West Virginia State University Research and Development Corporation

Financial Statements as of and for the Years Ended June 30, 2019 and 2018, and Independent Auditors' Report and Reports Required by the Uniform Guidance for the Year Ended June 30, 2019

WEST VIRGINIA STATE UNIVERSITY RESEARCH AND DEVELOPMENT CORPORATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
West Virginia State University Research and Development Corporation
Institute, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of West Virginia State University Research and Development Corporation (the "Corporation"), as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Corporation as of June 30, 2019 and 2018, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–9 and the schedules of proportionate share of net OPEB liability and contributions on page 28 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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corporation's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2019, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Hayflich CPAs PLLC

Huntington, West Virginia
October 14, 2019

West Virginia State University
Research and Development Corporation
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2019

I. Introduction

A. *Historical Background*

West Virginia State University Research and Development Corporation (WVSURDC or the Corporation) was incorporated in 1991, under the W.Va. Code Chapter 18B. The Corporation serves as the West Virginia State University's (WVSU or the University) primary fiscal management agent of its externally sponsored funding including grants, contracts, and gifts derived from federal, state, municipal, corporate, foundation, and private individuals. The Corporation operates as a nonprofit entity exclusively for charitable, educational, and scientific purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The WVSURDC formally provides management and oversight of external support for WVSU via their affiliations and operating agreements with the University's Board of Governors and the University's Chief Executive Officer, respectively. The Corporation and its functions, in turn, reside within the Research and Public Service Unit of the University.

West Virginia State University is an 1890 Land-Grant and Historically Black institution of higher education founded in 1891. The University's central mission is to become the most student-centered, research and teaching, land-grant University in the State of West Virginia and beyond, by meeting the higher education and economic development needs of the state and region through innovative teaching and applied research. The re-attainment of its Land-Grant status, combined with the implementation of graduate programs, has significantly augmented activities related to research, teaching, and public service over the last decade. This successful expansion of the University's research and outreach programming has been only possible through the attainment of supplementary external resources. Therefore, the University's faculty along with research and outreach staff, and administrators are continually seeking opportunities for enhancing research, teaching, and public service through external sponsored support. In fact, activities which result in the attainment of external funding, in support of the institution's mission, are gradually and increasingly recognized by the University as scholarly merited. This collective and dynamic effort, infused with innovative ideas and approaches, has resulted in the University's capability to sustain the level of these resources constant within the last 5 years; in spite of economic challenges being reflected in the local, national and global landscape.

The overall availability of externally sponsored support has become increasingly more competitive as funding from derived sources contract or are prevalent. Innovative ideas and new approaches have become the new standard in order for organizations to sustain or grow their revenues. This year, the Corporation's revenues improved from the previous year. WVSURDC is committed, through its strategic planning (Vision 2020), to continue exploring innovative ways to increase its overall funding beyond the year 2020.

B. *Overview of the Financial Statements and the Financial Analysis*

The present document provides an overview of the Corporation's financial statements to its stakeholders for the year ended June 30, 2019. Based on these financial statements, the Corporation's management also presents discussion and analysis which highlights the successes and challenges experienced throughout the reporting year. This management's discussion and analysis is required as supplemental information prescribed by the Governmental Accounting Standards Board (GASB No. 34 & 35 directives). This financial information is structured into an activity-based reporting format and offers an overview of the Corporation's fiscal activities focusing on the year ended. The analysis is based on the position of three main financial statements: (1) Net Position; (2) Revenues, Expenses, and Changes in Net Position; and (3) Cash Flows. Additional information relevant to fiscal years 2018 and 2017 is also included in this analysis to facilitate the reader a comparative framework between immediate past and present financial positions of the Corporation.

In the previous fiscal year, the Corporation implemented Governmental Accounting Standards Board (GASB) No. 75 directive which pertains to accounting and financial reporting for Other Postemployment Benefits (OPEB). By implementing this statement, the Corporation had to restate OPEB liability for prior years within fiscal year 2018. As a result, the liabilities and net position within these financial statements differ from prior year ending balances. In circumstances where this occurs, the restated beginning year balance is clearly labeled. For all future fiscal years, liabilities and net position changes will be calculated off of the restated balance.

II. Statement of Net Position

The "Statement of Net Position" reflects the Corporation's assets, liabilities, and its net position at the end of the fiscal year. This statement provides stakeholders with fiscal information of the Corporation at a point in time (June 30, 2019). It also offers readers an overview of the net position and the assets (and liabilities) which are available to the Corporation for future investments and to continue operating.

The statements' net position is divided into three main categories: (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position. The first asset category provides information on the Corporation's interest in property, plant, and equipment owned by the institution. The second category is further divided into non-expendable and expendable components of restricted net position. Non-expendable assets of restricted net position are only available for investment purposes; usually the Corporation does not operate restricted net position assets. Expendable components of restricted net position are to be expended by the institution for the purpose in which grantors and donors have intended, such as time and purpose restrictions. Finally, unrestricted components of net position are not restricted as to use, but only available to the institution for allowable expenditures.

Statements of Net Position

	FY 2019	FY 2018	FY 2017
Assets			
Current assets	$ 1,850,211	$ 1,465,468	$ 2,236,511
Cash and cash equivalents	35,541	437,093	105,089
Non-current assets:			
Capital assets, net	1,668,575	1,811,675	2,071,637
Total Assets	3,554,327	3,714,236	4,413,237
Deferred Outflows of Resources	125,721	126,201	-
Total	**$ 3,680,048**	**$ 3,840,437**	**$ 4,413,237**
Liabilities			
Current liabilities	827,820	854,490	1,943,086
Non-current liabilities	1,308,239	1,554,667	2,990,294
Total Liabilities	2,136,059	2,409,157	4,933,380
Deferred Inflows of Resources	408,822	288,857	
Total	**2,544,881**	**2,698,014**	**4,933,380**
Net Position			
Net investment in capital assets	1,668,575	1,811,675	2,071,637
Restricted - expendable		-	-
Unrestricted	(533,408)	(669,252)	(2,591,780)
Total Net Position	**1,135,167**	**1,142,423**	**(520,143)**
Total Liabilities and Net Position	**$ 3,680,048**	**$ 3,840,437**	**$ 4,413,237**

Assets: In fiscal year 2019, the Corporation's total assets decreased by -$160,389 which represents a four percent reduction in contrast to the previous year which experienced a 16 percent decrease in total assets. The deferred outflow of resources that resulted from the implementation of GASB 75-Other Postemployment Benefits added $125,721 to total assets $3,680,048. The overall reduction in total assets this year resulted from a significant decrease in the portion related to cash and cash equivalents which experienced a drop of -$401,552 from the previous year. Non-current assets also experienced a decrease of -$143,100 when compared to the previous year. Current assets this year represented 51 percent of the total assets (compared to a same percentage the previous year); whereas the non-current portion represented 49 percent. The value of the Corporation's cash and cash equivalents depends on the level of grant activity and the time at which this report is prepared, and thus is affected by receivables and payables in transit as well as by outstanding items, such as checks.

Liabilities: The balance of total liabilities during the current fiscal year decreased by six percent (-$153,133); compared to the previous year's total liabilities decrease of 51 percent (-$2,524,223). The overall reduction effect was the result of a decrease in the non-current liabilities portion, which contracted by 16 percent (-$246,428). The non-current liabilities balance is the result of a decrease as it relates to Other Post-Employment Benefits liability (from $1,553,786 to $1,304,525). Current liabilities also decreased this year the result of Accounts Payable (from $652,371 to $613,373) offset by a rise in the current portion of compensated absences (from $202,119 to $214,447). Liabilities did increase by $408,822 for deferred inflows of resources also from GASB 75 activity. Accounts payable (and receivables) are variable throughout the year and vary from year to year depending upon the Corporation's level of activity. In relation to the total liabilities' value, current and non-current liabilities this year contributed again with 39 percent and 61 percent respectively this year, this is an improvement in current to non-current ratio compared to the previous year. The current ratio continues to suggests the Corporation operates with less current liabilities; and that most of its liabilities derive from components comprising non-current liabilities.

Net Position: The value of total net position this year marginally declined by $7,256, compared to a $1,662,566 improvement the previous year. The current value of total net assets changed from $1,142,423 to $1,135,167. This position's decrease was impacted by a change in unrestricted net assets of -$136,204 (changed from -$669,252 to -$533,048) in relation to the value of net investments in capital assets. The total depreciation expense (-$376,744) this year, combined with equipment and software reductions or disposals (-$251,331), was offset by additions in capital assets of ($238,930), resulted in a decrease in capital assets net -$137,814 which fell from $1,811,675 to $1,668,575. Net investment in capital assets comprised the purchase of fixed assets that are required to fulfill the goals and objectives obligated within the Corporation's grants and contracts agreements. The value of net investments in capital assets ($1,668,575) minus expenditures for unrestricted assets (-$533,408) resulted in a total net position this year of $1,135,167, compared to $1,142,423 the previous year. Unrestricted components of net position were impacted again this year by the GASB 75 which accounts for the Corporation's OPEB Liability. Other unrestricted components of net position are utilized by the Corporation to support expenses related to reimbursable grants in excess of the grant and to reimburse the institution for facilities and administrative costs incurred in performing research or associated educational activities. These additional unrestricted net assets derived from external support and the recovery of indirect costs from grants and sponsored agreements.

III. Revenue, Expenses, and Changes in Net Position

The statement of "Revenue, Expenses, and Changes in Net Position" reveals the financial activities that contributed to changes in the total net position. The statement offers information related to operating and non-operating revenues earned, and all of the expenses, gains and losses incurred by the Corporation during the reporting fiscal year. Both, the revenues earned and the expenses incurred by the Corporation, are disclosed as operating and non-operating revenues to distinguish as to their purpose and their associated distribution. All other revenues, expenses, gains, and losses are also part of this statement to identify other less common sources of revenue and expenses not being directly associated with the Corporation's chief activities.

Operating revenues, for the Corporation, are usually attained from grants, contracts, private gifts and other externally sponsored agreements in exchange for goods and services as agreed with the respective funding agencies, grantors, or constituents providing these resources. Operating expenses are those expenses incurred with the acquisition or delivery of promised goods and services provided in return for revenues and to carry out the mission of the Corporation. Non-operating revenues are those revenues not directly linked to providing specific goods and/or services.

Revenues, Expenses and Changes in Net Position

	FY 2019	FY 2018	FY 2017
Operating revenues	$ 10,413,056	$ 10,198,414	$ 9,648,585
Operating expenses	10,736,425	10,015,031	10,563,400
Operating Gains/Losses	(323,369)	183,383	(914,815)
Non-operating revenues and expenses	77,183	98,066	30
Capital Grants & Gifts	2,120,701	4,905,013	3,916,627
Transfer of Assets to the University	(1,881,771)	(4,743,659)	(3,078,254)
Increase (Decrease) in Net Assets	(7,256)	442,803	(76,412)
Net Position – Beginning of Year	1,142,423	(520,143)	(443,731)
Restatement – GASB 75 Implementation		1,219,763	-
Net Position – Beginning of Year, Restated	1,142,423	699,620	(443,731)
Net Position – End Year	$ 1,135,167	$ 1,142,423	$ (520,143)

The sources of operating revenues for the Corporation commonly derive from federal, state, and private externally sponsored funding. Operating revenues this year improved by ($214,642), compared to the previous year. The growth in operating revenues stems from an increase in federal funding ($409,452) which was offset by decreases in state (-$86,311) and private funding of (-$108,499). Federal funding, compared to last year, grew by five percent. As expected, continued budget cuts by the State government resulted in funding derived from this source to fall by (5 percent). The level of private funding also experienced a decrease of 40 percent. The University and Corporation continues to strategize ways to compensate for fluctuations in state and federal funding in the coming fiscal years. Each year, the revenue composition of the Corporation changes depending upon the availability of funds from each revenue source, and the overall level of combined efforts made by faculty, staff, and administrators. In an effort to expand operating revenues, the Corporation continues to seek external and internal resources for additional funding.

The Corporation's total operating expenses this year increased by seven percent, which is a reversal compared to the five percent and seven percent decrease the two previous years. Operating expenses grew from $10,015,031 to $10,736,425. The overall increase ($721,394) in the Corporation's total operating expenses was driven by a increase in expenses related to payments for salaries and wages $104,562 (2%). Other expense accounts experienced increases including Payments to Suppliers $707,779 (20%) and Utilities $68,136 (82%). Employee benefits totals decreased from the previous year by -$114,511 (-10%) and Depreciation decreased by -$44,572 (-11%).

The Statement of Revenues, Expenses, and Changes in Net Assets reflect an operating loss for the year of -$323,369; compared to a gain of $183,383 and loss of ($914,815) the previous two years. There were gains in non-operating revenues, as well as capital grants and gifts of $77,183 and $2,120,701, respectively. Non-operating revenues included investment income $59 and Payments on behalf of the Corporation related to OPEB of $82,411. Transfer of assets to the University (-$1,881,771) compared to the previous year (-$4,743,659). Beginning of the year Net Position $1,142,423 compared to $669,620; this in combination with non-operating revenues, capital grants and gifts and assets transferred to the University resulted in the overall operating loss, $7,256 overall decrease in Net Position, compared to the previous year increase of ($1,662,566). Operations were impacted again this year by the booking of accumulated depreciation, and the inclusion of OPEB as a component of liability. The activity-based financial reporting format, to which the Corporation is subject through GASB 34, must account for the value of depreciation of its capital assets; and as per GASB 45, the value of OPEB liability. Capital assets (e.g. research and other educational equipment) acquired through grants and contracts are recorded as capital expenses and capitalized by the Corporation or the University's fiscal entities (depending on the type of asset acquired). The cost of the assets' depreciation is not recoverable due to the fact that it cannot be charged back to federal or state grants and/or contracts in subsequent years. In other words, these assets are not normally replenished at the end of their useful life. Thus, accumulated depreciation is a factor which affects the value of net assets reported within a given year. Another factor affecting the status of the Corporation's operating activity (gains or losses) is the reimbursable nature of its revenues. Revenues are recovered based on the expenditures terms of the agreement, and thus a transient deficit status results while the revenue is reimbursed to the Corporation.

Non-operating revenues and expenses are minimal compared to the value of their operating counterparts, as the Corporation does not purposely engage in promoting this activity as part of its financial operations. However, there were Payments on behalf of the Corporation totaling $82,411. This year's operating loss (-$323,369) was impacted by capital grants and gifts contributions ($2,120,701) received by the institution. The capital grants and gifts were reduced by the transfer of assets to the University (-$1,881,771) and resulted in an decrease of (-$7,256) in the Corporation's net position. Thus, the overall net position in net assets at the end of the year declined from ($1,142,423) to ($1,135,167).

IV. Cash Flows

The "Statement of Cash Flows" is the third and last component of the financial statements presented by the Corporation. This particular statement offers detail information regarding the Corporation's cash position during the year's end. The statement of cash flows is comprised of five elements: (1) Operating cash flows, which reflect the net cash used by the Corporation in carrying out its operating activities; (2) The cash flow activities from non-capital financial activities, which reveal the cash received and spent for non-operating, non-investing, and non-capital financial purposes; (3) The cash flows from investing activities, which indicates the level of purchases, proceeds, and interests received from investing activities; (4) The cash flows from capital and related financing activities, invested in the acquisition of fixed or capital assets as per agreements with funding agencies; and (5) The reconciliation of net cash used to the operating income (or losses) reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

Cash Flows

	FY 2019	FY 2018	FY 2017
Cash provided (used) by:			
Operating activities	$ (401,611)	$ 331,919	$ (460,535)
Investing activities	59	95	30
Capital and related financing activities		-	-
Net Increase (Decrease) in Cash and Cash Equivalents	(401,552)	332,014	(460,505)
Cash, beginning of year	437,093	105,089	565,594
Cash, end of year	$ 35,541	$ 437,103	$ 105,089

The Corporation's cash and cash equivalents value as of July 1, 2018 was $437,093 compared to the $105,098 from the previous year. The cash and cash equivalents value of as of June 30, 2019 was $35,541. This year's lower value can be attributed to cash provided by operating activities -$401,611 compared to the surplus last year of $331,909. Cash flow provided by investing activities is normally inconspicuous and represented only $59, derived from interest income. Interest income derived from federal and state accounts is always minimized as the Corporation does not purposely engage in investing activities of any funding derived from externally sponsored support. The combined carrying amount of cash in bank at June 30, 2019 and 2018 was $35,541 and $437,093, respectively. The difference, from year to year, is normally caused by outstanding checks and items in transit during the span of the fiscal year. The Corporation carries a certain level of cash in the banks in order to effectively conduct its operating activities. In relation to the operating expenses, the level of cash required this year was less than one percent which significantly lower compared to the average level of cash required within the last 10 years (three percent).

The total value of cash and cash equivalents this year, in relation to the total value of operating revenues and operating expenses was one percent, compared to a five percent ratio from the previous year. This level of overall cash, as a percentage of operating revenues and expenses, suggests that the Corporation operated and met its obligations with slightly less cash in relation to the previous year.

V. Capital Assets and Debt Administration

The Corporation, as established in the aforementioned operations agreement with the University, is charged with the administrative and fiscal management of all grants, contracts, and sponsored agreements for the institution. Frequently some of these agreements allow the purchases of capital assets, including educational and research equipment, land and buildings, new construction and renovation of educational facilities, infrastructure development, and motored vehicles. During fiscal year 2019, the Corporation completed renovations to the F. Ray Power Building on campus, related expenses along with costs incurred at various University owned property were tracked with a Transfer to Assets to the University line as stated previously. Total related costs of $1,881,771 are included in this years, new purchase of capital assets, derived from capital grants and gifts received, totaled $2,120,701 compared to the $4,905,013 reported the previous year. The level of total depreciation expense this year was $376,744 compared to $421,316 last year. As per institutional and State's guidelines, major assets such as real state and capital improvements are titled to the University (its Board of Governors) and thus transferred and recorded on the University's financial statements. These assets are normally recorded as expenditures within the Corporation and capitalized on the University's side. As per agreement and policy, the assets carried in the Corporation's capital assets are limited to vehicles, computing, scientific, and research equipment.

The Corporation did not administer any debt during fiscal year 2018 or 2019.

VI. Economic Outlook

West Virginia State University (WVSU), as a historically black and 1890 Land-Grant Institution, receives through the Corporation, federal and state appropriations, competitive grants and contracts, and county, local, foundation and private funding, to build capacity and strengthen its research, teaching, and public service missions. In the last few years, including within this reporting period, government-derived resources have contracted and become more difficult to attain. Despite this economic environment, the Corporation's revenues this year remained level. The Corporation considers level funding a success in this economic climate.

In today's economic environment, the federal funding climate is level at best for most agencies. However, Congress has provided significant increases in USDA this past fiscal year. Emphasis in funding are in the areas of research related to STEAM (Science, Technology, Engineering, Agriculture and Mathematics, disciplines). These increases are proposed mostly for competitive grant funding, and not formula allocated funding (e.g., USDA Evans-Allen research funding). Some of these agencies availing these resources include the National Institute of Health (NIH), the National Science Foundation (NSF), Department of Defense, Department of Energy, and the United States Department of Agriculture (USDA). Both the NSF and NIH, have, and continue to see modest increases annually.

For the first time the University received a 1-to-1 State Match from the State of West Virginia. The amount was $2.95 Million. The University also received an additional $300,000 appropriation from the State to support the University's Healthy Grandfamilies Program. As part of this program, grandparents participate in a series of free educational discussion groups on the topics of parenting in the 21st century, family relationships, communication, health literacy/self-care, stress management, legal issues, social media, public school programs & policies, family response to addiction, and nutrition. Groups are small (up to 18 people) and are held in venues such as churches, schools, and libraries in communities where participants live. Child-care and light refreshments are provided. Grandparents also receive social work support services such as help locating community resources; confidential assistance in addressing unmet needs; and advocacy services.

The University, assisted by the Corporation, continues to seek external and internal resources for the conduct of its institutional mission: research, instruction and outreach programming. The University has invested significant resources to staff and equip the Office of Sponsored Programs (OSP) to assist with this endeavor. The Office currently has resources to support a staff of three. For years, the office functioned with one individual, who was expected to implement all areas of the sponsored programs operations. OSP currently has an individual dedicated to pre-awards, a person dedicated to post-awards, and a support staff person. The Corporation is assessing whether or not there is a need for additional staff. The expectation is that not only will OSP help to increase extramural funding, but it will also help to diversify the University's funding portfolio.

The University continues to grow academically. This past summer, The Higher Learning Commission, the University's regional accrediting body, approved the institutions request to offer the Bachelor of Science in Nursing (BSN). The next step is to get approval from the State of West Virginia's Nursing Board. The hope is that the nursing program will have its first cohort in spring 2020. The development of this program was due to the current and predicted shortages in in nurses in Wear Virginia.

West Virginia Research and Development Corporation will continue supporting and playing a vital role, as the designated fiscal manager of external resources, in the administration and advancement of research, teaching, and public service for the University. The Corporation has been, and will continue to be, a foundational fiscal catalyst in increasing sponsored activities at the University. As previously discussed, this year's financial statements (based on revenue and net assets outcomes), as a result of a still quiescent economic environment declined slightly. Through its "Vision 2020" Strategic Plan, the University is committed to increasing efforts related to expanding external resources, which, in turn, generate positive impacts on the communities and citizenry served throughout the state, regional economic development, increased research capacity, and expansion of educational facilities and programming.

WEST VIRGINIA STATE UNIVERSITY
RESEARCH AND DEVELOPMENT CORPORATION

STATEMENTS OF NET POSITION
AS OF JUNE 30, 2019 AND 2018

	2019	2018
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 35,541	$ 437,093
Grants and contracts receivable	1,563,141	1,177,805
Other receivables	400	1,617
Due from West Virginia State University	61,653	-
Prepaid expense	225,017	286,046
Total current assets	1,885,752	1,902,561
NONCURRENT ASSETS - Capital assets - net	1,668,575	1,811,675
TOTAL ASSETS	3,554,327	3,714,236
DEFERRED OUTFLOWS OF RESOURCES	125,721	126,201
TOTAL	$ 3,680,048	$ 3,840,437

See notes to financial statements.

(Continued)

WEST VIRGINIA STATE UNIVERSITY
RESEARCH AND DEVELOPMENT CORPORATION

STATEMENTS OF NET POSITION
AS OF JUNE 30, 2019 AND 2018

	2019	2018
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$ 613,373	$ 652,371
Compensated absences - current portion	214,447	202,119
Total current liabilities	827,820	854,490
NONCURRENT LIABILITIES:		
Compensated absences - noncurrent portion	3,714	881
Other post employment benefits liability	1,304,525	1,553,786
Total noncurrent liabilities	1,308,239	1,554,667
Total liabilities	2,136,059	2,409,157
DEFERRED INFLOWS OF RESOURCES	408,822	288,857
TOTAL	2,544,881	2,698,014
NET POSITION:		
Net investment in capital assets	1,668,575	1,811,675
Unrestricted	(533,408)	(669,252)
Total net position	1,135,167	1,142,423
TOTAL	$ 3,680,048	$ 3,840,437

See notes to financial statements.

(Concluded)

WEST VIRGINIA STATE UNIVERSITY
RESEARCH AND DEVELOPMENT CORPORATION

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
OPERATING REVENUES:		
Contracts and grants:		
Federal	$ 8,581,970	$ 8,172,518
State	1,666,237	1,752,548
Private	164,849	273,348
Total operating revenues	10,413,056	10,198,414
OPERATING EXPENSES:		
Salaries and wages	4,949,160	4,844,598
Supplies and other services	4,246,479	3,538,700
Benefits	1,013,288	1,127,799
Depreciation	376,744	421,316
Utilities	150,754	82,618
Total operating expenses	10,736,425	10,015,031
OPERATING INCOME (LOSS)	(323,369)	183,383
NONOPERATING REVENUES (EXPENSES):		
Investment income	59	95
Payments on behalf of the Corporation	82,411	97,971
Gain (Loss) on disposal of capital assets	(5,287)	-
Net nonoperating revenues (expenses)	77,183	98,066
INCOME (LOSS) BEFORE CAPITAL GRANTS AND GIFTS	(246,186)	281,449
CAPITAL GRANTS AND GIFTS	2,120,701	4,905,013
INCREASE IN NET POSITION BEFORE TRANSFERS	1,874,515	5,186,462
TRANSFER OF ASSETS TO THE UNIVERSITY	(1,881,771)	(4,743,659)
INCREASE (DECREASE) IN NET POSITION	(7,256)	442,803
NET POSITION — Beginning of year	1,142,423	(520,143)
Restatement for July 1, 2017, OPEB liability	-	1,219,763
NET POSITION — Beginning of year, restated	1,142,423	699,620
NET POSITION — End of year	$ 1,135,167	$ 1,142,423

See notes to financial statements.

WEST VIRGINIA STATE UNIVERSITY
RESEARCH AND DEVELOPMENT CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Contracts and grants	$ 10,087,729	$ 11,083,428
Payments to and on behalf of employees	(6,114,138)	(5,956,084)
Payments to suppliers	(4,224,448)	(4,712,817)
Payments to utilities	(150,754)	(82,618)
Net cash provided by (used in) operating activities	(401,611)	331,909
CASH FLOWS PROVIDED BY CAPITAL FINANCING ACTIVITIES:		
Capital grants and gifts received	2,120,701	4,905,013
Purchases of capital assets	(2,120,701)	(4,905,013)
Net cash provided by capital financing activities	-	-
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES — Investment income	59	95
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(401,552)	332,004
CASH AND CASH EQUIVALENTS — Beginning of year	437,093	105,089
CASH AND CASH EQUIVALENTS — End of year	$ 35,541	$ 437,093
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Operating income (loss)	$ (323,369)	$ 183,383
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	376,744	421,316
Changes in assets and liabilities:		
Grants/contracts receivable	(385,336)	886,750
Other receivable	1,217	(1,736)
Due from West Virginia State University	(61,653)	-
Prepaid expenses	61,029	(113,971)
Accounts payable and due to other	(38,998)	(1,060,146)
Compensated absences and other post employment benefits liability	(31,245)	16,313
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ (401,611)	$ 331,909
NONCASH TRANSACTIONS —		
Capital assets transferred to the University	$ (1,881,771)	$ (4,743,659)
Expenses paid on behalf of the Corporation	$ 82,411	$ 97,971
Gain (Loss) on disposal of capital assets	$ (5,287)	$ 0

See notes to financial statements

1. ORGANIZATION

West Virginia State University Research and Development Corporation (the "Corporation") is a not-for-profit corporation incorporated in 1991, pursuant to the laws of the State of West Virginia (the "State"). The purpose of the Corporation is to foster, support, and assist in any research and economic development activities consistent with the educational objectives and mission of West Virginia State University (the "University"). With the assistance of the University, the Corporation has been designated by the University to fulfill the role of public institutions to work in partnership with business, industry, or government and encourages the acceptance of gifts, grants, contracts, and equipment and the sharing of facilities, equipment, technical assistance, and instructional programs in the State. The Corporation is governed by a board of directors (the "Board of Directors"), the chairperson of which is the president of the University. The Corporation receives grants on behalf of the University, some of which are for the construction or acquisition of capital assets. These expenditures are recorded on the Corporation's records and the completed or substantially completed asset is transferred to the University as the beneficiary of the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Corporation have been prepared in accordance with generally accepted accounting principles as prescribed by Governmental Accounting Standards Board standards (GASB). The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the Corporation's assets, liabilities, net position, revenues, expenses, changes in net position, and cash flows.

Newly Adopted Statements Issued by the Governmental Accounting Standards Board (GASB)

The Corporation has implemented GASB Statement No. 83, "*Certain Asset Retirement Obligations*". This statement establishes accounting and financial reporting for certain asset retirement obligations. This adoption of this statement did not have a material impact on the financial statements.

The Corporation has also implemented GASB Statement No. 88, "*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*". This statement establishes additional financial statement note disclosure requirements related to debt obligations including direct borrowings and direct placements.

Recent Statements Issued by the Governmental Accounting Standards Board (GASB)

The GASB has issued Statement No. 84, *Fiduciary Activities*, which is effective for fiscal years beginning after December 15, 2018. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments to determine whether an activity should be reported in a fiduciary fund in the financial statements. The Corporation has not yet determined the effect that the adoption of GASB Statement No. 84 may have on its financial statements.

The GASB has also issued Statement No. 87, *Leases*, which is effective for fiscal years beginning after December 15, 2019. Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. In other words, most leases currently classified as operating leases will be accounted for and reported in the same manner as capital leases. The Corporation has not yet determined the effect that the adoption of GASB Statement No. 87 may have on its financial statements.

The GASB has also issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period,* which is effective for fiscal years beginning after December 15, 2019. The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. Such interest cost includes all interest that was previously accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* The Corporation has not yet determined the effect that the adoption of GASB Statement No. 89 may have on its financial statements.

The GASB has also issued Statement No. 90, *Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61*, which is effective for fiscal years beginning after December 15, 2018. Statement No. 90's primary objective is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The Corporation has not yet determined the effect that the adoption of GASB Statement No. 90 may have on its financial statements.

The GASB has also issued Statement No. 91, "*Conduit Debt Obligations*", which is effective for financial statements beginning after December 15, 2020. This statement defines conduit debt obligations for accounting and financial reporting purposes and establishes standards for recognition, measurement and disclosure for issuers. The Corporation has not yet determined the effect that the adoption of GASB Statement No. 91 may have on its financial statements.

Reporting Entity — The Corporation is included in the financial statements of the University (its Parent), as the University is the sole member of the nonstock not-for-profit corporation. The University is an operating unit of the West Virginia Higher Education Fund and represents separate funds of 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 Higher Education Policy Commission (which includes West Virginia Network for Educational Telecomputing) (the "Commission"), and the West Virginia Council for Community and Technical College Education form the Higher Education Fund of the State. The Higher Education Fund is considered a component unit of the State and its financial statements are discretely presented in the State's comprehensive annual financial report.

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

Net Investment in Capital Assets — This represents the Corporation's total investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets. To the extent debt has been incurred, but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets. The Corporation has no capital-related debt.

Restricted, Expendable — This includes resources in which the Corporation is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. The Corporation did not have any restricted, expendable components of net position at June 30, 2019 and 2018.

Restricted, Nonexpendable — This includes endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The Corporation did not have any restricted, nonexpendable components of net position at June 30, 2019 and 2018.

Unrestricted — This represents resources that are not subject to externally imposed stipulations. Such resources are derived from investment income and sales and services of educational activities. These resources are used for transactions related to the educational and general operations of the Corporation and may be designated for specific purposes by action of the Board of Directors.

Basis of Accounting — For financial reporting purposes, the Corporation is considered a special-purpose government engaged only in business-type activities. Accordingly, the Corporation'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 expenses are reported when materials or services are received.

Cash and Cash Equivalents — For purposes of the statements of cash flows, the Corporation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Allowance for Doubtful Accounts — It is the Corporation'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 Corporation on such balances, and such other factors which, in the Corporation's judgment, require consideration in estimating doubtful accounts. As of June 30, 2019 and 2018, the Corporation has not recorded an allowance for doubtful accounts.

Capital Assets — Capital assets include property, plant, and equipment, software, 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 acquisition value at the date of donation in the case of gifts. Donated capital assets acquired prior to July 1, 2015 are stated at fair value as of the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 20 to 50 years for buildings and infrastructure, 20 years for land improvements, 7 years for library books, 5 years for software, and 3 to 10 years for furniture and equipment. The Corporation's threshold for capitalizing capital assets is $5,000.

Unearned Revenue — Revenues for programs or activities to be conducted primarily in the next fiscal year are classified as unearned revenue, including advance payments on sponsored awards.

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

GASB requires entities to accrue for employees' rights to receive compensation for vacation leave or payments in lieu of accrued vacation or sick leave as such benefits are earned and payment becomes probable. The Corporation'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.

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 Corporation. 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 is recorded as a component of benefits expense in the statements of revenues, expenses, and changes in net position. (See Note 5).

Deferred Outflows of Resources — Consumption of net position of the Corporation that is applicable to a future fiscal year is reported as a deferred outflow of resources on the statement of net position. As of June 30, 2019 and 2018, the Corporation had deferred outflows related to OPEB of $125,721 and $126,201.

Deferred Inflows of Resources — Acquisition of net position by the Corporation that is applicable to a future fiscal year is reported as a deferred inflow of resources on the statement of net position. As of June 30, 2019 and 2018, the Corporation had deferred inflows related to OPEB of $408,822 and $288,857.

Risk Management — The State's Board of Risk and Insurance Management (BRIM) provides general liability coverage to the Corporation and its employees. Such coverage may be provided to the Corporation 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 Corporation or other participants in BRIM's insurance programs. As a result, management does not expect significant differences between the premiums the Corporation is currently charged by BRIM and the ultimate cost of that insurance based on the Corporation's actual loss experience. In the event such differences arise between estimated premiums currently charged by BRIM to the Corporation and the Corporation's ultimate actual loss experience, the difference will be recorded as the change in estimate becomes known.

Classification of Revenues — The Corporation has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating Revenues — Operating revenues include activities that have the characteristics of exchange transactions, such as most federal, state, local, and nongovernmental grants and contracts, and sales and services of educational activities.

Nonoperating Revenues — Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenues that are defined as nonoperating revenues by GASB, such as investment income and sale of capital assets (including natural resources).

Other Revenues — Other revenues consist primarily of capital grants and gifts.

Use of Restricted Components of Net Position — The Corporation 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 resources are available. Generally, the Corporation attempts to utilize restricted resources first when practical.

Government Grants and Contracts — Government grants and contracts normally provide for the recovery of direct and indirect costs subject to an audit. The Corporation 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.

Tax Status — The Corporation has applied for and received from the Internal Revenue Service an exemption from taxation under Section 501(c)(3) of the Internal Revenue Code as an entity organized for educational, research, and economic development purposes.

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.

3. CASH AND CASH EQUIVALENTS

The carrying amount of cash in bank at June 30, 2019 and 2018 was $35,541 and $437,093, respectively, compared with the bank balance of $322,505 and $972,370, respectively. The difference is primarily caused by outstanding checks and items in transit. Of the bank balances at June 30, 2019 and 2018, $322,505 and $469,972, respectively, were covered by Federal Deposit Insurance Corporation, while $0 and $502,398 respectively, was uninsured and uncollateralized and therefore exposed to custodial credit risk. The Corporation does not have a policy related to this type of deposit risk.

4. CAPITAL ASSETS

A summary of capital asset transactions for the years ended June 30, 2019 and 2018, is as follows:

2019	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets:				
Equipment	$ 5,427,245	$ 238,930	$ (103,441)	$ 5,562,734
Motor vehicles	631,212		-	631,212
Software	340,069	-	(147,890)	192,179
Library books	205,945	-	-	205,945
Total capital assets	6,604,471	238,930	(251,331)	6,592,070
Less accumulated depreciation for:				
Equipment	3,666,300	350,132	(98,155)	3,918,277
Motor vehicles	580,482	26,612	-	607,094
Software	340,069	-	(147,890)	192,179
Library books	205,945	-	-	205,945
Total accumulated depreciation	4,792,796	376,744	(246,045)	4,923,495
Capital assets — net	$ 1,811,675	$ (137,814)	$ (5,286)	$ 1,668,575
Capital asset summary:				
Capital assets	$ 6,604,471	$ 238,930	$ (251,331)	$ 6,592,070
Less accumulated depreciation	4,792,796	376,744	(246,045)	4,923,495
Capital assets — net	$ 1,811,675	$ (137,814)	$ (5,286)	$ 1,668,575

2018	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets:				
Equipment	$ 5,307,184	$ 161,354	$ (41,293)	$ 5,427,245
Motor vehicles	631,212	-	-	631,212
Software	340,069	-	-	340,069
Library books	205,945	-	-	205,945
Total capital assets	6,484,410	161,354	(41,293)	6,604,471
Less accumulated depreciation for:				
Equipment	3,312,889	394,704	(41,293)	3,666,300
Motor vehicles	553,870	26,612	-	580,482
Software	340,069	-	-	340,069
Library books	205,945	-	-	205,945
Total accumulated depreciation	4,412,773	421,316	(41,293)	4,792,796
Capital assets — net	$ 2,071,637	$ (259,962)	$ -	$ 1,811,675
Capital asset summary:				
Capital assets	$ 6,484,410	$ 161,354	$ (41,293)	$ 6,604,471
Less accumulated depreciation	4,412,773	421,316	(41,293)	4,792,796
Capital assets — net	$ 2,071,637	$ (259,962)	$ -	$ 1,811,675

Title for motor vehicles is with the University.

5. OTHER POST EMPLOYMENT BENEFITS

Employees of the Corporation are enrolled in the West Virginia Other Postemployment Benefit Plan (the "OPEB plan") which is administered by the West Virginia Public Employees Insurance Agency ("PEIA") and the West Virginia Retiree Health Benefit Trust Fund (the "RHBT").

Following is the Corporation's other postemployment benefits liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, revenues, and other postemployment benefits expense and expenditures for the fiscal year ended June 30, 2019:

	2019	2018
Net OPEB Liability	$ 1,304,525	$ 1,533,786
Deferred Outflows of Resources	125,721	126,201
Deferred Inflows of Resources	408,822	288,857
Revenues	82,411	97,971
OPEB Expense	79,317	172,376
Contributions Made by the Corporation	125,721	126,201

The OPEB plan is a cost-sharing, multiple employer, defined benefit other post-employment benefit plan that covers the retirees of State agencies, colleges and universities, county boards of education, and other government entities as set forth in West Virginia Code Section 5-16D-2 (the "Code"). Plan benefits are established and revised by PEIA and the RHBT with approval of the Finance Board. The Finance Board is comprised of nine members. Finance Board members are appointed by the Governor, serve a term of four years and are eligible for reappointment. The State Department of Administration secretary serves as Chairman of the Board. Four members represent labor, education, public employees and public retirees. Four remaining members represent the public-at-large.

Active employees who retire are eligible for PEIA health and life benefits, provided they meet the minimum eligibility requirements of the applicable State retirement system and if their last employer immediately prior to retirement: is a participating employer under the Consolidated Public Retirement Board ("CPRB") and, as of July 1, 2008 forward, is a participating employer with PEIA. Active employees who, as of July 1, 2008, have ten years or more of credited service in the CPRB and whose employer at the time of their retirement does participate with CPRB, but does not participate with PEIA will be eligible for PEIA retiree coverage provided: they otherwise meet all criteria under this heading and their employer agrees, in writing, upon a form prescribed by PEIA, that the employer will pay to PEIA the non-participating retiree premium on behalf of the retiree or retirees, or that the retiree agrees to pay the entire unsubsidized premium themselves. Employees who participate in non-State retirement systems but that are CPRB system affiliated, contracted, or approved (such as TIAA-CREF and Empower Retirement), or are approved, in writing, by the PEIA Director must, in the case of education employees, meet the minimum eligibility requirements of the State Teachers Retirement System ("STRS"), and in all other cases meet the minimum eligibility requirements of the Public Employees Retirement System to be eligible for PEIA benefits as a retiree.

The financial activities of the OPEB plan are accounted for in the RHBT, a fiduciary fund of the State of West Virginia. The RHBT audited financial statements and actuarial reports can be found on the PEIA website at www.peia.wv.gov.

Benefits Provided

The OPEB plan provides the following benefits: medical and prescription drug insurance and life insurance. The medical and prescription drug insurance is provided through two options: the self-insured preferred provider benefit plan option, which is primarily for non-Medicare-eligible retirees and spouses; and the external managed care organization option, which is primarily for Medicare-eligible retirees and spouses.

Contributions

Pay as you go premiums ("paygo") are established by the Finance Board annually. All participating employers are required by statute to contribute this premium to the RHBT at the established rate for every active policyholder per month. The active premiums subsidize the retirees' health care.

Members hired before July 1, 1997 pay retiree healthcare contributions at the highest sponsor subsidized rate, regardless of their actual years of service. Members hired between July 1, 1997 and June 30, 2010, pay a subsidized rate depending on the member's years of service. Members hired on or after July 1, 2010, pay retiree healthcare contributions with no sponsor provided implicit or explicit subsidy.

Retiree leave conversion contributions from the employer depend on the retiree's date of hire and years of service at retirement as described below:

- Members hired before July 1, 1988 may convert accrued sick or vacation leave days into 100% of the required retiree healthcare contribution.
- Members hired from July 1, 1988 to June 30, 2001 may convert sick or vacation leave days into 50% of the required retiree healthcare contribution.

The conversion rate is two days of unused sick and vacation leave days per month for single healthcare coverage and three days of unused sick and vacation leave days per month for family healthcare coverage.

Employees hired on or after July 1, 2001 no longer receive sick and/or vacation leave credit toward the required retiree healthcare contribution when they retire. All retirees have the option to purchase continued coverage regardless of their eligibility for premium credits.

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 coverage for one year of family coverage. Faculty hired after July 1, 2009 no longer receive years of service credit toward insurance premiums when they retire. Faculty hired on or after July 1, 2010 receive no health insurance premium subsidy when they retire. 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 had an original hire date prior to July 1, 2010 may return to active employment. In those cases, the original hire date may apply.

Assumptions

The net OPEB liability for financial reporting purposes was determined by an actuarial valuation as of June 30, 2017, rolled forward to June 30, 2018. The following actuarial assumptions were used and applied to all periods included in the measurement:

- Actuarial cost method: Entry age normal cost method.
- Amortization method and period: Level percentage of payroll; 20 years closed as of June 30, 2017.
- Investment rate of return: 7.15%, net of OPEB plan investment expense, including inflation.
- Projected salary increases: dependent on pension system ranging from 3.00% to 6.50%, including inflation.
- Healthcare cost trend rates: Actual trend used for fiscal year 2018. For fiscal years on and after 2019, trend starts at 8.00% and 10.00% for pre- and post-Medicare, respectively, and gradually decreases to an ultimate trend of 4.50%. Excess trend rate of 0.13% and 0.00% for pre- and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2022 to account for the Excise Tax.
- Inflation rate: 2.75%.
- Discount rate: 7.15%
- Mortality rates: based on RP-2000 Mortality Tables.

The long-term investment rate of return of 7.15% on OPEB plan investments was determined by a combination of an expected long-term rate of return of 7.50% for long-term assets invested with the West Virginia Investment Management Board ("IMB") and an expected short-term rate of return of 3.0% for assets invested with the WV Board of Treasury Investments ("BTI").

Long-term pre-funding assets are invested with the IMB. The strategic asset allocation consists of 55% equity, 15% fixed income, 10% private equity, 10% hedge fund and 10% real estate invested. Short-term assets used to pay current year benefits and expenses are invested with the BTI.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which estimates of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. Best estimates of the long-term geometric rates for each major asset class are summarized below.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2010 through June 30, 2015.

Asset Class	Long-Term Expected Rate of Return
Large Cap Domestic	17.0%
Non-Large Cap Domestic	22.0%
Interntional Qualified	24.6%
International Non-Qualified	24.3%
International Equity	26.2%
Short-Term Fixed	50.0%
Stotal Return Fixed Income	6.7%
Core Fixed Income	10.0%
Hedge Fund	5.7%
Private Equity	19.6%
Real Estate	8.3%
Opportunistic Income	4.8%
Cash	0.0%

Discount rate. The discount rate used to measure the OPEB liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that RHBT contributions will be made at rates equal to the actuarially determined contribution rates, in accordance with prefunding and investment policies. The OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. Discount rates are subject to change between measurement dates.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the Corporation's proportionate share of the net OPEB liability as of June 30, 2017 and 2016, and calculated using the discount rate of 7.15%, as well as what the Corporation's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current rate (dollars in thousands):

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Net OPEB Liability 2019	$1,533,210	$1,304,525	$1,113,892
Net OPEB Liability 2018	$1,809,204	$1,553,786	$1,341,460

Sensitivity of the net OPEB liability to changes in healthcare cost trend rates. The following presents the Corporation's proportionate share of the net OPEB liability as of June 30, 2017 and 2016, calculated using the current healthcare cost trend rates, as well as what the Corporation's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates (dollars in thousands):

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability 2019	$1,079,425	$1,304,525	$1,578,803
Net OPEB Liability 2018	$1,305,201	$1,553,786	$1,857,816

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability at June 30, 2019, was measured as of June 30, 2017, rolled forward to June 30, 2018, which is the measurement date. The total OPEB liability at June 30, 2019, was determined by an actuarial valuation as of June 30, 2017, and rolled forward to the measurement date. The net OPEB liability at June 30, 2018, was measured as of June 30, 2016, rolled forward to June 30, 2017, which is the measurement date. The total OPEB liability at June 30, 2018, was determined by an actuarial valuation as of June 30, 2016, and rolled forward to the measurement date.

At June 30, 2019 and 2018, the amount recognized as the Corporation's proportionate share of the net OPEB liability was approximately $1,304,525 and $1,533,786. At June 30, 2019 and 2018, the non-employer contributing entity's (State of West Virginia) portion of the collective net OPEB liability is $269,611 and $319,149 and the total net OPEB liability attributable to the Corporation is $1,574,136 and $1,872,935.

The allocation percentage assigned to each contributing employer is based on the employer's proportionate share of employer contributions to the RHBT for the fiscal years ended June 30, 2018 and June 30, 2017. Employer contributions are recognized when due. At June 30, 2018, the Corporation's proportion was 0.060804681%, a decrease of 0.002383266% from its proportion of 0.063187947% calculated as of June 30, 2017. At June 30, 2017, the Corporation's proportion was 0.063187947%, a decrease of 0.013230309% from its proportion of 0.076418256% calculated as of June 30, 2016.

For the years ended June 30, 2019 and 2018, the Corporation recognized OPEB expense of $79,317 and $172,376. Of this amount, ($3,094) and $74,405 was recognized as the Corporation's proportionate share of the OPEB expense, and $82,411 and $97,971 as the amount of OPEB expense attributed to special funding. The Corporation also recognized revenue of $82,411 and $97,971 for support provided by the State.

At June 30, 2019, deferred outflows of resources and deferred inflows of resources related to OPEB are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and difference between employer contributions and proportionate share of contributions	$ -	$ 235,123
Net difference between projected and actual investment earnings		24,147
Differences between expected and actual experience		19,297
Changes in assumptions		130,255
Contributions after the measurement date	125,721	
Total	$ 125,721	$ 408,822

At June 30, 2018, deferred outflows of resources and deferred inflows of resources related to OPEB are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and difference between employer contributions and proportionate share of contributions	$ -	$ 258,855
Net difference between projected and actual investment earnings		24,799
Differences between expected and actual experience		5,203
Contributions after the measurement date	126,201	
Total	$ 126,201	$ 288,857

The Corporation will recognize the $125,721 and $126,201 reported as deferred outflows of resources resulting from OPEB contributions after the measurement date as a reduction of the net OPEB liability in the years ended June 30, 2019 and 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended	Amortization
June 30, 2020	$ 115,304
June 30, 2021	115,304
June 30, 2022	114,397
June 30, 2023	63,818
	$ 408,822

6. RETIREMENT PLAN

All eligible employees of the Corporation participate in the Teachers' Insurance and Annuities Association — College Retirement Equities Fund (the TIAA-CREF). The TIAA-CREF is a defined contribution plan in which benefits are based solely upon amounts contributed plus investment earnings. Each employee who elects to participate in this plan is required to make a contribution equal to 6% of total annual compensation. The Corporation matches the employees' 6% contributions. Contributions are immediately and fully vested. In addition, employees may elect to make additional contributions to TIAA-CREF, which is not matched by the Corporation.

Total contributions to the TIAA-CREF for the years ended June 30, 2019, 2018 and 2017, were $476,813, $462,381, and $508,872, respectively, which consisted of equal contributions from the Corporation and covered employees in 2019, 2018 and 2017 of $238,406, $231,190, and $254,436, respectively.

The Corporation's total payroll for the years ended June 30, 2019, 2018 and 2017, was $4,845,301, $4,759,311, and $5,094,278, respectively; total covered employees' salaries for TIAA-CREF were $3,973,442, $3,853,172, and $4,240,598, in 2019, 2018 and 2017, respectively.

7. CONTINGENCIES

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 Corporation's management believes disallowances, if any, will not have a significant financial impact on the Corporation's financial position.

The nature of the educational industry is such that, from time-to-time, claims will be presented against the Corporation 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 Corporation would not seriously affect the financial position of the institution.

8. SUBSEQUENT EVENTS

The Corporation did not have any recognized or non-recognized subsequent events that need to be recorded or disclosed after June 30, 2019, the statement of net position date. Subsequent events have been evaluated through the date of the auditors' report, the date the financial statements were available to be issued.

9. OPERATING LEASES

Future minimum lease payments for years subsequent to June 30, 2019 are as follows:

2020	$ 30,671
2021	30,671
2022	10,237
2023	9,600
2024	-
Total	$ 81,179

The total operating lease expense for the years ended June 30, 2019 and 2018, was $163,692 and $155,517, respectively. The Corporation does not have any non-cancelable leases.

10. UNRESTRICTED COMPONENTS OF NET POSITION

At June 30, 2019 and 2018, the Corporation has no designated unrestricted components of net position.

11. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

Operating expenses within both natural and functional classifications for the years ended June 30, 2019 and 2018, are as follows:

2019	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Depreciation	Total
Research	$ 2,305,294	$ 487,766	$ 1,542,229	$ 106,672	$ -	$ 4,441,961
Public service	1,669,685	386,334	1,136,193	43,991	-	3,236,203
General institutional support	974,181	139,188	1,568,057	91	-	2,681,517
Auxiliary enterprises	-	-	-	-	-	-
Depreciation	-	-	-	-	376,744	376,744
Total	$ 4,949,160	$ 1,013,288	$ 4,246,479	$ 150,754	$ 376,744	$ 10,736,425

2018	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Depreciation	Total
Research	$ 2,337,272	$ 499,984	$ 1,204,063	$ 40,277	$ -	$ 4,081,596
Public service	1,670,058	407,289	902,070	42,341	-	3,021,758
General institutional support	837,268	220,526	1,432,567	-	-	2,490,361
Auxiliary enterprises	-	-	-	-	-	-
Depreciation	-	-	-	-	421,316	421,316
Total	$ 4,844,598	$ 1,127,799	$ 3,538,700	$ 82,618	$ 421,316	$ 10,015,031

12. LONG-TERM LIABILITIES

The summary of long-term obligation transactions for the Corporation for the years ended June 30, 2019 and 2018, is as follows:

	2019				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	$ 203,000	$ 282,806	$ (267,646)	$ 218,160	$ 214,447
Total long-term liabilities	$ 203,000	$ 282,806	$ (267,646)	$ 218,160	

	2018				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	$ 232,863	$ 271,284	$ (301,147)	$ 203,000	$ 202,119
Total long-term liabilities	$ 232,863	$ 271,284	$ (301,147)	$ 203,000	

* * * * * *

REQUIRED SUPPLEMENTARY SCHEDULE

WEST VIRGINIA STATE UNIVERSITY
RESEARCH AND DEVELOPMENT CORPORATION

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF PROPORTIONATE SHARE OF NET OPEB LIABILITY AND CONTRIBUTIONS

Schedule of Proportionate Share of Net OPEB Liability

Measurement Date	Corporation's Proportionate Share as a Percentage of Net OPEB Liability	Corporation's Proportionate Share	State's Proportionate Share	Total Proportionate Share	Corporation's Covered Employee Payroll	Corporation's Proportionate Share as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total OPEB Liability
June 30, 2018	0.060804681%	$1,304,525	$269,611	$1,574,136	$1,246,918	104.62%	30.98%
June 30, 2017	0.063187947%	$1,553,786	$319,149	$1,872,935	$1,389,541	111.82%	25.10%

Schedule of Employer Contributions

Measurement Date	Actuarily Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
June 30, 2018	$124,254	$125,721	$ 1,467	$1,246,918	10.08%
June 30, 2017	$129,787	$129,787	$ -	$1,389,541	9.34%

These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

Notes to Required Supplementary Information
For the Year Ended June 30, 2019

There are no factors that affects trends in the amounts reported, such as a change of benefit terms or assumptions. With only one year reported in the required supplementary information, there is no additional information to include in notes. Information, if necessary, can be obtained from the West Virginia Retiree Health Benefit Trust Fund Audited Schedules of Employer Other Post-Employment Benefits Allocations and Other Post-Employments Benefits Amounts by Employer.

SUPPLEMENTAL SCHEDULE

WEST VIRGINIA STATE UNIVERSITY
RESEARCH AND DEVELOPMENT CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Agency	Source	CFDA/ Contract Number	Indirect Agency	Indirect Agency Award Number		Federal Expenditures
RESEARCH AND DEVELOPMENT CLUSTER:						
U.S. Department of Agriculture						
Cooperative State Research Education and						
Cooperative Research (Evans Allen —						
Section 1445) 1890	D	10.205			$ 2,124,287	
		10.205 Subtotal				$ 2,124,287
Capacity Building Grant — ONLINE TEACHING	D	10.216			167,116	
Capacity Building Grant — WATERMELON	D	10.216			1,597	
Capacity Building Grant — SWITCHGRASS FOR ENERGY	D	10.216			527	
Capacity Building Grant — IMPROVING GROWTH	D	10.216			36,205	
Capacity Building Grant — PEPPER SEQUENCE 16	D	10.216			84,373	
Capacity Building Grant — OILSEED PLANTS	D	10.216			40,044	
Capacity Building Grant — 4-H PLANTERS	D	10.216			26,908	
Capacity Building Grant — CULTIVATING YOUNG	D	10.216			39,001	
Capacity Building Grant — HEALTHY RIVERS	D	10.216			13,738	
Capacity Building Grant — ALCORN SUB	I	10.216	ALCORN STATE	ASU33169	39,330	
Capacity Building Grant — KSU SUBAWARD	I	10.216	KENTUCKY STATE	2014-38821-22413	13,057	
Capacity Building Grant — COLD STORAGE	D	10.216			18,452	
Capacity Building Grant — MICROBIOMES	D	10.216			80,280	
Capacity Building Grant — AG INCUBATOR	D	10.216			123,269	
Capacity Building Grant — PHENOMICS FOR CROP IMPROVEMENT	D	10.216			52,278	
Capacity Building Grant — WHITEFLY RESISTANCE WATERMELON	D	10.216			31,593	
Capacity Building Grant — NUTRACEUTICALS	D	10.216			162,768	
		10.216 Subtotal				930,536

(Continued)

WEST VIRGINIA STATE UNIVERSITY
RESEARCH AND DEVELOPMENT CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Agency	Source	CFDA/ Contract Number	Indirect Agency	Indirect Agency Award Number		Federal Expenditures
ARS-TOMATO	D	10.001			25,595	
		10.001 Subtotal				25,595
Sustainable Agriculture (SARE)17	I	10.215	University of Vermont	SN16-15-13064	17	
Sustainable Agriculture (SARE) 18	I	10.215	University of Vermont	SNE17-15-31064	3,283	
Sustainable Agriculture (SARE) 18 - 19	I	10.215	University of Vermont	SNE18-15-33243	7,966	
		10.215 Subtotal				11,266
National Institutes of Health (NIH)						
WV IDEAS NETWORK OF BIOMEDICAL RESEARCH	I	93.859	WVU	01-058B-WVSU-3	1,483	
WV INBRE BIOINFORMATICS 2018	I	93.859	MarshallUniversityRC	2P20GM103434-17	35,614	
WV INBRE BIOINFORMATICS 2019	I	93.859	MarshallUniversityRC	P1900961	71,581	
WV INBRE EXPLORATION INTO DROSOPHILA	I	93.859	MarshallUniversityRC	P1901733	24,802	
WV INBRE EQUIPMENT - REDDY	I	93.859	MarshallUniversityRC	P1902410	34,264	
		93.859 Subtotal				167,744
National Science Foundation (NSF)						
LSAMP	I	47.076	University of Kentucky	HRD-1305039	36,760	
LSAMP 3	I	47.076	University of Kentucky	3200002015-19-047	11,208	
EPSCOR — 15-20	I	47.079	WVRO HEPC	OIA-1458592	423,523	
NSF-RIA-SANJAYA	I	47.076	NSF	HRD-1600988	120,444	
		Subtotal				591,935
Total research and development cluster						3,851,363

(Continued)

WEST VIRGINIA STATE UNIVERSITY
RESEARCH AND DEVELOPMENT CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Agency	Source	CFDA/ Contract Number	Indirect Agency	Indirect Agency Award Number		Federal Expenditures
US Department of Agriculture						
MCINTIRE STENNIS 17	D	10.202			47,832	
MCINTIRE STENNIS 18	D	10.202			107,111	
		10.202 Subtotal				154,943
IPM TRAINING	I	10.310	UNIVERSITY OF MARYLAND	60580-Z5064202	2,810	
		10.310 Subtotal				2,810
EXTENSION IMPLEMENTATION 3	I	10.329	WVU	2014-70006-22578	220	
EXTENSION IMPLEMENTATION 2017	I	10.329	WVU	2017-70006-21757	11,105	
		10.329 Subtotal				11,325
Cooperative State Research Education and Extension Service						
Cooperative Extension Service (Smith Lever — Section 1444)	D	10.500			1,373,011	
1890 Facilities Grant Extension Service	D	10.500			710,848	
1890 Facilities Grant Extension Service	D	10.500			23,954	
Renewable Resources Extension Act — RREA 17	D	10.500			1,901	
Renewable Resources Extension Act — RREA 18	D	10.500			6,508	
		10.500 Subtotal				2,116,222

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Agency	Source	CFDA/ Contract Number	Indirect Agency	Indirect Agency Award Number		Federal Expenditures
Expanded Food and Nutrition Education						
Program — EFNEP 17	D	10.500			33,105	
Program — EFNEP 18	D	10.500			65,281	
Program — EFNEP 19	D	10.500			3,801	
Children, Youth, and Families at Risk						
Program — SCRATCH MCDOWELL	D	10.500			57,336	
WV AGRABILITY	I	10.500	WVU	2014-41590-22385	16,336	
		10.500 Subtotal				175,859
COLD CHAIN INITIATIVE	D	10.890			76,718	
		10.890 Subtotal				76,718
FOREST SERVICES	D	15-JV-11242306-095			2,800	
		Subtotal				2,800
Capacity Building Grant — 4-H GROWTH	D	10.216			87,242	
Capacity Building Grant — HEALTHY GRANDFAMILIES	D	10.216			126,797	
		10.216 Subtotal				214,039
CUCCAP	I	10.309	MICHIGAN STATE	2015-51181-24285	132,955	
		10.309 Subtotal				132,955
Specialty Hops 2	I	10.170	WV Dept. of Agriculture	2014SC06	366	
Specialty Creepy Vegetables	I	10.170	WV Dept. of Agriculture	2016SC02	1,874	
		Subtotal				2,240

(Continued)

WEST VIRGINIA STATE UNIVERSITY
RESEARCH AND DEVELOPMENT CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Agency	Source	CFDA/ Contract Number	Indirect Agency	Indirect Agency Award Number		Federal Expenditures
U.S. Department of Education (D of Ed)						
Title III-B-2016 Strengthening Historically Black Colleges	D	84.031				
Title III-B-2017 Strengthening Historically Black Colleges	D	84.031			458	
Title III-B-2018 Strengthening Historically Black Colleges	D	84.031			34,972	
Title III-B-2019 Strengthening Historically Black Colleges	D	84.031			678,612	
Title III-B-2018 Strengthening Historically Black Colleges	D	84.031			1,158,202	
Title III Part F 2017	D	84.031 B			6,690	
Title III Part F 2018	D	84.031 B			642,350	
Title III Part F 2019	D	84.031 B			314,027	
		Subtotal				2,835,311
Title VII Master's 2019	D	84.382 G			415,791	
		84.382 G Subtotal				415,791
GEARUP YR3	I	84.334S	WVHEPC	2016-WVGU-15	22,561	
GEARUP YR4	I	84.334S	WVHEPC	2018-NEWGU-COLLEGE PARTNER 2	46,654	
GEARUP YR5	I	84.334S	WVHEPC	2019-NEWGU-COLLEGE PARTNER 2	71,493	
GEARUP U 2	I	84.334S	WVHEPC	2019-WVSURDC-GUU-1	139,922	
		84.334S Subtotal				280,630
ITQ-CHANGING MINDSETS	I	ITQ-15	WVHEPC	ITQ-17-WVSU-2	9,159	
		Subtotal				9,159
U.S. Department of Justice						
4-H Youth Mentoring 18	I	16.726	4-H	2017-JU-FX-0016	45,878	
		16.726 Subtotal				45,878
DISADVANTAGE FARMERS 17	D	10.443			96,309	
		10.443 Subtotal				96,309

(Continued)

WEST VIRGINIA STATE UNIVERSITY
RESEARCH AND DEVELOPMENT CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Agency	Source	CFDA/ Contract Number	Indirect Agency	Indirect Agency Award Number		Federal Expenditures
NRCS-CONSERVATION SYSTEM TRAINING	D	10.902			82,444	
		10.902 Subtotal				82,444
NASA						
ROCKET GIRLS	I	NNX15AI01H	WV SPACE CONSORTIUM	NNX15AI01H	1,910	
		Subtotal				1,910
U.S. DEPT OF HEALTH AND HUMAN SERVICES						
WVSU HEALTHY GRANDFAMILIES PROGRAM	I	93.243	WVDOE	GRTAWD04021900004104	15,395	
		93.243 Subtotal				15,395
NATIONAL ENDOWMENT FOR HUMANITIES						
COLOR OF LAW	I	45.129	WV COUNCIL HUMANITIES	18.2.7616	1,484	
LOST ART OF RUSSIAN TANGO	I	45.129	WV COUNCIL HUMANITIES	18.1.7635	3,400	
		45.129 Subtotal				4,884
U.S. Department of Transportation (DOT)						
STI 17	I	20.205	WV DOT	N/A	17,146	
		20.205 Subtotal				17,146
U.S. DEPARTMENT OF ENERGY						
BIOLOGICAL REMOVAL TECH	D	81.214			67,861	
		81.214 Subtotal				67,861
OFFICE OF SURFACE MINING						
SOIL TYPE AND FORESTRY	D	10.903			22,548	
		10.903 Subtotal				22,548
TOTAL FEDERAL AWARDS						$ 10,636,540
						(Concluded)

See notes to schedule of expenditures of federal awards

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

1. The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of West Virginia State University Research and Development Corporation (the "Corporation") for the year ended June 30, 2019, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of 2 C.F.R. 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. For purposes of the Schedule, federal awards have been classified into two types: direct federal funds (D) and indirect federal funds (I) received from nonfederal organizations made under federally sponsored programs conducted by those organizations.

2. Catalog of Federal Domestic Assistance (CFDA) Numbers are presented for those programs for which such numbers are available. In instances where no CFDA Number is available, the contract award number is included.

3. The Corporation receives significant financial assistance from the federal government, including the sponsorship of federal research projects. Research grants and contracts normally provide for the recovery of direct and indirect costs. Recovery of the related indirect costs is generally recorded at predetermined rates negotiated with the federal government. Entitlement to these resources for the recovery of the applicable direct and related indirect costs is generally conditioned upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially, all grants and the Corporation's indirect cost rate are subject to financial and compliance reviews and audits by the grantors. In management's opinion, the likelihood of an adverse material outcome upon the Corporation's financial position from those reviews and audits is unlikely.

4. Subrecipient expenditures were as follows:

Federal Agency	Sub - recipient	CFDA	Expenditures	
U.S. Department of Agriculture	Florida A&M University	10.216	$	20,518
U.S. Department of Agriculture	University of Nebraska - Lincoln	10.216		1,915
	Total		$	22,433

5. Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), requires submission of a Certificate of Facilities and Administrative (F&A) Costs (the "Certificate") to an institution's cognizant agency. The Certificate is prepared by the Corporation and is used in negotiations with its cognizant agency, the Department of Health and Human Services (DHHS), in determining a rate at which the Corporation will be reimbursed for the F&A costs associated with the completion of sponsored research.

   The Corporation receives reimbursement of F&A costs as part of the granting agreement at the rate negotiated either with DHHS or at special rates negotiated with the granting agency. The Corporation has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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

To the Board of Directors of
West Virginia State University Research and Development Corporation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of West Virginia State University Research and Development Corporation (the "Corporation"), which comprise the statements of net position as of June 30, 2019, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 14, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Hayflich CPAs PLLC

Huntington, West Virginia
October 14, 2019

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
West Virginia State University Research and Development Corporation

Report on Compliance for Each Major Federal Program

We have audited West Virginia State University Research and Development Corporation's (the "Corporation") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Corporation's major federal programs for the year ended June 30, 2019. The Corporation's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, the Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Hayflich CPAs PLLC

Huntington, West Virginia
October 14, 2019

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

PART I. — SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unmodified opinion	
Internal control over financial reporting:		
Material weakness(es) identified?	____ Yes	X No
Significant deficiency(ies) identified not considered to be material weakness(es)?	____ Yes	X No
Noncompliance material to financial statements noted?	____ Yes	X No

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	____ Yes	X No
Significant deficiency(ies)identified not considered to be material weakness(es)?	____ Yes	X No
Type of auditors' report issued on compliance for major programs:	Unmodified opinion	
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance (Section 200.516(a))?	____ Yes	X No

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
Various	Research and Development Cluster

Dollar threshold used to distinguish between Type A and Type B Programs $ 750,000

Auditee qualified as low-risk auditee? X Yes ____ No

PART II. — FINANCIAL STATEMENT FINDINGS SECTION

No matters are reportable.

PART III. — FEDERAL AWARD FINDING AND QUESTIONED COSTS SECTION

No matters are reportable.