

# Concord University

Combined Financial Statements  
Years Ended June 30, 2013 and 2012  
and  
Independent Auditor's Reports

## TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	3 - 4
MANAGEMENT'S DISCUSSION AND ANALYSIS (RSI) (Unaudited)	5 - 16
COMBINED FINANCIAL STATEMENTS	
Combined Statements of Net Position	17
Component Unit - Statements of Financial Position	18
Combined Statements of Revenues, Expenses, and Changes in Net Position	19
Component Unit - Statements of Activities	20 - 21
Combined Statements of Cash Flows	22 - 23
Notes to Combined Financial Statements	24 - 62
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	63 - 64

## INDEPENDENT AUDITOR'S REPORT

Board of Governors  
Concord University  
Athens, West Virginia

### **Report on the Combined Financial Statements**

We have audited the accompanying combined financial statements of the business-type activities and the discretely presented component unit of Concord University (the University), a component unit of the West Virginia Higher Education Policy Commission, as of and for the years ended June 30, 2013 and 2012, and the related notes to the combined financial statements, which collectively comprise the University's basic combined financial statements as listed in the table of contents.

### ***Management's Responsibility for the Combined Financial Statements***

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these combined financial statements based on our audits. We did not audit the combined financial statements of the Concord University Foundation, Inc. (the Foundation), the discretely presented component unit of the University. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditor. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Foundation 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, based on our audits and the reports of the other auditor, the combined financial statements referred to above present fairly, in all material respects, the respective combined financial position of the business-type activities and the discretely presented component unit of the University, as of June 30, 2013 and 2012, and the respective combined changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note 2 to the combined financial statements, the University early adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 - 16 be presented to supplement the basic combined financial statements. Such information, although not a part of the basic combined financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic combined financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic combined financial statements, and other knowledge we obtained during our audit of the basic combined financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2013, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.



Charleston, West Virginia  
October 30, 2013



## **Management's Discussion & Analysis**

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### **Years Ended June 30, 2013 and 2012**

#### **Introduction**

Concord University, (the University) is pleased to present its combined financial statements for the years ended June 30, 2013 and 2012. The University's combined financial statements are presented in a combined format as required by the Governmental Accounting Standards Board (GASB). This format requires that all restricted funds, unrestricted funds, operating funds, dedicated funds, loan funds, plant funds, and endowment funds be combined into a single set of accrual based statements. Depreciation of capital assets is included as an expense, and State appropriations are shown as nonoperating revenue.

During the fiscal year 2003, the University adopted GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. As a result, the financial statements of The Concord University Foundation, Inc. (the Foundation) are discretely presented following the University's combined financial statements. The Foundation is a private nonprofit organization. No modifications have been made to the Foundation's audited financial information as it is presented herein. The Concord University Research and Development Corporation, Inc. is presented as a blended component entity of the University.

#### **Financial Highlights**

In fiscal year 2013, the University's enrollment decreased by (0.63%) for total full-time fall enrollment of 2,689. Total net position increased by 6.94% for the year. Net investment in capital assets increased by 5.20%, while unrestricted net position increased by 16.59%. Total gross tuition and fee revenue increased by 8.84% due to tuition and fee increases of 4.95% effective for the year ended June 30, 2013. State appropriated funding increased only slightly from that reported for the fiscal year ended June 30, 2012.

**CONCORD UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2013**

**Financial Statements**

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

**Combined Statement of Net Position**

The Combined Statement of Net Position presents the Assets (current and noncurrent), Deferred Outflows of Resources, Liabilities (current and noncurrent), Deferred Inflows of Resources, and Net Position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources) of the University as of the end of the fiscal year. Assets denote the resources available to continue the operations of the University. Liabilities indicate how much the University owes vendors, employees and lenders. Net Position provides a way to measure the financial position of the University.

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

Net Position is displayed in three major categories:

- 1) *Net investment in capital assets.* This category represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.
- 2) *Restricted net position.* This category includes net position whose use is restricted either due to externally imposed constraints or because of restrictions imposed by law. They are further divided into two additional components - expendable and nonexpendable. Expendable restricted net position includes resources which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. Nonexpendable restricted net position 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.
- 3) *Unrestricted net position.* This category represents the resources derived primarily from tuition and fees, state appropriations, and sales and services of educational activities that are not restricted. These resources are used for transactions related to educational and general operations of the University.

**CONCORD UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2013**

**Condensed Combined Schedules of Net Position**  
**June 30:**

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>Change</u> <u>FY 13 - FY 12</u>
Assets				
Current assets	\$ 9,311,722	\$ 8,149,406	\$ 7,959,151	14.26%
Noncurrent assets	<u>59,098,552</u>	<u>56,685,436</u>	<u>53,850,718</u>	4.26%
Total assets	<u>68,410,274</u>	<u>64,834,842</u>	<u>61,809,869</u>	5.51%
Deferred outflows of resources	-	-	-	0.00%
Liabilities				
Current liabilities	5,906,017	5,329,009	4,087,009	10.83%
Noncurrent liabilities	<u>13,443,527</u>	<u>13,473,526</u>	<u>11,351,911</u>	(0.22%)
Total liabilities	<u>19,349,544</u>	<u>18,802,535</u>	<u>15,438,920</u>	2.91%
Deferred inflows of resources	<u>1,088,813</u>	<u>1,171,580</u>	-	(7.06%)
Net position				
Net investment in capital assets	48,263,683	45,877,401	44,515,479	5.20%
Restricted				
Nonexpendable	2,964,782	2,964,782	2,391,526	0.00%
Expendable	414,776	420,226	636,607	(1.30%)
Unrestricted (deficit)	<u>(3,671,324)</u>	<u>(4,401,682)</u>	<u>(1,172,663)</u>	16.59%
Total net position	<u>\$ 47,971,917</u>	<u>\$ 44,860,727</u>	<u>\$ 46,370,949</u>	6.94%

An indicator of the short-term financial health of the University is the ratio of current assets to current liabilities (current ratio). The current ratio was 1.58 to 1.00 and 1.53 to 1.00, as of June 30, 2013 and 2012, respectively. These indicate that the University has sufficient available resources to meet its obligations.

As of June 30, 2013, the total assets of the University had increased by 5.51% while total liabilities increased by 2.91% from the balances as of June 30, 2012. The net position increased by 6.94% during the same time period. Unrestricted net position increased by 16.59% for the year ended June 30, 2013.

The University's total liabilities and deferred inflows of resources were approximately \$20.4 million and \$20.0 million, respectively, as of June 30, 2013 and 2012. Noncurrent liabilities were approximately \$13.5 million and \$13.5 million as of June 30, 2013 and 2012, respectively. The noncurrent liabilities consist of capital lease obligations, service concession agreements, advances from federal sponsors, compensated absences, OPEB liability, and other debt obligations. The University's deferred inflows of resources were approximately \$1.1 million and \$1.2 million as of June 30, 2013 and 2012, respectively. Deferred inflows of resources are accreted over the life of the University's service concession arrangements, which caused the 7.06% decrease in the balance from June 30, 2012 to June 30, 2013.

The University received an endowment of approximately \$2.4 million during 2011 from Dr. Joseph Marsh, former president of the University, to completely restore to their original specifications and conditions the Casavant Freres pipe organ and the practice organ, as well as maintain the organs and carillon. A permanent nonexpendable endowment of approximately \$2.2 million was recognized in the statements at June 30, 2011. An additional gift was received during the year ended June 30, 2012 of \$430,852 increasing the value of the endowment to approximately \$2.7 million as of June 30, 2013 and 2012. Interest earned during the year ended June 30, 2013 of \$276,807 was transferred to unrestricted net position to enable the University to begin the process to be in compliance with the requirements of Dr. Marsh's will.

**CONCORD UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2013**

Unrestricted net deficit comprised (7.65%) and (9.81%) of the total net position of the University as of June 30, 2013 and 2012, respectively. The unrestricted net deficit amounted to approximately \$(3.7) million and \$(4.4) million as of June 30, 2013 and 2012, respectively.

Depreciation expense has been recorded for the years ended June 30, 2013 and 2012 in the amount of approximately \$2.5 million and \$2.4 million, respectively.

The debt obligation due Commission was the result of the assignment of long-term system debt by the Commission during the year ended June 30, 2002. The total net position of the University were reduced and no new assets received in exchange. This debt obligation due Commission is debt for bonds issued previously by the Commission. The University recorded a liability of approximately \$0.8 million for Concord's share of this debt. This debt was recorded as a transfer, which resulted in a decrease in net invested in capital assets as of June 30, 2002. The principal payment for this debt for the fiscal year ended June 30, 2012, amounted to \$39,186, as determined by the Commission. The liability was liquidated in full during the year ended June 30, 2012.

The University borrowed \$500,000 from the Higher Education Policy Commission during the year ended June 30, 2013. The debt agreement has no interest charged to the University and is payable in the amount of \$25,000 per quarter beginning July 1, 2013. The current portion of the debt is \$100,000 with the balance reported as debt due to the Commission of \$400,000. The funds were borrowed to replenish the capital improvement funds that were spent to repair the roof of the Marsh Hall Administration building during the years ended June 30, 2013 and 2012.

On February 17, 2009, the University entered into a capital lease arrangement for the purpose of completing major HVAC, plumbing, and electrical upgrades for various buildings that are expected to provide savings on energy consumption of an estimated 5% per year. The amount financed and outstanding as of June 30, 2013 and 2012 was \$3,750,692 and \$3,991,209, respectively. The capital lease is payable in monthly installments of \$33,478, or \$401,736 annually, with payments which began May 17, 2011. The annual interest rate is 4.16% for a 15 year period ending April 17, 2025. The lease is collateralized by the equipment purchased from the proceeds of the financing arrangement. As of June 30, 2013, the project cost incurred by the University is \$4,507,783, and the related capitalized interest is \$222,087, totaling \$4,729,870. The total principal and interest to be paid during the year ending June 30, 2014 is \$250,699 and \$151,037, respectively.

The University adopted GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* during fiscal year 2012. Two contracts for services met the four criteria of service concession arrangements (SCAs). The SCAs were for the food service operations contract and the bookstore operations contract. For the year ended June 30, 2013, the University recorded an intangible asset of approximately \$1.5 million, an accrued liability of approximately \$0.5 million, and a deferred inflow of resources of approximately \$1.2 million. The University recognized revenue of approximately \$0.2 million and approximately \$0.3 million from SCAs during fiscal years ended June 30, 2013 and 2012, respectively, that were recorded in miscellaneous revenue on the Combined Statements of Revenues, Expenses, and Changes in Net Position.

**CONCORD UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2013**

The Concord University Research and Development Corporation, a blended component unit of the University, purchased the Johnson House and Mill Street Apartments located in Athens, WV with the intent of using the property for providing additional housing for the University's students. When renovations were completed, the housing units were rented to University students as a form of supplemental/non-traditional housing. The University purchased the property from the Concord University Research & Development Corporation, Inc. using capital lease financing during the year ended June 30, 2012. The capital lease and related assets have been eliminated from the combined financial statements due to the combination of the two organizations.

These units will allow students access to year round housing. The properties were purchased by the Concord University Research & Development Corporation using a note payable dated June 23, 2011 in the amount of \$500,000, with a fixed interest rate of 5.625%. The note requires monthly principal and interest installments and matures June 23, 2016.

**Combined Statement of Revenues, Expenses, and Changes in Net Position**

The Combined Statement of Revenues, Expenses, and Changes in Net Position presents revenues of the University (operating and nonoperating), the expenses of the University (operating and nonoperating), and any other revenues, expenses, gains, and losses of the University for the years ended June 30, 2013 and 2012. State appropriations, while budgeted for operations, must be reported as nonoperating revenues as required by GASB. The utilization of capital assets is reflected in the combined financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

**Condensed Combined Schedules of Revenues, Expenses, and Changes in Net Position**  
**Years Ended June 30:**

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>Change</u> <u>FY 13-12</u>
Operating revenues	\$ 24,380,008	\$ 23,301,560	\$ 22,956,467	4.63%
Operating expenses	<u>40,614,456</u>	<u>41,417,576</u>	<u>41,584,231</u>	(1.94%)
Operating loss	<u>(16,234,448)</u>	<u>(18,116,016)</u>	<u>(18,627,764)</u>	(10.39%)
Nonoperating revenues	16,119,094	16,322,271	17,795,427	(1.24%)
Nonoperating expenses	<u>(250,560)</u>	<u>(333,421)</u>	<u>(413,574)</u>	(24.85%)
Net nonoperating revenues	<u>15,868,534</u>	<u>15,988,850</u>	<u>17,381,853</u>	(0.75%)
Decrease in net position before other revenues, expenses, gains, or losses	(365,914)	(2,127,166)	(1,245,911)	(82.80%)
Other revenues, expenses, gains, or losses	<u>3,477,104</u>	<u>616,944</u>	<u>1,729,622</u>	463.60%
Increase (decrease) in net position	3,111,190	(1,510,222)	483,711	306.01%
Net position - beginning of year	<u>44,860,727</u>	<u>46,370,949</u>	<u>45,887,238</u>	(3.26%)
Net position - end of year	<u>\$ 47,971,917</u>	<u>\$ 44,860,727</u>	<u>\$ 46,370,949</u>	6.94%

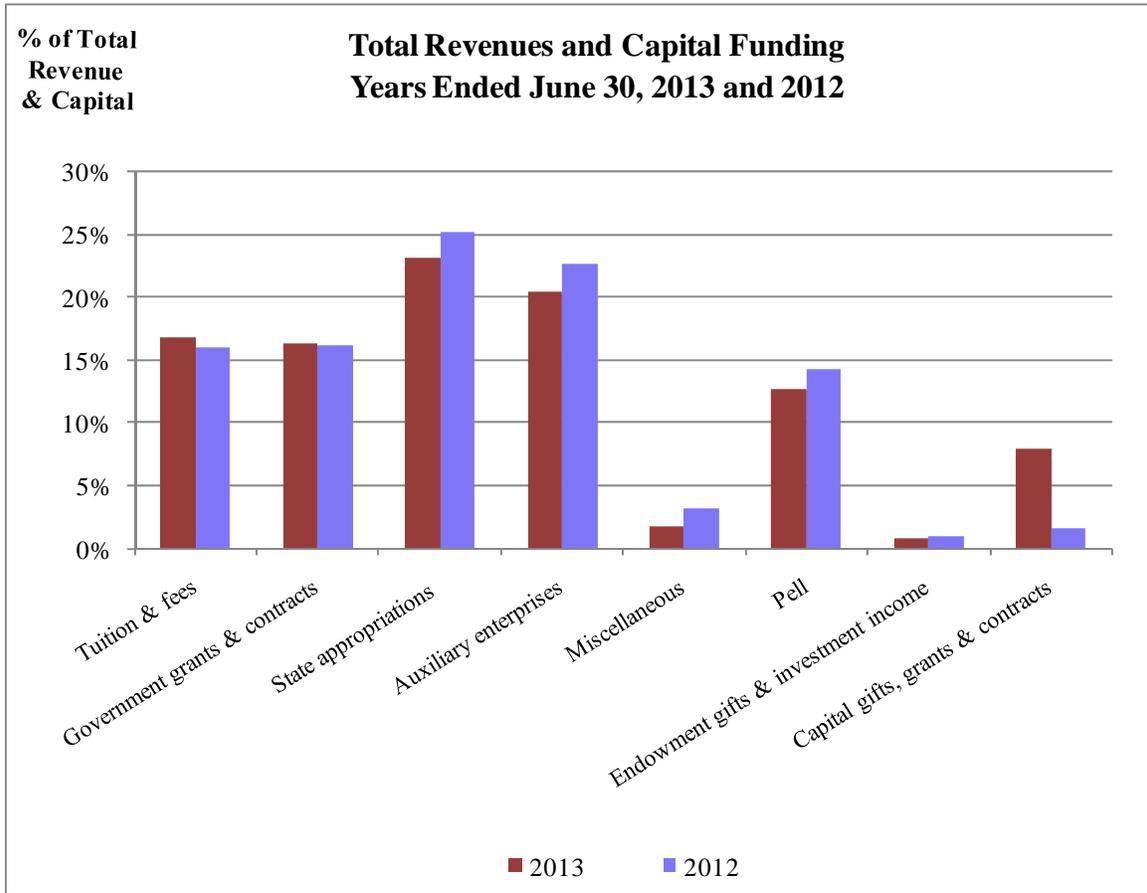
**CONCORD UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2013**

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>Change</u> <u>FY 13-12</u>
Program revenues (by major source)				
Tuition & fees before allowance	\$ 16,510,509	\$ 15,169,351	\$ 14,086,619	8.84%
Less:				
Institutional scholarship discounts & allowances	<u>(9,122,628)</u>	<u>(8,755,668)</u>	<u>(8,456,587)</u>	4.19%
Tuition & fees, net	7,387,881	6,413,683	5,630,032	15.19%
Government grants & contracts	7,213,903	6,491,884	6,623,421	11.12%
Interest on student loans receivable	36,079	30,459	23,856	18.45%
Sales and services of education activities	5,212	5,634	5,402	(7.49%)
Auxiliary enterprise sales & services	8,974,995	9,096,714	10,357,367	(1.34%)
Miscellaneous	761,938	1,263,186	316,826	(39.68%)
General revenues (by major source):				
State appropriations	10,206,804	10,164,340	9,175,771	0.42%
State fiscal stimulus funds (federal)	-	-	832,916	0.00%
Pell grants	5,546,051	5,759,662	5,778,193	(3.71%)
Permanent endowment gifts	-	430,852	2,151,946	(100.00%)
Investment income (loss)	366,239	(32,583)	93,772	1,224.02%
Capital funding:				
Capital grants and gifts	-	302,288	1,712,152	(100.00%)
Capital bond proceeds from the state	<u>3,477,104</u>	<u>314,656</u>	<u>17,470</u>	1,005.05%
Total revenues and capital funding	<u>\$ 43,976,206</u>	<u>\$ 40,240,775</u>	<u>\$ 42,719,124</u>	9.28%

**CONCORD UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

The following is a graphic illustration of revenues and capital funding by source and the percentage distribution of these revenues for the years ended June 30, 2013 and 2012:



The major sources of revenue include tuition and fees, government grants & contracts, State appropriations, and auxiliary revenues. State appropriations comprised 23.21% and 25.26% of the total revenue during the years ended June 30, 2013 and June 30, 2012, respectively. Gross tuition and fees accounted for 37.54% and 37.70% of total revenue for the years ended June 30, 2013 and 2012, respectively, before scholarship discounts and allowances. Auxiliary revenue decreased 1.34% and 12.17% for the years ended June 30, 2013 and 2012, respectively. For the year ended June 30, 2013, miscellaneous revenue decreased by 39.68%, and for the year ended June 30, 2012, it increased 298.70% due in most part to the recording of the SCAs.

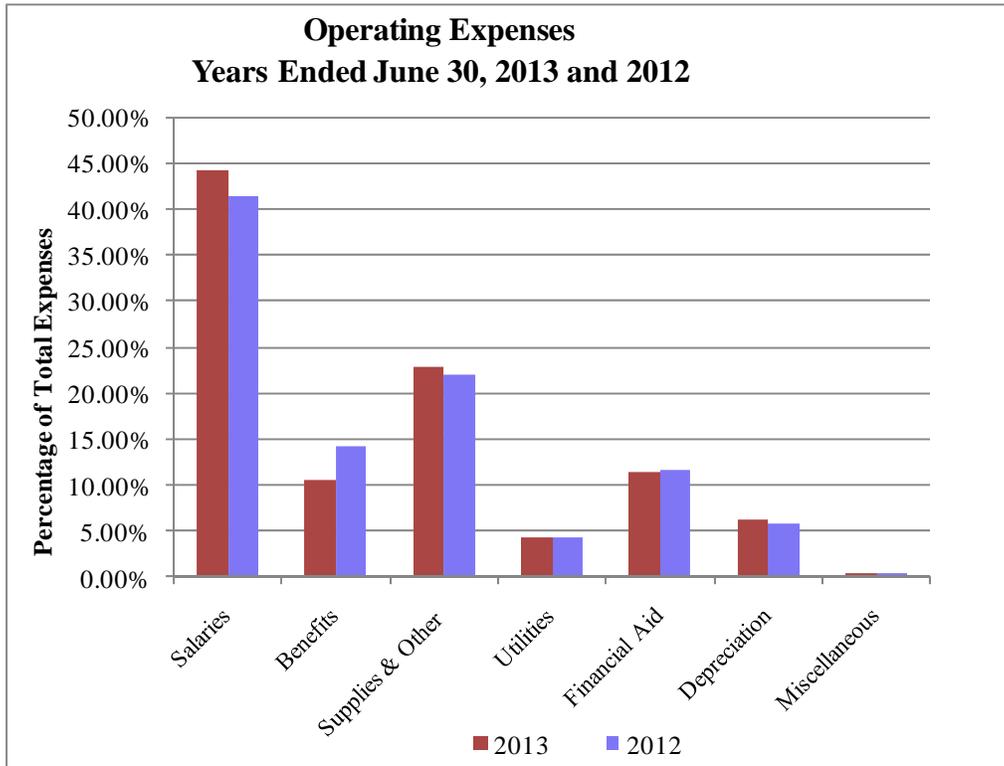
The total revenue and capital funding including grants and transfers increased during the year ended June 30, 2013 by approximately \$3.7 million or 9.28%. The increase in revenue is due to an increase in capital gift and grants. As of June 30, 2012, total revenue and capital funding decreased by approximately \$2.5 million or 5.80% from the year ended June 30, 2011, primarily due to the decrease in scholarship grant funding from state grant programs and a decline in capital gift and grant revenue.

The loss before other revenues, expenses, gains, or losses for the years ended June 30, 2013 and 2012 was approximately (\$0.4) million and approximately (\$2.1) million, respectively. The decrease in the net operating loss of approximately \$1.8 million is due to the decrease in OPEB expense.

**CONCORD UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>Change FY 13 - FY 12</u>
Salaries	\$ 17,968,908	\$ 17,121,049	\$ 15,510,172	4.95%
Benefits	4,251,667	5,909,753	5,886,552	(28.06%)
Supplies & other	9,294,021	9,134,797	10,932,048	1.74%
Utilities	1,721,759	1,791,109	1,761,259	(3.87%)
Student financial aid	4,654,007	4,856,577	5,108,852	(4.17%)
Depreciation	2,526,360	2,389,490	2,147,741	5.73%
Miscellaneous	<u>197,734</u>	<u>214,801</u>	<u>237,607</u>	(7.95%)
Total operating expenses	<u>\$ 40,614,456</u>	<u>\$ 41,417,576</u>	<u>\$ 41,584,231</u>	(1.94%)



Salary and benefit costs together comprised 54.71% and 55.61% of the total operating expenses of the University for the years ended June 30, 2013 and 2012, respectively. Student financial aid expense totaled approximately \$4.7 million and decreased by \$(202,570) and \$(252,275) for the years ended June 30, 2013 and 2012, respectively. Utilities expense decreased by 3.87% to a total of approximately \$1.7 million, which remains relatively low due in part to the completion of the energy performance contract during 2012.

**CONCORD UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

**Combined Statement of Cash Flows:**

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

The Combined Statement of Cash Flows is divided into five parts:

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

**Condensed Combined Schedules of Cash Flows  
Years Ended June 30:**

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>Change FY 13 - FY 12</u>
Cash provided (used) by:				
Operating activities	\$ (14,190,756)	\$ (13,889,655)	\$ (14,207,829)	2.17%
Noncapital financing activities	15,752,855	16,354,854	17,938,826	(3.68%)
Capital financing related activities	(1,850,933)	(2,402,403)	(3,515,007)	(22.95%)
Investing activities	<u>361,221</u>	<u>(32,583)</u>	<u>93,739</u>	1,208.62%
Increase in cash	72,387	30,213	309,729	139.59%
Cash - beginning of year	<u>5,508,750</u>	<u>5,478,537</u>	<u>5,168,808</u>	0.55%
Cash - end of year	<u>\$ 5,581,137</u>	<u>\$ 5,508,750</u>	<u>\$ 5,478,537</u>	1.31%

The University increased cash for the years ended June 30, 2013 and 2012 by \$72,387 and \$30,213, respectively. The increase in cash during the year ended June 30, 2013 was the result of an increase in tuition and fees and lower employer benefit costs due the reduction of the other postemployment benefit costs. The increase in cash during the fiscal year ended June 30, 2012 was due to the fee increase effective July 1, 2012. The balance reported in the Combined Statements of Cash Flows accounts for only current cash and cash equivalents.

**CONCORD UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

**Capital Asset and Long-Term Debt Activity**

The University's capital asset additions for the fiscal years ended June 30, 2013 and 2012 totaled approximately \$5.2 million and \$3.5 million, respectively. During the year ended June 30, 2012, construction began on the renovations to the Fine Arts Building and the Marsh Library. These projects are funded by a approximately \$6 million bond from the Economic Development Authority (EDA). During the years ended June 30, 2013 and 2012, total costs for the project were approximately \$3.3 million and \$0.3 million, respectively, and were incurred for renovations to the two buildings. The remaining approximately \$2.4 million is expected to be spent during the upcoming fiscal year.

The University has no bond issues outstanding nor has it liquidated any bond issues during the fiscal years ended June 30, 2013 and 2012. During August of 2006, the Higher Education Policy Commission issued 30-year revenue bonds in the amount of \$167.0 million to fund capital projects at various institutions in the State. The University has received \$4.6 million of these funds to complete the financing of the Academic Technology Center. State lottery funds will be used to repay the debt, although University revenues are pledged if lottery funds prove insufficient.

The long-term debt reported on the Combined Statement of Net Position includes debt obligations transferred from the Commission during the year ended June 30, 2002. The 2012 payment for the University that was applied to its portion of the capital debt is \$39,186 including interest of \$1,567. The 2011 payment for the University that was applied to its portion of the capital debt was \$85,348, including interest of \$4,768. In addition, the University paid \$121,217 and \$240,044 for the years ended June 30, 2012 and 2011, respectively, to the Commission to finance debt of other state institutions. See more detailed information in footnote 6 of the combined financial statements.

There have been no significant changes in the credit rating or the availability of credit for the University during the fiscal years ended June 30, 2013 and 2012.

**Special Announcements:**

Effective June 30, 2013, Dr. Greg Aloia, President of the University, resigned to take the position of President of College of Coastal Georgia. The faculty, staff and students would like to wish Dr. Aloia and his wife Mary the best of luck in their new adventure and to thank them for their service to the University over the last five years.



In July, 2013, the University's Board of Governors appointed Dr. Boggess as Interim President. She is the first female president of the University.

Dr. Kendra Boggess was appointed Interim Vice President and Academic Dean in August 2011. She has served as an Associate Dean since fall 2009. Since coming to Concord in 1984, her academic experience has consisted of teaching undergraduate business courses in Concord's Division of Business, primarily in Business Communications and software applications courses. Her prior administrative experience resulted from service as the Division's Chair from 1996-2009, and from more than 25 years work in the private sector. She gained additional administrative experience when elected to serve as Faculty President at Concord University in 2008 and 2009.

**CONCORD UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2013**

15

Dr. Boggess holds an Associate of Arts degree from St. Petersburg Junior College in Florida, a B.S. degree in Business Education from the University of Florida in Gainesville, a Masters of Science degree in Vocational Technical Education from Virginia Polytechnic Institute and State University (VT), and a Ph.D. in Business Education with a cognate in Business Management from VT. Her dissertation topic was "Ethical Issues in Business Communication: A Comparative Study of the Perceptions of Japanese and US Students." Her research interests are in culture's impact upon business ethics and strategies of effective business communication. While at VT, she served as a Graduate Research Assistant with responsibilities for the collaborative writing of V-TECs catalogs and curriculum guides. She has served as a reviewer for the Career & Technical Research Association journal for several years.

Throughout her career, Dr. Boggess has served on numerous national, statewide, institutional, and divisional committees and has been recognized for her leadership. She was elected as President of the West Virginia Business Education Association and served as a member of West Virginia University's Statewide Business Plan Competition Oversight Committee. She was recently recognized by the President of the Career and Technical Education Research Association (CATER) for her service as the organization's National Membership Director and National Secretary. Dr. Boggess was also selected as the West Virginia Collegiate Teacher of the Year by the West Virginia Business Education Association.

Dr. Boggess is active in the local business community and is a Charter Member of the Board of Directors of the Charles Mathena III Foundation serving the Chuck Mathena III Performing Arts Center in Mercer County, WV.

She and her husband, Ted, an architect, make their home in Princeton, WV, have been married since 1979, and have 3 sons and daughters-in-law, and 6 grandchildren.

**A Special Thanks:**

The University would like to once again acknowledge the gift of a permanent endowment of amount \$2.7 million from Dr. Joseph Marsh to completely restore to its original specifications and conditions the Casavant Freres pipe organ and the practice organ, as well as maintain the organs and carillon donated by Dr. Marsh in 1979. The endowment earnings will also be used to hire instructors for the pipe organ and the carillon bells.

Dr. Marsh was President of the University from 1959 to 1973. He passed away in December 2009. He was loyal to the University in his service before and after his retirement in both his time and his financial resources. Dr. Marsh coined the phrase, "*Come to learn, go to serve*" many years ago and it still remains as a memento to Concord University. We thank Dr. Marsh for all he did for the University during his lifetime and extend our thanks to his family and his friend, Dr. Jerry Beasley, former President of University.

Dr. Beasley retired in 2008 and also remains active in his service to the University. Thank you Dr. Beasley for all you do to help us grow and improve our institution.

**Economic Outlook:**

The State of West Virginia reduced state appropriated funds provided to state institutions of higher education by 8.94%, effectively, for the upcoming year. The University's share of the reduction is \$912,758 for the year ending June 30, 2014. Another reduction of 7.5% has been announced for the year ending June 30, 2015 and the University's share is expected to be a cut of \$697,053.

**CONCORD UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2013**

The University has reviewed the operating costs and made cuts where possible. The University also continues to seek additional and new funding sources. The University is actively exploring funding opportunities in grants and contracts, sponsored programs, and collaborative partnerships. Enrollment management, both in numbers and quality, and other revenue generating or cost control strategies are being implemented in order to fund future academic and program needs.

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

As a part of the effort to increase revenue and enrollment, the University has five graduate programs beginning the fall of 2013. These programs include the Master of Arts in Teaching (MAT), the Master of Education in Special Education (SPED), the Master of Education, the Master of Human Performance and the Master of Social Work. Also during the year ended June 30, 2013, the University received approval from the Higher Learning Commission for a Master of Social Work program. Registered students in the MSW program were double the number originally projected to enroll. As a result, a second cohort was established to handle the increased enrollment.

The University's RBA in Education continues to thrive. The program was established to assist working students in providing child care services. New regulations have placed upgrades in the education related to their work and the need is being met by this program, another way the University serves the community's needs.

**Requests for Information**

The financial report is designed to provide an overview of the finances of the University for those with an interest in this organization. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Concord University at Post Office Box 1000, Athens, West Virginia 24712.

**CONCORD UNIVERSITY**  
**COMBINED STATEMENTS OF NET POSITION**  
**JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>ASSETS AND DEFERRED OUTFLOWS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 5,051,038	\$ 5,043,385
Cash and cash equivalents - Research & Development Corporation	<u>530,099</u>	<u>465,365</u>
	5,581,137	5,508,750
Due from the Commission	5,418	400
Accounts receivable, net of allowance for doubtful accounts	3,037,797	2,001,683
Loans to students - current portion	349,346	364,748
Intangible asset - service concession arrangement - current portion	200,000	190,000
Prepaid expenses	107,740	48,673
Inventories	<u>30,284</u>	<u>35,152</u>
Total current assets	<u>9,311,722</u>	<u>8,149,406</u>
<b>NONCURRENT ASSETS:</b>		
Cash and cash equivalents	2,724,736	2,724,909
Intangible asset - service concession arrangement	1,549,003	1,718,438
Loans to students, net of allowance of \$90,334 and \$93,753 in 2013 and 2012, respectively	1,844,005	1,884,153
Capital assets, net of accumulated depreciation	<u>52,980,808</u>	<u>50,357,936</u>
Total noncurrent assets	<u>59,098,552</u>	<u>56,685,436</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Total deferred outflows of resources	<u>-</u>	<u>-</u>
<b>TOTAL</b>	<u>\$ 68,410,274</u>	<u>\$ 64,834,842</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND NET POSITION</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 2,357,867	\$ 1,749,218
Accrued liabilities	1,791,231	1,487,745
Due to the Commission	1,015	50,154
Due to other State Agencies	16,979	2,210
Unearned revenue	1,043,766	1,414,635
Compensated absences - current portion	269,362	307,979
Deposits	51,026	53,557
Debt obligations real estate - current portion	24,072	22,994
Capital lease obligations - current portion	250,699	240,517
Debt obligations due to the Commission	<u>100,000</u>	<u>-</u>
Total current liabilities	<u>5,906,017</u>	<u>5,329,009</u>
<b>NONCURRENT LIABILITIES:</b>		
Advances from federal sponsors	2,265,209	2,263,545
Capital lease obligations - noncurrent portion	3,499,993	3,750,692
Compensated absences - noncurrent portion	452,832	429,272
Other postemployment benefit liability	5,931,839	5,963,318
Accrued service concession liability	451,293	600,367
Debt obligations due to the Commission	400,000	-
Debt obligations - real estate	<u>442,361</u>	<u>466,332</u>
Total noncurrent liabilities	<u>13,443,527</u>	<u>13,473,526</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Deferred inflows - service concession arrangement	<u>1,088,813</u>	<u>1,171,580</u>
Total deferred inflows of resources	<u>1,088,813</u>	<u>1,171,580</u>
<b>NET POSITION:</b>		
Net investment in capital assets	48,263,683	45,877,401
Restricted for - nonexpendable - scholarships and fellowships	239,580	239,580
Restricted for - nonexpendable - permanent endowments	2,725,202	2,725,202
Restricted for - expendable - loans	414,776	420,226
Unrestricted (deficit)	<u>(3,671,324)</u>	<u>(4,401,682)</u>
Total net position	<u>47,971,917</u>	<u>44,860,727</u>
<b>TOTAL</b>	<u>\$ 68,410,274</u>	<u>\$ 64,834,842</u>

The Accompanying Notes Are An Integral  
Part Of These Combined Financial Statements

**CONCORD UNIVERSITY**  
**CONCORD UNIVERSITY FOUNDATION, INC.**  
**A COMPONENT UNIT OF CONCORD UNIVERSITY**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2013 AND 2012**

<u>ASSETS</u>	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 518,962	\$ 482,841
Contributions receivable, net of allowance for doubtful accounts of \$1,257 in 2013 and \$4,257 in 2012	268,085	266,740
Dividends and interest receivable	14,190	20,443
Student loans receivable	4,754	4,754
Prepaid expenses	-	-
Cash restricted for long-term investment and by agency relationships	442,402	81,842
Property and equipment, net	4,407	4,890
Investments	<u>30,865,921</u>	<u>28,873,748</u>
Total assets	<u>\$ 32,118,721</u>	<u>\$ 29,735,258</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable	\$ 200	\$ 907
Amounts held on behalf of others	3,891,064	3,492,073
Obligations under annuity agreements	<u>286,157</u>	<u>300,588</u>
Total liabilities	<u>4,177,421</u>	<u>3,793,568</u>
Net assets:		
Unrestricted	690,126	624,976
Temporarily restricted	7,028,400	5,868,956
Permanently restricted	<u>20,222,774</u>	<u>19,447,758</u>
Total net assets	<u>27,941,300</u>	<u>25,941,690</u>
Total liabilities and net assets	<u>\$ 32,118,721</u>	<u>\$ 29,735,258</u>

The Accompanying Notes Are An Integral  
Part Of These Combined Financial Statements

**CONCORD UNIVERSITY**  
**COMBINED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

19

	<u>2013</u>	<u>2012</u>
<b>OPERATING REVENUES:</b>		
Student tuition and fees, net of scholarship allowance of \$9,122,628 and \$8,755,668 in 2013 and 2012, respectively	\$ 7,387,881	\$ 6,413,683
Contract and grants:		
Federal	1,861,303	1,806,622
State	4,820,394	4,161,057
Private	532,206	524,205
Interest on student loans receivable	36,079	30,459
Sales and services of educational activities	5,212	5,634
Auxiliary enterprise revenue	8,974,995	9,096,714
Miscellaneous, net	<u>761,938</u>	<u>1,263,186</u>
Total operating revenues	<u>24,380,008</u>	<u>23,301,560</u>
<b>OPERATING EXPENSES:</b>		
Salaries and wages	17,968,908	17,121,049
Benefits	4,251,667	5,909,753
Supplies and other services	9,294,021	9,134,797
Utilities	1,721,759	1,791,109
Student financial aid - scholarships and fellowships	4,654,007	4,856,577
Depreciation	2,526,360	2,389,490
Loan cancellations and write-offs	34,800	53,759
Fees assessed by the Commission for operations	<u>162,934</u>	<u>161,042</u>
Total operating expenses	<u>40,614,456</u>	<u>41,417,576</u>
<b>OPERATING LOSS</b>	<u>(16,234,448)</u>	<u>(18,116,016)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
State appropriations	10,206,804	10,164,340
Federal Pell grants	5,546,051	5,759,662
Permanent endowment gifts	-	430,852
Investment income (loss)	366,239	(32,583)
Fees assessed by the Commission for debt service	(22,810)	(121,216)
Interest expense	(154,380)	(204,506)
Other nonoperating expenses, net	<u>(73,370)</u>	<u>(7,699)</u>
Net nonoperating revenues	<u>15,868,534</u>	<u>15,988,850</u>
<b>DECREASE IN NET POSITION BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES</b>	(365,914)	(2,127,166)
<b>CAPITAL GRANTS AND GIFTS</b>	-	302,288
<b>CAPITAL BOND PROCEEDS FROM STATE</b>	<u>3,477,104</u>	<u>314,656</u>
<b>INCREASE (DECREASE) IN NET POSITION</b>	3,111,190	(1,510,222)
<b>NET POSITION - Beginning of year</b>	<u>44,860,727</u>	<u>46,370,949</u>
<b>NET POSITION - End of year</b>	<u>\$ 47,971,917</u>	<u>\$ 44,860,727</u>

The Accompanying Notes Are An Integral  
Part Of These Combined Financial Statements

**CONCORD UNIVERSITY**  
**CONCORD UNIVERSITY FOUNDATION, INC.**  
**A COMPONENT UNIT OF CONCORD UNIVERSITY**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2013**

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
<b>REVENUES AND OTHER SUPPORT:</b>				
Gifts and grants	\$ 228,478	\$ 74,987	\$ 295,199	\$ 598,664
Interest and dividends, net of related expenses of \$89,680	-	528,542	187,034	715,576
Net realized and unrealized gains (losses)	(1,251)	1,232,144	756,296	1,987,189
Change in value of split-interest agreements	-	-	(52,374)	(52,374)
Purpose restrictions accomplished	969,849	(558,710)	(411,139)	-
Administration fees	<u>117,519</u>	<u>(117,519)</u>	<u>-</u>	<u>-</u>
Total revenues and support	<u>1,314,595</u>	<u>1,159,444</u>	<u>775,016</u>	<u>3,249,055</u>
<b>EXPENSES AND SUPPORT:</b>				
University support:				
Student support	460,644	-	-	460,644
Faculty and staff development	17,066	-	-	17,066
Compensation for services	11,252	-	-	11,252
Capital projects	163,858	-	-	163,858
Other expenses	322,515	-	-	322,515
Management and general	197,326	-	-	197,326
Fundraising	<u>76,784</u>	<u>-</u>	<u>-</u>	<u>76,784</u>
Total expenses and losses	<u>1,249,445</u>	<u>-</u>	<u>-</u>	<u>1,249,445</u>
<b>CHANGE IN NET ASSETS</b>	65,150	1,159,444	775,016	1,999,610
<b>NET ASSETS-Beginning of year</b>	<u>624,976</u>	<u>5,868,956</u>	<u>19,447,758</u>	<u>25,941,690</u>
<b>NET ASSETS-End of year</b>	<u>\$ 690,126</u>	<u>\$ 7,028,400</u>	<u>\$ 20,222,774</u>	<u>\$ 27,941,300</u>

The Accompanying Notes Are An Integral  
Part Of These Combined Financial Statements

**CONCORD UNIVERSITY**  
**CONCORD UNIVERSITY FOUNDATION, INC.**  
**A COMPONENT UNIT OF CONCORD UNIVERSITY**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2012**

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
<b>REVENUES AND OTHER SUPPORT:</b>				
Gifts and grants	\$ 216,471	\$ 426,409	\$ 1,370,346	\$ 2,013,226
Interest and dividends, net of related expenses of \$77,935	-	511,382	210,661	722,043
Net realized and unrealized gains (losses)	(1,891)	(331,579)	(258,213)	(591,683)
Change in value of split-interest agreements	-	-	(48,796)	(48,796)
Net assets released from restrictions	(36,411)	(56,198)	92,609	-
Purpose restrictions accomplished	920,678	(613,871)	(306,807)	-
Administration fees	111,964	(111,964)	-	-
Total revenues and support	<u>1,210,811</u>	<u>(175,821)</u>	<u>1,059,800</u>	<u>2,094,790</u>
<b>EXPENSES AND SUPPORT:</b>				
University support:				
Student support	443,910	-	-	443,910
Faculty and staff development	18,204	-	-	18,204
Compensation for services	8,974	-	-	8,974
Capital projects	165,000	-	-	165,000
Other expenses	235,571	-	-	235,571
Management and general	197,480	-	-	197,480
Fundraising	111,969	-	-	111,969
Total expenses and losses	<u>1,181,108</u>	<u>-</u>	<u>-</u>	<u>1,181,108</u>
<b>CHANGE IN NET ASSETS</b>	29,703	(175,821)	1,059,800	913,682
NET ASSETS-Beginning of year	<u>595,273</u>	<u>6,044,777</u>	<u>18,387,958</u>	<u>25,028,008</u>
NET ASSETS-End of year	<u>\$ 624,976</u>	<u>\$ 5,868,956</u>	<u>\$ 19,447,758</u>	<u>\$ 25,941,690</u>

**CONCORD UNIVERSITY**  
**COMBINED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Student tuition and fees	\$ 15,428,972	\$ 15,464,117
Contracts and grants	7,340,302	6,444,161
Payments to and on behalf of employees	(21,963,625)	(21,103,809)
Payments to suppliers	(8,943,094)	(9,586,635)
Payments to utilities	(1,721,759)	(1,791,109)
Payments for scholarships and fellowships	(13,776,635)	(13,612,245)
Loans issued to students	(289,782)	(306,397)
Collection of loans to students	312,196	286,073
Interest on student loans	36,079	30,459
Sales and services of educational activities	5,212	5,634
Auxiliary enterprise receipts	9,121,127	9,244,145
Fees assessed by the Commission	(162,934)	(161,042)
Other receipts, net	<u>423,185</u>	<u>1,196,993</u>
Net cash used in operating activities	<u>(14,190,756)</u>	<u>(13,889,655)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
State appropriations	10,206,804	10,164,340
Federal Pell grants	5,546,051	5,759,662
Federal student loan program - direct lending receipts	11,496,059	13,367,820
Federal student loan program - direct lending payments	(11,496,059)	(13,367,820)
Permanent endowment gifts	<u>-</u>	<u>430,852</u>
Net cash provided by noncapital financing activities	<u>15,752,855</u>	<u>16,354,854</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>		
Capital grants and gifts received	3,153,778	614,516
Proceeds from borrowings from Commission	500,000	-
Proceeds from sale of capital assets	-	236,630
Debt repayments - real estate	(22,893)	(10,674)
Capital lease payments	(240,517)	(230,749)
Capital lease obligations interest paid	(154,380)	(199,261)
Purchases of capital assets	(5,064,284)	(2,585,409)
Withdrawals from noncurrent cash and cash equivalents	173	(61,809)
Principal payments on debt obligations due Commission	-	(39,186)
Interest payments on debt obligations due Commission	-	(1,567)
Interest payments on service concession arrangements	-	(3,678)
Fees assessed by Commission	<u>(22,810)</u>	<u>(121,216)</u>
Net cash used in capital financing activities	<u>(1,850,933)</u>	<u>(2,402,403)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment (loss) income	<u>361,221</u>	<u>(32,583)</u>
Net cash provided by (used in) investing activities	<u>361,221</u>	<u>(32,583)</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>72,387</b>	<b>30,213</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	<b><u>5,508,750</u></b>	<b><u>5,478,537</u></b>
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<b><u>\$ 5,581,137</u></b>	<b><u>\$ 5,508,750</u></b>

The Accompanying Notes Are An Integral  
Part Of These Combined Financial Statements

**CONCORD UNIVERSITY**  
**COMBINED STATEMENTS OF CASH FLOWS (Continued)**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH		
USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (16,234,448)	\$ (18,116,016)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation expense	2,526,360	2,389,490
Changes in assets and liabilities:		
Due from the Commission	(5,018)	(366)
Accounts receivables, net	(1,160,996)	(75,158)
Loans to students, net	55,550	33,435
Prepaid expenses	(59,067)	4,976
Other assets	-	72,368
Inventories	4,868	4,414
Service concession arrangement	(62,406)	(66,193)
Accounts payable	446,178	(588,385)
Accrued liabilities	303,486	172,138
Due to the Commission	(49,139)	22,662
Due to other State Agencies	14,769	2,210
Unearned revenue	78,174	472,281
Compensated absences	(15,057)	13,980
Deposits held for others	(2,531)	(2,649)
Other postemployment benefits liability	<u>(31,479)</u>	<u>1,771,158</u>
Net cash used in operating activities	<u>\$ (14,190,756)</u>	<u>\$ (13,889,655)</u>
Noncash capital financing activities		
Accounts receivable for capital gifts, grants & contracts	<u>\$ 129,900</u>	<u>\$ 3,159</u>
Deferred revenue for capital gifts, grants & contracts	<u>\$ (449,043)</u>	<u>\$ 232,099</u>
Accounts payable for capital gifts, grants & contracts	<u>\$ (159,583)</u>	<u>\$ 892,037</u>

**CONCORD UNIVERSITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

24

**NOTE 1 - ORGANIZATION**

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

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

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

As a requirement of Governmental Accounting Standards Board standards (GASB), the University has included information from the Concord University Foundation, Inc. (the Foundation).

Although the University benefits from the activities of the Foundation, the Foundation is independent of the University in all respects. The Foundation is not a subsidiary of the University and is not directly or indirectly controlled by the University. The Foundation has its own separate, independent Board of Directors. Moreover, the assets of the Foundation are the exclusive property of the Foundation and do not belong to the University. The University is not accountable for, and does not have ownership of, any of the financial and capital resources of the Foundation. The University does not have the power or authority to mortgage, pledge, or encumber the assets of the Foundation. The Board of Directors of the Foundation is entitled to make all decisions regarding the business and affairs of the Foundation, including, without limitation, distributions made to the University. Under State law, neither the principal nor income generated by the assets of the Foundation can be taken into consideration in determining the amount of State-appropriated funds allocated to the University. Third parties dealing with the University, the Board, and the State of West Virginia (the State) (or any agency thereof) should not rely upon the combined financial statements of the Foundation for any purpose without consideration of all the foregoing conditions and limitations.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The combined financial statements of the University have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, changes in net position, and cash flows.

**CONCORD UNIVERSITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

25

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Reporting Entity** - The University is an operating unit of the West Virginia Higher Education Fund and represents separate funds of the State of West Virginia (the State) that are not included in the State's general fund. The University is a separate entity which, along with all State institutions of higher education, the West Virginia Council of Community and Technical Colleges, and the Commission (which includes West Virginia Network for Educational Telecomputing), form the Higher Education Fund of the State. The Higher Education Fund is considered a component unit of the State, and its financial statements are discretely presented in the State's comprehensive annual financial report.

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

The audited financial statements of the Concord University Foundation, Inc. (the Foundation) are presented here as a discrete component unit with the University's combined financial statements for the fiscal years ended June 30, 2013 and 2012. The Foundation is a private nonprofit organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's audited financial information as it is presented herein as required by GASB.

**Financial Statement Presentation** - GASB establishes standards for external financial reporting for public colleges and universities and requires that financial statements be presented on a basis to focus on the University as a whole. Net position is classified into four categories according to external donor restrictions or availability of assets for satisfaction of University obligations. The University's net position is classified as follows:

- *Net investment in capital assets* - This represents the University's total investment in capital assets, net of depreciation and outstanding debt obligations related to those capital assets. To the extent that debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.
- *Restricted net position - expendable* - This includes resources in which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

**CONCORD UNIVERSITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

26

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

- *Restricted net position - nonexpendable* - This includes endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.
- *Unrestricted net position* - Unrestricted net position 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 of Governors to meet current expenses for any purpose. These resources also include resources of auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

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

***Cash and Cash Equivalents*** - For purposes of the combined statement of net position, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

The University maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The University has not experienced any losses in such accounts. The University believes that the bank is creditworthy and that it is not exposed to any significant credit risk on cash and cash equivalents.

**CONCORD UNIVERSITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

27

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Cash and cash equivalents balances on deposit with the State of West Virginia Treasurer's Office (the State Treasurer) are pooled by the State Treasurer with other available funds of the State for investment purposes by the West Virginia Board of Treasury Investments (BTI). These funds are transferred to the BTI and the BTI is directed by the State Treasurer to invest the funds in specific external investment pools in accordance with West Virginia code, policies set by the BTI, and by provisions of bond indentures and trust agreements, when applicable. Balances in the investment pools are recorded at fair value or amortized cost which approximates fair value. Fair value is determined by a third-party pricing service based on asset portfolio pricing models and other sources, in accordance with GASB. 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 and, accordingly, are presented as cash and cash equivalents in the accompanying combined financial statements.

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

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

***Appropriations Due from Primary Government*** - For financial reporting purposes, appropriations due from the State are presented separately from cash and cash equivalents, as amounts are not specific deposits with the State Treasurer but are obligations of the State.

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

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

**CONCORD UNIVERSITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

28

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

*Capital Assets* - Capital assets include property, plant, equipment, books and materials that are part of a catalogued library, and infrastructure assets. Capital assets are stated at cost at the date of acquisition or construction, or fair market value at the date of donation in the case of gifts. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and infrastructure, 20 years for land improvements and library books, and 3 to 10 years for furniture and equipment. The University's capitalization threshold is \$5,000. The accompanying combined financial statements reflect all adjustments required by GASB.

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

*Compensated Absences and Other Postemployment Benefits (OPEB)* - GASB provides for the measurement, recognition, and display of 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. The University is required to participate in this multiple-employer, cost-sharing plan, the West Virginia Retiree Health Benefit Trust Fund, sponsored by the State of West Virginia. Details regarding this plan and its stand-alone financials can be obtained by contacting the West Virginia Public Employees Insurance Agency (PEIA), State Capitol Complex, Building 5, Room 1001, 1900 Kanawha Boulevard, East, Charleston, WV 25305-0710 or <http://www.wvpeia.com>.

GASB requires entities to accrue for employees' rights to receive compensation for vacation leave or payments in lieu of accrued vacation or sick leave as such benefits are earned and payment becomes probable. The University's full-time employees earn up to two vacation leave days for each month of service and are entitled to compensation for accumulated, unpaid vacation leave upon termination. Full-time employees also earn 1 1/2 sick leave days for each month of service and are entitled to extend their health or life insurance coverage upon retirement in lieu of accumulated, unpaid sick leave. Generally, two days of accrued sick leave extend health insurance for one month of single coverage, and three days extend health insurance for one month of family coverage. For employees hired after 1988, or who were hired before 1988 but did not choose such coverage until after 1988 but before July 1, 2001, the employee shares in the cost of the extended benefit coverage to the extent of 50% of the premium required for the extended coverage. Employees hired July 1, 2001, or later will no longer receive sick leave credit toward insurance premiums when they retire. Additionally, all retirees have the option to purchase continued coverage regardless of their eligibility for premium credits. This liability is now provided for under the multiple-employer, cost-sharing plan sponsored by the State.

**CONCORD UNIVERSITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

29

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Certain faculty employees (generally those with less than a 12-month contract) earn a similar extended health or life insurance coverage retirement benefit based on years of service. Generally, 3 1/3 years of teaching service 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. Employees hired after July 1, 2010, receive no health insurance premium subsidy from the University. Two groups of employees hired after July 1, 2010, will not be required to pay the unsubsidized rate: 1) active employees who were originally hired before July 1, 2010, who have a break in service of fewer than two years after July 1, 2010; and 2) retired employees who retired before July 1, 2010, return to active service after July 1, 2010, and then go back into retirement. In those cases, the original hire date will apply.

The estimated expense and expense incurred for the vacation leave or OPEB benefits are recorded as a component of benefits expense in the combined statements of revenues, expenses, and changes in net position.

***Service Concession Arrangements*** - The University has service concession arrangements for the operation of the bookstore and food services. Renovations made to University facilities by service concession vendors are capitalized and inflows are deferred and accreted over the life of the contract.

***Deferred Outflows of Resources*** - Consumption of net position by the University that is applicable to a future fiscal year is reported as a deferred outflow of resources on the combined statements of net position.

***Deferred Inflows of Resources*** - An acquisition of net position by the University that is applicable to a future fiscal year is reported as a deferred inflow of resources on the combined statements of net position. Deferred inflows of resources are accreted over the life of the University's service concession arrangements.

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

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

**CONCORD UNIVERSITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

30

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

West Virginia had a single private insurance company, BrickStreet Insurance, which provides workers' compensation coverage to all employers in the state. Other private insurance companies began to offer coverage to private-sector employers beginning July 1, 2009 and to government employers July 1, 2010. Nearly every employer in the State who has a payroll must have coverage. The cost of all coverage is paid by the employers. Brick Street retains the risk related to the compensation of injured employees under the program.

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

- *Operating revenues* - Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state, local, and nongovernmental grants and contracts, and (4) sales and services of educational activities.
- *Nonoperating revenues* - Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts, contributions, and other revenues that are defined as nonoperating revenues by GASB, such as State appropriations, Federal Pell grants, investment income, and gain on the sale of capital assets (including natural resources).
- *Other revenues* - Other revenues consist primarily of capital grants and gifts.

**Use of Restricted Net Position** - 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 position are available. Generally, the University attempts to utilize restricted net position first when practicable.

**Federal Financial Assistance Programs** - The University, through financial institutions, makes loans to students under the Federal Stafford Loan Program. Federal Stafford loans are not included as receivable on the University's combined statements of net position as the loans are repayable directly to the U.S. Department of Education. The University made awards of approximately \$11.5 million and \$13.4 million in 2013 and 2012, respectively, under the Federal Stafford Loan Program of the U.S. Department of Education, which are not included as revenue and expense on the combined statements of revenues, expenses, and changes in net position.

**CONCORD UNIVERSITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

31

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The University also distributes other student financial assistance funds on behalf of the federal government to students under the Federal Pell Grant, Supplemental Educational Opportunity Grant, and College Work Study programs. The activity of these programs is recorded in the accompanying combined financial statements. In 2013 and 2012, the University received and disbursed approximately \$5.9 million and \$5.8 million, respectively, under these federal student aid programs.

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

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

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

**Income Taxes** - The University is exempt from income taxes, except for unrelated business income, as a governmental instrumentality under federal income tax laws and regulations of the Internal Revenue Service as described in Section 115 of the Internal Revenue Code.

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

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

**CONCORD UNIVERSITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

32

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Risk and Uncertainties*** - Investments are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain securities, it is reasonably possible that changes in risk and values will occur in the near term and that such changes could materially affect the amounts reported in the combined financial statements.

***Newly Adopted Statements Issued by the Governmental Accounting Standards Board***

The University adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in the statement of financial position and related disclosures. The adoption of this statement resulted in additional deferred outflows of resources and deferred inflows of resources to the combined statements of net position.

The University early adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The adoption of this statement resulted in additional deferred outflows of resources and deferred inflows of resources to the combined statements of net position.

The University early adopted GASB Statement No. 66, *Technical Corrections - 2012: An Amendment of GASB Statements No. 10 and No. 64*. This statement improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November, 1989 FASB and AICPA Pronouncements*. The adoption of this statement did not have a material impact on the combined financial statements.

***Recent Statements Issued by the Governmental Accounting Standards Board***

The GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective for fiscal years beginning after June 15, 2014. This statement enhances the information provided in the financial statements regarding the effects of pension-related transactions, the pension obligations of the entity, and the resources available to satisfy those obligations. The University has not yet determined the effect that the adoption of GASB Statement No. 68 may have on its combined financial statements.

The GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, effective for fiscal years beginning after December 31, 2013. This statement provides guidance on measurement and reporting of combinations and disposals of government operations. The University has not yet determined the effect that the adoption of GASB Statement No. 69 may have on its combined financial statements.

**CONCORD UNIVERSITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for fiscal years beginning after June 15, 2013. Early application is encouraged. This statement requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement. In addition, the Statement requires: (1) A government guarantor to consider qualitative factors when determining if a payment on its guarantee is more likely than not to be required. Such factors may include whether the issuer of the guaranteed obligation is experiencing significant financial difficulty or initiating the process of entering into bankruptcy or financial reorganization; (2) An issuer government that is required to repay a guarantor for guarantee payments made to continue to report a liability unless legally released. When a government is released, the government would recognize revenue as a result of being relieved of the obligation; (3) A government guarantor or issuer to disclose information about the amounts and nature of nonexchange financial guarantees. The University has not yet determined the effect that the adoption of GASB Statement No. 70 may have on its combined financial statements.

**NOTE 3 - CASH AND CASH EQUIVALENTS**

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

	<b>2013</b>		
	<b>Current</b>	<b>Noncurrent</b>	<b>Total</b>
Cash on deposit with the State Treasurer/BTI	\$ 3,378,419	\$ -	\$ 3,378,419
Municipal Bond Commission for the University	13,809	-	13,809
Cash in bank	<u>2,188,909</u>	<u>2,724,736</u>	<u>4,913,645</u>
	<u>\$ 5,581,137</u>	<u>\$ 2,724,736</u>	<u>\$ 8,305,873</u>
	<b>2012</b>		
	<b>Current</b>	<b>Noncurrent</b>	<b>Total</b>
Cash on deposit with the State Treasurer/BTI	\$ 3,920,978	\$ -	\$ 3,920,978
Municipal Bond Commission for the University	13,624	173	13,797
Cash in bank	<u>1,574,148</u>	<u>2,724,736</u>	<u>4,298,884</u>
	<u>\$ 5,508,750</u>	<u>\$ 2,724,909</u>	<u>\$ 8,233,659</u>

Cash shown above as held by the Municipal Bond Commission represents auxiliary capital project reserve funds at June 30, 2013 and 2012. Other cash held by the State Treasurer includes \$0 and \$0 at June 30, 2013 and 2012, respectively of restricted cash for future use for grants, loans, and capital assets.

Amounts with the State Treasurer/BTI as of June 30, 2013 and 2012, are comprised of the following investment pools:

**CONCORD UNIVERSITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

34

**NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)**

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 is 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 in which the College invests, all are subject to credit risk. The following BTI investment risk information has been extracted from the notes to the BTI’s financial statements.

**WV Money Market Pool - Credit Risk** - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. For the years ended June 30, 2013 and 2012, 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 P-1 by Moody’s. The pool must have at least 15% of its assets in U.S. Treasury issues.

At June 30, 2013 and 2012, the WV Money Market Pool investments had a total carrying value of \$2,495,868,000 and \$2,786,968,000, respectively, of which the University’s ownership represents 0.12% and 0.12%, respectively.

**WV Government Money Market Pool - Credit Risk** - For the years ended June 30, 2013 and 2012, 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.

**CONCORD UNIVERSITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

**NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)**

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, 2013 and 2012, the WV Government Money Market Pool investments had a total carrying value of \$287,184,000 and \$299,629,000, respectively, of which the University's ownership represents 0.01% and 0.01%, 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 P-1 by Moody's. Mortgage-backed and asset-backed securities must be rated AAA by Standard & Poor's and Aaa by Moody's. As this pool has not been rated, the following table provides information on the credit ratings of the WV Short Term Bond Pool's investments (in thousands):

**CONCORD UNIVERSITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

**NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)**

Security Type	Credit Rating*		2013		2012	
	Moody's	S&P	Carrying Value	Percent of Pool Assets	Carrying Value	Percent of Pool Assets
Corporate asset-backed securities	Aaa	AAA	\$ 53,681	8.72%	\$ 95,628	18.99%
	Aaa	NR *	59,810	9.71	38,524	7.64
	B1	CCC **			896	0.18
	B3	BB **			311	0.06
	B3	BBB- **			53	0.01
	B3	CCC **			280	0.06
	Ca	CCC **	308	0.05	586	0.12
	Ca	D **	95	0.02		
	Caa1	CCC **	932	0.15		
	Caa2	CCC **			186	0.04
	Caa3	CCC **			243	0.05
	Caa3	D **	367	0.06	26	0.01
	Caa3	NR **	24	0.00		
	NR	AAA	37,411	6.07		
	NR	AA+	2,514	0.41	3,900	0.77
	NR	* NR *	<u>3,819</u>	<u>0.62</u>	<u>3,786</u>	<u>0.75</u>
			<u>158,961</u>	<u>25.81</u>	<u>144,419</u>	<u>28.68</u>
	Corporate bonds and notes	Aa2	AA+	3,002	0.49	9,025
Aa2		AA	12,731	2.07		
Aa2		AA-	9,192	1.49		
Aa3		AA-	33,034	5.36	15,666	3.11
Aa3		A+	11,693	1.90		
Aa3		A			23,032	4.57
A1		AA+	13,295	2.16		
A1		AA	4,118	0.67	12,145	2.41
A1		A+	47,500	7.71	30,684	6.09
A1		A	13,522	2.19		
A2		A+	9,348	1.52		
A2		A	47,709	7.75	39,064	7.76
A2		A-	5,052	0.82		
A3		A-	7,986	1.30	7,755	1.54
A3		BBB+			3,006	0.60
Baa1		A- **	2,416	0.39	4,162	0.83
Baa2	A- **	<u>6,959</u>	<u>1.13</u>	<u>6,709</u>	<u>1.33</u>	
		227,557	36.95	151,248	30.03	
U.S. agency bonds	Aaa	AA+	9,986	1.62	45,024	8.94
U.S. Treasury notes***	Aaa	AA+	140,154	22.76	44,251	8.79
U.S. agency mortgage backed securities****	Aaa	AA+	73,692	11.97	77,065	15.30
Money market funds	Aaa	AAAm	<u>5,457</u>	<u>0.89</u>	<u>41,610</u>	<u>8.26</u>
		<u>\$ 615,807</u>	<u>100%</u>	<u>\$ 503,617</u>	<u>100%</u>	

\* NR = Not Rated

\*\* The securities were not in compliance with BTI Investment Policy at June 30, 2013 and/or 2012. 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 explicitly guaranteed by the United States government and are not subject to credit risk.

**CONCORD UNIVERSITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

**NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)**

At June 30, 2013 and 2012, the University's ownership represents 0.04% and 0.09%, respectively, of these amounts held by the BTI.

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

The overall weighted average maturity of the investments of the WV Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 762 days. The following table provides information on the weighted average maturities for the various asset types in the WV Money Market Pool:

<u>Security Type</u>	2013		2012	
	<u>Carrying Value</u> <u>(In thousands)</u>	<u>WAM</u> <u>(Days)</u>	<u>Carrying Value</u> <u>(In thousands)</u>	<u>WAM</u> <u>(Days)</u>
Repurchase agreements	\$ 229,326	3	\$ 90,204	3
U.S. Treasury notes	279,755	132	330,865	122
U.S. Treasury bills	34,993	77	237,978	37
Commercial paper	970,395	43	853,470	35
Certificates of deposit	259,000	66	110,000	10
U.S. agency discount notes	445,784	47	738,706	44
Corporate bonds and notes	10,000	60	36,000	48
U.S. agency bonds/notes	66,603	139	189,691	68
Money market funds	<u>200,012</u>	1	<u>200,054</u>	1
	<u>\$ 2,495,868</u>	52	<u>\$ 2,786,968</u>	46

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, except for government floating rate notes, which can be up to 762 days. The following table provides information on the weighted average maturities for the various asset types in the WV Government Money Market Pool:

<u>Security Type</u>	2013		2012	
	<u>Carrying Value</u> <u>(In thousands)</u>	<u>WAM</u> <u>(Days)</u>	<u>Carrying Value</u> <u>(In thousands)</u>	<u>WAM</u> <u>(Days)</u>
Repurchase agreements	\$ 101,500	3	\$ 91,900	3
U.S. Treasury notes	50,112	103	103,324	111
U.S. Treasury bills	4,999	76	4,999	62
U.S. agency discount notes	125,474	67	76,397	52
U.S. agency bonds/notes	5,000	34	23,004	9
Money market funds	<u>99</u>	1	<u>5</u>	1
	<u>\$ 287,184</u>	50	<u>\$ 299,629</u>	54

**CONCORD UNIVERSITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

**NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)**

The overall effective duration of the investments of the WV Short Term Bond Pool cannot exceed 731 days. Maximum effective duration 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:

<u>Security Type</u>	<u>2013</u>		<u>2012</u>	
	<u>Carrying Value</u> <u>(in Thousands)</u>	<u>Effective Duration</u> <u>(Days)</u>	<u>Carrying Value</u> <u>(in Thousands)</u>	<u>Effective Duration</u> <u>(Days)</u>
U. S. Treasury bonds/notes	\$ 140,154	491	\$ 44,251	366
Corporate bonds/notes	227,557	293	151,248	242
Corporate asset-backed securities	158,961	471	144,419	250
U.S. agency bonds/notes	9,986	583	45,024	23
U.S. agency mortgage-backed securities	73,692	60	77,065	13
Money market funds	<u>5,457</u>	1	<u>41,610</u>	1
	<u>\$ 615,807</u>	358	<u>\$ 503,617</u>	180

**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 position is invested in a pool managed by the securities lending agent. 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.

**CONCORD UNIVERSITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

**NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)**

**Endowment** - During the years ended June 30, 2013 and June 30, 2012, the University received \$0 and \$0.4 million as an endowment to completely restore to its original specifications and conditions the Casavant Freres pipe organ and the practice organ, as well as maintain the organs and carillon. The proceeds received were held in cash and restricted net position at year end because the final costs of restoration for the organs were not known. The appreciation on the endowment realized as of June 30, 2013 was \$276,807. Once the restoration is complete, the endowment will be invested with only the appreciation being spent on maintenance of the organs and carillon.

**NOTE 4 - ACCOUNTS RECEIVABLE**

Accounts receivable were as follows at June 30:

	<u>2013</u>	<u>2012</u>
Student tuition and fees, net of allowance for doubtful accounts of \$413,393 and \$329,409, respectively	\$ 934,319	\$ 488,067
Grants and contracts receivable	1,827,131	1,482,422
Other accounts receivable, net of allowance for doubtful accounts of \$38,668 and \$0, respectively	<u>276,347</u>	<u>31,194</u>
	<u>\$ 3,037,797</u>	<u>\$ 2,001,683</u>

**CONCORD UNIVERSITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

**NOTE 5 - CAPITAL ASSETS**

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

	2013			Ending Balance
	Beginning Balance	Additions	Reductions	
Capital assets not being depreciated:				
Land	\$ 328,892	\$ -	\$ -	\$ 328,892
Construction in progress	<u>1,392,659</u>	<u>2,447,417</u>	<u>-</u>	<u>3,840,076</u>
Total capital assets not being depreciated	<u>\$ 1,721,551</u>	<u>\$ 2,447,417</u>	<u>\$ -</u>	<u>\$ 4,168,968</u>
Other capital assets:				
Land improvements	\$ 2,195,903	\$ 68,306	\$ -	\$ 2,264,209
Buildings	65,290,875	2,188,645	(280,291)	67,199,229
Equipment	8,315,032	446,861	(230,525)	8,531,368
Software	359,654	6,063	(14,236)	351,481
Library books	<u>1,696,478</u>	<u>66,575</u>	<u>(30,416)</u>	<u>1,732,637</u>
Total other capital assets	<u>77,857,942</u>	<u>2,776,450</u>	<u>(555,468)</u>	<u>80,078,924</u>
Less accumulated depreciation for:				
Land improvements	(898,357)	(175,226)	-	(1,073,583)
Buildings	(22,784,416)	(1,486,029)	249,542	(24,020,903)
Equipment	(4,901,607)	(733,757)	186,647	(5,448,717)
Software	(282,960)	(35,701)	14,226	(304,435)
Library books	<u>(354,217)</u>	<u>(95,647)</u>	<u>30,418</u>	<u>(419,446)</u>
Total accumulated depreciation	<u>(29,221,557)</u>	<u>(2,526,360)</u>	<u>480,833</u>	<u>(31,267,084)</u>
Other capital assets, net	<u>\$ 48,636,385</u>	<u>\$ 250,090</u>	<u>\$ (74,635)</u>	<u>\$48,811,840</u>
Capital asset summary:				
Capital assets not being depreciated	\$ 1,721,551	\$ 2,447,417	\$ -	\$ 4,168,968
Other capital assets	<u>77,857,942</u>	<u>2,776,450</u>	<u>(555,468)</u>	<u>80,078,924</u>
Total cost of capital assets	79,579,493	5,223,867	(555,468)	84,247,892
Less accumulated depreciation	<u>(29,221,557)</u>	<u>(2,526,360)</u>	<u>480,833</u>	<u>(31,267,084)</u>
Capital assets, net	<u>\$ 50,357,936</u>	<u>\$ 2,697,507</u>	<u>\$ (74,635)</u>	<u>\$52,980,808</u>

**CONCORD UNIVERSITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

**NOTE 5 - CAPITAL ASSETS (Continued)**

	2012			Ending Balance
	Beginning Balance	Additions	Reductions	
Capital assets not being depreciated:				
Land	\$ 328,892	\$ -	\$ -	\$ 328,892
Construction in progress	<u>17,471</u>	<u>1,375,188</u>	<u>-</u>	<u>1,392,659</u>
Total capital assets not being depreciated	<u>\$ 346,363</u>	<u>\$ 1,375,188</u>	<u>\$ -</u>	<u>\$ 1,721,551</u>
Other capital assets:				
Land improvements	\$ 2,189,053	\$ 6,850	\$ -	\$ 2,195,903
Buildings	64,322,867	968,008	-	65,290,875
Equipment	7,466,912	998,444	(150,324)	8,315,032
Software	312,471	47,183	-	359,654
Library books	<u>1,613,649</u>	<u>82,829</u>	<u>-</u>	<u>1,696,478</u>
Total other capital assets	<u>75,904,952</u>	<u>2,103,314</u>	<u>(150,324)</u>	<u>77,857,942</u>
Less accumulated depreciation for:				
Land improvements	(739,691)	(158,666)	-	(898,357)
Buildings	(21,382,978)	(1,401,438)	-	(22,784,416)
Equipment	(4,285,469)	(758,763)	142,625	(4,901,607)
Software	(251,323)	(31,637)	-	(282,960)
Library books	<u>(315,231)</u>	<u>(38,986)</u>	<u>-</u>	<u>(354,217)</u>
Total accumulated depreciation	<u>(26,974,692)</u>	<u>(2,389,490)</u>	<u>142,625</u>	<u>(29,221,557)</u>
Other capital assets, net	<u>\$ 48,930,260</u>	<u>\$ (286,176)</u>	<u>\$ (7,699)</u>	<u>\$48,636,385</u>
Capital asset summary:				
Capital assets not being depreciated	\$ 346,363	\$ 1,375,188	\$ -	\$ 1,721,551
Other capital assets	<u>75,904,952</u>	<u>2,103,314</u>	<u>(150,324)</u>	<u>77,857,942</u>
Total cost of capital assets	76,251,315	3,478,502	(150,324)	79,579,493
Less accumulated depreciation	<u>(26,974,692)</u>	<u>(2,389,490)</u>	<u>142,625</u>	<u>(29,221,557)</u>
Capital assets, net	<u>\$ 49,276,623</u>	<u>\$ 1,089,012</u>	<u>\$ (7,699)</u>	<u>\$50,357,936</u>

The University maintains certain collections of inexhaustible assets to which no value can be practically determined. Accordingly, such collections are not capitalized or recognized for combined 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.

At June 30, 2013, the University had outstanding contractual commitments of approximately \$2.3 million for property, plant, and equipment expenditures.

The University has been approved to receive \$6.0 million of Education, Arts, Science, and Tourism (EAST) bond proceeds issued by the West Virginia Development Office during August 2011. As of June 30, 2013, \$3,555,686 of such proceeds have been received. The West Virginia Development Office is responsible for repayment of the debt.

**CONCORD UNIVERSITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

**NOTE 6 - LONG-TERM LIABILITIES**

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

	2013				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Advances from federal sponsors	\$ 2,263,545	\$ 1,664	\$ -	\$ 2,265,209	\$ -
Capital lease obligations	3,991,209	-	(240,517)	3,750,692	250,699
Accrued compensated absences	737,251	-	(15,057)	722,194	269,362
Other postemployment benefits liability	5,963,318	670,693	(702,172)	5,931,839	-
Debt obligation due to the Commission	-	500,000	-	500,000	100,000
Debt obligations - real estate	489,326	-	(22,893)	466,433	24,072
Accrued service concession liability*	<u>670,665</u>	<u>-</u>	<u>(146,966)</u>	<u>523,699</u>	<u>72,406</u>
Total long-term liabilities	<u>\$14,115,314</u>	<u>\$1,172,357</u>	<u>\$(1,127,605)</u>	<u>\$ 14,160,066</u>	<u>\$ 716,539</u>

\*Current portion is shown as part of accrued liabilities on the combined statements of net position.

	2012				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Advances from federal sponsors	\$ 2,277,517	\$ -	\$ (13,972)	\$ 2,263,545	\$ -
Capital lease obligations	4,221,958	-	(230,749)	3,991,209	240,517
Accrued compensated absences	723,271	13,980	-	737,251	307,979
Other postemployment benefits liability	4,192,160	2,320,813	(549,655)	5,963,318	-
Debt obligation due to the Commission	39,186	-	(39,186)	-	-
Debt obligations - real estate	500,000	-	(10,674)	489,326	22,994
Accrued service concession liability*	<u>-</u>	<u>670,665</u>	<u>-</u>	<u>670,665</u>	<u>70,298</u>
Total long-term liabilities	<u>\$11,954,092</u>	<u>\$3,005,458</u>	<u>\$(844,236)</u>	<u>\$ 14,115,314</u>	<u>\$ 641,788</u>

\*Current portion is shown as part of accrued liabilities on the combined statements of net position.

On February 17, 2009, the University entered into a capital lease arrangement for the purpose of completing major HVAC, plumbing and electrical upgrades for various buildings that are expected to provide savings of an estimated 5% per year on energy consumption. The original amount financed was \$4,478,698 and the amount outstanding as of June 30, 2013 was \$3,750,692. The capital lease is payable in monthly installments of \$33,478, or \$401,736 annually, with payments which began May 17, 2010. The annual interest rate is 4.16% for a 15-year period ending April 17, 2025.

Future minimum capital lease commitments are as follows:

<u>Year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 250,699	\$ 151,043
2015	261,312	140,430
2016	272,374	129,368
2017	283,904	117,837
2018	295,923	105,819
2019 and thereafter	<u>2,386,480</u>	<u>358,754</u>
	<u>\$ 3,750,692</u>	<u>\$ 1,003,251</u>

**CONCORD UNIVERSITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

**NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS**

In accordance with GASB, OPEB costs are accrued based upon invoices received from PEIA based upon actuarial determined amounts. At June 30, 2013, 2012, and 2011, the noncurrent liability related to OPEB costs was \$5,931,839, \$5,963,318, and \$4,192,160 respectively. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was \$670,693 and \$83,377, respectively, during 2013, or 12.5%. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was \$2,320,813 and \$93,948, respectively, during 2012, or 4.1%. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was \$2,290,285 and \$95,263, respectively, during 2011, or 4.2%. As of the years ended June 30, 2013, 2012, and 2011, there were 27, 31, and 35 retirees receiving these benefits, respectively. During the 2012 Legislative session, the State took proactive measures to address the unfunded liability, which will take effect in future fiscal years and fully fund the liability by 2037.

**NOTE 8 - OPERATING LEASE OBLIGATIONS**

The University leases various equipment, automobiles, and facilities under operating lease agreements. Aggregate payments under these agreements were \$221,761 and \$113,234 for the years ended June 30, 2013 and 2012, respectively. Future minimum rental commitments are as follows:

<u>Year ended June 30,</u>	
2014	\$ 225,161
2015	220,130
2016	187,110
2017	174,980
2018	158,092
	<hr/>
	\$ 965,473

**NOTE 9 - STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS**

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

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

**CONCORD UNIVERSITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

**NOTE 9 - STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS (Continued)**

The Commission has the authority to assess each public institution of higher education for payment of debt service on these system bonds. The tuition and registration fees of the members of the former State University System are generally pledged as collateral for the Commission's bond indebtedness. Student fees collected by the institution in excess of the debt service allocation are retained by the institution for internal funding of capital projects and maintenance. Although the bonds remain as a capital obligation of the Commission, an estimate of the obligation of each institution is reported as a long-term payable by each institution and as a receivable by the Commission.

The University borrowed \$500,000 from the Commission during 2013. The debt agreement has no interest charged to the University and is payable in the amount of \$25,000 per quarter beginning July 1, 2013. The current portion of the debt is \$100,000. The funds were borrowed to replenish the capital improvement funds that were spent to repair the roof of the Marsh Hall Administration building during the years ended June 30, 2013 and 2012. The University paid \$0 to the Commission against the debt obligation during 2013. The University paid \$39,186 to the Commission to pay off a previous debt obligation in 2012.

**NOTE 10 - SERVICE CONCESSION ARRANGEMENTS**

The University has adopted GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The University has identified two contracts for services that meet the four criteria of a service concession arrangement (SCA). SCAs are defined as a contract between a government and an operator, another government or a private entity, in which the operator provides services, the operator collects and is compensated by fees from third parties, the government still has control over the services provided and the government retains ownership of the assets at the end of the contract. The contracts are with ARAMARK Educational Services, LLC and Follett Higher Education Group.

On July 1, 2011 the University entered into a service concession arrangement that engaged ARAMARK Educational Services, LLC (the contractor) to provide meals that are resold to students, faculty, staff and guests on the campus. The term of the contract is for one year with a right of renewal for the next nine years.

The cost of the services provided to students is based on sliding scale with an estimated average cost of \$8.68 per meal for a period of 19 weeks per semester. The meals are served in the University's dining hall located in the Jerry Beasley Student Center.

The contract also requires the contractor to provide funding to be used for capital projects as determined by the University. The total funding required is \$2,250,000 and is to be paid over the term of the agreement or 10 years. The amount of funding per year began at \$180,000 in the first year and increases by \$10,000 per year over the next nine years. The University is required to provide the food service facility, service wares and small expendable equipment to be used in the operation, IT systems, and is responsible for repairs and maintenance of the food service facility.

**CONCORD UNIVERSITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

**NOTE 10 - SERVICE CONCESSION ARRANGEMENTS (Continued)**

The asset and related liability are recorded at the net present value using a 5% interest rate over a 10-year term. For the year ended June 30, 2013, the amount recorded as an intangible asset was \$1,749,003, with an accrued liability of \$523,699. This resulted in a deferred inflow of resources of \$1,088,813. For the year ended June 30, 2012, the amount recorded as an intangible asset was \$1,908,438 with an accrued liability of \$670,665 for repairs, maintenance, and equipment. This resulted in a deferred inflow of resources of \$1,171,580 that will be recognized as received from the contractor. The University received a total of \$145,916 and \$222,263 from the contractor during the years ended June 30, 2013 and 2012, respectively. The University paid repairs and maintenance costs of \$79,863 and \$69,870 during the years ended June 30, 2013 and 2012, respectively. The University recognized revenue for the year ended June 30, 2013 of \$159,439 and June 30, 2012 of \$210,564 recorded in the miscellaneous revenue line item on the combined statements of revenues, expenses, and changes in net position.

The contract also requires that a commission be paid to the University by the contractor and is based on a percentage of gross sales from certain products sold by the contractor. The rate of the commission paid ranges from a low of 5% to a high of 40% dependent upon the category of operations. The University recognized \$90,780 and \$94,725 in commissions during the years ended June 30, 2013, and 2012, respectively.

The University retains ownership of the facility and any equipment purchased for the operations except those denoted as belonging to the contractor.

The University approved a second SCA contract on July 1, 2011 that engaged Follett Higher Education Group (Follett) to provide bookstore merchandise and services to the students, faculty, staff and guests on the campus. The term of the contract is for one year with a right of renewal for the next nine years.

Follett agreed to purchase the inventory of books owned by the University during June, 2011 in the amount of \$236,000. The contract also requires that the University be paid a commission based on a range of 11% to 15% dependent upon the gross revenue earned by Follett. The revenues paid to the University during the years ended June 30, 2013 and 2012 were \$117,533 and \$119,287, respectively.

The University is required to provide \$80,000 to cover the cost of store remodeling as required by Follett over the term of the contract. No payments were made for any store remodeling expenses during the year ended June 30, 2012. During the year ended June 30, 2013, the University contributed \$17,437 to Follett for store remodeling.

**CONCORD UNIVERSITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

**NOTE 11 - UNRESTRICTED NET POSITION (DEFICIT)**

The University did not have any designated unrestricted net position as of June 30, 2013 or 2012.

	<u>2013</u>	<u>2012</u>
Total unrestricted net position before OPEB liability	\$ 2,260,515	\$ 1,561,636
Less: OPEB liability	<u>(5,931,839)</u>	<u>(5,963,318)</u>
Total unrestricted net position (deficit)	<u>\$ (3,671,324)</u>	<u>\$ (4,401,682)</u>

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

Effective January 1, 2003, higher education employees enrolled in the basic 401(a) retirement plan with TIAA-CREF have an option to switch to the Educators Money 401(a) basic retirement plan (Educators Money). New hires have the choice of either plan. As of June 30, 2009, no employees were enrolled in the Educators Money 401(a) basic retirement plan.

The STRS is a cost sharing, defined benefit public employee retirement system. Employer and employee contribution rates are established annually by the State Legislature. The contractual maximum contribution rate is 15%. The University accrued and paid its contribution to the STRS at the rate of 15% of each enrolled employee's total annual salary for both years ended June 30, 2013 and 2012. Required employee contributions were at the rate of 6% of total annual salary for the years ended June 30, 2013 and 2012. Participants in the STRS may retire with full benefits upon reaching age 60 with five years of service, age 55 with 30 years of service, or any age with 35 years of service. Lump-sum withdrawal of employee contributions is available upon termination of employment. Pension benefits are based upon 2% of final average salary (the highest five years' salary out of the last 15 years) multiplied by the number of years of service.

Total contributions to the STRS for the years ended June 30, 2013, 2012, and 2011 were \$241,385, \$262,131, and \$302,502 respectively, which consisted of \$172,418, \$187,237, and \$216,281 from the University, and \$68,967, \$74,894, and \$86,221 from the covered employees in 2013, 2012, and 2011, respectively.

**CONCORD UNIVERSITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

47

**NOTE 12 - RETIREMENT PLANS (Continued)**

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

The TIAA-CREF is a defined contribution benefit plan in which benefits are based solely upon amounts contributed plus investment earnings. Employees who elect to participate in this plan are required to make a contribution equal to 6% of total annual compensation. The University matches the employees' 6% contribution. Contributions are immediately and fully vested. In addition, employees may elect to make additional contributions to TIAA-CREF which are not matched by the University.

Total contributions to the TIAA-CREF for the years ended June 30, 2013, 2012, and 2011 were \$1,679,854, \$1,607,599, and \$1,443,426, respectively, which consisted of contributions of \$839,927, \$803,800, and \$721,713 from the University and \$839,927, \$803,799, and \$721,713 from the covered employees in 2013, 2012 and 2011, respectively.

The University's total payroll for the years ended June 30, 2013, 2012 and 2011 was \$17,968,908, \$17,121,049, and \$15,510,172, respectively. Total covered employees' salaries in the STRS and TIAA-CREF were \$1,149,448 and \$13,998,780 respectively in 2013; \$1,245,810 and \$13,396,656, respectively in 2012; and \$1,437,017 and \$12,028,553 in 2011 respectively.

**CONCORD UNIVERSITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

48

**NOTE 13 - CONCORD UNIVERSITY RESEARCH & DEVELOPMENT CORPORATION**

Concord University Research & Development Corporation (the Research Corporation) is a blended component unit of the University. Based on the Research Corporation's audited financial statements as of June 30, 2013 and 2012, condensed financial statements can be found below.

**Concord University Research & Development Corporation**  
**Condensed Statements of Financial Position**  
**June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>ASSETS:</b>		
Related party receivables	\$ 124,767	\$ 267,729
Other current assets	1,043,372	534,621
Capital assets, net	116,611	121,700
Other noncurrent assets	<u>7,325</u>	<u>7,325</u>
Total assets	1,292,075	931,375
<b>LIABILITIES:</b>		
Related party payables	83,452	52,305
Other current liabilities	<u>865,119</u>	<u>641,613</u>
Total liabilities	948,571	693,918
<b>NET ASSETS:</b>		
Unrestricted	227,379	115,724
Temporarily restricted	<u>116,125</u>	<u>121,733</u>
Total net assets	<u>\$ 343,504</u>	<u>\$ 237,457</u>

**Concord University Research & Development Corporation**  
**Condensed Statements of Activities**  
**Years Ended June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>REVENUES:</b>		
Unrestricted revenue	\$ 1,231,180	\$ 914,608
Net assets released from restrictions	<u>34,203</u>	<u>4,116</u>
Total revenue and other support	1,265,383	918,724
<b>EXPENSES:</b>		
Program expenses	869,437	632,551
Support services expenses	<u>258,702</u>	<u>248,712</u>
Total expenses	1,128,139	881,263
CHANGE IN UNRESTRICTED NET ASSETS	137,244	37,461
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	(5,608)	21,917
DONATION OF CAPITAL ASSETS TO THE UNIVERSITY	<u>(25,589)</u>	<u>-</u>
CHANGE IN NET ASSETS	106,047	59,378
NET ASSETS - Beginning of year	<u>237,457</u>	<u>178,079</u>
NET ASSETS - End of year	<u>\$ 343,504</u>	<u>\$ 237,457</u>

**CONCORD UNIVERSITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

49

**NOTE 13 - CONCORD UNIVERSITY RESEARCH & DEVELOPMENT CORPORATION**  
**(Continued)**

Complete financial statements for the Research Corporation can be obtained from Dr. Charles Becker, Executive Director, Concord University Research & Development Corporation, PO Box 1000, Athens, WV 24712.

**NOTE 14 - FOUNDATION**

The Foundation is a separate nonprofit organization incorporated in the State and has as its purpose, “. . . to aid, strengthen and further in every proper and useful way, the work and services of the University and its affiliated nonprofit organizations . . .” Oversight of the Foundation is the responsibility of a separate and independently elected Board of Directors, not otherwise affiliated with the University. In carrying out its responsibilities, the Board of Directors of the Foundation employs management, forms policy and maintains fiscal accountability over funds administered by the Foundation. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is therefore discretely presented with the University’s combined financial statements in accordance with GASB Statement No. 39. Based on the Foundation’s audited financial statements as of June 30, 2013 and 2012, the Foundation’s net assets (including unrealized gains) totaled \$27,941,300 and \$25,941,690, respectively. Complete financial statements for the Foundation can be obtained from Dr. Charles Becker, Vice President for Business & Finance at Concord University Foundation, PO Box 1000, Athens, WV 24712.

During the years ended June 30, 2013 and 2012, the Foundation contributed approximately \$308,849 and \$251,990, respectively, to the University for scholarships and other student support.

**NOTE 15 - AFFILIATED ORGANIZATION (UNAUDITED)**

The University has a separately incorporated affiliated organization, the Concord University Alumni Association. Oversight responsibility for this entity rests with an independent board and management not otherwise affiliated with the University. The financial statements of this organization are not included in the University’s accompanying combined financial statements under GASB.

**CONCORD UNIVERSITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

50

**NOTE 16 - CONTINGENCIES**

The nature of the educational industry is such that, from time-to-time, claims will be presented against colleges on account of alleged negligence, acts of discrimination, breach of contract or disagreements arising from the interpretation of laws or regulations. While some of these claims may be for substantial amounts, they are not unusual in the ordinary course of providing educational services in a higher education system. In the opinion of management, all known claims are covered by insurance or are such that an award against the University would not impact seriously on the financial status of the University.

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

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

**NOTE 17 - COMPONENT UNIT DISCLOSURES**

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

**NOTE 1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization

Concord University Foundation, Incorporated (the Foundation) solicits and administers gifts on behalf of Concord University.

Contributions

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

Cash and Cash Equivalents

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

Investment Valuation and Income Recognition

Investments are reported at fair value, except for mineral rights which are reported at fair value at the date donated. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 8 for discussion of fair value measurements.

Property and Equipment

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

Split-Interest Agreements

The Foundation has beneficial interests in various donor-established charitable remainder trusts and charitable gift annuities. Assets received under such agreements are recorded at their fair values. Assets related to charitable gift annuities for the years ended June 30, 2013 and 2012, respectively, are included in investments and amounted to approximately \$759,000 and \$728,000. Contribution revenue is calculated based on the present value of estimated future cash flows using a discount rate commensurate with the risks involved less the present value of payments expected to be made to other beneficiaries. During the terms of these agreements, activity relating to revaluations of expected future benefits to be received by the Foundation or expected future payments to other beneficiaries are recognized as "changes in the value of split-interest agreements."

**NOTE 1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Split-Interest Agreements (Continued)

In addition, the Foundation is the beneficiary of a charitable remainder trust for which the Foundation has not recorded an interest since the annuity obligation exceeds the fair market value of the assets. Should the trust obtain investment returns above the discount rate or the lead beneficiaries die before their life expectancies, the Foundation may realize benefits from the trust.

Functional Reporting

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

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

Net Assets

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

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

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

**NOTE 1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Use of Estimates

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

Donated Services

Donated professional services contributed by Concord University are reflected as contributions in the accompanying financial statements at their estimated fair values at the date of the gift. Total donated professional services for the years ended June 30, 2013 and 2012, were approximately \$114,400 and \$103,400, respectively. The value of donated volunteer services is not reflected in the accompanying financial statements, since there is no objective basis available by which to measure the value of such services. However, a substantial number of volunteers have donated significant amounts of their time in the Foundation's fund-raising campaigns.

Donated Rent

Use of the facilities contributed by Concord University are reflected as contributions in the accompanying financial statements at their estimated fair values in the period in which the contributions are received. Total donated rent for each of the years ended June 30, 2013 and 2012, was \$51,674.

Amounts Held on Behalf of Others

Amounts held on behalf of others represent assets held by the Foundation as an agent for other organizations. These funds are custodial by nature and do not involve measurement of operations; therefore, they are reflected as investments and cash restricted for long-term investments and by agency relationships (assets) and amounts held on behalf of others (liability) in the accompanying financial statements in the amount of \$3,891,064 and \$3,492,073 as of June 30, 2013 and 2012, respectively.

**NOTE 1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Risks and Uncertainties

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

Income Taxes

The Foundation is classified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, is not subject to taxes on income derived from its exempt activities. The Organization has been classified as an organization that is not a private foundation under Section 509(a)(2). The Foundation is generally no longer subject to examination by income taxing authorities for years ended prior to 2010.

Subsequent Events

The date to which events occurring after June 30, 2013, have been evaluated for possible adjustment to or disclosure in the financial statements is September 23, 2013, which is the date the financial statements were available to be issued.

Reclassifications

Certain 2012 amounts have been reclassified to conform with the 2013 presentation.

**NOTE 2. CONTRIBUTIONS RECEIVABLE**

Contributions receivable consisted of the following:

	2013	2012
Unconditional promises to give	\$ 269,866	\$ 271,866
Less: Allowance for uncollectible promises to give	1,257	4,257
Less: Unamortized discount	524	869
Net unconditional promises to give	\$ 268,085	\$ 266,740
Amounts due in:		
Less than one year	\$ 9,866	\$ 6,866
One to five years	260,000	265,000
	\$ 269,866	\$ 271,866

**NOTE 2. CONTRIBUTIONS RECEIVABLE (Continued)**

Included in contributions receivable is a \$1 million pledge of which \$250,000 is still outstanding. The pledge was received in connection with the University Point project and is payable upon the death of the donor.

**NOTE 3. LONG-TERM INVESTMENTS**

Long-term investments consisted of the following at June 30, 2013 and 2012:

	2013	2012
Government obligations	\$ 1,850,606	\$ 2,204,579
Corporate obligations	555,519	30,000
Corporate equities	2,790,111	6,052,586
Mutual funds	24,575,728	19,363,004
Money markets	754,152	883,774
Mineral rights	339,805	339,805
	\$ 30,865,921	\$ 28,873,748

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

Realized and unrealized gains (losses) recognized during the years ended June 30, 2013 and 2012, consisted of the following:

	2013	2012
Realized	\$ 2,053,863	\$ 165,926
Unrealized	(66,674)	(757,609)
	\$ 1,987,189	\$ (591,683)

**NOTE 4. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at June 30, 2013 and 2012:

	2013	2012
Equipment and software	\$ 71,742	\$ 71,742
Less accumulated depreciation	(67,335)	(66,852)
	\$ 4,407	\$ 4,890

Depreciation expense for the years ended June 30, 2013 and 2012 was \$483 and \$2,210 respectively.

**NOTE 5. TEMPORARILY RESTRICTED NET ASSETS**

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

	2013	2012
Business department	\$ 494,684	\$ 388,321
Faculty development	90,339	63,757
University Point Alumni Center	278,793	278,925
Student support	6,164,584	5,137,953
	\$ 7,028,400	\$ 5,868,956

**NOTE 6. PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable for student support. Included in permanently restricted net assets for the years ending June 30, 2013 and 2012, is approximately \$9,000,000 and \$8,400,000 which is restricted to the Bonner Scholar's Program. According to the donor's stipulations, scholarships and other expenses are to be provided to a certain number of students. The permanent endowment amount for this program is to consist of the original endowment plus or minus investment earnings less the cost of scholarships and other expenses provided to the stipulated number of students.

**NOTE 7. FINANCIAL INSTRUMENTS**

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

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

**NOTE 7. FINANCIAL INSTRUMENTS (Continued)**

Investments consist of corporate stocks; federal, municipal, and corporate notes and bonds; money market funds; real estate commodity and exchange-traded funds; and mutual funds. Most of the investments are held by the trust departments of financial institutions, and managed in accordance with the Foundation's investment policy. Concentration of credit risk for investments is limited by the Foundation's investment policy.

Management does not believe significant concentrations of credit risk existed at June 30, 2013.

**NOTE 8. FAIR VALUE MEASUREMENT**

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3).

The three levels of fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

**NOTE 8. FAIR VALUE MEASUREMENT (Continued)**

*Corporate equities, corporate obligations, U.S. government and agency obligations, and mutual funds:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Money market:* Valued at amortized cost.

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

	Level 1:	
	Quoted Market Prices	
	2013	2012
Investments:		
Corporate obligations	\$ 555,519	\$ 30,000
US government & agency obligations	1,850,606	2,204,579
Corporate equities:		
Consumer discretionary	452,958	684,157
Consumer staples	344,004	1,120,191
Energy	479,510	794,098
Financials	327,556	559,822
Health care	372,602	823,645
Industrials	215,944	774,182
Information technology	434,867	965,174
Materials	47,281	-
Telecommunications services	33,878	193,863
Utilities	81,511	137,455
Mutual funds:		
Broad Market	2,507,893	243,034
Large cap	3,121,918	2,647,865
Mid cap	2,550,573	2,818,013
Small cap	1,739,938	1,644,827
International	4,614,327	4,117,815
Commodity	1,284,477	1,330,712
Real estate	990,756	959,947
Fixed Income	7,762,344	5,381,882
Mixed allocation	3,502	218,908
Money markets	754,152	883,774
	\$30,526,116	\$ 28,533,943

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

**NOTE 9. ENDOWMENT**

The Foundation has adopted investment and spending policies for endowment assets that support the Foundation's mission; to support the University. The overriding investment objective is to maintain purchasing power. That is, net of spending, the objective is to earn a total return, through both capital appreciation (realized and unrealized) and current yield (interest and dividends), within prudent levels of risk, which is sufficient to maintain in real terms the purchasing power and support the defined spending policy. The Investment Committee recognizes that unsupervised assets will probably be subjected to an inflationary loss of purchasing power; therefore, the funds should be managed in a way that will minimize the effect of inflation. Fixed income-like investments will be used to reduce the volatility of the overall portfolio while providing a predictable stream of income. Annual spending rate of the Foundation shall not exceed 5% of the 12-quarter rolling average of the market value of the funds, calculated as of June 30 of the year immediately preceding the beginning of the Foundation's fiscal year.

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

CONCORD UNIVERSITY FOUNDATION, INCORPORATED  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2013 AND 2012

**NOTE 9. ENDOWMENT (Continued)**

The endowment net assets consisted of the following types of funds as of June 30, 2013 and 2012:

	2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ 136,965	\$ 6,627,717	\$20,222,774	\$26,987,456
	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 84,926	\$ 5,325,141	\$19,447,758	\$24,857,825

Changes in endowment net assets for the years ended June 30, 2013 and 2012 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2011	\$ 16,632	\$ 5,473,843	\$ 18,387,958	\$ 23,878,433
Investment return:				
Investment earnings, net of fees	(1,382)	516,811	210,661	726,090
Net realized/unrealized gains	(2,030)	(331,138)	(258,213)	(591,381)
Total investment return	(3,412)	185,673	(47,552)	134,709
Contributions	20,726	242,262	1,370,346	1,633,334
Reclassifications to conform with donor requests	(36,411)	(56,198)	92,609	-
Appropriation of endowment assets for expenditure	87,391	(520,439)	(355,603)	(788,651)
Endowment net assets, June 30, 2012	\$ 84,926	\$ 5,325,141	\$ 19,447,758	\$ 24,857,825
Investment return:				
Investment earnings, net of fees	\$ 4,779	\$ 532,727	\$ 187,034	\$ 724,540
Net realized/unrealized gains	18,666	1,212,847	756,296	1,987,809
Total investment return	23,445	1,745,574	943,330	2,712,349
Contributions	34,956	47,548	295,199	377,703
Reclassifications to conform with donor requests	(9,561)	(16,725)	26,286	-
Appropriation of endowment assets for expenditure	3,199	(473,821)	(489,799)	(960,421)
Endowment net assets, June 30, 2013	\$ 136,965	\$ 6,627,717	\$ 20,222,774	\$ 26,987,456

**NOTE 10. ADMINISTRATIVE FEES**

The Foundation's board adopted a policy to charge an administrative fee of .90% of the market value of each permanently endowed fund, measured as of December 31 of each year. Administrative fees charged to the funds are reported as net assets released from restrictions in the accompanying statement of activities. For the years ending June 30, 2013 and 2012, the total administrative fee charged to all funds within the endowment pool was \$117,519 and \$111,964, respectively.

**CONCORD UNIVERSITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

**NOTE 18 - NATURAL CLASSIFICATIONS WITH FUNCTIONS CLASSIFICATIONS**

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

	2013						2012											
	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Loan Cancellations and Write-offs	Fees Assessed by the Commission	Total	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Loan Cancellations and Write-offs	Fees Assessed by the Commission	Total
Instruction	\$ 9,343,690	\$ 2,166,955	\$ 975,675	\$ 2,548	\$ -	\$ -	\$ -	\$ -	\$ 12,488,868	\$ 8,985,560	\$ 2,910,344	\$ 804,411	\$ 2,696	\$ -	\$ -	\$ -	\$ -	\$ 12,703,011
Research	20,077	6,086	95,321	-	-	-	-	-	121,484	-	-	73,305	-	-	-	-	-	73,305
Public service	657,079	115,469	877,461	2,188	-	-	-	-	1,652,197	341,667	104,941	388,042	2,102	-	-	-	-	836,752
Academic support	816,187	165,310	645,909	9,517	-	-	-	-	1,636,923	946,574	326,226	823,367	12,462	-	-	-	-	2,108,629
Student services	1,594,759	415,388	966,510	1,735	-	-	-	-	2,978,392	1,609,235	589,863	930,700	7,506	-	-	-	-	3,137,304
General institutional support	2,161,096	490,640	1,063,131	148,370	-	-	-	-	3,863,237	2,119,913	764,066	1,019,910	184,243	-	-	-	-	4,088,132
Operations and maintenance of plant	410,941	159,492	355,656	591,372	-	-	-	-	1,517,461	372,522	174,283	144,301	621,232	4,856,577	-	-	-	4,856,577
Student financial aid	-	-	-	-	4,654,007	-	-	-	4,654,007	-	-	-	-	-	-	-	-	-
Auxiliary enterprises	2,965,079	732,327	4,314,358	966,029	-	-	-	-	8,977,793	2,745,578	1,040,030	4,950,761	960,868	-	-	-	-	9,697,237
Depreciation	-	-	-	-	-	2,526,360	-	-	2,526,360	-	-	-	-	2,389,490	-	-	-	2,389,490
Other	-	-	-	-	-	-	34,800	-	197,734	-	-	-	-	-	53,759	-	-	214,801
<b>Total</b>	<b>\$ 17,968,908</b>	<b>\$ 4,251,667</b>	<b>\$ 9,294,021</b>	<b>\$ 1,721,759</b>	<b>\$ 4,654,007</b>	<b>\$ 2,526,360</b>	<b>\$ 34,800</b>	<b>\$ 162,934</b>	<b>\$ 40,614,456</b>	<b>\$ 17,121,049</b>	<b>\$ 5,909,753</b>	<b>\$ 9,134,797</b>	<b>\$ 1,791,109</b>	<b>\$ 4,856,577</b>	<b>\$ 2,389,490</b>	<b>\$ 53,759</b>	<b>\$ 161,042</b>	<b>\$ 41,417,576</b>

INDEPENDENT AUDITOR'S 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*

Board of Governors  
Concord University  
Athens, West Virginia

We have audited, in accordance with the 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 combined financial statements of the business-type activities and aggregate discretely presented component units of Concord University (the University), as of and for the year ended June 30, 2013, and the related notes to the combined financial statements, which collectively comprise the University's basic combined financial statements, and have issued our report thereon dated October 30, 2013, which states reliance on another auditor for the discretely presented component unit. Our report includes a reference to another auditor who audited the financial statements of the Concord University Foundation, Inc. (the Foundation), as described in our report on the University's combined financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by that auditor. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

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

In planning and performing our audit of the combined financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's combined financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the University's combined financial statements are free from 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 combined 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*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charleston, West Virginia  
October 30, 2013