

West Liberty  
University (Formerly  
West Liberty State  
College)

Financial Statements as of and for the  
Years Ended June 30, 2009 and 2008,  
and Independent Auditors' Reports

# WEST LIBERTY UNIVERSITY (FORMERLY WEST LIBERTY STATE COLLEGE)

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## INDEPENDENT AUDITORS' REPORT

To the Governing Board of  
West Liberty University:

We have audited the statements of net assets of West Liberty University (the "University") as of June 30, 2009 and 2008, and the related statements of revenues, expenses, and changes in net assets, and of cash flows for the years then ended. These financial statements are the responsibility of the management of the University. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of West Liberty University Foundation, Incorporated (the "Foundation"), a discretely presented 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 Foundation, is based solely on the report of such other auditors.

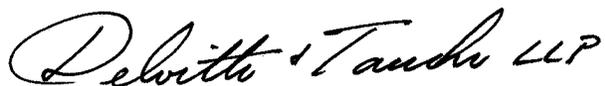
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The Foundation's financial statements, which were audited by other auditors, were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the respective financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 respective 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 opinion.

In our opinion, based on our audits and the report of the other auditors, such financial statements present fairly, in all material respects, the respective financial position and changes in net assets of the University and the discretely presented component unit of the University as of June 30, 2009 and 2008, and cash flows of the University for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the financial statements, during the year ended June 30, 2008, the University adopted Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*.

The Management Discussion and Analysis on pages 3 to 12 is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the University's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2009 on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing 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.

The image shows a handwritten signature in cursive script that reads "Deloitte & Touche LLP". The signature is written in black ink and is positioned above the date.

October 6, 2009

# West Liberty University

State Route 88

P.O. Box 295

West Liberty, WV 26074-0295



## **Management Discussion and Analysis Fiscal Year 2009 (Unaudited) Financial Statements**

### **Overview of the Financial Statements and Financial Analysis**

West Liberty University (WLU) presents its financial statements for fiscal years 2009 and 2008. WLU changed its name from West Liberty State College on May 1, 2009 as approved by its Board of Governors. The emphasis of discussions about these statements will be for the year ended June 30, 2009. There are three financial statements presented: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. This discussion and analysis of WLU's financial statements provides an overview of its financial activities for the fiscal years 2009 and 2008 and is required supplemental information.

The Governmental Accounting Standards Board (GASB) has issued directives for presentation of governmental college and university financial statements. The previous reporting format presented financial balances and activities by fund groups. The current format places emphasis on the overall economic resources of WLU. This is the sixth fiscal year for this format.

### **GASB Statement No. 39**

The Government Accounting Standards Board (GASB) has revised the financial reporting guidelines for organizations that support government entities, effective for reporting periods beginning after June 15, 2003. Under GASB Statement No. 39, if a private foundation that provides financial support to a public college or university meets specified criteria, the university is required to include the foundation's financial activities in the university's financial statements.

The reader should understand that although WLU is the beneficiary of the West Liberty University Foundation, Incorporated (the "Foundation"), the Foundation is independent of WLU in all respects. It is not a subsidiary or affiliate of WLU and is not directly or indirectly controlled by WLU. Moreover, the assets of the Foundation are the exclusive property of the Foundation and do not belong to WLU.

WLU is neither accountable for, nor has ownership of, any of the financial and capital resources of the Foundation. WLU does not have the power or authority to mortgage, pledge or encumber the assets of the Foundation. The members of the Foundation's board of directors are entitled to make all decisions regarding the business and affairs of the Foundation, including, without

limitation, distributions made to WLU, in accordance with donor designations, if any. Third parties dealing with WLU, the Higher Education Policy Commission and the State of West Virginia (or any agency thereof) should not rely upon the financial statements of the Foundation for any purpose without consideration of all of the foregoing conditions and limitations.

### **Statement of Net Assets**

The Statement of Net Assets presents the assets, liabilities, and net assets of WLU as of June 30, 2009 and 2008. The purpose of the Statement of Net Assets is to present to the readers of the financial statements a fiscal snapshot of WLU. The Statement of Net Assets presents end-of-year data concerning Assets (current and noncurrent), Liabilities (current and noncurrent), and Net Assets (assets minus liabilities). The difference between current and noncurrent assets and liabilities is discussed in the Notes to the financial statements.

From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of WLU. They are also able to determine how much is owed to vendors, employees, and lending institutions.

Finally, the Statement of Net Assets provides a picture of the net assets and their availability for expenditure by WLU.

Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, provides equity in the property, plant, and equipment owned by WLU. The next asset category is restricted net assets, which is divided into two categories, nonexpendable (permanently restricted) and expendable. Expendable restricted net assets are available for expenditure but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. Within expendable net assets are balances that have been restricted by the West Virginia Legislature ("Legislature"). These restricted activities are fundamental to the normal ongoing operations of WLU and are subject to change by future actions of the Legislature. The final category is unrestricted net assets, which are available for expenditure for any lawful purpose of WLU.

**Condensed Statements of Net Assets**  
(In Thousands)

	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>ASSETS:</b>			
Current assets	\$ 7,513	\$ 7,233	\$ 7,257
Other noncurrent assets	2,122	2,105	2,363
Capital assets — net	<u>45,753</u>	<u>44,661</u>	<u>43,565</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 55,388</b></u>	<u><b>\$ 53,999</b></u>	<u><b>\$ 53,185</b></u>
<b>LIABILITIES:</b>			
Current liabilities	\$ 4,206	\$ 4,114	\$ 4,294
Noncurrent liabilities	<u>16,214</u>	<u>16,889</u>	<u>19,513</u>
Total liabilities	<u>20,420</u>	<u>21,003</u>	<u>23,807</u>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	30,312	26,907	25,865
Restricted expendable	1,407	2,113	1,583
Unrestricted	<u>3,249</u>	<u>3,976</u>	<u>1,930</u>
Total net assets	<u>34,968</u>	<u>32,996</u>	<u>29,378</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 55,388</b></u>	<u><b>\$ 53,999</b></u>	<u><b>\$ 53,185</b></u>

A review of the individual asset and liabilities categories that contributed to the overall increase in net assets indicates the following:

**2009:**

- Capital Assets – net increased \$1,092,941 in 2009 with the completion of major projects such as the football field, new roof on the library, renovation of two floors of Beta dormitory, and substantial repaving of roads and parking lots.
- Noncurrent liabilities were down in 2009 with debt reduction in obligations to the Higher Education Policy Commission of \$363,121, bonds payable of approximately \$400,000 and capital leases of \$54,265.
- Cash and cash equivalents were up \$164,743 remaining stable at \$6,429,397. Movement in payables was up slightly by \$57,072, while receivables increased by \$121,909.

**2008:**

- Cash and cash equivalents remained stable at \$6.3 million, while accounts payable were reduced by \$176,782.
- Noncurrent liabilities were reduced by \$2.6 million in 2008 with the largest part of the reduction being \$1.5 million in compensated absences, of which \$1,566,615 was the cumulative effect of the adoption of the GASB Statement No. 45. Other factors in this reduction include payments of \$354,145 on debt obligations to the Commission, \$392,642 in bonds payable, and \$214,786 in capital leases.
- Unrestricted net assets increased by \$2.0 million, the majority being \$1,566,615 from the cumulative effect of the adoption of the GASB Statement No. 45 on compensated absences.

**Statement of Revenues, Expenses, and Changes in Net Assets**

Changes in total net assets, as presented on the Statement of Net Assets, are based on the activities presented in the Statement of Revenues, Expenses, and Changes in Net Assets (SRECNA). The purpose of the SRECNA is to present the revenues earned, both operating and nonoperating, and the expenses incurred, operating and nonoperating, and any other revenues, expenses, gains and losses earned or incurred by WLU.

Generally speaking, operating revenues are earned for providing goods and services to the various customers and constituencies of WLU. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the WLU mission. Revenues for which goods and services are not provided are reported as nonoperating revenues. For example, State appropriations are nonoperating revenues because they are provided by the Legislature to WLU without the Legislature directly receiving commensurate goods and services for those revenues. Likewise, Pell grants are reported as nonoperating, because of specific guidance in the AICPA industry audit guide. This presentation is a change in reporting from the prior year when the grants were included in operating as part of Federal grants and contracts.

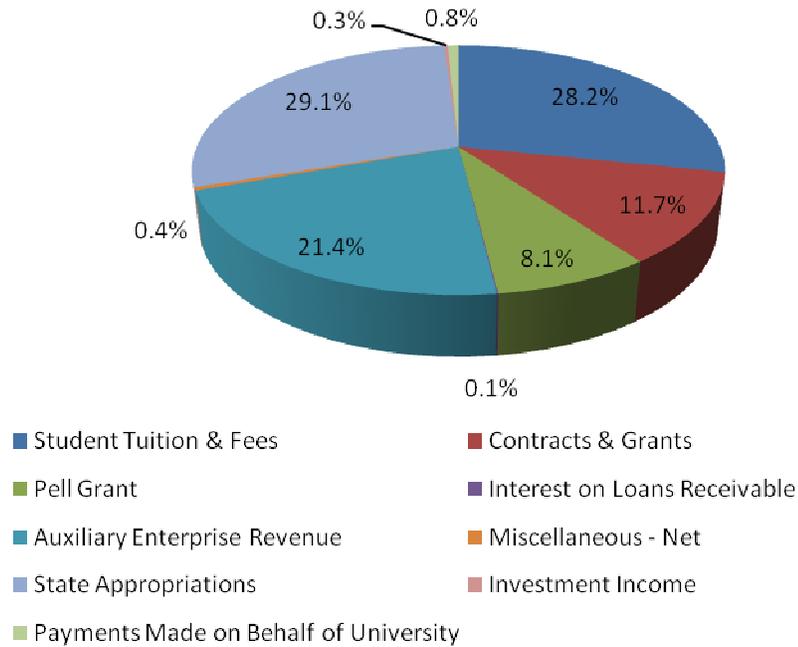
## Condensed Statements of Revenues, Expenses and Changes in Net Assets

(In Thousands)

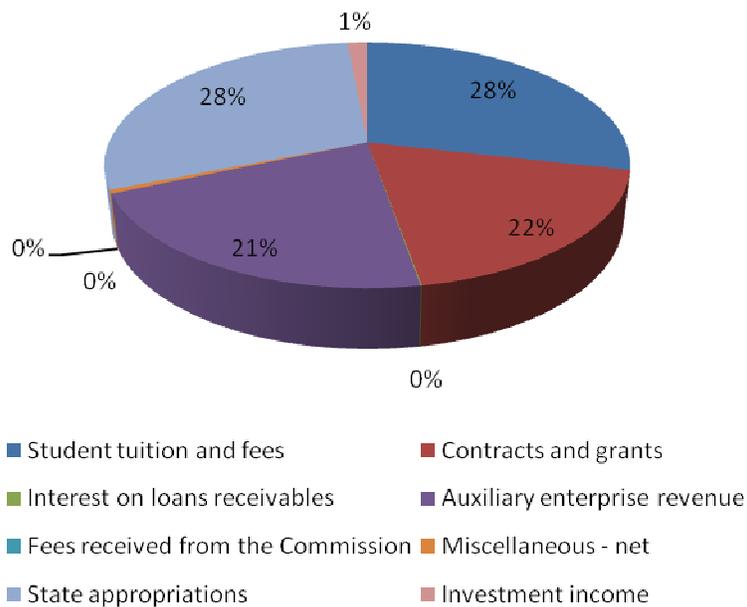
	<b>2009</b>	<b>2008</b>	<b>2007</b>
OPERATING REVENUES	\$ 21,079	\$ 19,675	\$ 17,661
OPERATING EXPENSES	<u>31,173</u>	<u>28,584</u>	<u>26,452</u>
OPERATING LOSS	(10,094)	(8,909)	(6,791)
NONOPERATING REVENUES <EXPENSES>- NET	<u>11,091</u>	<u>10,959</u>	<u>10,006</u>
INCREASE IN NET ASSETS BEFORE TRANSFERS	997	2,051	1,215
CAPITAL AND BOND PROCEEDS FROM COMMISSION	175	-	117
CAPITAL STATE APPROPRIATION	800		
TRANSFER OF LIABILITY FROM POLICY COMMISSION	-	-	(98)
CUMULATIVE EFFECT OF ADOPTION OF ACCOUNTING PRINCIPLE	<u>-</u>	<u>1,567</u>	<u>-</u>
INCREASE IN NET ASSETS	1,972	3,618	1,234
NET ASSETS — Beginning of year	<u>32,996</u>	<u>29,378</u>	<u>28,144</u>
NET ASSETS — End of year	<u>\$ 34,968</u>	<u>\$ 32,996</u>	<u>\$ 29,378</u>

A review of the individual revenue and expense categories that contributed to the overall increase in net assets reveals the following:

**FY 2009 Total Revenues  
Operating, Nonoperating, and Capital**

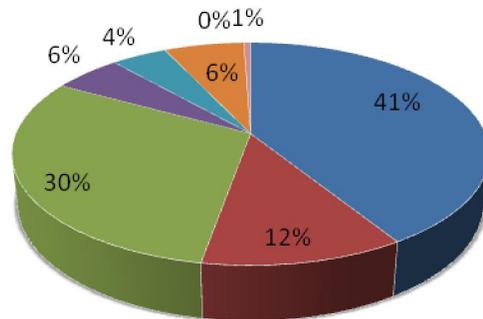


**FY 2008 Total Revenues  
Operating, Nonoperating, and Capital**



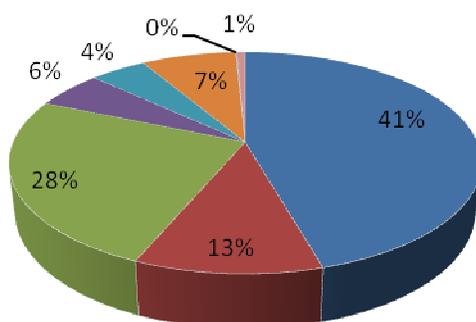
- Student tuition and fees (net of scholarship allowance) made up 45.7% of WLU’s operating revenues and, as the pie chart shows, 28.2% of total operating, nonoperating, and capital revenues. Tuition and fee revenues increased over FY 2008 for both resident, and non-resident students. The tuition and fees were increased in FY 2009 by 6.9% for both resident and non-resident students. FY 2008 had a similar increase of 6.9% for both resident and non-resident students. WLU implemented a new metro rate for FY 2009, which gave a \$1,000 reduction per semester for students residing in select counties in Ohio and Pennsylvania.
- Other operating revenues such as noncapital grants and contracts, revenues from auxiliary enterprises and other operating revenues comprised 54.3% of WLU’s operating revenues and, as the pie chart shows, 33.6% of total revenues.
- Nonoperating revenues from the State consisted of regular State appropriation of \$9,125,137 and a special appropriation of \$800,000 for the buildout of the Highland Center. The regular State appropriation is used to support operations (salary and fringe benefits) of WLU. The regular State appropriation increased by \$238,896 in 2009 as compared to an increase of \$324,752 in 2008. The special appropriation of \$800,000 was paid to the Ohio County Development Authority on June 30, 2009.
- Investment income made up .25% of total operating, nonoperating, and capital revenues in FY 2009 as compared to .9% in FY 2008. WLU participates in the investment pools managed by the State.

**FY 2009 Operating Expenses**



- |                                   |  |
|-----------------------------------|--|
| ■ Salaries and Wages              | ■ Benefits                                   |
| ■ Supplies and Other Services     | ■ Utilities                                  |
| ■ Student Financial Aid           | ■ Depreciation                               |
| ■ Loan Cancellations & Write-Offs | ■ Fees Assessed by Commission for Operations |

### FY 2008 Operating Expenses



- |                                   |  |
|-----------------------------------|--|
| ■ Salaries and Wages              | ■ Benefits                                   |
| ■ Supplies and Other Services     | ■ Utilities                                  |
| ■ Student Financial Aid           | ■ Depreciation                               |
| ■ Loan Cancellations & Write-Offs | ■ Fees Assessed by Commission for Operations |

- The salaries and wages and employee benefits categories made up 53% and 54% of the operating expenses of WLU for FY 2009 and FY 2008, respectively. The annual raise of 3% was given to employees in July 2008 based on the respective employee pooling classification and was an increase over the fiscal 2008 raise of 2%. Benefit costs kept pace because of employer matching for Public Employees Insurance Agency premiums as well as other matching costs for social security, worker’s compensation, etc., associated with raises granted and OPEB.
- Utilities did not change in FY 2009 from FY 2008 as a percentage of operating costs, because of the drop in natural gas prices in the second half of the fiscal year.
- Supplies and other services made up approximately 30% and 28% of the operating expenses of the budget for FY 2009 and FY 2008, respectively. The primary reason for the increase in FY 2009 is increased repairs and maintenance on the University’s HVAC systems.

### Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the cash activities of WLU during the year. The statement is divided into five parts. The first section deals with operating cash flows and shows the net cash used in the operating activities of WLU. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital assets and related items, and related funding received. The fourth section reflects the cash flows from investing activities and shows interest received from investing activities. The fifth section reconciles the net cash used in operating activities to the operating loss reflected in the SRECNA.

**Condensed Statements of Cash Flows**  
(In Thousands)

	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>Cash Provided by (Used in)</b>			
OPERATING ACTIVITIES	\$ (7,421)	\$ (6,177)	\$ (6,254)
NONCAPITAL FINANCING ACTIVITIES	11,873	11,440	10,802
CAPITAL FINANCING ACTIVITIES	(4,381)	(5,577)	(5,390)
INVESTING ACTIVITIES	<u>94</u>	<u>290</u>	<u>415</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	165	(24)	(427)
CASH AND CASH EQUIVALENTS — Beginning of year	<u>6,264</u>	<u>6,288</u>	<u>6,715</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 6,429</u>	<u>\$ 6,264</u>	<u>\$ 6,288</u>

**Capital Asset and Debt Administration**

WLU had many renovations completed during FY 2009 and 2008 that were added to capital assets. These projects were funded from a variety of sources including Federal and private grants, special State appropriations and WLU funds.



**2009:**

- Athletic complex upgrade of \$1.2 million (\$900,000 donation from West Liberty University Foundation, Inc.) included a new surface on the football field, new fencing, and extensive landscaping.
- New roof on the library of \$416,000 (\$175,000 funds from Higher Education Policy Commission).
- Extensive paving (\$446,000) of major campus roads and parking lots.
- Payment of \$800,000 (special legislative appropriation) to the Ohio County Development Authority on June 30, 2009 upon substantial completion of the Highland Educational Center. Classes are scheduled to begin in August 2009.

## **2008:**

- Capital assets had building additions of approximately \$3.3 million in FY 2008 with the major components being a new roof on the Fine Arts Center for \$623,606, HVAC system for Main Hall for \$611,099, and renovations to Beta Hall for \$974,998.
- Capital projects in progress at the end of FY 2008 amounted to \$964,516. Projects included \$747,622 for the new playing surface on the football field and \$97,239 for wiring in Beta Hall. The new surface on the football field is being primarily funded by a \$900,000 donation through the West Liberty University Foundation.
- The State Legislature approved \$800,000 for the WLU Highlands Project. The Highlands is a commercial project located next to I-70 that is being developed by the Ohio County Development Authority. WLU will have a new educational center at the Highlands and begin offering classes in May 2009.



### **Economic Outlook**

While the economic climate in the nation and West Virginia continues to struggle, the situation offers many opportunities for WLU.

WLU continues to offer an affordable education for all students, with in-state day students tuition and fees being \$4,464 per year in 2009 and on-campus students being at \$10,746/year. Metro rates have been established for neighboring counties in Ohio and Pennsylvania. These students receive a \$1,000 reduction in out-of-state tuition and fees. The University is very competitive with all four-year educational institutions in the local geographical area.

Admissions increased for the third consecutive year in 2009. Occupancy in the residence halls was 1,210 in 2009, the highest since 1999. All residence halls have been renovated and are available for the fall semester for fiscal year 2010.

WLU will close its Warwood educational center in August of 2009. The Warwood Center has been in operation since 1995 and is best described as non-centrally located with severe parking problems. WLU will open its new educational center at the Highlands on Interstate 70 in August 2009. This center is accessible to western Pennsylvania, eastern Ohio, and northern West Virginia with more than ample parking. Master degree, degree completion, and non-degree programs as well as undergraduate courses and seminars will be offered on a regular basis.

The University, with expanded opportunities, an affordable cost, cost containment, and increased enrollment continues to be in a strong position to grow in future years.

**WEST LIBERTY UNIVERSITY (FORMERLY WEST  
LIBERTY STATE COLLEGE)**  
**STATEMENTS OF NET ASSETS**  
**AS OF JUNE 30, 2009 AND 2008**

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<b>ASSETS</b>	<b>2009</b>	<b>2008</b>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 6,429,397	\$ 6,264,652
Accounts receivable — net	693,737	571,828
Loans to students — current portion	316,292	320,821
Prepaid expenses	5,173	3,255
Inventories	<u>68,063</u>	<u>72,120</u>
Total current assets	<u>7,512,662</u>	<u>7,232,676</u>
<b>NONCURRENT ASSETS:</b>		
Cash and cash equivalents	1,111,419	1,162,400
Loans to students — net of allowance of \$730,424 and \$671,948 in 2009 and 2008, respectively	1,010,493	943,250
Capital assets — net	<u>45,753,659</u>	<u>44,660,718</u>
Total noncurrent assets	<u>47,875,571</u>	<u>46,766,368</u>
<b>TOTAL</b>	<u>\$ 55,388,233</u>	<u>\$ 53,999,044</u>

(Continued)

**WEST LIBERTY UNIVERSITY (FORMERLY WEST  
LIBERTY STATE COLLEGE)**

**STATEMENTS OF NET ASSETS  
AS OF JUNE 30, 2009 AND 2008**

	<b>2009</b>	<b>2008</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 809,321	\$ 752,249
Due to Commission	1,340	5,386
Accrued liabilities	1,354,736	1,410,419
Deferred revenue	310,439	217,535
Compensated absences — current portion	893,330	759,803
Debt obligation to Commission — current portion	363,121	354,145
Capital leases — current portion	54,265	214,786
Bonds payable — current portion	<u>420,000</u>	<u>400,000</u>
Total current liabilities	<u>4,206,552</u>	<u>4,114,323</u>
<b>NONCURRENT LIABILITIES:</b>		
Advances from federal sponsors	1,523,396	1,539,798
Other post employment benefits liability	278,661	107,299
Debt obligation to Commission	3,103,596	3,466,717
Capital leases	54,265	54,265
Bonds payable	<u>11,308,013</u>	<u>11,720,656</u>
Total noncurrent liabilities	<u>16,213,666</u>	<u>16,888,735</u>
Total liabilities	<u>20,420,218</u>	<u>21,003,058</u>
<b>NET ASSETS:</b>		
Invested in capital assets — net of related debt	<u>30,311,930</u>	<u>26,906,867</u>
Restricted for — expendable:		
Scholarships	59,348	12,451
Debt service	1,109,299	1,111,112
Capital projects	<u>238,546</u>	<u>989,965</u>
Total restricted expendable	<u>1,407,193</u>	<u>2,113,528</u>
Unrestricted	<u>3,248,892</u>	<u>3,975,591</u>
Total net assets	<u>34,968,015</u>	<u>32,995,986</u>
<b>TOTAL</b>	<u>\$55,388,233</u>	<u>\$53,999,044</u>

See notes to financial statements.

(Concluded)

**WEST LIBERTY UNIVERSITY (FORMERLY WEST  
LIBERTY STATE COLLEGE)  
WEST LIBERTY UNIVERSITY FOUNDATION, INCORPORATED  
STATEMENTS OF FINANCIAL POSITION  
AS OF JUNE 30, 2009 AND 2008**

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	<b>2009</b>	<b>2008</b>
<b>ASSETS</b>		
CASH AND CASH EQUIVALENTS	\$ 680,899	\$ 382,830
UNCONDITIONAL PROMISES TO GIVE	275,251	315,060
OTHER RECEIVABLES	13,501	19,609
INVESTMENTS AT ESTIMATED FAIR VALUE	7,822,069	10,501,085
BENEFICIAL INTEREST IN PERPETUAL TRUST	1,744,618	2,127,240
OTHER ASSETS	<u>48,349</u>	<u>41,349</u>
TOTAL	<u>\$10,584,687</u>	<u>\$13,387,173</u>
 <b>LIABILITIES AND NET ASSETS</b>		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 88,457	\$ 45,196
Liability for charitable gift annuities	<u>71,401</u>	<u>61,495</u>
Total liabilities	<u>159,858</u>	<u>106,691</u>
NET ASSETS:		
Unrestricted	1,203,957	2,407,164
Temporarily restricted	595,871	2,338,287
Permanently restricted	<u>8,625,001</u>	<u>8,535,031</u>
Total net assets	<u>10,424,829</u>	<u>13,280,482</u>
TOTAL	<u>\$10,584,687</u>	<u>\$13,387,173</u>

See notes to financial statements.

**WEST LIBERTY UNIVERSITY (FORMERLY WEST  
LIBERTY STATE COLLEGE)**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

	<b>2009</b>	<b>2008</b>
OPERATING REVENUES:		
Student tuition and fees — net of scholarship allowance of \$3,272,220 and \$2,741,353 in 2009 and 2008, respectively	\$ 9,627,581	\$ 8,777,654
Contracts and grants:		
Federal	510,947	696,621
State	2,757,401	2,513,094
Private	738,029	975,908
Interest on student loans receivable	23,700	14,869
Auxiliary enterprise revenue — net of scholarship allowance of \$2,475,629 and \$2,047,096 in 2009 and 2008, respectively	7,283,840	6,554,684
Miscellaneous — net	<u>137,705</u>	<u>142,441</u>
Total operating revenues	<u>21,079,203</u>	<u>19,675,271</u>
OPERATING EXPENSES:		
Salaries and wages	12,822,536	11,813,409
Benefits	3,631,972	3,779,840
Supplies and other services	9,421,671	8,000,339
Utilities	1,715,355	1,549,635
Student financial aid — scholarships and fellowships	1,398,616	1,122,474
Depreciation	2,010,514	2,142,068
Loan cancelations and write-offs	3,860	15,525
Fees assessed by the Commission for operations	<u>168,885</u>	<u>160,276</u>
Total operating expenses	<u>31,173,409</u>	<u>28,583,566</u>
OPERATING LOSS	<u>(10,094,206)</u>	<u>(8,908,295)</u>
NONOPERATING REVENUES (EXPENSES):		
State appropriations	9,125,137	8,886,241
Payments on behalf of the University	265,568	393,809
Federal Pell Grants	2,747,375	2,553,712
Investment income	85,609	276,953
Interest on indebtedness	(698,659)	(709,467)
Fees assessed by the Commission for debt service	<u>(433,795)</u>	<u>(442,012)</u>
Net nonoperating revenues	<u>11,091,235</u>	<u>10,959,236</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	997,029	2,050,941
CAPITAL AND BOND PROCEEDS FROM COMMISSION	175,000	
CAPITAL STATE APPROPRIATION	<u>800,000</u>	
INCREASE IN NET ASSETS BEFORE CUMULATIVE EFFECT	1,972,029	2,050,941
CUMULATIVE EFFECT OF ADOPTION OF ACCOUNTING PRINCIPLE		<u>1,566,615</u>
INCREASE IN NET ASSETS	1,972,029	3,617,556
NET ASSETS — Beginning of year	<u>32,995,986</u>	<u>29,378,430</u>
NET ASSETS — End of year	<u>\$ 34,968,015</u>	<u>\$ 32,995,986</u>

See notes to financial statements.

**WEST LIBERTY UNIVERSITY (FORMERLY WEST  
LIBERTY STATE COLLEGE)**

**WEST LIBERTY UNIVERSITY FOUNDATION, INCORPORATED  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES:				
Contributions	\$ 157,310	\$ 574,764	\$ 185,848	\$ 917,922
Interest and dividend income	71,565	186,207	84,596	342,368
Gain (loss) on investments	(54,974)	(2,166,057)		(2,221,031)
Change in value of split interest agreements		(17,065)	(382,622)	(399,687)
Other income		146,747		146,747
Net assets released from restrictions and other	<u>264,864</u>	<u>(467,012)</u>	<u>202,148</u>	<u>          </u>
Total support and revenues	<u>438,765</u>	<u>(1,742,416)</u>	<u>89,970</u>	<u>(1,213,681)</u>
EXPENSES AND LOSSES:				
West Liberty State College Support:				
Scholarships	498,891			498,891
Athletic programs	384,438			384,438
Academic programs	90,952			90,952
Capital improvements	38,657			38,657
Other programs	476,765			476,765
Fundraising	(809)			(809)
General and administrative expenses	<u>153,078</u>	<u>          </u>	<u>          </u>	<u>153,078</u>
Total expenses and losses	<u>1,641,972</u>	<u>          </u>	<u>          </u>	<u>1,641,972</u>
CHANGES IN NET ASSETS	(1,203,207)	(1,742,416)	89,970	(2,855,653)
NET ASSETS — Beginning of year	<u>2,407,164</u>	<u>2,338,287</u>	<u>8,535,031</u>	<u>13,280,482</u>
NET ASSETS — End of year	<u>\$ 1,203,957</u>	<u>\$ 595,871</u>	<u>\$ 8,625,001</u>	<u>\$10,424,829</u>

See notes to financial statements.

**WEST LIBERTY UNIVERSITY (FORMERLY WEST  
LIBERTY STATE COLLEGE)**

**WEST LIBERTY UNIVERSITY FOUNDATION, INCORPORATED**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2008**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES:				
Contributions	\$ 143,446	\$ 694,887	\$ 267,592	\$ 1,105,925
Interest and dividend income	103,472	272,486	97,520	473,478
Gain (loss) on investments	134,228	(1,132,446)		(998,218)
Change in value of split interest agreements		(3,221)	(235,096)	(238,317)
Other income		129,077		129,077
Net assets released from restrictions and other	<u>2,482,610</u>	<u>(2,322,429)</u>	<u>(160,181)</u>	<u>-</u>
Total support and revenues	<u>2,863,756</u>	<u>(2,361,646)</u>	<u>(30,165)</u>	<u>471,945</u>
EXPENSES AND LOSSES:				
West Liberty State College Support:				
Scholarships	510,656			510,656
Athletic programs	664,867			664,867
Academic programs	196,943			196,943
Capital improvements	38,197			38,197
Other programs	348,902			348,902
Fundraising	28,062			28,062
General and administrative expenses	<u>156,492</u>			<u>156,492</u>
Total expenses and losses	<u>1,944,119</u>	<u>-</u>	<u>-</u>	<u>1,944,119</u>
CHANGES IN NET ASSETS	919,637	(2,361,646)	(30,165)	(1,472,174)
NET ASSETS — Beginning of year	<u>1,487,527</u>	<u>4,699,933</u>	<u>8,565,196</u>	<u>14,752,656</u>
NET ASSETS — End of year	<u>\$2,407,164</u>	<u>\$ 2,338,287</u>	<u>\$8,535,031</u>	<u>\$13,280,482</u>

See notes to financial statements.

**WEST LIBERTY UNIVERSITY (FORMERLY WEST  
LIBERTY STATE COLLEGE)**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	\$ 9,737,328	\$ 8,947,816
Contracts and grants	3,622,340	4,234,793
Payments to and on behalf of employees	(15,917,222)	(14,784,026)
Payments to suppliers	(9,130,225)	(8,137,825)
Payments to utilities	(1,671,148)	(1,536,283)
Payments for scholarships and fellowships	(1,398,616)	(1,122,474)
Loans issued to students	(279,000)	(338,725)
Collection of loans to students	173,043	214,833
Auxiliary enterprise charges	7,482,484	6,361,509
Fees assessed by Commission	(168,884)	(160,276)
Other receipts — net	<u>129,283</u>	<u>144,160</u>
Net cash used in operating activities	<u>(7,420,617)</u>	<u>(6,176,498)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	9,125,137	8,886,241
Federal Pell grants	2,747,375	2,553,712
William D. Ford direct lending receipts	11,126,252	8,837,217
William D. Ford direct lending payments	<u>(11,126,252)</u>	<u>(8,837,205)</u>
Net cash provided by noncapital financing activities	<u>11,872,512</u>	<u>11,439,965</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Purchases of capital assets	(3,336,422)	(3,629,618)
Capital and bond proceeds from Commission	210,000	
Capital State Appropriations	800,000	
Proceeds from sale of assets		916
Principal paid on long-term liabilities	(568,931)	(710,938)
Principal paid on bonds	(400,000)	(380,000)
Interest paid on bonds	(697,562)	(711,812)
Interest paid on long term liabilities	(4,971)	(22,974)
Withdrawals from noncurrent cash and cash equivalents	50,981	319,006
Debt service assessed by Commission	<u>(433,795)</u>	<u>(442,012)</u>
Net cash used in capital financing activities	<u>(4,380,700)</u>	<u>(5,577,432)</u>
CASH FLOWS FROM INVESTING ACTIVITY — Interest		
on investments	<u>93,550</u>	<u>290,330</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	164,745	(23,635)
CASH AND CASH EQUIVALENTS — Beginning of year	<u>6,264,652</u>	<u>6,288,287</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 6,429,397</u>	<u>\$ 6,264,652</u>

(Continued)

**WEST LIBERTY UNIVERSITY (FORMERLY WEST  
LIBERTY COLLEGE)**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

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	2009	2008
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (10,094,206)	\$ (8,908,295)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	2,010,515	2,142,068
Expenses paid on behalf of the University	265,568	393,809
Changes in assets and liabilities:		
Accounts receivable — net	(97,551)	(56,464)
Due from Commission	(24,358)	20,276
Loans to students — net	(62,714)	(81,416)
Prepaid expenses	(1,918)	46,721
Inventories	4,057	10,529
Accounts payable	174,310	(136,375)
Due to Commission	(59,298)	(41,303)
Accrued liabilities	70,479	254,013
Compensated absences	304,889	165,118
Deferred revenue	92,904	51,103
Advances from federal sponsors	(16,402)	(54,654)
Other	<u>13,108</u>	<u>18,372</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (7,420,617)</u>	<u>\$ (6,176,498)</u>
NONCASH TRANSACTIONS:		
Cumulative effect of adoption of accounting principle	<u>\$</u>	<u>\$ 1,566,615</u>
Fixed assets additions in accounts payable and accrued liabilities	<u>\$ 192,734</u>	<u>\$ 380,882</u>
See notes to financial statements.		(Concluded)

# WEST LIBERTY UNIVERSITY (FORMERLY WEST LIBERTY STATE COLLEGE)

## NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

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### 1. ORGANIZATION

West Liberty University (the “University”) is governed by the West Liberty University Board of Governors (the “Board”). The Board was established by Senate Bill 653 (S.B. 653). WLU changed its name from West Liberty State College on May 1, 2009 as approved by its Board of Governors.

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 institution 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.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the University have been prepared in accordance with accounting principles generally accepted in the United States of America (generally accepted accounting principles) as prescribed by the Governmental Accounting Standards Board (GASB), including GASB Statement No. 34, *Basic Financial Statements — and Management’s Discussion and Analysis — for State and Local Governments*, and GASB 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 and replaces the fund-group perspective previously required.

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 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 Commission (which includes the West Virginia Network for Educational Telecomputing (WVNET)), and the West Virginia Council for Community and Technical College Education, 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.

The accompanying financial statements present all funds under the authority of the University. The basic criterion for inclusion in the accompanying 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 of the University is not part of the University reporting entity and is not included in the accompanying financial statements, as the University has no ability to designate management, cannot significantly influence operations of this entity, and is not accountable for the fiscal matters of the foundation 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 of GASB Statement No. 14*. As a result, the audited financial statements of West Liberty University Foundation, Incorporated (the "Foundation") are discretely presented here 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 Statements of Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from the GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's audited financial information as it is presented herein (see also Note 17).

**Financial Statement Presentation** — GASB Statements No. 35 and No. 38, *Certain Financial Statement Note Disclosures*, establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a combined 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 accumulated 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 State Legislature (the "State 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 State Code. House Bill 101 passed in March 2004 simplified the tuition and fee restrictions to 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 State 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. The University does not have any restricted nonexpendable net assets as of June 30, 2009 and 2008.

- *Unrestricted Net Assets* — This represents 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 to meet current expenses for any purpose.

**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.

**Cash and Cash Equivalents** — For purposes of the statements of net assets, the Commission 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, provisions of bond indentures, and the 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 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 financial statements.

The BTI maintains the Consolidated Fund investment fund, which consists of eight investment pools and participant-directed accounts (seven in 2008), three of which the Commission 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 Blvd. East, Room E-122, Charleston, WV 25305 or <http://www.wvbt.com>.

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

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

**Noncurrent Cash and Cash Equivalents** — Cash and cash equivalents that are (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 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 value at the date of donation in the case of gifts. Interest on related borrowing, net of interest earnings on invested proceeds, capitalized during the period of construction was \$9,682 and \$33,467 for the years ended June 30, 2009 and 2008, respectively. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 20 to 50 years for buildings and infrastructure, 20 years for land improvements, seven years for library books, and 3 to 10 years for furniture and equipment. The University capitalizes all purchases of library books and uses a capitalization threshold of \$5,000 for other capital assets. The 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 tuition, 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. 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. 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, West Virginia 25305-0710 or [hppt://www.wvpeia.com](http://www.wvpeia.com).

These statements require entities to accrue for employees' rights to receive compensation for vacation leave or other postretirement employee benefits as such benefits are earned and payment becomes probable.

The University's full-time employees earn up to two vacation leave days for each month of service and are entitled to compensation for accumulated, unpaid vacation leave upon termination. Full-time employees also earn 1½ 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 on July 1, 2001, or later will no longer receive sick-leave credit toward insurance premiums when they retire. This 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 3½ 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. Faculty hired after July 1, 2009 will no longer receive years of service credit toward insurance premiums when they retire.

The estimated expense and 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 is 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 third-party insurers, 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 insurers, the University has transferred its risks related to health, life, prescription drug coverage, and job-related injuries.

**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. The University did not have any designated net assets as of June 30, 2009 and 2008.

**Federal Financial Assistance Programs** — The University makes loans to students under the Federal Direct Student Loan Program. Under this program, the U.S. Department of Education makes interest subsidized and unsubsidized loans directly to students, through universities like the University. Direct student loan receivables are not included in the University's statements of net assets, as the loans are repayable directly to the U.S. Department of Education. In 2009 and 2008, the University received and disbursed approximately \$11,126,252 and \$8,840,000, respectively, under the Federal Direct Student Loan Program on behalf of the U.S. Department of Education, which is not included as revenue and expense on the statements of revenues, expenses, and changes in net assets.

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, Academic Competitive Grant, Science Math Access to Retain Talent Grant, and College Work Study programs. The activity of these programs is recorded in the accompanying financial statements. In 2009 and 2008, the University received and disbursed approximately \$3,260,000 and \$2,880,078, respectively, under these federal student aid programs.

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

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

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

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

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

**Risks 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 financial statements.

**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 \$2,553,712 were transferred from operating revenues to nonoperating revenues.

**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 impact on the financial statements at 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.

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.

**Recent Statements Issued by the 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 its 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.

### 3. CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents held at June 30, 2009 and 2008, is as follows:

<b>2009</b>	<b>Current</b>	<b>Noncurrent</b>	<b>Total</b>
With State Treasurer	\$5,852,635	\$ -	\$5,852,635
With Trustee Bank		1,111,419	1,111,419
In bank	547,722		547,722
On hand	<u>29,040</u>	<u></u>	<u>29,040</u>
	<u>\$6,429,397</u>	<u>\$1,111,419</u>	<u>\$7,540,816</u>
<b>2008</b>	<b>Current</b>	<b>Noncurrent</b>	<b>Total</b>
With State Treasurer	\$5,312,596	\$ -	\$5,312,596
With Trustee Bank		1,162,400	1,162,400
In bank	923,016		923,016
On hand	<u>29,040</u>	<u></u>	<u>29,040</u>
	<u>\$6,264,652</u>	<u>\$1,162,400</u>	<u>\$7,427,052</u>

Cash and cash equivalents with trustee bank include deposits held by the Bond Trustee for the bonds issued on September 3, 2003. The University uses WesBanco Bank (the "Trustee Bank") as its trustee bank for the bond proceeds. The total amount held by the Trustee Bank on June 30, 2009 and 2008, is \$1,111,419 and \$1,162,400, respectively, and was invested in commercial papers and U.S. Treasury money market funds.

Cash and cash equivalents invested with the Trustee Bank in commercial papers and U.S. Treasury money market funds are rated AAAM by Standard and Poor's and Aaa by Moody's. The carrying values at June 30, 2009, of U.S. Treasury money market funds are \$1,111,419. The carrying values at June 30, 2008, of the commercial papers and U.S. Treasury money market funds are \$797,650 and \$364,750, respectively. These funds have neither significant custodial credit risk nor interest rate risk. These funds are neither exposed to a concentration of credit risk nor any foreign currency risk.

The combined carrying amounts of cash in the bank at June 30, 2009 and 2008, were \$547,722 and \$923,016 as compared with the combined bank balance of \$384,995 and \$1,039,527, respectively. The difference is primarily caused by outstanding checks and items in transit. The bank balances were covered by federal depository insurance or were collateralized by financial instruments held as collateral 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:

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**

*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 West Liberty's ownership represents .20% and .20%, respectively.

### **WV Government Money Market Pool**

*Credit Risk* — For the years ended June 30, 2009 and 2008, the WV Government 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 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, respectively, of which the University ownership represents .02% and .02% 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):

Security Type	Credit Rating*		2009		2008	
	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	0.02	1,135	0.32
	AA3	AA			192	0.06
				<u>29,372</u>	<u>9.33</u>	<u>52,169</u>
Commercial paper	P1	A-1			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+			645	0.18	
			<u>125,104</u>	<u>39.72</u>	<u>117,997</u>	<u>33.33</u>
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			16,782	4.74
			<u>\$ 314,932</u>	<u>100 %</u>	<u>\$ 353,979</u>	<u>100 %</u>

\* 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.

At June 30, 2009 and 2008, the University's ownership represents .03% and .11%, 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:

<b>Security Type</b>	<b>2009</b>		<b>2008</b>	
	<b>Carrying Value (In thousands)</b>	<b>WAM (Days)</b>	<b>Carrying Value (In thousands)</b>	<b>WAM (Days)</b>
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	<u>150,223</u>	1	<u>150,058</u>	1
	<u>\$2,570,261</u>	47	<u>\$2,358,470</u>	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:

<b>Security Type</b>	<b>2009</b>		<b>2008</b>	
	<b>Carrying Value (In thousands)</b>	<b>WAM (Days)</b>	<b>Carrying Value (In thousands)</b>	<b>WAM (Days)</b>
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	<u>132</u>	1	<u>66</u>	1
	<u>\$ 283,826</u>	51	<u>\$ 187,064</u>	54

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:

<b>Security Type</b>	<b>Carrying Value (in Thousands)</b>	<b>Effective Duration (Days)</b>
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	<u>6,426</u>	1
	<u>\$ 314,932</u>	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:

<b>Security Type</b>	<b>2008</b>	
	<b>Carrying Value (In thousands)</b>	<b>WAM (Days)</b>
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	<u>7,971</u>	50
	<u>\$ 353,979</u>	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.

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.

#### 4. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2009 and 2008, are as follows:

	<b>2009</b>	<b>2008</b>
Student tuition and fees — net of allowance for doubtful accounts of \$1,088,972 and \$910,702 in 2009 and 2008, respectively	\$ 370,365	\$ 556,056
Due from West Virginia agencies	3,535	3,535
Interest receivable on State cash accounts	1,595	9,537
Research grant receivable	219,996	
Expense reimbursement receivable	63,246	
Due from the Commission	<u>35,000</u>	<u>2,700</u>
	<u>\$ 693,737</u>	<u>\$ 571,828</u>

## 5. CAPITAL ASSETS

Capital asset transactions for the years ended June 30, 2009 and 2008, are as follows:

	2009			Ending Balance
	Beginning Balance	Additions	Reductions	
Capital assets not being depreciated:				
Land	\$ 108,777	\$	\$	\$ 108,777
Construction in progress	<u>964,516</u>	<u>934,151</u>	<u>964,516</u>	<u>934,151</u>
Total capital assets not being depreciated	<u>\$ 1,073,293</u>	<u>\$ 934,151</u>	<u>\$ 964,516</u>	<u>\$ 1,042,928</u>
Other capital assets:				
Infrastructure	\$ 4,299,521	\$ 2,005,227	\$ 13,510	\$ 6,291,238
Buildings	57,680,450	762,427		58,442,877
Equipment	6,442,856	403,838	151,837	6,694,857
Leased equipment	361,549		69,459	292,090
Library books	<u>2,203,417</u>	<u>16,825</u>	<u>16,251</u>	<u>2,203,991</u>
Total other capital assets	<u>70,987,793</u>	<u>3,188,317</u>	<u>251,057</u>	<u>73,925,053</u>
Less accumulated depreciation for:				
Infrastructure	673,832	300,270	6,992	967,110
Buildings	20,144,019	1,183,840		21,327,859
Equipment	4,209,788	485,974	103,856	4,591,906
Leased equipment	356,722	1,208	69,459	288,471
Library books	<u>2,016,007</u>	<u>39,222</u>	<u>16,253</u>	<u>2,038,976</u>
Total accumulated depreciation	<u>27,400,368</u>	<u>2,010,514</u>	<u>196,560</u>	<u>29,214,322</u>
Other capital assets — net	<u>\$ 43,587,425</u>	<u>\$ 1,177,803</u>	<u>\$ 54,497</u>	<u>\$ 44,710,731</u>
Capital asset summary:				
Capital assets not being depreciated	\$ 1,073,293	\$ 934,151	\$ 964,516	\$ 1,042,928
Other capital assets	<u>70,987,793</u>	<u>3,188,317</u>	<u>251,057</u>	<u>73,925,053</u>
Total cost of capital assets	72,061,086	4,122,468	1,215,573	74,967,981
Less accumulated depreciation	<u>27,400,368</u>	<u>2,010,514</u>	<u>196,560</u>	<u>29,214,322</u>
Capital assets — net	<u>\$ 44,660,718</u>	<u>\$ 2,111,954</u>	<u>\$ 1,019,013</u>	<u>\$ 45,753,659</u>

	<b>2008</b>			
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 108,777	\$ -	\$ -	\$ 108,777
Construction in progress	<u>1,595,759</u>	<u>1,526,233</u>	<u>2,157,476</u>	<u>964,516</u>
Total capital assets not being depreciated	<u>\$ 1,704,536</u>	<u>\$ 1,526,233</u>	<u>\$ 2,157,476</u>	<u>\$ 1,073,293</u>
Other capital assets:				
Infrastructure	\$ 4,172,620	\$ 126,901	\$ -	\$ 4,299,521
Buildings	54,426,680	3,253,770		57,680,450
Equipment	6,110,412	470,708	138,264	6,442,856
Leased equipment	361,549			361,549
Library books	<u>2,209,038</u>	<u>18,053</u>	<u>23,674</u>	<u>2,203,417</u>
Total other capital assets	<u>67,280,299</u>	<u>3,869,432</u>	<u>161,938</u>	<u>70,987,793</u>
Less accumulated depreciation for:				
Infrastructure	460,593	213,239		673,832
Buildings	18,998,684	1,145,335		20,144,019
Equipment	3,872,533	475,519	138,264	4,209,788
Leased equipment	354,482	2,240		356,722
Library books	<u>1,733,946</u>	<u>305,735</u>	<u>23,674</u>	<u>2,016,007</u>
Total accumulated depreciation	<u>25,420,238</u>	<u>2,142,068</u>	<u>161,938</u>	<u>27,400,368</u>
Other capital assets — net	<u>\$41,860,061</u>	<u>\$ 1,727,364</u>	<u>\$ -</u>	<u>\$43,587,425</u>
Capital asset summary:				
Capital assets not being depreciated	\$ 1,704,536	\$ 1,526,233	\$ 2,157,476	\$ 1,073,293
Other capital assets	<u>67,280,299</u>	<u>3,869,432</u>	<u>161,938</u>	<u>70,987,793</u>
Total cost of capital assets	68,984,835	5,395,665	2,319,414	72,061,086
Less accumulated depreciation	<u>25,420,238</u>	<u>2,142,068</u>	<u>161,938</u>	<u>27,400,368</u>
Capital assets — net	<u>\$43,564,597</u>	<u>\$ 3,253,597</u>	<u>\$ 2,157,476</u>	<u>\$44,660,718</u>

The University maintains various 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.

The University has construction commitments of approximately \$247,000 as of June 30, 2009.

## 6. CHANGES IN LONG-TERM LIABILITIES

Long-term obligation transactions for the University for the years ended June 30, 2009 and 2008, are as follows:

	<b>2009</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Bonds payable:					
Revenue bonds payable	\$ 12,260,000	\$	\$ (400,000)	\$ 11,860,000	\$ 420,000
Discount on issuance	<u>(139,344)</u>		<u>7,357</u>	<u>(131,987)</u>	
Total bonds payable — net	12,120,656		(392,643)	11,728,013	
Capital leases payable	269,051		(214,786)	54,265	54,265
Other long-term liabilities:					
Accrued compensated absences	759,803	133,527		893,330	893,330
Advances from federal sponsors	1,539,798		(16,402)	1,523,396	
Debt obligation to Commission	3,820,862		(354,145)	3,466,717	363,121
OPEB liability	<u>107,299</u>	<u>171,362</u>		<u>278,661</u>	
Total long-term liabilities	<u>\$ 18,617,469</u>	<u>\$ 304,889</u>	<u>\$ (977,976)</u>	<u>\$ 17,944,382</u>	
	<b>2008</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Bonds payable:					
Revenue bonds payable	\$ 12,640,000	\$ -	\$ (380,000)	\$ 12,260,000	\$ 400,000
Discount on issuance	<u>(146,702)</u>		<u>7,358</u>	<u>(139,344)</u>	
Total bonds payable — net	12,493,298	-	(372,642)	12,120,656	
Capital leases payable	631,111		(362,060)	269,051	214,786
Other long-term liabilities:					
Accrued compensated absences	2,268,599	57,819	(1,566,615)	759,803	759,803
Advances from federal sponsors	1,594,452		(54,654)	1,539,798	
Debt obligation to Commission	4,169,740		(348,878)	3,820,862	354,145
OPEB liability		<u>107,299</u>		<u>107,299</u>	
Total long-term liabilities	<u>\$ 21,157,200</u>	<u>\$ 165,118</u>	<u>\$ (2,704,849)</u>	<u>\$ 18,617,469</u>	

**7. BONDS PAYABLE**

Bonds payable at June 30, 2009 and 2008, are summarized as follows:

	<b>Original Interest Rates</b>	<b>Annual Principal Installment Due</b>	<b>2009 Principal Amount Outstanding</b>	<b>2008 Principal Amount Outstanding</b>
Capital Improvements 2003:				
Series A Due 2028	4.125–6.125%	\$235,000 to 650,000	\$ 7,650,000	\$ 7,875,000
Series B Due 2018	4.125–5.625	\$80,000 to 120,000	865,000	940,000
Series C Due 2028	4.125–6.000	\$105,000 to 285,000	<u>3,345,000</u>	<u>3,445,000</u>
			11,860,000	12,260,000
Discount			<u>(131,987)</u>	<u>(139,344)</u>
			<u>\$ 11,728,013</u>	<u>\$ 12,120,656</u>

The Board of Governors of the University issued bonds on September 3, 2003. The Dormitory Revenue bonds or Series 2003A for \$8,870,000, the University Union Revenue Bonds, or Series 2003B for \$1,145,000, and the Capital Improvement Revenue Bonds, or Series 2003C for \$3,890,000, for a total of bonds issued for capital improvements to the University of \$13,905,000. The University set up three separate capital fees to be used solely for the payment of the bonds. The bond proceeds are maintained with a trustee until funds are requested for payments on capital projects that were preapproved by the Board of Governors of the University. The State Treasurer’s Office verifies and remits payments for the bonds to the Trustee.

A summary of the annual aggregate principal payments for years subsequent to June 30, 2009, is as follows:

<b>Years Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010	\$ 420,000	\$ 678,968	\$ 1,098,968
2011	435,000	659,233	1,094,233
2012	460,000	638,503	1,098,503
2013	480,000	616,453	1,096,453
2014	505,000	592,115	1,097,115
2015–2019	2,880,000	2,517,008	5,397,008
2020–2024	3,260,000	1,651,815	4,911,815
2025–2028	<u>3,420,000</u>	<u>536,275</u>	<u>3,956,275</u>
Total	<u>\$ 11,860,000</u>	<u>\$ 7,890,370</u>	<u>\$ 19,750,370</u>

## 8. LEASE OBLIGATIONS

The University entered into an operating lease agreement for classroom/office space effective June 5, 2009. There were no payments made under this lease agreement for the year ended June 30, 2009, as the lease term begins on August 1, 2009. Future minimum rental commitments are as follows as of June 30, 2009:

<b>Years Ending June 30</b>	
2010	\$ 240,000
2011	240,000
2012	240,000
2013	240,000
2014	240,000
2015 and thereafter	<u>1,284,000</u>
Total	<u>\$ 2,484,000</u>

The University leases various equipment and building improvements. These obligations are accounted for as capital leases. As of June 30, 2009, the schedule by year of future annual minimum payments required under the lease obligations is as follows:

<b>Year Ending June 30</b>	<b>Total</b>
2010	\$ 55,044
Less interest	<u>(779)</u>
Total	<u>\$ 54,265</u>

## 9. 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 \$278,661 and \$107,299, respectively. For the year ended June 30, 2008, the University recorded a cumulative effect of the adoption of this accounting principle of \$1,566,615, 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 OPEB expense incurred and the amount of OPEB expense that relates to retirees was \$976,348 and \$529,231, respectively, during 2009, and \$1,106,085 and \$604,977, respectively, during 2008. As of the year ended June 30, 2009, there were 65 retirees receiving these benefits.

## 10. UNRESTRICTED NET ASSETS

The University did not have any designated unrestricted net assets as of June 30, 2009 or 2008.

## 11. STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

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

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

The Commission has the authority to assess each public institution of higher education for payment of debt service on these system bonds. The tuition and registration fees of the members of the former State University System are generally pledged as collateral for the Commission's bond indebtedness. Student fees collected by the institution in excess of the debt service allocation are retained by the institution for internal funding of capital projects and maintenance. Although the bonds remain as 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, effective as of June 30, 2002.

For the years ended June 30, 2009 and 2008, the debt services assessed are as follows:

	<b>2009</b>	<b>2008</b>
Principal	\$ 254,145	\$ 248,878
Interest	151,464	157,834
Other	<u>282,332</u>	<u>284,178</u>
	<u>\$ 687,941</u>	<u>\$ 690,890</u>

In December 2006, the Commission provided a noninterest-bearing loan of \$500,000 to the University, payable beginning June 2007 in five annual installments of \$100,000. The University has paid three installments on this loan, leaving a balance of \$200,000 and \$300,000 at June 30, 2009 and 2008, respectively.

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

Effective January 1, 2003, higher education employees enrolled in the basic 401(a) retirement plan with TIAA-CREF have an option to switch to the new Educators Money 401(a) basic retirement plan ("Educators Money"). New hires have the choice of either plan.

Total contributions to the Educators Money for the years ended June 30, 2009, 2008, and 2007, were \$8,604, \$3,726, and \$3,862, respectively, which consisted of contributions of \$4,302 from the University and \$4,302 from the covered employees in 2009, \$1,863 from the University and \$1,863 from the covered employees in 2008, and \$1,931 from the University and \$1,931 from the covered employees in 2007.

The STRS is a cost-sharing, defined benefit public, employee retirement system. Employer and employee contribution rates are established annually by the West Virginia 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 the years ended June 30, 2009 and 2008, respectively. Required employee contributions were at the rate of 6% of total annual salary for the years ended June 30, 2009 and 2008, respectively. Participants in the STRS may retire with full benefits upon reaching age 60 with 5 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 \$141,328, \$146,769, and \$152,468, respectively, which consisted of \$100,948, \$104,841, and \$108,438 from the University in 2009, 2008, and 2007, respectively, and \$40,380, \$41,928, and \$44,030 from the covered employees in 2009, 2008, and 2007, respectively.

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

The TIAA-CREF and Educators Money are defined-contribution benefit plans in which benefits are based solely upon amounts contributed plus investment earnings. Employees who elect to participate in these plans 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 and Educators Money, which are not matched by the University.

Total contributions to the TIAA-CREF for the years ended June 30, 2009, 2008, and 2007, were \$1,298,102, \$1,136,276, and \$1,144,454, respectively, which consisted of contributions of \$649,051 from the University and \$649,051 from the covered employees in 2009, \$568,138 from the University and \$568,138 from the covered employees in 2008, and \$572,227 from the University and \$572,227 from the covered employees in 2007.

The University's total payroll for the years ended June 30, 2009 and 2008, was \$12,822,535 and \$11,813,410, respectively, and total covered employees' salaries in the STRS, TIAA-CREF, Teacher Define, and Educators Money were \$672,351, \$10,817,515, \$34,256, and \$71,702, and \$698,807, \$9,468,973, \$32,714, and \$31,043, in 2009 and 2008, respectively.

### **13. FOUNDATION**

The West Liberty University Foundation, Incorporated (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 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.

During the years ended June 30, 2009 and 2008, the Foundation contributed \$498,891 and \$510,656, respectively, to the University for scholarships.

### **14. CONTINGENCIES**

The nature of the educational industry is such that, from time-to-time, claims will be presented against the University 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 seriously impact 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.

The Internal Revenue Code of 1986 establishes rules and regulations for arbitrage rebates. There are no arbitrage rebate liabilities that have been recorded in the financial statements as of June 30, 2009 or 2008.

The University owns various buildings that 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 by 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.

## 15. SEGMENT INFORMATION

Under the auspices of the State and the Board of Governors, the University issued revenue bonds to finance certain of its auxiliary enterprise activities and capital improvements. Investors in those bonds rely solely on the revenue generated from new capital fees created for repayment.

Descriptive information for each of the University's segments is shown below:

a. *The Board of Governors of the University issued Dormitory Revenue Bonds 2003, Series A*

On September 3, 2003, the University issued Dormitory Revenue Bonds 2003, Series A, amounting to \$8,870,000.

The 2003A Bonds consist of \$1,230,000 Serial Bonds with varying interest rates from 3.0% to 6.125% and mature from June 30, 2004 to June 1, 2028, and Term Bonds of \$7,640,000.

b. *The Board of Governors of the University issued University Union Revenue Bonds 2003, Series B*

On September 3, 2003, the University issued University Union Revenue Bonds 2003, Series B, amounting to \$1,145,000.

The 2003B Bonds consist of \$940,000 Serial Bonds with varying interest rates from 4.125% to 5.625% and mature from June 30, 2009 to June 1, 2018, and Term Bonds of \$205,000 maturing on June 1, 2006, 2007, and 2008.

c. *The Board of Governors of the University issued Capital Improvement Revenue Bonds 2003, Series C*

On September 3, 2003, the University issued Capital Improvement Revenue Bonds 2003, Series C, amounting to \$3,890,000.

The 2003C Bonds consist of \$840,000 Serial Bonds with varying interest rates from 3.0% to 5.5% and mature from June 1, 2004 to June 1, 2017, and Term Bonds of \$3,050,000 maturing on June 1, 2006, 2007, and 2008.

	2009			2008		
	Dormitory 2003A	College Union 2003B	Capital Improvement 2003C	Dormitory 2003A	College Union 2003B	Capital Improvement 2003C
<b>Condensed Statements of Net Assets as of June 30</b>						
Assets:						
Current assets	\$ 942,472	\$ 298,638	\$ 961,388	\$ 668,700	\$ 233,101	\$ 788,718
Noncurrent assets	<u>8,223,623</u>	<u>1,323,823</u>	<u>3,597,173</u>	<u>8,413,608</u>	<u>1,356,637</u>	<u>3,681,371</u>
Total assets	<u>\$ 9,166,095</u>	<u>\$ 1,622,461</u>	<u>\$ 4,558,561</u>	<u>\$ 9,082,308</u>	<u>\$ 1,589,738</u>	<u>\$ 4,470,089</u>
Liabilities:						
Current liabilities	\$ 272,025	\$ 83,712	\$ 120,843	\$ 262,925	\$ 78,970	\$ 116,235
Noncurrent liabilities	<u>7,331,734</u>	<u>777,982</u>	<u>3,198,297</u>	<u>7,562,351</u>	<u>857,202</u>	<u>3,301,103</u>
Total liabilities	<u>7,603,759</u>	<u>861,694</u>	<u>3,319,140</u>	<u>7,825,276</u>	<u>936,172</u>	<u>3,417,338</u>
Net assets (deficit):						
Invested in capital assets — net of related debt	-	351,102	-	-	302,892	-
Restricted — debt service	692,623	114,522	302,154	693,802	114,715	302,595
Unrestricted	<u>869,713</u>	<u>295,143</u>	<u>937,267</u>	<u>563,230</u>	<u>235,959</u>	<u>750,156</u>
Total net assets	<u>1,562,336</u>	<u>760,767</u>	<u>1,239,421</u>	<u>1,257,032</u>	<u>653,566</u>	<u>1,052,751</u>
Total net assets and liabilities	<u>\$ 9,166,095</u>	<u>\$ 1,622,461</u>	<u>\$ 4,558,561</u>	<u>\$ 9,082,308</u>	<u>\$ 1,589,738</u>	<u>\$ 4,470,089</u>
<b>Condensed Statements of Revenues, Expenses, and Changes in Net Assets for the Years Ended June 30</b>						
Operating:						
Operating revenues	\$ 7,637,950	\$ 180,079	\$ 450,178	\$ 6,637,648	\$ 174,200	\$ 429,466
Operating expenses	<u>5,221,782</u>			<u>4,784,410</u>	<u>50</u>	<u>67</u>
Net operating income	<u>2,416,168</u>	<u>180,079</u>	<u>450,178</u>	<u>1,853,238</u>	<u>174,150</u>	<u>429,399</u>
Nonoperating:						
Nonoperating revenues	37,256	1,294	3,199	89,713	4,781	11,671
Nonoperating expenses	<u>(618,505)</u>	<u>(74,172)</u>	<u>(266,707)</u>	<u>(621,349)</u>	<u>(76,777)</u>	<u>(270,836)</u>
Net nonoperating expense	<u>(581,249)</u>	<u>(72,878)</u>	<u>(263,508)</u>	<u>(531,636)</u>	<u>(71,996)</u>	<u>(259,165)</u>
Income before other revenues expenses, gains or losses	1,834,919	107,201	186,670	1,321,602	102,154	170,234
Amounts retained by the University	<u>(1,529,615)</u>			<u>(1,116,731)</u>		
Net increase in net assets	305,304	107,201	186,670	204,871	102,154	170,234
Net assets — beginning of year	<u>1,257,032</u>	<u>653,566</u>	<u>1,052,751</u>	<u>1,052,161</u>	<u>551,412</u>	<u>882,517</u>
Net assets — end of year	<u>\$ 1,562,336</u>	<u>\$ 760,767</u>	<u>\$ 1,239,421</u>	<u>\$ 1,257,032</u>	<u>\$ 653,566</u>	<u>\$ 1,052,751</u>
<b>Condensed Statements of Cash Flows for the Years Ended June 30</b>						
Net cash provided by operating activities						
	\$ 2,416,168	\$ 180,079	\$ 450,178	\$ 1,853,238	\$ 174,150	\$ 429,399
Net cash used in capital and related financing activities						
	<u>(2,142,396)</u>	<u>(114,542)</u>	<u>(277,508)</u>	<u>(1,736,917)</u>	<u>(120,266)</u>	<u>(293,379)</u>
Net increase in cash and cash equivalents	273,772	65,537	172,670	116,321	53,884	136,020
Cash and cash equivalents — beginning of year	<u>668,700</u>	<u>233,101</u>	<u>788,718</u>	<u>552,379</u>	<u>179,217</u>	<u>652,698</u>
Cash and cash equivalents — end of year	<u>\$ 942,472</u>	<u>\$ 298,638</u>	<u>\$ 961,388</u>	<u>\$ 668,700</u>	<u>\$ 233,101</u>	<u>\$ 788,718</u>
end of year	<u>\$ 668,700</u>	<u>\$ 233,101</u>	<u>\$ 788,718</u>	<u>\$ 668,700</u>	<u>\$ 233,101</u>	<u>\$ 788,718</u>

## 16. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

For the years ended June 30, 2009 and 2008, the following table represents operating expenses within both natural and functional classifications:

	2009								Total
	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Loan Cancellations and Write-offs	Fees Assessed by the Commission	
Instruction	\$ 6,146,316	\$ 1,604,866	\$ 1,098,745	\$ 83,800	-	-	-	-	\$ 8,933,727
Research	146,280	8,069	143,053						297,402
Public service	1,009		2,512						3,521
Academic support	1,129,982	323,502	224,858						1,678,342
Student services	1,280,101	367,628	549,978						2,197,707
General institutional support	1,920,311	631,932	1,855,057						4,407,300
Operations and maintenance of plant	808,864	294,226	709,985	1,180,634					2,993,709
Student financial aid					1,398,616				1,398,616
Auxiliary enterprises	1,389,673	401,749	4,837,483	450,921					7,079,826
Depreciation						2,010,514			2,010,514
Other							3,860	168,885	172,745
<b>Total</b>	<b>\$ 12,822,536</b>	<b>\$ 3,631,972</b>	<b>\$ 9,421,671</b>	<b>\$ 1,715,355</b>	<b>\$ 1,398,616</b>	<b>\$ 2,010,514</b>	<b>\$ 3,860</b>	<b>\$ 168,885</b>	<b>\$ 31,173,409</b>

	2008								Total
	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Loan Cancellations and Write-offs	Fees Assessed by the Commission	
Instruction	\$ 5,996,788	\$ 1,665,077	\$ 833,020	\$ 69,908	\$ -	\$ -	\$ -	\$ -	\$ 8,564,793
Research	177,492	19,791	128,551						325,834
Public service			111						111
Academic support	947,673	303,425	201,565						1,452,663
Student services	1,169,799	366,922	381,752						1,918,473
General institutional support	1,673,624	822,956	1,541,966						4,038,546
Operations and maintenance of plant	581,663	218,606	978,657	1,001,746					2,780,672
Student financial aid					1,122,474				1,122,474
Auxiliary enterprises	1,266,370	383,063	3,934,717	477,981					6,062,131
Depreciation						2,142,068			2,142,068
Other							15,525	160,276	175,801
<b>Total</b>	<b>\$ 11,813,409</b>	<b>\$ 3,779,840</b>	<b>\$ 8,000,339</b>	<b>\$ 1,549,635</b>	<b>\$ 1,122,474</b>	<b>\$ 2,142,068</b>	<b>\$ 15,525</b>	<b>\$ 160,276</b>	<b>\$ 28,583,566</b>

## 17. COMPONENT UNIT'S DISCLOSURE

The following are the notes taken directly from the audited financial statements of the Foundation:

### NATURE OF ACTIVITIES

The West Liberty University Foundation, Incorporated (the Foundation) is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation was formed to receive and administer funds for scientific, educational, and charitable purposes for the support and benefit of West Liberty University (the University). Oversight of the Foundation is the responsibility of an independently elected Board of Directors not otherwise affiliated with the University. The President of the University is a non-voting member of the Board of Directors. While contributions are generally for the benefit and support of the University, the Foundation exercises discretion over the distribution of assets.

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Basis of Accounting* — The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

*Basis of Presentation* — Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Assets and contributions that are not restricted by donors or for which restrictions have expired are unrestricted. Assets and contributions for which the donor has imposed restrictions that permit the Foundation to use or expend the donated assets for University support according to the restrictions are temporarily restricted. The restrictions are satisfied either by the passage of time or by actions of the Foundation. Assets and contributions for which the donor stipulates that resources be maintained permanently, but permits the Foundation to use or expend part or all of the income derived from the donated assets, are permanently restricted. Such assets are comprised of endowment accounts which are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity. The investment income, including realized and unrealized gains and losses, is recorded as temporarily restricted until disbursed according to the terms of the gift instrument.

Both temporarily and permanently restricted net assets are to be used for the support and benefit of West Liberty University.

*Use of Estimates* — The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reporting amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Contributions* — Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Unconditional promises to give that are expected to be collected within one year are recorded at estimated net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates for United States Government securities. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not recorded as support until the conditions are substantially met.

*Investments* — Investments in equity securities and all debt securities are reported at their fair value based upon quoted market prices.

The Foundation operates a pooled investment portfolio for all funds. New funds or additions to existing funds are assigned a share in the investment pool based upon the amount of cash or estimated fair value of securities deposited. Income, including unrealized appreciation or depreciation and realized capital gains and losses, is allocated on a monthly basis. Consequently, investment income gains and losses allocated to temporarily restricted funds are also classified as temporarily restricted.

Split-interest agreements consist of beneficial interests in perpetual trusts and charitable gift annuities. The Foundation was bequeathed a beneficial interest in a perpetual trust established at a local bank in accordance with a decedent's will. Under the terms of this split-interest agreement, the Foundation is to receive distributions of 10 percent of the income from the trust in perpetuity. These distributions are to be used to establish an endowment, the income from which will be used to provide scholarships. The Foundation's beneficial interest is valued in the statement of financial position at 10 percent of the fair market value of the trust assets. Adjustments due to changes in the market value of the trust assets are recorded as changes in value of split interest agreements. Distributions received from the trust are permanently restricted for endowed scholarships and are recorded as permanently restricted investment income.

The Foundation participates in charitable gift annuity agreements with certain donors. Under these agreements, temporarily restricted contribution revenue is recorded when donors transfer assets to the Foundation. The amount of revenue recognized is the difference between the fair market value of the assets received and the liability calculated at the net present value of the estimated future payments to the beneficiaries over their life expectancies. In estimating the net present value of the liability, the Foundation uses life expectancy information prepared by the American Council on Gift Annuities and discount rates ranging from 2.36 percent to 7.75 percent.

*Cash and Cash Equivalents* — For purposes of the statement of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Money market funds included in non-current investments are not considered cash equivalents.

## UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at June 30, 2009 and 2008, are as follows:

	<b>2009</b>	<b>2008</b>
Receivable in one year	\$ 144,380	\$ 161,525
Receivable in 2–5 years	132,000	151,750
Receivable in 6–10 years	<u>7,500</u>	<u>17,500</u>
Total unconditional promises to give	283,880	330,775
Less discounts to net present value	<u>8,629</u>	<u>15,715</u>
Net unconditional promises to give	<u>\$ 275,251</u>	<u>\$ 315,060</u>

## INVESTMENTS

The cost and estimated fair values of investments at June 30, 2009 and 2008, are as follows:

	<b>2009</b>		<b>2008</b>	
	<b>Estimated Fair Value</b>	<b>Cost</b>	<b>Estimated Fair Value</b>	<b>Cost</b>
Corporate bonds and notes	\$ 728,433	\$ 737,393	\$ 193,671	\$ 199,475
United States Treasury, government agency, and other government obligations	244,456	239,617	856,226	855,044
Equity securities	1,578,036	1,694,609	3,778,226	3,283,394
Mutual funds	4,914,866	5,294,923	5,316,684	5,571,068
Real estate held-for-sale	<u>356,278</u>	<u>356,278</u>	<u>356,278</u>	<u>356,278</u>
Total	<u>\$ 7,822,069</u>	<u>\$ 8,322,820</u>	<u>\$ 10,501,085</u>	<u>\$ 10,265,259</u>

Interest and dividends from investments are recorded net of investment expenses. These investment expenses totaled \$19,750 and \$27,723 in 2009 and 2008, respectively.

Investments include securities held to satisfy charitable gift annuity agreements as follows:

	<b>2009</b>	<b>2008</b>
Fair value	<u>\$ 119,953</u>	<u>\$ 151,002</u>
Cost	<u>\$ 135,495</u>	<u>\$ 137,167</u>

## SPLIT-INTEREST AGREEMENTS

The following summarizes the transactions affecting the beneficial interest in perpetual trust for the years ended June 30, 2009 and 2008:

	<b>2009</b>	<b>2008</b>
Distributions received from the trust recorded as a permanently restricted investment	<u>\$ 84,596</u>	<u>\$ 97,520</u>
Change in value of the split-interest agreement	<u>\$ (382,622)</u>	<u>\$ (235,096)</u>

## TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Net assets were temporarily and permanently restricted for the following purposes at June 30, 2009:

	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>
Scholarships	\$ 275,694	\$ 7,952,240
Sponsored projects	319,933	672,761
Capital projects	<u>244</u>	<u>          </u>
Totals	<u>\$ 595,871</u>	<u>\$ 8,625,001</u>

## RELATED PARTY TRANSACTIONS

West Liberty University, through its Office of Development, provides facilities and administrative services to the Foundation in exchange for which the Foundation pays a fee equivalent to the salary and benefits of certain staff positions within the Office of Development. Fundraising, general, and administrative expenses included \$117,252 and \$138,499 in 2009 and 2008, respectively, for these expenses.

## SUPPLEMENTAL CASH FLOW INFORMATION

The Foundation has the following noncash transactions during the years ended June 30, 2009 and 2008:

	<b>2009</b>	<b>2008</b>
Noncash contributions received:		
Professional services	\$ 10,653	\$ 17,698
Property, equipment, and other goods	30,604	20,599
Investment securities	<u>1,033</u>	<u>27,032</u>
Total	<u>\$ 42,290</u>	<u>\$ 65,329</u>

## FAIR VALUE MEASUREMENTS

Effective July 1, 2008, the Foundation adopted the provisions of FAS No. 157, *Fair Value Measurements*, for financial assets and financial liabilities. FAS No. 157 provides enhanced guidance for using fair value to measure assets and liabilities. The standard applies whenever other standards require or permit assets or liabilities to be measured at fair value. The standard does not expand the use of fair value in any new circumstances. The FASB issued Staff Position No. 157-1, *Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13*, which removed leasing transactions accounted for under FAS No. 13 and related guidance from the scope of FAS No. 157. The FASB also issued Staff Position No. 157-2, *Partial Deferral of the Effective Date of Statement 157*, which deferred the effective date of FAS No. 157 for all nonfinancial assets and nonfinancial liabilities to fiscal years beginning after November 15, 2007.

FAS No. 157 establishes a hierarchal disclosure framework associated with the level of pricing observability utilized in measuring assets and liabilities at fair value. The three broad levels defined by FAS No. 157 hierarchy are as follows:

*Level I* — Quoted prices are available in active markets for identical assets or liabilities as of the reported date.

*Level II* — Pricing inputs other than quoted prices available in active markets, which are either directly or indirectly observable as of the reported date. The nature of these assets and liabilities include items for which quoted prices are available but traded less frequently, and items that are fair valued using other financial instruments, the parameters of which can be directly observed.

*Level III* — Assets or liabilities that have little or no pricing observability as of the reported date. These items do not have two-way markets and are measured using management's best estimate of fair value, where the inputs into the determination of fair value require significant management judgment or estimation.

The following table presents assets reported on the financial statements at their fair value as of June 30, 2009, by level within the fair value hierarchy. As required by SFAS No. 157, financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Level I	Level II	Level III	Total
Assets:				
Investments available-for-sale	\$ 7,221,335	\$ 244,456	\$ 356,278	\$ 7,822,069

## SUBSEQUENT EVENTS

The Foundation assessed events occurring subsequent to June 30, 2009, through August 28, 2009, for potential recognition and disclosure in the financial statements. No events have occurred that would require adjustment to or disclosure in the financial statements which were issued August 28, 2009.

\* \* \* \* \*

## **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**

To the Board of Directors of  
West Liberty University:

We have audited the financial statements of West Liberty University (the "University") as of and for the year ended June 30, 2009, and have issued our report thereon dated September 25, 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 audits of the University's discretely presented component units were conducted in accordance with auditing standards generally accepted in the United States of America, but not in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the University's internal control over financial reporting 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.

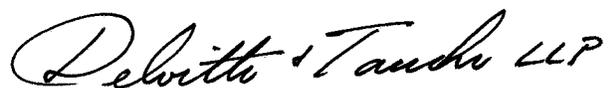
*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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*.

This report is intended solely for the information and use of management and the Board of Directors, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

The image shows a handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

October 6, 2009