Concord University

Combined Financial Statements
Years Ended June 30, 2009 and 2008
and
Independent Auditors' Reports

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Suttle & Stalnaker
CERTIFIED PUBLIC ACCOUNTANTS

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, 2009 and 2008, 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 report 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, 2009 and 2008, 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.

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The management's discussion and analysis on pages 5 through 13 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 26, 2009, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 considered in assessing the results of our audit.

Suttle & Stalnaker, PLLC

Charleston, West Virginia
October 26, 2009

Concord University

Management's Discussion & Analysis

Years Ended June 30, 2009 and 2008

Introduction

Concord University, (the University") is pleased to present its combined financial statements for the years ended June 30, 2009 and 2008. 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 2009, the University's enrollment increased by 6.12% for total full-time enrollment of 2,705. A decrease in combined net assets of 2.13% is reported for the year. Investment in Capital Assets increased 3.81%, which was offset by an unrestricted net assets decrease of 87.47% caused by an increase in operational expenses of 10.48% and the use of unrestricted funding for capital projects of $1.2 million. Total revenue increases amounted to 7.0% with State appropriations increasing by 2.65%.

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:

	2009	2008	2007	Change FY 09 - FY 08
Assets				
Current assets	$ 13,260,719	$ 9,893,078	$ 12,007,016	34.04%
Non-current assets	46,804,359	42,191,748	38,893,111	10.93%
Total Assets	60,065,078	52,084,826	50,900,127	15.32%
Liabilities				
Current liabilities	9,008,772	4,769,942	4,427,294	88.87%
Non-current liabilities	7,788,154	3,104,431	4,107,265	150.87%
Total Liabilities	16,796,926	7,874,373	8,534,559	113.31%
Net Assets				
Invested in capital assets, Net of related debt	39,536,837	38,086,452	33,564,816	3.81%
Restricted				
Expendable	3,009,998	2,039,494	2,633,213	47.59%
Non-expendable	239,580	239,580	239,580	0.00%
Unrestricted	481,737	3,844,927	5,927,959	-87.47%
Total Net Assets	$ 43,268,152	$ 44,210,453	$ 42,365,568	-2.13%

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 1.47 to 1.00 and 2.07 to 1.00, as of June 30, 2009 and 2008, respectively. These indicate that the University has sufficient available resources to meet its obligations.

As of June 30, 2009, the total assets of the University had increased by 15.32% while total liabilities increased by 113.31% from the balances as of June 30, 2008. The increase in total liabilities in FY 2009 was due to increases in accrued capital project related costs of $2.1 million and a capital lease obligation of $4.5 million from the June 30, 2008 balance. The net assets decreased 2.13% during the same time period with the increase in investment for capital assets of 3.81%.

The University’s total liabilities were approximately $16.8 million as of June 30, 2009. This represents an increase of approximately $9 million over June 30, 2008. Non-current liabilities were approximately $7.8 and $3.1 million as of June 30, 2009 and 2008 respectively. The non-current liabilities consist of capital lease obligations, advances from federal sponsors, compensated absences and debt obligations.

Unrestricted net assets comprised 1.11% and 8.70% of the total net assets of the University as of June 30, 2009 and 2008, respectively. The unrestricted net assets amounted to approximately $0.5 million and $3.8 million as of June 30, 2009 and 2008.

Depreciation expense has been recorded for the years ended June 30, 2009 and 2008 in the amount of approximately $1.8 million and $1.6 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, 2009 and 2008, amounted to $79,479 and $76,623, respectively, as determined by the Commission. The principal payment due during the fiscal year ending June 30, 2010 will be $82,334.

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 was payable in semi-annual payments over a five-year term. The loan increased the debt obligation due the Commission during fiscal year 2006. Principal payments of $70,000 were made during the fiscal year 2008 and 2007. The final principal payment on this debt was paid during the fiscal year ended June 30, 2008 in the amount of $70,000.

On February 17, 2009, the University entered into a capital lease arrangement for the purpose of completing major HVAC, plumbing and electrical upgrades for various buildings that are expected to provide savings on energy consumption of an estimated 5% per year. The original amount financed and outstanding as of June 30, 2009 is $4,478,698. The capital lease is payable in monthly installments of $33,478, or $401,736 annually, with payments beginning May 17, 2010. The annual interest rate is 4.16% for a 15 year period ending April 17, 2025. The lease is collateralized by the equipment purchased from the proceeds of the financing arrangement. Construction period interest due as of April 17, 2010 will be $221,969. As of June 30, 2009, the project cost incurred by the University is $1,972,002, and the related capitalized interest is $64,723 totaling $2,036,725. The total principal and interest to be paid during the year ending June 30, 2010 is $35,364 and $253,679, respectively.

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, 2009 and 2008. 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.

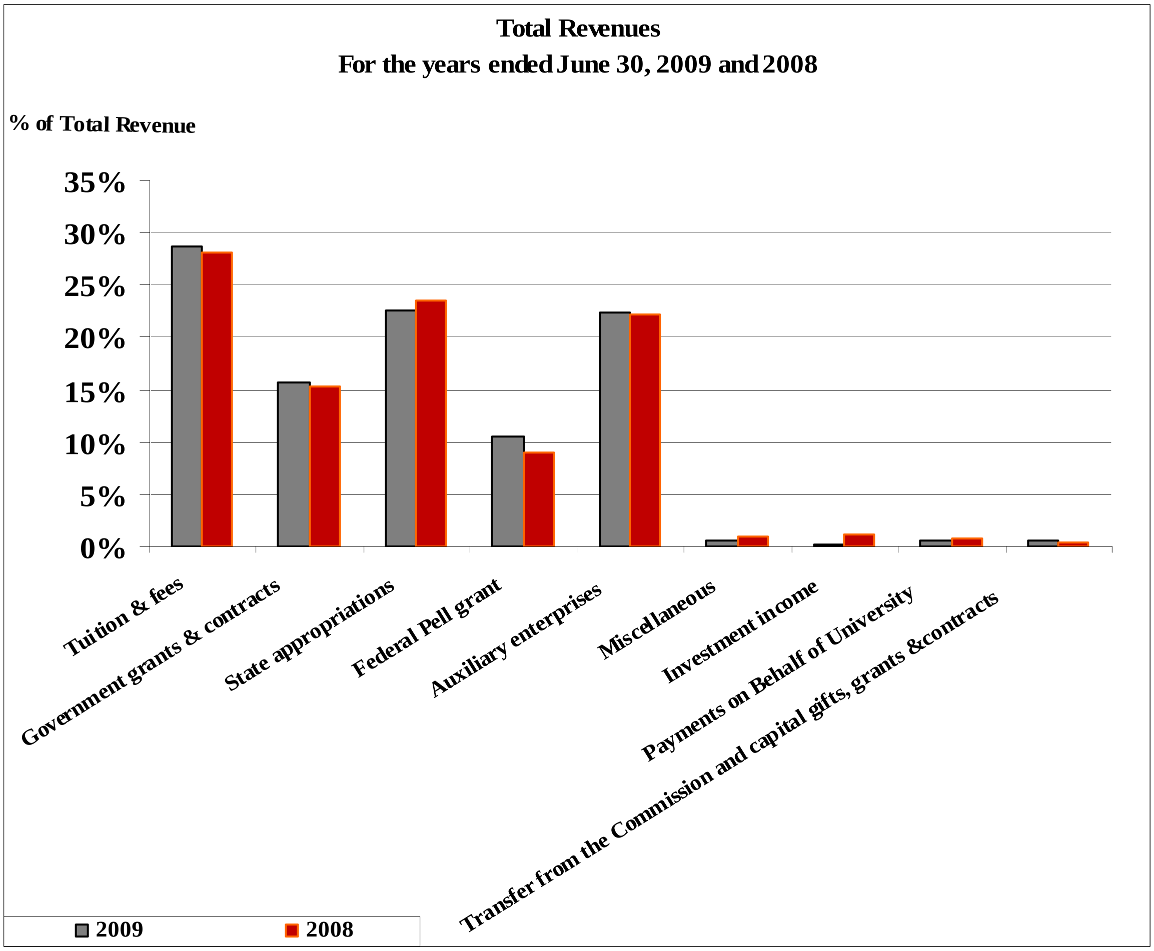
Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30:

	2009	2008	2007	Change FY 09 - 08
Operating Revenues	$ 21,987,499	$ 20,263,912	$ 19,854,495	8.51%
Operating Expenses	37,096,957	33,577,337	31,539,476	-10.48%
Operating Loss	(15,109,458)	(13,313,425)	(11,684,981)	-13.49%
Non-operating Revenues	14,145,658	13,622,932	13,201,246	3.84%
Non-operating Expenses	265,516	276,982	269,393	-4.14%
Net Non-operating Revenues	13,880,142	13,345,950	12,931,853	4.00%
(Loss) income before other Revenues, Expenses, Gains or Loses	(1,229,316)	32,525	1,246,872	-3,879.60%
Other Revenues, Expenses, Gains or Losses	287,015	151,000	2,436,947	90.08%
(Decrease) increase in Net Assets	(942,301)	183,525	3,683,819	-613.45%
Net Assets at Beginning of Year	44,210,453	42,365,568	38,681,749	4.35%
Cumulative effect of adoption of accounting principle	-	1,661,360	-	-100.00%
Net Assets at End of Year	$ 43,268,152	$ 44,210,453	$ 42,365,568	-2.13%

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:

	2009	2008	2007	Change FY 09-08
Program revenues (by major source)				
Tuition & fees before allowances	$ 12,675,461	$ 11,597,936	$ 11,900,661	9.29%
Less:				
Institutional scholarship discounts & allowances				
State & Federal Student Aid	(7,889,165)	(7,206,710)	(6,763,558)	-9.47%
Tuition & fees, net	4,786,296	4,391,226	5,137,103	9.00%
Government grants, contracts & student aid	6,969,417	6,316,626	6,234,789	10.33%
Auxiliary enterprise sales & services	9,924,166	9,163,693	8,177,361	8.30%
Miscellaneous	307,620	392,367	305,242	-21.60%
General revenues (by major source)				
State appropriations	9,977,767	9,720,063	9,372,786	2.65%
Federal Pell grants	3,803,767	3,072,971	2,972,569	23.78%
Investment income	104,947	493,745	855,891	-78.74%
Payments on Behalf of University	259,177	336,153	-	-22.90%
Private capital grants and gifts	287,015	151,000	-	90.08%
Transfer from the Commission and Capital grants and gifts	-	-	2,436,947	0.0%
Total revenues	$ 36,420,172	$ 34,037,844	$ 35,492,688	7.00%

The following is a graphic illustration of revenues by source and the percentage distribution of these revenues for the years ended June 30, 2009 and 2008:



The major sources of revenue include tuition and fees, government grants & contracts, State appropriations, and auxiliary revenues. State appropriations comprised 22.54% and 28.56% of the total revenue during the years ended June 30, 2009 and June 30, 2008, respectively. Tuition and fees accounted for 28.63% and 34.07% for the years ended June 30, 2009 and 2008, respectively, before scholarship discounts and allowances. Pell grants are reported as nonoperating, because of specific guidance in the AICPA industry guide. This presentation is a change in reporting from prior year when the grants were included in operating as part of Federal grants and contracts.

The total revenue including grants and transfers in increased during the year ended June 30, 2009 by $2.4 million or 7.0% from the year ended June 30, 2008 primarily due to the increase in scholarship grant funding related to the increased enrollment.

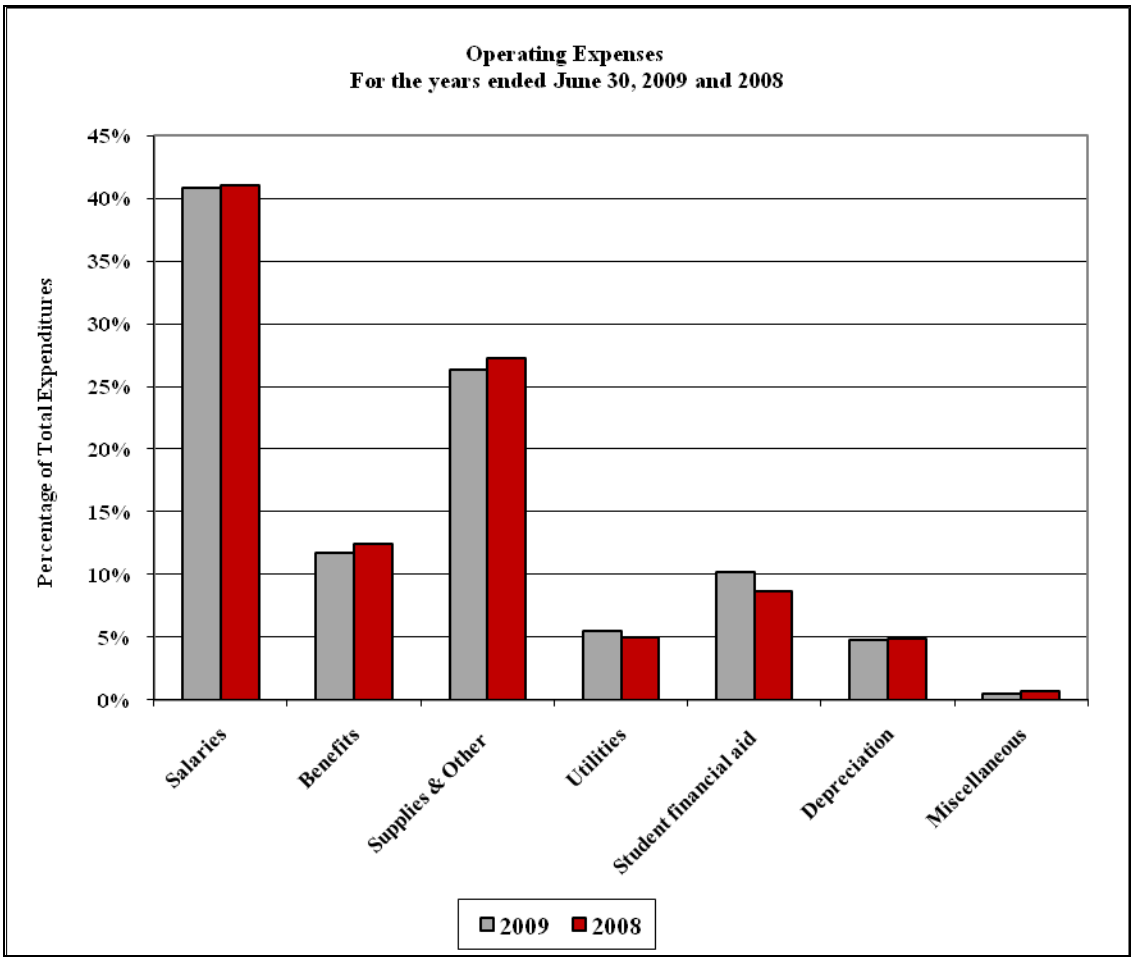
The (loss) income before other revenues, expenses, gains or losses for the years ended June 30, 2009 and 2008 was ($1.2) million and $33 thousand, respectively.

For the year ended June 30, 2009 fall enrollment of full-time-equivalent students increased by 6.12% as compared to the same period in the previous year.

Operating Expenses:

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

	2009	2008	2007	Change FY 09 - FY 08
Salaries	$ 15,152,165	$ 13,781,433	$ 12,934,911	9.95%
Benefits	4,371,133	4,186,739	3,335,504	4.40%
Supplies & other	9,760,540	9,134,437	9,289,572	6.85%
Utilities	2,028,858	1,662,742	1,671,882	22.02%
Student financial aid	3,786,954	2,917,456	2,893,846	29.80%
Depreciation	1,793,393	1,651,437	1,164,408	8.60%
Fees to Commission & Miscellaneous	203,914	243,093	249,353	-16.12%
Total Operating Expenses	$ 37,096,957	$ 33,577,337	$ 31,539,476	10.48%



Salary and benefit costs together comprised 52.63% and 53.51% of the total operating expenses of the University for the years ended June 30, 2009 and 2008, respectively. Student financial aid expense increased by $869,498 over that of FY 2008. Utilities expense increased by 22.02% in FY 2009 to a total of $2 million due to the addition of the Rahall Technology Center Building operation and utility cost increases. All other operating expenses remained at or near the 2008 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.

Cash Flows
For the Years Ended June 30:

	2009	2008	2007	Change FY 09 - FY 08
Cash Provided (Used) By:				
Operating Activities	$ (14,144,181)	$ (13,149,761)	$ (10,221,745)	-7.56%
Non-capital Financing Activities	13,781,534	14,454,394	12,345,355	-4.66%
Capital and Financing Related Activities	2,280,098	(4,648,913)	(3,367,763)	149.05%
Investing Activities	116,921	493,746	819,707	-76.32%
Increase (decrease) in Cash	2,034,372	(2,850,534)	(424,446)	171.37%
Cash, Beginning of Year	8,009,995	10,860,529	11,284,975	-26.25%
Cash, End of Year	$ 10,044,367	$ 8,009,995	$ 10,860,529	25.40%

The University increased cash for the year ended June 30, 2009 and decreased cash during the same period in 2008 of $2,034,375 and $2,850,534, respectively. The increase during the fiscal year ended June 30, 2009 was due to the unexpended funds designated to be used in the completion of the work related to the HVAC, electrical and plumbing upgrades financed by the capital lease obligation. The decline during the fiscal year ended June 30, 2008 was due to the decline in tuition and 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, 2009 and 2008 totaled $5.9 million and $6.0 million, respectively. During the year ended June 30, 2008 plant improvements were made in several areas including ADA upgrades and construction began for the University Point project.

The Rahall Technology Center construction project was completed during the year ended June 30, 2008. 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 was 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 years ended June 30, 2009 and 2008. During August of 2006, 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 2009 payment for the University that was applied to its portion of the capital debt is $95,431, including interest of $15,952. The 2008 payment for the University that was applied to its portion of the capital debt was $93,314, including interest of $16,691. In addition, the University paid $245,326 and $247,070 for the years ended June 30, 2009 and 2008, 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 was payable in semi-annual payments over a five-year period. The West Virginia Higher Education Policy Commission ("Commission") charged no interest for this loan. The University retired this debt to the Commission during the year 2008.

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, 2009 and 2008.

Economic Outlook

The State of West Virginia continues to experience a decline in high school graduation numbers. The University is making efforts to off-set this trend with retention, enrollment of non-traditional students, and increasing both out-of-state and international student attendance. In addition, the State's fiscal realities have placed limits on future State appropriations. The University is taking action to identify and implement cost efficiencies in anticipation of probable future reductions in State funding.

Given the immediate and projected fiscal realities, The University is taking steps to seek additional and new funding sources. The University is actively exploring funding opportunities in grants and contracts, sponsored programs, and collaborative partnerships. Enrollment management, both in numbers and quality, and other revenue generating or cost control strategies are being implemented in order to fund future academic and program needs.

The University is in the process of revising the strategic plan to reflect the changing economic conditions. Management is committed, through the strategic planning process, to address the needs for continued investment in students, faculty, staff, technology, and infrastructure. The University management team is actively engaged in identifying and implementing revenue generating and cost controlling initiatives while maintaining and enhancing our core mission.

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, 2009 AND 2008

	2009	2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 9,359,297	$ 7,255,805
Cash and cash equivalents -Research & Development Corporation	685,070	754,190
	10,044,367	8,009,995
Due from Commission	131,577	12,844
Accounts receivable-net	1,787,358	712,725
Loans to students-current portion	404,101	372,625
Prepaid expenses	66,962	65,496
Inventories	826,354	719,393
Total current assets	13,260,719	9,893,078
NONCURRENT ASSETS:		
Cash and cash equivalents	201,866	1,738,295
Loans to students, net of allowance of $99,309 and $100,438 in 2009 and 2008, respectively	2,312,274	2,080,653
Capital assets-net	44,290,219	38,372,800
Total noncurrent assets	46,804,359	42,191,748
TOTAL ASSETS	60,065,078	52,084,826
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	3,129,713	1,402,312
Accrued liabilities	1,521,843	1,479,079
Due to the Commission	3,265	203
Deferred revenue	3,861,088	1,408,706
Compensated absences-current portion	305,488	331,797
Deposits	69,677	68,366
Capital lease obligations-current portion	35,364	-
Debt obligations due Commission-current portion	82,334	79,479
Total current liabilities	9,008,772	4,769,942
NONCURRENT LIABILITIES:		
Advances from federal sponsors	2,278,326	2,282,723
Capital lease obligations-noncurrent portion	4,443,334	-
Compensated absences-noncurrent portion	421,023	327,987
Other post employment benefit liability	520,937	286,853
Debt obligations due Commission	124,534	206,868
Total noncurrent liabilities	7,788,154	3,104,431
Total liabilities	16,796,926	7,874,373
NET ASSETS		
INVESTED IN CAPITAL ASSETS-net of related debt	39,536,837	38,086,452
RESTRICTED FOR:		
Nonexpendable-scholarships and fellowships	239,580	239,580
Expendable:		
Loans	500,210	540,779
Auxiliary capital projects	2,509,788	1,498,715
Total expendable	3,009,998	2,039,494
UNRESTRICTED	481,737	3,844,927
Total net assets	$ 43,268,152	$ 44,210,453

The Accompanying Notes Are An Integral
Part Of These Financial Statements

CONCORD UNIVERSITY
THE CONCORD UNIVERSITY FOUNDATION, INC.
A COMPONENT UNIT OF CONCORD UNIVERSITY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2009 AND 2008

ASSETS	2009	2008
Cash and cash equivalents	$ 1,216,309	$ 240,156
Contributions receivable, net of allowance for doubtful accounts of $4,257 in 2009 and 2008	825,406	1,314,625
Dividends and interest receivable	55,086	77,999
Student loans receivable	7,279	12,157
Prepaid expenses	4,756	4,756
Property and equipment, net	15,823	16,785
Investments	18,367,739	24,157,992
Total assets	$ 20,492,398	$ 25,824,470
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 7,700	$ -
Amounts held on behalf of others	878,555	895,111
Obligations under annuity agreements	188,950	200,025
Total liabilities	1,075,205	1,095,136
Net assets:		
Unrestricted	104,120	517,388
Temporarily restricted	3,797,857	7,492,522
Permanently restricted	15,515,216	16,719,424
Total net assets	19,417,193	24,729,334
Total liabilities and net assets	$ 20,492,398	$ 25,824,470

CONCORD UNIVERSITY
COMBINED STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
OPERATING REVENUES:		
Student tuition and fees, net of scholarship allowance of $7,889,165 and $7,206,710 in 2009 and 2008, respectively	$ 4,786,296	$ 4,391,226
Contract and grants:		
Federal	1,762,459	1,860,444
State	4,422,224	4,215,238
Private	784,734	240,944
Interest on student loans receivable	25,112	23,693
Sales and services of education activities	9,307	6,045
Auxiliary enterprise revenue, net of scholarship allowance of $0 and $0	9,924,166	9,163,693
Miscellaneous-net	273,201	362,629
Total operating revenues	21,987,499	20,263,912
OPERATING EXPENSES:		
Salaries and wages	15,152,165	13,781,433
Benefits	4,371,133	4,186,739
Supplies and other services	9,760,540	9,134,437
Utilities	2,028,858	1,662,742
Student financial aid-scholarships and fellowships	3,786,954	2,917,456
Depreciation	1,793,393	1,651,437
Loan cancellations and write-offs	58,977	95,995
Fees assessed by Commission for operations	144,937	147,098
Total operating expenses	37,096,957	33,577,337
OPERATING LOSS	(15,109,458)	(13,313,425)
NONOPERATING REVENUES (EXPENSES):		
State appropriations	9,977,767	9,720,063
Federal Pell grants	3,803,767	3,072,971
Payments on behalf of University	259,177	336,153
Investment income	104,947	493,745
Fees assessed by the Commission for debt service	(261,278)	(263,761)
Other nonoperating expenses-net	(4,238)	(13,221)
Net nonoperating revenues	13,880,142	13,345,950
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	(1,229,316)	32,525
CAPITAL GRANTS AND GIFTS	287,015	151,000
INCREASE (DECREASE) IN NET ASSETS	(942,301)	183,525
NET ASSETS-Beginning of year	44,210,453	42,365,568
CUMULATIVE EFFECT OF ADOPTION OF ACCOUNTING PRINCIPLE	-	1,661,360
NET ASSETS-Beginning of year as adjusted	44,210,453	44,026,928
NET ASSETS-End of year	$ 43,268,152	$ 44,210,453

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, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT:				
Gifts and grants	$ 395,233	$ 350,595	$ 499,674	$ 1,245,502
Interest and dividends, net of related expenses	22,492	273,629	201,741	497,862
Net realized and unrealized gains (losses)	(521,780)	(1,710,558)	(1,490,318)	(3,722,656)
Change in value of split-interest agreements	-	-	(47,751)	(47,751)
Net assets released from restrictions	2,975,885	(2,608,331)	(367,554)	-
Total revenues and support	2,871,830	(3,694,665)	(1,204,208)	(2,027,043)
EXPENSES AND SUPPORT:				
University support:				
Student support	469,316	-	-	469,316
Faculty and staff development	26,154	-	-	26,154
Compensation for services	79,371	-	-	79,371
Capital projects	1,946,598			1,946,598
Other expenses	315,914	-	-	315,914
Management and general	287,247	-	-	287,247
Fundraising	160,498	-	-	160,498
Total expenses and losses	3,285,098	-	-	3,285,098
CHANGE IN NET ASSETS	(413,268)	(3,694,665)	(1,204,208)	(5,312,141)
NET ASSETS-Beginning of year	517,388	7,492,522	16,719,424	24,729,334
NET ASSETS-End of year	$ 104,120	$ 3,797,857	$ 15,515,216	$ 19,417,193

CONCORD UNIVERSITY
THE CONCORD UNIVERSITY FOUNDATION, INC.
A COMPONENT UNIT OF CONCORD UNIVERSITY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT:				
Gifts and grants	$ 320,501	$ 688,161	$ 293,688	$ 1,302,350
Interest and dividends, net of related expenses	53,919	521,469	258,830	834,218
Net realized and unrealized gains (losses)	4,624	(1,325,091)	(612,625)	(1,933,092)
Change in value of split-interest agreements	-	-	39,172	39,172
Net assets released from restrictions	928,020	(718,579)	(209,441)	-
Total revenues and support	1,307,064	(834,040)	(230,376)	242,648
EXPENSES AND SUPPORT:				
University support:				
Student support	478,286	-	-	478,286
Faculty and staff development	30,312	-	-	30,312
Compensation for services	61,232	-	-	61,232
Capital projects	150,000	-	-	150,000
Other expenses	283,355	-	-	283,355
Management and general	243,600	-	-	243,600
Fundraising	166,192	-	-	166,192
Total expenses and losses	1,412,977	-	-	1,412,977
CHANGE IN NET ASSETS	(105,913)	(834,040)	(230,376)	(1,170,329)
NET ASSETS-Beginning of year	623,301	8,326,562	16,949,800	25,899,663
NET ASSETS-End of year	$ 517,388	$ 7,492,522	$ 16,719,424	$ 24,729,334

CONCORD UNIVERSITY
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	$ 12,494,405	$ 11,170,397
Contracts and grants	5,349,166	6,134,524
Payments to and on behalf of employees	(19,179,723)	(18,972,424)
Payments to suppliers	(9,274,960)	(8,841,497)
Payments to utilities	(2,028,858)	(1,705,005)
Payments for scholarships and fellowships	(10,727,258)	(9,201,818)
Loans issued to students	(534,764)	(558,019)
Collection of loans to students	25,112	251,456
Sales and service of educational activities	9,307	6,045
Auxiliary enterprise charges	9,661,821	8,351,049
Fees assessed by Commission	(144,937)	(147,098)
Other receipts-net	206,508	362,629
Net cash used in operating activities	(14,144,181)	(13,149,761)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	9,977,767	9,720,063
Federal Pell grants	3,803,767	3,072,971
Other-net	-	1,661,360
Net cash provided by noncapital financing activities	13,781,534	14,454,394
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Capital grants and gifts received	2,218,482	151,000
Capital lease obligations	4,478,698	-
Payments on Behalf of the University	259,177	336,154
Purchases of capital assets	(5,871,931)	(6,028,108)
Withdrawals from noncurrent cash and cash equivalents	1,536,429	1,302,425
Principal payments on debt obligations due Commission	(79,479)	(146,623)
Fees assessed by Commission	(261,278)	(263,761)
Net cash provided by (used in) capital financing activities	2,280,098	(4,648,913)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	116,921	493,746
Net cash provided by investing activities	116,921	493,746
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,034,372	(2,850,534)
CASH AND CASH EQUIVALENTS-Beginning of year	8,009,995	10,860,529
CASH AND CASH EQUIVALENTS-End of year	$ 10,044,367	$ 8,009,995

CONCORD UNIVERSITY
COMBINED STATEMENTS OF CASH FLOWS (Continued)
YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (15,109,458)	$ (13,313,425)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation expense	1,793,393	1,651,437
Expenses paid on behalf on Concord	259,177	336,153
Changes in assets and liabilities:		
Accounts receivables-net	11,077	(499,052)
Loans to students-net	(263,097)	(234,261)
Prepaid expenses	(1,466)	(52,327)
Inventories	(106,961)	(200,343)
Due from Commission	(118,733)	23,340
Accounts payable	(596,456)	504,482
Accrued liabilities	42,764	338,668
Compensated absences	66,727	(1,965,927)
Noncurrent accrued liabilities	234,084	286,853
Due to Commission	3,062	(1,135)
Deferred revenue	(359,605)	(30,694)
Deposits held in custody for others	1,311	6,470
Net cash used in operating activities	$ (14,144,181)	$ (13,149,761)
Noncash capital financing activities		
Purchase of capital assets on account	$ 2,061,174	$ 930,231
Deferred revenue for capital gifts, grants & contracts	$ 3,044,090	$ 232,103
Accounts Receivable Capital Projects	$ 1,086,350	$ 232,103
Cumulative effect of adoption of accounting principle	$ -	$ 1,661,360
Payments on behalf of Concord	$ 259,177	$ 336,153

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 accounting principles generally accepted in the United States of America 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.

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, 2009 and 2008. 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.

Newly Adopted Statements Issued by the GASB — During 2009, the University adopted GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, as required. The adoption of this statement had no significant impact on the financial statements June 30, 2009.

During 2009, the GASB issued GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement identifies the sources of accounting principles and provides the framework for selecting the principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with generally accepted accounting principles. The University adopted GASB Statement No. 55 upon issuance. The adoption of this statement had no significant impact on the financial statements.

During 2009, the GASB also issued GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. This statement establishes accounting and financial reporting standards for related party transactions, subsequent events, and going concern considerations. The University adopted GASB Statement No. 56 upon issuance. The adoption of this statement had no significant impact on the financial statements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation - GASB Statement No. 35 and No. 38, 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 depreciation and outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

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

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

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

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

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 or on the first day of each month for the WV Short Term Bond Pool (formerly Enhanced Yield Pool) and, accordingly, are presented as cash and cash equivalents in the accompanying combined financial statements.

The BTI maintains the Consolidated Fund which consists of eight investment pools and participant-directed accounts (seven in 2008), three of which the University may invest in. 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.wvbti.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 collectability 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.

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. The accompanying combined financial statements reflect all adjustments required by GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.*

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 and Other Post Employment Benefits **-** The University accounts for compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*.

Effective July 1, 2007, the University adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions.* This statement provided standards for the measurement, recognition, and display of other postemployment benefit ("OPEB") expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. During fiscal year 2006, House Bill No. 4654 was established to create a trust fund for postemployment benefits for the State of West Virginia (the "State"). Effective July 1, 2007, the University was required to participate in this multiple employer cost-sharing plan, the West Virginia Retiree Health Benefit Trust Fund sponsored by the State of West Virginia. The Plan provides the following retiree group insurance coverage to participants: medical and prescription drug coverage through a self-insured preferred provider benefit (PPB) plan and through external managed care organizations (MCOs), basic group life, accidental death, and prescription drug coverage for retired employees of the State and various related State and non-State agencies and their dependents. Details regarding this plan can be obtained by contacting Public Employees Insurance Agency ("PEIA"), State Capitol Complex, Building 5, Room 1001, 1900 Kanawha Boulevard, East, Charleston WV 25305-0710 or http://www.wvpeia.com.

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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The liability is now provided for under the multiple employer cost-sharing plan sponsored by the State.

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 3⅓ years of teaching service extend health insurance for one year of single coverage and five years extend health insurance for one year of family coverage. The same hire date mentioned above applies to coverage for faculty employees also. Faculty hired after July 1, 2009 will no longer receive years of service credit toward insurance premiums when they retire.

The estimated expense incurred for the vacation leave or OPEB benefits are recorded as a component of benefits expense on the statements 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 $3.4 million and $3.2 million in 2009 and 2008, 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 2009 and 2008, the University received and disbursed approximately $3.8 million and $3.4 million, respectively, under these federal student aid programs.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Reclassification – Certain reclassifications have been made to the 2008 financial statements to conform to the 2009 classifications. Revenues from Pell grants in the amount of $3,072,971 were transferred from operating revenues to non operating revenues.

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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Statements Issued By GASB - The GASB has issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, 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.

The GASB has issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for fiscal years beginning after June 15, 2009. This statement requires governmental entities to measure most derivative instruments at fair value as assets or liabilities. It also improves disclosure requirements surrounding the entity's derivative instrument activity, its objectives for entering into the derivative instrument, and the instrument's significant terms and risks. The University has not yet determined the effect that the adoption of GASB Statement No. 53 may have on its financial statements.

NOTE 3. CASH AND CASH EQUIVALENTS

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

	2009		
	Current	**Noncurrent**	**Total**
Cash on deposit with the State Treasurer/BTI	$ 4,473,962	$ 146,713	$ 4,620,675
Municipal Bond Commission for the University	4,143,525	-	4,143,525
Cash in bank	1,426,880	55,153	1,482,033
	$10,044,367	$ 201,866	$10,246,233

	2008		
	Current	**Noncurrent**	**Total**
Cash on deposit with the State Treasurer/BTI	$ 6,148,478	$ 145,000	$ 6,293,478
Municipal Bond Commission for the University	-	1,498,715	1,498,715
Cash in bank	1,861,517	94,580	1,956,097
	$ 8,009,995	$ 1,738,295	$ 9,748,290

Cash shown above as held by the Municipal Bond Commission represents auxiliary capital project reserve funds. Other cash held by the State Treasurer includes $672,932 and $1,878,076 at June 30, 2009 and 2008, respectively, of restricted cash for future use for grants, loans and capital assets.

NOTE 3. CASH AND CASH EQUIVALENTS (Continued)

The combined carrying amounts of cash in bank at June 30, 2009 and 2008 were $1,482,033 and $1,956,097, respectively, as compared with the combined bank balance of $1,931,499 and $2,021,655, 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, 2009 and 2008, 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. Of the BTI's Consolidated Fund pools and accounts which the Commission may invest in, three are subject to credit risk: WV Money Market Pool, WV Government Money Market Pool, and WV Short Term Bond Pool.

WV Money Market Pool

Credit Risk — Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. For the years ended June 30, 2009 and 2008, the WV Money Market Pool has been rated AAAm by Standard & Poor's. A Fund rated "AAAm" has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAm" is the highest principal stability fund rating assigned by Standard & Poor's. As this pool has been rated, specific information on the credit ratings of the underlying investments of the pool have not been provided.

The BTI limits the exposure to credit risk in the WV Money Market 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.

At June 30, 2009 and 2008, the WV Money Market Pool investments had a total carrying value of $2,570,261,000 and $2,358,470,000 respectively, of which the University's ownership represents 0.27% and 0.32%, respectively.

NOTE 3. CASH AND CASH EQUIVALENTS (Continued)

WV Government Money Market Pool

Credit Risk — For the years ended June 30, 2009 and 2008, the WV Government Market Pool has been rated AAAm by Standard & Poor's. A Fund rated "AAAm" has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAm" is the highest principal stability fund rating assigned by Standard & Poor's. As this pool has been rated, specific information on the credit ratings of the underlying investments of the pool have not been provided.

The BTI limits the exposure to credit risk in the WV 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.

At June 30, 2009 and 2008, the WV Government Money Market Pool investments had a total carrying value of $283,826,000 and $187,064,000, of which the University's ownership represents 0.02% and 0.04% respectively.

WV Short Term Bond Pool

Credit Risk — The BTI limits the exposure to credit risk in the WV Short Term Bond 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 WV Short Term Bond Pool's investments (in thousands):

NOTE 3. CASH AND CASH EQUIVALENTS (Continued)

	Credit Rating*		2009		2008	
Security Type	**Moody's**	**S&P**	**Carrying Value**	**Percent of Pool Assets**	**Carrying Value**	**Percent of Pool Assets**
Corporate asset backed securities						
	Aaa	AAA	$ 16,402	5.21%	$ 48,663	13.75%
	Aaa	NR	5,136	1.63	2,179	0.62
	Aa3	AAA	223	0.07	-	-
	Aa2	AAA	461	0.15	-	-
	A3	AAA	273	0.09	-	-
	Baa2	AAA	831	0.26	-	-
	Baa1	BBB**	332	0.10	-	-
	Baa2	BBB**	1,376	0.44	-	-
	Ba3	AAA	645	0.20	-	-
	B1	AAA	779	0.25	-	-
	B2	B**	493	0.16	-	-
	B2	CCC**	539	0.17	-	-
	B3	AAA	949	0.30	-	-
	Caal	BB**	254	0.08	-	-
	NR	AAA	679	0.22	1,135	0.32
	AA3	AA	-	0.00	192	0.06
			29,372	9.33	52,169	14.75
Commercial paper	P1	A-1	-	0.00	7,971	2.25
Corporate bonds and notes	Aaa	AAA	47,204	14.99	13,146	3.72
	Aa1	AA	4,445	1.41	12,613	3.56
	Aa1	A	2,052	0.65	-	-
	Aa2	AAA	3,040	0.96	-	-
	Aa2	AA	9,066	2.88	20,860	5.89
	Aa2	A	-	-	1,061	0.30
	Aa3	AA	-	-	11,488	3.25
	Aa3	A	7,831	2.49	4,548	1.28
	A1	AA	4,813	1.53	4,305	1.22
	A1	A	5,522	1.75	8,361	2.36
	A2	AA	-	-	847	0.24
	A2	A	32,040	10.17	26,585	7.51
	A3	A	7,024	2.23	10,917	3.08
	Baa1	AA-	-	-	593	0.17
	Baa1	A-	-	-	2,028	0.57
	Baa3	A	2,067	0.66	-	-
	Baa3	BB+	-	0.00	645	0.18
			125,104	39.72	117,997	33.33
U.S. agency bonds	Aaa	AAA	60,250	19.13	71,840	20.29
U.S. Treasury notes***	Aaa	AAA	88,805	28.20	81,875	23.13
U.S. agency mortgage backed securities****	Aaa	AAA	4,975	1.58	5,345	1.51
Money Market Funds	Aaa	AAA	6,426	2.04	-	-
Repurchase agreements (underlying securities):						
U.S. agency notes	Aaa	AAA	-	0.00	16,782	4.74
			$ 314,932	100%	$ 353,979	100%

* NR = Not Rated

** The securities were not in compliance with BTI Investment Policy at June 30, 2009. The securities were in compliance when originally acquired, but were subsequently downgraded. BTI management and its investment advisors have determined that it is in the best interests of the participants to hold the securities for optimal outcome.

*** U.S. Treasury issues are explicitly guaranteed by the United States government and are not subject to credit risk.

**** U.S. agency mortgage backed securities are issued by the Government National Mortgage Association and are explicitly guaranteed by the United States government and are not subject to credit risk.

NOTE 3. CASH AND CASH EQUIVALENTS (Continued)

At June 30, 2009 and 2008, the University's ownership represents 0.04% and 0.18%, 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 WV 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 WV Money Market Pool:

	2009		**2008**	
Security Type	**Carrying Value (In thousands)**	**WAM (Days)**	**Carrying Value (In thousands)**	**WAM (Days)**
Repurchase agreements	$ 212,010	1	$ 371,163	1
U.S. Treasury bills	483,714	69	406,426	31
Commercial paper	592,479	32	658,879	29
Certificates of deposit	128,402	56	147,001	95
U.S. agency discount notes	635,602	57	212,924	84
Corporate bonds and notes	73,812	38	158,000	21
U.S. agency bonds/notes	294,019	70	254,019	111
Money market funds	150,223	1	150,058	1
	$ 2,570,261	47	$ 2,358,470	40

The overall weighted average maturity of the investments of the WV 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 WV Government Money Market Pool:

	2009		**2008**	
Security Type	**Carrying Value (In thousands)**	**WAM (Days)**	**Carrying Value (In thousands)**	**WAM (Days)**
Repurchase agreements	$ 53,000	1	$ 53,400	1
U.S. Treasury bills	74,424	94	29,929	58
U.S. agency discount notes	87,662	55	43,249	77
U.S. agency bonds/notes	68,608	37	60,420	84
Money market funds	132	1	66	1
	$ 283,826	51	$ 187,064	54

NOTE 3. CASH AND CASH EQUIVALENTS (Continued)

The overall effective duration (overall weighted average maturity in 2008) of the investments of the WV Short Term Bond 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 effective duration for the various asset types in the WV Short Term Bond Pool at June 30, 2009:

Security Type	Carrying Value (in Thousands)	Effective Duration (Days)
U. S. Treasury bonds/notes	$ 88,805	917
Corporate notes	125,104	559
Corporate asset backed securities	29,372	622
U.S. agency bonds/notes	60,250	752
U.S. agency mortgage backed securities	4,975	540
Money market funds	6,426	1
	$ 314,932	691

The following table provides information on the weighted average maturities for the various asset types in the WV Short Term Bond Pool at June 30, 2008:

	2008	
Security Type	Carrying Value (In thousands)	WAM (Days)
Repurchase agreements	$ 16,782	1
U.S. Treasury bonds/notes	81,875	744
Corporate notes	117,997	675
Corporate asset backed securities	52,169	341
U.S. agency bonds/notes	71,840	1,231
U.S. agency mortgage backed securities	5,345	570
Commercial paper	7,971	50
	$ 353,979	707

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

NOTE 3. CASH AND CASH EQUIVALENTS (Continued)

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. None of the above pools contain nonnegotiable certificates of deposit. The BTI does not have a deposit policy for custodial credit risk.

NOTE 4. ACCOUNTS RECEIVABLE

Accounts receivable were as follows at June 30:

	2009	2008
Student tuition and fees, net of allowance for doubtful accounts of $356,759 and $303,569, respectively	$ 359,205	$ 517,630
Grants and contracts receivable	1,281,454	154,684
Other accounts receivable	146,699	40,411
	$1,787,358	$ 712,725

NOTE 5. CAPITAL ASSETS

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

	2009			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	$ 194,303	$ -	$ -	$ 194,303
Construction in progress	2,643,693	6,606,800	(2,039,722)	7,210,771
Total capital assets not being depreciated	$ 2,837,996	$ 6,606,800	$ (2,039,722)	$ 7,405,074
Other capital assets:				
Land improvements	$ 2,185,853	$ -	$ -	$ 2,185,853
Buildings	47,746,088	2,112,848	-	49,858,936
Equipment	6,023,755	950,900	(456,043)	6,518,612
Software	258,974	23,121	-	282,095
Library books	1,500,889	66,780	(5,448)	1,562,221
Total other capital assets	57,715,559	3,153,649	(461,491)	60,407,717
Less accumulated depreciation for:				
Land improvements	(281,622)	(165,570)	-	(447,192)
Buildings	(18,200,777)	(963,840)	-	(19,164,617)
Equipment	(3,278,416)	(607,303)	447,141	(3,438,578)
Software	(166,999)	(24,274)	-	(191,273)
Library books	(252,941)	(33,419)	5,448	(280,912)
Total accumulated depreciation	(22,180,755)	(1,794,406)	452,589	(23,522,572)
Other capital assets-net	$35,534,804	$ 1,359,243	$ (8,902)	$36,885,145
Capital asset summary:				
Capital assets not being depreciated	$ 2,837,996	$ 6,606,800	$ (2,039,722)	$ 7,405,074
Other capital assets	57,715,559	3,153,649	(461,491)	60,407,717
Total cost of capital assets	60,553,555	9,760,449	(2,501,213)	67,812,791
Less accumulated depreciation	(22,180,755)	(1,794,406)	452,589	(23,522,572)
Capital assets-net	$38,372,800	$7,966,043	$ (2,048,624)	$44,290,219

NOTE 5. CAPITAL ASSETS (Continued)

	2008			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	$ 194,303	$ -	$ -	$ 194,303
Construction in progress	11,899,261	3,958,435	(13,214,003)	2,643,693
Total capital assets not being depreciated	$ 12,093,564	$ 3,958,435	$ (13,214,003)	$ 2,837,996
Other capital assets:				
Land improvements	$ 1,543,474	$ 642,379	$ -	$ 2,185,853
Buildings	35,174,465	12,571,623	-	47,746,088
Equipment	4,429,207	1,924,993	(330,445)	6,023,755
Software	171,209	87,765	-	258,974
Library books	1,451,282	61,860	(12,253)	1,500,889
Total other capital assets	42,769,637	15,288,620	(342,698)	57,715,559
Less accumulated depreciation for:				
Land improvements	(146,666)	(134,956)	-	(281,622)
Buildings	(17,264,288)	(936,489)	-	(18,200,777)
Equipment	(3,064,765)	(537,495)	323,844	(3,278,416)
Software	(156,310)	(10,689)	-	(166,999)
Library books	(233,386)	(31,808)	12,253	(252,941)
Total accumulated depreciation	(20,865,415)	(1,651,437)	336,097	(22,180,755)
Other capital assets-net	$ 21,904,222	$ 13,637,183	$ (6,601)	$35,534,804
Capital asset summary:				
Capital assets not being depreciated	$ 12,093,564	$ 3,958,435	$(13,214,003)	$ 2,837,996
Other capital assets	42,769,637	15,288,620	(342,698)	57,715,559
Total cost of capital assets	54,863,201	19,247,055	(13,556,701)	60,553,555
Less accumulated depreciation	(20,865,415)	(1,651,437)	336,097	(22,180,755)
Capital assets-net	$ 33,997,786	$ 17,595,618	$(13,220,604)	$38,372,800

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, 2009 and 2008, the University had outstanding contractual commitments of approximately $4.0 million and $1.6 million, respectively, for property, plant, and equipment expenditures.

NOTE 6. LONG-TERM LIABILITIES

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

	2009				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Advances from federal sponsors	$ 2,282,723	$ -	$ (4,397)	$ 2,278,326	$ -
Accrued compensated absences	659,784	66,727	-	726,511	305,488
Noncurrent accrued liabilities (OPEB)	286,853	234,084	-	520,937	-
Capital lease obligations	-	4,478,698		4,478,698	35,364
Debt obligation due Commission	286,347	-	(79,479)	206,868	82,334
Total long-term liabilities	$ 3,515,707	$4,779,509	$ (83,876)	$ 8,211,340	$ 423,186

	2008				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Advances from federal sponsors	$ 2,271,157	$ 11,566	$ -	$ 2,282,723	$ -
Accrued compensated absences	2,289,558	31,586	(1,661,360)	659,784	331,797
Noncurrent accrued liabilities (OPEB)	-	286,853	-	286,853	-
Debt obligation due Commission	432,970	-	(146,623)	286,347	79,479
Total long-term liabilities	$ 4,993,685	$ 330,005	$ (1,807,983)	$ 3,515,707	$ 411,276

On February 17, 2009, the University entered into a capital lease arrangement for the purpose of completing major HVAC, plumbing and electrical upgrades for various buildings that are expected to provide savings on energy consumption of an estimated 5% per year. The original amount financed and outstanding as of June 30, 2009 was $4,478,698. The capital lease is payable in monthly installments of $33,478, or $401,736 annually, with payments beginning May 17, 2010. The annual interest rate is 4.16% for a 15 year period ending April 17, 2025. The lease is collateralized by the equipment purchased from the proceeds of the financing arrangement.

Construction period interest due as of April 17, 2010 is $221,969. As of June 30, 2009, the project cost incurred by the University and capitalized as construction in progress was $1,972,002, and the related capitalized interest is $64,723 totaling $2,036,725. The remaining amount received from the financing agreement, $2,506,696, was held as cash at year end.

Future minimum capital lease commitments are as follows as June 30, 2009:

	Principal	Interest
2010	$ 35,364	$ 253,679
2011	221,377	180,320
2012	230,749	170,987
2013	240,517	161,219
2014	250,699	151,043
2015 and thereafter	3,499,992	852,208

NOTE 7. OTHER POST EMPLOYMENT BENEFITS

With the adoption of GASB Statement No. 45 for the year ended June 30, 2008, OPEB costs are accrued based upon invoices received from PEIA based upon actuarial determined amounts. At June 30, 2009 and 2008, the noncurrent liability related to OPEB costs was $520,937 and $286,853, respectively. For the year ended June 30, 2008, the University recorded a cumulative effect of the adoption of this accounting principle of $1,661,360, an amount equal to the June 30, 2007, liability for the extended health or life insurance benefit previously recorded in accordance with GASB Statement No. 16. The total of OPEB expense incurred and the amount of OPEB expense that relates to retirees was $1,029,145 and $99,245, respectively, during 2009 and $1,250,395 and $627,388, respectively, during 2008. As of the year ended June 30, 2009 and 2008, there were 38 and 41 retirees receiving these benefits, respectively.

NOTE 8. OPERATING LEASE OBLIGATIONS

The University leases various equipment, automobiles, and facilities under operating lease agreements. Aggregate payments under these agreements were $69,928 and $100,451 for the years ended June 30, 2009 and 2008, respectively. Future minimum rental commitments are as follows as of June 30, 2009:

2010	$ 62,175
2011	58,495
2012	53,495
2013	11,669
2014	10,697

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.

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

The Commission has the authority to assess each public institution of higher education for payment of debt service on these system bonds. The tuition and registration fees of the members of the former State University System are generally pledged as collateral for the Commission's bond indebtedness. Student fees collected by the institution in excess of the debt service allocation are retained by the institution for internal funding of capital projects and maintenance. Although the bonds remain as a capital obligation of the Commission, an estimate of the obligation of each institution is reported as a long-term payable by each institution and as a receivable by the Commission. During 2009 and 2008, the University paid $79,479 and $76,623, respectively, to the Commission against this debt obligation. The amount due to Commission at June 30, 2009 is $206,868.

During the fiscal year ended June 30, 2003, the Commission loaned $350,000 to the University, which was non-interest bearing and was payable in five annual installments of $70,000 commencing on June 15, 2007. During 2008 the University paid the final installment of $70,000 to the Commission against this debt obligation. There was no outstanding balance on the loan from the Commission as of June 30, 2009.

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:

	2009	2008
Designated for repair and replacement of property	$ -	$ 887,400
Designated for new projects	-	1,560,000
Undesignated	481,737	1,397,527
Total unrestricted net assets	$ 481,737	$ 3,844,927

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.

NOTE 11. RETIREMENT PLANS (Continued)

Effective January 1, 2003, higher education employees enrolled in the basic 401(a) retirement plan with TIAA-CREF have an option to switch to the Educators Money 401(a) basic retirement plan (Educators Money). New hires have the choice of either plan. As of June 30, 2008, 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 contractual maximum contribution rate is 15%. 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, 2009 and 2008. Required employee contributions were at the rate of 6% of total annual salary for the years ended June 30, 2009 and 2008. Participants in the STRS may retire with full benefits upon reaching age 60 with five years of service, age 55 with 30 years of service, or any age with 35 years of service. Lump-sum withdrawal of employee contributions is available upon termination of employment. Pension benefits are based upon 2% of final average salary (the highest five years salary out of the last 15 years) multiplied by the number of years of service.

Total contributions to the STRS for the years ended June 30, 2009, 2008, and 2007 were $371,181, $377,774, and $379,058 respectively, which consisted of $265,129, $269,839, and $270,755 from the University, and $106,052, $107,936, and $108,303 from the covered employees in 2009, 2008, and 2007, 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 Pubic 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, 2009, 2008, and 2007 were $1,346,253, $1,204,798, and $1,130,248, respectively, which consisted of contributions of $673,691, $603,069, and $565,124 from the University and $672,562, $601,729, and $565,124 from the covered employees in 2009, 2008 and 2007, respectively.

The University's total payroll for the years ended June 30, 2009, 2008 and 2007 was $15,152,165, $13,781,433, and $12,934,911, respectively. Total covered employees' salaries in the STRS and TIAA-CREF were $1,767,533 and $11,209,370 respectively in 2009; $1,798,322 and $10,028,815 in 2008 respectively; and $1,805,809 and $9,418,734 in 2007, respectively.

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 is 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, 2009 and 2008, the Foundation's net assets (including unrealized gains) totaled $19,417,193 and $24,729,334, 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, 2009 and 2008, the Foundation contributed approximately $469,000 and $478,000, respectively, to the University for scholarships and other student support.

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.

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.

NOTE 14. CONTINGENCIES (Continued)

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:

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, 2009 and 2008, respectively, are included in investments and amounted to approximately $608,100 and $801,000 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.”

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 expectancies, 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:

- *University 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, as well as capital projects.

- *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.

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, 2009 and 2008, were approximately $201,000 and $167,000, 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

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 each of the years ended June 30, 2009 and 2008, was $20,650, 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 for other organizations. 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 $878,555 and $895,111 as of June 30, 2009 and 2008, respectively.

Risks and Uncertainties

A substantial portion of the Foundation's assets consist of investment securities which are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect investments reported in the statement of financial position, and the unrealized and realized losses in the statement of activities.

Reclassifications

Certain 2008 amounts have been reclassified to conform with 2009 presentation.

1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

The date to which events occurring after June 30, 2009, have been evaluated for possible adjustment to or disclosure in the financial statements is September 28, 2009, which is the date on which the financial statements were available to be issued.

2 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following:

	2009	2008
Unconditional promises to give	$ 864,184	$ 1,398,440
Less: Allowance for uncollectible promises to give	4,257	4,257
Less: Unamortized discount	34,521	79,558
Net unconditional promises to give	$ 825,406	$ 1,314,625
Amounts due in:		
Less than one year	$ 624,184	$ 625,940
One to five years	240,000	757,500
More than five years	-	15,000
	$ 864,184	$ 1,398,440

Included in contributions receivable are pledges for $500,000 that were originally conditioned on the completion of construction of an alumni center, which is currently under construction with a scheduled completion date. Since the possibility of this condition not being met is deemed to be remote, these amounts were recognized as contributions receivable and revenue during the year ended June 30, 2008.

3 - LONG-TERM INVESTMENTS

Long-term investments consisted of the following at June 30, 2009 and 2008:

	2009	2008
Government obligations	$ 2,903,962	$ 4,126,374
Corporate obligations	1,102,284	1,469,635
Corporate equities	4,998,775	8,077,146
Mutual funds	7,746,851	7,698,616
Money markets	1,276,062	2,446,416
Mineral rights	339,805	339,805
	$ 18,367,739	$ 24,157,992

3 - LONG-TERM INVESTMENTS (Continued)

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.

Realized and unrealized gains (losses) recognized during the years ended June 30, 2009 and 2008, consisted of the following:

	2009	2008
Realized	$ (989,680)	$ 550,839
Unrealized	(2,732,976)	(2,483,931)
	$ (3,722,656)	$ (1,933,092)

4 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2009 and 2008:

	2009	2008
Equipment and software	$ 64,579	$ 61,829
Less accumulated depreciation	(48,756)	(45,044)
	$ 15,823	$ 16,785

Depreciation expense for the years ended June 30, 2009 and 2008, was $3,713 and $6,869, respectively.

5 - TEMPORARILY RESTRICTED NET ASSETS

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

	2009	2008
Business department	$ 115,178	$ 465,489
Faculty development	26,488	105,766
Stadium	5,475	418,763
University Point Alumni Center	946,901	2,483,567
Student support	2,632,308	4,018,937
	$ 3,726,350	$ 7,492,522

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 for the years ending June 30, 2009 and 2008, is approximately $7,000,000 and $8,600,000 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; money market funds; 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, 2009.

8 - ASSETS MEASURED AT FAIR VALUE

Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*, which was effective for years beginning after November 15, 2007, establishes a framework for measuring fair value, and requires additional disclosures for fair value measurements. SFAS No. 157 establishes a hierarchy which assigns priorities to inputs of valuation techniques used to measure fair value, and includes the following three levels: Level 1 inputs are quoted prices for identical assets in active markets to which the reporting entity has access, and provide the most reliable evidence for fair value; Level 2 inputs are observable, either directly or indirectly, but are not quoted market prices for identical assets; and Level 3 inputs are unobservable and should be used to the extent that observable inputs are unavailable.

Assets measured at fair value on a recurring basis consisted of the following at June 30, 2009:

	Total	Level 1	Level 2	Level 3
Investments	$ 18,027,934	$ 18,027,934	$ -	$ -

9 - ENDOWMENT

The Foundation's endowment consists of individual funds established by donors for a variety of purposes, including scholarships and Foundation specified projects. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity. It also includes board-designed funds which are unrestricted funds established by the board for long-term investment. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation has adopted investment and spending policies for endowment assets that support the Foundation's mission; to support the University. The overriding investment objective is to maintain purchasing power. That is, net of spending, the objective is to earn a total return, through both capital appreciation (realized and unrealized) and current yield (interest and dividends), within prudent levels of risk, which is sufficient to maintain in real terms the purchasing power and support the defined spending policy. The Investment Committee recognizes that unsupervised assets will probably be subjected to an inflationary loss of purchasing power; therefore, the funds should be managed in a way that will minimize the effect of inflation. Fixed income-like investments will be used to reduce the volatility of the overall portfolio while providing a predictable stream of income. Annual spending rate of the Foundation shall not exceed 5% of the 12-quarter moving average of the market value of the funds, calculated as of December 31 of the year immediately preceding the beginning of the Foundation's fiscal year.

The Board of Directors of the Foundation has interpreted the West Virginia Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the fund, the purposes of the organization and the donor-restricted endowment fund, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, and other resources of the organization.

The endowment net assets consisted of the following types of funds as of June 30, 2009:

	Designated Unrestricted	Temporarily Restricted	Permanently Restricted
Donor restricted endowment funds	$ (52,299)	$ 2,109,404	$15,515,216

Changes in the endowment net assets for the year ended June 30, 2009, were the following:

9 - ENDOWMENT (Continued)

	Designated Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment net assets, beginning of year	$ 201,919	$ 4,520,201	$16,660,229
Investment return:			
Investment earnings, net of fees	10,564	267,111	201,741
Net realized/unrealized losses	(100,161)	(2,133,175)	(1,490,318)
Total investment return	(89,597)	(1,866,064)	(1,288,577)
Contributions	47,924	99,798	511,118
Appropriation of endowment assets for expenditure	(212,545)	(644,531)	(367,554)
Endowment net assets, end of year	$ (52,299)	$ 2,109,404	$15,515,216

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets were $ 516,975 as of June 30, 2009. These deficiencies were due principally to declines in investment values during the year ended June 30, 2009, resulting from the worldwide economic recession.

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:

2009

	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	$ 7,726,732	$ 2,211,098	$ 1,029,154	$ 3,073	$ -	$ -	$ -	$ -	$ 10,970,057
Research	38,787	7,598	145,815	11,139	-	-	-	-	203,339
Public service	437,901	92,320	247,399	7,797	-	-	-	-	785,417
Academic support	764,622	206,870	610,888	27,216	-	-	-	-	1,609,596
Student services	1,196,900	362,054	653,338	6,375	-	-	-	-	2,218,667
General institutional support	2,170,058	684,245	707,172	101,414	-	-	-	-	3,662,889
Operations and maintenance of plant	436,954	183,807	1,326,502	764,189	-	-	-	-	2,711,452
Student financial aid	-	-	-	-	3,786,954	-	-	-	3,786,954
Auxiliary enterprises	2,380,211	623,141	5,040,272	1,107,655	-	-	-	-	9,151,279
Depreciation	-	-	-	-	-	1,793,393	-	-	1,793,393
Other	-	-	-	-	-	-	58,977	144,937	203,914
Total	$ 15,152,165	$ 4,371,133	$ 9,760,540	$ 2,028,858	$ 3,786,954	$ 1,793,393	$ 58,977	$ 144,937	$ 37,096,957

2008

	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	$ 6,707,536	$ 1,992,557	$ 1,146,556	$ 4,221	$ -	$ -	$ -	$ -	$ 9,850,870
Public service	-	-	107,488	-	-	-	-	-	107,488
Academic support	428,836	77,767	346,324	5,103	-	-	-	-	858,030
Student services	889,982	266,600	571,896	22,437	-	-	-	-	1,750,915
General institutional support	1,181,337	419,829	780,289	9,150	-	-	-	-	2,390,605
Operations and maintenance of plant	2,043,886	594,421	929,882	34,399	-	-	-	-	3,602,588
Student financial aid	350,453	164,141	508,739	613,820	-	-	-	-	1,637,153
Auxiliary enterprises	-	-	-	-	2,917,456	-	-	-	2,917,456
Depreciation	2,179,403	671,424	4,743,263	973,612	-	-	-	-	8,567,702
Other	-	-	-	-	-	1,651,437	-	-	1,651,437
	-	-	-	-	-	-	95,995	147,098	243,093
Total	$ 13,781,433	$ 4,186,739	$ 9,134,437	$ 1,662,742	$ 2,917,456	$ 1,651,437	$ 95,995	$ 147,098	$ 33,577,337

Suttle & Stalnaker
CERTIFIED PUBLIC ACCOUNTANTS

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 financial statements of Concord University (the University) as of and for the year ended June 30, 2009, and have issued our report thereon dated October 26, 2009, 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.

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 generally accepted accounting principles 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.

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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 or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

We noted certain matters that we reported to management of the University in a separate letter dated October 26, 2009.

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.

Suttle & Stalnaker, PLLC

Charleston, West Virginia
October 26, 2009