West Virginia State University Research and Development Corporation

Financial Statements as of and for the Years Ended June 30, 2020 and 2019, and Supplemental Schedule for the Year Ended June 30, 2020, Independent Auditors' Report, and Reports Required by Uniform Guidance for the Year Ended June 30, 2020

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 West Virginia State University Research and Development Corporation (the Corporation), which comprise the statements of net position as of June 30, 2020 and 2019, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements

Management's Responsibility for the Financial Statements

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

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 Corporation as of June 30, 2020 and 2019, and the respective changes in its net position and its 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 29 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 them 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 an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 8, 2020, 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 8, 2020

West Virginia State University
Research and Development Corporation
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020

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) as its 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 reside outside of the University's fiscal operations. The Research and Public Service Unit at the University utilizes the Corporation as its fiscal agent.

West Virginia State University is an 1890 Land-Grant and Historically Black institution of higher education founded in 1891, under the Second Morrill Act. 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, scholarly activities supported through the attainment of external funding, in support of the institution's mission, are being increasingly recognized. The collective and dynamic effort, infused with innovative ideas and approaches, has resulted in the University's sustained level of these resources, within the last 5 years, in spite of economic challenges faced at the regional, national, and global levels.

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, 2020. 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 2019 and 2018 is also included in this analysis to facilitate the reader a comparative framework between immediate past and present financial positions of the Corporation.

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 2020	FY 2019	FY 2018
Assets			
Current assets	$ 732,514	$ 1,850,211	$ 1,465,468
Cash and cash equivalents	1,092,920	35,541	437,093
Non-current assets:			
Capital assets, net	1,743,713	1,668,575	1,811,675
Total Assets	3,569,147	3,554,327	3,714,236
Deferred Outflows of Resources	123,944	125,721	126,201
Total	**$ 3,693,091**	**$ 3,680,048**	**$ 3,840,437**
Liabilities			
Current liabilities	523,119	827,820	854,490
Non-current liabilities	1,070,536	1,308,239	1,554,667
Total Liabilities	1,593,655	2,136,059	2,409,157
Deferred Inflows of Resources	520,108	408,822	288,857
Total	**2,113,763**	**2,544,881**	**2,698,014**
Net Position			
Net investment in capital assets	1,743,713	1,668,575	1,811,675
Restricted - expendable	-	-	-
Unrestricted	(164,385)	(533,408)	(669,252)
Total Net Position	**1,579,328**	**1,135,167**	**1,142,423**
Total Liabilities and Net Position	**$ 3,693,091**	**$ 3,680,048**	**$ 3,840,437**

Assets: In fiscal year 2020, the Corporation's total assets increased by $13,043 which represents a less than one percent improvement in contrast to the previous year which experienced a four percent decrease in total assets. The deferred outflow of resources that resulted from the implementation of GASB 75-Other Postemployment Benefits added $123,944 to total assets $3,693,091. The overall increase in total assets this fiscal year is the result of the portion related to cash and cash equivalents which experienced an increase of $1,057,379 from the previous year. Non-current assets also experienced an increase of $75,138 when compared to the previous year. Current assets this year represented 50 percent of the total assets (compared to a 51% the previous year); whereas the non-current portion represented 50 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 17 percent (-$431,118); compared to the previous year's total liabilities decrease of six percent (-$153,133). The overall reduction effect was the result of a decrease in the non-current liabilities portion, which contracted by 18 percent (-$237,703). The non-current liabilities balance is the result of a decrease as it relates to Other Post-Employment Benefits liability (from $1,304,525 to $1,012,423). Current liabilities also decreased this year the result of Accounts Payable (from $613,373 to $303,553) offset by a rise in the current portion of compensated absences (from $214,447 to $219,566). Liabilities did increase by $520,108 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 33 percent and 67 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 improved by $444,161. The current value of total net assets changed from $1,135,167 to $1,579,328. This change in net position was impacted by a change in unrestricted net assets of $444,161 (changed from -$533,408 to -$164,385) in relation to the value of net investments in capital assets. The total depreciation expense (-$401,579) this year, combined with equipment and software reductions or disposals (-$121,889), was offset by additions in capital assets of ($476,717), resulted in an increase in capital assets net $75,138 which rose from $1,668,575 to $1,743,713. 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 ($1,743,713) minus expenditures for unrestricted assets (-$164,385) resulted in a total net position this year of $1,579,328, compared to $1,135,167 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 2020	FY 2019	FY 2018
Operating revenues	$ 10,798,182	$ 10,413,056	$ 10,198,414
Operating expenses	10,892,690	10,736,425	10,015,031
Operating Gains/Losses	(94,508)	(323,369)	183,383
Non-operating revenues and expenses	61,951	77,183	98,066
Capital Grants & Gifts	2,010,221	2,120,701	4,905,013
Transfer of Assets to the University	(1,533,503)	(1,881,771)	(4,743,659)
Increase (Decrease) in Net Assets	444,161	(7,256)	442,803
Net Position – Beginning of Year	1,135,167	1,142,423	(520,143)
Restatement – GASB 75 Implementation	-	-	1,219,763
Net Position – Beginning of Year, Restated	1,135,167	1,142,423	699,620
Net Position – End Year	$ 1,579,328	$ 1,135,167	$ 1,142,423

The sources of operating revenues for the Corporation commonly derive from federal, state, and private externally sponsored funding. Operating revenues this year improved by ($385,126), compared to the previous year. The growth in operating revenues stems from an increase in state funding ($1,809,771) and private funding ($139,989) which was offset by a decrease in federal (-$1,564,634). Federal funding, compared to last year, fell by 18 percent. Aided by the receipt of full Land-Grant State Match support, funding derived from this source to rose by (109 percent). The level of private funding also experienced an increase of 85 percent. Although state funding more than doubled in the current fiscal year, given the current economic climate the University and Corporation will continue to strategize ways to compensate for possible 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 less than one percent, compared to the seven percent increase and seven percent decrease in the two previous years. Operating expenses grew from $10,736,425 to $10,892,690. The overall increase ($156,265) in the Corporation's total operating expenses was driven by a increase in expenses related to payments for salaries and wages $250,601 (5%). Other expense accounts experienced increases including Depreciation $24,835 (7%) and Utilities $49,833 (33%). Employee benefits totals decreased from the previous year by -$45,060 (-4%) and Payments to Suppliers decreased by -$123,944 (-3%).

The Statement of Revenues, Expenses, and Changes in Net Assets reflect an operating loss for the year of -$94,508; compared to a loss of ($323,369) and gain of $183,383 the previous two years. There were gains in non-operating revenues, as well as capital grants and gifts of $61,951 and $2,010,221, respectively. Non-operating revenues included investment income $72 and Payments on behalf of the Corporation related to OPEB of $61,379. Transfer of assets to the University (-$1,533,503) compared to the previous year (-$1,881,771). Beginning of the year Net Position $1,135,167 compared to $1,142,423; this in combination with non-operating revenues, capital grants and gifts and assets transferred to the University resulted in the overall gain, $444,161 overall increase in Net Position, compared to the previous year decrease of ($7,256). 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 $61,379. This year's operating loss (-$94,508) was impacted by capital grants and gifts contributions ($2,010,221) received by the institution. The capital grants and gifts were reduced by the transfer of assets to the University (-$1,533,503) and resulted in an increase of ($444,161) in the Corporation's net position. Thus, the overall net position in net assets at the end of the year improved from ($1,135,167) to ($1,579,328).

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 2020	FY 2019	FY 2018
Cash provided (used) by:			
Operating activities	$ 1,057,307	$ (401,611)	$ 331,919
Investing activities	72	59	95
Capital and related financing activities			-
Net Increase (Decrease) in Cash and Cash Equivalents	1,057,379	(401,552)	332,014
Cash, beginning of year	35,541	437,093	105,089
Cash, end of year	$ 1,092,920	$ 35,541	$ 437,103

The Corporation's cash and cash equivalents value as of July 1, 2019 was $35,541 compared to $437,103 from the previous year. The cash and cash equivalents value of as of June 30, 2020 was $1,092,920. This year's higher value can be attributed to cash provided by operating activities $1,057,307 compared to last year (-$401,611). Cash flow provided by investing activities is normally inconspicuous and represented only $72, 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, 2020 and 2019 was $1,092,920 and $35,541, 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 ten 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 the majority of the 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 2020, the Corporation experienced costs incurred at various University owned property which tracked with a Transfer to Assets to the University line as stated previously. Total related costs of $1,533,503 are included in this years, new purchase of capital assets, derived from capital grants and gifts received, totaled $2,010,221 compared to the $2,120,701 reported the previous year. The level of total depreciation expense this year was $401,579 compared to $376,744 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 2019 or 2020.

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 support invested to build capacity and strengthen its tripartite missions, including research, public service, and instruction . Due to decreasing investments by federal, state and local governments, associated with research and educational programs in the last decade, these external resources have been more competitive and difficult to attain. Furthermore, caused by an unprecedented and unexpected challenge in the form of a global pandemic, the last two quarters of fiscal year 2020 brought about an even greater uncertainty in terms of the economic outlook. In spite of the aforementioned economic challenges, the Corporation's revenues were slightly better in FY20 when compared to the previous year.

Federal funding associated with the University's land-grant functions slightly improved this year, as the U.S. Congress continued providing increases in USDA-related funding this past fiscal year in support of research and educational programing related to STEAM (Science, Technology, Engineering, Agriculture and Mathematics, disciplines). In fact, with the passage of the U.S. 2018 Farm Bill, new programs and funding was available to the 1890 Universities in support of scholarships for undergraduate students pursuing agricultural degrees (1890 Scholarship Program), and 1890 Centers of Excellence. The University's Title III funding, attained through the U.S. Department of Education, including Title III Parts B and F and Upward Bound continued playing a significant role in the institutional efforts geared towards STEM outreach for youth. Other federal agencies such as the National Institute of Health (NIH), the National Science Foundation (NSF), Department of Defense, and Department of Energy experienced also budget increases. The University will increase efforts to collaborate with these other agencies to strengthen its programs and resources.

At the state level, the University also fared well as it received a close 1-to-1 State Match ($2.95 M) from the WV Legislature in support of its 1890 land-grant research and extension programs. This fiscal year, the Legislature appropriated an additional $300,000 to support the University's Healthy Grandfamilies Program. This program has been in great demand at the state level as more grandparents support their grandchildren due to social and health-related issues associated with the opioid epidemics, and now the COVID-19 pandemic as well. Grandparents receive social work support services such as help locating community resources; confidential assistance in addressing unmet needs; and advocacy services.

With the arrival of a new President, the University is poised to renew its strategic efforts, assisted by the Corporation, to more effectively seek and attain external resources for the expansion of educational programing and strengthening of its institutional mission. In order to assist with this endeavor, the University has been able to strengthen its Office of Sponsored Programs (OSP) by investing significant resources to staff and equip it. The expectation is that not only will OSP help increase extramural support, but also will also assist the University in diversifying its funding portfolio.

The growth of strategic and novel academic offerings at the University is linked to the research and public service missions and thus key in terms of its overall advancement. In 2019, the University received reaccreditation by the Higher Learning Commission, as well as approval to implement a new Bachelor of Science in Nursing (BSN) in the fall semester of 2020. Other key academic offering in progress include a Bachelor's Degree in Multidisciplinary Studies and a Master's in Business Administration (MBA). By implementing new academic programing that is responsive to the market needs, the University aims at increasing its student enrollment.

In conclusion, the West Virginia State University Research and Development Corporation is expected to continue playing a vital role in supporting the University's mission as the official designated fiscal administrator of external resources which support the advancement of research, teaching, and public service. In this capacity, the Corporation is poised to continue being the foundational and fiscal catalyst for increasing and effectively manage external sponsored funding for the University. Based on this year's financial statements, reflected by accounting indicators such as total revenue, expenses, liabilities, and net assets), suggest that the Corporation's fiscal position was slightly improved in this fiscal year, in spite of expected and unexpected challenges. As the University evolves its "Vision 2020" Strategic Plan, into a new plan for the next five years, a renewed and bolder vision including the greater attainment of external resources in underway. The ultimate goal in improving the University and Corporation's overall operations and financial position is to increase the level of services and the wellbeing of all its stakeholders.

WEST VIRGINIA STATE UNIVERSITY
RESEARCH AND DEVELOPMENT CORPORATION

STATEMENTS OF NET POSITION
AS OF JUNE 30, 2020 AND 2019

	2020	2019
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,092,920	$ 35,541
Grants and contracts receivable	481,280	1,563,141
Other receivables	1,013	400
Due from West Virginia State University	33,606	61,653
Prepaid expense	216,615	225,017
Total current assets	1,825,434	1,885,752
NONCURRENT ASSETS - Capital assets - net	1,743,713	1,668,575
TOTAL ASSETS	3,569,147	3,554,327
DEFERRED OUTFLOWS OF RESOURCES	123,944	125,721
TOTAL	$ 3,693,091	$ 3,680,048

See notes to financial statements.

(Continued)

WEST VIRGINIA STATE UNIVERSITY
RESEARCH AND DEVELOPMENT CORPORATION

STATEMENTS OF NET POSITION
AS OF JUNE 30, 2020 AND 2019

	2020	2019
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$ 303,553	$ 613,373
Compensated absences - current portion	219,566	214,447
Total current liabilities	523,119	827,820
NONCURRENT LIABILITIES:		
Compensated absences - noncurrent portion	58,113	3,714
Other post employment benefits liability	1,012,423	1,304,525
Total noncurrent liabilities	1,070,536	1,308,239
Total liabilities	1,593,655	2,136,059
DEFERRED INFLOWS OF RESOURCES	520,108	408,822
TOTAL	2,113,763	2,544,881
NET POSITION:		
Net investment in capital assets	1,743,713	1,668,575
Unrestricted	(164,385)	(533,408)
Total net position	1,579,328	1,135,167
TOTAL	$ 3,693,091	$ 3,680,048

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, 2020 AND 2019

	2020	2019
OPERATING REVENUES:		
Contracts and grants:		
Federal	$ 7,017,336	$ 8,581,970
State	3,476,008	1,666,237
Private	304,838	164,849
Total operating revenues	10,798,182	10,413,056
OPERATING EXPENSES:		
Salaries and wages	5,199,761	4,949,160
Supplies and other services	4,122,535	4,246,479
Benefits	968,228	1,013,288
Depreciation	401,579	376,744
Utilities	200,587	150,754
Total operating expenses	10,892,690	10,736,425
OPERATING LOSS	(94,508)	(323,369)
NONOPERATING REVENUES (EXPENSES):		
Investment income	72	59
Payments on behalf of the Corporation	61,379	82,411
Gain (Loss) on disposal of capital assets	500	(5,287)
Net nonoperating revenues (expenses)	61,951	77,183
LOSS BEFORE CAPITAL GRANTS AND GIFTS	(32,557)	(246,186)
CAPITAL GRANTS AND GIFTS	2,010,221	2,120,701
INCREASE IN NET POSITION BEFORE TRANSFERS	1,977,664	1,874,515
TRANSFER OF ASSETS TO THE UNIVERSITY	(1,533,503)	(1,881,771)
INCREASE (DECREASE) IN NET POSITION	444,161	(7,256)
NET POSITION — Beginning of year	1,135,167	1,142,423
NET POSITION — End of year	$ 1,579,328	$ 1,135,167

See notes to financial statements.

WEST VIRGINIA STATE UNIVERSITY
RESEARCH AND DEVELOPMENT CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Contracts and grants	$ 11,907,977	$ 10,087,729
Payments to and on behalf of employees	(6,226,130)	(6,114,138)
Payments to suppliers	(4,423,953)	(4,224,448)
Payments to utilities	(200,587)	(150,754)
Net cash provided by (used in) operating activities	1,057,307	(401,611)
CASH FLOWS PROVIDED BY CAPITAL FINANCING ACTIVITIES:		
Capital grants and gifts received	2,010,221	2,120,701
Purchases of capital assets	(2,010,221)	(2,120,701)
Net cash provided by capital financing activities	-	-
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES — Investment income	72	59
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,057,379	(401,552)
CASH AND CASH EQUIVALENTS — Beginning of year	35,541	437,093
CASH AND CASH EQUIVALENTS — End of year	$ 1,092,920	$ 35,541
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Operating income (loss)	$ (94,508)	$ (323,369)
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities:		
Gain on disposal of asset	500	0
Depreciation expense	401,579	376,744
Changes in assets and liabilities:		
Grants/contracts receivable	1,081,861	(385,336)
Other receivable	(613)	1,217
Due from West Virginia State University	28,047	(61,653)
Prepaid expenses	8,402	61,029
Accounts payable and due to other	(309,820)	(38,998)
Compensated absences and other post employment benefits liability	(58,141)	(31,245)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 1,057,307	$ (401,611)
NONCASH TRANSACTIONS —		
Capital assets transferred to the University	$ (1,533,503)	$ (1,881,771)
Expenses paid on behalf of the Corporation	$ 61,379	$ 82,411
Gain (Loss) on disposal of capital assets	$ 0	$ (5,287)

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)

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance.* The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This Statement extends the effective dates of certain accounting and financial reporting provisions in Statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018.

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

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, which is effective for fiscal years beginning after December 15, 2018. This Statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Corporation is assessing if the standard will have any impact on its financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*, which is effective for fiscal years beginning after June 15, 2021. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the Corporation's leasing activities. The Corporation is assessing if the standard will have any impact on its financial statements.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*, which is effective for fiscal years beginning after June 15, 2018. This Statement improves the information that is disclosed in notes to the Corporation's financial statements related to debt, including direct borrowings and direct placements. The Corporation is assessing if the standard will have any impact on its financial statements.

In June 2018, the GASB 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, 2020. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The Corporation is assessing if the standard will have any impact on its financial statements.

In August 2018, the GASB issued Statement No. 90, *Major Equity Interests*, which is effective for fiscal years beginning after December 15, 2018. This Statement modifies previous guidance for reporting an entity's majority equity interest in a legally separate organization. The Corporation is assessing if the standard will have any impact on its financial statements.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, which is effective for fiscal years beginning after December 15, 2020. This Statement requires issuers to disclose general information about their conduit debt obligations. The Corporation is assessing if the standard will have any impact on its financial statements.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*, which is effective for fiscal years beginning after June 15, 2020. This statement enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The Corporation is assessing if the standard will have any impact on its financial statements.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*, which is effective for fiscal years beginning after June 15, 2020. This Statement establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. The Corporation is assessing if the standard will have any impact on its financial statements.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships (PPP) and Availability Payment Arrangements (APA)*, which is effective for fiscal years beginning after June 15, 2022. This Statement establishes standards of accounting and financial reporting for PPPs and APAs. The Corporation is assessing if the standard will have any impact on its financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements,* which is effective for fiscal years beginning after June 15, 2022. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology agreements. The Corporation is assessing if the standard will have any impact on its financial statements.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 31*. The Corporation is assessing if the standard will have any impact 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, 2020 and 2019.

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, 2020 and 2019.

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, 2020 and 2019, 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, 2020 and 2019, the Corporation had deferred outflows related to OPEB of $123,944 and $125,721.

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, 2020 and 2019, the Corporation had deferred inflows related to OPEB of $520,108 and $408,822.

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, 2020 and 2019 was $1,092,920 and $35,541, respectively, compared with the bank balance of $1,623,825 and $322,505, respectively. The difference is primarily caused by outstanding checks and items in transit. Of the bank balances at June 30, 2020 and 2019, $371,460 and $322,505, respectively, were covered by Federal Deposit Insurance Corporation, while $1,252,365 and $0 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, 2020 and 2019, is as follows:

2020	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets:				
Equipment	$ 5,562,734	$ 246,053		$ 5,808,787
Motor vehicles	631,212	230,664	$ (121,889)	739,987
Software	192,179			192,179
Library books	205,945			205,945
Total capital assets	6,592,070	476,717	(121,889)	6,946,898
Less accumulated depreciation for:				
Equipment	3,918,277	336,579		4,254,856
Motor vehicles	607,094	65,000	(121,889)	550,205
Software	192,179			192,179
Library books	205,945			205,945
Total accumulated depreciation	4,923,495	401,579	(121,889)	5,203,185
Capital assets — net	$ 1,668,575	$ 75,138	$ -	$ 1,743,713
Capital asset summary:				
Capital assets	$ 6,592,070	$ 476,718	$ (121,889)	$ 6,946,899
Less accumulated depreciation	4,923,495	401,580	(121,889)	5,203,186
Capital assets — net	$ 1,668,575	$ 75,138	$ -	$ 1,743,713

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

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 years ended June 30, 2020 and 2019:

	2020	2019
Net OPEB Liability	$1,012,423	$1,304,525
Deferred Outflows of Resources	123,944	125,721
Deferred Inflows of Resources	520,108	408,822
Revenues	61,379	82,411
OPEB Expense/ (Income)	(3,288)	79,317
Contributions Made by the Corporation	114,372	125,721

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, 2018, rolled forward to June 30, 2019. 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, 2018.
- 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: Trend rate for pre-Medicare per capita costs of 8.5% for plan year end 2020, decreasing by 0.5% each year thereafter, until ultimate trend rate of 4.5% is reach in plan year 2028. Trend rate for Medicare per capita costs of 3.1% for plan year end 2020. 9.5% for plan year 2021, decreasing by 0.5% each year thereafter, until ultimate trend rate of 4.5% is reached in plan year end 2031.
- 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 best-estimate ranges of expected future rates of return 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 rates of return by the target asset allocation percentage. Target asset allocations, capital market assumptions ("CMA"), and a 10-year forecast of nominal geometric returns by major asset class were provided by the plan's investment advisors, including the IMB. The projected nominal return for the Money Market Pool held with the BTI was estimated based on IMB assumed inflation of 2.0% plus a 25 basis point spread.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2010 through June 30, 2015.

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	49.5%	4.8%
Core Plus Fixed Income	13.5%	2.1%
Core Real Estate	9.0%	4.1%
Hedge Fund	9.0%	2.4%
Private Equity	9.0%	6.8%
Cash and Cash Equivalents	10.0%	0.3%

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 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 2020	a	$1,208,297	$1,012,423	$848,510
Net OPEB Liability 2019	b	$1,533,210	$1,304,525	$1,113,892
Net OPEB Liability 2018	c	$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 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 2020	a	$816,373	$1,012,423	$1,250,330
Net OPEB Liability 2019	b	$1,079,425	$1,304,525	$1,578,803
Net OPEB Liability 2018	c	$1,305,201	$1,553,786	$1,857,816

[a] *Based on an actuarial valuation date of June 30, 2018 with a measurement date of June 30, 2019.*
[b] *Based on an actuarial valuation date of June 30, 2017 with a measurement date of June 30, 2018.*
[c] *Based on an actuarial valuation date of June 30, 2016 with a measurement date of June 30, 2017.*

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

The net OPEB liability at June 30, 2020, was measured as of June 30, 2018, rolled forward to June 30, 2019, which is the measurement date. The total OPEB liability at June 30, 2020, was determined by an actuarial valuation as of June 30, 2018, and rolled forward to the measurement date. 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.

At June 30, 2020 and 2019, the amount recognized as the Corporation's proportionate share of the net OPEB liability was approximately $1,012,423 and $1,304,525. At June 30, 2020 and 2019, the non-employer contributing entity's (State of West Virginia) portion of the collective net OPEB liability is $207,187 and $269,611 and the total net OPEB liability attributable to the Corporation is $1,511,712 and $1,574,136.

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, 2019 and June 30, 2018. Employer contributions are recognized when due. At June 30, 2019, the Corporation's proportion was 0.061021257%, an increase of 0.000216576% from its proportion of 0.060804681% calculated as of June 30, 2018.

For the years ended June 30, 2020 and 2019, the Corporation recognized OPEB income of ($3,288) and OPEB expense of $79,317, respectively. Of this amount, ($64,667) and ($3,094) was recognized as the Corporation's proportionate share of the OPEB expense, and $61,379 and $82,411 as the amount of OPEB expense attributed to special funding. The Corporation also recognized revenue of $61,379 and $82,411 for support provided by the State.

At June 30, 2020, 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	$ 3,566	$ 152,788
Net difference between projected and actual investment earnings	5,756	16,678
Differences between expected and actual experience		118,077
Changes in assumptions		205,327
Reallocation of opt-out employer change in proportionate share	250	27,238
Contributions after the measurement date	114,372	
Total	$ 123,944	$ 520,108

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

The Corporation will recognize the $114,372 and $125,721 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, 2020 and 2019. 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	$	172,298
June 30, 2021		171,707
June 30, 2022		138,774
June 30, 2023		27,757
	$	510,536

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, 2020, 2019 and 2018, were $464,240, $476,813, and $462,381, respectively, which consisted of equal contributions from the Corporation and covered employees in 2020, 2019 and 2018 of $232,120, $238,406, and $231,190, respectively.

The Corporation's total payroll for the years ended June 30, 2020, 2019 and 2018, was $4,707,729, $4,845,301, and $4,759,311, respectively; total covered employees' salaries for TIAA-CREF were $3,868,667, $3,973,442, and $3,853,172, in 2020, 2019 and 2018, 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

During the fiscal year, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. Subsequent to year end, the COVID-10 pandemic continues to have significant effects on global markets, supply chains, businesses, and communities. Specific to the Corporation, COVID-19 may impact various parts of its 2021 operations and financial results, including, but not limited to, loss of revenues, additional bad debts, costs for increased use of technology, or potential shortages of personnel. Management believes the Corporation is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

The Corporation did not have any recognized or non-recognized subsequent events that need to be recorded or disclosed after June 30, 2020, 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, 2020 are as follows:

Year Ended June 30,	
2021	$ 30,671
2022	10,237
2023	9,600
2024	-
Total	$ 50,508

The total operating lease expense for the years ended June 30, 2020 and 2019, was $101,247 and $163,692, respectively. The Corporation does not have any non-cancelable leases.

10. UNRESTRICTED COMPONENTS OF NET POSITION

At June 30, 2020 and 2019, 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, 2020 and 2019, are as follows:

2020	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Depreciation	Total
Research	$ 2,053,299	$ 435,464	$ 719,036	$ 158,716	$ -	$ 3,366,515
Public service	1,786,861	465,434	1,472,524	41,871	-	3,766,690
General institutional support	1,359,601	67,330	1,930,975	-	-	3,357,906
Depreciation	-	-	-	-	401,579	401,579
Total	$ 5,199,761	$ 968,228	$ 4,122,535	$ 200,587	$ 401,579	$ 10,892,690

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
Depreciation	-	-	-	-	376,744	376,744
Total	$ 4,949,160	$ 1,013,288	$ 4,246,479	$ 150,754	$ 376,744	$ 10,736,425

12. LONG-TERM LIABILITIES

The summary of long-term obligation transactions for the Corporation for the years ended June 30, 2020 and 2019, is as follows:

	2020				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	$ 218,160	$ 261,863	$ (202,344)	$ 277,679	$ 219,566
Total long-term liabilities	$ 218,160	$ 261,863	$ (202,344)	$ 277,679	

	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	

* * * * * *

REQUIRED SUPLEMENTARY 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, 2019	0.061021257%	$1,012,423	$207,187	$1,219,610	$1,363,196	74.27%	39.69%
June 30, 2018	0.060804681%	$1,304,525	$269,611	$1,574,136	$1,246,918	104.62%	30.48%
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, 2019	$125,721	$114,372	$ (11,349)	$1,363,196	8.39%
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, 2020

There are no factors that affects trends in the amounts reported, such as a change of benefit terms or assumptions. With only three years 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, 2020

Federal Agency	Source	CFDA/ Contract Number	Indirect Agency	Indirect Agency Award Number		Federal Expenditures	Indirect Recovered	Federal Expediture with Indirect Recovered
RESEARCH AND DEVELOPMENT CLUSTER:								
U.S. Department of Agriculture								
Cooperative State Research Education and Cooperative Research (Evans Allen — Section 1445) 1890	D	10.205			$ 777,194			
		10.205 Subtotal				$ 777,194		$ 777,194
Capacity Building Grant — ONLINE TEACHING	D	10.216			2,280			2,280
Capacity Building Grant—SWITCHGRASS FOR ENERGY	D	10.216			4,578		1,373	5,951
Capacity Building Grant — IMPROVING GROWTH	D	10.216			45,493		7,660	53,153
Capacity Building Grant — PEPPER SEQUENCE 16	D	10.216			93,931		29,456	123,387
Capacity Building Grant — OILSEED PLANTS	D	10.216			6,333		1,837	8,170
Capacity Building Grant — CULTIVATING YOUNG	D	10.216			51,826		14,198	66,024
Capacity Building Grant — ALCORN SUB	I	10.216	ALCORN STATE	ASU33169	50,662		16,206	66,868
Capacity Building Grant — AG INCUBATOR	D	10.216			104,458		37,600	142,058
Capacity Building Grant — HEALTHY RIVERS	D	10.216			35,625		18,897	54,522
Capacity Building Grant — PHENOMICS FOR CROP IMPROVEMENT	D	10.216			4,354			4,354
Capacity Building Grant — SPEED BREEDING	D	10.216			32,735		1,926	34,661
Capacity Building Grant — NUTRACEUTICALS	D	10.216			121,944		39,492	161,436
		10.216 Subtotal				554,219	168,645	722,864
ARS-TOMATO	D	10.001			9,571			
		Subtotal				9,571		9,571
Sustainable Agriculture (SARE)18	I	10.215	Univ of Vermont	SNE17-15-31064	124			124
Sustainable Agriculture (SARE) 18-19	I	10.215	Univ of Vermont	SNE18-15-33243	2,797		893	3,690
Sustainable Agriculture (SARE) 19-20	I	10.215	Univ of Vermont	SNE19-15-34268	11,475		227	11,702
						14,396	1,120	15,516

WEST VIRGINIA STATE UNIVERSITY
RESEARCH AND DEVELOPMENT CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED June 30, 2020

Federal Agency	Source	CFDA/ Contract Number	Indirect Agency	Indirect Agency Award Number		Federal Expenditures	Indirect Recovered	Federal Expediture with Indirect Recovered
National Institutes of Health (NIH)								
WVIDEAS NETWORK OF BIOMEDICAL RESEARCH	I	93.859	WVU	01-058B-WVSU-3	3,157		1,821	4,978
WVIDEAS 2 NETWORK OF BIOMEDICAL RESEARCH	I	93.859	WVU	01-054B-WVSU-4	155		44	199
WV INBRE BIOINFORMATICS 2018	I	93.859	MarshallUnivRC	P1800794	11,460		5,419	16,879
WV INBRE EXPLORATION INTO DROSOPHILA	I	93.859	MarshallUnivRC	P1901733	8,186		12,408	20,594
STATE OPIOID RESPONSE	I	93.788	MarshallUnivRC	P2001470	9,000			9,000
WV INBRE-EQUIPMENTS-MOLNAR	I	93.859	MarshallUnivRC	P20GM103434	17,099			17,099
		93.859 Subtotal				49,057	19,692	68,749
National Science Foundation (NSF)								
LSAMP 3	I	47.076	UNIV OF KY	3200002015-19-047	18,408		2,311	20,719
EPSCOR — 15-20	I	47.079	WVRO HEPC	OIA-1458952	277,040		153,773	430,813
RII TRACK-2FEC	I	47.083	WVU	19-473-WVSU	23,210		6,907	30,117
NSF-RIA-SANJAYA	I	47.076	WVSU	HRD-1600988	30,184		2,809	32,993
		Subtotal				348,842	165,800	514,642
Total research and development cluster						**1,753,279**	**355,257**	**2,108,536**
US Department of Agriculture								
MCINTIRE STENNIS 18	D	10.202			24,970			
MCINTIRE STENNIS 19	D	10.202			110,629			
		10.202 Subtotal				135,599		135,599
IPM TRAINING	I	10.310	UNIV OF MD	60580-Z5064202	10,288		2,311	
						10,288	2,311	12,599
EXTENSION IMPLEMENTATION 3	I	10.329	WVU	2014-70006-22578	6,014			
EXTENSION IMPLEMENTATION 2017	I	10.329	WVU	2017-70006-21757	2,908			
		10.329 Subtotal				8,922		8,922

WEST VIRGINIA STATE UNIVERSITY
RESEARCH AND DEVELOPMENT CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED June 30, 2020

Federal Agency	Source	CFDA/ Contract Number	Indirect Agency	Indirect Agency Award Number		Federal Expenditures	Indirect Recovered	Federal Expediture with Indirect Recovered
Cooperative State Research Education and Extension Service								
Cooperative Extension Service (Smith Lever — Section 1444)	D	10.500			221,110			
1890 Facilities Grant Extension Service	D	10.500			482,566			
Renewable Resources Extension Act — RREA 18	D	10.500			1,467			
		10.500 Subtotal				705,143		705,143
Expanded Food and Nutrition Education								
Program — EFNEP 17	D	10.500			100			
Program — EFNEP 18	D	10.500			70,843			
Program — SCRATCH MCDOWELL	D	10.500			95,983			
		10.500 Subtotal				166,926	-	166,926
Cooperative Extension Service (Smith Lever — Section 1444)	D	10.512			759,333			
		10.512 Subtotal				759,333		759,333
Expanded Food and Nutrition Education Program — EFNEP 19	D	10.514			17,111			
		10.514 Subtotal				17,111		17,111
Renewable Resources Extension Act — RREA 19	D	10.515			10,699			
		10.515 Subtotal				10,699		10,699
COLD CHAIN INITIATIVE	D	10.890			16,520		4,363	
		Subtotal				16,520	4,363	20,883

WEST VIRGINIA STATE UNIVERSITY
RESEARCH AND DEVELOPMENT CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED June 30, 2020

Federal Agency	Source	CFDA/ Contract Number	Indirect Agency	Indirect Agency Award Number		Federal Expenditures	Indirect Recovered	Federal Expediture with Indirect Recovered
FOREST SERVICES	D	15-JV-11242306-095			6,480			
		Subtotal				6,480		6,480
Capacity Building Grant — 4-H GROWTH	D	10.216			73,583		19,910	93,493
Capacity Building Grant — HEALTHY GRANDFAMILIES	D	10.216			3,471		690	4,161
		Subtotal				77,054	20,600	97,654
CUCCAP	I	10.309	MICHIGAN STATE	2015-51181-24285	31,515		11,333	
		Subtotal				31,515	11,333	42,848
USDA								
SPATIAL MAPPING ED	I		1890 FOUNDATION	WVASU SPATIAL MAPPING	4,727			
SPATIAL MAPPING ED RESEARCH EXPANSION	I		1890 FOUNDATION	1890 SPATIAL MAPPING	10,727			
						15,454		15,454
U.S. Department of Education (D of Ed)								
Title III-B-2017 Strengthening Historically Black Colleges	D	84.031			5,041			
Title III-B-2018 Strengthening Historically Black Colleges	D	84.031			38,905			
Title III-B-2019 Strengthening Historically Black Colleges	D	84.031			834,372			
Title III-B-2020 Strengthening Historically Black Colleges	D	84.031			1,424,000			
Title III Part F 2017	D	84.031 B			878			
Title III Part F 2018	D	84.031 B			551,877			
Title III Part F 2020	D	84.031 B			406,025			
		Subtotal				3,261,098		3,261,098

WEST VIRGINIA STATE UNIVERSITY
RESEARCH AND DEVELOPMENT CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED June 30, 2020

Federal Agency	Source	CFDA/ Contract Number	Indirect Agency	Indirect Agency Award Number		Federal Expenditures	Indirect Recovered	Federal Expediture with Indirect Recovered
Title VII Master 2019	D	84.382 G			59,838			
Title VII Master 2020	D	84.382 G			298,572			
		84.382 G Subtotal				358,410		358,410
GEARUP YR4	I	84.334S	WVHEPC	2018-NEWGU COLLEGE PTNR 2	28,552		2,561	31,113
GEARUP YR 5	I	84.334S	WVHEPC	2019-NEWGU COLLEGE PTNR 2	91,661		6,882	98,543
GEARUP YR 6	I	84.334S	WVHEPC	2020-NEWGU COLLEGE PTNR 1	80,353		-	80,353
GEARUP U 2	I	84.334S	WVHEPC	2019- WVSURDC GUU-1	639		11,285	11,924
		84.334S Subtotal				201,205	20,728	221,933
HOUSING AND URBAN DEVELOPMENT								
YELLOW JACKET CODING	I	14.218	City of Charleston	CD-19-16	20,000			
						20,000		20,000
DISADVANTAGE FARMERS 17	D	10.443			85,218		17,762	
						85,218	17,762	102,980
NRCS-CONSERVATION SYSTEM TRAINING	D	10.902			144,201		10,120	
						144,201	10,120	154,321
NASA								
ROCKET GIRLS	I		WV SPACE CONSORTIUM	91-175C-WVSU	4,821			
						4,821		4,821

WEST VIRGINIA STATE UNIVERSITY
RESEARCH AND DEVELOPMENT CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED June 30, 2020

Federal Agency	Source	CFDA/ Contract Number	Indirect Agency	Indirect Agency Award Number		Federal Expenditures	Indirect Recovered	Federal Expediture with Indirect Recovered
U.S. Department of Transportation (DOT)								
STI 17	I	20.205	WV DOT	N/A	15,555		4,888	
		20.205 Subtotal				15,555	4,888	20,443
DEPT OF HEALTH AND HUMAN								
WVSU HEALTHY GRANDFAMILIES PROGRAM	I	93.243	WVDOE	GRTAWD040219000041 04	55,188		3,095	
						55,188	3,095	58,283
DEPARTMENT OF VETERANS AFFAIRS								
VA FARMS	I		WVDOA	VAT F SU EY18	8,613		1,174	
						8,613	1,174	9,787
U.S. DEPARTMENT OF ENERGY								
BIOLOGICAL REMOVAL TECH	D	81.089			50,884		29,004	
						50,884	29,004	79,888
OFFICE OF SURFACE MINING								
SOIL TYPE AND FORESTRY	D	15.255			1,615		85	
						1,615	85	1,700
TOTAL FEDERAL AWARDS						$ 7,921,131	$ 480,720	$ 8,401,851

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

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, 2020, 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	University of Nebraska - Lincoln	10.216	$ 4,940

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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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*

INDEPENDENT AUDITORS' REPORT

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 statement of net position as of June 30, 2020, 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 8, 2020.

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) as a basis for designing 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Hayflich CPAs PLLC

Huntington, West Virginia
October 8, 2020

HAYFLICH.
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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITORS' REPORT

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, 2020. 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, 2020.

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 8, 2020

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

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
10.500	Cooperative Extension Service
10.512	Agriculture Extension at 1890 Land-grant Institutions
10.514	Expanded Food and Nutrition Education Program
10.515	Renewable Resources Extension Act and National Focus Fund Projects
15.255	Science and Technology Projects Related to Coal Mining and Reclamation
20.205	Highway Planning and Construction

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.