West Virginia State University Research and Development Corporation

Financial Statements as of and for the
Years Ended June 30, 2022 and 2021

WEST VIRGINIA STATE UNIVERSITY
RESEARCH AND DEVELOPMENT CORPORATION

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of West Virginia State University Research and Development Corporation (a component of West Virginia University), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise West Virginia State University Research and Development Corporation's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of West Virginia State University Research and Development Corporation, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of West Virginia State University Research and Development Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of West Virginia State University Research and Development Corporation as of June 30, 2021, and the year ended, were audited by other auditors whose report dated September 28, 2021, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about West Virginia State University Research and Development Corporation's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 West Virginia State University Research and Development Corporation's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about West Virginia State University Research and Development Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of proportionate share of net OPEB liability and contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2022, with the exception of Finding 2022-001 as to which the date is March 7, 2023, on our consideration of West Virginia State University Research and Development 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 West Virginia State University Research and Development 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 West Virginia State University Research and Development Corporation's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
October 20, 2022, with the exception of Note 11 as to which the date is March 7, 2023

West Virginia State University
Research and Development Corporation
Management's Discussion and Analysis

Fiscal Year Ended June 30, 2022

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, 2022. 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 2021 and 2020 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, 2022). 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 2022	FY 2021	FY 2020
Assets			
Other current assets	$1,052,049	$1,247,172	$732,514
Cash and cash equivalents	1,399,607	628,393	1,092,920
Non-current assets:			
Capital assets, net	1,665,937	1,598,431	1,743,713
Total Assets	**$4,117,593**	**$3,473,996**	**$3,569,147**
Deferred Outflows of Resources	60,872	133,007	123,944
Total	**$4,178,465**	**$3,607,003**	**$3,693,091**
Liabilities			
Current liabilities	$1,625,133	1,224,973	523,119
Non-current liabilities (assets)	(12,065)	410,031	1,070,536
Total Liabilities	**1,613,068**	**1,635,004**	**1,593,655**
Deferred Inflows of Resources	658,233	885,757	520,108
Total	**$2,271,301**	**$2,520,761**	**$2,113,763**
Net Position			
Net investment in capital assets	1,665,936	1,598,431	1,743,713
Restricted: Other Postemployment benefit	16,605	-	-
Unrestricted	224,623	(512,189)	(164,385)
Total Net Position	**1,907,164**	**1,086,242**	**1,579,328**
Total Liabilities and Net Position	**$4,178,465**	**$3,607,003**	**$3,693,091**

Assets and Deferred Outflows of Resources: In fiscal year 2022, the Corporation's total assets and deferred outflows of resources increased by $571,462 which represents a 16 percent improvement in contrast to the previous year which experienced a two percent decline in total assets. The deferred outflow of resources that resulted from the implementation of GASB 75-Other Postemployment Benefits added $60,872 to total assets and deferred outflows of resources of $4,178,465. 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 $771,214 from the previous year. Non-current assets also experienced an increase of $67,506 when compared to the previous year. Current assets this year represented 59 percent of the total assets and deferred outflows of resources (compared to a 52% the previous year); whereas the non-current portion represented 43 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. In fiscal year 2021, the Corporation's total assets and deferred out of resources decreased by $86,088 which represents a two percent decline in contrast to 2020 which experienced a less than one percent improvement in total assets and deferred outflow of resources. The deferred outflow of resources that resulted from the implementation of GASB 75-Other Postemployment Benefits added $133,007 to total assets and deferred outflow of resources of $3,607,003. The overall decrease in total assets deferred outflow of resources in fiscal year 2021 was the result of the portion related to cash and cash equivalents which experienced a reduction of $464,527 from fiscal year 2020. Non-current assets also experienced a decrease of $145,282 in 2021 when compared to 2020. Current assets in 2021 represented 52 percent of the total assets (compared to a 50% in 2020); whereas the non-current portion represented 48 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 and Deferred Inflows of Resources: The balance of total liabilities and deferred inflows of resources during the current fiscal year decreased by 10 percent ($249,460); compared to the previous year's total liabilities and deferred inflows of resources increased by 19 percent ($406,998). The overall reduction effect was the result of a decrease in non-current liabilities balance as it relates to Other Post-Employment Benefits liability (assets) (from a liability of $261,357 to an asset of $16,605). The decrease is offset by an increase in current liabilities where unearned revenue increased by $893,531 due to a federal grant for which cash was received but the eligible expenses have not been incurred yet. This increase in current liabilities and deferred inflows of resources was offset by a decrease this year of Accounts Payable (from $1,001,099 to $532,464) and a decrease in the current portion of compensated absences (from $223,874 to $199,138). Liabilities and deferred inflows of resources did decrease by $227,524 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 100 percent and 0 percent respectively this year. The ratio suggests the Corporation operates with more current liabilities; and that most of its liabilities derive from components comprising current liabilities. The balance of total liabilities and deferred inflows of resources during the 2021 fiscal year increased by 19 percent ($406,998); compared to the total liabilities decrease by 17 percent ($431, 118) in 2020. Liabilities were impacted by the decrease in non-current liabilities, which contracted by 61 percent ($660,505). The non-current liabilities balance is the result of a decrease as it relates to Other Post-Employment Benefits liability (from $1,012,423 to $261,357). Current liabilities increased in 2021 as a result of Accounts Payable (from $303,553 to $1,001,099) offset by a rise in the current portion of compensated absences (from $219,566 to $223,874). Liabilities deferred inflows of resources did increase by $885,757 for deferred inflows of resources also from GASB 75 activity. Accounts payable (and receivables) are variable throughout 2021 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 in 2021 contributed again with 49 percent and 51 percent respectively in 2021, this is an improvement in current to non-current ratio compared to 2020. The current ratio suggests the Corporation operates with more current liabilities; and that most of its liabilities derive from components comprising current liabilities.

Net Position: The value of total net position this year improved by $820,922. The current value of total net position changed from $1,086,242 to $1,907,164. This change in net position was impacted by a change in unrestricted net position of $736,812 (changed from -$512,189 to $224,623). In the current year, there was restricted net position of $16,605 relating to the other postemployment benefit asset in the current which is unique. The total depreciation expense of $427,682 this year, combined with equipment and motor vehicle reductions or disposals of $484,233, was offset by additions in capital assets of $501,483, resulted in an increase in capital assets, net $67,506 which rose from $1,598,431 to $1,665,937. 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 of $1,665,937 plus restricted OPEB ($16,605) and unrestricted position ($224,623) resulted in a total net position this year of $1,907,164, compared to $1,086,242 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 position derived from external support and the recovery of indirect costs from grants and sponsored agreements. The value of total net position in 2021 contracted by $493,086. The current value of total net assets changed from $1,579,328 to $1,086,242. This change in net position was impacted by a change in unrestricted net position of negative $347,804 (changed from negative $164,385 to negative $512,189) in relation to the value of net investments in capital assets. The total depreciation expense of $387,217 in 2021, combined with equipment and motor vehicle reductions or disposals of $164,406, was offset by additions in capital assets of $248,638, resulted in a decrease in capital assets net $145,282 which fell from $1,743,713 to $1,598,431. 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 of $1,598,431 minus expenditures for unrestricted assets of negative $512, 189 resulted in a total net position of $1,086,242 in 2021, compared to $1,579,328 in 2020. Unrestricted components of net position were impacted again in 2021 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 2022	FY 2021	FY 2020
Operating revenues	$11,921,704	$8,783,729	$10,798,182
Operating expenses	11,611,260	9,543,644	10,892,690
Operating Gains/Losses	**310,444**	**(759,915)**	**(94,508)**
Non-operating revenues and expenses:	8,995	18,189	61,951
Capital Grants & Gifts	1,284,843	2,309,090	2,010,221
Transfer of Assets to the University	(783,360)	(2,060,450)	(1,553,503)
Increase (Decrease) in Net Assets	820,922	(493,086)	444,161
Net Position – Beginning of Year	1,086,242	1,579,328	1,135,167
Net Position – Beginning of Year	1,086,242	1,579,328	1,135,167
Net Position – End Year	**$1,907,164**	**$1,086,242**	**$1,579,328**

The sources of operating revenues for the Corporation commonly derive from federal, state, and private externally sponsored funding. Operating revenues this year improved by $3,137,975, compared to the previous year. The increase in operating revenues stems from an increase in federal funding of $3,089,588, state funding of $78,372 and a decrease in private funding of $29,986. Federal funding, compared to last year, rose by 59 percent. The level of state funding also experienced an increase of two percent. 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 rose by 22 percent, compared to the 12 percent decrease and less than one percent increase in the two previous years. Operating expenses increased from $9,543,644 to $11,611,260. The overall increase of $2,067,616 in the Corporation's total operating expenses was driven by an upswing in expenses related to Payments to Suppliers of $1,800,097 (50%). Other expense accounts experienced increases including Depreciation $40,465 (10%) and Utilities $45,834 (26%). Employee benefits totals increased from the previous year by $356,819 (50%).

The Statement of Revenues, Expenses, and Changes in Net Assets reflect an operating income for the year of $310,444; compared to losses of $759,915. There were gains in non-operating revenues, as well as capital grants and gifts of $8,995 and $1,284,843, respectively. Non-operating revenues included investment income $90 and Payments on behalf of the Corporation related to OPEB of $15,201. Transfer of assets to the University ($783,360) compared to the previous year ($2,060,450). Beginning of the year Net Position was $1,086,242 compared to $1,579,329; this in combination with non-operating revenues, capital grants and gifts and assets transferred to the University resulted in the overall gain, $1,714,453 overall increase in Net Position, compared to the previous year decrease of $493,086. 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 $15,201. This year's operating income ($310,444) was impacted by capital grants and gifts contributions ($1,284,843) received by the institution. The capital grants and gifts were reduced by the transfer of assets to the University ($783,360) and resulted in an increase of $820,922 in the Corporation's net position. Thus, the overall net position in net position at the end of the year improved from $1,086,242 to $1,907,164.

The sources of operating revenues for the Corporation commonly derive from federal, state, and private externally sponsored funding. Operating revenues in 2021 declined by $2,014,454, compared to fiscal year 2020. The reduction in operating revenues stems from a decrease in federal funding of $1,802,920, private funding ($131,898) and a decrease in state of $79,636. Federal funding, compared to 2020, fell by 26 percent. The level of private funding also experienced a decrease of 43 percent. Given the economic climate during fiscal year 2021 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 in 2021 decreased by 12 percent, compared to the less than one percent increase and seven percent increase in the two previous years. Operating expenses dropped from $10,892,690 to $9,543,644. The overall decrease of $1,349,046 in the Corporation's total operating expenses was driven by a reduction in expenses related to payments for salaries and wages -$554,590 (11%). Other expense accounts experienced decreases including Depreciation of $14,362 (4%), Utilities of $25,918 (13%), Payments to Suppliers of $506,544 (12%) and Employee Benefits of $247,632 (26%).

The Statement of Revenues, Expenses, and Changes in Net Assets reflect an operating loss in 2021 of $759,915; compared to a losses of $94,508 in 2020. There were gains in nonoperating revenues, as well as capital grants and gifts of $18,189 and $2,309,091, respectively. Non-operating revenues included investment income $72 and payments on behalf of the Corporation related to OPEB of $24,821. Transfer of assets to the University of $2,060,450 compared to 2020 of $1,533,503. Beginning of the year 2021 Net Position $1,579,328 compared to $1,135,167 in 2020; this in combination with non-operating revenues, capital grants and gifts and assets transferred to the University resulted in the overall loss, $493,086 overall decrease in Net Position, compared to the previous year increase of $444,161. Operations were impacted again in 2021 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 $24,821. 2021 fiscal year's operating loss of $759,915 was impacted by capital grants and gifts contributions of $2,309,090 received by the institution. The capital grants and gifts were reduced by the transfer of assets to the University of $2,060,450 and resulted in an decrease of $493,086 in the Corporation's net position. Thus, the overall net position in net assets at the end of 2021 decreased from $1,579,328 to $1,086,242.

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 2022	FY 2021	FY 2020
Cash provided (used) by:			
Operating activities	$771,125	($464,599)	$1,057,307
Investing activities	89	72	72
Capital and related financing activities	-	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	**$771,214**	**($464,527)**	**1,057,379**
Cash, beginning of year	628,993	1,092,920	35,541
Cash, end of year	**$1,399,607**	**$628,393**	**$1,092,920**

The Corporation's cash and cash equivalents value as of July 1, 2021 was $628,393 compared to $1,092,920 from the previous year. The cash and cash equivalents value of as of June 30, 2022 was $1,399,607. This year's higher value can be attributed to cash provided by operating activities $771,125 compared to last year negative $464,599. Cash flow provided by investing activities is normally inconspicuous and represented only $89, 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, 2022 and 2021 was $1,249,289 and $628,393, 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 is higher compared to the average level of cash required within the last 10 years (four percent).

The cash and cash equivalents value as of June 30, 2021 was $628,393. 2021 fiscal year's lower value can be attributed to cash used by operating activities of $464,599 compared to prior year where cash provided was $1,057,307. 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, 2021 and 2020 was $628,393 and $1,092,920, 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 in 2021 was five percent which slightly higher compared to the average level of cash required within the last 10 years (four percent). The total value of cash and cash equivalents in 2021, in relation to the total value of operating revenues and operating expenses was one percent, compared to a five percent ratio from 2020. 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 2020.

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 2022, 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 $783,360 are included in this years, new purchase of capital assets, derived from capital grants and gifts received, totaled $1,284,843 compared to the $2,309,091 reported the previous year. The level of total depreciation expense this year was $427,682 compared to $387,217 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.

During fiscal year 2021, 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 $2,060,450 are included in the previous years, new purchase of capital assets, derived from capital grants and gifts received, totaled $2,309,090 compared to the $2,010,221 reported in 2020. The level of total depreciation expense in 2021 was $387,217 compared to $401,579 in 2020. 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 2021 or 2022.

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 continuing global pandemic, fiscal year 2021 brought about an even greater uncertainty in terms of the economic outlook. In spite of the aforementioned economic challenges, the Corporation's continues to maintain a strong financial position as detailed above.

Federal funding associated with the University's land-grant functions slightly improved over the past two years, as the U.S. Congress continued providing increases in USDA-related funding 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 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 again 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. Additionally, the WVSU Healthy Grandfamilies Program is collaborating with the state-wide COVID response to help get Grandfamilies vaccinated.

The University is poised to renew its strategic efforts as it is currently in the developed phase of a new institution wide strategic plan. The Corporation, will continue to support the University's strategic goals by effectively seeking and attaining 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 support this effort. 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. The University is currently leveraging Title III and other funding to expand the capacity of the new BSN program by building a new state of the art practical nursing laboratory. By continuing to identify and implement academic programing that is responsive to the market needs, the University aims to increase 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 remains strong in this fiscal year, in spite of expected and unexpected challenges. As the University works towards a new strategic 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, 2022 AND 2021

	2022	2021
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,399,607	$ 628,393
Grants and contracts receivable	841,533	921,271
Other receivables	9,836	61,942
Due from West Virginia State University	8,095	-
Prepaid expense	192,585	263,959
Total current assets	2,451,656	1,875,565
NONCURRENT ASSETS - Capital assets - net	1,665,937	1,598,431
TOTAL ASSETS	4,117,593	3,473,996
DEFERRED OUTFLOWS OF RESOURCES	60,872	133,007
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 4,178,465	$ 3,607,003

See notes to financial statements.

(Continued)

WEST VIRGINIA STATE UNIVERSITY
RESEARCH AND DEVELOPMENT CORPORATION

STATEMENTS OF NET POSITION
AS OF JUNE 30, 2022 AND 2021

	2022	2021
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$ 532,464	$ 1,001,099
Unearned Revenue	893,531	-
Compensated absences - current portion	199,138	223,874
Total current liabilities	1,625,133	1,224,973
NONCURRENT LIABILITIES:		
Compensated absences - noncurrent portion	4,540	148,674
Other post employment benefits (asset) liability	(16,605)	261,357
Total noncurrent liabilities	(12,065)	410,031
Total liabilities	1,613,068	1,635,004
DEFERRED INFLOWS OF RESOURCES	658,233	885,757
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	2,271,301	2,520,761
NET POSITION:		
Net investment in capital assets	1,665,936	1,598,431
Restricted for Other Postemployment Benefit	16,605	-
Unrestricted	224,623	(512,189)
Total net position	1,907,164	1,086,242
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 4,178,465	$ 3,607,003

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, 2022 AND 2021

	2022	2021
OPERATING REVENUES:		
Contracts and grants:		
Federal	$ 8,304,005	$ 5,214,417
State	3,474,745	3,396,372
Private	142,954	172,940
Total operating revenues	11,921,704	8,783,729
OPERATING EXPENSES:		
Salaries and wages	4,469,573	4,645,171
Supplies and other services	5,416,088	3,615,991
Benefits	1,077,414	720,596
Depreciation	427,682	387,217
Utilities	220,503	174,669
Total operating expenses	11,611,260	9,543,644
OPERATING GAIN (LOSS)	310,444	(759,915)
NONOPERATING REVENUES (EXPENSES):		
Investment income	90	72
Payments on behalf of the Corporation	15,201	24,821
Loss on disposal of capital assets	(6,296)	(6,704)
Net nonoperating revenues	8,995	18,189
GAIN (LOSS) BEFORE CAPITAL GRANTS AND GIFTS	319,439	(741,726)
CAPITAL GRANTS AND GIFTS	1,284,843	2,309,090
INCREASE IN NET POSITION BEFORE TRANSFERS	1,604,282	1,567,364
TRANSFER OF ASSETS TO THE UNIVERSITY	(783,360)	(2,060,450)
INCREASE (DECREASE) IN NET POSITION	820,922	(493,086)
NET POSITION — Beginning of year	1,086,242	1,579,328
NET POSITION — End of year	$ 1,907,164	$ 1,086,242

See notes to financial statements.

WEST VIRGINIA STATE UNIVERSITY
RESEARCH AND DEVELOPMENT CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Contracts and grants	$ 12,783,595	$ 8,316,415
Payments to and on behalf of employees	(5,827,701)	(5,640,557)
Payments to suppliers	(5,964,267)	(2,965,788)
Payments to utilities	(220,502)	(174,669)
Net cash provided by (used in) operating activities	771,125	(464,599)
CASH FLOWS PROVIDED BY CAPITAL FINANCING ACTIVITIES:		
Capital grants and gifts received	1,284,843	2,309,090
Purchases of capital assets	(1,284,843)	(2,309,090)
Net cash provided by capital financing activities	-	-
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES — Investment income	89	72
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	771,214	(464,527)
CASH AND CASH EQUIVALENTS — Beginning of year	628,393	1,092,920
CASH AND CASH EQUIVALENTS — End of year	$ 1,399,607	$ 628,393
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Operating income (loss)	$ 310,444	$ (759,915)
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	427,682	387,217
Changes in assets and liabilities:		
Grants/contracts receivable	79,738	(439,991)
Other receivable	52,106	(60,929)
Due from West Virginia State University	(8,095)	33,606
Prepaid expenses	71,374	(47,344)
Accounts payable and due to other	(468,635)	697,547
Unearned Revenue	893,531	0
Payments on behalf of Corporation	15,201	
Compensated absences and other post employment benefits liability	(602,221)	(274,790)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 771,125	$ (464,599)
NONCASH TRANSACTIONS —		
Capital assets transferred to the University	$ (783,360)	$ (2,060,450)
Expenses paid on behalf of the Corporation	$ 15,201	$ 24,821
Gain (Loss) on disposal of capital assets	$ (6,296)	$ (6,704)

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.

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 had restricted net position in the current year relating to their other postemployment benefit asset. The Corporation did not have any restricted, expendable components of net position at June 30, 2021.

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, 2022 and 2021.

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, 2022 and 2021, 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.

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.

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.

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.

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, 2022 and 2021 was $1,399,607 and $628,393, respectively, compared with the bank balance of $1,868,618 and $992,236, respectively. The difference is primarily caused by outstanding checks and items in transit. Of the bank balances at June 30, 2022 and 2021, $355,095 and $402,043, respectively, were covered by Federal Deposit Insurance Corporation, while $1,513,523 and $590,193 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, 2022 and 2021, is as follows:

2022	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets:				
Equipment	$ 5,884,638	$ 418,887	$ (371,517)	$ 5,932,008
Motor vehicles	748,369	82,596	$ (112,716)	718,249
Software	192,179	-	-	192,179
Library books	205,945	-	-	205,945
Total capital assets	7,031,131	501,483	(484,233)	7,048,381
Less accumulated depreciation for:				
Equipment	4,443,779	357,990	(361,359)	4,440,410
Motor vehicles	590,797	65,716	(112,716)	543,797
Software	192,179	-	-	192,179
Library books	205,945	-	-	205,945
Total accumulated depreciation	5,432,700	423,706	(474,075)	5,382,331
Capital assets — net	$ 1,598,431	$ 77,777	$ (10,158)	$ 1,666,050
Capital asset summary:				
Capital assets	$ 7,031,131	$ 501,483	$ (484,233)	$ 7,048,381
Less accumulated depreciation	5,432,700	423,707	(474,075)	5,382,332
Capital assets — net	$ 1,598,431	$ 77,776	$ (10,158)	$ 1,666,049

2021	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets:				
Equipment	$ 5,808,787	$ 221,978	$ (146,127)	$ 5,884,638
Motor vehicles	739,988	26,660	$ (18,279)	748,369
Software	192,179	-	-	192,179
Library books	205,945	-	-	205,945
Total capital assets	6,946,899	248,638	(164,406)	7,031,131
Less accumulated depreciation for:				
Equipment	4,254,856	328,367	(139,444)	4,443,779
Motor vehicles	550,206	58,870	(18,279)	590,797
Software	192,179	-	-	192,179
Library books	205,945	-	-	205,945
Total accumulated depreciation	5,203,186	387,237	(157,723)	5,432,700
Capital assets — net	$ 1,743,713	$ (138,599)	$ (6,683)	$ 1,598,431
Capital asset summary:				
Capital assets	$ 6,946,899	$ 248,638	$ (164,406)	$ 7,031,131
Less accumulated depreciation	5,203,186	387,237	(157,723)	5,432,700
Capital assets — net	$ 1,743,713	$ (138,599)	$ (6,683)	$ 1,598,431

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, 20222 and 20211:

	2022	2021
Net OPEB (Asset) Liability	($16,605)	$261,357
Deferred Outflows of Resources	60,872	133,007
Deferred Inflows of Resources	658,233	885,757
Revenues	15,201	24,821
OPEB Expense/ (Income)	(358,684)	(267,823)
Contributions Made by the Corporation	59,466	101,836

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. If you have any questions about this report or need additional information, contact the RHBT Controller, Jennifer Priddy, at 304-352-0298, ext. 20298. You can also submit your questions in writing to West Virginia Public Employees Insurance Agency, 601 57th Street, SE Suite 2, Charleston, WV 25304.

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

Employer contributions were from the RHBT billing system, called the Web Contribution System, for fiscal year ended June 30, 2021. The employer contributions which were the basis of the related schedules represent what the employer was billed during the respective year for their portion of the pay as you go premiums, commonly referred to as paygo, retiree leave conversion billings, and other matters, including billing adjustments.

Paygo premiums are established by the Finance Board annually. All participating employers are required by statute to contribute to the RHBT this premium at the established rate for every active policyholder per month. The active premiums subsidized the retirees' health care by approximately $137 million for the fiscal year ending 2021. The paygo rates for June 30, 2022 and 2021 were $160 and $168, respectively.

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 (asset) for financial reporting purposes was determined by an actuarial valuation as of June 30, 2021. The following actuarial assumptions were used and applied to all periods included in the measurement:

- Actuarial cost method: Entry age normal cost method.
- Amortization method and period: Level percentage of payroll; 20 years closed as of June 30, 2017.
- Investment rate of return: 6.65%, net of OPEB plan investment expense, including inflation.
- Projected salary increases: dependent on pension system ranging from 2.75% to 5.18%, including inflation.
- Healthcare cost trend rates: Trend rate for pre-Medicare per capita costs of 7.0% for plan year end 2022, 6.50% for plan year end 2023, decreasing by 0.25% each year thereafter, until ultimate trend rate of 4.25% is reached in plan year 2032. Trend rate for Medicare per capita costs of 31.11% for plan year end 2022. 9.15% for plane year end 2023, 8.40% for plan year end 2024, decreasing gradually each year thereafter, until ultimate trend rate of 4.25% is reached in plan year end 2036.
- Inflation rate: 2.25%.
- Discount rate: 6.65%
- Mortality rates: based on PUB-2010 Mortality Tables.

The long-term investment rate of return of 6.65% on OPEB plan investments was determined by a combination of an expected long-term rate of return of 7.00% for long-term assets invested with the West Virginia Investment Management Board ("IMB") and an expected short-term rate of return of 2.50% for assets invested with the WV Board of Treasury Investments ("BTI").

Long-term pre-funding assets are invested with the WVIMB. 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, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021. The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for period July 1, 2015 through June 30, 2020. The target allocation and estimates of annualized long-term expected real returns assuming a 10-year horizon are summarized below:

2021

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
Global Equity	4.8 %	55.0 %
Core Plus Fixed Income	2.1	15.0
Core Real Estate	4.1	10.0
Hedge Fund	2.4	10.0
Private Equity	6.8	10.0

2020

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
Global Equity	6.8 %	55.0 %
Core Plus Fixed Income	4.1	15.0
Core Real Estate	6.0	10.0
Hedge Fund	2.4	10.0
Private Equity	6.8	10.0

Discount rate. The discount rate used to measure the OPEB liability (asset) was 6.65%. 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 (asset) calculated using the discount rate of 6.65%, 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 (5.65%) or one percentage point higher (7.65%) than the current rate (dollars in thousands):

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
Net OPEB (Asset) Liability - 2022	$ 89,105	$ (16,605)	$ (104,374)

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
Net OPEB Liability - 2021	$ 372,729	$ 261,357	$ 168,123

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 (Asset) Liability - 2022	$ (122,603)	$ (16,605)	$ 112,513

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability - 2021	$ 157,261	$ 261,357	$ 387,084

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

The net OPEB (asset) liability was measured as of June 30, 2021 and 2020. The total OPEB (asset) liability was determined by actuarial valuations as f June 30, 2020 and 2019 and rolled forward to the respective dates.

At June 30, 2022 and 2021, the amount recognized as the Corporation's proportionate share of the net OPEB (asset) liability was approximately ($16,605) and $261,357. At June 30, 2022 and 2021, the non-employer contributing entity's (State of West Virginia) portion of the collective net OPEB liability is negative $3,270 and $57,790 and the total net OPEB liability (asset) attributable to the Corporation is ($16,605) and $261,357.

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, 2020, the Corporation's proportion was 0.055844135%, a decrease of 0.003327616% from its proportion of 0.059171751% calculated as of June 30, 2020.

For the years ended June 30, 2022 and 2021, the Corporation recognized OPEB income of ($358,684) and OPEB expense of ($267,823), respectively. Of this amount, ($373,885) and ($292,644) was recognized as the Corporation's proportionate share of the OPEB expense, and $15,201 and $24,821 as the amount of OPEB expense attributed to special funding. The Corporation also recognized revenue of $15,201 and $24,821 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:

June 30, 2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual investment earnings	$ -	$ 114,384
Differences between expected and actual non-investment experience	1,406	114,384
Changes in assumptions	-	351,583
Changes in proportion and differences between the University's contributions and proportionate share of contributions	-	71,248
Reallocation of opt-out employer change in proportionate share	-	6,634
The University's contributions made subsequent to the measurement date of June 30, 2021	59,466	-
	$ 60,872	$ 658,233

June 30, 2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual investment earnings	$ 28,685	$ 8,846
Differences between expected and actual non-investment experience	-	169,459
Changes in assumptions	-	589,937
Changes in proportion and differences between the University's contributions and proportionate share of contributions	2,489	101,188
Reallocation of opt-out employer change in proportionate share	-	16,327
The University's contributions made subsequent to the measurement date of June 30, 2020	101,836	-
	$ 133,010	$ 885,757

The Corporation will recognize the $59,466 and $101,836 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, 2022 and 2021. 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 Ending June 30,	Amortization
2023	(298,713)
2024	(290,695)
2025	(37,254)
2026	(30,165)
2027	-
Total	$ (656,827)

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, 2022, 2021 and 2020, were $420,971, $355,340, and $464,240, respectively, which consisted of equal contributions from the Corporation and covered employees in 2022, 2021 and 2020 of $210,486, $177,670, and $232,120, respectively.

The Corporation's total payroll for the years ended June 30, 2022, 2021 and 2020, was $4,293,341 $4,302,346, and $4,707,729, respectively; total covered employees' salaries for TIAA-CREF were $3,508,093, $2,961,167, and $3,868,667, in 2022, 2021 and 2020, 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. UNRESTRICTED COMPONENTS OF NET POSITION

At June 30, 2022 and 2021, the Corporation has no designated unrestricted components of net position.

9. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

Operating expenses within both natural and functional classifications for the years ended June 30, 2022 and 2021, are as follows:

2022	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Depreciation	Total
Research	$ 1,958,294	$ 404,874	$ 1,458,697	$ 170,735		$ 3,992,600
Public service	1,852,443	489,844	1,760,194	49,768		4,152,248
General institutional support	658,837	182,697	2,197,197			3,038,731
Depreciation					427,682	427,682
Total	$ 4,469,573	$ 1,077,415	$ 5,416,088	$ 220,503	$ 427,682	$ 11,611,260

2021	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Depreciation	Total
Research	$ 1,893,425	$ 406,337	$ 980,894	$ 131,344		$ 3,412,000
Public service	1,781,434	503,512	1,212,530	43,324		3,540,800
General institutional support	970,312	(392,205)	1,422,567			2,000,674
Depreciation					387,217	387,217
Total	$ 4,645,171	$ 517,643	$ 3,615,991	$ 174,669	$ 387,217	$ 9,340,691

10. LONG-TERM LIABILITIES

The summary of long-term obligation transactions for the Corporation for the years ended June 30, 2022 and 2021, is as follows:

	2022				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	$ 372,547	$ 271,548	$ (440,417)	$ 203,678	$ 199,138
Total long-term liabilities	$ 372,547	$ 271,548	$ (440,417)	$ 203,678	

	2021				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	$ 277,679	$ 253,196	$ (158,328)	$ 372,547	$ 223,874
Total long-term liabilities	$ 277,679	$ 253,196	$ (158,328)	$ 372,547	

11. SUBSEQUENT DISCOVERY OF FACTS

During the performance of preparation of the Schedule of Expenditures of Federal Awards for the year ended June 30, 2022, it was determined that revenues for the Federal Program were overstated by $893,531. As a result, revenues decreased and unearned revenues were reported for $893,531.

REQUIRED SUPPLEMENTARY INFORMATION

WEST VIRGINIA STATE UNIVERSITY RESEARCH AND DEVELOPMENT CORPORATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)
JUNE 30, 2022

Last 10 Fiscal Years*

Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Corporation's proportion of the net OPEB liability (asset) (percentage)	0.055844135%	0.059171718%	0.061021257%	0.060808047%	0.063187947%
Corporation's proportionate share of the net OPEB liability (asset)	$ (16,605)	$ 261,357	$ 1,012,423	$ 1,304,525	$ 1,553,786
State's proportionate share of the net OPEB liability (asset)	(3,270)	57,790	207,187	267,187	319,149
Total proportionate share of the net OPEB liability (asset)	$ (19,875)	$ 319,147	$ 1,219,610	$ 1,571,712	$ 1,872,935
Corporation's covered-employee payroll	$ 928,434	$ 3,928,923	$ 1,363,196	$ 1,246,918	$ 1,389,541
Corporation's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	1.79%	6.65%	74.27%	104.62%	111.82%
Plan fiduciary net position as a percentage of the total OPEB liability	101.81%	73.49%	39.69%	30.98%	25.10%

* - The amounts presented for each fiscal year were determined as of June 30th of the previous year (measurement date).
This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the University should present information for those years for which information is available.

Last 10 Fiscal Years

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Statutorily required contribution	$ 59,466	$ 125,721	$ 125,721	$ 124,254	$ 129,787
Contributions in relation to the statutorily required contribution	(59,466)	(101,836)	(114,372)	(125,721)	(129,787)
Contribution deficiency (excess)	$ -	$ 23,885	$ 11,349	$ (1,467)	$ -
Corporation's covered-employee payroll	$ 928,434	$ 3,928,923	$ 1,363,196	$ 1,246,918	$ 1,389,541
Contributions as a percentage of covered-employee payroll	6.40%	2.59%	8.39%	10.08%	9.34%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the University should present information for those years for which information is available.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of West Virginia State University Research and Development Corporation (a component of West Virginia State University), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the West Virginia State University Research and Development Corporation's basic financial statements, and have issued our report thereon dated October 20, 2022, with the exception of Note 11 as to which the date is March 7, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered West Virginia State University Research and Development 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of West Virginia State University Research and Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of West Virginia State University Research and Development 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Virginia State University Research and Development 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.*

West Virginia State University Research and Development Corporation's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the West Virginia State University Research and Development Corporation's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. West Virginia State University Research and Development Corporation's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
October 20, 2022, with the exception of Finding 2022-001 as to which the date is March 7, 2023

Finding Number: 2022-001

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: During the audit, we proposed one audit adjustment to reduce federal revenue and increase unearned revenue by $893,521, respectively.

Criteria or specific requirement: Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation of the financial statements, including the notes to the financial statements, in conformity with accounting principles generally accepted in the United States of America. Their responsibilities include recording significant financial reporting processes, including controls over procedures used to enter transaction totals into the general ledger; initiate, authorize, record, and process journal entries into the general ledger; record recurring and nonrecurring adjustments to the financial statements and safeguarding the Corporation's assets.

Effect: The lack of controls in place over the recording of financial activities, presentation of the financial statements, and the safeguarding of assets resulted in material error.

Cause: The Corporation received a grant of $1,000,000 for which cash was received in advanced of performing the services. During our preparation of the schedule of expenditures of federal awards for the year ended June 30, 2022, only $106,469 of expenses were identified as incurred on the grant. Therefore, only $106,469 should be recorded as revenue in fiscal year ending June 30, 2022. However, the Corporation recorded the full amount of the cash received in fiscal year ending 2022. Generally, the Corporation receives cash reimbursement grants so the cash advancement was a unique situation for the Corporation.

Repeat Finding: No

Recommendation: The Corporation should evaluate their financial reporting processes and controls, accounting and recording of grant revenues to ensure they are recorded in the correct fiscal year.

Views of responsible officials and planned corrective actions: Management will implement a review process to ensure that when cash advancement grants are received that revenue is recorded only when the eligible expenses are incurred.

WEST VIRGINIA STATE UNIVERSITY RESEARCH AND DEVELOPMENT CORPORATION

UNIFORM GUIDANCE REPORT

YEAR ENDED JUNE 30, 2022

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Board of Trustees
West Virginia State University Research and Development Corporation
Institute, West Virginia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited West Virginia State University Research and Development Corporation's, a component unit of West Virginia State University, compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of West Virginia State University Research and Development Corporation's major federal programs for the year ended June 30, 2022. West Virginia State University Research and Development Corporation's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, West Virginia State University Research and Development Corporation complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of West Virginia State University Research and Development Corporation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of West Virginia State University Research and Development Corporation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to West Virginia State University Research and Development Corporation's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on West Virginia State University Research and Development Corporation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about West Virginia State University Research and Development Corporation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding West Virginia State University Research and Development Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- obtain an understanding of West Virginia State University Research and Development Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 West Virginia State University Research and Development Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2022-002, and 2022-003. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on West Virginia State University Research and Development Corporation's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. West Virginia State University Research and Development Corporation's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-002, and 2022-003 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on West Virginia State University Research and Development Corporation's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. West Virginia State University Research and Development Corporation's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business type activities of West Virginia State University Research and Development Corporation as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise West Virginia State University Research and Development Corporation's basic financial statements. We have issued our report thereon, dated October 20, 2022, with the exception of Note 11 as to which the date is March 7, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
March 22, 2023

WEST VIRGINIA STATE UNVERSITY RESEARCH AND DEVELOPMENT CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

Program or Cluster Title/Federal Grantor	Assistance Listing Number	Pass-Through Entity	Pass-Through Entity Identifying Number	Pass through to Subrecipients	Federal Expenditures
RESEARCH AND DEVELOPMENT CLUSTER:					
U.S. Department of Agriculture					
Cooperative State Research Education and Cooperative Research (Evans Allen — Section 1445) 1890	10.205	N/A	N/A	$ -	$ 1,679,360
	Subtotal - 10.205			-	1,679,360
Institution Capacity Building Grant — Switchgrass for Energy	10.216	N/A	N/A	-	210,133
Institution Capacity Building Grant— Improving Growth	10.216	N/A	N/A	-	112,784
Institution Capacity Building Grant — KSU	10.216	Kentucky State University	210182-202092-3100	-	9,082
Institution Capacity Building Grant — Oilseed Plants	10.216	N/A	N/A	39,766	91,951
Institution Capacity Building Grant— Alcorn Sub	10.216	Alcorn State	ASU330058	-	72,182
Institution Capacity Building Grant— Est. Plant and Soil Science	10.216	N/A	N/A	-	3,346
Institution Capacity Building Grant — Exploring Wild Germ Spasm	10.216	N/A	N/A	-	9,020
Institution Capacity Building Grant— Healthy Rivers	10.216	N/A	N/A	-	110,660
Institution Capacity Building Grant — Impact of Water Quality	10.216	N/A	N/A	-	2,098
Institution Capacity Building Grant — Perfect Storm	10.216	N/A	N/A	-	16,854
Institution Capacity Building Grant — Speed Breathing	10.216	N/A	N/A	-	158,204
Institution Capacity Building Grant— Strengthening Biobenergy	10.216	N/A	N/A	-	19,760
Institution Capacity Building Grant — Translation Genomics	10.216	N/A	N/A	-	1,000
	Subtotal - 10.216			-	817,074
Agricultural Research Basic ad Applied Research - Tomato	10.001	N/A	N/A	-	395
	Subtotal - 10.001			-	395
Sustainable Agriculture Research and Education Grant 19-20	10.215	University of Vermont	SNE19-34268	-	593
Sustainable Agriculture Research and Education Grant 20-21	10.215	University of Vermont	SNE20-015-WV-34268	-	2,170
Sustainable Agriculture Research and Education Grant Helping Farmer	10.215	University of Vermont	SNE21-015-WV-35383	-	2,357
	Subtotal - 10.215			-	5,120
Agriculture and Food Research Initiative - Reducing Impact of SARS-COVID	10.310	University of Delaware	2021-69006-33355	-	15,439
Agriculture and Food Research Initiative - Gummy Stem Blight	10.310	N/A	N/A	-	149,560
Agriculture and Food Research Initiative - Mid-Atlantic Sustainable Bypass	10.310	WVU	20-182-WVSU	-	37,698
	Subtotal - 10.310			-	202,697
National Institutes of Health (NIH)					
Biomedical Research and Research Training	93.859	WVU	01-054B-WVSU-4	-	6
	Subtotal - 93.859 and NIH			-	6
National Science Foundation (NSF)					
Stem Education - LSAMP 3	47.076	University of Kentucky	32000002015-19-047	-	10,216
Office Of International Science and Engineering - EPSCOR — 15-20	47.079	WVRO HEPC	01A-1458952	-	34,899
Integrative Activities - RII TRACK-2FEC	47.083	WVU	19-473-WVSU	-	42,634
Stem Education - NSF-RIA-SANJAYA	47.076	WVSU	HRD-1600988	-	2,869
	Subtotal - NSF			-	90,618
Total Research and Development Cluster				39,766	2,795,270

See accompanying Notes to Schedule of Expenditures of Federal Awards.

WEST VIRGINIA STATE UNVERSITY RESEARCH AND DEVELOPMENT CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2022

Program or Cluster Title/Federal Grantor	Assistance Listing Number	Pass-Through Entity	Pass-Through Entity Identifying Number	Pass through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture					
McIntire-Stennis Cooperative Forestry Research Program - 19	10.202	N/A	N/A	$ -	$ 3,549
McIntire-Stennis Cooperative Forestry Research Program - 20	10.202	N/A	N/A	-	17,766
McIntire-Stennis Cooperative Forestry Research Program - 21	10.202	N/A	N/A	-	105,309
	Subtotal - 10.202			-	126,624
Agriculture and Food Research Initiative - IPM TRAINING	10.310	University of Maryland	60580-Z5064202	-	742
	Subtotal - 10.310			-	742
Crop Protestion and Pest Management - EXTENSION IMPLEMENTATION 3	10.329	WVU	14-930A-WVSURDC	-	5,987
Crop Protestion and Pest Management - WV EXTENSION IMPLEMENTATION	10.329	WVU	14-930A-WVSURDC-2	-	1,387
	Subtotal - 10.329			-	7,374
Cooperative State Research Education and Extension Service					
Cooperative Extension Service (Smith Lever — Section 1444)	10.512	N/A	N/A	-	1,024,993
	Subtotal - 10.512			-	1,024,993
Scholarships for Students at 1890 Institutions Program	10.524	N/A	N/A	-	321,539
	Subtotal - 10.524			-	321,539
Cooperation Extension Service - 1890 Facilities	10.500	N/A	N/A	-	61,288
Cooperation Extension Service Program — SCRATCHMCDOWELL	10.500	N/A	N/A	-	144,036
	Subtotal - 10.500			-	205,324
Renewable Resources Extension Act					
Renewable Resources Extension Act — RREA 18	10.515	N/A	N/A	-	1,667
Renewable Resources Extension Act — RREA 19	10.515	N/A	N/A	-	1,667
Renewable Resources Extension Act — RREA 20	10.515	N/A	N/A	-	4,220
Renewable Resources Extension Act — RREA 21	10.515	N/A	N/A	-	13,500
Renewable Resources Extension Act — RREA 22	10.515	N/A	N/A	-	3,633
	Subtotal - 10.515			-	24,687
Expanded Food and Nutrition Education					
Program — EFNEP 19	10.514	N/A	N/A	-	2,805
Program — EFNEP 20	10.514	N/A	N/A	-	2,024
Program — EFNEP 21	10.514	N/A	N/A	-	81,257
	Subtotal - 10.514			-	86,086

See accompanying Notes to Schedule of Expenditures of Federal Awards.

WEST VIRGINIA STATE UNVERSITY RESEARCH AND DEVELOPMENT CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2022

Program or Cluster Title/Federal Grantor	Assistance Listing Number	Pass-Through Entity	Pass-Through Entity Identifying Number	Pass through to Subrecipients	Federal Expenditures
Centers of Excellence at 1890 Institutions - MONITORING EMERGINIG PLANT DISEASES	10.523	UMES	2021-38427-34838	$ -	$ 3,485
Centers of Excellence at 1890 Institutions - PAN-AMERICAN RESEARCH SYMPOSIUM	10.523	UMES	2021-38427-34838	-	2,500
Centers of Excellence at 1890 Institutions - YOGUART FORTIFICATION	10.523	1890 FOUNDATION	2021-NHWQL-WVSU-34836	-	13,497
Centers of Excellence at 1890 Institutions - CISFRL COE THRUST	10.523	1890 FOUNDATION	CISFRL	-	21,842
Centers of Excellence at 1890 Institutions -MEA STEM SCHOLARS	10.523	1890 FOUNDATION	FY20-MEA-WVSU-PAYNE	-	19,185
Centers of Excellence at 1890 Institutions - AESCONTS	10.523	1890 FOUNDATION	FY20-MEA-WVSU-SANJAYA	-	10,844
	Subtotal - 10.523			-	71,353
Institution Capacity Building Grant— CULTIVATING YOUNG	10.216	N/A	N/A	-	8,140
Institution Capacity Building Grant 4-H GROWTH	10.216	N/A	N/A	-	103,510
Institution Capacity Building GrantWV TREE MINDER	10.216	N/A	N/A	-	23,066
	Subtotal of 10.216			-	134,716
Specialty Crop Research Initiative - CUCCAP	10.309	Michigan State	2015-51181-24285	-	27,174
	Subtotal - 10.309				27,174
EVALUTING USDA AMS	10.164	N/A	N/A	-	1,179
	Subtotal - 10.164			-	1,179
Cooperative Forestry Assistance - SPATIAL MAPPING ED	10.664	1890 FOUNDATION	Not Available	-	160
Extension Collaborative on Immunization Teaching and Engagement - 1	10.229	1890 FOUNDATION	Not Available	-	26,598
Extension Collaborative on Immunization Teaching and Engagement - 2	10.229	1890 FOUNDATION	Not Available	-	38,836
	Subtotal - 10.229			-	65,434
	Subtotal - U.S. Department of Agriculture			-	4,892,655
U.S. Department of Education					
Higher Education Institutional Aid - Title III-B-2019 Strengthening Historically Black Colleges	84.031	N/A	N/A	-	4,032
Higher Education Institutional Aid - Title III-B-2020 Strengthening Historically Black Colleges	84.031	N/A	N/A	-	88,883
Higher Education Institutional Aid - Title III-B-2021 Strengthening Historically Black Colleges	84.031	N/A	N/A	-	1,193,323
Higher Education Institutional Aid - Title III-B-2022 Strengthening Historically Black Colleges	84.031	N/A	N/A	-	1,401,092
Higher Education Institutional Aid - PART F	84.031 B	N/A	N/A	-	9,385
Higher Education Institutional Aid - FUTURE ACT-2021	84.031 B	N/A	N/A	-	268,664
Higher Education Institutional Aid - FUTURE ACT-2022	84.031 B	N/A	N/A	-	242,689
	Subtotal - 84.031			-	3,208,068
Strengthening Minority-Serving Institutions - Title VII Master 2021	84.382 G	N/A	N/A	-	6,921
Strengthening Minority-Serving Institutions -Title VII Master 2021	84.382 G	N/A	N/A	-	259,231
Strengthening Minority-Serving Institutions - Title VII Master 2022	84.382 G	N/A	N/A	-	375,287
	Subtotal - 84.382			-	641,439
Gaining early Awareness and Readiness for Undergraduate Program - RESIDENCY 2 STIPENDS	84.334S	WVDOE	GRTAWD04022200003228	-	42,000
	Subtotal - 84.334			-	42,000

See accompanying Notes to Schedule of Expenditures of Federal Awards.

WEST VIRGINIA STATE UNVERSITY RESEARCH AND DEVELOPMENT CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2022

Program or Cluster Title/Federal Grantor	Assistance Listing Number	Pass-Through Entity	Pass-Through Entity Identifying Number	Pass through to Subrecipients	Federal Expenditures
NATIONAL ENDOWMENT					
Promotion of the Humanities - Federal/State Partnership - ART OF STORYTELLING	45.129	WV HUMANITIES	20.1.7980	$ -	$ 450
	Subtotal - 45.129			-	450
Specialty Crop Block Grant Program - CROWDSOURCING	10.170	WVDA	SC2003	-	17,920
Specialty Crop Block Grant Program - IMPROVING VINTAGE TOMATO	10.170	WVDA	Not Available	-	9,553
Specialty Crop Block Grant Program - VIDEOS	10.170	WVDA	19SC07	-	3,182
	Subtotal - 10.170			-	30,655
Soil and Water Conservation - OASIS IN THE DESERT	10.902	N/A	N/A	-	39,835
Soil and Water Conservation - NRCS-CONSERVATION SYSTEM TRAINING	10.902	N/A	N/A	-	30
	Subtotal - 10.902			-	39,865
NASA					
Office of Stem Engagement - SWEET POTATO ON MARTIAN SOIL	43.008	WV SPACE CONSORTIUM	N/A	-	13,891
Office of Stem Engagement -ROCKETEERS	43.008	WV SPACE CONSORTIUM	N/A	-	551
	Subtotal - 43.008 and NASA			-	14,442
U.S. Department of Transportation (DOT)					
Highway Planning and Construction - STI	20.205	WV DOT	N/A	-	37,250
	Subtotal - 20.205 and DOT			-	37,250
U.S. Department of Health and Human Services (DHHS)					
Maternal and Child Health Services Block Grant to the States - HGP-DHHR	93.994	WVDHHR	Not Available	-	54,569
Activities to Support State, Tribal, Local and Territorial Health Department Response to Public Health	93.391	WVDHHR	Not Available	-	97,019
	Subtotal - DHHS			-	151,588
U.S. Department of Treasury (DOT)					
COVID-19 Coronavirus Relief Program - NURSING EXPANSION	21.019	N/A	N/A	-	106,469
	Subtotal - 21.019 and DOT			-	106,469
ARMY EDUCATIONAL OUTREACH					
Basic, Applied and Advanced Research in Science - SOI	12.630	BATTELLE MEMORIAL	N/A	-	16,755
Basic, Applied and Advanced Research in Science -YELLOW JACKET UNITE	12.630	TECHN.STUDENT ASSOC	N/A	-	15,526
	Subtotal - 12.630 and Army Education Outreach			-	32,281
TOTAL FEDERAL AWARDS				$ 39,766	$ 9,197,162

See accompanying Notes to Schedule of Expenditures of Federal Awards.

NOTE 1 BASIS OF PRESENTATION

The purpose of the schedule of expenditures of federal awards (the Schedule) is to present a summary of those activities of West Virginia State University Research and Development Corporation that have been financed by the U.S. government (federal awards). Federal awards received directly from federal agencies are included in the Schedule, as are federal guaranteed loans disbursed by other sources. Additionally, all federal awards passed through from other entities have been included in the Schedule. The Corporation is required to match certain grant agreements, as defined in the grants, and these matching amounts are not included in the Schedule.

The information in the Schedule is presented in accordance with requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the Corporation, it is not intended to and does not present the financial position, changes in net position, or cash flows of West Virginia State University Research and Development Corporation.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Corporation has elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

WEST VIRGINIA STATE UNVERSITY RESEARCH AND DEVELOPMENT CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified

2. Internal control over financial reporting:

• Material weakness(es) identified?	__x__ yes	_____ no
• Significant deficiency(ies) identified?	_____ yes	__x__ none reported

3. Noncompliance material to financial Statements noted? _____ yes __x__ no

Federal Awards

1. Internal control over major federal programs:

• Material weakness(es) identified?	_____ yes	__x__ no
• Significant deficiency(ies) identified?	__x__ yes	_____ none reported

2. Type of auditors' report issued on: compliance for major federal programs: Unmodified

3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? __x__ yes _____ no

Identification of Major Federal Programs

Assistance Listing Numbers	**Name of Federal Program or Cluster**
Various	Research and Development Cluster
84.031	Higher Education Institutional Aid

Dollar threshold used to distinguish between Type A and Type B programs: Type A - $750,000; Type B - $187,500

Auditee qualified as low-risk auditee? _____ yes __x__ no

Section II – Financial Statement Findings

2022 – 001 – Audit Adjustment

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: During the audit, we proposed one audit adjustment to reduce federal revenue and increase unearned revenue by $893,521, respectively.

Criteria or specific requirement: Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation of the financial statements, including the notes to the financial statements, in conformity with accounting principles generally accepted in the United States of America. Their responsibilities include recording significant financial reporting processes, including controls over procedures used to enter transaction totals into the general ledger; initiate, authorize, record, and process journal entries into the general ledger; record recurring and nonrecurring adjustments to the financial statements and safeguarding the Corporation's assets.

Effect: The lack of controls in place over the recording of financial activities, presentation of the financial statements, and the safeguarding of assets resulted in material error.

Cause: The Corporation received a grant of $1,000,000 for which cash was received in advanced of performing the services. During our preparation of the schedule of expenditures of federal awards for the year ended June 30, 2022, only $106,469 of expenses were identified as incurred on the grant. Therefore, only $106,469 should be recorded as revenue in fiscal year ending June 30, 2022. However, the Corporation recorded the full amount of the cash received in fiscal year ending 2022. Generally, the Corporation receives cash reimbursement grants so the cash advancement was a unique situation for the Corporation.

Repeat Finding: No

Recommendation: The Corporation should evaluate their financial reporting processes and controls, accounting and recording of grant revenues to ensure they are recorded in the correct fiscal year.

Views of responsible officials and planned corrective actions: Management will implement a review process to ensure that when cash advancement grants are received that revenue is recorded only when the eligible expenses are incurred.

Section III – Findings and Questioned Costs – Major Federal Programs

2022 – 002

Federal Agency: United States Department of Agriculture and National Science Foundation

Federal Program Name: Research and Development Cluster

Assistance Listing Number: 10.216, 10.310 and 47.083

Federal Award Identification Number and Year:

- 20183882128111 and July 1, 2021 to June 30, 2022 (ALN 10.216)
- 20183882127753 and July 1, 2021 to June 30, 2022 (ALN 10.216)
- 20203882131122 and July 1, 2021 to June 30, 2022 (ALN 10.216)
- OIA-1920920 and July 1, 2021 to June 30, 2022 (ALN 47.083)
- 2020-68012-31881 and July 1, 2021 to June 30, 2022 (ALN 10.310)

Pass-Through Agency:

- West Virginia University (ALN 47.083)
- West Virginia University (ALN 10.310)

Pass-Through Numbers:

- 19-473-WVSU (ALN 47.083)
- 20-182-WVSU (ALN 10.310)

Award Period:

- April 1, 2018 to March 31, 2023
- March 15, 2018 to March 14, 2022
- May 1, 2020 to April 30, 2023 (ALN 10.216)
- August 1, 2019 to July 31, 2023 (ALN 47.083)
- September 1, 2020 to August 31, 2025 (ALN 10.310)

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Other Matters

Criteria or Specific Requirement: According to Title 2, Subtitle A, Chapter II, Part 200, Subpart E, General Provisions for Selected Items for Cost section 200.430, non-Federal entity's should have a system of internal controls which includes processes to review after-the-fact determination of percent of time individuals spent on federal grants when such expenditures are charged.

Condition: During our testing of five out of sixteen payroll expenditures, we noted that there was no after-the-fact determination of the individual's time for payroll period charged against the federal grants.

Questioned Costs: $1,761 (ALN: 10.216), $213 (ALN: 10.310) and $720 (ALN: 47.083)

Context: During our testing, we noted that the reviewer relied on the budgeted estimate instead of the after-the-fact determination when reviewing for whether the costs and activity were allowed.

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Cause: The Corporation did not follow their process where for all employees that charge payroll to grants that a time certification should be done after-the-fact to ensure that the actual time spent on grants are charged appropriately.

Effect: There are costs of $2,964 charged to federal grants that were based on budgeted estimates of time spent on grants.

Repeat Finding: No

Auditor's Recommendation: We recommend that the Corporation review their time and effort after-the-fact reporting policy and ensure it is followed throughout the life of federal grants.

Views of Responsible Officials: There is no disagreement with the audit finding.

<u>2022 – 003</u>

Federal Agency: United States Department of Agriculture

Federal Program Name: Research and Development Cluster

Assistance Listing Number: 10.216

Federal Award Identification Number and Year:

- 20183882127753 and July 1, 2021 to June 30, 2022

Pass-Through Agency: N/A – Direct Funding

Pass-Through Number: N/A – Direct Funding

Award Period:

- March 15, 2018 to March 14, 2022

Type of Finding:

- Significant Deficiency in Internal Control over Compliance and Other Matters

Criteria or Specific Requirement: According to the 2 CFR 200.77, non-federal entities should charge expenditures within the period of performance of the grant which is the time during which the non-Federal entity may incur new obligations to carry out the work authorized under the Federal Grant.

Condition: During our testing of eighteen expenditures charged during the end of the month of period of performance, we noted three that had an expenditure for services provided after the end of the period of performance.

Questioned Costs: None

Context: During our testing, there was a payroll charge of $369 which included services that was from March 2, 2022 to March 16, 2022. Additionally, there were two payroll charges totaling $2,158 that were from April 1, 2022 to April 15, 2022. The ending period of performance for the grant that the costs were charged to was March 14, 2022.

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Cause: The Corporation overlooked the period of performance end date and this resulted in payroll amount being charged against the grant outside the period of performance.

Effect: This resulted in an estimated $2,208 being charged out of the period of performance.

Repeat Finding: No

Auditor's Recommendation: We recommend that the Corporation review their period of performance process to ensure that costs that are charged against the grants are within the period of performance.

Views of Responsible Officials: There is no disagreement with the audit finding.