Concord University

Combined Financial Statements
Years Ended June 30, 2012 and 2011
and
Independent Auditors' Reports

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Suttle & Stalnaker

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Governors
Concord University
Athens, West Virginia

We have audited the accompanying combined financial statements of the business-type activities and discretely presented component unit of Concord University (the "University"), as of June 30, 2012 and 2011, and for the years then ended, which collectively comprise the University's basic financial statements as listed in the table of contents. These combined financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on the respective financial statements based on our audits. We did not audit the discretely presented financial statements of The Concord University Foundation, Inc. (a component unit of the University). Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the discretely presented financial statements of The Concord University Foundation, Inc., is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of The Concord University Foundation, Inc. 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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, based on our audits and the report of the other auditors, the combined financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of the University as of June 30, 2012 and 2011, and the respective changes in financial position, and where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2012, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic 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 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 financial statements, and other knowledge we obtained during our audit of the basic 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.

Suttle & Stalnaker, PLLC

Charleston, West Virginia
October 23, 2012

Management's Discussion & Analysis
Years Ended June 30, 2012 and 2011

Introduction

Concord University, (the "University") is pleased to present its combined financial statements for the years ended June 30, 2012 and 2011. The University's financial statements are presented in a combined format as required by the Governmental Accounting Standards Board (GASB). This format requires that all restricted funds, unrestricted funds, operating funds, dedicated funds, loan funds, plant funds and endowment funds be combined into a single set of accrual based statements. Depreciation of capital assets is included as an expense, and State appropriations are shown as non-operating revenue.

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

Financial Highlights

In fiscal year 2012, the University's enrollment decreased by (1.58%) for total full-time enrollment of 2,805. Combined net assets decreased by (3.71%) for the year. Investment in capital assets increased by 2.59%, while unrestricted net assets decreased by 275.36%; this was primarily caused by an increase in the accrued other post-employment benefits costs of $1.8 million. The increase in the unfunded liability created a larger than projected net operating loss by reducing unrestricted net assets by the same amount. Total gross tuition and fee revenue increased by 7.69% due to tuition and fee increases of 9.5% effective for the year ended June 30, 2012. State appropriated funding increased only slightly from that reported for the fiscal year ended June 30, 2011.

Financial Statements

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

Statement of Net Assets

The Statement of Net Assets presents the Assets (current and non-current), Liabilities (current and non-current), and Net Assets (assets minus liabilities) of the University as of the end of the fiscal year. Assets denote the resources available to continue the operations of the University. Liabilities indicate how much the University owes vendors, employees and lenders. Net Assets provide a way to measure the financial position of the University.

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

Net Assets are displayed in three major categories:

1) *Invested in capital assets, net of related debt*. This category represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

2) *Restricted Net Assets*. This category includes net assets whose use is restricted either due to externally imposed constraints or because of restrictions imposed by law. They are further divided into two additional components - expendable and nonexpendable. Expendable restricted net assets include resources in which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. Nonexpendable restricted net assets include endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

3) *Unrestricted Net Assets*. This category represents the resources derived primarily from tuition and fees, state appropriations and sales and services of educational activities that are not restricted. These resources are used for transactions related to educational and general operations of the University.

Schedules of Net Assets

June 30:

	2012	2011	2010	Change FY 12 - FY 11
Assets				
Current assets	$ 8,149,406	$ 7,959,151	$ 8,798,398	2.39%
Non-current assets	56,685,436	53,850,718	51,817,620	5.26%
Total Assets	64,834,842	61,809,869	60,616,018	4.89%
Liabilities and Deferred Inflows				
Current liabilities	5,329,009	4,087,009	5,551,144	30.39%
Non-current liabilities	13,473,526	11,351,911	9,177,636	18.69%
Total Liabilities	18,802,535	15,438,920	14,728,780	21.79%
Deferred Inflows	1,171,580	-	-	100.00%
Net Assets (Deficit)				
Invested in capital assets,				
net of related debt	45,877,401	44,515,479	44,793,041	3.06%
Restricted				
Expendable	420,226	636,607	479,469	(33.99)%
Non-expendable	2,964,782	2,391,526	239,580	23.97%
Unrestricted	(4,401,682)	(1,172,663)	375,148	(275.36)%
Total Net Assets	$ 44,860,727	$ 46,370,949	$ 45,887,238	(3.26)%

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 1.50 to 1.00 and 1.95 to 1.00, as of June 30, 2012 and 2011, respectively. These indicate that the University has sufficient available resources to meet its obligations.

As of June 30, 2012, the total assets of the University had increased by 4.89% while total liabilities increased by 29.38% from the balances as of June 30, 2011. The net assets decreased by (3.26%) during the same time period with the increase in non-expendable assets of 23.97%. Unrestricted Net Assets decreased by (275.36%) for the year ended June 30, 2012

The University’s total liabilities and deferred inflows were approximately $20 million as of June 30, 2012 as opposed to a total of $15.4 million for the year ended June 30, 2011. The increase in total liabilities is due to the liabilities recorded for the Service Concession Arrangement Contract and the increase in Accrued OPEB costs during the year. Non-current liabilities were approximately $14.5 and $11.4 million as of June 30, 2012 and 2011 respectively. The non-current liabilities consist of capital lease obligations, service concession agreements, advances from federal sponsors, compensated absences, OPEB liability and debt obligations.

The University received an endowment of $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 $2.2 million was recognized in the statements at June 30, 2011. An additional gift was received during the year just ended of $430,852 increasing the value of the endowment to $2.7 million as of June 30, 2012.

Unrestricted net deficit comprised (9.81%) and (2.53%) of the total net assets of the University as of June 30, 2012 and 2011, respectively. The unrestricted deficit amounted to approximately $(4.4) million and $(1.2) million as of June 30, 2012 and 2011.

Concord University outsourced the rights to operate and manage the Bookstore effective June 30, 2011 to a third party. The inventory that was on hand at June 30, 2011 was sold to the third party.

Depreciation expense has been recorded for the years ended June 30, 2012 and 2011 in the amount of approximately $2.4 million and $2.1 million respectively.

The debt obligation due Commission was the result of the assignment of long-term system debt by the Commission during the year ended June 30, 2002. The total net assets of the University were reduced and no new assets received in exchange. This debt obligation due Commission is debt for bonds issued previously by the Commission. The University recorded a liability of $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 years ended June 30, 2012 and 2011, amounted to $39,186 and $85,349, respectively, as determined by the Commission. The liability was liquidated in full during the year ended June 30, 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, 2012 and 2011 was $3,991,209 and $4,221,958, 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, 2012, 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, 2013 is $240,517 and $161,225.

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 agreements (SCAs). The SCAs were for the food service operations contract and the bookstore operations contract. The adoption resulted in an intangible asset of $2.1 million, a deferred liability of $0.7 million and deferred inflow of $1.4 million. The University recognized revenue of approximately $330 thousand from SCAs during fiscal year 2012 that were recorded in miscellaneous revenue on the Statement of Revenues, Expenses and Changes in Net Assets.

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 are completed, the housing units will be 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 financial statement 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.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents revenues of the University (operating and non-operating), the expenses of the University (operating and non-operating), and any other revenues, expenses, gains and losses of the University for the years ended June 30, 2012 and 2011. State appropriations, while budgeted for operations, must be reported as non-operating revenues as required by GASB. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

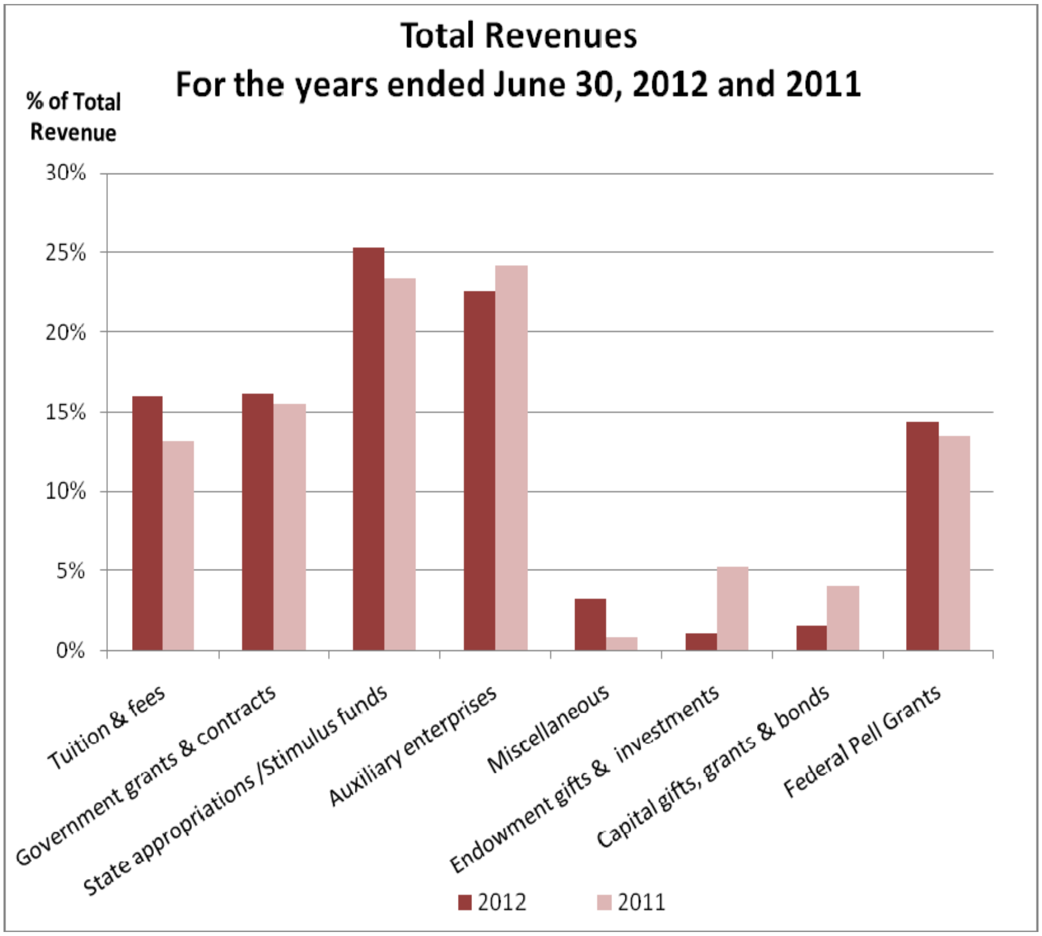
Schedules of Revenues, Expenses and Changes in Net Assets
Years Ended June 30:

	2012	2011	2010	Change FY 12-11
Operating Revenues	$ 23,301,560	$ 22,956,904	$ 23,479,121	1.50%
Operating Expenses	41,417,576	41,584,231	40,281,971	(0.40%)
Operating Loss	(18,116,016)	(18,627,327)	(16,802,850)	2.75%
Non-operating Revenues	16,354,854	18,032,599	15,231,581	(9.30%)
Non-operating Expenses	366,004	651,183	301,922	(43.79%)
Net Non-operating Revenues	15,988,850	17,381,416	14,929,659	(8.01%)
(Loss) income before other Revenues, Expenses, Gains or Loses	(2,127,166)	(1,245,911)	(1,873,191)	70.73%
Other Revenues, Expenses, Gains or Losses	616,944	1,729,622	4,492,277	(64.33%)
(Decrease) increase in Net Assets	(1,510,222)	483,711	2,619,086	(412.22%)
Net Assets at Beginning of Year	46,370,949	45,887,238	43,268,152	1.05%
Net Assets at End of Year	$ 44,860,727	$ 46,370,949	$ 45,887,238	(3.26%)

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

	2012	2011	2010	Change FY 12-11
Program revenues (by major source)				
Tuition & fees before allowances	$ 15,169,351	$ 14,086,619	$ 14,256,592	7.69%
Less:				
Institutional scholarship discounts & allowances				
State & Federal Student Aid	(8,755,668)	(8,456,587)	(8,780,642)	3.54%
Tuition & fees, net	6,413,683	5,630,032	5,475,950	13.92%
Government grants, contracts & student aid	6,491,884	6,623,421	7,674,216	(1.99%)
Auxiliary enterprise sales & services	9,096,714	10,357,367	9,983,647	(12.17%)
Miscellaneous	1,299,279	346,084	345,308	275.42%
General revenues (by major source)				
State appropriations	10,164,340	10,008,687	9,977,767	1.56%
Federal Pell grants	5,759,662	5,778,193	5,268,198	(0.32%)
Investment income (loss)	(32,583)	93,773	(14,384)	(134.75%)
Permanent Endowment Gifts	430,852	2,151,946	-	(79.98%)
Capital grants, gifts and bonds	616,944	1,729,622	4,492,277	(64.33%)
Total revenues	$ 40,240,775	$ 42,719,125	$ 43,202,979	(5.80%)

The following is a graphic illustration of revenues by source and the percentage distribution of these revenues for the years ended June 30, 2012 and 2011:



The major sources of revenue include tuition and fees, government grants & contracts, State appropriations, and auxiliary revenues. State appropriations comprised 25.26% and 21.48% of the total revenue during the years ended June 30, 2012 and June 30, 2011, respectively. Gross tuition and fees accounted for 37.70% and 32.97% of total revenue for the years ended June 30, 2012 and 2011, respectively, before scholarship discounts and allowances. Auxiliary revenue decreased 12.17% for the year ended June 30, 2012 as compared to June 30, 2011 due to the bookstore being operated under an SCA instead of by the University. Miscellaneous revenue increased 275.42% in fiscal year 2012 due in most part to the recording of the SCAs.

The total revenue including grants and transfers in decreased during the year ended June 30, 2012 by $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.

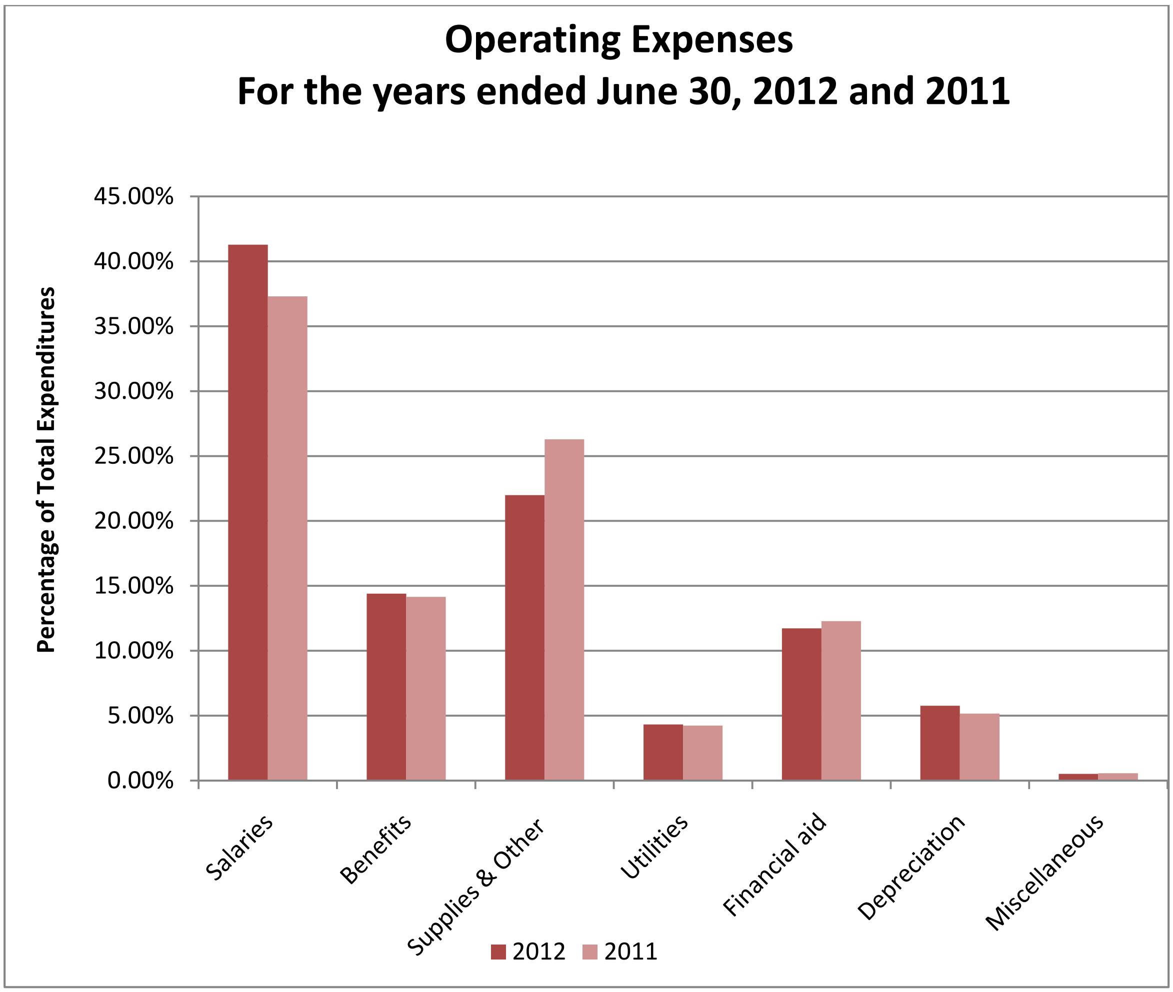
The loss before other revenues, expenses, gains or losses for the years ended June 30, 2012 and 2011 was ($2.1) million and ($1.2) million, respectively. The increase in the loss before other revenues, expenses, gains or losses for the year ended June 30, 2012 is the result of decreases related to non-operating revenues, a permanent endowment received during the year ended June 30, 2011.

For the year ended June 30, 2012 fall enrollment of full-time-equivalent students decreased by 1.58% as compared to the same period in the previous year.

Operating Expenses:

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

	2012	2011	2010	Change FY 12 - FY 11
Salaries	$ 17,095,578	$ 15,510,172	$ 15,694,693	10.22%
Benefits	5,965,507	5,886,552	5,594,749	1.34%
Supplies & other	9,104,514	10,932,048	10,104,951	(16.72%)
Utilities	1,791,109	1,761,259	1,725,834	1.69%
Student financial aid	4,856,577	5,108,852	4,971,991	(4.94%)
Depreciation	2,389,490	2,147,741	1,956,516	11.26%
Fees to Commission & miscellaneous	214,801	237,607	233,237	(9.60%)
Total Operating Expenses	$ 41,417,576	$ 41,584,231	$ 40,281,971	(0.40%)



Salary and benefit costs together comprised 55.68% and 51.45% of the total operating expenses of the University for the years ended June 30, 2012 and 2011, respectively. Student financial aid expense decreased by ($252,275) over the cost incurred during 2011. Utilities expense increased by 1.69% to a total of $1.8 million which remains relatively low due in part to the completion of the energy performance contract during 2012.

Statement of Cash Flows:

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

The Statement of Cash Flows is divided into five parts:

1) *Cash flows from operating activities*. This section shows the net cash used by the operating activities of the University.

2) *Cash flows from non-capital financing activities*. This section reflects the cash received and paid for non-operating, non-investing, and non-capital financing purposes.

3) *Cash flows from capital and related financing activities*. This section includes cash used for the acquisition and construction of capital and related items.

4) *Cash flows from investing activities*. This section shows the purchases, proceeds, and interest received from investing activities.

5) *Reconciliation of net cash used to the operating loss.* This part provides a schedule that reconciles the accrual-based operating loss and net cash flow used in operating activities.

Schedule Cash Flows
Years Ended June 30:

	2012	**2011**	**2010**	**Change FY 12 - FY 11**
Cash Provided (Used) By:				
Operating Activities	$(13,889,655)	$ (14,207,829)	$ (13,348,235)	(2.24%)
Non-capital Financing Activities	16,354,854	17,938,826	15,245,965	(8.83%)
Capital and Financing Related Activities	(2,402,403)	(3,515,007)	(6,758,905)	(31.65%)
Investing Activities	(32,583)	93,739	(14,384)	(134.76%)
Increase (decrease) in Cash	30,213	309,729	(4,875,559)	(90.25%)
Cash, Beginning of Year	5,478,537	5,168,808	10,044,367	5.99%
Cash, End of Year	$ 5,508,750	$ 5,478,537	$ 5,168,808	0.55%

The University increased cash for the year ended June 30, 2012 and increased cash during the same period in 2011 of $30,213 and $309,729, respectively. The increase in cash during the fiscal year ended June 30, 2012 was due to the fee increase effective July 1, 2011 and reduced by an increase in capital expenditures during the year. The balance reported in the Statements of Cash Flows accounts for current and noncurrent cash and cash equivalents.

Capital Asset and Long Term Debt Activity

The University's capital asset additions for the fiscal years ended June 30, 2012 and 2011 totaled $3.5 million and $2.0 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 $6 million bond from the Economic Development Authority (EDA). During the year ended June 30, 2012 a total of $318,947 was incurred for renovations to the two buildings. The remaining $5.6 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, 2012 and 2011. 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 Statement of Net Assets 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 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, 2012 and 2011.

Economic Outlook

The State of West Virginia had reduced state appropriated funds provided to state institutions of higher education during the previous two fiscal years. These reductions were not considered permanent. Governor Manchin and Governor Tomlin, in an effort to offset these funding cuts, provided funding to the institutions using State Fiscal Stimulus Funds (federal). During the year ended June 30, 2012, State Appropriated funding was restored to the balances that existed before the cuts began in the year ended June 30, 2010. Governor Tomlin plans to reduce the amount of appropriated funding to be provided during the fiscal year ending June 30, 2014 by a total of 7.5%. The Higher Education Policy Commission has appealed to the Governor to remove higher education from these funding reductions in appropriations. Concord University expects to receive approximately $10.0 million in State appropriated funding during the year 2013. The anticipated 7.5% decrease in the year 2014 will reduce the University's funding by a total of $762,000.

The University 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 submitted and received approval to offer two new graduate programs beginning in the fall of 2012. These programs include the Master of Arts in Teaching (MAT) and the Masters of Education in Special Education (SPED.) Also during the year ended June 30, 2012, the Higher Education Policy Commission approved moving forward with a Master's of Social Work program. The faculty has begun taking the necessary actions to obtain approval of the program from the Higher Learning Commission. The program is expected to enroll students in the fall of 2014.

Requests for Information

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

CONCORD UNIVERSITY
COMBINED STATEMENTS OF NET ASSETS
JUNE 30, 2012 AND 2011

	2012	2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 5,043,385	$ 5,008,013
Cash and cash equivalents-Research & Development Corporation	465,365	470,524
	5,508,750	5,478,537
Due from Commission	400	34
Accounts receivable-net	2,001,683	1,929,685
Loans to students-current portion	364,748	385,312
Current portion of intangible asset-service concession arrangement	190,000	-
Prepaid expenses	48,673	53,649
Other assets	-	72,368
Inventories	35,152	39,566
Total current assets	8,149,406	7,959,151
NONCURRENT ASSETS:		
Cash and cash equivalents	2,724,909	2,663,099
Intangible asset-service concession arrangement	1,718,438	-
Loans to students, net of allowance of $93,753 and $82,782 in 2012 and 2011, respectively	1,884,153	1,910,996
Capital assets-net	50,357,936	49,276,623
Total noncurrent assets	56,685,436	53,850,718
TOTAL ASSETS	64,834,842	61,809,869
LIABILITIES AND DEFERRED IN FLOWS		
CURRENT LIABILITIES:		
Accounts payable	1,749,218	1,445,566
Accrued liabilities	1,487,745	1,245,309
Due to the Commission	50,154	27,492
Due other state agencies	2,210	-
Deferred revenue	1,414,635	710,255
Compensated absences-current portion	307,979	332,246
Deposits	53,557	56,206
Debt obligations real estate-current portion	22,994	-
Capital lease obligations-current portion	240,517	230,749
Debt obligations due Commission	-	39,186
Total current liabilities	5,329,009	4,087,009
NONCURRENT LIABILITIES:		
Advances from federal sponsors	2,263,545	2,277,517
Capital lease obligations-noncurrent portion	3,750,692	3,991,209
Compensated absences-noncurrent portion	429,272	391,025
Other post employment benefit liability	5,963,318	4,192,160
Accrued service concession liability	600,367	-
Debt obligations-real estate	466,332	500,000
Total noncurrent liabilities	13,473,526	11,351,911
TOTAL LIABILITIES	18,802,535	15,438,920
DEFERRED INFLOWS	1,171,580	-
NET ASSETS		
INVESTED IN CAPITAL ASSETS-net of related debt	45,877,401	44,515,479
RESTRICTED FOR:		
Nonexpendable:		
Scholarships and fellowships	239,580	239,580
Permanent endowments	2,725,202	2,151,946
	2,964,782	2,391,526
Expendable:		
Loans	420,226	436,607
E&G capital projects	-	200,000
Total expendable	420,226	636,607
UNRESTRICTED (DEFICIT)	(4,401,682)	(1,172,663)
TOTAL NET ASSETS	$ 44,860,727	$ 46,370,949

The Accompanying Notes Are An Integral
Part Of These Financial Statements

CONCORD UNIVERSITY
THE CONCORD UNIVERSITY FOUNDATION, INC.
A COMPONENT UNIT OF CONCORD UNIVERSITY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011

ASSETS	2012	2011
Cash and cash equivalents	$ 482,841	$ 535,040
Contributions receivable, net of allowance for doubtful accounts of $4,257 in 2012 and 2011	266,740	424,541
Dividends and interest receivable	20,443	28,439
Student loans receivable	4,754	4,754
Prepaid expenses	-	4,756
Cash restricted for long-term investment and by agency relationships	81,842	92,777
Property and equipment, net	4,890	2,344
Investments	28,873,748	25,056,852
Total assets	$ 29,735,258	$ 26,149,503
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 907	$ 394
Amounts held on behalf of others	3,492,073	818,671
Obligations under annuity agreements	300,588	302,430
Total liabilities	3,793,568	1,121,495
Net assets:		
Unrestricted	624,976	595,273
Temporarily restricted	5,868,956	6,044,777
Permanently restricted	19,447,758	18,387,958
Total net assets	25,941,690	25,028,008
Total liabilities and net assets	$ 29,735,258	$ 26,149,503

CONCORD UNIVERSITY
COMBINED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
OPERATING REVENUES:		
Student tuition and fees, net of scholarship allowance of $8,755,668 and $8,456,587 in 2012 and 2011, respectively	$ 6,413,683	$ 5,630,032
Contract and grants:		
Federal	1,806,622	1,964,312
State	4,161,057	4,257,668
Private	524,205	401,441
Interest on student loans receivable	30,459	23,856
Sales and services of education activities	5,634	5,402
Auxiliary enterprise revenue	9,096,714	10,357,367
Miscellaneous-net	1,263,186	316,826
Total operating revenues	23,301,560	22,956,904
OPERATING EXPENSES:		
Salaries and wages	17,095,578	15,510,172
Benefits	5,965,507	5,886,552
Supplies and other services	9,104,514	10,932,048
Utilities	1,791,109	1,761,259
Student financial aid-scholarships and fellowships	4,856,577	5,108,852
Depreciation	2,389,490	2,147,741
Loan cancellations and write-offs	53,759	76,403
Fees assessed by Commission for operations	161,042	161,204
Total operating expenses	41,417,576	41,584,231
OPERATING LOSS	(18,116,016)	(18,627,327)
NONOPERATING REVENUES (EXPENSES):		
State appropriations	10,164,340	9,175,771
State fiscal stabilization funds (federal)	-	832,916
Federal Pell grants	5,759,662	5,778,193
Permanent endowment gifts	430,852	2,151,946
Investment income (loss)	(32,583)	93,773
Fees assessed by the Commission for debt service	(121,216)	(240,044)
Interest expense	(204,506)	(173,531)
Other nonoperating expenses-net	(7,699)	(237,608)
Net nonoperating revenues	15,988,850	17,381,416
LOSS BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	(2,127,166)	(1,245,911)
CAPITAL GRANTS AND GIFTS	302,288	1,712,152
CAPITAL BOND PROCEEDS FROM STATE	314,656	17,470
INCREASE (DECREASE) IN NET ASSETS	(1,510,222)	483,711
NET ASSETS-Beginning of year	46,370,949	45,887,238
NET ASSETS-End of year	$ 44,860,727	$ 46,370,949

The Accompanying Notes Are An Integral
Part Of These Financial Statements

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT:				
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	1,210,811	(175,821)	1,059,800	2,094,790
EXPENSES AND SUPPORT:				
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	1,181,108	-	-	1,181,108
CHANGE IN NET ASSETS	29,703	(175,821)	1,059,800	913,682
NET ASSETS-Beginning of year	595,273	6,044,777	18,387,958	25,028,008
NET ASSETS-End of year	$ 624,976	$ 5,868,956	$ 19,447,758	$ 25,941,690

CONCORD UNIVERSITY
THE CONCORD UNIVERSITY FOUNDATION, INC.
A COMPONENT UNIT OF CONCORD UNIVERSITY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT:				
Gifts and grants	$ 95,551	$ 114,096	$ 45,062	$ 254,709
Interest and dividends, net of related expenses of $84,827	-	340,804	176,776	517,580
Net realized and unrealized gains (losses)	82,896	2,290,202	1,403,203	3,776,301
Change in value of split-interest agreements	-	-	(47,311)	(47,311)
Net assets released from restrictions	(15,511)	(41,909)	57,420	-
Purpose restrictions accomplished	772,533	(498,081)	(274,452)	-
Administration fees	95,148	(95,148)	-	-
Total revenues and support	1,030,617	2,109,964	1,360,698	4,501,279
EXPENSES AND SUPPORT:				
University support:				
Student support	347,126	-	-	347,126
Faculty and staff development	16,159	-	-	16,159
Compensation for services	5,034	-	-	5,034
Capital projects	167,079	-	-	167,079
Other expenses	161,825	-	-	161,825
Management and general	151,207	-	-	151,207
Fundraising	40,062	-	-	40,062
Total expenses and losses	888,492	-	-	888,492
CHANGE IN NET ASSETS	142,125	2,109,964	1,360,698	3,612,787
NET ASSETS-Beginning of year	453,148	3,934,813	17,027,260	21,415,221
NET ASSETS-End of year	$ 595,273	$ 6,044,777	$ 18,387,958	$ 25,028,008

CONCORD UNIVERSITY
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	$ 15,464,117	$ 13,767,569
Contracts and grants	6,444,161	6,675,728
Payments to and on behalf of employees	(21,103,809)	(19,719,345)
Payments to suppliers	(9,586,635)	(10,295,007)
Payments to utilities	(1,791,109)	(1,761,259)
Payments for scholarships and fellowships	(13,612,245)	(13,565,438)
Loans issued to students	(306,397)	(198,232)
Collection of loans to students	286,073	265,117
Interest student loans	30,459	23,856
Sales and service of educational activities	5,634	5,402
Auxiliary enterprise receipts	9,244,145	10,333,619
Fees assessed by Commission	(161,042)	(161,204)
Other receipts-net	1,196,993	421,365
Net cash used in operating activities	(13,889,655)	(14,207,829)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	10,164,340	9,175,771
State fiscal stabilization funds (federal)	-	832,916
Federal Pell grants	5,759,662	5,778,193
Permanent endowment gifts	430,852	2,151,946
Net cash provided by noncapital financing activities	16,354,854	17,938,826
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Capital grants and gifts received	614,516	1,979,096
Proceeds from sale of capital assets	236,630	5,786
Debt (repayments) borrowings - real estate	(10,674)	500,000
Capital lease payments	(230,749)	(221,376)
Capital lease obligations interest paid	(199,261)	(185,132)
Purchases of capital assets	(2,585,409)	(3,010,440)
Withdrawals from noncurrent cash and cash equivalents	(61,809)	(2,252,781)
Principal payments on debt obligations due Commission	(39,186)	(85,349)
Interest payments on debt obligations due Commission	(1,567)	(4,767)
Interest payments on service concession arrangements	(3,678)	-
Fees assessed by Commission	(121,216)	(240,044)
Net cash used in capital financing activities	(2,402,403)	(3,515,007)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment (loss) income	(32,583)	93,739
Net cash (used in) provided by investing activities	(32,583)	93,739
INCREASE IN CASH AND CASH EQUIVALENTS	30,213	309,729
CASH AND CASH EQUIVALENTS-Beginning of year	5,478,537	5,168,808
CASH AND CASH EQUIVALENTS-End of year	$ 5,508,750	$ 5,478,537

The Accompanying Notes Are An Integral
Part Of These Financial Statements

CONCORD UNIVERSITY
COMBINED STATEMENTS OF CASH FLOWS (Continued)
YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (18,116,016)	$ (18,627,327)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation expense	2,389,490	2,147,741
Changes in assets and liabilities:		
Due from Commission	(366)	135,012
Accounts receivables-net	(75,158)	(2,253)
Loans to students-net	33,435	143,287
Prepaid expenses	4,976	(14,148)
Other Assets	72,368	(72,368)
Inventories	4,414	312,350
Service Concession Arrangements	(66,193)	-
Accounts payable	(588,385)	386,583
Accrued liabilities	172,138	(176,797)
Due to Commission	22,662	27,492
Due other state agencies	2,210	-
Deferred revenue	472,281	(320,499)
Compensated absences	13,980	84,197
Deposits held for others	(2,649)	(1,079)
Other post employment benefit liability	1,771,158	1,769,980
Net cash used in operating activities	$ (13,889,655)	$ (14,207,829)
Noncash capital financing activities		
Accounts receivable for capital gifts, grants & contracts	$ 3,159	$ 186,630
Deferred revenue for capital gifts, grants & contracts	$ 232,099	$ (284,655)
Accounts payable for capital gifts, grants & contracts	$ 892,037	$ (965,872)

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 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, liabilities, net assets, revenues, expenses, changes in net assets and cash flows.

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 financial statements for the fiscal years ended June 30, 2012 and 2011. 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 require that financial statements be presented on a basis to focus on the University as a whole. Net assets are classified into four categories according to external donor restrictions or availability of assets for satisfaction of University obligations. The University's net assets are classified as follows:

- ***Invested in capital assets, net of related debt*** - This represents the University's total investment in capital assets, net of depreciation and outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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.

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 (seven in 2009), three of which the University may invest in. These pools have been structured as multiparticipant variable net asset funds to reduce risk and offer investment liquidity diversification to the Fund participants. Funds not required to meet immediate disbursement needs are invested for longer periods. A more detailed discussion of the BTI's investment operations pool can be found in its annual report. A copy of that annual report can be obtained from the following address: 1900 Kanawha Boulevard East, Room E-122, Charleston, West Virginia 25305 or http://www.wvbti.com.

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

Appropriations Due from Primary Government – For financial reporting purposes appropriation 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 collectability experienced by the University on such balances and such other factors, which, in the University's judgment, require consideration in estimating doubtful accounts.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Noncurrent Cash, Cash Equivalents and Investments- Cash 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 assets are classified as a noncurrent asset in the statements of net assets.

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

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

Compensated Absences and Other Post employment 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 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.

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 assets.

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 revenues are deferred and accreted over the life of the contract.

Deferred Inflows **-** Deferred inflows are accreted over the periods of the 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.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

West Virginia 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. BrickStreet retains the risk related to the compensation of injured employees under the program.

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

- ***Operating revenues*** - Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state, local, and nongovernmental grants and contracts, and (4) sales and services of educational activities.

- ***Nonoperating revenues*** - Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenues that are defined as nonoperating revenues by GASB, such as state appropriations Federal Pell Grants, investment income, and sale of capital assets (including natural resources).

- ***Other revenues*** - Other revenues consist primarily of capital grants and gifts.

Use of Restricted Net Assets - The University has not adopted a formal policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Generally, the University attempts to utilize restricted net assets first when practicable.

Federal Financial Assistance Programs - The University, through financial institutions, makes loans to students under the Federal Stafford Loan Program. The activity of this program is not recorded in the accompanying combined financial statements. The University made awards of approximately $13.4 million and $10.3 million in 2012 and 2011, respectively, under the Federal Stafford Loan Program of the U.S. Department of Education.

The University also distributes other student financial assistance funds on behalf of the federal government to students under the Federal Pell Grant, Supplemental Educational Opportunity Grant and College Work Study programs. The activity of these programs is recorded in the accompanying combined financial statements. In 2012 and 2011, the University received and disbursed approximately $5.8 million and $6.0 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 statement of revenues, expenses and changes in net assets. 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

***Reclassifications* -** Certain amounts in the 2011 financial statements have been reclassified to conform with the 2011 presentation. Such reclassifications had no effect on the 2011 net assets or change in net assets.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Newly Adopted Statements Issued by the Governmental Accounting Standards Board — During 2011, the University adopted Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This statement addresses how to account for and report service concession arrangements (SCAs) by establishing recognition, measurement, and disclosure requirements for SCAs for both transferors and governmental operators. See related disclosures in Note 10.

The University also adopted issued Statement No. 61, *The Financial Reporting Entity: Omnibus — an amendment of GASB Statements No. 14 and No. 34*. This statement improves financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of the entity. The adoption of this statement did not have a material impact on the financial statements.

The University also adopted Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance included in the FASB and AICPA pronouncements issued on or before November 30, 1989. This statement will improve financial reporting by contribution to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. The adoption of this statement did not have a material impact on the financial statements.

The University also adopted Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*. The objective of this statement is to improve financial reporting by clarifying whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. The adoption of this statement did not have a material impact on the financial statements.

Recent Statements Issued by the Governmental Accounting Standards Board — The Governmental Accounting Standards Board has issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for fiscal years beginning after December 15, 2011. 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 University has not yet determined the effect that the adoption of GASB Statement No. 63 may have on its financial statements.

The GASB has also issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for fiscal years beginning after December 15, 2012. 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 University has not yet determined the effect that the adoption of GASB Statement No. 65 may have on its financial statements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The GASB has also issued Statement No. 66, *Technical Corrections — 2012: An Amendment of GASB Statements No. 10 and No. 64*, effective for fiscal years beginning after December 15, 2012 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 University has not yet determined the effect that the adoption of GASB Statement No. 66 may have on its financial statements.

The GASB has also 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 financial statements.

NOTE 3. CASH AND CASH EQUIVALENTS

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

	2012		
	Current	**Noncurrent**	**Total**
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	1,574,148	2,724,736	4,298,884
	$ 5,508,750	$ 2,724,909	$ 8,233,659

	2011		
	Current	**Noncurrent**	**Total**
Cash on deposit with the State Treasurer/BTI	$ 4,083,448	$ 95,372	$ 4,178,820
Municipal Bond Commission for the University	215,725	2,151,946	2,367,671
Cash in bank	1,179,364	415,781	1,595,145
	$ 5,478,537	$ 2,663,099	$ 8,141,636

Cash shown above as held by the Municipal Bond Commission represents auxiliary capital project reserve funds at June 30, 2012 and 2011. Other cash held by the State Treasurer includes $0 and $95,372 at June 30, 2012 and 2011, respectively of restricted cash for future use for grants, loans and capital assets.

Amounts with the State Treasurer and the Municipal Bond Commission as of June 30, 2012 and 2011, are comprised of the following investment pools:

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 University invests, all are subject to credit risk.

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, 2012 and 2011, 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, 2012 and 2011, the WV Money Market Pool investments had a total carrying value of $2,786,968,000 and $3,018,560,000, respectively, of which the University's ownership represents 0.12% and 0.18%, respectively.

WV Government Money Market Pool — Credit Risk — For the years ended June 30, 2012 and 2011, the WV Government Money Market Pool has been rated AAAm by Standard & Poor's. A Fund rated "AAAm" has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAm" is the highest principal stability fund rating assigned by Standard & Poor's. As this pool has been rated, specific information on the credit ratings of the underlying investments of the pool have not been provided.

The BTI limits the exposure to credit risk in the WV Government Money Market Pool by limiting the pool to U.S. Treasury issues, U.S. government agency issues, money market funds investing in U.S. Treasury issues and U.S. government agency issues, and repurchase agreements collateralized by U.S. Treasury issues and U.S. government agency issues. The pool must have at least 15% of its assets in U.S. Treasury issues.

NOTE 3. CASH AND CASH EQUIVALENTS (Continued)

At June 30, 2012 and 2011, the WV Government Money Market Pool investments had a total carrying value of $299,629,000 and $262,692,000, 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. 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):

	Credit Rating*		2012		2011	
Security Type	Moody's	S&P	Carrying Value	Percent of Pool Assets	Carrying Value	Percent of Pool Assets
Corporate asset backed securities	Aaa	AAA	$ 95,628	18.99 %	$ 87,197	18.40 %
	Aaa	NR *	38,524	7.64	19,891	4.20
	Aa3	AA+ **			454	0.10
	B1	CCC **	896	0.18	885	0.19
	B3	B **			366	0.08
	B3	BB **	311	0.06		
	B3	BBB **			631	0.13
	B3	BBB- **	53	0.01		
	B3	CCC **	280	0.06		
	Ca	CCC **	586	0.12	664	0.14
	Caa2	CCC **	186	0.04	473	0.10
	Caa3	CCC **	243	0.05	393	0.08
	Caa3	D **	26	0.01	27	0.01
	NR	AA+	3,900	0.77		
	NR *	NR *	3,786	0.75	4,000	0.84
			144,419	28.68	114,981	24.27
Corporate bonds and notes	Aaa	AA			2,043	0.43
	Aa1	A			4,143	0.87
	Aa2	AA+	9,025	1.79		
	Aa2	AA			11,866	2.50
	Aa3	AA			7,064	1.49
	Aa3	AA-	15,666	3.11		
	Aa3	A	23,032	4.57	13,040	2.75
	A1	AA	12,145	2.41	8,107	1.71
	A1	A+	30,684	6.09		
	A1	A			22,731	4.80
	A2	AA			2,555	0.54
	A2	A	39,064	7.76	23,976	5.06
	A3	A			8,770	1.85
	A3	A-	7,755	1.54		
	A3	BBB+	3,006	0.60		
	Baa1	A-	4,162	0.83		
	Baa2	A-	6,709	1.33		
			151,248	30.03	104,295	22.00
Commercial paper	P-1	A-1			15,995	3.38
U.S. agency bonds	Aaa	AAA			20,017	4.22
U.S. agency bonds	Aaa	AA+	45,024	8.94		
U.S. Treasury notes***	Aaa	AAA			25,034	5.28
U.S. Treasury notes***	Aaa	AA+	44,251	8.79		
U.S. agency mortgage backed securities****	Aaa	AAA			97,296	20.53
U.S. agency mortgage backed securities****	Aaa	AA+	77,065	15.30		
Money market funds	Aaa	AAAm	41,610	8.26	96,287	20.32
			$503,617	100 %	$473,905	100 %

* NR = Not Rated

** The securities were not in compliance with BTI Investment Policy at June 30, 2012 and/or 2011. 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.

NOTE 3. CASH AND CASH EQUIVALENTS (Continued)

At June 30, 2012 and 2011, the University's ownership represents 0.09% and 0.15%, 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 731 days. The following table provides information on the weighted average maturities for the various asset types in the WV Money Market Pool:

	2012		2011	
Security Type	**Carrying Value (In thousands)**	**WAM (Days)**	**Carrying Value (In thousands)**	**WAM (Days)**
Repurchase agreements	$ 90,204	3	$ 84,357	1
U.S. Treasury notes	330,865	122	298,345	137
U.S. Treasury bills	237,978	37	231,051	34
Commercial paper	853,470	35	1,069,576	35
Certificates of deposit	110,000	10	140,000	58
U.S. agency discount notes	738,706	44	697,164	45
Corporate bonds and notes	36,000	48	127,000	20
U.S. agency bonds/notes	189,691	68	170,788	66
Money market funds	200,054	1	200,279	1
	$ 2,786,968	46	$ 3,018,560	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 731 days. The following table provides information on the weighted average maturities for the various asset types in the WV Government Money Market Pool:

	2012		2011	
Security Type	**Carrying Value (In thousands)**	**WAM (Days)**	**Carrying Value (In thousands)**	**WAM (Days)**
Repurchase agreements	$ 91,900	3	$ 98,400	1
U.S. Treasury notes	103,324	111	45,811	131
U.S. Treasury bills	4,999	62		
U.S. agency discount notes	76,397	52	60,852	74
U.S. agency bonds/notes	23,004	9	57,498	22
Money market funds	5	1	131	1
	$ 299,629	54	$ 262,692	45

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:

	2012		2011	
Security Type	**Carrying Value (in Thousands)**	**Effective Duration (Days)**	**Carrying Value (in Thousands)**	**Effective Duration (Days)**
U. S. Treasury bonds/notes	$ 44,251	366	$ 25,034	227
Commercial paper			15,995	55
Corporate notes	151,248	242	104,295	234
Corporate asset backed securities	144,419	250	114,981	268
U.S. agency bonds/notes	45,024	23	20,017	85
U.S. agency mortgage backed securities	77,065	13	97,296	18
Money market funds	41,610	1	96,287	1
	$ 503,617	180	$ 473,905	138

Other Investment Risks — Other investment risks include concentration of credit risk, custodial credit risk, and foreign currency risk. None of the BTI's Consolidated Fund's investment pools or accounts is exposed to these risks as described below.

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

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the BTI will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Repurchase agreements are required to be collateralized by at least 102% of their value, and the collateral is held in the name of the BTI. Securities lending collateral that is reported on the BTI's statement of fiduciary net assets is invested in 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.

NOTE 3. CASH AND CASH EQUIVALENTS (Continued)

Endowment **—** During the years ended June 30, 2012 and June 30, 2011, the University received $0.4 million and $2.4 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 assets at year end because the final costs of restoration for the organs were not known. No appreciation on the endowment was realized as of June 30, 2012. 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:

	2012	2011
Student tuition and fees, net of allowance for doubtful accounts of $329,409 and $251,651, respectively	$ 488,067	$ 477,616
Grants and contracts receivable	1,482,422	1,153,695
Other accounts receivable	31,194	298,374
	$ 2,001,683	$ 1,929,685

NOTE 5. CAPITAL ASSETS

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

	2012			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	$ 328,892	$ -	$ -	$ 328,892
Construction in progress	17,471	1, 375,188	-	1,392.659
Total capital assets not being depreciated	$ 346,363	$ 1,375,188	$ -	$ 1,721,551
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	1,613,649	82,829	-	1,696,478
Total other capital assets	75,904,952	2,103,314	(150,324)	77,857,942
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)

NOTE 5. CAPITAL ASSETS (Continued)

	2012			
	Beginning Balance	Additions	Reductions	Ending Balance
Software	(251,323)	(31,637)	-	(282,960)
Library books	(315,231)	(38,986)	-	(354,217)
Total accumulated depreciation	(26,974,692)	(2,389,490)	142,625	(29,221,557)
Other capital assets-net	$48,930,260	$ (286,176)	$ (7,699)	$48,636,385
Capital asset summary:				
Capital assets not being depreciated	$ 346,363	$ 1,375,188	$ -	$ 1,721,551
Other capital assets	75,904,952	2,103,314	(150,324)	77,857,942
Total cost of capital assets	76,251,315	3,478,502	(150,324)	79,579,493
Less accumulated depreciation	(26,974,692)	(2,389,490)	142,625	(29,221,557)
Capital assets-net	$ 49,276,623	$ 1,089,012	$ (7,699)	$50,357,936

	2011			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	$ 194,303	$ 134,589	$ -	$ 328,892
Construction in progress	501,600	869,522	(1,353,651)	17,471
Total capital assets not being depreciated	$ 695,903	$ 1,004,111	(1,353,651)	$ 346,363
Other capital assets:				
Land improvements	$ 2,189,053	$ -	$ -	$ 2,189,053
Buildings	62,552,444	1,770,423	-	64,322,867
Equipment	7,320,118	688,667	(541,873)	7,466,912
Software	312,471	-	-	312,471
Library books	1,562,149	51,500	-	1,613,649
Total other capital assets	73,936,235	2,510,590	(541,873)	75,904,952
Less accumulated depreciation for:				
Land improvements	(593,388)	(146,303)	-	(739,691)
Buildings	(20,155,409)	(1,227,569)	-	(21,382,978)
Equipment	(4,009,285)	(708,322)	432,138	(4,285,469)
Software	(221,021)	(30,302)	-	(251,323)
Library books	(279,985)	(35,246)	-	(315,231)
Total accumulated depreciation	(25,259,088)	(2,147,742)	432,138	(26,974,692)
Other capital assets-net	$48,677,147	$ 362,848	$ (109,735)	$48,930,260
Capital asset summary:				
Capital assets not being depreciated	$ 695,903	$ 1,004,111	$ (1,353,651)	$ 346,363
Other capital assets	73,936,235	2,510,590	(541,873)	75,904,952
Total cost of capital assets	74,632,138	3,514,701	(1,895,524)	76,251,315
Less accumulated depreciation	(25,259,088)	(2,147,742)	432,138	(26,974,692)
Capital assets-net	$49,373,050	$ 1,366,959	$ (1,463,386)	$49,276,623

NOTE 5. CAPITAL ASSETS (Continued)

The University maintains certain collections of inexhaustible assets to which no value can be practically determined. Accordingly, such collections are not capitalized or recognized for financial statement purposes. Such collections include contributed works of art, historical treasures, and literature that are held for exhibition, education, research, and public service. These collections are neither disposed of for financial gain nor encumbered in any means.

At June 30, 2012, the University had outstanding contractual commitments of approximately $0.5 million for property, plant, and equipment expenditures.

The University has been approved to receive $6 million of Education, Arts, Science, and Tourism (EAST) bond proceeds issued by the West Virginia Development Office during August 2011. As of June 30, 2012, $318,947 of such proceeds have been received. The West Virginia Development Office is responsible for repayment of the debt.

NOTE 6. LONG-TERM LIABILITIES

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

	2012					
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	
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 post employment benefits(OPEB)	4,192,160	2,320,813	(549,655)	5,963,318	-	
Debt obligation due Commission	39,186	-	(39,186)	-	-	
Debt obligations – real estate	500,000	-	(10,674)	489,326	22,994	
Accrued service concession liability	-	670,665	-	670,665	70,298	*
Total long-term liabilities	$11,954,092	$3,005,458	$ (844,236)	$ 14,115,314	$ 641,788	

*Current portion is shown as part of accrued liabilities on the statement of Net Assets.

	2011				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Advances from federal sponsors	$ 2,281,343	$ -	$ (3,826)	$ 2,277,517	$ -
Capital lease obligations	4,443,334	-	(221,376)	4,221,958	230,749
Accrued compensated absences	639,074	84,197	-	723,271	332,246
Other post employment benefits(OPEB)	2,422,180	2,290,285	(520,305)	4,192,160	-
Debt obligation due Commission	124,534	-	(85,348)	39,186	39,186
Debt obligations – real estate	-	500,000	-	500,000	-
Total long-term liabilities	$ 9,910,465	$2,874,482	$ (830,855)	$11,954,092	$ 602,181

NOTE 6. LONG-TERM LIABILITIES (Continued)

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, 2012 was $3,991,209. 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.

Future minimum capital lease commitments are as follows:

Year ended June 30,	Principal	Interest
2013	$ 240,517	$ 161,225
2014	250,699	151,043
2015	261,311	140,430
2016	272,374	129,368
2017	283,905	117,837
2018 and thereafter	2,682,403	463,234
	$ 3,991,209	$ 1,163,137

NOTE 7. OTHER POST EMPLOYMENT BENEFITS

In accordance with GASB, OPEB costs are accrued based upon invoices received from PEIA based upon actuarial determined amounts. At June 30, 2012, 2011, and 2010, the noncurrent liability related to OPEB costs was $5,963,318, $4,192,160, and $2,422,180 respectively. The total of OPEB expense incurred and the amount of OPEB expense that relates to retirees was $2,320,813 and $93,948, respectively, during 2012, $2,290,285 and $95,263, respectively, during 2011 and $2,368,501 and $108,942, respectively during 2010. As of the years ended June 30, 2012, 2011, and 2010, there were 31, 35, and 36 retirees receiving these benefits, respectively.

NOTE 8. OPERATING LEASE OBLIGATIONS

The University leases various equipment, automobiles, and facilities under operating lease agreements. Aggregate payments under these agreements were $113,234 and $137,024 for the years ended June 30, 2012 and 2011, respectively. Future minimum rental commitments are as follows:

Year ended June 30,	Amount
2013	$ 210,821
2014	179,893
2015	149,067
2016	144,134
2017	144,134
	$ 828,049

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.

The Commission has the authority to assess each public institution of higher education for payment of debt service on these system bonds. The tuition and registration fees of the members of the former State University System are generally pledged as collateral for the Commission's bond indebtedness. Student fees collected by the institution in excess of the debt service allocation are retained by the institution for internal funding of capital projects and maintenance. Although the bonds remain as a capital obligation of the Commission, an estimate of the obligation of each institution is reported as a long-term payable by each institution and as a receivable by the Commission. During 2012 and 2011, the University paid $39,186 and $85,349, respectively, to the Commission against this debt obligation. There are no further payments due to the Commission for this indebtedness after June 30, 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.

NOTE 10. SERVICE CONCESSION ARRANGEMENTS (Continued)

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 begins 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.

The asset and related liability are recorded at the net present value using a 5% interest rate over a 10 year term. The amount recorded as an intangible asset is $2,119,002 with a deferred liability of $736,857 for repairs, maintenance and equipment. This results in a deferred inflow of $1,385,145 that will be recognized as received from the contractor. The University received a total of $222,263 from the contractor during the year ended June 30, 2012 and paid repairs and maintenance costs of $69,870 during the same period. The University recognized revenue for the year ended June 30, 2012 of $210,564 for the current contract year, recorded in the miscellaneous revenue line item on the Statement of Changes in Revenue, Expenses and Net Assets.

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 $94,725 in commissions during the year ended June 30, 2012.

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 revenue paid to the University during the year ended June 30, 2012 was $119,287.

NOTE 10. SERVICE CONCESSION ARRANGEMENTS (Continued)

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.

NOTE 11. UNRESTRICTED NET ASSETS (DEFICIT)

The University did not have any designated unrestricted net assets as of June 30, 2012 or 2011.

	2012	2011
Total unrestricted net assets before OPEB liability	$ 1,561,636	$ 3,019,497
Less: OPEB liability	(5,963,318)	(4,192,160)
Total unrestricted net assets (deficit)	$ (4,401,682)	$ (1,172,663)

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, 2012 and 2011. Required employee contributions were at the rate of 6% of total annual salary for the years ended June 30, 2012 and 2011. 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.

NOTE 12. RETIREMENT PLANS (Continued)

Total contributions to the STRS for the years ended June 30, 2012, 2011, and 2009 were $262,131, $302,502, and $344,550 respectively, which consisted of $187,237, $216,281, and $246,036 from the University, and $74,894, $86,221, and $98,514 from the covered employees in 2012, 2011, and 2009, respectively.

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

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

Total contributions to the TIAA-CREF for the years ended June 30, 2012, 2011, and 2010 were $1,607,599, $1,443,426, and $1,392,777, respectively, which consisted of contributions of $803,800, $721,713, and $696,334 from the University and $803,799, $721,713, and $696,443 from the covered employees in 2012, 2011 and 2009, respectively.

The University's total payroll for the years ended June 30, 2012, 2011 and 2010 was $17,095,578, $15,510,172, and $15,694,693, respectively. Total covered employees' salaries in the STRS and TIAA-CREF were $1,245,810 and $13,396,656 respectively in 2012; $1,437,017 and $12,028,553 respectively in 2011; and $1,641,898 and $11,607,379 in 2010 respectively.

NOTE 13. FOUNDATION

The Foundation is a separate nonprofit organization incorporated in the State and has as its purpose, ". . . to aid, strengthen and further in every proper and useful way, the work and services of the University and its affiliated nonprofit organizations . . ." Oversight of the Foundation is the responsibility of a separate and independently elected Board of Directors, not otherwise affiliated with the University. In carrying out its responsibilities, the Board of Directors of the Foundation employs management, forms policy and maintains fiscal accountability over funds administered by the Foundation. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is therefore discretely presented with the University's financial statements in accordance with GASB Statement No. 39. Based on the Foundation's audited

NOTE 13. FOUNDATION (Continued)

financial statements as of June 30, 2012 and 2011, the Foundation's net assets (including unrealized gains) totaled $25,941,690 and $25,028,008, respectively. Complete financial statements for the Foundation can be obtained from Alicia Besenyei, Vice President for Development, Concord University Foundation, PO Box 1000, Athens, WV 24712.

During the years ended June 30, 2012 and 2011, the Foundation contributed approximately $251,990 and $347,000, respectively, to the University for scholarships and other student support.

NOTE 14. 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.

NOTE 15. 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 16. 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, 2012 and 2011, respectively, are included in investments and amounted to approximately $728,000 and $793,000. 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, 2012 and 2011, were approximately $103,400 and $38,900, 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, 2012 and 2011, was $51,674, and $20,900, respectively.

Amounts Held on Behalf of Others

Amounts held on behalf of others represent assets held by the Foundation as an agent for other organizations. These funds are custodial by nature and do not involve measurement of operations; therefore, they are reflected as investments 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 $3,492,073 and $818,671 as of June 30, 2012 and 2011, 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 June 30, 2009.

Subsequent Events

The date to which events occurring after June 30, 2012, have been evaluated for possible adjustment to or disclosure in the financial statements is September 28, 2012, which is the date the financial statements were available to be issued.

Reclassifications

Certain 2011 amounts have been reclassified to conform with the 2012 presentation.

NOTE 2. CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following:

	2012	2011
Unconditional promises to give	$ 271,866	$ 446,119
Less: Allowance for uncollectible promises to give	4,257	4,257
Less: Unamortized discount	869	17,321
Net unconditional promises to give	$ 266,740	$ 424,541
Amounts due in:		
Less than one year	$ 6,866	$ 66,119
One to five years	265,000	380,000
	$ 271,866	$ 446,119

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, 2012 and 2011:

	2012	2011
Government obligations	$ 1,788,180	$ 2,521,740
Corporate obligations	30,000	1,032,348
Corporate equities	6,935,344	6,474,933
Mutual funds	18,253,814	12,499,600
Other, commodity, and exchange-traded funds	642,961	1,365,628
Money markets	883,644	822,798
Mineral rights	339,805	339,805
	$ 28,873,748	$ 25,056,852

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, 2012 and 2011, consisted of the following:

	2012	2011
Realized	$ 165,926	$ 571,726
Unrealized	(757,609)	3,206,506
	$ (591,683)	$ 3,778,232

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2012 and 2011:

	2012	2011
Equipment and software	$ 71,742	$ 66,986
Less accumulated depreciation	(66,852)	(64,642)
	$ 4,890	$ 2,344

Depreciation expense for the years ended June 30, 2012 and 2011 was $2,210 and $1,597, respectively.

NOTE 5. TEMPORARILY RESTRICTED NET ASSETS

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

	2012	2011
Business department	$ 388,321	$ 420,485
Faculty development	63,757	90,337
University Point Alumni Center	278,925	586,287
Student support	5,137,953	4,947,668
	$ 5,868,956	$ 6,044,777

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, 2012 and 2011, is approximately $8,400,000 and $8,800,000 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, 2012.

NOTE 8. FAIR VALUE MEASUREMENT

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. The framework 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 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of fair value hierarchy under FASB ASC 820 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)

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

	Level 1: Quoted Market Prices	
	2012	2011
Corporate obligations	$ 30,000	$ 1,032,348
US government & agency obligations	1,788,180	2,521,740
Corporate equities:		
Consumer discretionary	744,247	627,853
Consumer staples	1,120,191	1,388,294
Energy	725,110	916,915
Financials	1,103,003	533,629
Health care	980,313	777,062
Industrials	774,182	806,849
Information technology	952,172	995,603
Materials	62,373	57,910
Telecommunications services	193,863	250,140
Utilities	279,890	84,612
Services	-	36,066
Mutual funds:		
Large cap	2,640,865	1,302,032
Mid cap	2,996,196	2,803,651
Small cap	1,473,316	1,224,224
International	3,835,594	3,939,008
Commodity	1,034,988	335,648
Utilities	-	56,510
Real estate	712,491	44,879
Bonds	5,560,364	2,793,320
Other, commodity, and exchange-traded funds	642,961	1,365,628
Money markets	883,644	822,798
	$28,533,943	$ 24,716,719

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.

NOTE 9. ENDOWMENT (Continued)

The endowment net assets consisted of the following types of funds as of June 30, 2012 and 2011:

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ 84,926	$ 5,325,141	$ 19,447,758	$ 24,857,825

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ 16,632	$ 5,473,843	$ 18,387,958	$ 23,878,433

Changes in endowment net assets for the years ended June 30, 2012 and 2011 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2010	$ (83,606)	$ 3,211,665	$ 17,027,260	$ 20,155,319
Investment return:				
Investment earnings, net of fees	(1,931)	344,406	176,776	519,251
Net realized/unrealized gains	111,038	2,262,999	1,403,203	3,777,240
Total investment return	109,107	2,607,405	1,579,979	4,296,491
Contributions	16,422	31,423	45,062	92,907
Reclassifications to conform with donor requests	(15,511)	(41,909)	57,420	-
Appropriation of endowment assets for expenditure	(9,780)	(334,741)	(321,763)	(666,284)
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

NOTE 10. ADMINISTRATIVE FEES

During the year ended June 30, 2010, 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, 2012 and 2011, the total administrative fee charged to all funds was $111,964 and $95,148, respectively.

NOTE 17. NATURAL CLASSIFICATIONS WITH FUNCTIONS CLASSIFICATIONS

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

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
Instruction	$ 8,960,089	$ 2,966,098	$ 774,128	$ 2,696	$ -	$ -	$ -	$ -	$ 12,703,011
Research	-	-	73,305	-	-	-	-	-	73,305
Public service	341,667	104,941	388,042	2,102	-	-	-	-	836,752
Academic support	946,574	326,226	823,367	12,462	-	-	-	-	2,108,629
Student services	1,609,235	589,863	930,700	7,506	-	-	-	-	3,137,304
General institutional support	2,119,913	764,066	1,019,910	184,243	-	-	-	-	4,088,132
Operations and maintenance of plant	372,522	174,283	144,301	621,232	-	-	-	-	1,312,338
Student financial aid	-	-	-	-	4,856,577	-	-	-	4,856,577
Auxiliary enterprises	2,745,578	1,040,030	4,950,761	960,868	-	-	-	-	9,697,237
Depreciation	-	-	-	-	-	2,389,490	-	-	2,389,490
Other	-	-	-	-	-	-	53,759	161,042	214,801
Total	$ 17,095,578	$ 5,965,507	$ 9,104,514	$ 1,791,109	$ 4,856,577	$ 2,389,490	$ 53,759	$ 161,042	$ 41,417,576

2011

	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Loan Cancellations and Write-offs	Fees Assessed by the Commission	Total
Instruction	$ 7,590,509	$ 2,935,146	$ 963,550	$ 3,882	$ -	$ -	$ -	$ -	$ 11,493,087
Research	107,909	24,672	12,005	-	-	-	-	-	144,586
Public service	564,596	170,892	610,385	9,681	-	-	-	-	1,355,554
Academic support	855,964	309,328	681,078	14,809	-	-	-	-	1,861,179
Student services	1,363,395	489,317	890,191	8,877	-	-	-	-	2,751,780
General institutional support	2,050,775	770,075	614,799	119,504	-	-	-	-	3,555,153
Operations and maintenance of plant	423,083	232,474	452,918	622,181	-	-	-	-	1,730,656
Student financial aid	-	-	-	-	5,108,852	-	-	-	5,108,852
Auxiliary enterprises	2,553,941	954,648	6,707,122	982,325	-	-	-	-	11,198,036
Depreciation	-	-	-	-	-	2,147,741	-	-	2,147,741
Other	-	-	-	-	-	-	76,403	161,204	237,607
Total	$ 15,510,172	$ 5,886,552	$ 10,932,048	$ 1,761,259	$ 5,108,852	$ 2,147,741	$ 76,403	$ 161,204	$ 41,584,231

Suttle & Stalnaker
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Governors
Concord University
Athens, West Virginia

We have audited the financial statements of Concord University (the University) as of and for the year ended June 30, 2012, and have issued our report thereon dated October 23, 2012, which states reliance on other auditors for the discretely presented component unit. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Concord University Foundation, Inc. as described in our report on the University's financial statements. The financial statements of the Concord University Foundation, Inc. were not audited in accordance with *Government Auditing Standards.*

Internal Control Over Financial Reporting

Management of the University is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the University in a separate letter dated October 23, 2012.

This report is intended solely for the information and use of the Concord University Governing Board, management of the University, and West Virginia Higher Education Policy Commission, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Suttle & Stalnaker, PLLC

Charleston, West Virginia
October 23, 2012