurement, recognition and display of voluntary termination benefit expenditures, assets, and liabilities, including applicable note disclosures. The University has not yet determined the effect, if any, that the adoption of GASB Statement No. 47 may have on its financial statements.

CONCORD UNIVERSITY
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NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2005 AND 2004

NOTE 3. CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents were as follows at June 30:

	2005		
	Current	Noncurrent	Total
Cash on deposit with the State Treasurer:			
University	\$ 9,038,441	\$ 426,313	\$ 9,464,754
Municipal Bond Commission for the University	-	1,917,400	1,917,400
Cash in bank	<u>656,186</u>	<u>819,668</u>	<u>1,475,854</u>
	<u>\$ 9,694,627</u>	<u>\$ 3,163,381</u>	<u>\$ 12,858,008</u>
	2004		
	Current	Noncurrent	Total
Cash on deposit with the State Treasurer:			
University	\$ 8,125,178	\$ 379,511	\$ 8,504,689
Municipal Bond Commission for the University	-	1,881,328	1,881,328
Cash in bank	<u>686,524</u>	<u>880,751</u>	<u>1,567,275</u>
	<u>\$ 8,811,702</u>	<u>\$ 3,141,590</u>	<u>\$ 11,953,292</u>

Cash shown above as held by the Municipal Bond Commission represents repair and replacement reserve funds. Other cash held by the State Treasurer includes \$2,198,712 and \$2,193,971 at June 30, 2005 and 2004, respectively, of restricted cash for future use for grants, loans and capital assets.

The combined carrying amounts of cash in bank at June 30, 2005 and 2004 was \$1,475,854 and \$1,567,275, respectively, as compared with the combined bank balance of \$1,698,510 and \$1,566,698, respectively. The difference is primarily caused by deposits in transit and outstanding checks. The bank balances were covered by federal depository insurance or were collateralized by securities held by the State's agent.

Cash on deposit with the State Treasurer is comprised of the following investment pools and are subject to the following IMB policies and limits:

Cash Liquidity Pool

Credit Risk - The IMB limits the exposure to credit risk in the Cash Liquidity pool by requiring all corporate bonds to be rated AA or higher. Commercial paper must be rated A1 by Standard & Poor's and P1 by Moody's. Additionally, the pool must have at least 15% of its assets in United States Treasury issues.

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YEARS ENDED JUNE 30, 2005 AND 2004

NOTE 3. CASH AND CASH EQUIVALENTS (Continued)

The following table provides information on the credit ratings of the Cash Liquidity pool's investments.

<u>Security Type</u>	<u>Moody's</u>	<u>S&P</u>	<u>Carrying Value</u>	<u>Percentage of Assets</u>
Commercial paper	P1	A-1	\$ 598,241,394	37.9%
U.S. Treasury bills	Aaa	AAA	259,397,648	16.4%
Corporate notes	Aaa	AAA	155,559,323	9.9%
Certificates of deposit	P1	A-1	152,998,937	9.7%
Agency bonds	Aaa	AAA	147,955,465	9.4%
Agency discount notes	P1	A-1	119,564,248	7.6%
Money market funds	Aaa	AAA	<u>4,241,278</u>	<u>0.3%</u>
Total rated investments			<u>\$ 1,437,958,293</u>	<u>91.2%</u>

Unrated securities include repurchase agreements of \$141,050,000. Acceptable collateral for the repurchase agreements include U.S. Treasury and government agency securities, all of which carry the highest credit rating.

The University's ownership represents .43% of the net asset position of this pool.

Concentration of Credit Risk - West Virginia statutes prohibit the Cash Liquidity pool from investing more than 5% of its assets in securities issued by a single private corporation or association. At June 30, the pool did not have investments in any one private organization that represented more than 5% of assets.

Custodial Credit Risk - At June 30, 2005, the Cash Liquidity pool held no securities that were subject to custodial credit risk. Repurchase agreements are collateralized at 102% and the collateral is held in the name of the IMB. Securities lending collateral that is reported in the Statement of Assets and Liabilities of the IMB is invested in the lending agent's money market fund.

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NOTE 3. CASH AND CASH EQUIVALENTS (Continued)

Interest Rate Risk - The weighted average maturity (WAM) of the investments of the Cash Liquidity pool cannot exceed 60 days. The maturity of floating rate notes is assumed to be the next interest rate reset date. The following table provides the weighted average maturities for the various asset types in the Cash Liquidity pool.

<u>Security Type</u>	<u>Carrying Value</u>	<u>WAM (days)</u>
Commercial paper	\$ 598,241,394	49
U.S. Treasury bills	259,397,648	30
Corporate notes	155,559,323	53
Certificates of deposit	152,998,937	42
Agency bonds	147,955,465	88
Repurchase agreements	141,050,000	1
Agency discount notes	119,564,248	52
Money market funds	<u>4,241,278</u>	1
Total assets	<u>\$ 1,579,008,293</u>	45

Foreign Currency Risk - The Cash Liquidity pool has no securities that are subject to foreign currency risk.

Government Money Market

Credit Risk - The IMB limits the exposure to credit risk in the Government Money Market pool by limiting the pool to U. S. Treasury issues, U. S. government agency issues, money market funds investing in U. S. Treasury issues and U. S. government agency issues, and repurchase agreements collateralized by U. S. Treasury issues and U. S. government agency issues. None of the government agency issues held by the pool have the explicit guarantee of the U. S. Treasury; however, they are all rated Aaa by Moody's and A-1 by Standard & Poor's.

The University's ownership represents 1.28% of the net asset position of this pool.

Concentration of Credit Risk - West Virginia statutes prohibit the Government Money Market pool from investing more than 5% of its assets in securities issued by a single private corporation or association. At June 30, the pool did not have investments in any one private organization that represented more than 5% of assets.

Custodial Credit Risk - At June 30, 2005, the Government Money Market pool held no securities that were subject to custodial credit risk. Repurchase agreements are collateralized at 102% and the collateral is held in the name of the IMB. Securities lending collateral that is reported in the Statement of Assets and Liabilities of the IMB is invested in the lending agent's money market fund.

Interest Rate Risk - The weighted average maturity of the investments of the Government Money Market pool cannot exceed 60 days. The maturity of floating rate notes is assumed to be the next interest rate reset date. The following table provides the weighted average maturities (WAM) for the various asset types in the Government Money Market pool.

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NOTE 3. CASH AND CASH EQUIVALENTS (Continued)

<u>Security Type</u>	<u>Fair Value</u>	<u>WAM (days)</u>
Agency discount notes	\$ 46,409,362	32
Agency bonds	42,571,144	75
Repurchase agreements	39,950,000	1
U. S. Treasury bills	24,903,836	48
Money market funds	<u>985,190</u>	1
Total assets	<u>\$ 154,819,532</u>	38

Foreign Currency Risk - The Government Money Market pool has no securities that are subject to foreign currency risk.

Enhanced Yield

Credit Risk - The IMB limits the exposure to credit risk in the Enhanced Yield pool by requiring all corporate bonds to be rated A or higher. Commercial paper must be rated A1 by Standard & Poor's and P1 by Moody's P1 by Moody's. Additionally, the pool must have at least 15% of its assets in United States Treasury issues.

The following table provides information on the weighted average credit ratings of the Enhanced Yield pool's investments.

<u>Security Type</u>	<u>Moody's</u>	<u>S&P</u>	<u>Fair Value</u>	<u>Percent of Assets</u>
Corporate notes	A	AA	\$ 81,631,581	30.0%
Agency bonds	Aaa	AAA	69,203,277	25.5%
U. S. Treasury notes	Aaa	AAA	66,466,539	24.5%
Corporate asset backed securities	Aaa	AAA	<u>49,990,408</u>	<u>18.4%</u>
Total rated investments			<u>\$ 267,291,805</u>	<u>98.4%</u>

Unrated securities include repurchase agreements of \$4,362,262. Acceptable collateral for the repurchase agreements include U.S Treasury and government agency securities, all of which carry the highest credit rating.

The University's ownership represents .68% of the net asset position of this pool.

Concentration of Credit Risk - West Virginia statutes prohibit the Enhanced Yield pool from investing more than 5% of its assets in securities issued by a single private corporation or association. At June 30, the pool did not have investments in any one private organization that represented more than 5% of assets.

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NOTE 3. CASH AND CASH EQUIVALENTS (Continued)

Custodial Credit Risk - At June 30, 2005, the Enhanced Yield pool held no securities that were subject to custodial credit risk. Repurchase agreements are collateralized at 102% and the collateral is held in the name of the IMB. Securities lending collateral that is reported in the Statement of Assets and Liabilities of the IMB is invested in the lending agent's money market fund.

Interest Rate Risk - The weighted average maturity of the investments of the Enhanced Yield pool cannot exceed two years. The maturity of floating rate notes is assumed to be the next interest rate reset date. The following table provides the weighted average maturities (WAM) for the various asset types in the Enhanced Yield pool.

<u>Security Type</u>	<u>Fair Value</u>	<u>WAM (years)</u>
Corporate notes	\$ 81,631,581	1.7
Agency bonds	69,203,277	1.9
U. S. Treasury bills	66,466,539	2.3
Corporate asset backed securities	49,990,408	1.1
Repurchase agreements	<u>4,362,262</u>	0.0
Total assets	<u>\$ 271,654,067</u>	1.7

Foreign Currency Risk - The Enhanced Yield pool has no securities that are subject to foreign currency risk.

NOTE 4. ACCOUNTS RECEIVABLE

Accounts receivable were as follows at June 30:

	<u>2005</u>	<u>2004</u>
Student tuition and fees, net of allowance for doubtful accounts of \$139,583 and \$115,770, respectively	\$ 123,764	\$ 140,064
Grants and contracts receivable	229,494	299,956
Other accounts receivable	<u>262,479</u>	<u>172,121</u>
	<u>\$ 615,737</u>	<u>\$ 612,141</u>

CONCORD UNIVERSITY
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NOTES TO COMBINED FINANCIAL STATEMENTS
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NOTE 5. CAPITAL ASSETS

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

	2005			Ending Balance
	Beginning Balance	Additions	Reductions	
Capital assets not being depreciated:				
Land	\$ 194,303	\$ -	\$ -	\$ 194,303
Construction in progress	<u>518,686</u>	<u>913,082</u>	<u>-</u>	<u>1,431,768</u>
Total capital assets not being depreciated	<u>\$ 712,989</u>	<u>\$ 913,082</u>	<u>\$ -</u>	<u>\$ 1,626,071</u>
Other capital assets:				
Land improvements	\$ 69,034	\$ 302,833	\$ -	\$ 371,867
Buildings	34,435,930	51,514	-	34,487,444
Equipment	4,441,410	302,641	(365,748)	4,378,303
Software	157,517	8,000	(8,546)	156,971
Library books	<u>1,326,249</u>	<u>63,180</u>	<u>(28,225)</u>	<u>1,361,204</u>
Total other capital assets	<u>40,430,140</u>	<u>728,168</u>	<u>(402,519)</u>	<u>40,755,789</u>
Less accumulated depreciation for:				
Land improvements	(11,505)	(23,358)	-	(34,863)
Buildings	(15,497,531)	(709,393)	-	(16,206,924)
Equipment	(2,870,569)	(425,269)	365,286	(2,930,552)
Software	(92,708)	(13,001)	(22,212)	(127,921)
Library books	<u>(215,532)</u>	<u>(28,165)</u>	<u>53,210</u>	<u>(190,487)</u>
Total accumulated depreciation	<u>(18,687,845)</u>	<u>(1,199,186)</u>	<u>396,284</u>	<u>(19,490,747)</u>
Other capital assets-net	<u>\$ 21,742,295</u>	<u>\$ (471,018)</u>	<u>\$ (6,235)</u>	<u>\$ 21,265,042</u>
Capital asset summary:				
Capital assets not being depreciated	\$ 712,989	\$ 913,082	\$ -	\$ 1,626,071
Other capital assets	<u>40,430,140</u>	<u>728,168</u>	<u>(402,519)</u>	<u>40,755,789</u>
Total cost of capital assets	41,143,129	1,641,250	(402,519)	42,381,860
Less accumulated depreciation	<u>(18,687,845)</u>	<u>(1,199,186)</u>	<u>396,284</u>	<u>(19,490,747)</u>
Capital assets-net	<u>\$ 22,455,284</u>	<u>\$ 442,064</u>	<u>\$ (6,235)</u>	<u>\$ 22,891,113</u>

CONCORD UNIVERSITY
(Formerly Concord College)
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2005 AND 2004

NOTE 5. CAPITAL ASSETS (Continued)

	2004			Ending Balance
	Beginning Balance	Additions	Reductions	
Capital assets not being depreciated:				
Land	\$ 194,303	\$ -	\$ -	\$ 194,303
Construction in progress	<u>241,500</u>	<u>277,186</u>	<u>-</u>	<u>518,686</u>
Total capital assets not being depreciated	<u>\$ 435,803</u>	<u>\$ 277,186</u>	<u>\$ -</u>	<u>\$ 712,989</u>
Other capital assets:				
Land improvements	\$ 69,034	\$ -	\$ -	\$ 69,034
Buildings	34,308,682	217,248	(90,000)	34,435,930
Equipment	4,281,644	341,236	(181,470)	4,441,410
Software	157,517	-	-	157,517
Library books	<u>1,293,935</u>	<u>57,300</u>	<u>(24,986)</u>	<u>1,326,249</u>
Total other capital assets	<u>40,110,812</u>	<u>615,784</u>	<u>(296,456)</u>	<u>40,430,140</u>
Less accumulated depreciation for:				
Land improvements	(6,903)	(4,602)	-	(11,505)
Buildings	(14,924,445)	(654,212)	81,126	(15,497,531)
Equipment	(2,642,713)	(398,274)	170,418	(2,870,569)
Software	(86,189)	(31,505)	24,986	(92,708)
Library books	<u>(187,999)</u>	<u>(27,533)</u>	<u>-</u>	<u>(215,532)</u>
Total accumulated depreciation	<u>(17,848,249)</u>	<u>(1,116,126)</u>	<u>276,530</u>	<u>(18,687,845)</u>
Other capital assets-net	<u>\$ 22,262,563</u>	<u>\$ (500,342)</u>	<u>\$ (19,926)</u>	<u>\$ 21,742,295</u>
Capital asset summary:				
Capital assets not being depreciated	\$ 435,803	\$ 277,186	\$ -	\$ 712,989
Other capital assets	<u>40,110,812</u>	<u>615,784</u>	<u>(296,456)</u>	<u>40,430,140</u>
Total cost of capital assets	40,546,615	892,970	(296,456)	41,143,129
Less accumulated depreciation	<u>(17,848,249)</u>	<u>(1,116,126)</u>	<u>276,530</u>	<u>(18,687,845)</u>
Capital assets-net	<u>\$ 22,698,366</u>	<u>\$ (223,156)</u>	<u>\$ (19,926)</u>	<u>\$ 22,455,284</u>

The University has approximately \$10 million of construction commitments at June 30, 2005.

CONCORD UNIVERSITY
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NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2005 AND 2004

NOTE 5. CAPITAL ASSETS (Continued)

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

Title for certain real property is with the Commission.

NOTE 6. LONG-TERM LIABILITIES

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

	2005				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long-term liabilities:					
Advances from federal sponsors	\$ 2,365,318	\$ -	\$ (132,900)	\$ 2,232,418	\$ -
Accrued compensated absences	2,336,603	438,580	(538,554)	2,236,629	639,730
Debt obligation due Commission	<u>867,764</u>	<u>-</u>	<u>(143,768)</u>	<u>723,996</u>	<u>145,037</u>
Total long-term liabilities	<u>\$ 5,569,685</u>	<u>\$ 438,580</u>	<u>\$ (815,222)</u>	<u>\$ 5,193,043</u>	<u>\$ 784,767</u>
	2004				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long-term liabilities:					
Advances from federal sponsors	\$ 2,363,819	\$ 1,499	\$ -	\$ 2,365,318	\$ -
Accrued compensated absences	2,150,543	767,994	(581,934)	2,336,603	618,255
Debt obligation due Commission	<u>1,038,342</u>	<u>14,753</u>	<u>(185,331)</u>	<u>867,764</u>	<u>143,768</u>
Total long-term liabilities	<u>\$ 5,552,704</u>	<u>\$ 784,246</u>	<u>\$ (767,265)</u>	<u>\$ 5,569,685</u>	<u>\$ 762,023</u>

CONCORD UNIVERSITY
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NOTES TO COMBINED FINANCIAL STATEMENTS
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NOTE 7. COMPENSATED ABSENCES

The composition of the compensated absence liability was as follows at June 30:

	<u>2005</u>	<u>2004</u>
Health or life insurance benefits	\$ 1,647,938	\$ 1,711,727
Accrued vacation leave	<u>588,691</u>	<u>624,876</u>
	<u>\$ 2,236,629</u>	<u>\$ 2,336,603</u>

The cost of health and life insurance benefits paid by the University is based on a combination of years of service and age. For the years ended June 30, 2005 and 2004, the amount paid by the University for extended health or life insurance coverage retirement benefits totaled approximately \$101,206 and \$103,889, respectively. As of June 30, 2005 and 2004, there were 36 retirees currently eligible for these benefits.

NOTE 8. OPERATING LEASE OBLIGATIONS

The University leases various equipment, automobiles, and facilities under operating lease agreements. Aggregate payments under these agreements were \$103,970 and \$101,013 for the years ended June 30, 2005 and 2004, respectively. Future minimum rental commitments are as follows as of June 30, 2005:

2006	\$ 79,772
2007	25,979
2008	10,809
2009	9,252
2010	771

NOTE 9. STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

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

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

CONCORD UNIVERSITY
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YEARS ENDED JUNE 30, 2005 AND 2004

NOTE 9. STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS (Continued)

The Commission has the authority to assess each public institution of higher education for payment of debt service on these system bonds. The tuition and registration fees of the members of the former State University System are generally pledged as collateral for the Commission's bond indebtedness. Student fees collected by the institution in excess of the debt service allocation are retained by the institution for internal funding of capital projects and maintenance. Although the bonds remain as 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. During 2005 and 2004, the University paid \$73,768 and \$115,331, respectively, to the Commission against this debt obligation. The amount due to Commission at June 30, 2005 is \$513,996.

During the fiscal year ended June 30, 2003, the Commission loaned \$350,000 to the University, which is non-interest bearing and payable in five annual installments of \$70,000 commencing on June 15, 2004. During 2004 and 2005 the University paid \$70,000 to the Commission against this debt obligation. The amount due to Commission at June 30, 2005 is \$210,000.

During the year ended June 30, 2005, the West Virginia Higher Education Policy Commission issued \$167 million of 2004 Series B 30-year Revenue Bonds to fund capital projects at various higher education institutions in the State of West Virginia. The University has been approved to receive \$4.6 million of these funds to complete the financing of the Academic Technology Center. State lottery funds will be used to repay the debt, although University revenues are pledged if lottery funds prove insufficient.

NOTE 10. UNRESTRICTED NET ASSETS

The University's unrestricted net assets include certain designated net assets as follows:

	<u>2005</u>	<u>2004</u>
Designated for repair and replacement of property	\$ 1,003,000	\$ -
Designated for new technology center	1,001,000	-
Undesignated	<u>4,041,295</u>	<u>4,891,920</u>
Total unrestricted net assets	<u>\$ 6,045,295</u>	<u>\$ 4,891,920</u>

NOTE 11. RETIREMENT PLANS

Substantially all full-time employees of the University 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 University employees have not been significant to date.

CONCORD UNIVERSITY
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NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2005 AND 2004

NOTE 11. RETIREMENT PLANS (Continued)

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. New hires have the choice of either plan. As of June 30, 2004, no employees were enrolled in the Educators Money 401(a) basic retirement plan.

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 University accrued and paid its contribution to the STRS at the rate of 15% of each enrolled employee's total annual salary for both years ended June 30, 2005 and 2004. Required employee contributions were at the rate of 6% of total annual salary for the years ended June 30, 2005 and 2004. 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.

Total contributions to the STRS for the years ended June 30, 2005, 2004, and 2003 were \$419,311, \$417,506, and \$445,435, respectively, which consisted of \$299,508, \$298,218, and \$318,168 from the University, and \$119,803, \$119,288, and \$127,267 from the covered employees in 2005, 2004, and 2003, 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 University. 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.

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 University matches the employees' 6% contribution. Contributions are immediately and fully vested. In addition, employees may elect to make additional contributions to TIAA-CREF which are not matched by the University.

Total contributions to the TIAA-CREF for the years ended June 30, 2005, 2004, and 2003 were \$1,004,964, \$972,759, and \$986,846, respectively, which consisted of contributions of \$502,482, \$486,380, and \$493,423 from the University and \$502,482, \$486,380, and \$493,423 from the covered employees in 2005, 2004 and 2003, respectively.

The University's total payroll for the years ended June 30, 2005, 2004 and 2003 was \$11,980,880, \$11,650,933, and \$11,853,967, respectively. Total covered employees' salaries in the STRS and TIAA-CREF were \$1,996,717 and \$8,374,892 in 2005, respectively; \$1,988,120 and \$8,106,323 in 2004, respectively; and \$2,121,120 and \$8,223,771 in 2003, respectively.

CONCORD UNIVERSITY
(Formerly Concord College)
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2005 AND 2004

NOTE 12. FOUNDATION

The Foundation is a separate nonprofit organization incorporated in the State and has as its purpose, “. . . to aid, strengthen and further in every proper and useful way, the work and services of the University and its affiliated nonprofit organizations . . .” Oversight of the Foundation is the responsibility of a separate and independently elected Board of Directors, not otherwise affiliated with the University. In carrying out its responsibilities, the Board of Directors of the Foundation employs management, forms policy and maintains fiscal accountability over funds administered by the Foundation. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is therefore discretely presented with the University’s financial statements in accordance with GASB Statement No. 39. Based on the Foundation’s audited financial statements as of June 30, 2005 and 2004, the Foundation’s net assets (including unrealized gains) totaled \$19,078,036 and \$17,076,417, respectively. Complete financial statements for the Foundation can be obtained from Loretta Young, Vice President for Development, Concord University Foundation, PO Box 1000, Athens, WV 24712.

During the years ended June 30, 2005 and 2004, the Foundation contributed approximately \$276,235 and \$217,220, respectively, to the University for scholarships. In addition, the Foundation contributed approximately \$22,000 and \$0 for the years ended June 30, 2005 and 2004, respectively, to the University for other administrative purposes.

NOTE 13. AFFILIATED ORGANIZATION (UNAUDITED)

The University has a separately incorporated affiliated organization, the Concord University Alumni Association. Oversight responsibility for this entity rests with an independent board and management not otherwise affiliated with the University. Accordingly, the financial statements of this organization are not included in the University’s accompanying combined financial statements under GASB Statement No. 14. They are not included in the University’s accompanying combined financial statements under GASB Statement No. 39 because they are not significant.

NOTE 14. 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 University would not impact seriously on the financial status of the University.

CONCORD UNIVERSITY
(Formerly Concord College)
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2005 AND 2004

NOTE 14. CONTINGENCIES (Continued)

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

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

NOTE 15. COMPONENT UNIT DISCLOSURES

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

CONCORD UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2005Note 1. **Significant Accounting Policies and Other Matters**Nature of Foundation:

The Concord University Foundation, Inc. (the Foundation) is incorporated as a non-profit corporation under the laws of the State of West Virginia. The purpose of the Foundation is to provide for student scholarships and faculty and staff development at Concord University (the University).

Effective July 1, 2004, Concord College Foundation, Inc. changed its name to Concord University Foundation, Inc. in order to align the Foundation with the College's university status.

The Foundation is managed by an independently elected Board of Directors not otherwise affiliated with the University. All contributions generally are for the benefit of the University and are administered by the Foundation.

Basis of financial statement presentation and accounting:

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

The accompanying financial statements present information regarding the Foundation's financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. The three classes are differentiated based on the existence or absence of donor-imposed restrictions, as described below:

Unrestricted net assets are free of donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Expenses, revenues, gains and losses that are not temporarily or permanently restricted by donors are included in this classification.

Temporarily restricted net assets are limited in use by donor-imposed stipulations that expire either by the passage of time or that can be fulfilled by action of the Foundation pursuant to those stipulations.

Permanently restricted net assets are amounts required by donors to be held in perpetuity; however, the income on these assets is available to meet various restricted and other operating needs. These net assets primarily include permanent endowment funds and funds held in trust by others.

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 and disclosures. Accordingly, actual results could differ from those estimates.

(continued)

CONCORD UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2005Note 1. **Significant Accounting Policies and Other Matters** (continued)Cash and short-term investments:

The Foundation considers all highly liquid investments with maturity of three months or less when purchased to be cash and cash equivalents.

The money market investment accounts are approximately \$1,356,000 and the principal underlying assets are securities of the U.S. Government, its agencies, authorities and instrumentalities and obligations of U.S. banks. The estimated fair value of short-term investments approximates cost. Cash held for long-term investment is classified as investment.

Contributions receivable:

Unconditional promises are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises are recorded at net realizable value if they are expected to be collected in one year and at fair value if they are expected to be collected in more than one year. Conditional promises are recognized when the conditions on which they depend are substantially met.

Investments:

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair market value in the Statement of Financial Position. Net unrealized and realized gains or losses are reflected in the statement of activity. The Foundation operates a pooled investment portfolio primarily for its endowment funds. Income distributions, including unrealized appreciation (depreciation) and realized capital gains and losses are prorated on a quarterly basis.

Gifts of investments are recorded at their fair value (based on quotations or appraisals) at date of gift. Purchases and sales of investments are recorded on the trade date.

Income and realized and unrealized net gains on investments of endowment and similar net asset classes are reported as follows:

- As increases in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund;
- As increases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income;
- As increases in unrestricted net assets in all other cases.

Amounts held on behalf of others:

Amounts held on behalf of others are used to account for assets held by the Foundation as an agent. These funds are custodial by nature (assets equal liabilities) and do not involve measurement of operations.

(continued)

CONCORD UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2005Note 1. **Significant Accounting Policies and Other Matters** (continued)Contributions:

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions, when the donor's commitment is received.

Contributions are reported as increases in unrestricted net assets unless use of the related assets is limited by donor imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

The Foundation occupies without charge office space located in a college owned building. The estimated fair rental value of \$18,700 has been reflected in the accompanying financial statement as support and expense for each of the years ended June 30, 2005 and 2004.

Development and administration of the Foundation are performed by two employees of the University and their services are also donated to the Foundation. The value of this contributed time is based on wages paid to these individuals plus an estimate of fringe benefits and is reflected in the accompanying financial statement as support and expenses in the amount of \$182,981 and \$151,221 for the years ended June 30, 2005 and 2004, respectively.

The University agreed to pay certain Foundation expenses related to the Foundation's capital campaign. The value of these expenses is reflected in the accompanying financial statement as support and expenses in the amount of \$71,084 and \$113,171 for the years ended June 30, 2005 and 2004, respectively.

The value of donated volunteer services is not reflected in the accompanying financial statements, since there is no objective basis available by which to measure the value of such services. However, a substantial number of volunteers have donated significant amounts of their time in the Foundation's fund-raising campaigns.

Funds held in trust by others:

The Foundation is the beneficiary of certain charitable remainder trusts held and administered by others. The present value of the estimated future remainder interest from the trusts (which approximates market value) is recognized as an asset and contribution revenue at the date such trusts are established and the Foundation is notified. The discount rate is determined based on IRS guidelines requiring the rate to be based on 120% of the "applicable federal mid-term rate" at the date the trust is established. The carrying value of the assets is adjusted annually for changes in the estimates of future interest.

(continued)

CONCORD UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2005Note 1. **Significant Accounting Policies and Other Matters** (continued)Property and equipment:

Property and equipment are stated at cost less accumulated depreciation and amortization. Additions, improvements and expenditures that materially improve or extend the life of an asset are capitalized. For the Federal programs, the Corporation utilizes the federal threshold for capitalization which is \$5,000. All other activities of the Corporation capitalize fixed assets with a cost greater than \$1,000. Maintenance and repairs are charged to expense as incurred. Upon retirement or sale of an asset, its cost and related accumulated depreciation and amortization are removed from the property accounts. Depreciation and amortization are provided on the straight-line method over the estimated useful lives of the related assets.

Annuity obligations:

Amounts due under charitable gift annuity agreements represent gifts received under agreements which guarantee interest payments until death of the donor. The Foundation administers the charitable gift annuity. The portion of the gift annuity attributable to the present value of the contribution received by the Foundation is recorded in the Statements of Activities as a permanently restricted contribution in the period the contribution is received. The discounted value of the future annuity payments is determined annually based on the ages and life expectancies of the donors as of the statement of financial position date.

Income tax status:

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

Credit risk concentration:

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents and investments. The Foundation places its temporary cash investments with high credit quality financial institutions and does not believe it is exposed to any significant credit risk on cash and cash equivalents. Concentration of credit risk for investments is limited by the Foundation's policy of diversification of investments.

(continued)

NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 1. **Significant Accounting Policies and Other Matters** (continued)

Spending policy:

The Foundation employs a total return endowment spending policy that establishes the amount of endowment investment return that is available to support current and capital needs. This policy is designed to insulate program spending from capital market fluctuations and increase the amount of return that is reinvested in the corpus of the fund in order to enhance its long-term value. The Board approved spending formula for the endowment provides for spending a certain percent of endowment market values determined as of June 30 each year. If cash yield (interest and dividends) is less than the spending rate, realized gains can be used to make up the deficiency. Any income in excess of the spending rate is to be reinvested in the endowment.

Effective July 1, 2002, the Foundation employed a 5% spending policy to the unrestricted investments. The Foundation is limited to the actual return if less than 5%.

Reclassifications:

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

Note 2. **Investments**

Investments are comprised of the following:

	2005	2004
Corporate bonds and notes	\$ 1,436,103	\$ 1,359,098
United States Treasury, Government and other obligations	2,596,757	2,616,138
Equity investments	7,748,976	7,923,273
Mutual funds	5,053,776	2,708,459
Mineral rights	339,804	339,804
Interest in condominium	300,000	300,000
Partnership interests	<u>-</u>	<u>40,690</u>
	<u>\$17,475,416</u>	<u>\$15,287,462</u>

The ownership of investments for each class of net assets as of June 30 is as follows:

	2005	2004
Unrestricted	\$ 640,892	\$ 575,526
Temporarily restricted	4,518,596	2,768,740
Permanently restricted	<u>12,315,928</u>	<u>11,943,196</u>
	<u>\$17,475,416</u>	<u>\$15,287,462</u>

(continued)

CONCORD UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2005Note 3. **Contributions Receivable**

Contributions and other unconditional promises receivable and the related allowance at June 30 consist of:

	2005	2004
Cash pledges	\$1,216,035	\$ 944,945
Less allowance for uncollectible pledges	<u>4,560</u>	<u>4,560</u>
	<u>\$1,211,475</u>	<u>\$ 940,385</u>
Expected to be collected in:	2005	2004
Less than one year	\$ 706,321	\$ 393,974
One to five years	<u>595,650</u>	<u>606,817</u>
	1,301,971	1,000,791
Less discount to net present value at 6.55%	10,246	30,107
Less discount to net present value at 3.0%	12,515	30,299
Less discount to net present value at 4.0%	<u>67,735</u>	<u>-</u>
	<u>\$1,211,475</u>	<u>\$ 940,385</u>

The ownership of pledges receivable for each class of net assets as of June 30 is as follows:

	2005	2004
Unrestricted	\$ 4,599	\$ 7,588
Temporarily restricted	1,023,993	22,707
Permanently restricted	<u>182,883</u>	<u>910,090</u>
	<u>\$1,211,475</u>	<u>\$ 940,385</u>

Note 4. **Property and Equipment**

Property and equipment consisted of the following at June 30, 2005 and 2004:

	2005	2004
Computer equipment	\$ 6,688	\$ 6,688
Software	<u>32,877</u>	<u>-</u>
	39,565	6,688
Less accumulated depreciation and amortization	<u>11,815</u>	<u>3,172</u>
	<u>\$27,750</u>	<u>\$ 3,516</u>

Depreciation and amortization expense for the years ended June 30, 2005 and 2004 was \$8,644 and \$1,153, respectively.

(continued)

CONCORD UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2005Note 5. **Unrestricted Net Assets**

Unrestricted net assets as of June 30 include the following:

	2005	2004
Designated:		
Investment in land, buildings and equipment	\$ 27,750	\$ 3,516
Undesignated:		
Other	<u>697,964</u>	<u>635,859</u>
	<u>\$725,714</u>	<u>\$639,375</u>

Note 6. **Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes or periods:

	2005	2004
Business Department	\$ 232,531	\$ 215,805
Faculty Development	107,298	121,594
Stadium	231,495	-
Chapel	721,524	-
Alumni Center	231,495	-
Provide scholarship assistance and operations of the Foundation	3,038,004	3,156,342
For periods after June 30	<u>301,315</u>	<u>301,117</u>
	<u>\$4,863,662</u>	<u>\$3,794,858</u>

Note 7. **Permanently Restricted Net Assets**

Permanently restricted net assets as of June 30 are restricted to investment in perpetuity, the income from which is expendable to support:

	2005	2004
Financial aid	<u>\$13,488,660</u>	<u>\$12,642,184</u>

Included in permanently restricted net assets is approximately \$7,769,982 which is restricted to the Bonner Scholar's Program. According to the donor's stipulations, scholarships and other expenses are to be provided to a certain number of students. The permanent endowment amount for this program is to consist of the original endowment plus or minus investment earnings less the cost of scholarships and other expenses provided to the stipulated number of students.

(continued)

CONCORD UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2005Note 8. **Functional Allocation of Expenses**

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 9. **Split-Interest Agreements**

The Foundation is the beneficiary of a charitable remainder trust. The trust agreement requires a 6% payment to the lead beneficiaries during their life. Based on their life expectancies and the use of a 5.4% discount rate, the annuity obligation exceeds the fair market value of the assets and therefore the Foundation has not recorded an interest in the trust. Should the trust obtain investment returns above the discount rate or the lead beneficiaries die before their life expectancy, the Foundation may realize benefits from the trust.

The Foundation is the beneficiary of a second charitable remainder trust for which they have been unable to obtain detailed information to the extent necessary to determine if they have a beneficial interest in this trust.

The Foundation administers two charitable gift annuities. The present value of the estimated future payments is calculated using a discount rate of 4.60% and applicable mortality tables or a payback period of 10 years, whichever is applicable. Details of the agreements are as follows:

	2005	2004
Melton:		
Cumulative cash paid to the Foundation	\$700,000	\$500,000
Current year's cash paid to the Foundation	-	270,000
Current year's net gift portion	-	147,458
Present value cumulative annuity obligation	224,935	206,415
Hodges:		
Cumulative cash paid to the Foundation	\$ 50,000	-
Current year's cash paid to the Foundation	50,000	-
Current year's net gift portion	30,315	-
Present value cumulative annuity obligation	19,688	-

The Foundation received a \$200,000 contribution to establish an annuity prior to June 30, 2005. As of the date of this report, terms regarding the annuity had not been finalized and the Foundation has shown the entire \$200,000 as a liability.

(continued)

CONCORD UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2005Note 10. **Correction of an Error**

During the year ended June 30, 2005, the Foundation discovered an error in previously reported classifications of net assets relating to split-interest agreements and the income allocated to certain permanently restricted assets.

The 2004 beginning permanently restricted net assets decreased and temporarily restricted net assets increased by \$381,290 due to the reclassification.

For the year ended June 30, 2004, contributions in the amount of \$122,542 were reclassified from temporarily to permanently restricted; interest and dividends in the amount of \$15,617 were reclassified from permanent to temporarily restricted and permanently restricted.

CONCORD UNIVERSITY
(Formerly Concord College)
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2005 AND 2004

NOTE 16.

NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

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

	2005						Fees	
	Salaries and Wages	Benefits	Supplies and Other Services	Scholarships and Fellowships	Depreciation	Loan Cancellations and Write-offs	Assessed by the Commission	Total
Instruction	\$ 6,659,477	\$ 1,598,193	\$ 1,688,761	\$ 6,404	\$ -	\$ -	\$ -	\$ 9,952,835
Research	5,070	40	-	-	-	-	-	5,110
Public service	149,586	27,729	214,318	231	-	-	-	391,864
Academic support	591,279	114,918	333,975	13,122	-	-	-	1,053,294
Student services	825,091	174,224	632,737	10,108	-	-	-	1,642,160
General institutional support	1,633,933	597,302	476,236	83,380	-	-	-	2,790,851
Operations and maintenance of plant	396,039	169,768	1,019,331	580,257	-	-	-	2,165,395
Student financial aid	-	-	-	2,338,030	-	-	-	2,338,030
Auxiliary enterprises	1,873,727	443,295	4,649,699	792,487	-	-	-	7,759,208
Depreciation	-	-	-	-	1,199,186	-	-	1,199,186
Other	-	-	-	-	-	118,588	152,678	271,266
Total	\$ 12,134,202	\$ 3,125,469	\$ 9,015,057	\$ 2,338,030	\$ 1,199,186	\$ 118,588	\$ 152,678	\$ 29,569,199

	2004						Fees	
	Salaries and Wages	Benefits	Supplies and Other Services	Scholarships and Fellowships	Depreciation	Loan Cancellations and Write-offs	Assessed by the Commission	Total
Instruction	\$ 6,429,043	\$ 1,816,981	\$ 1,665,319	\$ 46,097	\$ -	\$ -	\$ -	\$ 9,957,440
Research	9,118	5,728	4,746	-	-	-	-	19,592
Public service	113,352	75,126	78,444	302	-	-	-	267,224
Academic support	645,427	199,181	269,605	7,173	-	-	-	1,121,386
Student services	773,892	308,229	503,856	7,955	-	-	-	1,593,932
General institutional support	1,486,607	200,250	625,177	112,589	-	-	-	2,424,623
Operations and maintenance of plant	398,060	167,576	806,881	729,800	-	-	-	2,102,317
Student financial aid	-	-	-	3,189,782	-	-	-	3,189,782
Auxiliary enterprises	1,937,926	636,848	4,324,329	638,567	-	-	-	7,537,670
Depreciation	-	-	-	-	1,116,126	-	-	1,116,126
Other	-	-	-	-	-	80,946	134,520	215,466
Total	\$ 11,793,425	\$ 3,409,919	\$ 8,278,357	\$ 3,189,782	\$ 1,116,126	\$ 80,946	\$ 134,520	\$ 29,545,558



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND COMPLIANCE AND OTHER MATTERS BASED UPON THE AUDIT
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Concord University Governing Board
Athens, West Virginia

We have audited the combined financial statements of Concord University (formerly Concord College) (the "University") as of and for the year ended June 30, 2005, and have issued our report thereon dated September 16, 2005, which states reliance on other auditors for the discretely presented component unit. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University'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 University's internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University'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 or other matters that are required to be reported under *Government Auditing Standards*.

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

Scott L. Stalman, PLLC

September 16, 2005