

WEST VIRGINIA UNIVERSITY - MAIN CAMPUS AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF NET ASSETS AS OF JUNE 30, 2008 AND 2007

(Dollars in Thousands)

| | 2008 | 2007 |
|---|---------------------|---------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 109,575 | \$ 127,686 |
| Accounts receivable - Regionals | - | 26 |
| Accounts receivable, net of allowances for doubtful accounts of \$3,695 and \$3,818 | 46,754 | 38,960 |
| Investment earnings receivable | - | - |
| Due from the Commission | 1,306 | 4,489 |
| Loans receivable, current portion | 2,162 | 3,609 |
| Inventories | 1,397 | 1,313 |
| Prepaid expenses | 882 | 1,654 |
| Bond issuance cost, current portion | 132 | 132 |
| Total current assets | <u>162,208</u> | <u>177,869</u> |
| Noncurrent Assets: | | |
| Restricted cash and cash equivalents | 35,650 | 14,997 |
| Investments | 76,077 | 92,559 |
| Accounts receivable | 1,365 | - |
| Loans receivable, net of allowances for doubtful accounts of \$4,199 and \$5,135 | 36,545 | 32,560 |
| Bond issuance cost | 1,387 | 1,519 |
| Other assets, net | 11,153 | 14,015 |
| Capital assets, net | <u>932,418</u> | <u>839,691</u> |
| Total noncurrent assets | <u>1,094,595</u> | <u>995,341</u> |
| TOTAL ASSETS | <u>\$ 1,256,803</u> | <u>\$ 1,173,210</u> |

(continued)

WEST VIRGINIA UNIVERSITY - MAIN CAMPUS AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF NET ASSETS (CONTINUED)

AS OF JUNE 30, 2008 AND 2007

(Dollars in Thousands)

| | 2008 | 2007 |
|--|-------------------|-------------------|
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts payable | \$ 36,930 | \$ 38,195 |
| Accounts payable - Regionals | 169 | - |
| Accrued liabilities | 3,238 | 3,542 |
| Accrued payroll | 13,621 | 11,886 |
| Deposits | 2,651 | 2,467 |
| Deferred revenue | 44,581 | 36,640 |
| Due to the Commission | 449 | 225 |
| Compensated absences, current portion | 22,146 | 21,821 |
| College system debt owed to the Commission, current portion | 211 | 204 |
| Debt service assessment payable to the Commission, current portion | 4,985 | 4,776 |
| Leases payable, current portion | 2,899 | 3,952 |
| Bonds payable, current portion | 3,314 | 3,139 |
| Notes payable, current portion | 48 | 95 |
| Total current liabilities | <u>135,242</u> | <u>126,942</u> |
| Noncurrent Liabilities: | | |
| Compensated absences | - | 31,893 |
| Other post employment benefits liability | 6,321 | - |
| College system debt owed to the Commission | 550 | 761 |
| Advances from federal government | 26,891 | 27,351 |
| Debt service assessment payable to the Commission | 93,391 | 98,375 |
| Leases payable | 27,626 | 20,825 |
| Bonds payable | 206,690 | 210,005 |
| Notes payable | 15,000 | 3,928 |
| Other noncurrent liabilities | 16,721 | 13,825 |
| Total noncurrent liabilities | <u>393,190</u> | <u>406,963</u> |
| TOTAL LIABILITIES | <u>\$ 528,432</u> | <u>\$ 533,905</u> |
| NET ASSETS | | |
| Invested in capital assets, net of related debt | \$ 603,847 | \$ 537,752 |
| Restricted for: | | |
| Nonexpendable: | | |
| Scholarships and fellowships | 85 | 85 |
| Loans | 3,918 | 4,167 |
| Other | 475 | 475 |
| Total nonexpendable | <u>4,478</u> | <u>4,727</u> |
| Expendable: | | |
| Scholarships and fellowships | 238 | 221 |
| Sponsored programs | 10,327 | 14,846 |
| Loans | 19,495 | 17,634 |
| Capital projects | - | 1,387 |
| Debt service | 699 | 824 |
| Other | 1,029 | 1,198 |
| Total expendable | <u>31,788</u> | <u>36,110</u> |
| Unrestricted | <u>88,258</u> | <u>60,716</u> |
| TOTAL NET ASSETS | <u>\$ 728,371</u> | <u>\$ 639,305</u> |

WEST VIRGINIA UNIVERSITY - MAIN CAMPUS AND SUBSIDIARY

**CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2008 AND 2007**

(Dollars in Thousands)

| | 2008 | 2007 |
|--|------------------|------------------|
| OPERATING REVENUES | | |
| Student tuition and fees, net of scholarship allowances of \$24,262 and \$20,627 | \$ 250,364 | \$ 230,395 |
| Federal land grants | 8,350 | 7,940 |
| Local land grants | 1,089 | 885 |
| Federal grants and contracts | 87,850 | 87,212 |
| State grants and contracts | 35,418 | 31,787 |
| Local grants and contracts | 389 | 325 |
| Nongovernmental grants and contracts | 36,964 | 35,255 |
| Sales and services of educational departments | 13,993 | 14,260 |
| Auxiliary enterprises, net of scholarship allowances of \$5,615 and \$4,775 | 100,725 | 90,135 |
| Interest on student loans receivable | 579 | 651 |
| Operating revenue from the Regionals | 331 | - |
| Service agreement revenue | 2,468 | 2,532 |
| Other operating revenues (including revenue from outsourced enterprise of \$1,157 and \$1,144) | 10,237 | 6,514 |
| Total operating revenues | <u>548,757</u> | <u>507,891</u> |
| OPERATING EXPENSES | | |
| Salaries and wages | 359,124 | 339,562 |
| Benefits | 125,141 | 101,681 |
| Scholarships and fellowships | 24,553 | 24,654 |
| Utilities | 23,355 | 24,231 |
| Supplies and other services | 175,107 | 154,815 |
| Depreciation | 42,661 | 40,095 |
| Operating expenses to the Regionals | - | 1,197 |
| Loan cancellations and write-offs | 522 | 277 |
| Assessments by the Commission for operations | 2,409 | 2,256 |
| Waivers in support of other State institutions | 477 | 434 |
| Service agreement expense | - | - |
| Other operating expenses | 6,241 | 7,704 |
| Total operating expenses | <u>759,590</u> | <u>696,906</u> |
| OPERATING LOSS | <u>(210,833)</u> | <u>(189,015)</u> |

(continued)

WEST VIRGINIA UNIVERSITY - MAIN CAMPUS AND SUBSIDIARY**CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (CONTINUED)
YEARS ENDED JUNE 30, 2008 AND 2007****(Dollars in Thousands)**

| | 2008 | 2007 |
|---|-------------|-------------|
| NONOPERATING REVENUES (EXPENSES) | | |
| State appropriations | \$ 201,342 | \$ 191,503 |
| Payments on behalf of the University | 9,988 | - |
| Gifts | 17,486 | 14,050 |
| Investment income | 5,933 | 11,936 |
| Interest on capital asset-related debt | (10,452) | (8,874) |
| Assessments by the Commission for debt service | (5,372) | (5,527) |
| Other nonoperating expenses - net | (1,419) | (1,283) |
| Net nonoperating revenues | 217,506 | 201,805 |
| INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES | 6,673 | 12,790 |
| Capital grants and gifts | 39,070 | 56,246 |
| Bond/capital projects proceeds from the Commission | 10,081 | 27,167 |
| INCREASE IN NET ASSETS BEFORE CUMULATIVE EFFECT | 55,824 | 96,203 |
| CUMULATIVE EFFECT OF ADOPTION OF ACCOUNTING PRINCIPLE | 33,242 | - |
| INCREASE IN NET ASSETS | 89,066 | 96,203 |
| NET ASSETS--BEGINNING OF YEAR | 639,305 | 543,102 |
| NET ASSETS--END OF YEAR | \$ 728,371 | \$ 639,305 |

WEST VIRGINIA UNIVERSITY MAIN CAMPUS AND SUBSIDIARY

**CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2008 AND 2007**

(Dollars in Thousands)

| | 2008 | 2007 |
|---|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Tuition and fees | \$ 247,969 | \$ 234,326 |
| Federal and local land grants | 9,440 | 8,825 |
| Grants and contracts | 166,698 | 151,944 |
| Payments to suppliers | (167,733) | (147,448) |
| Payments to employees | (359,025) | (337,690) |
| Payments for benefits | (104,370) | (103,938) |
| Payments to utilities | (23,262) | (23,324) |
| Payments for scholarships and fellowships | (23,011) | (26,023) |
| Loan advances returned to federal government | (460) | 3 |
| Disbursements of loans to students | (3,060) | (1,490) |
| Interest earned on loans to students | 579 | 651 |
| Auxiliary enterprise charges | 101,808 | 91,147 |
| Sales and service of educational departments | 13,906 | 14,067 |
| Payments of operating expenses to the Regionals | 2,994 | 1,309 |
| Other receipts | 3,754 | 5,700 |
| Net cash used in operating activities | <u>(133,773)</u> | <u>(131,941)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| State appropriations | 201,342 | 196,439 |
| Gifts | 17,206 | 14,050 |
| Assessments by the Commission for debt service | (5,372) | (5,527) |
| William D. Ford direct lending receipts | 150,381 | 136,713 |
| William D. Ford direct lending payments | (150,689) | (136,718) |
| Other nonoperating receipts (payments) | 124 | 67 |
| Net cash provided by noncapital financing activities | <u>212,992</u> | <u>205,024</u> |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES | | |
| Payments on Commission debt assessment payable | (4,979) | (4,779) |
| Bond/capital projects proceeds from the Commission | 13,337 | 23,259 |
| Capital gifts and grants received | 32,372 | 55,203 |
| Purchases of capital assets | (140,888) | (165,080) |
| Capital projects proceeds from trustees | 9,183 | 18,598 |
| Principal paid on capital debt and leases | (7,646) | (7,615) |
| Interest paid on capital debt and leases | (11,415) | (11,373) |
| Proceeds from loan | 11,120 | 3,880 |
| Proceeds from insurance recovery | - | - |
| Net cash used in capital financing activities | <u>(98,916)</u> | <u>(87,907)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sale of investments | 47,294 | 31,654 |
| Investment income | 9,214 | 10,186 |
| Purchase of investments | (15,874) | (31,194) |
| Net cash provided by investing activities | <u>22,239</u> | <u>10,646</u> |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 2,542 | (4,178) |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | <u>142,683</u> | <u>146,861</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 145,225</u> | <u>\$ 142,683</u> |

(continued)

WEST VIRGINIA UNIVERSITY MAIN CAMPUS AND SUBSIDIARY

**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2008 AND 2007**

(Dollars in Thousands)

| | 2008 | 2007 |
|---|---------------------|---------------------|
| Reconciliation of net operating loss to net cash used in operating activities: | | |
| Operating loss | \$ (210,833) | \$ (189,015) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | |
| Depreciation and amortization expense | 52,473 | 42,227 |
| Expenses paid on behalf of University | 9,988 | - |
| Changes in assets and liabilities: | | |
| Accounts receivable, net | (14,521) | (7,630) |
| Due from the Commission | (74) | - |
| Loans receivable, net | (2,538) | (1,213) |
| Prepaid expenses | 773 | (395) |
| Inventories | (84) | 25 |
| Accounts payable | 11,407 | 11,276 |
| Accrued liabilities | 10,073 | 7,783 |
| Deposits | 184 | 19 |
| Deferred revenue | 7,941 | 7,424 |
| Due to the Commission | 224 | (99) |
| Compensated absences | 1,674 | (2,349) |
| Advances from federal government | (460) | 6 |
| Net cash used in operating activities | <u>\$ (133,773)</u> | <u>\$ (131,941)</u> |
| Noncash Transactions: | | |
| Cumulative effect of adoption of accounting principle | <u>\$ 33,242</u> | <u>\$ -</u> |
| Construction in progress additions in accounts payable | <u>\$ 5,434</u> | <u>\$ 10,255</u> |
| Equipment purchased on capital lease | <u>\$ 588</u> | <u>\$ 1,151</u> |
| Donated capital assets | <u>\$ 857</u> | <u>\$ 1,044</u> |
| Unrealized gain on investments | <u>\$ (3,457)</u> | <u>\$ 1,748</u> |
| Bond discount amortization | <u>\$ 642</u> | <u>\$ 642</u> |
| Loss on dispositions | <u>\$ 762</u> | <u>\$ 686</u> |
| Assets transferred from Research Corporation | <u>\$ -</u> | <u>\$ -</u> |
| Land swap | <u>\$ -</u> | <u>\$ 1,115</u> |
| Other post employment benefits liability | <u>\$ 6,321</u> | <u>\$ -</u> |
| Expenses paid on behalf of WVU | <u>\$ 9,988</u> | <u>\$ -</u> |
| Reconciliation of cash and cash equivalents to the statements of net assets: | | |
| Cash and cash equivalents classified as current assets | \$ 109,575 | \$ 127,686 |
| Cash and cash equivalents classified as noncurrent assets | 35,650 | 14,997 |
| | <u>\$ 145,225</u> | <u>\$ 142,683</u> |

West Virginia University - Main Campus and Subsidiary
 NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATION
 (Dollars in Thousands)

| Functional Classification | Year Ended June 30, 2008 | | | | | | | | | | | |
|--|--------------------------|------------|----------------------------|-----------|---------------------------|--------------|------------------------|-------------------------------|--------------------|--------------------|------------|------------|
| | Salaries & Wages | Benefits | Scholarships & Fellowships | Utilities | Supplies & Other Services | Depreciation | Loan Canc & Write Offs | Assessments by the Commission | Waivers in Support | Operating Expenses | Other | Total |
| Instruction | \$ 139,753 | \$ 47,492 | \$ - | \$ 240 | \$ 23,424 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,186 | \$ 212,095 |
| Research | 60,798 | 25,879 | - | 561 | 35,801 | - | - | - | - | - | 4,923 | 127,962 |
| Public Service | 30,897 | 8,733 | - | 43 | 12,058 | - | - | - | - | - | 40 | 51,771 |
| Academic Support | 20,548 | 6,347 | - | 87 | 7,757 | - | - | - | - | - | - | 34,739 |
| Student Services | 16,270 | 5,630 | - | 9 | 7,254 | - | - | - | - | - | - | 29,163 |
| Operation and Maintenance of Plant | 19,584 | 8,944 | - | 16,207 | 16,961 | - | - | - | - | - | - | 61,696 |
| General Institutional Support | 39,139 | 12,220 | - | 70 | 26,130 | - | - | - | - | - | 33 | 77,592 |
| Student Financial Aid | - | - | - | - | - | - | - | - | - | - | - | 24,553 |
| Auxiliary Enterprises | 32,135 | 9,896 | - | 6,138 | 45,722 | - | - | - | - | - | 59 | 93,950 |
| Depreciation | - | - | - | - | - | 42,661 | - | - | - | - | - | 42,661 |
| Assessments by Commission for Operations | - | - | - | - | - | - | - | 2,409 | - | - | - | 2,409 |
| Waivers in Support of Other State Institutions | - | - | - | - | - | - | - | - | 477 | - | - | 477 |
| Loan Cancellations and Write Offs | - | - | - | - | - | - | 522 | - | - | - | - | 522 |
| Total Expenses | \$ 359,124 | \$ 125,141 | \$ 24,553 | \$ 23,355 | \$ 175,107 | \$ 42,661 | \$ 522 | \$ 2,409 | \$ 477 | \$ 6,241 | \$ 759,590 | |

West Virginia University - Main Campus and Subsidiary
NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATION
(Dollars in Thousands)

Year Ended June 30, 2007
Natural Classification

| Functional Classification | Salaries & Wages | Benefits | Scholarships & Fellowships | Utilities | Supplies & Other Services | Depreciation | Loan Canc & Write Offs | Assessments by the Commission | Waivers in Support | Operating Expenses to Regionals | Other Operating Expenses | Total |
|--|------------------|------------|----------------------------|-----------|---------------------------|--------------|------------------------|-------------------------------|--------------------|---------------------------------|--------------------------|------------|
| Instruction | \$ 131,780 | \$ 39,074 | \$ - | \$ 216 | \$ 20,842 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,710 | \$ 194,622 |
| Research | 57,887 | 22,766 | - | 568 | 25,622 | - | - | - | - | 4,263 | - | 111,106 |
| Public Service | 29,663 | 7,479 | - | 45 | 11,729 | - | - | - | - | - | 24 | 48,940 |
| Academic Support | 19,202 | 4,547 | - | 93 | 12,175 | - | - | - | - | - | - | 36,017 |
| Student Services | 14,957 | 4,525 | - | 22 | 6,106 | - | - | - | - | - | - | 25,610 |
| Operation and Maintenance of Plant | 17,912 | 5,799 | - | 16,760 | 14,588 | - | - | - | - | - | - | 55,059 |
| General Institutional Support | 35,406 | 9,101 | - | 57 | 27,919 | - | - | - | - | - | 653 | 73,136 |
| Student Financial Aid | - | - | 24,654 | - | - | - | - | - | - | - | - | 24,654 |
| Auxiliary Enterprises | 32,755 | 8,390 | - | 6,470 | 35,834 | - | - | - | - | - | 54 | 83,503 |
| Depreciation | - | - | - | - | - | 40,095 | - | - | - | - | - | 40,095 |
| Assessments by Commission for Operations | - | - | - | - | - | - | - | 2,256 | - | - | - | 2,256 |
| Waivers in Support of Other State Institutions | - | - | - | - | - | - | - | - | 434 | - | - | 434 |
| Loan Cancellations and Write Offs | - | - | - | - | - | - | 277 | - | - | - | - | 277 |
| Operating Expenses to Regionals | - | - | - | - | - | - | - | - | - | 1,186 | - | 1,186 |
| Inter-Institutional Exp - Regional | - | - | - | - | - | - | - | - | - | 11 | - | 11 |
| Total Expenses | \$ 399,562 | \$ 101,681 | \$ 24,654 | \$ 24,231 | \$ 154,815 | \$ 40,095 | \$ 277 | \$ 2,256 | \$ 434 | \$ 7,704 | \$ - | \$ 696,906 |