

# Concord University

Combined Financial Statements  
Years Ended June 30, 2007 and 2006  
and  
Independent Auditors' Reports

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## INDEPENDENT AUDITORS' REPORT

Governing Board  
Concord University  
Athens, West Virginia

We have audited the accompanying combined financial statements of the business-type activities and discretely presented component unit of Concord University (the "University"), as of June 30, 2007 and 2006, and for the years 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 University's management. Our responsibility is to express an opinion on the respective financial statements based on our audits. We did not audit the discretely presented financial statements of The Concord University Foundation, Inc. (a component unit of the University). Those statements were audited by other auditors whose report has been furnished to us, and our opinion, 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.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University as of June 30, 2007 and 2006, and the respective changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 5 through 12 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. 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 October 23, 2007, 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.

*Suttle & Stalvaker, PLLC*

Charleston, West Virginia  
October 23, 2007



# Concord University

## Management's Discussion & Analysis

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### Years Ended June 30, 2007 and 2006

#### Introduction

Concord University, (the University”) is pleased to present its combined financial statements for the years ended June 30, 2007 and 2006. 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 based statements. Depreciation of capital assets is included as an expense, and State appropriations are shown as non-operating revenue.

During the fiscal year 2003, 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 combined component entity of the University.

#### Financial Highlights

In Fiscal year 2007 the University recorded an increase in combined net assets of 9.52%. Investment in Capital Assets increased 15.17%, which was offset by an unrestricted net assets decrease of 12.09%. Fall enrollment declined by 5.18% to 2,634 full-time equivalents students; total revenue decreases amounted to 10.64% with State appropriations increasing by 7.87%. The decline in enrollment is the primary component contributing to the decreased operational revenue.

#### 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:**

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>Change</u> <u>FY 07 - FY 06</u>
<b>Assets</b>				
Current assets	\$ 12,007,016	\$ 13,785,056	\$ 11,430,188	-12.90%
Non-current assets	<u>38,893,111</u>	<u>34,548,800</u>	<u>27,669,764</u>	12.57%
Total Assets	<u>50,900,127</u>	<u>48,333,856</u>	<u>39,099,952</u>	5.31%
<b>Liabilities</b>				
Current liabilities	4,427,294	5,268,327	3,770,565	-15.96%
Non-current liabilities	<u>4,107,265</u>	<u>4,383,780</u>	<u>4,408,276</u>	-6.31%
Total Liabilities	<u>8,534,559</u>	<u>9,652,107</u>	<u>8,178,841</u>	-11.57%
<b>Net Assets</b>				
Invested in capital assets, Net of related debt	33,564,816	29,144,619	22,167,117	15.17%
<b>Restricted</b>				
Expendable	2,633,213	2,554,373	2,469,119	3.09%
Non-expendable	239,580	239,580	239,580	0.00%
Unrestricted	<u>5,927,959</u>	<u>6,743,177</u>	<u>6,045,295</u>	-12.09%
Total Net Assets	<u>\$ 42,365,568</u>	<u>\$ 38,681,749</u>	<u>\$ 30,921,111</u>	9.52%

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 2.71 to 1.00 and 2.62 to 1.00, as of June 30, 2007 and 2006, respectively. These indicate that the University has sufficient available resources to meet its obligations.

As of June 30, 2007, the total assets of the University had increased by 5.31% while total liabilities decreased by 11.57% from the balances as of June 30, 2006. The decrease in total liabilities in FY 2007 is due to a decrease in accounts payable for construction contracts in progress. The net assets increased 9.52% during the same time period with the increase in investment for capital assets of 15.17%

The University's total liabilities were approximately \$8.5 million as of June 30, 2007. This represents a decrease of approximately \$1.1 million over June 30, 2006. Non-current liabilities were approximately \$4.1 and \$4.4 million as of June 30, 2007 and 2006 respectively. The non-current liabilities consist of advances from federal sponsors, compensated absences and debt obligations.

### **Significant Changes in Net Assets**

Unrestricted net assets comprised 13.99% and 17.43% of the total net assets of the University as of June 30, 2007 and 2006, respectively. The University's Board of Governors has designated \$3 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 of approximately \$2 million are restricted for the future use in the repair and replacement of certain auxiliary property. The unrestricted and nondesignated net assets amounted to approximately \$3 million as of June 30, 2007 and 2006.

Depreciation expense has been recorded for the years ended June 30, 2007 and 2006 in the amount of approximately \$1.2 million and \$1.1 million respectively.

The Debt Obligation Due Commission 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 invested in capital assets as of June 30, 2002. The principal payment for this debt for the fiscal years ended June 30, 2007 and 2006, amounted to \$75,989 and \$75,037, respectively, as determined by the Commission. The principal payment due during the fiscal year ended June 30, 2008 will be \$76,623.

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 2005. Principal payments of \$70,000 were made during the fiscal year 2007 and 2006. The outstanding principal balance of the debt is \$70,000. The final principal payment due during the fiscal year ended June 30, 2008 will be \$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, 2007 and 2006. 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.

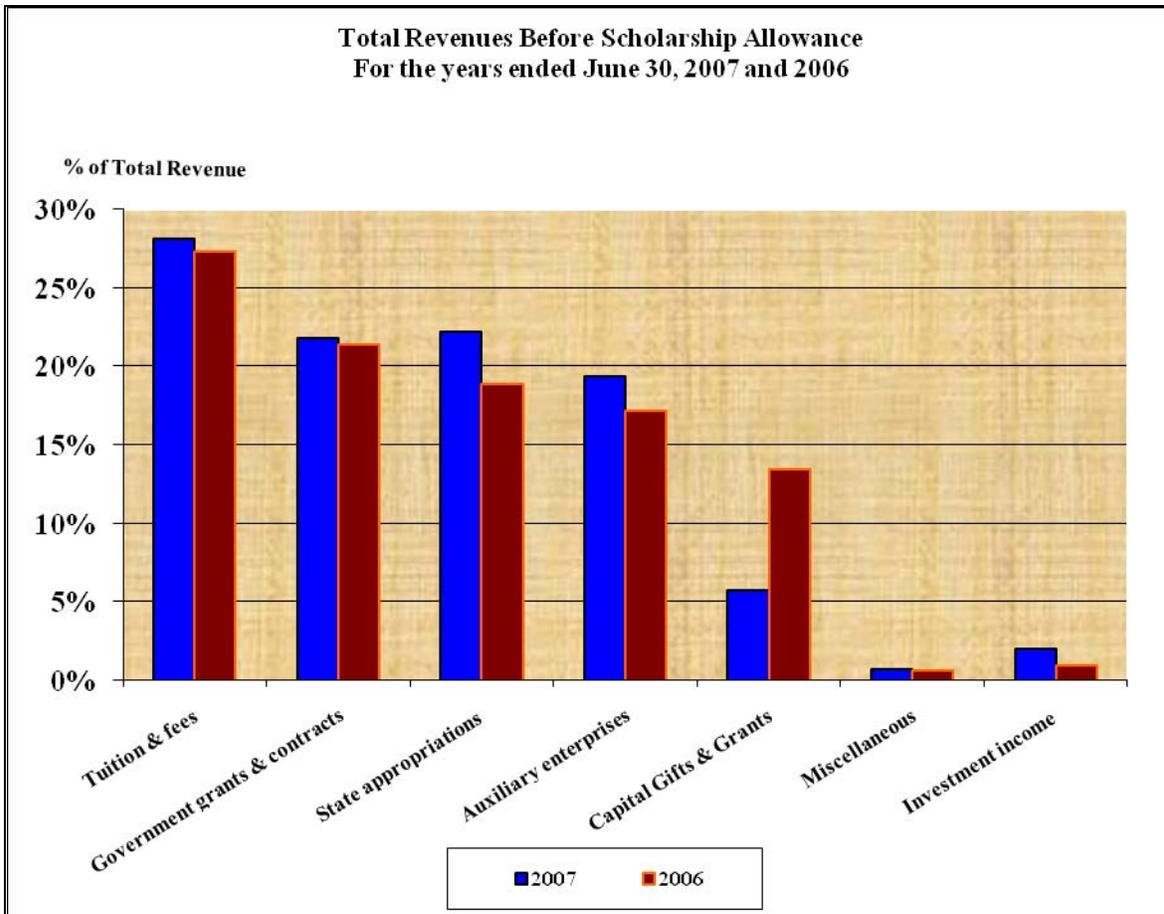
### Revenues, Expenses and Changes in Net Assets For the Years Ended June 30:

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>Change FY 07 - 06</u>
Operating Revenues	\$ 22,827,064	\$ 24,416,913	\$ 22,154,411	-6.51%
Operating Expenses	<u>31,539,476</u>	<u>31,695,895</u>	<u>29,732,275</u>	-0.49%
Operating Loss	<u>(8,712,412)</u>	<u>(7,278,982)</u>	<u>(7,577,864)</u>	-19.69%
Non-operating Revenues	10,228,677	9,136,580	8,541,316	11.95%
Non-operating Expenses	<u>269,393</u>	<u>260,212</u>	<u>287,166</u>	3.53%
Net Non-operating Revenues	<u>9,959,284</u>	<u>8,876,368</u>	<u>8,254,150</u>	12.20%
Income before other Revenues, Expenses, Gains or Losses	1,246,872	1,597,386	676,286	-21.94%
Other Revenues, Expenses, Gains or Losses	<u>2,436,947</u>	<u>6,163,252</u>	<u>1,213,339</u>	-60.46%
Increase (Decrease) in Net Assets	3,683,819	7,760,638	1,889,625	-52.53%
Net Assets at Beginning of Year	<u>38,681,749</u>	<u>30,921,111</u>	<u>29,031,486</u>	25.10%
Net Assets at End of Year	<u>\$ 42,365,568</u>	<u>\$ 38,681,749</u>	<u>\$ 30,921,111</u>	9.52%

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:

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>Change FY 07-06</u>
Program revenues (by major source)				
Tuition & fees before allowances	\$ 11,900,661	\$ 12,561,552	\$ 11,093,373	-5.26%
Less:				
Institutional scholarship discounts & allowances				
State & Federal Student Aid	<u>(6,763,558)</u>	<u>(6,194,474)</u>	<u>(6,189,384)</u>	9.19%
Tuition & fees, net	5,137,103	6,367,078	4,903,989	-19.32%
Government grants, contracts & student aid	9,207,358	9,845,671	9,267,597	-6.48%
Auxiliary enterprise sales & services	8,177,361	7,895,331	7,534,783	3.57%
Miscellaneous	305,242	308,833	448,042	-1.16%
General revenues (by major source)				
State appropriations	9,372,786	8,688,623	8,294,215	7.87%
Investment income	855,891	447,957	247,101	91.07%
Transfer from the Commission and Capital grants and gifts	<u>2,436,947</u>	<u>6,163,252</u>	<u>1,213,339</u>	-60.46%
Total revenues	<u>\$ 35,492,688</u>	<u>\$ 39,716,745</u>	<u>\$ 31,909,066</u>	-10.64%

The following is a graphic illustration of revenues by source and the percentage distribution of these revenues for the years ended June 30, 2007 and 2006:



The major sources of revenue include tuition and fees, government grants & contracts, state appropriations, and auxiliary revenues. State appropriations comprised 26.41% and 21.88% of the total revenue during the years ended June 30, 2007 and June 30, 2006, respectively. Tuition and fees accounted for 33.53% and 31.63% for the years ended June 30, 2007 and 2006, respectively, before scholarship discounts and allowances.

The total revenue including grants and transfers decreased during the year ended June 30, 2007 by \$4.2 million or 10.64% from the year ended June 30, 2006 primarily due to the bond proceeds coming from the Lottery and a decline in enrollment.

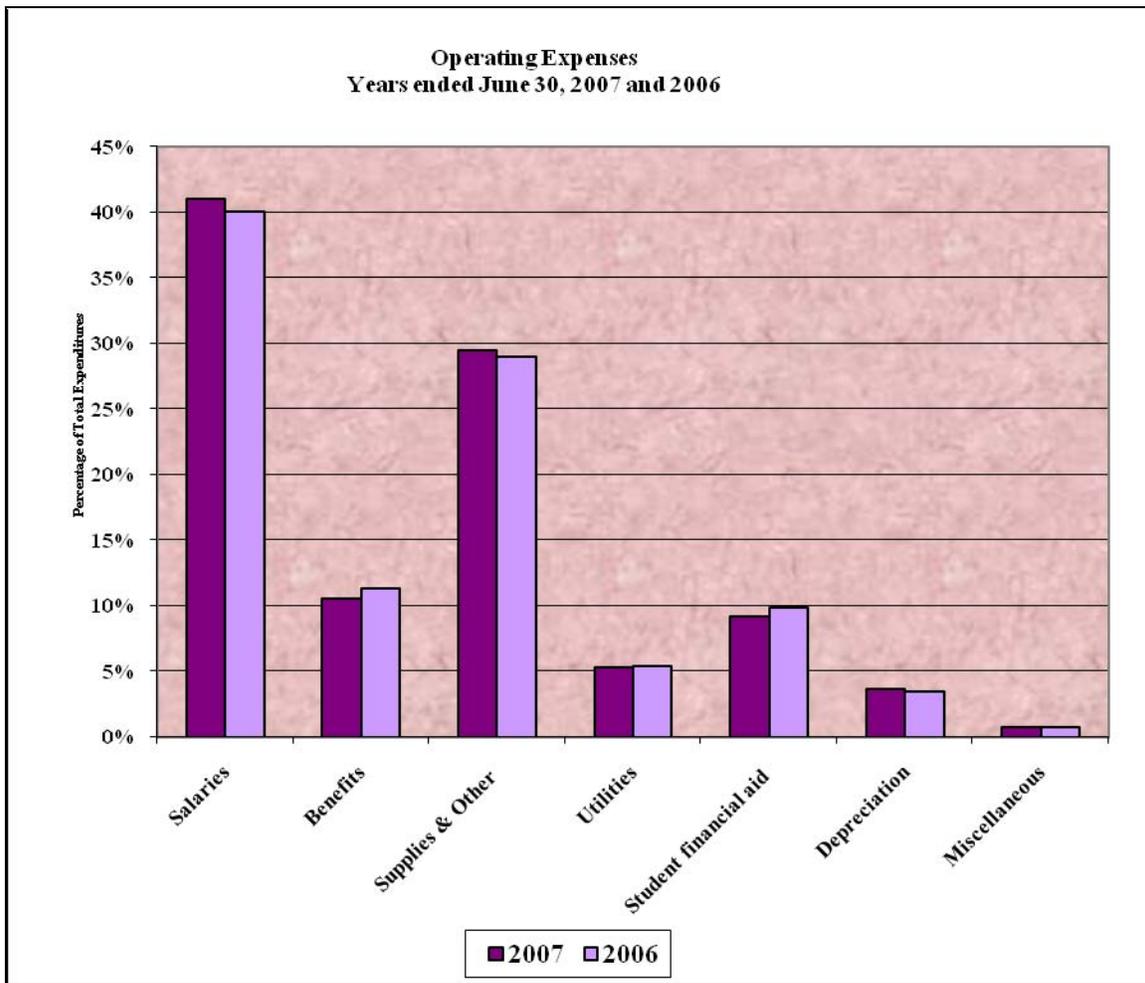
The Income Before Other Revenues, Expenses, Gains or Losses for the years ended June 30, 2007 and 2006 was \$1.2 million and \$1.6 million, respectively.

For the year ended June 30, 2007 fall enrollment of full-time-equivalent students declined by 5.18% as compared to the same period in the previous year.

## Operating Expenses:

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>Change FY 07 - FY 06</u>
Salaries	\$ 12,934,911	\$ 12,691,516	\$ 12,134,202	1.92%
Benefits	3,335,504	3,598,931	3,125,469	-7.32%
Supplies & other	9,289,572	9,194,419	9,015,057	1.03%
Utilities	1,671,882	1,730,949	1,485,989	-3.41%
Student financial aid	2,893,846	3,121,235	2,501,106	-7.29%
Depreciation	1,164,408	1,111,655	1,199,186	4.75%
Fees to Commission & Miscellaneous	<u>249,353</u>	<u>247,190</u>	<u>271,266</u>	0.88%
Total Operating Expenses	<u>\$ 31,539,476</u>	<u>\$ 31,695,895</u>	<u>\$ 29,732,275</u>	-0.49%



Salary and benefit costs together comprised 51.6% and 51.4% of the total operating expenses of the University for the years ended June 30, 2007 and 2006, respectively. Student financial aid decreased by \$227,389. All other operating expenses remained at or near the 2006 spending level.

## 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.

	<b>Cash Flows</b>			<b>Change</b>
	<b>For the Years Ended June 30:</b>			
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>FY 07 - FY 06</u>
Cash Provided (Used) By:				
Operating Activities	\$ (7,249,176)	\$ (5,686,549)	\$ (6,574,808)	-27.48%
Non-capital Financing Activities	9,372,786	8,703,273	8,271,256	7.69%
Capital and Financing Related Activities	(3,367,763)	(1,874,334)	(1,060,622)	-79.68%
Investing Activities	<u>819,707</u>	<u>447,957</u>	<u>247,099</u>	82.99%
Increase (decrease) in Cash	(424,446)	1,590,347	882,925	-126.69%
Cash, Beginning of Year	<u>11,284,975</u>	<u>9,694,628</u>	<u>8,811,703</u>	16.40%
Cash, End of Year	<u>\$ 10,860,529</u>	<u>\$ 11,284,975</u>	<u>\$ 9,694,628</u>	-3.76%

The University increased (decreased) cash for the years ended June 30, 2007 and 2006 of \$(424,446) and \$1,590,347. The decline during the fiscal year ended June 30, 2007 was due to the decline in tuition & fee revenue and the use of unrestricted funding for capital projects. 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, 2007 and 2006 totaled \$7.0 million and \$8.0 million, respectively. During the year ended June 30, 2007 plant improvements were made in several areas including ADA upgrades and construction of the Rahall Technology Center.

The University began the renovation of White Hall in the fiscal year ended June 30, 2004, which has transformed the structure into the new Rahall Technology Center. The \$12 million project is being funded with federal and state grants, higher education revenue bonds of the Commission and University operating and capital funds.

The University has no bond issues outstanding nor has it liquidated any bond issues during the fiscal year ended June 30, 2007. During August of 2005, 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 has received \$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 Obligations transferred from the Commission during the year ended June 30, 2002. The 2007 payment for the University that was applied to its portion of the capital debt is \$94,483, including interest of \$18,495. The 2006 payment for the University that was applied to its portion of the capital debt was \$95,783, including interest of \$20,746. In addition, the University paid \$249,510 and \$255,709 for the years ended June 30, 2007 and 2006, 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 West Virginia Higher Education Policy Commission (“Commission”) is charging no interest for this loan. The University paid \$70,000 to the Commission during the year 2007. 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, 2007 and 2006.

### **Economic Outlook**

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 before scholarship discounts and allowances for fiscal year 2007. State funding for FY 2007 increased by 7.87% from fiscal year ended 2006. Financial aid to students is at the highest level in history for both state and federal programs. A growing movement to hold the increases at or below the rate of inflation fails to recognize the labor intensive nature of higher education.

In fiscal year 2004 the University was accredited by the North Central Association of Universities and Schools to offer graduate degrees. The new Masters Degree program in education is enabling 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. The University is also in the process of developing a masters degree program in social science.

### **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  
 COMBINED STATEMENTS OF NET ASSETS  
 JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents - unrestricted	\$ 10,092,912	\$ 10,488,089
Cash and cash equivalents -Research & Development Corporation	<u>767,616</u>	<u>796,886</u>
	10,860,528	11,284,975
Due from Commission	36,184	683,944
Accounts receivable-net	213,673	940,606
Loans to students-current portion	364,412	417,008
Prepaid expenses	13,169	46,284
Inventories	<u>519,050</u>	<u>412,239</u>
Total current assets	<u>12,007,016</u>	<u>13,785,056</u>
<b>NONCURRENT ASSETS:</b>		
Cash and cash equivalents	3,040,720	3,073,142
Loans to students, net of allowance of \$102,616 and \$94,742 in 2007 and 2006, respectively	1,854,605	1,752,080
Capital assets-net	<u>33,997,786</u>	<u>29,723,578</u>
Total noncurrent assets	<u>38,893,111</u>	<u>34,548,800</u>
<b>TOTAL ASSETS</b>	<u>50,900,127</u>	<u>48,333,856</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	897,830	2,003,387
Accrued liabilities	1,140,410	1,171,420
Due to the Commission	1,338	3,772
Deferred revenue	1,439,400	1,160,649
Compensated absences-current portion	739,797	725,277
Deposits	61,896	57,833
Debt obligations due Commission-current portion	<u>146,623</u>	<u>145,989</u>
Total current liabilities	<u>4,427,294</u>	<u>5,268,327</u>
<b>NONCURRENT LIABILITIES:</b>		
Advances from federal sponsors	2,271,157	2,254,279
Compensated absences-noncurrent portion	1,549,761	1,696,531
Debt obligations due Commission	<u>286,347</u>	<u>432,970</u>
Total noncurrent liabilities	<u>4,107,265</u>	<u>4,383,780</u>
Total liabilities	<u>8,534,559</u>	<u>9,652,107</u>
<b>NET ASSETS</b>		
INVESTED IN CAPITAL ASSETS-net of related debt	<u>33,564,816</u>	<u>29,144,619</u>
<b>RESTRICTED FOR:</b>		
Nonexpendable-scholarships and fellowships	<u>239,580</u>	<u>239,580</u>
Expendable:		
Loans	540,779	563,936
Auxiliary capital projects	<u>2,092,434</u>	<u>1,990,437</u>
Total expendable	<u>2,633,213</u>	<u>2,554,373</u>
UNRESTRICTED	<u>5,927,959</u>	<u>6,743,177</u>
Total net assets	<u>\$ 42,365,568</u>	<u>\$ 38,681,749</u>

CONCORD UNIVERSITY  
THE CONCORD UNIVERSITY FOUNDATION, INC.  
A COMPONENT UNIT OF CONCORD UNIVERSITY  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2007 AND 2006

<u>ASSETS</u>	<u>2007</u>	<u>2006</u>
Cash and cash equivalents	\$ 1,381,397	\$ 1,341,500
Contributions receivable, net of allowance for doubtful accounts of \$3,938 in 2007 and \$4,560 in 2006	1,273,339	1,300,355
Dividends and interest receivable	70,430	62,366
Student loans receivable	23,392	13,457
Prepaid expenses	4,756	4,756
Property and equipment, net	13,202	15,454
Investments	<u>24,320,979</u>	<u>21,468,874</u>
 Total assets	 <u>\$ 27,087,495</u>	 <u>\$ 24,206,762</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable	\$ 9,834	\$ 20,049
Amounts held on behalf of others	896,506	906,378
Obligations under annuity agreements	<u>281,492</u>	<u>329,579</u>
Total liabilities	<u>1,187,832</u>	<u>1,256,006</u>
Net assets:		
Unrestricted	623,301	729,282
Temporarily restricted	8,326,562	6,641,420
Permanently restricted	<u>16,949,800</u>	<u>15,580,054</u>
Total net assets	<u>25,899,663</u>	<u>22,950,756</u>
 Total liabilities and net assets	 <u>\$ 27,087,495</u>	 <u>\$ 24,206,762</u>

The Accompanying Notes Are An Integral  
Part Of These Financial Statements

CONCORD UNIVERSITY  
 COMBINED STATEMENTS OF REVENUES, EXPENSES,  
 AND CHANGES IN NET ASSETS  
 YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<b>OPERATING REVENUES:</b>		
Student tuition and fees, net of scholarship allowance of \$6,763,558 and \$6,194,474 in 2007 and 2006, respectively	\$ 5,137,103	\$ 6,367,078
Contract and grants:		
Federal	5,096,165	5,201,210
State	3,862,953	4,202,316
Private	248,240	442,145
Interest on student loans receivable	39,010	40,550
Sales and services of education activities	2,608	7,806
Auxiliary enterprise revenue, net of scholarship allowance of \$0 and \$0	8,177,361	7,895,331
Miscellaneous-net	<u>263,624</u>	<u>260,477</u>
 Total operating revenues	 <u>22,827,064</u>	 <u>24,416,913</u>
<b>OPERATING EXPENSES:</b>		
Salaries and wages	12,934,911	12,691,516
Benefits	3,335,504	3,598,931
Supplies	9,289,572	9,194,419
Utilities	1,671,882	1,730,949
Student financial aid-scholarships and fellowships	2,893,846	3,121,235
Depreciation	1,164,408	1,111,655
Loan cancellations and write-offs	99,580	97,237
Fees assessed by Commission for operations	<u>149,773</u>	<u>149,953</u>
 Total operating expenses	 <u>31,539,476</u>	 <u>31,695,895</u>
 OPERATING LOSS	 <u>(8,712,412)</u>	 <u>(7,278,982)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
State appropriations	9,372,786	8,688,623
Investment income	855,891	447,957
Fees assessed by the Commission for debt service	(268,005)	(255,709)
Other nonoperating expenses-net	<u>(1,388)</u>	<u>(4,503)</u>
 Net nonoperating revenues	 <u>9,959,284</u>	 <u>8,876,368</u>
 INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	 <u>1,246,872</u>	 <u>1,597,386</u>
 CAPITAL PROJECTS FROM COMMISSION CAPITAL GRANTS AND GIFTS	 <u>2,036,947</u> <u>400,000</u>	 <u>2,563,053</u> <u>3,600,199</u>
 INCREASE IN NET ASSETS	 <u>3,683,819</u>	 <u>7,760,638</u>
 NET ASSETS-Beginning of year	 <u>38,681,749</u>	 <u>30,921,111</u>
 NET ASSETS-End of year	 <u>\$ 42,365,568</u>	 <u>\$ 38,681,749</u>

The Accompanying Notes Are An Integral  
 Part Of These Financial Statements

CONCORD UNIVERSITY  
THE CONCORD UNIVERSITY FOUNDATION, INC.  
A COMPONENT UNIT OF CONCORD UNIVERSITY  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES AND OTHER SUPPORT:</b>				
Gifts and grants	\$ 272,716	\$ 727,496	\$ 452,935	\$ 1,453,147
Interest and dividends, net of related expenses	48,709	459,117	228,671	736,497
Net realized and unrealized gains (losses)	10,401	1,429,909	995,588	2,435,898
Net assets released from restrictions	<u>1,196,503</u>	<u>(931,380)</u>	<u>(265,123)</u>	<u>-</u>
 Total revenues and support	 <u>1,528,329</u>	 <u>1,685,142</u>	 <u>1,412,071</u>	 <u>4,625,542</u>
<b>EXPENSES AND SUPPORT:</b>				
College support:				
Student support	427,148	-	-	427,148
Faculty and staff development	25,346	-	-	25,346
Compensation for services	78,661	-	-	78,661
Other expenses	678,037	-	-	678,037
Management and general	246,781	-	-	246,781
Fundraising	178,337	-	-	178,337
Change in value of split-interest agreements	<u>-</u>	<u>-</u>	<u>42,325</u>	<u>42,325</u>
 Total expenses and losses	 <u>1,634,310</u>	 <u>-</u>	 <u>42,325</u>	 <u>1,676,635</u>
 CHANGE IN NET ASSETS	 (105,981)	 1,685,142	 1,369,746	 2,948,907
NET ASSETS-Beginning of year	<u>729,282</u>	<u>6,641,420</u>	<u>15,580,054</u>	<u>22,950,756</u>
NET ASSETS-End of year	<u>\$ 623,301</u>	<u>\$ 8,326,562</u>	<u>\$ 16,949,800</u>	<u>\$ 25,899,663</u>

CONCORD UNIVERSITY  
 THE CONCORD UNIVERSITY FOUNDATION, INC.  
 A COMPONENT UNIT OF CONCORD UNIVERSITY  
 STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2006

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES AND OTHER SUPPORT:</b>				
Gifts and grants	\$ 508,315	\$ 1,319,797	\$ 1,667,796	\$ 3,495,908
Interest and dividends, net of related expenses	19,815	302,148	202,358	524,321
Net realized and unrealized gains (losses)	42,425	567,087	461,452	1,070,964
Net assets released from restrictions	<u>651,489</u>	<u>(411,274)</u>	<u>(240,215)</u>	<u>-</u>
 Total revenues and support	 <u>1,222,044</u>	 <u>1,777,758</u>	 <u>2,091,391</u>	 <u>5,091,193</u>
 <b>EXPENSES AND SUPPORT:</b>				
College support:				
Student support	398,935	-	-	398,935
Faculty and staff development	21,719	-	-	21,719
Compensation for services	135,769	-	-	135,769
Other expenses	273,356	-	-	273,356
Management and general	252,615	-	-	252,615
Fundraising	<u>136,079</u>	<u>-</u>	<u>-</u>	<u>136,079</u>
 Total expenses and losses	 <u>1,218,473</u>	 <u>-</u>	 <u>-</u>	 <u>1,218,473</u>
 CHANGE IN NET ASSETS	 3,571	 1,777,758	 2,091,391	 3,872,720
 NET ASSETS-Beginning of year	 <u>725,711</u>	 <u>4,863,662</u>	 <u>13,488,663</u>	 <u>19,078,036</u>
 NET ASSETS-End of year	 <u>\$ 729,282</u>	 <u>\$ 6,641,420</u>	 <u>\$ 15,580,054</u>	 <u>\$ 22,950,756</u>

CONCORD UNIVERSITY  
 COMBINED STATEMENTS OF CASH FLOWS  
 YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Student tuition and fees	\$ 10,370,102	\$ 11,479,213
Contracts and grants	11,276,676	9,868,155
Payments to and on behalf of employees	(16,267,240)	(15,952,381)
Payments to suppliers	(10,679,965)	(8,857,892)
Payments to utilities	(1,629,598)	(1,787,861)
Payments for scholarships and fellowships	(8,506,536)	(8,224,667)
Loans issued to students	(611,823)	(638,207)
Collection of loans to students	501,326	443,135
Sales and service of educational activities	2,608	7,806
Auxiliary enterprise charges	8,181,423	7,865,627
Fees assessed by Commission	(149,773)	(149,953)
Other receipts-net	<u>263,624</u>	<u>260,476</u>
Net cash used in operating activities	<u>(7,249,176)</u>	<u>(5,686,549)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
State appropriations	9,372,786	8,688,623
Other-net	<u>-</u>	<u>14,650</u>
Net cash provided by noncapital financing activities	<u>9,372,786</u>	<u>8,703,273</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>		
Capital grants and gifts received	400,000	3,600,200
Capital projects proceeds from the Commission	2,036,947	1,981,954
Purchases of capital assets	(5,443,250)	(7,145,981)
Increase in noncurrent cash and cash equivalents	32,422	90,239
Principal payments on debt obligations due Commission	(146,623)	(145,037)
Fees assessed by Commission	<u>(247,259)</u>	<u>(255,709)</u>
Net cash used in capital financing activities	<u>(3,367,763)</u>	<u>(1,874,334)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	<u>819,707</u>	<u>447,957</u>
Net cash provided by investing activities	<u>819,707</u>	<u>447,957</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(424,446)</b>	<b>1,590,347</b>
<b>CASH AND CASH EQUIVALENT-Beginning of year</b>	<b><u>11,284,975</u></b>	<b><u>9,694,628</u></b>
<b>CASH AND CASH EQUIVALENTS-End of year</b>	<b><u>\$ 10,860,529</u></b>	<b><u>\$ 11,284,975</u></b>
<b>RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</b>		
Operating loss	\$ (8,712,412)	\$ (7,278,982)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation expense	1,164,408	1,111,655
Changes in assets and liabilities:		
Accounts receivables-net	726,933	(324,869)
Loans to students-net	(49,929)	(138,383)
Prepaid expenses	33,115	16,885
Inventories	(106,811)	206,142
Due from Commission	683,944	(22,053)
Accounts payable	(1,271,980)	644,787
Accrued liabilities	135,426	(431,214)
Compensated absences	(132,250)	185,179
Due to Commission	(2,434)	(4,101)
Deferred revenue	278,751	347,619
Deposits held in custody for others	<u>4,063</u>	<u>786</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (7,249,176)</u>	<u>\$ (5,686,549)</u>
Noncash capital financing activities		
Purchase of capital assets on account	<u>\$ -</u>	<u>\$ 925,333</u>

CONCORD UNIVERSITY  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2007 AND 2006

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

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

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  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2007 AND 2006

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, 2007 and 2006. 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.

***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. 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  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2007 AND 2006

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 2005 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  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2007 AND 2006

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 Board of Treasury Investments ("BTI"). These funds are transferred to the BTI and the BTI is directed by the State Treasurer to invest the funds in specific external investment pools in accordance with West Virginia code, policies set by the BTI, and by provisions of bond indentures and trust agreements, when applicable. Balances in the investment pools are recorded at fair value or amortized cost which approximates fair value. Fair value is determined by a third-party pricing service based on asset portfolio pricing models and other sources, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The BTI was established by the State Legislature and is subject to oversight by the State Legislature. Fair value and investment income are allocated to participants in the pools based upon the funds that have been invested. The amounts on deposit are available for immediate withdrawal and, accordingly, are presented as cash and cash equivalents in the accompanying combined financial statements.

The BTI maintains the Consolidated Fund which consists of five investment pools and participant-directed accounts, in which the state and local governmental agencies invest. These pools have been structured as multiparticipant variable net asset funds to reduce risk and offer investment liquidity diversification to the Fund participants. Funds not required to meet immediate disbursement needs are invested for longer periods. A more detailed discussion of the BTI's investment operations pool can be found in its annual report. A copy of that annual report can be obtained from the following address: 1900 Kanawha Boulevard East, Room E-122, Charleston, WV 25305 or <http://www.wvbt.com>.

Permissible investments for all agencies include those guaranteed by the United States of America, its agencies and instrumentalities (U.S. Government obligations); corporate debt obligations, including commercial paper, which meet certain ratings; certain money market funds; repurchase agreements; reverse repurchase agreements; asset-backed securities; certificates of deposit; state and local government securities (SLGS); and other investments. Other investments consist primarily of investments in accordance with the Linked Deposit Program, a program using financial institutions in West Virginia to obtain certificates of deposit, loans approved by the legislature and any other program investments authorized by the legislature.

***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  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2007 AND 2006

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. 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.

CONCORD UNIVERSITY  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 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.

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

West Virginia has a single private insurance company, BrickStreet Insurance, which provides workers' compensation coverage to all employers in the state. Other private insurance companies can begin to offer coverage to private-sector employers beginning July 1, 2008 and to government employers July 1, 2012. Nearly every employer in the State, who has a payroll must have coverage. The cost of all coverage is paid by the employers. BrickStreet retains the risk related to the compensation of injured employees under the program.

CONCORD UNIVERSITY  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**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 \$3.3 million and \$3.3 million in 2007 and 2006, respectively, under the Federal Stafford Loan Program of the U.S. Department of Education.

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 2007 and 2006, the University received and disbursed approximately \$3.3 million and \$3.1 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.

CONCORD UNIVERSITY  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 governmental instrumentality under federal income tax laws and regulations of the Internal Revenue Service as described in Section 115 of the Internal Revenue Code.

**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.

**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.

CONCORD UNIVERSITY  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Recent Statements Issued By GASB*** - The GASB has issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, effective for fiscal years beginning after December 15, 2007. 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. Effective July 1, 2007, the University is required to participate in the multiple employer cost sharing plan sponsored by the State of West Virginia. Details regarding this plan can be obtained by contacting Public Employees Insurance Agency, State Capitol Complex, Building 5, Room 1001, 1900 Kanawha Boulevard, East, Charleston, West Virginia, 25305-0710 or <http://www.wvpeia.com>. No liability related to this plan exists for the University at June 30, 2007. 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 issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, effective for fiscal years beginning after December 15, 2006. This statement addresses whether an exchange of an interest in expected cash flows for collecting specific receivables of specific future revenues for an immediate lump sum should be regarded as a sale or as a collateralized borrowing resulting in a liability. It establishes criteria to determine whether proceeds should be reported as revenue or a liability. The University has not yet determined the effect that the adoption of GASB Statement No. 48 may have on the financial statements.

The GASB has issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, effective for fiscal years beginning after December 15, 2007. This statement addresses the obligations of existing pollution events. It provides guidance on whether any components of a remediation should be recognized as a liability. The University has not yet determined the effect that the adoption of GASB Statement No. 49 may have on the financial statements.

The GASB has issued Statement No. 50, *Pensions Disclosures* (an amendment of GASB Statements No. 25 and No. 27), effective for fiscal years beginning after June 15, 2007. This statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits, thus enhancing the information disclosed on the notes to the financial statements or presented as required supplementary information. The University has not yet determined the effect that the adoption of GASB Statement No. 50 may have on the financial statements.

The GASB has issued Statement No. 51, *Accounting and Financial Reporting*, effective for fiscal years beginning after June 15, 2009. This statement provides guidance regarding whether and when intangible assets should be considered capital assets for financial reporting purposes. The University has not yet determined the effect that the adoption of GASB Statement No. 51 may have on the financial statements.

CONCORD UNIVERSITY  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 3. CASH AND CASH EQUIVALENTS

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

	<b>2007</b>		
	<b>Current</b>	<b>Noncurrent</b>	<b>Total</b>
Cash on deposit with the State Treasurer/BTI	\$ 9,426,292	\$ 262,828	\$ 9,689,120
Municipal Bond Commission for the University	-	2,092,435	2,092,435
Cash in bank	<u>1,434,236</u>	<u>685,457</u>	<u>2,119,693</u>
	<u>\$10,860,528</u>	<u>\$ 3,040,720</u>	<u>\$13,901,248</u>
	<b>2006</b>		
	<b>Current</b>	<b>Noncurrent</b>	<b>Total</b>
Cash on deposit with the State Treasurer/BTI	\$ 9,789,637	\$ 462,883	\$10,252,520
Municipal Bond Commission for the University	-	1,990,437	1,990,437
Cash in bank	<u>1,495,338</u>	<u>619,822</u>	<u>2,115,160</u>
	<u>\$11,284,975</u>	<u>\$ 3,073,142</u>	<u>\$14,358,117</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 \$1,711,790 and \$1,611,462 at June 30, 2007 and 2006, respectively, of restricted cash for future use for grants, loans and capital assets.

The combined carrying amounts of cash in bank at June 30, 2007 and 2006 was \$2,119,693 and \$2,115,160, respectively, as compared with the combined bank balance of \$2,508,961 and \$2,152,803, 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.

Amounts with the State Treasurer and the Municipal Bond Commission as of June 30, 2007 and 2006 are comprised of the following investment pools, which are subject to the following BTI policies and limits.

The BTI has adopted an investment policy in accordance with the "Uniform Prudent Investor Act." The "prudent investor rule" guides those with responsibility for investing the money for others. Such fiduciaries must act as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. The BTI's investment policy to invest assets in a manner that strives for maximum safety, provides adequate liquidity to meet all operating requirements, and achieves the highest possible investment return consistent with the primary objectives of safety and liquidity. The BTI recognizes that risk, volatility, and the possibility of loss in purchasing power are present to some degree in all types of investments. Due to the short-term nature of BTI's Consolidated Fund, the BTI believes that it is imperative to review and adjust the investment policy in reaction to interest rate market fluctuations/trends on a regular basis and has adopted a formal review schedule. Investment policies have been established for each investment pool and account of the BTI's Consolidated Fund.

CONCORD UNIVERSITY  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 3. CASH AND CASH EQUIVALENTS (Continued)

**Cash Liquidity Pool**

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Neither the BTI nor any of the BTI's Consolidated Fund pools or accounts has been rated for credit risk by any organization. Of the BTI's Consolidated Fund pools and accounts which the University may invest in, three are subject to credit risk: Cash Liquidity Pool, Government Money Market Pool, and Enhanced Yield Pool.

The BTI limits the exposure to credit risk in the Cash Liquidity Pool by requiring all corporate bonds to be rated AA- by Standard & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standard & Poor's and P1 by Moody's. The pool must have at least 15% of its assets in U.S. Treasury issues. The following table provides information on the credit ratings of the Cash Liquidity Pool's investments (in thousands):

<u>Security Type</u>	<u>Credit Rating *</u>		<u>2007</u>		<u>2006</u>	
	<u>Moody's</u>	<u>S&amp;P</u>	<u>Carrying Value</u>	<u>Percent of Pool Assets</u>	<u>Carrying Value</u>	<u>Percent of Pool Assets</u>
Investments:						
Commercial paper	P1	A-1	\$ 1,015,926	48.89%	\$ 943,057	54.14%
Corporate bonds and notes	Aaa	AAA	98,999	4.76	61,992	3.56
	Aa3	AA	20,001	0.96	-	0.00
	Aa3	A	23,002	1.11	-	0.00
	Aa2	AA	15,000	0.72	-	0.00
	Aa2	A	27,000	1.30	-	0.00
	Aa1	AA	77,023	3.71	-	0.00
	Aa	AA	-	0.00	55,063	3.16
	Aa	A	-	0.00	<u>12,000</u>	<u>0.69</u>
			<u>261,025</u>	<u>12.56</u>	<u>129,055</u>	<u>7.41</u>
U.S. agency bonds	Aaa	AAA	46,994	2.26	43,663	2.51
U.S. Treasury bills	Aaa	AAA	358,725	17.27	306,279	17.58
Negotiable certificates of deposit	P1	A-1	76,500	3.68	99,000	5.68
U.S. agency discount notes	P1	A-1	21,655	1.04	93,851	5.39
Money market funds	Aaa	AAA	185	0.01	758	0.04
Repurchase agreements (underlying securities):						
U.S. Treasury notes	Aaa	AAA	-	0.00	73,000	4.19
U.S. agency notes	Aaa	AAA	<u>246,821</u>	<u>11.88</u>	<u>29,339</u>	<u>1.69</u>
			<u>246,821</u>	<u>11.88</u>	<u>102,339</u>	<u>5.88</u>
Deposits:						
Nonnegotiable certificates of deposit	NR	NR	<u>50,000</u>	<u>2.41</u>	<u>23,800</u>	<u>1.37</u>
			<u>\$ 2,077,831</u>	<u>100.00%</u>	<u>\$ 1,741,802</u>	<u>100.00%</u>

At June 30, 2007 and 2006, the University's ownership represents .47% and .32%, respectively, of these amounts held by the BTI.

CONCORD UNIVERSITY  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 3. CASH AND CASH EQUIVALENTS (Continued)

**Government Money Market Pool**

**Credit Risk**

The BTI 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. The pool must have at least 15% of its assets in U.S. Treasury issues. The following table provides information on the credit ratings of the Government Money Market Pool's investments (in thousands):

<u>Security Type</u>	<u>Credit Rating</u>		<u>2007</u>		<u>2006</u>	
	<u>Moody's</u>	<u>S&amp;P</u>	<u>Carrying Value</u>	<u>Percent of Pool Assets</u>	<u>Carrying Value</u>	<u>Percent of Pool Assets</u>
U.S. agency bonds	Aaa	AAA	\$ 67,620	29.46%	\$ 21,420	11.76%
U.S. Treasury bills	Aaa	AAA	36,379	15.85	28,346	15.56
U.S. agency discount notes	P1	A-1	74,143	32.30	112,399	61.70
Money market funds	Aaa	AAA	9	0.00	109	0.06
Repurchase agreements (underlying securities):						
U.S. Treasury notes	Aaa	AAA	51,400	22.39	-	0.00
U.S. Treasury strips	Aaa	AAA	-	0.00	15,602	8.56
U.S. agency bonds	Aaa	AAA	-	0.00	4,298	2.36
			<u>51,400</u>	<u>22.39</u>	<u>19,900</u>	<u>10.92</u>
			<u>\$ 229,551</u>	<u>100.00%</u>	<u>\$ 182,174</u>	<u>100.00%</u>

At June 30, 2007 and 2006, the University's ownership represents .16% and .07%, respectively, of these amounts held by the BTI.

**Enhanced Yield Pool**

**Credit Risk**

The BTI limits the exposure to credit risk in the Enhanced Yield Pool by requiring all corporate bonds to be rated A- by Standards & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standards & Poor's and P1 by Moody's. The following table provides information on the credit ratings of the Enhanced Yield Pool's investments (in thousands):

CONCORD UNIVERSITY  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 3. CASH AND CASH EQUIVALENTS (Continued)

Security Type	Credit Rating		2007		2006	
	Moody's	S&P	Carrying Value	Percent of Pool Assets	Carrying Value	Percent of Pool Assets
Corporate asset backed securities	P1	A-1	\$ 42,122	18.40%	\$ 46,963	17.70%
Corporate bonds and notes	Aaa	AAA	1,667	0.73	2,448	0.92
	Aa3	AA	7,857	3.43	-	-
	Aa3	A	3,905	1.70	-	-
	Aa2	AA	950	0.41	-	-
	Aa2	A	2,177	0.95	-	-
	Aa1	AA	6,431	2.81	-	-
	A3	A	6,958	3.04	-	-
	A2	AA	747	0.33	-	-
	A2	A	8,188	3.58	-	-
	A1	AA	3,034	1.32	-	-
	A1	A	10,706	4.68	-	-
	Aa	AA	-	-	3,790	1.43
	Aa	A	-	-	15,660	5.90
	A	AA	-	-	3,048	1.15
	A	A	-	-	46,847	17.65
			<u>52,620</u>	<u>22.98</u>	<u>71,793</u>	<u>27.05</u>
U.S. agency bonds	Aaa	AAA	46,075	20.13	87,215	32.86
U.S. Treasury bills	Aaa	AAA	-	-	58,067	21.88
U.S. Treasury notes	Aaa	AAA	55,877	24.41	-	-
U.S. agency mortgage backed securities	Aaa	AAA	11,741	5.13	-	-
Repurchase agreements (underlying securities):						
U.S. agency mortgage backed securities	Aaa	AAA	-	-	1,346	0.51
U.S. agency notes	Aaa	AAA	<u>20,485</u>	<u>8.95</u>	<u>-</u>	<u>-</u>
			<u>20,485</u>	<u>8.95</u>	<u>1,346</u>	<u>0.51</u>
			<u>\$ 228,920</u>	<u>100.00%</u>	<u>\$ 265,384</u>	<u>100.00%</u>

At June 30, 2007 and 2006, the University's ownership represents .24% and 1.09%, respectively, of these amounts held by the BTI.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. All the BTI's Consolidated Fund pools and accounts are subject to interest rate risk.

The overall weighted average maturity of the investments of the Cash Liquidity Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase. The following table provides information on the weighted average maturities for the various asset types in the Cash Liquidity Pool:

CONCORD UNIVERSITY  
 NOTES TO COMBINED FINANCIAL STATEMENTS  
 YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 3. CASH AND CASH EQUIVALENTS (Continued)

<u>Security Type</u>	2007		2006	
	<u>Carrying Value (In Thousands)</u>	<u>WAM (Days)</u>	<u>Carrying Value (In Thousands)</u>	<u>WAM (Days)</u>
Repurchase agreements	\$ 246,821	2	\$ 102,339	3
U.S. Treasury bills	358,725	30	306,279	32
Commercial paper	1,015,926	52	943,057	25
Certificates of deposit	126,500	76	122,800	105
U.S. agency discount notes	21,655	113	93,851	89
Corporate notes	261,025	58	129,055	77
U.S. agency bonds/notes	46,994	156	43,663	208
Money market funds	<u>185</u>	1	<u>758</u>	1
	<u>\$ 2,077,831</u>	48	<u>\$ 1,741,802</u>	42

The overall weighted average maturity of the investments of the Government Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase. The following table provides information on the weighted average maturities for the various asset types in the Government Money Market Pool:

<u>Security Type</u>	2007		2006	
	<u>Carrying Value (In Thousands)</u>	<u>WAM (Days)</u>	<u>Carrying Value (In Thousands)</u>	<u>WAM (Days)</u>
Repurchase agreements	\$ 51,400	2	\$ 19,900	3
U.S. Treasury bills	36,379	29	28,346	42
U.S. agency discount notes	74,143	106	112,399	39
U.S. agency bonds/notes	67,620	60	21,420	152
Money market funds	<u>9</u>	1	<u>109</u>	1
	<u>\$ 229,551</u>	49	<u>\$ 182,174</u>	49

The overall weighted average maturity of the investments of the Enhanced Yield Pool cannot exceed 731 days. Maximum maturity of individual securities cannot exceed 1,827 days (five years) from date of purchase. The following table provides information on the weighted average maturities for the various asset types in the Enhanced Yield Pool:

<u>Security Type</u>	2007		2006	
	<u>Carrying Value (In Thousands)</u>	<u>WAM (Days)</u>	<u>Carrying Value (In Thousands)</u>	<u>WAM (Days)</u>
Repurchase agreements	\$ 20,485	2	\$ 1,346	3
U.S. Treasury bonds/notes	55,877	1,092	58,067	894
Corporate notes	52,620	557	71,793	588
Corporate asset backed securities	42,122	421	46,963	688
U.S. agency bonds/notes	46,075	927	87,215	594
U.S. agency mortgage backed securities	<u>11,741</u>	814	<u>-</u>	-
	<u>\$ 228,920</u>	700	<u>\$ 265,384</u>	672

CONCORD UNIVERSITY  
 NOTES TO COMBINED FINANCIAL STATEMENTS  
 YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 3. CASH AND CASH EQUIVALENTS (Continued)

**Other Investment Risks**

Other investment risks include concentration of credit risk, custodial credit risk, and foreign currency risk. None of the BTI's Consolidated Fund's investment pools or accounts is exposed to these risks as described below.

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

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the BTI will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Repurchase agreements are required to be collateralized by at least 102% of their value, and the collateral is held in the name of the BTI. Securities lending collateral that is reported on the BTI's Statement of Fiduciary Net Assets is invested in the lending agent's money market fund in the BTI's name. In all transactions, the BTI or its agent does not release cash or securities until the counterparty delivers its side of the transaction.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. None of the BTI's Consolidated Fund's investment pools or accounts holds interests in foreign currency or interests valued in foreign currency.

**Deposits**

Custodial credit risk of deposits is the risk that in the event of failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits include nonnegotiable certificates of deposit. The Cash Liquidity Pool contains nonnegotiable certificates of deposit valued at \$50,000,000, which represents 2.41% of the pool's assets. The BTI does not have a deposit policy for custodial credit risk.

NOTE 4. ACCOUNTS RECEIVABLE

Accounts receivable were as follows at June 30:

	<u>2007</u>	<u>2006</u>
Student tuition and fees, net of allowance for doubtful accounts of \$192,887 and \$177,443, respectively	\$ 138,698	\$ 319,106
Grants and contracts receivable	15,898	210,397
Other accounts receivable	<u>59,077</u>	<u>411,103</u>
	<u>\$ 213,673</u>	<u>\$ 940,606</u>

CONCORD UNIVERSITY  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 5. CAPITAL ASSETS

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

	2007			Ending Balance
	Beginning Balance	Additions	Reductions	
Capital assets not being depreciated:				
Land	\$ 194,303	\$ -	\$ -	\$ 194,303
Construction in progress	<u>8,221,321</u>	<u>5,212,618</u>	<u>(1,534,678)</u>	<u>11,899,261</u>
Total capital assets not being depreciated	<u>\$ 8,415,624</u>	<u>\$5,212,618</u>	<u>\$ (1,534,678)</u>	<u>\$12,093,564</u>
Other capital assets:				
Land improvements	\$ 633,183	\$ 937,900	\$ (27,609)	\$ 1,543,474
Buildings	34,577,686	596,779	-	35,174,465
Equipment	4,456,161	216,348	(243,302)	4,429,207
Software	165,202	6,007	-	171,209
Library books	<u>1,427,445</u>	<u>32,640</u>	<u>(8,803)</u>	<u>1,451,282</u>
Total other capital assets	<u>41,259,677</u>	<u>1,789,674</u>	<u>(279,714)</u>	<u>42,769,637</u>
Less accumulated depreciation for:				
Land improvements	(73,982)	(72,684)	-	(146,666)
Buildings	(16,592,423)	(671,865)	-	(17,264,288)
Equipment	(2,932,712)	(373,966)	241,913	(3,064,765)
Software	(141,606)	(14,704)	-	(156,310)
Library books	<u>(211,000)</u>	<u>(31,189)</u>	<u>8,803</u>	<u>(233,386)</u>
Total accumulated depreciation	<u>(19,951,723)</u>	<u>(1,164,408)</u>	<u>250,716</u>	<u>(20,865,415)</u>
Other capital assets-net	<u>\$ 21,307,954</u>	<u>\$ 625,266</u>	<u>\$ (28,998)</u>	<u>\$21,904,222</u>
Capital asset summary:				
Capital assets not being depreciated	\$ 8,415,624	\$5,212,618	\$ (1,534,678)	\$12,093,564
Other capital assets	<u>41,259,677</u>	<u>1,789,674</u>	<u>(279,714)</u>	<u>42,769,637</u>
Total cost of capital assets	49,675,301	7,002,292	(1,814,392)	54,863,201
Less accumulated depreciation	<u>(19,951,723)</u>	<u>(1,164,408)</u>	<u>250,716</u>	<u>(20,865,415)</u>
Capital assets-net	<u>\$ 29,723,578</u>	<u>\$5,837,884</u>	<u>\$ (1,563,676)</u>	<u>\$33,997,786</u>

CONCORD UNIVERSITY  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 5. CAPITAL ASSETS (Continued)

	2006			Ending Balance
	Beginning Balance	Additions	Reductions	
Capital assets not being depreciated:				
Land	\$ 194,303	\$ -	\$ -	\$ 194,303
Construction in progress	<u>1,431,768</u>	<u>6,789,553</u>	<u>-</u>	<u>8,221,321</u>
Total capital assets not being depreciated	<u>\$ 1,626,071</u>	<u>\$ 6,789,553</u>	<u>\$ -</u>	<u>\$ 8,415,624</u>
Other capital assets:				
Land improvements	\$ 371,867	\$ 261,316	\$ -	\$ 633,183
Buildings	34,487,444	396,910	(306,668)	34,577,686
Equipment	4,378,303	460,232	(382,374)	4,456,161
Software	156,971	8,231	-	165,202
Library books	<u>1,361,204</u>	<u>74,640</u>	<u>(8,399)</u>	<u>1,427,445</u>
Total other capital assets	<u>40,755,789</u>	<u>1,201,329</u>	<u>(697,441)</u>	<u>41,259,677</u>
Less accumulated depreciation for:				
Land improvements	(34,863)	(39,119)	-	(73,982)
Buildings	(16,206,924)	(664,558)	279,059	(16,592,423)
Equipment	(2,930,552)	(365,381)	363,221	(2,932,712)
Software	(127,921)	(13,685)	-	(141,606)
Library books	<u>(190,487)</u>	<u>(28,912)</u>	<u>8,399</u>	<u>(211,000)</u>
Total accumulated depreciation	<u>(19,490,747)</u>	<u>(1,111,655)</u>	<u>650,679</u>	<u>(19,951,723)</u>
Other capital assets-net	<u>\$ 21,265,042</u>	<u>\$ 89,674</u>	<u>\$ (46,762)</u>	<u>\$ 21,307,954</u>
Capital asset summary:				
Capital assets not being depreciated	\$ 1,626,071	\$ 6,789,553	\$ -	\$ 8,415,624
Other capital assets	<u>40,755,789</u>	<u>1,201,329</u>	<u>(697,441)</u>	<u>41,259,677</u>
Total cost of capital assets	42,381,860	7,990,882	(697,441)	49,675,301
Less accumulated depreciation	<u>(19,490,747)</u>	<u>(1,111,655)</u>	<u>650,679</u>	<u>(19,951,723)</u>
Capital assets-net	<u>\$ 22,891,113</u>	<u>\$ 6,879,227</u>	<u>\$ (46,762)</u>	<u>\$ 29,723,578</u>

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

Title for certain real property is with the Commission.

At June 30, 2007, the University had outstanding contractual commitments of approximately \$1.6 million for property, plant, and equipment expenditures.

CONCORD UNIVERSITY  
 NOTES TO COMBINED FINANCIAL STATEMENTS  
 YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 6. LONG-TERM LIABILITIES

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

	2007				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long-term liabilities:					
Advances from federal sponsors	\$ 2,254,279	\$ 16,878	\$ -	\$ 2,271,157	\$ -
Accrued compensated absences	2,421,808	596,421	(728,671)	2,289,558	739,797
Debt obligation due Commission	<u>578,959</u>	<u>-</u>	<u>(145,989)</u>	<u>432,970</u>	<u>146,623</u>
Total long-term liabilities	<u>\$ 5,255,046</u>	<u>\$ 613,299</u>	<u>\$ (874,660)</u>	<u>\$ 4,993,685</u>	<u>\$ 886,420</u>
	2006				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long-term liabilities:					
Advances from federal sponsors	\$ 2,232,418	\$ 21,861	\$ -	\$ 2,254,279	\$ -
Accrued compensated absences	2,236,629	807,900	(622,721)	2,421,808	725,277
Debt obligation due Commission	<u>723,996</u>	<u>-</u>	<u>(145,037)</u>	<u>578,959</u>	<u>145,989</u>
Total long-term liabilities	<u>\$ 5,193,043</u>	<u>\$ 829,761</u>	<u>\$ (767,758)</u>	<u>\$ 5,255,046</u>	<u>\$ 871,266</u>

NOTE 7. COMPENSATED ABSENCES

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

	2007	2006
Health or life insurance benefits	\$ 1,661,360	\$ 1,795,138
Accrued vacation leave	<u>628,198</u>	<u>626,670</u>
	<u>\$ 2,289,558</u>	<u>\$ 2,421,808</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, 2007 and 2006, the amount paid by the University for extended health or life insurance coverage retirement benefits totaled approximately \$110,238 and \$81,789 respectively. As of June 30, 2007 and 2006, there were 40 retirees currently eligible for these benefits.

CONCORD UNIVERSITY  
 NOTES TO COMBINED FINANCIAL STATEMENTS  
 YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 8. OPERATING LEASE OBLIGATIONS

The University leases various equipment, automobiles, and facilities under operating lease agreements. Aggregate payments under these agreements were \$65,222 and \$65,797 for the years ended June 30, 2007 and 2006, respectively. Future minimum rental commitments are as follows as of June 30, 2007:

2008	\$ 60,381
2009	17,660
2010	4,770

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.

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 2007 and 2006, the University paid \$75,989 and \$75,037, respectively, to the Commission against this debt obligation. The amount due to Commission at June 30, 2007 is \$362,970.

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, 2006. During 2006 and 2007 the University paid \$70,000 to the Commission against this debt obligation. The amount due to Commission at June 30, 2007 is \$70,000.

CONCORD UNIVERSITY  
 NOTES TO COMBINED FINANCIAL STATEMENTS  
 YEARS ENDED JUNE 30, 2007 AND 2006

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

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. As of June 30, 2007, the University had expended the total available bond funds in the amount of \$4.6 million.

NOTE 10. UNRESTRICTED NET ASSETS

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

	<u>2007</u>	<u>2006</u>
Designated for repair and replacement of property	\$ 353,000	\$ 1,572,438
Designated for new projects	2,636,990	2,181,490
Undesignated	<u>2,937,969</u>	<u>2,989,249</u>
Total unrestricted net assets	<u>\$ 5,927,959</u>	<u>\$ 6,743,177</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.

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, 2007, 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, 2007. Required employee contributions were at the rate of 6% of total annual salary for the years ended June 30, 2007. 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.

CONCORD UNIVERSITY  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 11. RETIREMENT PLANS (Continued)

Total contributions to the STRS for the years ended June 30, 2007, 2006, and 2005 were \$379,058, \$409,446, and \$419,311, respectively, which consisted of \$270,755, \$292,463, and \$299,508 from the University, and \$108,303, \$116,985, and \$119,803 from the covered employees in 2007, 2006, and 2005, 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, 2007, 2006, and 2005 were \$1,130,248, \$1,062,512, and \$1,004,964, respectively, which consisted of contributions of \$565,124, \$531,256, and \$502,482 from the University and \$565,124, \$531,256, and \$502,482 from the covered employees in 2007, 2006 and 2005, respectively.

The University's total payroll for the years ended June 30, 2007, 2006 and 2005 was \$12,934,911, \$12,691,516, and \$12,134,202, respectively. Total covered employees' salaries in the STRS and TIAA-CREF were \$1,805,809 and \$9,418,734 respectively in 2007; \$1,949,744 and \$8,854,259 in 2006 respectively; and \$1,996,717 and \$8,374,892 in 2005, respectively.

CONCORD UNIVERSITY  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2007 AND 2006

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, 2007 and 2006, the Foundation’s net assets (including unrealized gains) totaled \$25,899,663 and \$22,950,756, 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, 2007 and 2006, the Foundation contributed approximately \$427,000 and \$399,000, respectively, to the University for scholarships and other student support. In addition, the Foundation contributed approximately \$26,000 for the year ended June 30, 2006, 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. The financial statements of this organization 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  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2007 AND 2006

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

**1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Organization

Concord University Foundation, Inc. (the Foundation) solicits and administers gifts on behalf of Concord University. The Foundation is a not-for-profit corporation organized under the laws of the State of West Virginia and exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code. The Foundation has been classified as an organization that is not a private foundation under Section 509(a)(2).

Contributions

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of demand deposits and money market funds.

Investments

Investments are stated at fair value. Fair value is based principally on quoted market prices.

Property and Equipment

Equipment is stated at cost at the date of purchase. Depreciation is calculated on a straight-line basis over the estimated useful lives of the equipment, which range from 3 to 7 years. Maintenance and repairs are charged to operations as incurred and major improvements greater than \$1,000 are capitalized.

Split-Interest Agreements

The Foundation has beneficial interests in various donor-established charitable remainder trusts and charitable gift annuities. Assets received under such agreements are recorded at their fair values. Assets related to charitable gift annuities for the years ended June 30, 2007 and 2006, respectively, are included in investments and amounted to approximately \$877,000 and \$824,000. Contribution revenue is calculated based on the present value of estimated future cash flows using a discount rate commensurate with the risks involved less the present value of payments expected to be made to other beneficiaries. During the terms of these agreements, activity relating to revaluations of expected future benefits to be received by the Foundation or expected future payments to other beneficiaries are recognized as “changes in the value of split-interest agreements.”

## CONCORD UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)**1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Split-Interest Agreements (Continued)

In addition, the Foundation is the beneficiary of a charitable remainder trust for which the Foundation has not recorded an interest since the annuity obligation exceeds the fair market value of the assets. 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.

Functional Reporting

Expenses are reported on a functional basis that discloses the purposes for which the expenses have been incurred. A brief description of each of the functional classifications follows:

- *College Support* - Funds expended primarily to provide support services for Concord University. It includes scholarships awarded to the students and the provision of services that directly assist the academic functions, such as faculty development.
- *Management and General* - Expenses incurred principally for (1) central executive-level activities concerned with management of day-to-day operations and long-range planning, (2) legal and fiscal operations, and (3) administrative data processing.
- *Fundraising* - Expenses related to community and alumni relations, including development and fund raising.

Net Assets

The Foundation has classified its net assets based on the existence or absence of donor-imposed restrictions. Below is a summary of those classifications:

**Unrestricted:** Assets that are not restricted by donors or for which restrictions have expired are unrestricted.

**Temporarily Restricted:** Assets resulting from contributions whose use is limited by donor-imposed stipulations that either expire by the passage of time or by actions of the Foundation are considered temporarily restricted. Temporarily restricted net assets consist principally of donor-imposed stipulations related to student financial aid or capital projects.

**Permanently Restricted:** Assets resulting from contributions whose use is limited by donor stipulations that neither expire through the passage of time nor by actions of the Foundation are classified as permanently restricted. Such assets consist of endowments which are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity; spending of the related investment income is limited to the lesser of actual income or a percentage of the market value of investment assets.

## CONCORD UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)**1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES (Continued)**Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Donated Services

Donated professional services contributed by Concord University are reflected as contributions in the accompanying financial statements at their estimated fair values at the date of the gift. Total donated professional services for the years ended June 30, 2007 and 2006, was approximately \$161,000 and \$198,000, 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.

Donated Rent

Contributed use of the facilities contributed by Concord University are reflected as contributions in the accompanying financial statements at their estimated fair values in the period in which the contributions are received. Total donated rent for the years ended June 30, 2007 and 2006, was \$18,700 and \$18,700, respectively.

Amounts Held on Behalf of Others

Amounts held on behalf of others represent assets held by the Foundation as an agent. These funds are custodial by nature and do not involve measurement of operations; therefore, they are reflected as investments (asset) and amounts held on behalf of others (liability) in the accompanying financial statements in the amount of \$896,506 and \$906,378 as of June 30, 2007 and 2006, respectively.

Reclassification

Certain 2006 amounts have been reclassified to conform with the 2007 presentation.

## CONCORD UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)**2 - CONTRIBUTIONS RECEIVABLE**

Contributions receivable consisted of the following:

	<u>2007</u>	<u>2006</u>
Unconditional promises to give	\$ 1,390,379	\$ 1,377,070
Less: Allowance for uncollectible promises to give	3,938	4,560
Less: Unamortized discount at 3.0%	500	2,070
Unamortized discount at 4.0%	11,570	30,370
Unamortized discount at 4.5%	42,832	39,715
Unamortized discount at 5.0%	<u>58,200</u>	<u>-</u>
Net unconditional promises to give	<u>\$ 1,273,339</u>	<u>\$ 1,300,355</u>
Amounts due in:		
Less than one year	\$ 549,333	\$ 625,312
One to five years	776,046	751,758
More than five years	<u>65,000</u>	<u>-</u>
	<u>\$ 1,390,379</u>	<u>\$ 1,377,070</u>

**3 - LONG-TERM INVESTMENTS**

Long-term investments consisted of the following at June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Government obligations	\$ 4,687,501	\$ 3,591,568
Corporate obligations	2,739,594	2,100,423
Corporate equities	9,646,714	8,443,274
Mutual funds	6,907,366	6,993,805
Mineral rights	<u>339,804</u>	<u>339,804</u>
	<u>\$ 24,320,979</u>	<u>\$ 21,468,874</u>

Government obligations consist principally of obligations of the U.S. Treasury and agencies. Corporate obligations are concentrated in the financial services, utility, and communications sectors. Corporate equities are diversified, with no significant industry concentrations.

## CONCORD UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)**3 - LONG-TERM INVESTMENTS (Continued)**

Realized and unrealized gains recognized during the years ended June 30, 2007 and 2006, consisted of the following:

	<u>2007</u>	<u>2006</u>
Realized	\$ 578,477	\$ 550,911
Unrealized	<u>1,857,421</u>	<u>520,053</u>
	<u>\$ 2,435,898</u>	<u>\$ 1,070,964</u>

**4 - PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Equipment and software	\$ 51,377	\$ 39,566
Less accumulated depreciation	<u>(38,175)</u>	<u>(24,112)</u>
	<u>\$ 13,202</u>	<u>\$ 15,454</u>

Depreciation expense for the years ended June 30, 2007 and 2006, was \$14,062 and \$12,297, respectively.

**5 - TEMPORARILY RESTRICTED NET ASSETS**

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

	<u>2007</u>	<u>2006</u>
Business department	\$ 744,778	\$ 264,347
Faculty development	163,341	117,243
Stadium	528,025	916,817
University Point	1,995,628	1,199,636
Student support	4,894,790	4,142,617
For periods after June 30	<u>-</u>	<u>760</u>
	<u>\$ 8,326,562</u>	<u>\$ 6,641,420</u>

## CONCORD UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)**6 - PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable for student support. Included in permanently restricted net assets is approximately \$9,100,000 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.

**7 - FINANCIAL INSTRUMENTS**

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist of cash and investments.

The Foundation places its cash with several high-credit quality financial institutions. At times, the balances in such institutions may exceed the FDIC limit.

Investments consist of corporate stocks; federal, municipal, and corporate notes and bonds; bank certificates of deposit; and mutual funds. Most of the investments are held by the trust departments of financial institutions, and managed in accordance with the Foundation's investment policy.

Concentration of credit risk for investments is limited by the Foundation's investment policy. Management does not believe significant concentrations of credit risk existed at June 30, 2007.

CONCORD UNIVERSITY  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 16. NATURAL CLASSIFICATIONS WITH FUNCTIONS CLASSIFICATIONS

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

	2007								
	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Loan Cancellations and Write-offs	Fees Assessed by the Commission	Total
Instruction	\$ 6,685,760	\$ 1,629,852	\$ 1,146,663	\$ 3,315	\$ -	\$ -	\$ -	\$ -	\$ 9,465,590
Research	-	-	53,029	-	-	-	-	-	53,029
Public service	493,246	55,430	445,766	1,751	-	-	-	-	996,193
Academic support	654,401	281,202	660,715	10,138	-	-	-	-	1,606,456
Student services	907,494	348,060	723,777	4,188	-	-	-	-	1,983,519
General institutional support	1,866,754	486,345	487,533	143,986	-	-	-	-	2,984,618
Operations and maintenance of plant	401,614	134,990	941,755	602,360	-	-	-	-	2,080,719
Student financial aid	-	-	-	-	2,893,846	-	-	-	2,893,846
Auxiliary enterprises	1,925,642	399,625	4,830,334	906,144	-	-	-	-	8,061,745
Depreciation	-	-	-	-	-	1,164,408	-	-	1,164,408
Other	-	-	-	-	-	-	99,580	149,773	249,353
<b>Total</b>	<b>\$ 12,934,911</b>	<b>\$ 3,335,504</b>	<b>\$ 9,289,572</b>	<b>\$ 1,671,882</b>	<b>\$ 2,893,846</b>	<b>\$ 1,164,408</b>	<b>\$ 99,580</b>	<b>\$ 149,773</b>	<b>\$ 31,539,476</b>

	2006								
	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Loan Cancellations and Write-offs	Fees Assessed by the Commission	Total
Instruction	\$ 6,677,034	\$ 1,803,373	\$ 1,455,025	\$ 6,064	\$ -	\$ -	\$ -	\$ -	\$ 9,941,496
Public service	213,297	60,755	672,549	601	-	-	-	-	947,202
Academic support	785,678	224,438	431,555	13,171	-	-	-	-	1,454,842
Student services	888,766	145,057	768,385	5,525	-	-	-	-	1,807,733
General institutional support	1,746,790	557,838	557,059	135,163	-	-	-	-	2,996,850
Operations and maintenance of plant	480,621	155,250	695,645	635,039	-	-	-	-	1,966,555
Student financial aid	-	-	-	-	3,121,235	-	-	-	3,121,235
Auxiliary enterprises	1,899,330	652,220	4,614,201	935,386	-	-	-	-	8,101,137
Depreciation	-	-	-	-	-	1,111,655	-	-	1,111,655
Other	-	-	-	-	-	-	97,237	149,953	247,190
<b>Total</b>	<b>\$ 12,691,516</b>	<b>\$ 3,598,931</b>	<b>\$ 9,194,419</b>	<b>\$ 1,730,949</b>	<b>\$ 3,121,235</b>	<b>\$ 1,111,655</b>	<b>\$ 97,237</b>	<b>\$ 149,953</b>	<b>\$ 31,695,895</b>



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

Governing Board  
Concord University  
Athens, West Virginia

We have audited the combined financial statements of Concord University (the "University") as of and for the year ended June 30, 2007, and have issued our report thereon dated October 23, 2007, 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. The financial statements of the Concord University Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and responses as item 2007-01 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

The University's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the University's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of 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 those specified parties.



Charleston, West Virginia  
October 23, 2007

CONCORD UNIVERSITY  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2007

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**2007-01**

**Internal Control**

**Criteria:**

Management of the University is responsible for establishing an internal control structure that reduces to an acceptable level the risk of errors and fraud occurring and not being detected. Furthermore, management is responsible for monitoring the internal control structure to ensure compliance.

**Condition:**

As part of their internal control processes the Concord University business office conducts internal audits. One of these internal audits revealed procurement deficiencies that may have resulted in some questionable procurement card (Pcard) expenditures related to certain physical plant purchases at the University. Preliminary results of an ongoing investigation have identified apparently inappropriate billings from certain vendors and/or instances in which vendor products did not meet the specifications required. The internal audit also revealed that an employee charged several personal items on their state P-card.

**Context:**

An investigation is being conducted of certain purchases from the period from 2002 through 2006. Current estimates of total questionable expenditures range from \$350,000 to \$456,000 for the four year period. Total annual expenditures are approximately \$31,500,000. Upon discovery of the questionable transactions, management promptly took action to strengthen internal controls, while revoking the Pcard privileges of the assistance Director of Physical Plant and the Procurement Officer. Management also expanded the period under internal audit from fiscal 2006 back through fiscal 2002, and notified the State Auditors Pcard division. Findings of the internal audit have been turned over to Commission on Special Investigations (CSI).

**Cause:**

Third-party vendors may have inappropriately billed the University and certain University internal control procedures and State policies and procedures in place were not followed by University plant and procurement personnel.

**Effect:**

University plant and procurement personnel appear to have circumvented internal controls and expended funds in excess of amounts necessary or received products that did not meet the required specifications.

**Recommendation:**

We recommend that management in conjunction with the CSI finalize the review and investigation into this matter and report the results to the appropriate oversight agencies. Furthermore, management of the University should take appropriate action based upon the results of the report and continue to monitor the internal control structure.

**Management's  
Response/Views of  
Responsible  
Officials:**

Management concurs with the above information noting that the internal audit identified the questionable Pcard activity in FY06. In FY07, internal controls over Physical Plant Pcard spending have been rigorous, there have been personnel changes and other changes are under consideration. Management has provided copies of all internal audit materials to the CSI.