

CONCORD UNIVERSITY
RESEARCH & DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012
WITH
INDEPENDENT AUDITOR'S REPORTS

CONTENTS

	Page
Independent Auditor's Report	3 - 4
Financial Statements	
Statements of Financial Position	5
Statements of Activities	6
Statements of Cash Flows	7
Notes to the Financial Statements	8 - 15
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>	16 - 17

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Concord University Research & Development Corporation
Athens, West Virginia

We have audited the accompanying financial statements of Concord University Research & Development Corporation (the Corporation) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Concord University Research & Development Corporation as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2013, on our consideration of the Corporation'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 Corporation's internal control over financial reporting and compliance.



Charleston, West Virginia
August 14, 2013

CONCORD UNIVERSITY RESEARCH & DEVELOPMENT CORPORATION
 STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 343,456	\$ 274,288
Certificate of deposit	117,482	117,414
Grants receivable	267,539	53,399
Accounts receivable, net of allowance	237,526	87,617
Prepays	77,069	1,250
Related party receivables	124,767	267,279
Other assets	300	1,103
	<hr/>	<hr/>
Total current assets	1,168,139	802,350
	<hr/>	<hr/>
Property and equipment, net	116,611	121,700
Investment in leveraged lease	7,325	7,325
	<hr/>	<hr/>
Total assets	<u>\$ 1,292,075</u>	<u>\$ 931,375</u>
 LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 139,218	\$ 137,901
Refundable advance	204,312	70,644
Related party payables	83,452	52,305
Amounts held on behalf of others	521,589	433,068
	<hr/>	<hr/>
Total current liabilities	948,571	693,918
	<hr/>	<hr/>
Total liabilities	948,571	693,918
	<hr/>	<hr/>
Net assets		
Unrestricted	227,379	115,724
Temporarily restricted	116,125	121,733
	<hr/>	<hr/>
Total net assets	343,504	237,457
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 1,292,075</u>	<u>\$ 931,375</u>

The Accompanying Notes Are An Integral
 Part Of These Financial Statements

CONCORD UNIVERSITY RESEARCH & DEVELOPMENT CORPORATION
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
UNRESTRICTED NET ASSETS		
Unrestricted revenue:		
Grants:		
Federal	\$ 415,300	\$ 370,063
State and local	280,803	205,630
Private	227,742	47,335
Total grants	<u>923,845</u>	<u>623,028</u>
Child care services	210,301	218,978
Income from leveraged leases	21,736	33,832
Other income	<u>75,298</u>	<u>38,770</u>
Total unrestricted revenue	1,231,180	914,608
Net assets released from restrictions:		
Restrictions satisfied by qualifying expenditures	<u>34,203</u>	<u>4,116</u>
Total unrestricted revenue and other support	<u>1,265,383</u>	<u>918,724</u>
Expenses		
Program services:		
Non federal programs	397,600	313,286
WV HEAP Gear Up	86,327	-
NOAA/NGS (Chesapeake Bay)	55,110	-
Rural Innovation	34,155	-
USDA Forest Service	3,109	2,574
WVINBRE	19,545	17,973
Pride/Level II	163,175	151,128
Graduate History	81,646	79,460
U.S. National Park Service - WV Geological & Economic Survey	-	39,904
Other federal	28,770	28,226
Support services:		
Child development center	207,021	208,659
Management and general	<u>51,681</u>	<u>40,053</u>
Total expenses	<u>1,128,139</u>	<u>881,263</u>
Change in unrestricted net assets	<u>137,244</u>	<u>37,461</u>
TEMPORARILY RESTRICTED NET ASSETS		
Grants:		
Federal	5,052	17,538
State and local	23,543	8,495
Net assets released from restrictions	<u>(34,203)</u>	<u>(4,116)</u>
Change in temporarily restricted net assets	<u>(5,608)</u>	<u>21,917</u>
Donation of capital assets to Concord University	<u>(25,589)</u>	<u>-</u>
Change in net assets	106,047	59,378
Beginning net assets	<u>237,457</u>	<u>178,079</u>
Ending net assets	<u>\$ 343,504</u>	<u>\$ 237,457</u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements

CONCORD UNIVERSITY RESEARCH & DEVELOPMENT CORPORATION
 STATEMENTS OF CASH FLOWS
 YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 106,047	\$ 59,378
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	9,534	4,150
Donation of capital assets to Concord University	25,589	-
Interest on investments	(68)	(69)
(Increase) decrease in assets:		
Grants receivable	(214,140)	57,272
Accounts receivable, net of allowance	(149,909)	(58,711)
Prepays	(75,819)	19,905
Related party receivables	142,512	(85,738)
Other assets	803	2,104
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	1,317	(40,007)
Related party payables	31,147	52,305
Refundable advance	133,668	(33,809)
Amounts held on behalf of others	88,521	(22,312)
	<u>99,202</u>	<u>(45,532)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(30,034)	(26,034)
Investment in leveraged lease	-	(7,325)
	<u>(30,034)</u>	<u>(33,359)</u>
Net cash used by investing activities	<u>(30,034)</u>	<u>(33,359)</u>
Increase (decrease) in cash and cash equivalents	69,168	(78,891)
Cash and cash equivalents, beginning of year	<u>274,288</u>	<u>353,179</u>
Cash and cash equivalents, end of year	<u>\$ 343,456</u>	<u>\$ 274,288</u>
Interest paid	<u>\$ 27,331</u>	<u>\$ 38,943</u>

The Accompanying Notes Are An Integral
 Part Of These Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES - Concord University Research & Development Corporation (the Corporation) is organized for the purpose of operating a non-profit organization exclusively for charitable, educational and scientific purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code. Substantially all revenue and support is derived from federal, state or private sources in the form of grants.

The Corporation provides most of its resources for the benefit of Concord University. Furthermore, because of the economic dependency and the effective control, the Corporation is considered a blended component unit of Concord University.

Effective July 1, 2011, the Corporation began managing the Child Development Center formally owned and operated by a third party for Concord University. Under the current agreement, Concord University is providing support including facilities, funding for general operations through tuition and fees as provided to the former operator, funding for the Director also as provided to the former operator, and funding for the Clinical Director.

BASIS OF ACCOUNTING - The financial statements of the Corporation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

BASIS OF PRESENTATION - In accordance with professional standards the Corporation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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.

CASH, CASH EQUIVALENTS, AND INVESTMENTS - For purposes of the statements of cash flows, the Corporation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Investments, which consist of a certificate of deposit, are stated at fair value.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GRANTS RECEIVABLE AND GRANT REVENUE - Grants received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any grantor restrictions.

Grants that are restricted by the grantor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other grantor-restricted grants are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions. The Corporation reviews grants receivable for current receivables, age of the receivables, and the economic environment. As of June 30, 2013 and 2012 management did not believe an allowance was necessary for the grants receivable.

ACCOUNTS RECEIVABLE - Accounts receivable are recorded at the invoiced amount and do not bear interest. The Corporation provides for uncollectible receivables and maintains an allowance to reflect the total expected inability to collect based on an analysis of current receivables, age of the receivable, and the economic environment and specified risk identified. As of June 30, 2013 and 2012 an allowance for doubtful accounts of \$11,010 and \$0, respectively was recorded.

RELATED PARTY RECEIVABLES AND PAYABLES - The Corporation conducts transactions with Concord University and the Concord University Foundation throughout the year. These organizations are related parties to the Corporation. The receivable balances for these related parties were the following at June 30:

	2013	2012
Concord University	\$ 110,667	\$ 244,579
Concord University Foundation	14,100	22,700
Total	\$ 124,767	\$ 267,279

The accounts payable balance for the related party was the following at June 30:

	2013	2012
Concord University	\$ 83,452	\$ 52,305

ADVERTISING COSTS - The Corporation expenses advertising costs as they are incurred. Advertising expense for the years ended June 30, 2013 and 2012 were \$2,346 and \$384, respectively.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVESTMENT IN LEVERAGED LEASE - The net investment in the leveraged lease is recorded on the statement of financial position. It will increase and decrease over time based on the amount of the difference between each period's net cash flow and income recognized. See Note 4.

AMOUNTS HELD ON BEHALF OF OTHERS - Amounts held on behalf of others are used to account for assets held by the Corporation as an agent. These funds are custodial by nature (assets equal liabilities) and do not involve measurement of operations.

PROPERTY AND EQUIPMENT - Property and equipment are stated at cost at the date of acquisition or fair value at the date of the gift, less accumulated depreciation. Additions, improvements and expenditures that materially improve or extend the life of an asset are capitalized. The Corporation capitalizes fixed assets with a cost greater than \$1,000. Maintenance and repairs are charged to expense as incurred. Upon retirement or sale of an asset, its cost and related accumulated depreciation are removed from the property accounts. Depreciation is calculated on the straight-line method over the estimated useful lives of the depreciable assets.

ACCOUNTS PAYABLE AND ACCRUED EXPENSES - Accounts payable and accrued expenses consist primarily of amounts due for work performed under grant contracts and payroll related liabilities. Payables under grant contracts offset the related grant receivable and generally are not paid until the Corporation has received reimbursement from the granting organization.

REFUNDABLE ADVANCE – Refundable advance consists of grants that have been received for a specific purpose but have not yet met revenue recognition criteria.

UNRESTRICTED NET ASSETS - The unrestricted category consists of funds whose use is limited only to the extent that the Corporation's bylaws limit the activities of the organization. Contributions with donor-imposed restrictions met in the same year in which the contribution is recognized are reported as changes in unrestricted net assets.

TEMPORARILY RESTRICTED NET ASSETS - Temporarily restricted net assets are comprised of funds whose use has been limited by donors to a specific time period and/or purpose. At year end, the entire balance of temporarily restricted net assets is comprised of property and equipment restricted to the use of certain federal and state grant programs.

PERMANENTLY RESTRICTED NET ASSETS - Permanently restricted net assets are comprised of funds whose use has been restricted by the donor and must be maintained permanently by the Corporation. The Corporation currently has no permanently restricted net assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

- Program Service - Represents funds expended primarily to provide support for certain federal, state and private research and development programs.
- Management and General - Represents expenses incurred principally for (1) executive level activities concerned with management of the operations, (2) legal and fiscal operations and (3) other administrative related expenses.
- Child Care Service - Represents expenses incurred in the operation of the Child Development Center on the campus of Concord University.

CONCENTRATIONS - Approximately 36% and 40% of the Corporation's support was provided by grants from the federal government for the year ended June 30, 2013 and 2012 respectively.

INCOME TAX STATUS - The Corporation is exempt from federal income tax on its exempt purpose activities as an organization described in Section 501(c)(3) of the Internal Revenue Code. Effective July 1, 2010, the Corporation adopted ASC Topic 740-10, Accounting for Uncertainty in Income Taxes, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than not to be sustained upon examination by taxing authorities. For the year ended June 30, 2013, the Corporation has no material uncertain tax positions to be accounted for in the financial statements under the new rules. The Corporation recognized interest and penalties, if any, related to unrecognized tax benefits in interest expense. As of June 30, 2013 tax years ending on or after June 30, 2010 in each jurisdiction remain subject to examination.

RECLASSIFICATIONS - Certain amounts in the 2012 financial statements have been reclassified to conform with the 2013 presentation. Such reclassifications had no effect on the 2012 net assets or changes in net assets.

SUBSEQUENT EVENTS - In preparing these financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through August 14, 2013, the date the financial statements were issued.

CONCORD UNIVERSITY RESEARCH & DEVELOPMENT CORPORATION 12
 NOTES TO THE FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 2 - GRANTS RECEIVABLE

The following is a summary of funds due to the Corporation under grant agreements at June 30:

	<u>2013</u>	<u>2012</u>
Federal grants		
U.S. Department of Agriculture	\$ 29,996	\$ 2,574
U.S. Department of Commerce, Economic Development Administration	14,062	2,355
U.S. National Park Service	16,846	7,024
U. S. Department of Education, passed through Regional Education Service Agency, I	-	28,113
National Endowment for the Humanities, passed through WV Humanities Council	56	-
National Institute of Health	11,310	-
State grants		
WV Department of Education	3,257	757
WV Department of Education and the Arts	33,367	10,076
WV Department of Health and Human Resources	158,645	-
Private grants		
WV Campus Compact	<u>-</u>	<u>2,500</u>
	<u>\$ 267,539</u>	<u>\$ 53,399</u>

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2013</u>	<u>2012</u>
Program equipment	\$ 25,439	\$ 36,334
Buildings	68,610	68,610
Land	30,600	30,600
Computer equipment and software	<u>7,516</u>	<u>3,166</u>
	132,165	138,710
Less accumulated depreciation	<u>15,554</u>	<u>17,010</u>
	<u>\$ 116,611</u>	<u>\$ 121,700</u>

NOTE 3 - PROPERTY AND EQUIPMENT (Continued)

Depreciation expense for the years ended June 30, 2013 and 2012 were \$9,534 and \$4,150, respectively. The Corporation donated assets with a cost of \$36,579 and book value of \$25,589 to Concord University during 2013. The Corporation donated assets with a cost of \$2,087 and book value of \$0 to Concord University during 2012. The transactions occurred at net book value, the remaining value yet to be depreciated, if any was used to reduce net assets.

NOTE 4 - INVESTMENT IN LEVERAGED LEASES

The Corporation entered into a leveraged lease agreement with Concord University for the Mills Street Apartments and Johnson House on July 1, 2011. The properties were purchased by the Corporation through the use of third-party financing in the form of long-term debt that provides for no recourse against the Corporation and is secured by certain real properties. Concord University (lessee) is to pay the Corporation (lessor) monthly payments including 5% interest of \$5,950 until July 2026 or the option to purchase is exercised. The assets have an estimated useful life of fifty years. The purchase price of the buildings and land was \$430,839. The payments under the lease, including interest, total \$1,071,000. The Corporation's net investment in the leveraged lease is composed of the following element at June 30:

	2013	2012
Rentals receivable	\$ 345,527	\$ 416,927
Estimated residual value of the leased asset	301,587	301,587
Less: unearned and deferred income	<u>639,789</u>	<u>711,189</u>
Net investment in leveraged leases	<u>\$ 7,325</u>	<u>\$ 7,325</u>

NOTE 5 - REFUNDABLE ADVANCE

As described in Note 1, the Corporation reports conditional grants and contracts received as refundable advances until qualifying expenses have been incurred or other conditions have been substantially met. The following summarizes refundable advances at June 30:

	2013	2012
National Geographic Society Education Foundation	\$ 38,766	\$ 40,431
WV Higher Education Policy Commission-International Award	-	5,375
Benedum Foundation	115,494	-
U.S. Department of Health and Human Services, passed through WV Department of Health and Human Resources	-	14,627
Other	<u>50,052</u>	<u>10,211</u>
	<u>\$ 204,312</u>	<u>\$ 70,644</u>

NOTE 6 - EMPLOYEE RETIREMENT PLAN

The Corporation participates in the TIAA-CREF 401(k) retirement plan for eligible employees who work at least 20 hours per week, or 1,040 hours per year, on a regular basis. Employees may contribute up to 6% of their salary and the Corporation will match 100%. The Corporation made contributions of \$43,231 and \$35,590 for the year ended June 30, 2013 and 2012, respectively.

NOTE 7 - FAIR VALUE OF INVESTMENTS

Under accounting principles generally accepted in the United States of America, a fair value hierarchy has been established that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy, as defined below, gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

- Level 1 is defined as observable inputs such as quoted prices in active markets for identical assets. Level 1 assets, held by the Corporation, include a certificate of deposit.
- Level 2 is defined as observable inputs other than Level 1 prices. These include quoted prices for similar assets or liabilities in an active market, quoted prices for identical assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. The Corporation does not have any Level 2 investments.
- Level 3 is defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. The Corporation does not have any Level 3 assets.

The table below sets forth, by level, the Corporation's financial asset that is accounted for at fair value at June 30, 2013:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificate of deposit	\$ <u>117,482</u>	\$ <u>117,482</u>	\$ <u>-</u>	\$ <u>-</u>

The table below sets forth, by level, the Corporation's financial asset that is accounted for at fair value at June 30, 2012:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificate of deposit	\$ <u>117,414</u>	\$ <u>117,414</u>	\$ <u>-</u>	\$ <u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 8 - CONTINGENCIES

Under the terms of federal and state 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 Corporation's management believes disallowances, if any, will not have a significant financial impact on the Corporation's financial position.

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 Directors
Concord University Research & Development Corporation
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 financial statements of Concord University Research & Development Corporation (the Corporation) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 14, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 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 Corporation's 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 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Seittle & Stalnak, PLLC".

Charleston, West Virginia
August 14, 2013